1. Tariffs and modern political institutions: an introduction

THE POLITICAL ECONOMY APPROACH TO TRADE POLICY

It is widely accepted that politics plays an important role in determining international trade policy. Pinning down why, and how, politics matters is more difficult. Economic theory tells us that any two individuals can make themselves better off by engaging in trade. Even though one individual might be absolutely better than the other at making a variety of goods, if they both focus their efforts on those goods that they are relatively better at making, and then engage in trade, they are both better off. This simple interaction needs no monitoring, coordination or enforcement by the state. Prices are determined by the market, itself affected by assets, technology and the desires of individuals.

Parallel arguments have suggested since the 1700s that nations benefit from trade in much the same way as individuals (Irwin, 1996). If nations specialize in those goods that they are relatively better at making, and exchange these for goods that they produce less well, then all nations will have more of the goods they desire.

Despite these benefits of trade, the politics of free trade are fraught with controversy. Historically, few nations have wholeheartedly adopted free trade policies. Most nations today maintain some protectionist policies, including tariffs, import quotas and indirect barriers such as regulatory restrictions or subsidy assistance. When nations do engage in free trade, they typically 'manage' it through international institutions and multilateral or bilateral trade treaties (Bagwell and Staiger, 1990).

Neoclassical economics provides few reasons why governments interfere in the market for international trade. Certainly most economic officials would agree that free trade maximizes total world output, at least in principle. However, leaders are concerned not just with maximizing the size of the world's pie. Leaders are practical men and women, not scholars of international trade theory. They are interested in 'assembling and retaining political support, winning elections, and building institutional power bases' (Shepsle, 1985: 235). If this means sacrificing the overall size of the pie in order to get a larger slice for their supporters, then they will make the sacrifice. Nations engage in international trade not only to maximize joint output but to distribute the wealth that trade creates.

These basic facts immediately raise the question of whose welfare matters – that of the nation as a whole, or that of individuals and groups within it? Kenneth Arrow (1951) conclusively demonstrated that there is no unique, right or appropriate way to aggregate the welfare of individuals into the welfare of the group, that is, into a single social welfare function (see also Gibbard, 1969; Satterthwaite, 1975). Even if there were a single social welfare function, politicians would have no particular reason to maximize it. Political leaders do not enact policies that enhance some mystical idea of the social good. Instead, they use policies and the resources at their disposal to enhance the welfare of those who support them in order to maximize their own political support (see Pahre, Chapter 2). Politicians formulate trade policy with a view to the political costs and benefits it affords them in the political market for trade policy (Magee, Brock and Young, 1989).

Understanding trade policy therefore requires the study of this political market. We will use an approach to this study called public choice theory. Public choice uses the tools of modern economics to analyse the workings of political institutions and the behaviour of governments (Frey, 1984; Mueller, 1989). Political leaders are self-interested actors whose choice of strategies is shaped by the institutional context in which they find themselves, and the welfare of the key individuals who enable them to keep their jobs. The political institutions and the social rules and norms of a given polity determine who these individuals are, as well as the balance of political power among trade-affected interests, and the extent to which politicians seek to appease these interests in formulating trade policy.

In this framework, differences in political institutions explain why nations adopt different trade policies even though their leaders all pursue the same basic objective. Different political rules lead to different political outcomes. Understanding the effects of these rules normally requires, then, a comparative perspective that allows us to test hypotheses about institutions in different political, cultural and ideological environments. Through such research we may improve our understanding of how ideas, material interests and institutions matter, by developing theoretical case studies of comparable past events.

These institutions vary not only from one country to another but across time in a single country. Not only comparative study but comparative historical study is appropriate.

Since policies are shaped by the rules of the game, and these policies determine the identities of the winners, it is not surprising that political competition should extend to the choice of the rules. Each individual wants to structure the rules so as to favour policies that promise redistributive benefits for him or herself. Conflict thus ensues over the choice of rules. The intensity of this conflict, and the importance of its results for all subsequent decisions, policies and hence economic and social development, are what makes the study of institutional formation essential (Calvert, 1995). Understanding these changes in rules points us towards the study of history.

Throughout these historical processes, social interaction is also governed by ideas. Ideas affect what people want, in that they may shape preferences (Schonhardt-Bailey, Chapter 5). Ideas may also shape how people think they can achieve the ends they desire. McLean's Chapter 4 provides an example of this role of ideas, documenting how beliefs possibly shaped Peel's and Wellington's choices over trade policy in 1845–6. Ideas such as liberalism also lay behind many of the institutional changes we see over time, and thus have an indirect effect on trade policy outcomes.

In sum, then, explaining trade policy requires that we begin with material interests. Yet any account based solely on material interests must be incomplete. For this reason, we then turn to institutions and/or ideas. Within this analytical framework, our approach is both historical and comparative. For convenience, we focus on the economies of the North Atlantic economy from 1783 to 1914. While Pahre's chapter provides an overview of trade cooperation in this entire region, the other chapters focus on some of the important individual states within it, especially the UK, Germany and the rising power of the USA.

Looking Backwards to see Forwards: Infusing Political Economy with History

Our comparative and historical perspective differs from most previous research on institutions within economics and political science, which has preferred to focus solely on contemporary institutions. Both non-Marxist political economy and public choice theory, for example, have been dominated by the study of postwar USA and the international organizations it created. Even when scholars have tried to detail the mechanics of institutional change, they have generally taken a more narrow perspective limited to the last half-century. For example, a literature on the changing delegation of trade policy through Reciprocal Trade Agreements Act (RTAA) and Fast Track authorization (Bailey, Goldstein and Weingast, 1997) has tended not to look back to trade policy delegation before World War I. With the partial exception of Britain, research on tariff policy in the nineteenth century using modern analytical tools is extremely rare.

This oversight is unfortunate. Historical work opens a rich database of institutional experience that has not been adequately exploited by the public choice, comparative or international relations literatures. Beyond mere data, history also highlights the importance of sequence, which now goes under the name of 'path dependence'. Understanding contemporary events requires a study of history because yesterday's events allow some choices today and preclude yet others.

What we are today reflects the past. During the historical period that we examine in this volume, the state widened its role in structuring conflict over trade policy. Interest groups, political parties, legislatures and an agenda-setting executive emerge as political institutions in Western Europe in the nineteenth century. This period also saw the birth of modern political ideologies. Liberalism became the central social movement of the nineteenth century, and provides a point of departure for its rivals such as Marxism, radicalism or nationalism. Indeed, one could argue that liberalism has provided an important part of the world-system's central ideology in the last two hundred years, along with universalist rationality, truth-seeking and a belief in assimilation through 'modernization' (Wallerstein, 1983, 1994).

International trade institutions also emerge during this period, notably frequent negotiations between countries over trade and routinized trade treaties with reciprocal most favoured nation (MFN) clauses. In Chapter 2, Pahre shows how politicians' pursuit of political support both leads them to impose tariffs and makes them willing to negotiate reciprocal reductions in these tariffs. Once in place, these institutions constrain domestic politics, which can no longer change trade policy rapidly in response to international economic change.

Besides the simple act of creation, the history of an institution affects its workings today. For example, in Chapter 3, McGillivray studies the origins of the commerce clause of the US Constitution, which centralized tariff-making authority in the federal Congress. This resulted in higher external state tariffs but helped liberalize world trade by forcing Britain to open some of its colonial markets to US products and shipping. This commerce clause then played an important role in US constitutional development by distinguishing interstate from intrastate commerce in a manner not found in most other nations.

Likewise, the history of an ideology affects its importance today. Anthony Howe (1997) has recently examined the repeated reinventions of free-trade liberalism in Britain, showing how interests and party politics regularly changed the meanings of this ideology. These changing meanings of liberalism are not evident even in a classic such as Charles Kindleberger's *Rise of Free Trade in Europe* (1975), which emphasized crossnational differences in liberalism but did not consider changes in the core of its meaning.

Free traders remain important supporters of trade liberalization through the World Trade Organization (WTO) today, but the current version of liberalism reflects changes in that history. Studying that history illuminates why free-trade liberals support the WTO while an ahistoric ideational approach would obscure the tensions in that ideology. Most nineteenth-century Liberals opposed signing the trade treaties upon which the WTO relies, preferring unilateral liberalization. The experience of the nineteenth-century regime and its breakdown between the world wars convinced most Liberals that negotiated tariff reductions, not unilateral liberalization, were most likely to lead to a world of freer trade. Only by looking at the history of the trade treaty regime and the changing ideology of free trade can we understand how free trade ideology became what it is today.

Besides affecting trade policy directly, ideologies also affect it indirectly by influencing voting behaviour. This relationship is central to Chapters 4 and 5, in which Schonhardt-Bailey and McLean examine how ideologies, religion and beliefs about the national interest shaped the vote in the UK and Germany. Schonhardt-Bailey explores the early years of a process that has become central to the right-of-centre catch-all parties in Britain, Germany and the USA. These parties build their appeal to non-members in part on the claim that their party represents the national interest in trade and other issues. Because a history of highly ideological parties makes this appeal more difficult, she argues, past institutional choices constrain ideological choices today. Such path dependence provides fertile ground for historical research.

While Schonhardt-Bailey looks at the opportunity to make new ideological appeals, McLean takes these ideologies as given. He emphasizes instead the consequences of these ideologies at the mass level and, more important, in structuring the options seen by leaders such as Peel or Wellington. He uses new archival research to show just how the institutional and ideological context of mid-century England gave Peel and Wellington room to manoeuvre in repealing the Corn Laws. McLean argues that leaders such as Peel can use ideology strategically to create free trade in a 'hostile' political environment. However, the effects of both institutions and ideologies are context-specific. Their histories matter, both theoretically and empirically.

For these reasons we believe that a comparative historical perspective can deepen our substantive understanding of the modern role of the state. Schonhardt-Bailey's Chapter 5 is the most explicitly comparative, while Pahre presents a broad overview of developments in other countries. In the other two chapters, comparisons occur across time within a single country. Such comparative historical research allows us to test hypotheses about institutions in different political, cultural and ideological environments. As a result, we may improve our understanding of how ideas, material interests and institutions matter, by developing theoretical case studies of comparable past events.

Like others, we reject a purely narrative account as practised by many traditional historians. Instead, we seek to structure our narrative theoretically, an approach that has come to be called – not surprisingly – analytical narratives (Bates et al., 1998). The common analytical theme in our historical analyses of interests, ideology and institutions is public choice theory (especially that subset of public choice theory known as endogenous tariff theory). Public choice theorists have built theories of institutions and to a lesser extent ideology (Hinich and Munger, 1994).

Through such studies, this volume seeks to broaden public choice theory in trade politics to allow for the study of ideas and institutions in a longer time horizon. We aim to deepen our substantive understanding of modern political institutions in the firm belief that where we are today is in large measure a function of the choices made by important ghosts of the past.

Existing Theories of Trade Policy

This approach is grounded not only in history but in the intellectual history of the field of international political economy (IPE). Existing theories of trade policy in both political science and economics have found themselves propelled in the direction of studying institutions and ideas. This is especially true in the literature known as endogenous tariff theory (ETT), the research tradition in IPE with the closest links to public choice theory.

There is little question that the study of institutions and ideas has received insufficient attention from the field of international political economy. Instead, material interests have been used as the main predictor of economic policy outcomes. This is most obvious in Marxist political economy, which emphasizes the material interests of classes. Yet neoclassical political economy's study of the material interests of firms, interest groups and consumer-voters shares this materialist focus. Because material interests have often provided compelling explanations for the formulation of public policy, it is not surprising that their importance often goes unchallenged by scholars.

Given this focus, theoretical debates have often raged not about whether interests matter but rather *whose* material interests matter most. For Marxists, the material interests of the class are key; for public choice theorists, the material interests of the individual consumer, firm or politician matter most; for many Realists, the material and security interests of the state determine outcomes. Scholars focusing on domestic political actors, such as the 'UCLA school of political economy', have examined whether the interests of owners of factors of production or the interests fixed to specific industries both predict trade policy outcomes (Frieden, 1991; Frieden and Rogowski, 1996; Rogowski, 1989; see also Gabel, 1998; Magee, 1972).

Despite their different emphases, all these approaches point to material interests as the primary explanation for political behaviour. Even so, recent years have seen each approach begin to include other kinds of explanation. Following Gramsci's lead, many Marxists have given ideology a more central place in their theories (Cox, 1981). Institutions such as the state also play an important role in many Marxist or Marxian theories (Skocpol, 1985). Realists find neo-Liberal theories of international institutions and social constructivist accounts of the national interest to be twin challenges demanding a response. Scholars focusing on domestic political actors increasingly acknowledge the importance of institutions in understanding endogenous tariff formation (Finger, Hall and Nelson, 1982). Other scholars have sought synthesis of several approaches built on interests and ideology (Goldstein and Keohane, 1993b).

While the exact reasons for this move vary by approach, each has faced problems such as those that Peter Gourevitch (1986: 113–19) identifies for the study of economic interest alone: while economic interest accounts for preferences it cannot explain how these preferences turn into policy, or how one group triumphs over another. These concerns have led to a focus on institutions and ideology in each approach. The following review points towards the substantive need for a better understanding of how institutions, ideology and material interests influence trade policy. Though some scholars seek a new paradigm for research based on either ideology or institutions, we believe it is rash to discard many of the insights that we have gained from an interest-based paradigm. Rather, what is needed is a selective integration of the interests, ideologies and institution literatures.

The International Level

The primary international-level explanations for variation in trade policy are realism, cooperation theory and hegemony theory. Though distinct, their intellectual histories overlap enough so that we may discuss them in tandem. All Realists assume that the state is the primary actor in international politics. Explaining trade policy therefore requires understanding the state's goals (Krasner, 1976, 1978). Some Realists emphasize national wealth as a central goal. They argue that states use market power to achieve wealth through optimal tariffs or other coercive trade policies (Conybeare, 1987; Lake, 1988). Hegemonic stability theory extends this reasoning to see how a single large state may or may not act in ways beneficial to the system as a whole (Keohane, 1984; Pahre, 1999). Other Realists argue that states must worry not about wealth but about *relative* wealth, because the anarchic international system forces them to seek positional goals such as relative power (Gowa, 1994; Grieco, 1990; Stein, 1984).

Scholars reacting against this tradition point instead to international institutions such as international organizations, regimes and other forms of international cooperation. This research has shown that even self-interested relative power-maximizing states have an incentive to cooperate, and that international institutions can play an important role in encouraging this cooperation (Keohane, 1984). Even on its own terms, then, Realism must address international institutions.

Other critics of structural Realism have shown how the theory makes ambiguous predictions (and policy recommendations) for the foreign policies of individual states. At one extreme, then, in Alexander Wendt's phrase, 'anarchy is what states make of it'. This argument has led to a renewed interest in Gramscian hegemony and the ideological constructions of international relations (Wallerstein, 1994). Even from a more traditional theoretical standpoint, a state's definition of its interests, the beliefs it holds about human nature and the institutional environment in which it finds itself shape foreign policy choices.

A state's definition of its own interests often reflects domestic political battles over those interests. Trade policy, like many other policies, has redistributive consequences, making some individuals better off at the expense of others. These redistributive consequences are masked when theoreticians discuss trade in terms of unitary countries. Contrary to theory, countries are not unitary actors but collectivities of individuals, firms and groups. Some of these players benefit from a given trade policy – whether protectionist or free trade – while others suffer. Distributional problems persist even though unrestricted trade is normally the best policy choice from the perspective of the national economy.

In sum, then, whereas scholars at the international level have traditionally looked at material interests or relative power maximization, research has increasingly been drawn to international institutions or international ideological constructions. In addition, an individual cannot neatly separate international trade policy from its domestic distributional consequences. This leads us to the domestic level of analysis.

Domestic Level

Though international-level theories have dominated the field for several decades, the end of the Cold War has increasingly pointed theorists towards the study of how domestic politics affects foreign policy (Goldstein and Keohane, 1993a; Gourevitch, 1986; Keohane and Milner, 1996; Milner, 1988; Rogowski, 1989; Schonhardt-Bailey, 1991a, 1991b, 1994). Others have explored more specifically how domestic institutions shape international relations (Barnett, 1990; Bueno de Mesquita and Lalman, 1992; Siverson, 1997; Smith and Hayes, 1997). In either case, these scholars argue, foreign policy inevitably reflects leaders' domestic political problems.

Much of the research that challenges the international level is comparative. Some authors find that differences in constitutions, such as variation between democratic and non-democratic regimes, provide a key factor in explaining differences in foreign policies. Others argue that parties and governing coalitions (Simmons, 1994), interest group lobbies (Milner, 1988; Schonhardt-Bailey, 1991a, 1991b, 1994), or quasi-constitutional changes in trade policy institutions (Finger, Hall and Nelson, 1982; Goldstein and Keohane, 1993b) are the critical variables. While this research accounts for many anomalies left by Realism, it can hardly be credited with offering a general theory of domestic politics. Even the work that uses public choice theory generally ignores supply-side political institutions such as legislatures and administrative agencies (Nelson, 1988).

Though unfamiliar to many political scientists, the leading domestic level theoretical explanation of trade policy is probably the so-called ETT. ETT is a subset of public choice theory in that it rests its analysis on the material interests of firms, consumers and politicians. Developed largely by economists, ETT seeks to equate trade policies to prices in an economy, so that the endogenous behaviour of lobbies, parties and politicians creates an endogenous political equilibrium. Such theories assume that firms face a choice between investing in economic behaviour and 'investing' in politics by lobbying officials, supporting parties or participating in campaigns with the aim of obtaining private economic rents. Looking only at economic investment choices neglects the intimate relationship between politics and economics, and the way that uncompetitive firms might compensate for their economic weaknesses through political action.

Empirically, ETT has successfully generated a large number of well-supported hypotheses. We summarize many of these in Tables 1–3, with representative but not exhaustive citations to each claim. It is unlikely that any other approach could boast a comparable number of logically interrelated testable propositions. These hypotheses offer a sharp rebuttal to the common claim that the 'democratic peace' is the only well-supported regularity in the field of international relations. Moreover, ETT's proponents agree on a large number of core assumptions and recognize many of the hypotheses described in Tables 1.1–1.3, thereby facilitating cumulative research. This stands in contrast to approaches such as Realism, whose proponents disagree even about the main assumptions and central claims of the theory (Vasquez, 1997).

As this list of hypotheses shows, ETT examines how tariffs vary in three

Table 1.1 Endogenous tariff theory: sectoral variation

Industries more likely to receive protection . . .	
are in decline or growing slowly	Baldwin (1985); Lavergne (1983); Marvel and Ray (1985)
are less competitive internationally	Marvel and Ray (1985)
have relatively few firms	Baldwin (1985); Lavergne (1983)
have production concentrated in relatively few firms	Finger, Hall and Nelson (1982); Marvel and Ray (1985)
produce consumer goods	Marvel and Ray (1985)
have high labour ratios	Baldwin (1985); Lavergne (1983)
are in regions of high unemployment	Cassing, McKeown and Ochs (1986)
are textiles, apparel, footwear and chemicals	Deardorff and Stern (1983); Destler (1985); Ray (1974, 1981); Ray and Marvel (1994)
are agriculture in the developed world	Anderson (1992a); Anderson and Hayami (1986); Ray and Marvel (1994)
face inelastic demand for their goods	Nye (1991)
produce highly processed goods	Magee, Brock and Young (1989)
are highly unionized	Wallerstein (1987)
have less intra-industry trade	Marvel and Ray (1987)
produce goods farther down the chain of production	Husted and Melvin (1993); Ray (1974)
face increasing import penetration	Trefler (1993)
are larger	Finger, Hall and Nelson (1982)
are geographically dispersed	Pincus (1977); Schonhardt-Bailey (1991b)

dimensions. First, tariffs may vary by good. US tariffs on textiles and apparel, for instance, are much higher than tariffs on automobiles or computer parts (Table 1.1). Similarly, Britain protected corn much more adamantly than it did manufactured goods in the 1840s. Table 1.1 summarizes some of the hypotheses put forth to explain why some goods receive higher levels of protection than other goods.

Table 1.2 Endogenous tariff theory: crossnational variation

Nations with higher levels of protection . . .	
are less wealthy	Conybeare (1983); Magee, Brock and Young (1989).
have neither very large nor very small domestic markets	Bates, Brock and Tiefenthaler (1991); Cameron (1978); Conybeare (1983)
are less developed	Conybeare (1983)
have greater relative power	Lake (1988)
have smaller political jurisdictions	Magee, Brock and Young (1989)
have less diversified imports	Conybeare (1983)
have smaller GNPs	Conybeare (1983)
have smaller manufacturing sectors	Conybeare (1983)
lack other sources of government revenue	Conybeare (1983)
have a larger central government	Conybeare (1983)
face greater export instability	Conybeare (1983)
have less diversified exports	Conybeare (1983)
have smaller endowments in skilled and semi-skilled labour	Leamer (1984)
have smaller endowments in capital	Leamer (1984)

In the UK's case – which is central to Chapters 4 and 5 – greater protection for corn than for manufactured goods in the 1840s is easily explained by the restricted franchise, in which landowners were heavily over-represented in parliament. Both in nineteenth-century Britain and in contemporary cases, industries with production concentrated in relatively few firms tend to receive higher levels of protection because such industries can more easily overcome the free-rider problems and organize politically (Marvel and Ray, 1985; Schonhardt-Bailey, 1991b).

Second, tariffs may vary by country (Table 1.2). US tariffs, for instance, are generally much lower than Mexico's tariffs. Infant industry arguments and government revenue arguments are used by Conybeare (1983) to explain why Mexico's tariffs are higher than the USA. In the late nineteenth century, Britain maintained a policy of free trade while Germany enacted protectionism, in part because British political institutions facilitated the

Table 1.3 Endogenous tariff theory: intertemporal variation

Tariffs vary over time . . .	
with the domestic business cycle	Cassing, McKeown and Ochs (1986); McKeown (1983)
with economic growth	Magee, Brock and Young (1989)
with levels of development	Anderson and Hayami (1986); Magee, Brock and Young (1989)
with the terms of trade	Hillman (1982); Magee, Brock and Young (1989); Pahre (1998)
with capital labour ratios	Magee, Brock and Young (1989)
after creation of a free-trade area	Richardson (1993)
with global business cycles	McKeown (1983); Takacs (1981)

nationalizing of free-trade ideology while German political institutions favoured protectionists (see Schonhardt-Bailey, Chapter 5).

Third, tariffs may vary over time, as summarized in Table 1.3. For example, US tariffs rose in the 1800s but have declined over this century. Various explanations present themselves. Magee, Brock and Young (1989) argue that as economies develop, they become more capital-abundant. This makes it more likely that a capital party gets elected and free-trade policies become adopted. Anderson and Hayami (1986) maintain that as a country's economy grows (and its comparative advantage moves away from agriculture) it will tend to switch from taxing to protecting agriculture relative to other sectors. In Chapter 2, Pahre argues that in the nineteenth century tariffs fell as European countries expanded the franchise, developed more democratic political institutions and signed trade treaties with one another.

While most enjoy substantial support, the hypotheses in Tables 1.1–1.3 are not without controversy. One example is the relationship between the business cycle and the tariff, where some authors emphasize a procyclical explanation and others represent an anticyclical camp (Cassing, McKeown and Ochs, 1986; Hillman, 1982; Magee, Brock and Young, 1989; O'Donnell, 1978). A second example is the 'size of country' hypothesis, where tariffs increase with the size of country. Some maintain that large countries are more protectionist because they impose optimal tariffs, while others argue they are less protectionist because multinationals – which flourish in large countries – have the political clout to push for free trade (Conybeare, 1983; Magee, Brock and Young, 1989). In each of these examples, the particular hypothesis appears to be sensitive to the exact theoretical assumptions that an author makes about politics and markets; future models in which these assumptions are variables instead of parameters would exploit the 'rigorous flexibility' inherent in formal models (Pahre and Papayoanou, 1997) to develop more encompassing hypotheses about these relationships. On the empirical side, the evidence appears sensitive to research design in that crossnational tests, cross-sectional tests in a single country and longitudinal tests obtain different results.

The list of testable hypotheses shows that the literature on endogenous tariff theory has been most successful in explaining variation in tariffs across goods in a single country within a narrow time period. Sectoral variation, labour costs, stage of production and product cycle are all differences by industry or good within a single country at a single moment in time. ETT's greater success with interindustry variation probably reflects the research effort that US economists have given to explaining US tariffs. The overwhelming majority of ETT research focuses on the tariffs of postwar USA, thereby excluding variation over time or across countries (Marvel and Ray, 1985, but Caves, 1976; McGillivray, 1997; Pincus, 1975; Schonhardt-Bailey, 1991a, 1991b).

The heavy bias in the field towards studying the USA has imposed theoretical limitations. In particular, ETT usually has not problematized the institutional differences between the USA and other countries. For instance, widely-read articles examine the economic policy chosen under majority rule (Mayer, 1984), by a competitive two-party system (Magee, Brock and Young, 1989; see Lohmann, 1992), by governing parties concerned about pluralities in marginal constituencies (Conybeare, 1984; McGillivray and Smith, 1997), by a single support-maximizing leader (Stigler, 1971; Peltzman, 1976; Hillman, 1982; Hillman, Long and Moser, 1995), or by interest groups alone (Becker, 1983). These assumptions clearly reflect differing views of what drives political behaviour in the USA. Median voters, interest groups, parties, Congress, quasi-judicial bodies such as the ITC, and the executive are key features of US tariff-making, so the same is held to be true of other countries by extension. Yet parliamentary government, to say nothing of non-democracies, works very differently. Parliamentary coalition formation, to take one salient institution, has not been modelled in ETT.

The notion of firm expenditures on interest groups generating pressure is also peculiarly American. As Nelson (1988: 799) notes: 'A major problem with this literature is that fundamental assumptions about the nature of the political system are adopted without critical scrutiny'. Referenda, which can be important for tariffs, trade treaties and institutions such as the European Union (EU), have received attention in only a single article on

Switzerland (Weck-Hannemann, 1990). This work should be extended to cases in with *de facto* referenda on trade issues, such as Brian Mulroney standing for election on the issue of Canada's entry into the North American Free Trade Agreement (NAFTA).

A second limitation is that ETT is silent on the role of the state in trade policy formation. The literature can be searched almost in vain for the issues of state structure, state capacity, state autonomy or state interest to which many political scientists are attentive (Krasner, 1977, 1978; Skocpol and Finegold, 1982). The closest analogue is the research on 'administered protection' (Finger, Hall and Nelson, 1982) or Cowhey and McCubbins's (1995) analysis of bureaucratic control of policy in the USA and Japan. Pahre's model of a political support-maximizing state in this volume provides one way that public choice theory might move in this direction.

Table 1.2 illustrates that most crossnational studies of trade policy emphasize variance in wealth and development, not in institutional design and performance. Yet, it makes intuitive sense that institutional variation should play an important role in tariff formation, in part because the effects of interests will vary according to institutions of political representation. Indeed, some evidence suggests that many industry variables vary in both significance and direction across countries (Anderson and Baldwin, 1987). In particular, geographically-concentrated labour-intensive industries are well represented in both Europe and the USA but the effectiveness of their demands varies across political systems. McGillivray (1997) argues that crossnational differences in electoral rule and the nature of party competition explain why geographically-concentrated industries are politically powerful in some countries but politically weak in others.

Intertemporal variation has received even less attention in ETT than crossnational variation. Most empirical ETT is static, examining industrial structure and tariffs cross-sectionally rather than over time. Studies that have looked at tariff variation over time usually focus on key elections or legislative votes. For instance, most scholars of the most well-studied historical case, the Repeal of the Corn Laws in Britain, have not extended their analysis longitudinally to look at trade policy before or after repeal in 1846 (but see Schonhardt-Bailey, 1991a, 1991b, 1994). Remedying this deficiency requires that we look at institutional change over time and sometimes, most important, at the origins of an institution. Historical work such as this volume contributes to this agenda.

Longitudinal studies are also important because institutional change, by its very nature, reflects intertemporal considerations. A coalition in government today is rarely able to affect policy ten or fifteen years' hence. Nonetheless, it can restructure the institutions in which policy is made (sometimes in a single issue area, sometimes in many) and thereby hope to shape subsequent policy making. For example, US internationalists in power at the end of World War II anticipated a resurgence of isolationism. By integrating the USA into a set of international institutions, they hoped to bias the foreign policy system towards internationalist policy outcomes. Such cases are common, and help us see the importance of institutional (re)design in the transitional period of the 1990s. To obtain long-term benefits, a government may even forgo short-term interests. Indeed if one believes that Prime Minister Sir Robert Peel sacrificed his government and his party for the sake of the long-term benefits from free trade, then repeal demonstrates this strategy in the extreme.

In sum, understanding the role of institutions in ETT can usefully proceed in three directions. First, ETT might move into explicitly comparative work. Some recent research argues that electoral and legislative rules affect which interests get represented (McGillivray, 1997; Rogowski 1997). Second, ETT might examine a single country's institutions at a more finely grained level of institutional analysis. Finger, Hall and Nelson's (1982) study of the US International Trade Commission is one example; McLean's Chapter 4 another. Third, ETT might embark upon a longitudinal study of institutions and how they change. McGillivray's study of US trade policy before and after ratification of the US Constitution shows how centralizing power to regulate trade changed the structure of domestic conflict over trade policy and affected US bargaining leverage in international trade negotiations.

Like public choice theory more generally, ETT has also neglected the role of ideology in debates over tariffs. This failure is especially striking when we consider that debates over tariffs often invoke images such as nationalism or *laissez-faire* ideology, neither of which are specific to particular economic interests. Indeed, most ETT actors appear to care only about the protection afforded the particular goods they produce or consume. This narrow concern would better be captured in a policy space with an arbitrarily large number of dimensions, one for each tariff item. Yet tariff debates are usually single-dimensional, posing free trade against protection as general philosophies of trade policy.

ETT typically treats ideas as purely instrumental, chosen to maximize an actor's interests. For instance, auto companies might cite 'strategic trade policy' as a justification for protection. However, ideas influence choice in more interesting ways than this. They affect what we see as our interests, and our causal beliefs about how political or economic processes affect the world in which we find ourselves (Schonhardt-Bailey, Chapter 5). Ideas are also important heresthetic devices for manipulating outcomes given some institutional constraint (McLean, Chapter 4). They provide a focal point when there are multiple equilibria (Garrett and Weingast, 1983). They become embedded in political institutions and continue to influence outcomes even after interests change (Goldstein and Keohane, 1993b).

Material interests are also shaped by ideological concerns. In Chapter 4, McLean shows how a conservative interest in public order can change the preferences of protectionists such as the Duke of Wellington. The Duke's interest in constitutional order is ideological, while Peel's ability to exploit this interest rests on the particular political institutions of mid-century Britain. In other words, apparently objective interests are in fact contingent on both institutions and ideology.

Longitudinal change in ideologies, like institutional change, remains understudied. Research that treats ideology as a residual explanatory category finds it difficult to consider the effects of changing ideologies, for such an argument has too many degrees of freedom and must appear *ad hoc*. Looking at how an ideology is constructed or reconstructed, on the other hand, shows promise. We do not have as yet a theory that explains how ideas emerge and evolve, or when they have an independent effect on outcomes. Instead, they are most easily observed when interests and ideas diverge.

Developing a better understanding of how these ideas interact with both material interests and institutions is, then, at the core of this volume. Most of this interaction occurs in domestic politics and not at the level of the international system where most scholars have sought the causes of international relations.

Public Choice Theory, Institutions, and Trade Policy

As this review suggests, domestic level theories such as ETT need to consider institutions and ideologies. They can look for insight in a body of research known as public choice. Public choice theory studies how individuals and groups end up with one social choice (such as tariffs) instead of another choice (such as free trade). The theory begins with the assumption that actors pursue their goals rationally, though researchers increasingly relax this assumption in various ways.

One of the first lessons from a public choice perspective is the ever-present possibility that outcomes will be indeterminate (McKelvey, 1976, 1979). A game called 'Divide the Dollar' illustrates the general problem of indeterminacy in the public choice theory of redistributive policy. The game structure is simple: three people receive a dollar if they specify in advance how they will divide it. If they disagree on how to divide it, decisions are taken by majority vote until the proposed division cannot be defeated by another proposal. While obviously a contrived example, Divide the Dollar is a useful metaphor for redistributive policies. Tariff legislation, for example, divides some money from consumers among many producers.

Obviously, any theory of politics would like to predict a single outcome to such a game. Unfortunately, Divide the Dollar is indeterminate, since any proposed division can be defeated by another proposal. A three-way division of 33¢ for each can be defeated by {50¢, 50¢, 0}, which can be defeated by {0, 51¢, 49¢}, itself defeated by {50¢, 0, 50¢}, and so on. In each case, a majority of two prefer the new distribution to the old one. There is no equilibrium outcome, and thus no predicted outcome. This kind of indeterminacy follows from any game with at least two dimensions.[1]

The example of Divide the Dollar has direct implications for trade policy. Under majority rule, any tariff bill can be defeated by another distribution of costs and benefits. Tariff policy has at least as many dimensions as there are domestic industries. Each industry has an interest in redistributing national wealth to itself. Because tariffs are redistributive, trade policy is an issue where policy should be theoretically indeterminate. Thus, the outcome of tariff legislation should be indeterminate in majority rule systems.

Of course, most scholars believe that trade policy is not indeterminate. Tariff bills are often predictably biased towards producers, and towards industries with certain characteristics, while biased away from industries with certain other characteristics. This predictability stems from institutions that constrain the way majority rule works.

To see this, consider a revised game of Divide the Dollar. This game now consists of only two steps: first, player 1 proposes some division of the dollar, then player 2 counter-offers. Whichever proposal obtains a majority vote is final. Now the game has a unique equilibrium. Player 1 proposes the distribution {49¢, 0, 51¢} and player 2 counters with a winning proposal of {50¢, 50¢, 0}. Player 2 would like to propose taking the entire dollar herself. However, if she is to obtain a majority, she needs to give one of the other players more than they would have received under player 1's proposal. Knowing this, player 1 makes sure that he can be bought off more cheaply than player 3, while still obtaining as much money as possible.

While the details vary by situation (and formal model), this simple example captures some useful rules of thumb about institutions. First, setting the agenda is important. Players 1 and 2 gain by being able to make proposals, and player 3 gets shut out. In this example, players 1 and 2 have equal agenda-setting power versus each other. In other games, the exact sequence may privilege one agenda-setter over another (see *inter alia* Pahre, 1999: chapter 3). McLean shows in Chapter 4 how Peel and Wellington used their control of the agenda to pursue their ends in 1845–6.

Second, when institutions exist, policy outcomes show much more stability than the theory would otherwise expect (Hinich and Munger, 1994;

Nelson, 1988). This simple proposal rule transforms Divide the Dollar from an indeterminate bargaining game to a game with a unique solution. This kind of stability characterizes many of the institutions that we study in this volume, especially those institutions of a constitutional or quasi-constitutional nature.

Third, small changes in the institutions can have a large effect on outcomes. For instance, in the US Congress, changes in closed or open amendment rules or discharge petitions that allow bills out of a stalled committee can significantly shift the advantages from one set of actors to another. Knowing that such effects are important, neo-institutionalists are very sensitive to institutional rules, committee agenda-setting, floor amendments and congressional procedure (Denzau and Mackay, 1981; Denzau and Munger, 1986; Dion, 1998; Krehbiel, 1992; Moe, 1989; North, 1990; Ostrom, 1990; Riker, 1980; Shepsle, 1979, 1989; Shepsle and Weingast, 1984; Tsebelis, 1990). Scholars have recently begun to apply these theoretical models to comparative legislatures (Diermeier and Fedderson, 1996; Huber, 1996; Tsebelis, 1995; Tsebelis and Money, 1997) and to foreign policy problems (Pahre, 1997a; Smith and Hayes, 1997).

These institutional details are critical for understanding policy. Because institutions vary so much, we may despair at a general theory that predicts trade policy outcomes. Indeed, historians do not attempt such a theory. Public choice theory does not provide a unified theory of institutions, nor does it give scholars any single framework for understanding the formation, maintenance and evolution of institutions. However, public choice theory does provide tools that we can use to understand how institutions affect the incentives, strategies and choices that governments face. This points us towards theoretically-informed historical work, where institutions constrain politics, yet for any institutional regime, politics unfolds according to a theoretically-comprehensible pattern.

Public choice theory has also demonstrated that debates over changing institutions are critically important. Interestingly, these meta-institutional debates often reintroduce the kind of indeterminacy found in the simple game of Divide the Dollar. For instance, if player 3 had the power to propose a new institution, she would design one that gave player 1 the right to propose the distribution {51¢, 0, 49¢}, since both players 1 and 3 would prefer that to the prior institution. Other players with institutional proposal power would respond, reintroducing the instability of Divide the Dollar. When studying the origins of institutions, then, public choice theorists must sometimes resort to atheoretic narration. This problem aside, public choice theory provides a valuable research framework from which to study the role of institutions and material interests in trade policy making.

Public Choice Theory, Ideas and Trade Policy

Public choice theory also provides an important perspective on the role of ideas, pointing to interesting theoretical problems in the study of both institutions and ideology. As was true for institutions, we can see why ideology matters with the help of a simple example. Consider the problem of setting a country's general tariff. The legislation must set a particular tariff for a large number of individual line items. Most theories implicitly treat tariff bills as indefinitely malleable by looking at tariff variation by good in a single country at a single moment. For example, the theory assumes that a given bill might have high tariffs on eggs but low tariffs on denim, low tariffs on eggs but high tariffs on denim, or similarly high or low tariffs on both. In terms of spatial theory, this is a social choice problem in multidimensional space, in which each tariff line is a separate policy dimension. The outcome is indeterminate for the same reason that Divide the Dollar is indeterminate.

Now consider the possibility that a person's position on one issue is correlated with her preferences on other issues. For instance, a preference for high iron tariffs might be correlated with a preference for low rye tariffs. This would be true if there are two or three factors in an economy and if the factors that she owned abundantly (that is, labour or capital in this case) were relatively scarce in her country and used intensively in iron production. If she consumes rye, and if rye production uses intensively some factors such as land that she does not own, she will favour free trade in rye. In contrast, a worker who owns only his labour might prefer high tariffs on both iron and rye if both goods are labour-intensive and if the economy is relatively scarce in labour. In any case, we can probably find some conditions under which there is a solid economic foundation for an individual's preferences over the two goods to be correlated either positively or negatively.

Whatever the economic fundamentals, it would not surprise anyone if political players notice that their preferences on many issues are highly correlated with other actors' preferences. When the actors' preferences over many tariffs are perfectly correlated, then we lose no information by assuming a single underlying policy dimension. An individual's preferences on that dimension will perfectly predict her position on all the tariff issues. This logic helps explain the close relationship between material interests and ideas that is often found (Schonhardt-Bailey, Chapter 5).

In a real economy, any such correlations in preferences are unlikely to be perfect. German steelworkers and iron miners may favour protection in both raw iron and furnished steel, but iron miners want higher tariffs on raw iron than on the finished steel equivalent, and steelworkers want higher tariffs on finished steel. If actors' preferences are highly correlated, but not perfectly correlated, then assuming a single dimension will lead to errors. These errors may be politically costly, as was apparently true for small-farmer support of grain tariffs in Imperial Germany (Gerschenkron, 1943; Webb, 1982). However, if information is also costly, then certainly actors may prefer to live with some errors instead of investing in costly information that reduces errors. In a world in which actors have an imperfect knowledge of economic theory, ideology may be a relatively low-cost way to make decisions. Downs (1957: 98) notes that 'When voters can expertly judge every detail of every stand taken and relate it directly to their own views of the good society, they are interested only in issues, not in philosophies'. Real actors are rationally interested in both.

An ideology may also be a cheap way for political actors to convey information about their preferences, even if this information is subject to error. By knowing where politicians stand on the issue of protection or free trade, voters may have all the useful information they can obtain at reasonable cost (Lupia and McCubbins, 1998). For this reason, real tariff bills generally rest on the support of a coalition whose members have agreed on a package of high or low tariffs. For example, tariff reform in Third Republic France and in Edwardian Britain was fought as a pitched battle between a protectionist coalition on the one hand and a free trade coalition on the other (Smith, 1980). In other words, the infinitely many possible combinations of tariffs on a large number of goods do not occur. Instead, battles are fought along a simplified political dimension of free trade or protection (Hinich and Munger, 1994).

This point of view treats ideology as a brand name, which may be a form of information or misinformation. In Chapter 5, Schonhardt-Bailey distinguishes this role of ideology from other roles, such as preference formation. Using ideology merely as a brand name can often end theoretical inquiry. Instead of theorizing, scholars use it as a springboard for empirical studies that show the independent role of ideology in explaining, say, legislative behaviour. A more complete approach would problematize ideology better, explaining when political actors choose a broad ideology of protection or a more narrow ideology of, say, agricultural protection. Moreover, ideological explanations of trade policy often neglect any possible material foundation for the ideology. This is true of many analyses of protectionist ideology in Wilhelmine Germany, for example (see Webb, 1982 for critique).

However, the logic of the public choice approach can help us develop better theories of ideology. One testable implication of such a view is that an ideology of free trade should be more likely when economic factors are highly mobile, since mobile factors have interests on trade policy that approach the simplicity of the Stolper–Samuelson theorem. In such cases, the abundant factor will organize around free trade, the scarce factor around protection; as mobility decreases, however, the ideology becomes increasingly epiphenomenal. Low factor mobility makes sectoral interests more salient and therefore reduces the incentive to create an ideology.[2]

Ideologies may also play a role wholly independent of material interests, defining the good society. In other words, ideology may have a purely normative component. Quirk (1988) credits the formation of regulatory bodies to the selfless interests of bureaucrats to make good public policy.

Some scholars critique this type of approach because seemingly altruistic behaviour can often be explained by self-interest, incomplete information and bounded rationality (Calvert, 1995). Nonetheless, there are clear cases where electoral incentives do not explain politicians' actions and rational choice models provide elaborate but unsatisfactory explanations. Such is the case in 1846 when Peel and Wellington called for the Repeal of the Corn Laws. In Chapter 4, McLean uses archival research on Peel and Wellington's correspondence to gauge what motivated both men and to determine how they used ideas to structure parliamentary voting behaviour.

In summary, we argue the study of institutions and ideology within the public choice framework is a promising direction for understanding international trade policy. All scholars who see ideas or ideologies as predictor variables face difficulties in trying to explain when ideas matter (and when they do not) and how they intersect with economic interests and institutions. To understand this problem further, it is worth taking a few paragraphs to define the terms institutions and ideology that form the focus for our historical work.

Definitions and Classifications

Scholars have proposed many definitions of 'institution' in recent years (Calvert, 1995). Many of these definitions operate at a high level of abstraction as part of a theoretical project seeking an all-encompassing theory of institutions. For example, Douglass North (1990: 1) argues that 'Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction'. We prefer an even more general definition of an institution as any formalized (or semi-formalized) regular pattern of behaviour. However, we prefer to delineate our notion of 'institution' by categorizing those institutions that serve as the focus of our substantive chapters.

The modern political institutions that we analyse fall into several categories. First, *constitutional institutions* establish the fundamental rules of the political game. These include formal constitutions of the US kind and the less formal British constitution. Several features of the British constitution play a central role in McLean's account of the Repeal of the Corn Laws in Chapter 4.

Such institutions shape who plays the political game and how the relevant actors are organized. The lack of central tariff-making authority in the US Acts of Confederation, and the presence of such authority in the later Constitution, provides the central puzzle for McGillivray in Chapter 3. Property restrictions on voting meant that free-trade-oriented landowners were more successful than protectionist-oriented manufacturers in influencing each state's export policy for the simple reason that state legislatures over-represented the interests of farmers. As a result, conflict over tariff policy under the Articles of Confederation was not driven by a division of manufacturing/farming preferences between the north and south.

These constitutions may also define how people play the political game. In Chapter 4, McLean shows how the particular rules of the English constitution created heresthetic opportunities for Peel to obtain Repeal of the Corn Laws. His chapter best exemplifies the effect of institutions on individual behaviour, inasmuch as his focus is on individual politicians, rather than parties, groups or states. McGillivray shows why decentralized control over trade policy led US states to engage in open internal trade in the 1700s.

The last ten years have seen unprecedented change in such constitutions around the world, and in particular, in East Europe, Latin America. Without changing the entire constitution, other countries have significantly modified important aspects of their political system. Israel recently added to the powers of its president, Italy moved towards a majoritarian system, while New Zealand moved towards a Proportional Representation (PR) system. Like the contemporary period, the nineteenth century also saw dramatic changes in constitutions, especially from the revolution of 1848 until the unification of Germany in 1870.

A second category includes *quasi-constitutional* institutions, those considered part of the constitution in some countries at some times but not in other countries. For instance, countries differ as to whether the legislature must ratify trade treaties, but these rules are often set by legislation, not by constitution. Other quasi-constitutional institutions include electoral rules, the exact size of the franchise, informal norms of legislative-executive relations, and the like. In recent years, New Zealand and Britain have given their central banks political independence. US participation in the General Agreement on Tariffs and Trade (GATT) and other forms of trade liberalization has led to the creation of administrative law organs such as the International Trade Commission, expanded the role of the US Trade Representative in domestic and international economies, and transformed *de facto* the constitutional rules by which international treaties are negotiated and ratified (Bailey, Goldstein and Weingast, 1997; Hansen, 1990;

Lohmann and O'Halloran, 1994; Martin, 1993; O'Halloran, 1994). Directives of the EU require a host of harmonizing domestic reforms, reducing policy differences that act as barriers to economic exchange. Overseeing EU activity also leads to a variety of executive working groups and parliamentary oversight committees in member nations (Pahre, 1997a).

Constitutional and quasi-constitutional institutions are central to the study of political economy. These institutions have long generated debate among comparativists over which domestic political institutions best support economic growth, encourage trade, support stable monetary regimes, provide political stability or improve political representation (Freeman, 1989; Golden, 1993; Shugart and Carey, 1992; Simmons, 1994; von Mettenheim, 1997).

In Chapter 2, Pahre explores the extent to which these kinds of change led to major change in trade policy. He finds that rules on treaty-making are generally more important than the institutions affecting the autonomous tariff. He also argues that institutional constraints on the state's ability to generate tax revenue only affect a few countries such as Norway and Britain, in marked contrast to the claims of much of the literature. Finally, he shows how shifting access to the political system changes the balance of power between import-competing and export interests across countries and over time.

Non-governmental organizations that are central to the political system, such as political parties or pressure groups, make up a third kind of institution. In Chapter 5, Schonhardt-Bailey contrasts the effects of cadre parties in 1846 England with the modern mass parties of 1867 and 1884 or the ideological parties of the Wilhelmine Reich. These non-governmental institutions are often shaped by the constitutional and quasi-constitutional rules of a system. For example, electoral rules affect not only which industries organize and how they lobby, but also how the government responds to this political pressure. Governments do not mechanically respond to the demands of industry groups by giving the most protection to the most organized. And, to make things more complicated, non-governmental organizations interact with one another, thereby creating a network of institutional dependency and interaction. For example, the institutional structures of industry and labour affect labour unions' costs of organizing and pressuring politicians (Wallerstein, 1987).

A fourth type of institution is *international institutions* or *regimes*. The post-Cold War period appears to be a time of significant institutional (re)creation and reform at both the international and domestic level. In Western Europe, the European Community has become the EU through the Single European Act and Maastricht Treaty. In the Americas, NAFTA, Mercosur in the Southern Cone, and a smattering of other potential free trade areas or extensions of existing areas, together form a new hemispheric trade regime. Asia now has its own trade institution in the form of the Asian-Pacific Economic Cooperation. Finally, coinciding with the spread of regional trading blocs we have now have a restructured multinational trading system, and at its pinnacle sits the new WTO. Pahre's Chapter 2 examines the political underpinnings of such organizations by studying the first international trading regime, the treaty network of the nineteenth century.

All these institutions fall into a wider definition of institutions as 'rules of the game'. The function of rules is, of course, to constrain the behaviour of actors. Any of our four types of institutions – alone or in combination with each other – may constrain actors' behaviour. Hence, we may find constraints on behaviour imposed by domestic institutions, in the absence of any constraints by international institutions. Or, international institutions may constrain actions in the absence of any other constraints. Or, we may find any number of combinations of constraints imposed by domestic and international institutions. Perhaps most important to note is that, a priori, the binding effect of rules imposed by domestic institutions is no greater or less than that imposed by international institutions – British parliamentary conventions in the 1800s were as binding as the GATT trading norms of the 1970s.

Ideas and Ideology

Like the term 'institution', 'ideology' has many different definitions. For example, Anthony Downs (1957: 96) defines ideology as 'a verbal image of the good society and the chief means of constructing such a society'. Among other things, ideas have been operationalized as roadmaps clarifying interests, focal points when a game has multiple equilibria, strategic behaviour given a set of institutional constraints, or an embedded feature of political institutions (Goldstein, 1989; Goldstein and Keohane, 1993b; Hall, 1989; Herrigel, 1993; Ruggie, 1983). Hinich and Munger (1994: 62) define ideology as

> An internally consistent set of propositions that make both proscriptive and prescriptive demands on human behaviour. All ideologies have implications for (a) what is ethically good; (b) how society's resources should be distributed; and (c) where power appropriately resides.

Other common definitions include a collection of ideas with normative implications for behaviour, economizing devices, or complex, dogmatic belief systems for interpreting, rationalizing and justifying behaviour and institutions (North, 1981, 1990, 1994).

These definitions reflect a concern with developing an overarching theory of ideology. Because we wish to use ideas to help us understand the politics of trade policy, a more limited notion of ideology suffices. We therefore use 'ideology' in the limited sense of 'a set of propositions about how society's resources should be distributed and/or about where power appropriately resides'. This suffices to capture both ideologies concerning trade policy and those supporting particular kinds of domestic institution.

This definition covers those ideas relevant to trade policy. For example, some politicians in our period had *laissez-faire* ideologies favouring free trade, including Richard Cobden, John Bright and other leaders of the Anti-Corn Law League. Other politicians had general ideologies in favour of domestic (or imperial) protection, including notably Joseph Chamberlain's Tariff Reform campaign at the end of our period. Still others linked trade protection to ideologies of nationalism and racism, such as the Agrarian League in Germany. Finally, some politicians had ideologies favouring protection of a particular industry, but linking it to other political issues. For example, those who favoured protection of agriculture in England in the 1840s also tended to favour strong state repression of breakaway movements in Ireland, and strong state protection for the Church of England. All these beliefs concerned the distribution of society's resources, and many included claims about whether power appropriately resided in a traditional élite, the people or the nation.

Ideologies also present a vision of the good society. As Schonhardt-Bailey argues, this vision is important for political behaviour and for political parties. It also shaped the political institutions people built in this century. While Pahre's chapter treats domestic institutional change as exogenous, social movements such as liberalism and nationalism lurk behind the reform acts in Britain and constitutional change in France. Just as surely, nationalism was a factor in both the Acts of Confederation and the Constitution, the trade consequences of which McGillivray analyses in Chapter 3. Though Pahre and McGillivray look at only part of the story, path-dependence conditions the histories of their cases.

Ideas also affect the goals and preferences of actors. While some public choice theorists have attempted to construct theories of ideology (Hinich and Munger, 1994), most simply assume that preferences and goals are exogenous. Ideas are simply 'hooks on which politicians hang their objectives and by which they further their interests' (Shepsle, 1985: 233). Little attention is paid to why some ideas catch on and others do not or why an idea matters at one point in time and not earlier or later. Analysis of the historical process tells us what goals leaders are trying to maximize, what policies are available to them and what institutions impose constraints.

Another important feature of ideas is the way that they are organized.

For example, mutually-exclusive ideologies may play a salient role in the organization of political parties. Schonhardt-Bailey examines such a case in Chapter 5. She maintains that polities in which political parties are highly ideological make it difficult for interest groups to exploit ideas and ideology, since party cleavages will likely dominate the ideological debate. For some interest groups, this limitation may mean the difference between successfully obtaining their policy objective, and failing to do so. It is also useful to note the limitations of explanations that rely solely upon interests and institutions. While McGillivray's chapter suggests that control over institutions means control over outcomes, from Schonhardt-Bailey's chapter we see that control of the British Parliament by import-competing landowners did not ensure the maintenance of agricultural protection, nor did control of the German Reichstag by similar interests prevent Caprivi from lowering agricultural protection through trade treaties. In short, neither interests nor institutions wholly determine policy outcomes.

OVERVIEW OF THE BOOK

The four chapters cover an assorted set of historical analyses. Yet, the important element of this collection is that they infuse a historical context into the public choice theory of trade politics and deepen our substantive understanding of modern political institutions.

Pahre's chapter provides an overview of trade policy in Europe over the century. He examines trade treaties in the nineteenth century, addressing questions raised by the modern increase in the use of bilateral treaties. These treaties are a self-enforcing institution that is as yet poorly understood by theories of IPE, which have not been attentive to explaining variation in cooperation across nations or over time. Pahre uses a political support model to explain these treaties. Variations in trade policy and treaties occur as leaders adjust their political support coalition in response to external change. For example, cheap imports force leaders to redistribute income towards those who face import competition; they also make it more difficult to sign trade treaties.

In Chapter 3, McGillivray explores how institutional choice at the domestic and international level affects regional economic integration. In the 1990s, many countries banded together to liberalize trade through regional free-trading areas. Though regional economic integration is in vogue, few of these trading blocs have attempted to centralize the political regulation of trade. Scholars disagree whether this will affect the success of these blocs (Garrett, 1992; Krasner, 1994). McGillivray argues that interstate trade in the USA between 1776 and 1788 provides a valuable empirical case for addressing this controversy. Political control of trade switched from decentralized state control under the Articles of Confederation to centralized political control under the 1789 Constitution. McGillivray finds that states faced a collective action problem because they could not effectively retaliate against the British under the Articles of Confederation system. After ratifying the Constitution, in contrast, the USA could credibly discriminate against British goods and shipping. Multilateral cooperation through a constitution enabled tariff retaliation where a network of equivalent bilateral contracts could not. Her findings suggest that whether regional trade blocs succeed in liberalizing trade depends on a variety of domestic factors, including the domestic institutional environment and the pattern of economic trade flows.

McLean's chapter offers the strongest statement in support of ideology as an important predictor of individual behaviour. For him, ETT simply fails to explain Britain's historic policy shift to free trade, since the median legislator in both the Commons and the Lords sat for an agricultural constituency and thereby should have supported protection for agriculture over free trade. As is true for institutions, ideology can affect outcomes either by changing how people play the political game or by deciding which people get to play in the first place. The key to McLean's story is that Peel and Wellington turned the one-dimensional nature of tariffs (with land at one end and capital at the other) into a multidimensional issue of tariffs, public order and Irish famine relief, thereby changing the voting patterns of conservatives in the House of Commons and the House of Lords.

McLean uses a specific piece of trade regulation to examine the mechanics of institutional process. The conventional wisdom is that free-trade ideology affected the votes of individual members of parliament. But this is too simplistic. In his study of nineteenth-century parliamentary politics, McLean documents how political leaders use ideas strategically to manipulate outcomes, in a way that depends on the institutional context. Tory party leaders used ideas heresthetically in the Cabinet, the Commons and the Lords to affect the final policy outcome – repeal. Introducing the Irish famine helped to shift the terms of debate away from a single free-trade protection dimension in the Cabinet, while the 'ideology' of public order and the Queen's Government shaped the votes in the Lords.

In Chapter 5, Schonhardt-Bailey looks at how political organizations use ideas to manipulate the political agenda. She challenges two fundamental assumptions of rational choice and public choice theory – that preferences are fixed and exogenous, and that interest groups pursue interests while political parties articulate and pursue broader ideological objectives – by introducing the notion of multidimensionality to the value of commodities. If commodities have value beyond simple consumption, then preferences are no longer contingent solely upon immediate consumption, but rather on some multidimensional valuation of the good. Moreover, if interest groups can be ideological and political parties can pursue narrow economic interests, an individual cannot help but begin to see these political institutions as manifestations of a dynamic interplay between ideology and interests. These insights into public choice and trade policy are just as relevant for modern public policy as they are for nineteenth-century Britain and Germany. She is interested in ideas not as heresthetic devices but as a means to persuade individuals to redefine their economic interests. Ideas are more than 'hooks' upon which to hang interest-based arguments. Ideas are devices by which interests are themselves restructured. 'Nationalizing the interest' is often an effective tactic that makes individuals support protection on the grounds of the national interest even when this runs contrary to their own material interests.

The historical cases in this book reflect how institutions and ideology may be treated exogenously, endogenously or as a mixture of the two. Some authors take institutions and ideology as given. Examples include McLean's treatment of the institutions and ideologies of the mid-nineteenth century; Schonhardt-Bailey's analysis of party systems in Britain and Germany; and Pahre's consideration of the domestic institutions behind the trade treaty regime. Or, institutions may be endogenous, as McGillivray finds in her analysis of changing trade clauses in the US Constitution, and Pahre finds as he explores the reasons behind the trade treaty regime in the nineteenth century. Finally, ideology, or at least the ability to exploit it, is endogenous for Schonhardt-Bailey when she evaluates the ability of interest groups to exploit the ideological strategy of 'nationalizing the interest'.

Each of the chapters points to how a focus on purely interest-based explanations falls short of explaining the structure of conflict over trade policy, necessitating greater study of institutions and ideas. Each of these chapters is part of a historical comparative line of research that expands our understanding of how political institutions, ideas and interests affect political behaviour. The contributions to the volume illustrate how the past can shed light on modern political behaviour.

NOTES

1. Indeterminacy also requires that preferences not be 'single peaked', a technical criterion always met in the case of tariff politics.
2. Verdier (1994) develops a different, interesting set of hypotheses concerning ideology. He argues that this reduced dimensionality of ideology depends on the political system. Where voters are mobilized around a highly salient issue, then the low dimensionality of Hinich and Munger follows. However, if trade policy is not salient and if voters are not mobilized, then rent-seekers can each pursue particularist policies. This results in a policy space of high dimensionality, since each tariff is its own policy dimension.