4

Economic Analysis in Political Science

James F. Hollifield and Hiroki Takeuchi

RATIONAL CHOICE AND STRATEGIC INTERACTION

Most political scientists would agree that politics involves ‘control, influence, power, or authority’. If we add Max Weber’s concerns about government, legitimacy, and the state, together with Aristotle’s more normative focus on issues of participation, citizenship, and justice, we have a fairly complete picture of what Robert Dahl (1991) calls the ‘political aspect’. We can see immediately how politics touches every dimension of human activity, including the procedural or distributional dimension – who gets what, when, how, why, and at whose cost; the legal or statist dimension, involving issues of governance and legitimacy; and the ethical or normative dimension, which revolves around questions of citizenship, justice, and participation.

The study of politics, like economics, also involves preferences, interests, and tradeoffs. But unlike economics, where the emphasis is on scarcity and efficiency, in politics the primary emphasis is on power, influence, and authority, with strong ethical and normative overtones, concerning justice, membership, and citizenship. In a free market, the allocation of scarce goods and resources takes place according to the logic of the marketplace (the price mechanism), that is, the interaction of supply and demand. The exercise of power, however, takes place in the ideational, legal, and institutional confines of political systems.

Then what have economic theories added to the study of politics? We know that politics, unlike economics, is not interested narrowly in the allocation of scarce goods and resources. Although politics affects markets through policies, laws, and rules that regulate competition, in a mixed capitalist system politics is not *directly* concerned with the individual economic decisions of consumers and producers or the optimal allocation of scarce resources. Nonetheless, politics, like economics, does involve choices and *strategic interactions*. This is where those who advocate a positive approach to the study of politics join forces with economists to lay the micro-foundations of political analysis. So-called *rational choice* approaches in political science share common assumptions with economists about human rationality and strategic decision-making, and they seek to construct economic theories to explain political behavior (see also Paine and Tyson, Chapter 11, this *Handbook*).

The most common 'economic theories' of politics take rational choice approaches. They assume that individuals are rational in the sense that they will make choices to 'maximize their chances of achieving their goals' (Geddes, 2003: 177). They give priority to *agency* (individual rational actors) over *structure* (institutions and other political constraints). They assume that individuals have goals, and that institutions and other factors affect individual strategies and preferences. In this framework, utility-maximizing individuals will do what they can to achieve their goals, engaging in strategies to anticipate the actions of others (their opponents), who will in turn anticipate the actions of the other side. *Strategic interactions* therefore refer to the ways in which each individual not only looks out for his or her own interests but also takes into account the interests and strategies of others. In this rational choice framework, conflict and cooperation, and the give and take of political life are result of myriad strategic interactions.

Rational choice approaches often use *game theory* to understand the complexity of strategic interactions in situations of conflict. Developed by applied mathematicians in the mid 20th century, game theory is widely used by economists and to an increasing extent, by political scientists. Game theory is not a 'theory' in the sense of a set of claims, laws, or propositions about the way the world works. It is rather a method for constructing theories, and it offers the analyst a set of concepts and tools that enable her to formalize her arguments. Game-theoretic analysis requires careful specification of the beliefs, wants, and needs of individuals, and a clear understanding of what strategies are available to them. The need for specificity makes game theory less useful as a tool for applied political and social science; nonetheless, it helps us to understand the logic and structure of politics, whether we are studying domestic politics, international relations, political economy, or public policy.

STRATEGIC INTERACTIONS AND DEMOCRACY

Economic analysis in political science begins with assumptions about individual rationality. Yet the problem remains of how collective decisions relate to individual choices? To answer this question, *social choice theory* focuses on how individual preferences add up to collective action, and what roles institutions play in 'engineering' social choices. The disjuncture between individual and collective preferences is *Condorcet's paradox* – the puzzle that calls into question the notion of majority rule, which is incapable of producing a stable relationship between individual preferences and collective decisions. Kenneth Arrow (1963) seeks to address the puzzle of how individual preferences affect collective choices, and he concluded there is no mechanism short of a dictatorship that can achieve collective rationality. This is Arrow's *impossibility theorem*. Arrow's theorem helps us to understand how democracies work. Arrow does not prove that collective rationality would transitively guarantee the aggregation of individual preferences. Rather his theorem requires concentration of power in the hands of a single decision maker or dictator. The main implication of Arrow's argument is that institutions are *the* critical link in understanding how radically divergent individual preferences are translated into collective action in rather stable ways.

Building on Arrow's social choice theory, William Riker (1980: 443) states,

> politics is *the* dismal science because we have learned from it that [unlike economics] there are no fundamental equilibria to predict. In the absence of such equilibria we cannot know much about the future at all, whether it is likely to be palatable or unpalatable, and in that sense our future is subject to the tricks and accidents of the way in which questions are posed and alternatives are offered and eliminated. (italics in the original)

While Riker recognized the failure to find equilibria for collective rationality, he stressed the importance of institutions for the smooth functioning of a democracy. He answers the question of how democracies can reach collective decisions despite the lack of equilibria in the following way: '[in a democracy] the way … tastes and values are brought forward for consideration, eliminated, and finally selected is controlled by … institutions. And institutions may have systematic biases in them so that they regularly produce one kind of outcome rather than another' (ibid.: 443).

Following Riker's expansion of Arrow's theorem, we must ask ourselves how institutions matter in democratic decision-making. Many studies have debated whether and how institutional structures determine the existence and location of equilibria for collective choice. Anthony Downs (1957) argues that governments are not really interested in maximizing individual voters' preferences, but in maximizing votes. In his analysis, the sole point of politics is to gain and hold power; and in a two-party system, politicians must take positions as close as possible to the *median voter*. His view explains why candidates tend to become moderate in the general election while they emphasize their party's ideologies – such as conservatism or liberalism – during the party's primary election, especially in American presidential or congressional elections.

Voting has long been a principal subject of political science. Maurice Duverger (1954) pointed out that *strategic behavior* of voters and candidates is heavily influenced by electoral institutions. *Duverger's Law* holds that plurality voting in single-member districts tends to produce two-party systems, whereas voting based on proportional representation or multi-member districts leads to multi-party systems and coalition governments. In two-party systems, candidates have an incentive to obfuscate and avoid taking strong stands on key issues, as they jockey for position vis-à-vis the median voter; whereas in multi-party systems, candidates have an incentive to take stronger positions to attract a significant minority of voters, but their positions may change once they enter a coalition government. Riker (1982) argues that Duverger's Law is applicable to many countries' party politics controlling regionally – but not nationally – strong third parties. In retrospect, these arguments may seem obvious or almost self-evident; but they are in fact early examples of economic analyses in political science, stressing the role of strategy, procedure, and institutions.

Following Duverger and others, we can see that political parties and electoral systems are the most important institutions for the smooth functioning of a democracy. They translate and aggregate individual preferences into policy. John Aldrich (1995: 76) argues that democracies would not work without parties, noting that 'majority voting was highly unstable, shifting, and chaotic – just what would be expected in multidimensional choices that lack preference-based equilibrium'. He shows how parties regulate the number of people seeking office, and how they mobilize voters to achieve and maintain the majorities needed to implement policy once they have gained power. As a result, 'institutional arrangements could induce equilibrium where preferences alone would not' (ibid.: 77). By aggregating individual preferences, parties help to solve Arrow's impossibility theorem; and they move society toward equilibria that make governing possible. Moreover, party competition enables democracy to lead to political outputs that better the interests of its citizenry because of politicians who face the real possibility of losing their next election. John Aldrich and John Griffin (2018) find that even in the American South – where historically political parties were weak and underdeveloped – recently a two-party system has emerged, and party competition in the South has played the same roles as that of the North for democracy to work.

The argument for the importance of parties relies heavily on economic reasoning, and it assumes that voters are able to make *informed* choices. Studies of democratic elections, by contrast, have found that individuals appear to know very little about politics (e.g., Lupia, 2016; Lupia and McCubbins, 1998; Page and Shapiro, 1992; Popkin, 1994). However, the fact that people lack information about politics does not mean that they make random political choices. Arthur Lupia and Mathew McCubbins (1998: 5) argue that people 'use a wide range of simple cues as substitutes for complex information' and choose *elite cues* among competing messages based on the credibility of the senders of the messages. As a result, voters vote *as if* they have sufficient information to make reasoned choices. However, nowadays as people get news increasingly from social media, voters rely less on expert opinion that includes multiple competing messages. Rather they are wedded to monolithic perspectives they want to hear. Economic analysis in political science can explain why and how social media have made it more difficult for democracy to function and to produce stable governing coalitions.

STRATEGIC INTERACTIONS AND WAR

Economic analysis in political science abounds in the study of one of the most important issues in international relations: war and peace. At first glance, it is not surprising to see that states are more often than not in conflict, because each state must pursue its own interests, maximizing its power and wealth in order to provide security. States are trapped in a '*security dilemma*', which arises when efforts that states make to defend themselves lead other states to feel less secure and to fear that they will be attacked. The logic of the security dilemma is often explained in game-theoretic terms, using the so-called '*Prisoner's Dilemma*', whereby the two actors' rational strategy to maximize individual payoffs creates a worse outcome than some other possible outcome that would be better for *both* actors. This interaction captures why international cooperation is difficult under *anarchy*: in the absence of enforcement mechanisms to punish defections, states can give into a temptation to act unilaterally. The point is that states have an individual incentive to defect, which leads to an outcome of mutual defection even though both would be better off with cooperation. In sum, the Prisoner's Dilemma provides the micro-foundations for realist theories of international relations (IR), which argue that states always will approach IR as a zero-sum (win or lose) game thus leading to the anarchic nature of the international system (e.g., Mearsheimer, 2001; Waltz, 1979). While it may seem irrational for states to engage in an arms race, thereby increasing the propensity to go to war and making it more difficult to resolve conflict through negotiations, conflict and insecurity, according to realists, are enduring features of world politics (see also David and Rapin, Chapter 83, this *Handbook*).

In the meantime, international cooperation is more likely if interactions occur repeatedly with the same partners (Axelrod, 1984). In this situation – commonly known as the *repeated* (iterated) Prisoner's Dilemma – actors find their best interest to be cooperating in every period if future payoffs are valued highly enough – this is the so-called '*shadow of the future*' and it forms a basis for cooperation in world politics. In this way, the danger of war is lessened or eliminated through *interdependence* and *institutions*. The repeated Prisoner's Dilemma lays the micro-foundations for liberal theories of IR (see Hellmann, Chapter 76, this *Handbook*). Interdependence and constant strategic interaction produce common interests and therefore decreases conflict among states, reducing the role of military power and the insecurity it breeds. Institutions, then, both international and domestic, can mitigate the effects of anarchy and, as a result, there is opportunity for positive-sum, mutually beneficial cooperation (e.g., Ikenberry, 2011; Keohane, 1984; Lake, 2011; McDonald, 2009). Even under anarchy, international institutions help states to overcome the security dilemma and promote cooperation by creating the expectation of repeated interactions across time and with multiple partners, defining norms (standards of acceptable behavior), providing information about activities of other states, and creating *linkages* across policy dimensions (Jervis, 1976; Martin and Simmons, 2001; Voeten, 2005). This logic of cooperation suggests that alliances would work if states seize opportunities to cooperate over time and across issues, and if each state trusts that the other states see the virtues of cooperation. If a powerful state accuses its allies of defection and free riding, the shadow-of-the-future based cooperation would not work and the chance for peace and stability in IR will diminish. Hence, the iterative Prisoner's Dilemma suggests that the America First foreign policy of the United States under Donald Trump will undermine international security.

War is an extremely costly way for states to settle their disputes (see David and Rapin, Chapter 83, this *Handbook*). Given the human and material costs of military conflict, why do states sometimes wage war rather than resolving their disputes through negotiations? Motivated by this puzzle, James Fearon (1995) offers 'rationalist explanations for war'. He postulates three mechanisms of how conflict escalates into war. He sees two ways that miscalculation can lead to war. *First*, if there is *uncertainty* about an adversary's capabilities – such as the size of the military, the effectiveness of military technology, the quality of leadership, the contribution, if any, of allies; or if there is uncertainty about the adversary's *resolve* to fight wars, which raises questions about how much each side values the 'good' that is in dispute and what the ultimate cost of war will be in terms of blood (casualties), treasure (wealth), and domestic politics (whether the leader can stay in office) – the international system will be destabilized leading to war. *Second*, Fearon sees three scenarios where war may occur because of '*commitment* problems' when states are unwilling to trust their adversaries to honor a negotiated deal. The first scenario is when the issue in dispute affects future bargaining power (e.g., strategic territory, weapons programs, etc.), the bargaining can fail if a state fears that its adversary will exploit concessions to make further demands – this is the so-called *dilemma of coercive disarmament*. Moreover, when the relative power of one side is expected to grow rapidly (e.g., rapid economic growth, acquisition of new weapons, etc.), the declining state may have an incentive to fight now to prevent or slow the power shift, and a war fought for this reason is called a *preventive war*. Furthermore, if the outcome of the war depends on delivering the first blow, a *first-strike advantage* exists and creates incentives to engage in a *preemptive* attack to take the first shot before the adversary does – a 'guns of August' scenario. In the last scenario, Fearon discusses a problem that can prevent states from reaching settlements because the disputed good is *indivisible.* Fearon (1995) and Robert Powell (2006) argue that we should be skeptical because claims that goods are indivisible may reflect a bargaining position adopted for strategic reasons rather than a true description of the good.

Fearon's rationalist explanations for war show us that a mutual (and rational) preference for peace is not sufficient for states to overcome the *incomplete information* problem or the commitment problems. Threats may lack *credibility*, because states generally have incentives to exaggerate and misrepresent their capabilities and their resolve to fight. States have a big incentive to *bluff*, witness Saddam Hussein in the two Gulf Wars. In July 1990 when Iraq was engaged in coercive diplomacy with Kuwait, both Iraq and Kuwait had the mistaken belief that the other side would cave. In such a situation, even though war is costly and regrettable *ex post*, actions that entail a risk of war can be sensible *ex ante*. Meanwhile, in the cases of commitment problems, states face a choice between war today on favorable terms and threat of war tomorrow on unfavorable terms. The threat of war tomorrow diminishes if states can make credible promises not to use force to revise subsequently the terms of the deal. However, it is difficult for a state to make such a promise in a credible manner in the absence of any enforcement mechanisms, and hence a commitment problem arises in IR where states interact under anarchy.

One of the enduring issues in the study of IR is the so-called *democratic peace* argument, with many competing arguments about why there are few, if any, clear cases of war between mature democratic states. Why is it that democracies do not fight each other? A common theoretical argument is rooted in the idea that democratic states experience a lower probability of war with one another due to domestic political constraints and cooperation flows from a presumption of mutual trust and respect, and shared strategic interests (Doyle, 1986; Gowa, 1999; Russett, 1993). Democracy increases the political costs of war by making elected leaders *accountable* to people who ultimately must pay the costs of war. The rationalist explanations for war can shed light on this debate, focusing on how democracy influences bargaining interactions between states and increases the chances that a peaceful settlement will be found. For example, Kenneth Schultz (2001) argues that democracy increases *transparency*, which may help overcome the incomplete information and commitment problems in strategic interactions between states, thereby reducing uncertainty about the capabilities and resolve of democratic states. In addition, democratic leaders may be able to communicate their resolve in a credible manner, because backing down from a threat creates public disapproval and democracy magnifies the political importance of this effect (e.g., Fearon, 1994; Tomz, 2007). Yet the question remains why are democratic states unlikely to fight each other but more warlike in general? Some scholars suggest that while fellow democracies enjoy a presumption of friendship, democratic publics treat autocrats with suspicion and mistrust (e.g., Dixon, 1993; Mousseau, 1998; Tomz and Weeks, 2013). Rationalist explanations of IR interpret this observation by pointing out that democratic states have preferences that favor compromise over the use of force when bargaining with other democratic states. With this logic, in the extreme, autocrats are legitimate targets for regime change, as, for example, when President George W. Bush argued that bringing democracy to Iraq would advance US national security. In sum, economic analysis in political science suggests that the two Gulf Wars occurred because of Iraq's failure to communicate credibly its capabilities and resolve, as well as US lack of norms that favor compromise over the use of force against autocracies.

STRATEGIC INTERACTIONS AND POLITICS OF INTERNATIONAL TRADE

Economic analysis in political science also helps us to understand the politics of trade. Economic theory tells us that free trade is beneficial (see also Stéphane Paquin, Chapter 74, this *Handbook*). Why, then, do states not always embrace trade liberalization? Why has the international trading system been open only under particular conditions?

The core concept of the economics of trade, explaining how trade is beneficial for all trading partners, is *comparative advantage*. Adam Smith in *The Wealth of Nations* (1979 [1776]) suggests that there is a benefit to an international division of labor whereby countries specialize based on skills or endowments. In this way, self-interested economic exchange makes everyone better off through the 'invisible hand' of the market. Applying Smith's theory to international trade, David Ricardo in *On the Principles of Political Economy and Taxation* (2015 [1817]) proposes the idea of comparative advantage: a system of free trade in which countries specialize in the areas where they have a comparative advantage, leading to the optimal allocation of scarce goods and resources. 'Comparative' means that it is not necessary for a country to have an *absolute advantage* in the production of a good or service. All countries have a comparative advantage, in that they can produce some goods and services more efficiently than other countries; and trade will lead them to specialize. Thus, it is wrong to say that trade is only beneficial for wealthier developed countries. Explaining why countries trade, the *Heckscher-Ohlin theory* (H-O) takes the logic of comparative advantage a step further, pointing out that countries will export goods that require large inputs of their more abundant factors, and import goods that require inputs of more scarce factors. H-O explains trade based on factor prices and endowments. Developing countries that are abundant in unskilled labor (or land) should export labor-intensive manufactured goods such as textiles and clothing (or agricultural products), whereas developed countries that are rich in (human) capital should specialize in more high-tech products and services. In sum, comparative advantage and H-O theory can explain why developing countries demand access to developed countries' markets of textiles and apparel (or agriculture) – instead of protecting their own domestic markets – in trade negotiations.

Although economists make a strong case that trade is beneficial for global welfare, political scientists point out that every country currently has at least some restrictions on trade, called *protectionism*, involving the imposition of barriers to restrict imports. Why do governments restrict trade? Using the simple economic logic of the *Stolper-Samuelson theorem*, which postulates that protection benefits the scarce factor of production, Ronald Rogowski (1989) explains which interests will support protectionism and which will support trade liberalization. According to H-O theory, countries export goods that are intensive in the factors of production that are relatively abundant while importing goods that are intensive in the factors of production that are relatively scarce. Therefore, trade liberalization will increase the income of the relatively abundant factor by increasing its exports while decreasing the income of the relatively scarce factor by increasing import competition. This logic suggests that the demand for protectionism should come from those whose income would suffer because of trade liberalization. Applying this logic to the United States, which is a labor-scarce country compared with developing countries, unskilled labor benefits from protectionism and loses from trade liberalization with developing countries such as China and Mexico (Spence, 2011). In addition, the *Ricardo-Viner model* suggests that interests in trade may be industry-specific. Exporting industries want open foreign markets, import-competing industries want to protect the home market to reduce competition, and industries using imports as inputs want the open home market to be open to reduce production costs.

In sum, the Stolper-Samuelson theorem explains why unskilled workers support measures to restrict trade that would benefit their industries. When the United States approved China's entry into the World Trade Organization (WTO) in 1999, labor unions representing auto workers (the United Auto Workers), lorry drivers (the Teamsters union), and dockworkers (the International Longshore and Warehouse Union) opposed China's accession to the WTO. This despite the fact that increasing trade with China would benefit their members, by lowering prices for consumer goods, stimulating economic growth, and raising employment (Friedman, 2000). They fear that if worker incomes drop in import-competing sectors, trade would depress labor income in all sectors, because unskilled labor is a substitute for trade, not a complement. Likewise, the Ricardo-Viner model explains how protectionism may hit the firms that use imports as inputs. For example, the US imposition of tariffs on auto parts under the Trump administration hurt domestic auto producers that use imported parts, even though Trump argued that tariffs would protect them. Car tariffs – presumably designed to protect the jobs of US autoworkers – have raised production costs of car manufacturing in the United States, and as a result in 2018 General Motors announced that it would close four plants in the United States and one in Canada, cutting 14,000 jobs (Sandbu, 2018).

The Stolper-Samuelson theorem and the Ricardo-Viner model show that even if trade liberalization makes a country as a whole better off, it creates winners and losers within the country, and it is the shifting constellation of interests, according to Rogowski, that will drive openness and closure to trade. Even when there are more winners than losers from free trade, the losers can be compensated with the winners' gains. National welfare can be improved by compensating with winners' gains. Economic theory calls such a move *Pareto improving*, which makes at least somebody (if not everybody) better off without making anyone worse off. What policies mitigate the negative impacts of trade and create Pareto improvement? Economic theory assumes that labor can move between different jobs with no cost. What this theory implies is that policies that lower the cost for labor to move from a declining industry to a growing industry would lead to a Pareto improvement. Social welfare policies such as improving unemployment insurance and enhancing job training are essential to build support for free trade (Scheve and Slaughter, 2007). The cost of moving from one sector to another would be high if a worker loses basic health insurance coverage when changing jobs. Therefore, a national health care system would help to achieve a Pareto improvement. Perhaps most importantly, education reform to improve basic skills in the workforce is key for workers in developed countries to compete with those in developing countries in the global economy (Alden and Taylor-Kayle, 2018; Scheve and Slaughter, 2019). If the productivity of better-paid developed countries' workers is the same as that of less-paid developing countries' workers, developed countries' workers will face downward pressure on their wages. While protectionism neither builds the needed safety net nor makes its workers more competitive, it makes domestic producers less competitive in the global market. As a result, economic growth is constrained, making it more difficult to establish a safety net because of declining GDP and lower tax revenue.

The H-O theory together with the Stolper-Samuelson theorem explain why trade with developing countries has led to reduced wages for many unskilled workers in the developed countries, which has caused a protectionist backlash in the United States and other developed countries. During the 2016 US presidential election, Donald Trump told workers that he would bring back unskilled jobs by restricting trade, foreign investment, and immigration, campaigning on the nationalist slogan of 'America First'. In fact, economic research shows that trade with China has been responsible for a significant part of the decline in US manufacturing employment in the last two decades, and there is no evidence that trade with other developing countries is responsible for job or wage losses of US workers – in short, *China is different*. One study estimates that US trade with China during 1999–2011 led to net job losses of 2.0–2.4 million in the United States (Acemoglu et al., 2016). Another study finds that people who work in parts of the United States most affected by import competition from China tend to have greater unemployment and reduced lifetime income (Autor et al., 2016). Still, other studies argue that enhanced productivity because of *automation* has had a far bigger effect than import competition with developing countries, pointing to the fact that US manufacturers have increased their productivity and need fewer workers. Although the US steel industry lost 400,000 jobs (75% of its workforce) during 1962–2005, its production did not decline (Collard-Wexler and De Loecker, 2015). Even though *technology* is a bigger threat to unskilled jobs than trade, foreign countries – China or Mexico – are more convenient scapegoats than machines or robots. Lawrence Katz, quoted in a *New York Times* article: 'Just allowing the private market to automate without any support is a recipe for blaming immigrants and trade and other things, even when it's the long impact of technology' (Miller, 2016). Edward Alden (2017) argues that the United States has failed to adjust economic and trade policies to the new reality of an automated and globalized economy. As a result, those who have lost the safety net see immigrants and trade as the cause of their economic difficulties.

STRATEGIC INTERACTIONS AND INTERNATIONAL MIGRATION

Another field of study where economic theories help explain political outcomes is international migration – the movement of people across national borders – which has been steadily increasing in every region of the globe since the end of World War II (see Badie, Chapter 84, this *Handbook*). Today approximately 244 million people reside outside of their country of birth and over the past half-century individual mobility has increased at a steady pace (see Figure 4.1). Tens of millions of people cross borders on a

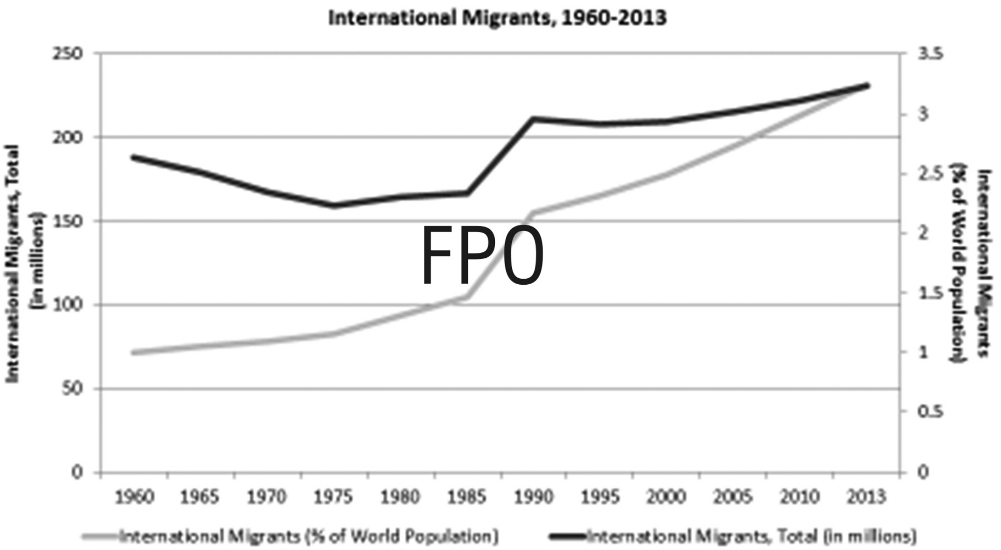

Figure 4.1 Trends in international migration

Source: World Bank Data Bank 2015.

daily basis, which adds up to roughly two billion annually. International mobility or people is part of a broader trend of globalization, which includes trade in goods and services, investments and capital flows, greater ease of travel, and a veritable explosion of information. While trade and capital flows are the twin pillars of globalization, migration is the third pillar or the third leg of the stool on which the global economy rests.

Migration is in many ways connected to trade and investment, yet it is profoundly different. *People are not shirts*, which is another way of saying that labor is not a pure commodity. Unlike goods and capital, individuals can become actors on the international stage (they have agency) whether through peaceful transnational communities or violent terrorist/criminal networks. In the extremely rare instances when migrants commit terrorist acts, migration and mobility can be a threat to the security of states. However, many economic studies show that the benefits of migration far outweigh the costs (Martin, 2015). Immigrants bring much needed manpower in demographically deficient countries, human capital, and new ideas (entrepreneurial know-how) and cultures (diversity) to their host societies. However, in liberal democracies, they also come with a basic package of (human and civil) rights that enables them to settle and become productive members of society, if not citizens of their adoptive countries. Conversely, they may return to their countries of origin where they can have a dramatic impact on economic and political development (Martin et al., 2006), with a brain drain turning into a brain gain or brain circulation.

Migration and Governance

In strategic interactions over the issue of migration, international cooperation is difficult. Figure 4.2 highlights the inadequacies of global migration governance compared to trade and finance. Why has no international migration regime emerged to complement the Bretton Woods regimes for

Figure 4.2 A typology of international regimes

trade (GATT/WTO) and finance and development (IMF and World Bank)? The answer lies in *collective action problems*. To date, unwanted labor migration is more of a nuisance for host countries, especially from a political and security standpoint. Labor migrants are not fundamentally threatening, the building of walls along the US–Mexican border notwithstanding. Migration governance often is unilateral and done on an *ad hoc* basis. The payoff from international cooperation in the area of unwanted labor migration is negative, and opportunities for defection from a global migration regime are numerous. The possibilities for monitoring, enforcing, or developing some core principle of non-discrimination (as in the WTO) are minimal at this point, and there is little or no reciprocity. Thus, states have a strong incentive to *free-ride* other states' efforts, and international migration of all types poses a challenge for individual states, as well as for regional integration processes like the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) and for the international community as a whole (Hollifield et al., 2014). That brings us back to the domestic level in our quest to understand migration governance and to explain why states risk openness, and it requires a political economy approach.

Despite its benefits both economic and cultural, international migration is one of the most politically controversial issues in developed countries. Reactive populism in Europe and the United States is nativist and xenophobic, and immigration is a key issue for many voters, as evidenced by the British vote to leave the EU and the election of Donald Trump as President of the United States. Four factors drive immigration policies: economic interests (markets), cultural and ideational concerns, security, and rights (see Figure 4.3). Opponents claim that immigrants suppress the wages of native workers (markets), impose welfare burdens and diminish citizenship (rights), threaten national identity (culture), and cause crime and terrorism (security). In their research on public opinion, Gary Freeman and Alan Kessler (2008) find that opposition to immigration is related not only to economic factors, such as job market threat from immigrants and higher taxes to support immigrants' use of welfare programs, but also to non-economic factors, such as the desire for cultural homogeneity and a fear of loss of national identity (see also Huntington, 2004).

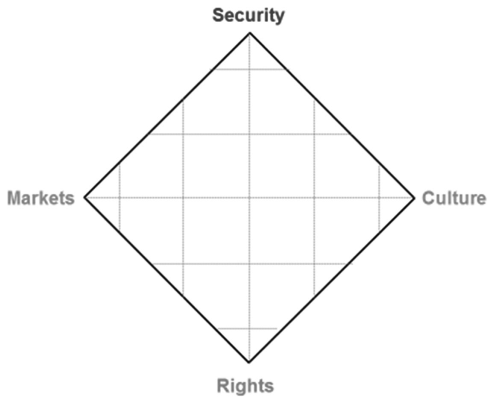

Figure 4.3 The dilemmas of migration governance

In 'normal' times, the debate about immigration control in liberal democracies revolves around two poles: markets (numbers) and rights (status); or how many immigrants to admit, with what skills, and what status? Should migrants be temporary (guest) workers, or allowed to settle, bring their families, and get on a 'path to citizenship'? To explain push and pull factors of international migration, economic analysis assumes individual migrants as preeminently rational, utility-maximizing agents (Martin, 2015). For example, George Borjas (1990) argues that the welfare state itself is a significant pull factor because low-skilled migrants would choose to migrate expecting that they can benefit from the recipient country's social welfare services after admission. As a result, Martin Ruhs (2013) argues, there are trade-offs in the policies of developed countries between openness to admitting immigrants (numbers) and the rights granted to immigrants (status).

Those who argue for the trade-offs between markets and rights *assume* that migrant and native workers are *substitutes*, and hence that immigration harms native workers as their wages fall (e.g., Borjas, 2003). However, migrants and native workers can be *complements* if they belong to different skill groups, so that immigrants may have a positive impact on the wages of native workers (e.g., Peri and Sparber, 2009). Accounting for the complementarity effects, Gianmarco Ottaviano and Giovanni Peri (2012) find that in the United States immigrants during 1990–2006 had a small positive effect on average wages of US-born workers (including unskilled workers) and a substantial negative effect on wages of recent, low-skilled immigrants. This economic analysis draws two important implications: the more social mobility the workers – both migrant and native – have, the more beneficial the arrival of migrant workers are for both native workers and employers, and previous immigrants would lose from more immigration if they fail to raise their skill levels after arrival. In other words, policies that increase workers' social mobility would mitigate the negative impacts of immigration and create a Pareto improvement. Thus, regulatory reform to create more flexible labor markets and education reform to enhance skill levels of both native and migrant workers would be important to mitigate negative public reactions to immigration.

The logic of collective action suggests that organized groups would have more impact on policymaking than disorganized public opinion, especially in democratic countries where vote-maximizing politicians find it more important to cater to influential interest groups (Olson, 1965). How do interest groups shape US immigration policy at the sector level? Margaret Peters (2017) argues that firms that lobby for open immigration to lower their labor costs when trade policy is closed will adapt to import competition by other means – such as increasing labor productivity or closing their businesses – when trade policy is open. She states that trade liberalization and the increased ability of firms to move overseas has reduced the business community's pressure for open immigration, empowered anti-immigrant groups, and spurred greater limits on immigration. Giovanni Facchini and his co-authors (2011) assume that labor unions want restrictions on immigration – so as to maintain higher wages for native workers – while business groups want greater openness to immigration, and they find that barriers to immigration are lower in sectors where business groups incur larger lobbying expenditures and higher in sectors where labor unions are more powerful. In sum, economic analysis of international migration suggests that business firms seek greater openness to immigration to confront import competition, while workers demand greater controls on immigration when they fail to upgrade their skill levels and hence have to confront the downward pressure of their wages due to automation – *not* immigration.

In times of war and political crises, the dynamic of markets and rights give way to a culture-security dynamic and finding equilibrium (compromise) in the policy game is much harder – this is the policy dilemma facing leaders across the globe in the 21st century. Cultural concerns – where should the immigrants come from, which regions of the globe, with which ethnic characteristics – and issues of integration often 'trump' markets and rights, and the trade-offs are more intense in some periods and in some countries than in others. Indeed, studies of public opinion toward immigration show that cultural concerns play a significant role in how willing people in recipient countries are to accept newcomers (e.g., Hainmueller and Hopkins, 2014). For example, in Germany, widely shared but wildly fabricated stories of Arab men raping Western women epitomize the view that the newcomers with particular religious and ethnic backgrounds are defiling the nation (Eddy, 2017). Michael Lusztig

(2017) takes issue with multiculturalists (Kymlicka, 1995) arguing that multiculturalism and other forms of culturalism pose a threat to liberal democracy. With the terrorist attacks of September 11, 2001 in the United States and again with attacks in Europe, on November 13, 2015, in Paris, immigration and refugee policymaking has been dominated by a national security dynamic (with a deep cultural subtext, fear of Islam) and the concern that liberal immigration and refugee policies pose a threat to the nation and to civil society. In the United States, Donald Trump has stoked fear of immigrants to gain votes, and as a result anti-internationalism has escalated from protectionism into xenophobia, nativism, and racism. Even though immigration is not a cause of job losses, the perception that immigrants are 'taking our jobs' has proven to be politically potent (e.g., Scheve and Slaughter, 2001). Those who feel 'immigrants have stolen our jobs' are open to Trump's xenophobic one-way twitter demagoguery of 'we are deceived by foreigners'. Protectionism and restricting immigration have become the rallying cry of anti-globalists. Without a social welfare safety net that would create a Pareto improvement, those in the United States who feel left behind by globalization find immigrants and foreigners to be convenient scapegoats. However, the situation in Europe is different. Despite strong welfare states, the fear of Islam and terrorism overrides the basic political economy dynamic of markets and rights (see Figure 4.3).

Migration Interdependence and International Cooperation

If the domestic four-sided game (Figure 4.3) is not complicated enough, it becomes more difficult by virtue of the fact that migration control has important foreign policy implications. The movement of populations affects international security, and in some situations like the partition of India or the breakup of Yugoslavia, it can change the balance of power. Hence, political leaders are always engaged in a strategic interaction, a *two-level game*, seeking to build domestic coalitions to maximize support for policy but with an eye on the foreign policy consequences (Putnam, 1988). Migration is an important factor driving economic interdependence and creating an international labor market. The first rule of political economy is that markets beget regulation. Hence, some type of a stronger global or regional migration regime is necessary to sustain open labor markets. What will be the parameters of such a regime, how will it evolve, and how can economic theories of politics help us to understand it?

One of the principal effects of economic interdependence is to compel states to cooperate (see the discussion of trade in the previous section). Increasing international migration is one indicator of interdependence, and it shows no signs of abating. From Figure 4.4, we can see levels of migration interdependence, with states in Europe, North America, and Asia relying heavily on migration for national development, whether through labor migration (both high- and low-skilled) or income generators via remittances. As the international market for skilled and unskilled labor grows, pressures to create an international regime will increase. Economic theories help us to identify two ways in which states can overcome coordination problems in the absence of a multilateral process that builds trust and reciprocity and thereby helps to overcome asymmetries: (1) through the centralization of regulatory power and pooling of sovereignty (as in the EU), and (2) suasion and 'tactical issue linkage'.

We already have seen an example of the first strategy at the regional level in Europe (see Fawcett, Chapter 80, this *Handbook*). The EU and, to a lesser extent, the Schengen and Dublin regimes were built through processes of centralization and pooling of sovereignty. This was easier to do in the European context because of the symmetry of interests and power within the EU

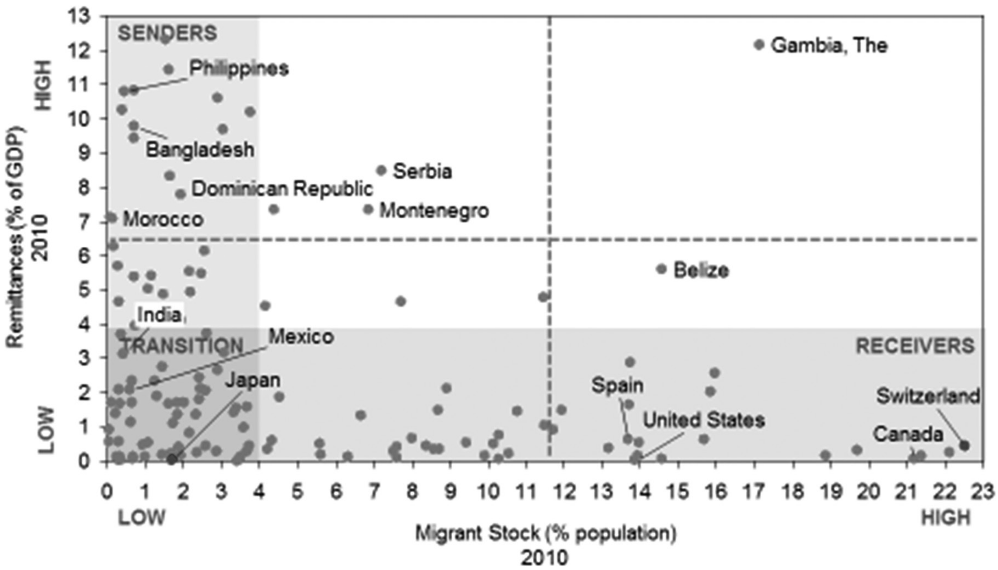

Figure 4.4 Migration interdependence

and the existence of an institutional framework (the various treaties of the EU). It is much more difficult to centralize control of migration in the Americas or Asia, for example, where the asymmetry of interests and power is much greater, and levels of political and economic development vary tremendously from one state to another. Different from the EU, it is unlikely that regional trade regimes like the North American Free Trade Agreement (NAFTA), Asia-Pacific Economic Cooperation, or the Trans-Pacific Partnership (now Comprehensive and Progressive Agreement for Trans-Pacific Partnership) will lead quickly to cooperation in the area of migration. Nevertheless, the regional option – multilateralism for a relevant group of states where migration governance is a club good – is one way to overcome collective action problems and to begin a process of centralization of regulatory authority.

Most international regimes have had a long gestation period, beginning as bilateral or regional agreements. It is unlikely, however, that an international migration regime (a Global Compact on Migration and Refugees) could be built following the genesis of international organizations such as the General Agreement on Tariffs and Trade (now the WTO), the International Monetary Fund, and the World Bank, which provide a certain level of multilateral governance for the other two pillars of globalization. In the area of migration governance, it is difficult to fulfill the prerequisites of multilateralism: indivisibility, generalized principles of conduct, and diffuse reciprocity. The norm of non-discrimination (equivalent of the *most-favored nation status*) does not exist, and there are no mechanisms for punishing free-riders and no way of resolving disputes. In short, as depicted in Figure 4.2, the basis for multilateralism is weak, and the institutional framework is not well developed. However, this has not prevented the international community (via the United Nations) from moving forward with a Global Compact for Migration, built around the principle of 'safe, orderly and regular migration'. The challenge of course will be to convince the most powerful states, especially the United States, to support a multilateral process for global migration governance. For the moment, the United States and other powerful countries (like the UK) are moving in exactly the opposite (nationalist and unilateral) direction.

With the asymmetry of interests and power between developed (migration receiving) and less developed (migration sending) countries, *suasion*, including financial incentives, is the only viable strategy for overcoming collective action problems, whether at the regional or international level. This game follows several steps. The first step is to develop a *dominant strategy*, which can be accomplished only by the most powerful states, using international organizations (like the UN) to persuade or coerce smaller and weaker states. From the standpoint of recipient countries, the orderly movement of people, defined in terms of rule of law and respect for state sovereignty, should be the principal objective of the powerful liberal states. From the standpoint of the sending countries, migration for development, taking advantage of remittances and returns (brain gain) or circular migration, should be the guiding principle of an international migration regime. Then, the second step is to persuade other states to accept the dominant strategy. This will necessitate *tactical issue linkage*, which involves identifying issues and interests not necessarily related to migration and using these to leverage, compel or coerce states to accept the dominant strategy. This is, in effect, an 'international logroll'. Such tactics will have only the appearance of multilateralism, at least initially. Tactical issue linkage is central in negotiations between the United States and Mexico over the NAFTA (now USMCA) and over refugee flows from Central America. Likewise, migration management figured prominently in negotiations between the EU and neighboring states, especially EU candidate countries in the Western Balkans and Turkey. The third step for developed countries is to *institutionalize* this process. The long-term benefits of such a strategy for recipient countries are obvious. It will be less costly to build a multilateral migration regime than to fight every step of the way with every sending state, relying only on unilateral or bilateral agreements. Multilateral processes may entail some short-term loss of control and sovereignty in exchange for long-term stability and orderly migration based on rule of law. The payoff for sending states is greater freedom of movement for their nationals, greater foreign reserves and a more favorable balance of payments, increased prospects for return migration, and increases in technology transfers. Thus, it is potentially a 'win-win' for sending and recipient countries and the migrants themselves.

Changes in the international system with the end of the Cold War have altered this game in several ways. First, it has made defection easier. Since the 1990s, states have had a more incentive to free-ride by not cooperating with neighboring states in the making of migration and refugee policies. Second, the new configurations of interests and power make it more difficult to pursue a multilateral strategy for managing international migration. In recipient countries, internationalist rights-markets coalitions of the left and the right (for example, civil rights Democrats and business or so-called 'Wall Street' Republicans in the United States) have broken apart. Instead increasing polarization and politicization over immigration and refugee issues have led to nationalist culture-security coalitions of the far left and the far right (for example, job threatened unionized workers and economic nationalists). Yet liberalization and democratization in formerly authoritarian states have dramatically reduced the transaction costs for emigration. Initially this caused panic in Western Europe, where there was a fear of mass migrations from east to west. Headlines screamed, 'The Russians are coming!'. Even though these massive flows did not materialize, Western states began to hunker down and search for ways to reduce or stop immigration. The time horizons of almost all Western democracies are much shorter because of these changes in domestic and international politics since the end of the Cold War. The terrorist attacks of the 2000/10s have exacerbated these fears, and migration and mobility are perceived by many to pose a threat to national security.

If, as seems likely, the United States and the EU defect from international cooperation over migration and refugee flows, such defections would alter the equilibrium outcome, making migration more costly in political terms to all states and to the international community, and the economically virtuous process of increased exchange and mobility would be reversed. International cooperation on migration depends on how the more powerful recipient countries manage migration and whether they will pursue an aggressive strategy of multilateralism. To avoid a domestic political backlash against immigration, powerful liberal states must take the short-term political heat for long-term political stability and economic gain, much as Angela Merkel and Germany did in the face of the refugee crisis of 2015–16. However, the asymmetry of interests, particularly between developed and developing countries and short-term political considerations (countering the rise of the extreme populist right) are too great to permit states to overcome problems of coordination and cooperation. Economic analysis in political science suggests that even as states become more dependent on trade and migration, they are likely to remain trapped in what James Hollifield (1992) calls a *liberal paradox*, needing to be economically open and politically closed, for decades to come.

CONCLUSION

The election of Donald Trump to be President of the United States in 2016 poses a great challenge to the economic analysis of politics, specifically rational choice theory. Trump's unpredictability questions one of the key assumptions of rational choice: the *consistency* of each actor's preference ordering. Is Trump irrational? We suspect that the reason why Trump is unpredictable is that his policy agenda has no basis in strategy but relies instead on social psychology. *New York Times* columnist David Brooks (2017a) wrote: 'It's not clear if Trump is combative because he sees the world as dangerous or if he sees the world as dangerous because it justifies his combativeness. Either way, Trumpism is a posture that leads to the now familiar cycle of threat perception, insult, enemy-making, resentment, self-pity, assault and counterassault'. While many analysts have struggled to identify a strategy behind his erratic pronouncements, it makes more sense to assume that he chooses his policy positions based on preference ordering in a way to maximize his ego satisfaction. Even if some in the Trump administration believe rulemaking through multilateral institutions benefits US strategic interests, President Trump will not listen to their advice because he is impervious to strategic arguments, and only responds to what satisfies his ego. He also attacks political institutions such as the separation of powers and freedom of speech because those institutions hurt his ego. For many of his supporters the less civil he is the more attractive his rhetoric is, as his anti-institutionalist attitude and lack of civility are criticized by those who, he tells his supporters, look down upon them (Brooks, 2017b). To understand the strong backlash against liberal, rationalist view of politics, may require us to make more room for interpretivist, social psychological, and even Freudian approaches.

Perhaps, economic analysis in political science constitutes a 'scientific revolution' à la Thomas Kuhn (1962), moving the study of politics away from its formal-legal and socio-psychological roots and in the direction of more systematic and falsifiable propositions. However, the irony is that economics and politics are moving in the opposite direction, with a renewed emphasis on socio-psychological approaches to the study of markets and economic behavior. As our analysis of trade and migration show, Trump's seemingly irrational behavior can be explained best by incorporating psychological factors into his preference ordering. Perhaps, rationality and psychology will meet halfway and a true political economy will emerge; but this strikes us unlikely because the objects and the subjects of inquiry are quite different. In a single essay, we cannot begin to resolve the dispute between rationalists, social psychologists, and institutionalists. We instead fall back on Max Weber who leaves ample room for rationalist and interpretivist approaches to the study of politics.

REFERENCES

Acemoglu, Daron, David Autor, David Dorn, Gordon H. Hanson, and Brendan Price, 'Import Competition and the Great US Employment Sag of the 2000s', *Journal of Labor Economics* 34: S141–S198.

Alden, Edward. 2017. *Failure to Adjust: How Americans Got Left Behind in the Global Economy*. Lanham, MD: Rowman & Littlefield.

Alden, Edward, and Laura Taylor-Kale. 2018. *The Work Ahead: Machines, Skills, and U.S. Leadership in the Twenty-First Century*. New York: Council on Foreign Relations.

Aldrich, John H. 1995. *Why Parties? The Origin and Transformation of Political Parties in America*. Chicago, IL: University of Chicago Press.

Aldrich, John H., and John D. Griffin. 2018. *Why Parties Matter: Political Competition and Democracy in the American South*. Chicago, IL: University of Chicago Press.

Arrow, Kenneth J. 1963. *Social Choice and Individual Values*, second edition. New York: Wiley.

Autor, David H., David Dorn, and Gordon H. Hanson, 'The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade', *Annual Review of Economics* 8: 205–240.

Axelrod, Robert. 1984. *The Evolution of Cooperation*. New York: Basic Books.

Borjas, George J. 1990. *Friends or Strangers: The Impact of Immigrants on the U.S. Economy*. New York: Basic Books.

Borjas, George J. 2003. 'The Labor Demand Curve *Is* Downward Sloping', *Quarterly Journal of Economics* 118(4): 1335–1374.

Brooks, David. 2017a. 'A Gift for Donald Trump', *New York Times*, February 10. (https://www.nytimes.com/2017/02/10/opinion/a-gift-for-donald-trump.html, accessed February 20, 2019)

Brooks, David. 2017b. 'When Politics Becomes Your Idol', *New York Times*, October 30. (https://www.nytimes.com/2017/10/30/opinion/when-politics-becomes-your-idol.html, accessed February 20, 2019)

Collard-Wexler, Allan, and Jan De Loecker. 2015. 'Reallocation and Technology: Evidence from the US Steel Industry', *American Economic Review* 105(1): 131–171.

Dahl, Robert. 1991. *Modern Political Analysis*. Englewood Cliffs, NJ: Prentice Hall.

Dixon, William J. 1993. 'Democracy and Management of International Conflict', *Journal of Conflict Resolution* 37(1): 42–68.

Downs, Anthony. 1957. *An Economic Theory of Democracy*. New York: Harper.

Doyle, Michael W. 1986. 'Liberalism and World Politics', *American Political Science Review* 80(4): 1151–1169.

Duverger, Maurice. 1954. *Political Parties: Their Organization and Activity in the Modern State*. New York: Wiley.

Eddy, Melissa. 2017. 'Bild Apologizes for False Article on Sexual Assaults in Frankfurt by Migrants', *New York Times*, February 16. (https://www.nytimes.com/2017/02/16/world/europe/bild-fake-story.html, accessed February 17, 2019)

Facchini, Giovanni, Anna Maria Mayda, and Prachi Mishra. 2011. 'Do Interest Groups Affect US Immigration Policy?' *Journal of International Economics* 85(1): 114–128.

Fearon, James D. 1994. 'Domestic Political Audiences and the Escalation of International Disputes', *American Political Science Review* 88(3): 577–592.

Fearon, James D. 1995. 'Rationalist Explanations for War', *International Organization* 49(3): 379–414.

Freeman, Gary P., and Alan K. Kessler. 2008. 'Political Economy and Migration Policy', *Journal of Ethnic and Migration Studies* 34(4): 655–78.

Friedman, Thomas L. 2000. 'America's Labor Pains', *New York Times*, May 9. (https://www.nytimes.com/2000/05/09/opinion/foreign-affairs-america-s-labor-pains.html, accessed February 2, 2019)

Geddes, Barbara. 2003. *Paradigms and Sand Castles: Theory Building and Research Design in Comparative Politics*. Ann Arbor, MI: University of Michigan Press.

Gowa, Joanne. 1999. *Ballots and Bullets: The Elusive Democratic Peace*. Princeton, NJ: Princeton University Press.

Hainmueller, Jens, and Daniel J. Hopkins. 2014. 'Public Attitudes Towards Immigration', *Annual Review of Political Science* 17: 225–249.

Hollifield, James F. 1992. *Immigrants, Markets, and States: The Political Economy of Postwar Europe*. Cambridge, MA: Harvard University Press.

Hollifield, James F., Philip L. Martin, and Pia M. Orrenius, eds. 2014. *Controlling Immigration: A Global Perspective*, second edition. Stanford, CA: Stanford University Press.

Huntington, Samuel P. 2004. *Who Are We? The Challenges to America's National Identity.* New York: Simon & Schuster.

Ikenberry, G. John. 2011. *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order*. Princeton, NJ: Princeton University Press.

Jervis, Robert. 1976. *Perception and Misperception in International Relations*. Princeton, NJ: Princeton University Press.

Keohane, Robert O. 1984. *After Hegemony: Cooperation and Discord in the World Political Economy*. Princeton, NJ: Princeton University Press.

Kuhn, Thomas S. 1962. *The Structure of Scientific Revolutions*. Chicago, IL: University of Chicago Press.

Kymlicka, Will. 1995. *Multicultural Citizenship.* Oxford: Clarendon Press.

Lake, David A. 2011. *Hierarchy in International Relations*. Ithaca, NY: Cornell University Press.

Lupia, Arthur. 2016. *Uninformed: Why People Know So Little About Politics and What We Can Do About It*. New York: Oxford University Press.

Lupia, Arthur, and Mathew D. McCubbins. 1998. *The Democratic Dilemma: Can Citizens Learn What They Need to Know?* New York: Cambridge University Press.

Lusztig, Michael. 2017. *The Culturalist Challenge to Liberal Republicanism*. Montreal: McGill-Queen's University Press.

Martin, Lisa L., and Beth A. Simmons. 2001. *International Institutions: An International Organization Reader*. Cambridge, MA: MIT Press.

Martin, Philip L. 2015. 'Economic Aspects of Migration', in Caroline B. Brettell and James F. Hollifield, eds., *Migration Theory: Talking Across Disciplines*, third edition. New York, NY: Routledge.

Martin, Philip L., Susan F. Martin, and Patrick Weil. 2006. *Managing Migration: The Promise of Cooperation*. Lanham, MD: Lexington Books.

McDonald, Patrick J. 2009. *The Invisible Hand of Peace: Capitalism, The War Machine, and International Relations Theory*. New York: Cambridge University Press.

Mearsheimer, John J. 2001. *The Tragedy of Great Power Politics*. New York: W. W. Norton & Company.

Miller, Claire Cain, 2016. 'The Long-Term Jobs Killer Is Not China: It's Automation', *New York Times*, December 21. (https://www.nytimes.com/2016/12/21/upshot/the-long-term-jobs-killer-is-not-china-its-automation.html, accessed February 3, 2019)

Mousseau, Michael. 1998. 'Democracy and Compromise in Militarized Interstate Disputes, 1816–1992', *Journal of Conflict Resolution* 42(2): 210–230.

Olson, Mancur. 1965. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, MA: Harvard University Press.

Ottaviano, Gianmarco I. P., and Giovanni Peri. 2012. 'Rethinking the Effect of Immigration on Wages', *Journal of the European Economic Association* 10(1): 152–197.

Page, Benjamin I., and Robert Y. Shapiro. 1992. *The Rational Public: Fifty Years of Trends in Americans' Policy Preferences*. Chicago, IL: University of Chicago Press.

Peri, Giovanni, and Chad Sparber. 2009. 'Task Specialization, Immigration, and Wages', *American Economic Journal: Applied Economics* 1(3): 135–169.

Peters, Margaret E. 2017. *Trading Barriers: Immigration and the Remaking of Globalization*. Princeton, NJ: Princeton University Press.

Popkin, Samuel L. 1994. *The Reasoning Voter: Communication and Persuasion in Presidential Campaigns*, second edition. Chicago, IL: University of Chicago Press.

Powell, Robert. 2006. 'War as a Commitment Problem', *International Organization* 60(1): 169–203.

Putnam, Robert D. 1988. 'Diplomacy and Domestic Politics: The Logic of Two-Level Games', *International Organization* 42(3): 427–460.

Ricardo, David. 2015 [1817]. *On the Principles of Political Economy and Taxation*. New York: Dossier Press.

Riker, William H. 1980. 'Implications from the Disequilibrium of Majority Rule for the Study of Institutions', *American Political Science Review* 74(2): 432–446.

Riker, William H. 1982. 'The Two-Party System and Duverger's Law', *American Political Science Review* 76(4): 753–766.

Rogowski, Ronald. 1989. *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*. Princeton, NJ: Princeton University Press.

Ruhs, Martin. 2013. *The Price of Rights: Regulating International Labor Migration*. Princeton, NJ: Princeton University Press.

Russett, Bruce. 1993. *Grasping the Democratic Peace: Principles for a Post-Cold War World*. Princeton, NJ: Princeton University Press.

Sandbu, Martin. 2018. 'Tariffs Are Bad for GM and Bad for America', *Financial Times*, November 28. (https://www.ft.com/content/db323146-f24d-11e8-ae55-df4bf40f9d0d, accessed January 27, 2019)

Scheve, Kenneth F., and Matthew J. Slaughter. 2001. 'Labor Market Competition and Individual Preferences over Immigration Policy', *Review of Economics and Statistics* 83(1): 133–145.

Scheve, Kenneth F., and Matthew J. Slaughter. 2007. 'A New Deal for Globalization', *Foreign Affairs* 86(4): 34–47.

Scheve, Kenneth F., and Matthew J. Slaughter. 2019. 'How to Save Globalization: Rebuilding America's Ladder of Opportunity', *Foreign Affairs* 98(1): 98–108.

Schultz, Kenneth A. 2001. *Democracy and Coercive Diplomacy*. New York: Cambridge University Press, 2001.

Smith, Adam. 1979 [1776]. *The Wealth of Nations*. New York: Penguin Books.

Spence, Michael. 2011. 'The Impact of Globalization on Income and Employment: The Downside of Integrating Markets', *Foreign Affairs* 90(4): 28–41.

Tomz, Michael. 2007. 'Domestic Audience Costs in International Relations: An Experimental Approach', *International Organization* 61(4): 821–840.

Tomz, Michael R., and Jessica L. P. Weeks. 2013. 'Public Opinion and the Democratic Peace', *American Political Science Review* 107(4): 849–865.

Voeten, Erik. 'The Political Origins of the UN Security Council's Ability to Legitimize the Use of Force', *International Organization* 59(3): 527–557.

Waltz, Kenneth W. 1979. *Theory of International Politics*. Reading, MA: Addison-Wesley.