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Policymakers and Trade Legislation  
(Comments by Cheryl Schonhardt-Bailey)

The conference organizers requested that this brief memo set out “the main issues facing policy makers in the trade and globalization debates, touching on votes and positions taken on these issues, the effects of lobbying, constituency opinion, and party politics.” And, they further requested a view as to “what the big issues were, what the theories and hypotheses” were, and “how we could best test them in building a survey instrument.” A few pages did not seem at all adequate for this task, but happily, the project leaders have already addressed many of these topics in their paper, “The Political Economy of Globalization: How Firms, Workers, and Policymakers Are Responding to Global Economic Integration”. Hence, it seems sensible that the value-added from this memo would be to take their paper as a starting point and to examine what I think are the possibly shortcomings and/or hurdles that their proposed project currently faces.

I address four issues in the context of trade policy and globalization: (1) measurement of asset ownership and its specificity; (2) non-economic sources of trade preferences; (3) the measurement of legislators’ trade policy preferences; and (4) trade preferences in the context of the European Union.

(1) Measurement of Asset Ownership and its Specificity

In their project description paper, Estévez-Abe, Freeman, Hiscox and Lawrence describe the (Heckscher-Ohlin ) Stolper-Samuelson theorem and the specific factors model as the key theoretical frameworks for understanding individuals’ asset ownership and how the value of these assets and the income earned from them is affected by different policies. Notably, the authors tend to collapse their discussion of factor specificity and asset specificity—for example, they remark that “(p)ut crudely, the stakes that individuals have in policies that affect the industry or firm in which they are employed or invested will vary greatly depending upon how easy it is for them to move their assets elsewhere” (italics added). While it may be convenient to collapse employment and investment, this obscures a unique (and, I would argue, important) feature of asset ownership, namely the extent to which investors have weakly defined asset-derived trade policy preferences. If we assume that most voters are investors, and that their asset-derived trade preferences are indeed weakly defined, then this may well be “good” for globalization, in the sense that policy makers have greater scope to shirk from constituency interests as they vote on trade legislation. (In a somewhat related vein, the short paper by Milner and Hiscox notes that “(i)t is less clear whether the trade preferences of voters in [legislators’] districts matters much . . . for legislators’ voting decisions, since the trade issue . . . [is] rarely [a] critical point of debate in campaigns for congressional seats.”) As a result, the phenomenon of “de-
globalization” (similar to that of the early twentieth century) may very well be an unwarranted fear.

The proposed survey project could benefit from a better understanding of the relationship between asset holdings and trade policy preferences, and in particular, the interests and the incentives of share owners, who are the residual owners of firms that are directly affected by trade policies, to act collectively. Quite simply, it may be argued that the form and distribution of shareholding complicate the mobilization of interests (Schonhardt-Bailey and Bailey 1995). As background, the familiar Heckscher-Ohlin and Ricardo-Viner specific factors models offer different predictions for the policy preferences of capital owners. Whereas the Heckscher-Ohlin (H-O) model assumes perfect inter-industry factor mobility, the specific factors model defines some factor inputs as industry-specific (immobile) and others as perfectly mobile between industries. These two are often depicted as long-run and short-run models respectively (even in a specific factors world, factors trapped in the short-run will, given sufficient time, migrate to other industries where returns are higher), and they differ in their predictions of coalition formation. Equalization of factor returns in the H-O model means that owners of a particular factor will incur similar costs or benefits from a given trade policy; thus coalitions are expected to form along factor lines (i.e., the Stolper-Samuelson theorem). In the specific factors model, where factors are specific to industries at least in the short-run, coalitions will divided along export- versus import-competing industry lines.

The first step in the empirical analysis is therefore to consider the degree of (im)mobility of capital. Here, let us distinguish between capital as the ownership of assets (investment capital) and capital as part of the production process (production capital). Specialization of production is advantageous, while specialization of asset ownership involves concentrated exposure to risk, and thus can be disadvantageous. Diversification of investment capital suggests that owners may be less affected by adverse shocks to the firms or industries in which their capital is invested. In contrast, when investment capital is concentrated and therefore probably more immobile, owners are more likely to suffer larger losses and are likely to be in the vanguard of calls for policy changes that redistribute income. In the case of trade policy, such industry-specific factors will give rise to industry-specific interests that may either favor or oppose protection, depending on the form of trade competition facing the industry. Owners of factors specific to the domestic import-competing industry gain from protection (via the relatively higher price), while owners of factors specific to the export sector lose (via the relatively lower price). The preference of the mobile factor (for example, labor) is ambiguous: although workers can move into the protected sector, their welfare remains contingent upon their unique particular consumption preferences. In sum, owners of factors specific to a particular industry will tend to seek protection for their industry and oppose protection for any other industry, whereas mobile factor owners will remain largely inactive. While a fair amount has been written on the importance of factor specificity in determining the intensity of actors’ policy preferences, less well understood is the link between the form of holding and mobility of investment capital and trade preferences.

In a number of major countries, the pronounced shift from individual to institutional ownership of financial assets, and the growth of highly liquid financial markets, have fostered the presumption that assets are highly diversified and foot-loose. Beneath this
argument lie changes in the form of asset-holding, and hence in the perceived risk-profile of investors. This risk-profile is critical for determining the likelihood that owners of financial assets will mobilize for collective action. Some mobilize and others do not: factor mobility is only part of what defines investors’ exposure to risk.

The framework of risk exposure has three elements: diversification versus concentration of returns to assets (including their value); the presence (or not) of some form of investment insurance or protection; and the transmission mechanism by which gains and losses from trade policy adjustments feed through to individual asset holders.

i. Diversification versus concentration

While at the industry and firm level there is evidence that production capital is not inter-sectorally mobile, investors can avoid the worst consequences of being locked into a declining industry by diversifying their portfolios. The link between diversification and economic interests is simple: as investors reduce the proportion of their wealth tied up in a single firm or industry, their incentive to lobby on the industry’s behalf is reduced. It is less painful to back a loser when the maximum expected loss is small relative to total wealth.

Individuals who are diversified to the point where their endowment of factor shares and their investment portfolio matches the national endowment should prefer free trade to protection of any kind. Such an endowment would, however, entail diversification both across factor inputs and within each factor. That is, an individual’s portfolio would be a microcosm of the nation’s endowment of say, land, labor, and capital (or more exhaustively, human physical, knowledge and capital resources, and infrastructure), and for any particular factor, ownership across industries would reflect the nation’s mix. Although it is unlikely that any one individual’s or institution’s factor endowment would constitute a perfect microcosm of the national factor endowment, for a particular factor such as capital, an individual could well own a sufficiently diversified portfolio to warrant a preference for free trade. Arguably, this is increasingly the case in countries like the US and UK where so-called collective investment schemes are more dominant.

ii. Insurance

Alternatively, an individual could enjoy sufficient insurance or protection on his asset portfolio such that, under limited circumstances, losses are absorbed by the insurer and not by the individual. Standard trade theory maintains that free trade benefits all, as long as losers are provided with adequate compensation. The provision of insurance to cover losses on assets may then be viewed as a form of compensation.

iii. Transmission mechanisms and property rights

The preferences of investors will also depend upon the transmission of income, which varies with the form of investment. This can be thought of in terms of property rights. Property rights in developed countries are usually assumed to be well-defined and unproblematic, and are a prerequisite for a market economy. Such property rights (1)
assign exclusive ownership rights to each property; (2) allow owners the right to claim the residual income accruing to their assets; and (3) allow owners the right to determine the use of assets, including the restructuring, sale, or lease of property. In other words, (1) and (2) define the form of the residual claim (ownership), while (3) shapes the decision-making process available to owners (control). True property owners (residual claimants) must ultimately pay for mistakes, bad judgement, or bad luck; they also stand to reap the rewards of diligence, foresight, and good luck. Consequently, owners have the incentive to monitor the firm’s behavior, and to sustain or increase profitability. Property rights thus create economic interests, and thereby policy preferences.

With collective investment schemes, the wide distribution of the ownership of property rights in firms leads to weak specification, and this can result in a misspecification of the economic interests underpinning political conflicts over trade policy. Several reasons explain this development. First, the rights themselves, which constitute a claim on the capital of firms, are mobile in the sense that an investment can be costlessly (or nearly costlessly) transferred from a firm (or sector) that loses from a policy shift to one that gains. This could occur if, for instance, the equity market is expected to be sufficiently liquid to allow a holding to be liquidated (which in turn is dependent on the size of the holding). Second, individual investors strive to achieve a degree of portfolio diversification, thereby diluting their interest in a particular firm or industry. Third, the rights are held in an indirect form. This could be because they are held by banks that translate the right into a deposit contract, or by institutional investors who issue pension or insurance contracts or act as a simple intermediary in the case of mutual funds or unit trusts. In brief, the political cleavages predicted by the specific factors model are less likely to materialize. Poorly defined property rights—in particular resulting from institutional intermediation—distort the political manifestation of conflicts of economic interests between gainers and losers from trade policy.

Financial Intermediation and the Trade Policy Preference of Individual Investors

Differences in the contractual relationship between individual savers and financial intermediaries reflect differences in the “investment-contract demand” of individuals, which will in turn have a bearing on the formation of trade-policy preferences among those individuals. Contracts written between institutions and individual policy-holders, investors, or depositors different significantly between the different types of financial intermediaries. Five different common forms of financial intermediation are mutual funds, pension funds, life insurance, private trusts and endowments, and bank deposits. Three broad characteristics of investing that shape the formation of interests among investors are: (1) the relationship between the return on the institution’s assets and payments to investors, depositors, and policy-holders; (2) the extent to which individuals expect that their investments are insured (or guaranteed) against the institution defaulting; and (3) the share of individuals’ factor income represented by investments (which includes, but is not limited to, the extent of portfolio diversification within asset holdings)—see Table.
The relationship between the earnings of financial institutions and the returns they pay to individuals is the “income link”. It covers two properties of contractual relationships: the directness of the earnings relationship and the transparency of financial institutions’ assets to individual investors. Where the earnings relationship is direct (i.e., the income of the institution is passed through directly to individuals) the assets of the institution will normally be transparent to owners. In such cases the income link will be stronger and individuals will find it easy to monitor the financial intermediary, and to form trade policy preferences. Individual investors are thus more likely to hold strong interests in firms in which the institution invests. Mutual funds and private trusts or endowments exhibit strong income links because returns are directly linked to the income of the fund, trust, or endowment. Private trusts and endowments are more transparent, but this has more to do with the concentration of individuals’ savings in such trusts (i.e., it has more to do with the third characteristic considered below).

At the other extreme, banks have the weakest income link both because there is a weaker connection between the return on banks’ assets and payments on deposit contracts, and because banks have lower levels of asset transparency. The bank depositor delegates to the bank the task of monitoring loans.

The attached table shows that generally there is an inverse relationship between the income link and the insurance component. Banks enjoy the strongest insurance and the weakest income link, while mutual funds and private trusts and endowments have strong income but weak insurance links. Pension funds and life insurers are somewhere in the middle, with an insurance component that may, for instance, depend upon the unpredictable moral suasion power of pensioners.

The third characteristic of the relationship between individuals and financial intermediaries is the “factor-concentration component”, the share of individuals’ factor income represented by investment through a particular type of financial intermediary. This may be complementary to, rather than a substitute for, the income link and insurance component. As the table summarizes, the factor-concentration component is greatest in private trusts and endowments, because beneficiaries typically have few other sources of income on the same scale. In contrast, banks have the weakest factor-income component, because bank deposits are typically a small source of overall income. Mutual funds, pension funds, and life insurance companies fall somewhere in the middle: pension funds have a special characteristic because the factor-income dependence is expected to increase significantly in old age.

The attached table may be used to speculate on the strength of interest formation across the forms of financial intermediaries. The sign for the strength of influence is positive for the income link and factor-concentration component, and negative for the insurance component. For instance, beneficiaries of private trusts and endowments are predicted to have the strongest interest due to their strong income link and factor concentration and weak insurance component. In contrast, bank depositors will have the weakest interest because of the weak income link and factor concentration combined with strong insurance. Mutual funds, pension funds, and life insurance fall in the middle, although it would be inadvisable to propose a rank order based on this stylised presentation.
Information imperfections affect not only the form of investment but also the relationship between financial intermediaries and corporate borrowers, the distribution of information between them, and hence the coincidences of preferences on trade policy. It is frequently argued that the long-term relationships observed in bank-oriented systems such as that in Germany have in the past mitigated informational problems and create a close bond between banks and companies. The private nature of such information flows, and the consequent illiquidity of bank claims on companies, ties banks more closely to borrowing companies, thereby making banks more powerful advocates of their borrowers’ interests. The corollary is that the bond between individual savers and companies is much weaker because banks are able to create long-term stable financing for companies by removing the threat that individual savers will disrupt the market for investment by unexpectedly leaving the market when they face sudden liquidity constraints.

Besides loans, in some countries banks hold equity—and in particular some banks hold equity stakes in major firms. Equity holdings commit banks to firms: by holding equities banks become residual claimants, increasing the link between the returns to the company’s business and those to the bank. An equity holding reinforces the bank’s influence over the firm, whilst the firm gains by the long-term relationship.

For the other categories of financial institutions, the income link depends as much on other characteristics—the presence of insurance and portfolio diversification or asset concentration—as on the nature of the information flows from borrowers. In theory the stronger (weaker) the insurance the less (more) likely the financial intermediary is to monitor the borrower, and hence participate in advancing policy preferences. Thus a mutual fund, private trust or endowment with no insurance protection should be a strong monitor of companies and should participate in advocating their interests. In contrast, a bank with substantial insurance protection should be a weak monitor and policy-preference advocate. This is a simple moral hazard problem: where banks have incomplete contracts they do not bear the full consequences of their own inaction. In practice, the position is not so simple, because for almost all insurance schemes the insured are the depositors and not the shareholders and managers of banks. This is one important tool available to the authorities when writing insurance contracts to limit moral hazard, and should strengthen banks’ links to borrowers.

A more important influence is the ability of financial intermediaries to diversify their portfolios (which parallels the earlier discussion of the factor-concentration component for individual savers). A diversified financial intermediary will have no strong incentive to advance the preferences of a particular company or industry (e.g., an import-competing company) where this conflicts with the interest of another company in which it invests (e.g., an export-oriented company).

In sum, I hope that this rather long digression sparks a discussion regarding what might be considered deficiencies in trade theory. These deficiencies arise from a mistaken belief that to predict trade preferences—and hence, to predict coalition formation—the fundamental question is whether factors are specific or mobile. Whereas trade theory may predict the direction of trade preferences (free trade or
protection), it falls short of specifying the strength of these preferences. Without understanding the strength of these preferences, prediction about how these preferences may organize into coalitions to influence various policies relating to globalization will at best be shaky and at worst be wrong. One factor of production—investment capital (particularly financial assets)—demonstrates the importance of assessing the risk exposure of individual investors. This factor, in turn, has three components that gauge the riskiness of financial assets: the income link, the insurance component, and the concentration of factor returns component. My recommendation would be that the surveys should be formulated in such a way as to measure these components, and thereby gain a handle on the potential strength of trade preferences.

(2) Non-economic Sources of Trade Preferences

Estévez-Abe, Freeman, Hiscox and Lawrence note in their project description paper that “(t)here are other predictors of policy preferences besides the standard economic variables . . . although the theoretical underpinnings for these are typically less clear.” In this context, they highlight the following non-economic sources of preferences: community attachments, national pride, distrust of foreigners, environmental issues and human rights. In what may at first glance to be an unrelated topic, they later discuss the importance of information and political communication (e.g., issue framing and the susceptibility of individuals to elite manipulation of information). They comment that “(t)he study could explore the way in which policy preferences are formed and altered, evaluating the types and sources of information that individuals rely upon most when formulating their policy preferences and testing the degree to which issue framing affects the preference formation process.” The main point of this section of my memo is to argue that, relative to preferences from economic interests, non-economic sources of preferences are more easily manipulated by elites (particularly interest group elites). The key tool for this manipulation is the strategic use of ideas. 4 (Information may also play a role, and so one should allow for the overlap between ideas and information. In times of uncertainty, information is fraught with uncertainty, which in turn may create scope for the persuasive role of ideas and ideology.)

By way of conceptualising how interest groups (and possibly other political elites) shape trade policy preferences that stem from non-economic sources, let me introduce the term “nationalizing the interest”, which I have developed elsewhere (Schonhardt-Bailey 2001; Schonhardt-Bailey 2006 (forthcoming)). Nationalizing the interest means that parochial interests create the appearance (which may or may not be based in fact) that their political objective is (or should be) shared by the larger citizenry (or by a particular social or economic class)—more succinctly, the particular is represented as the general. The goal, of course, in representing the particular as the general is to create a large (even national) following. However well groups pursue the interests of their members, they will not gain the support of the general public without some recourse to ideology, or at a minimum, ideas. Ideology persuades the general public to support or to become indifferent to the group’s policy preferences; that is, it makes the policy goal palatable to non-members of the group. Groups that nationalize the interest may even use ideological persuasion to shape the economic interests of individuals, particularly insofar as changes in policy (e.g., economic
policy reform) make it difficult for individuals to calculate what are their actual interests.

A number of conditions are needed for a nationalizing the interest strategy, but what is essential is the existence of positive externalities. A positive externality, or spillover, from a policy outcome is some benefit that accrues to non-interested, non-members of the particular group which desires the policy. (For sake of simplicity, I assume some homogeneity of interests among group members, so that aggregation of interests is unproblematic.) While the tangible benefit may be difficult, if not impossible, to measure, the idea or image behind it is appealing to most people. This idea or image is generally couched in terms of the broader societal welfare—for example, a prosperous economy, national pride, family values, and a clean environment are all potential positive externalities. Consider contemporary farmers groups that seek to obtain or retain trade protection. Appeals to the public are phrased in terms of the broader societal welfare: “self-sufficiency in agriculture is necessary for the nation’s security” (Winters 1990; Ruppel and Kellogg 1991); “agriculture must be protected as an environmentally friendly ‘green’ industry”(Anderson 1992); and “the family farm must be protected in order to preserve traditional rural values,” and/or “the countryside”. A statement by the European Union Farm Commissioner invokes positive externalities to defend Common Agricultural Policy subsidies: “If European society is interested in the European model of agriculture, meaning that agricultural output is not measured only in cereals or beef but also in the landscape and the environment, it needs to pay the additional cost” (Anonymous 1998). The French are particularly adept at invoking positive externalities to defend their status as a main beneficiary of CAP subsidies, arguing that these subsidies are part of the “spirit and heritage” of the EU (Anonymous 1999). Because the French see themselves as a farming nation (though only a small fraction of the workforce is devoted to farming) they are sympathetic to their farmers as “they burn down buildings, block motorways, dump tonnes of imported fruit and vegetables on the streets and stage other violent demonstrations in defence of what they consider their right to cash from the public purse” (Anonymous 1998).

William Browne’s depiction of the myths behind American agricultural policy offers an apt illustration of how American farmers also invoke positive externalities to garner support for agricultural subsidies (Browne 1992: 11-15; Browne 2001: 50-60). He maintains that American farmers perpetuate the idea that family farms are central to the nation’s cultural heritage, purporting that (a) farms are necessary for preserving individual liberties in capitalist societies, and (b) family farms are “repositories for family values and hence for traditional ways of defining personal loyalties within a framework of community” (Browne 1992: 11). As a consequence, “(a)grarian populist arguments have . . . been applied to public policy as reasons to preserve family farms or, more frequently, to preserve farming as a way of life in general” (Browne 1992: 13). It is precisely the ambiguity of the ideas and images behind the “agrarian ideal” that makes them so politically attractive, for as Browne notes,

(T)hey are contested symbols, vague images of how agriculture ought to be, or once was. Their lack of specificity means that competing political interests can easily appropriate them. . . . There is irony in the fact that an agrarian philosophy that stresses the importance of community and the public good should be used to promote the interests of a few (Browne 1992: 13-15).
It is because American farming lobbies use family values and community spirit as images or ideas that they have been so successful in persuading urban consumers to pay higher prices for subsidized food. In this case, “(i)deas have power” (Browne 2001: 50). They inspire consumers to think beyond the immediate consumption value of food.

But how do these images or ideas actually work to persuade non-group members to accept the policy objective of the interest group? How do ideas become “inspirational”? Kenneth Shepsle depicts the role of ideas quite simply as “the hooks on which politicians hang their objectives and by which they further their interests” (Shepsle 1985: 233). But how, exactly, do these hooks work? In the examples given above, ideas “hook” non-group members by getting them to think of the price paid for a commodity as including a package of goods, not just the one item. That is, the commodity becomes multidimensional. The package price includes not just the food product, but other items as well, such as supporting the family farm, preserving the countryside, alleviating rural poverty. The positive externalities from the policy outcome thus provide the ideas that transform a commodity valued by a single dimension (private consumption) to one with value in other dimensions. The job of interest groups engaged in nationalizing the interest is to (a) convince non-group members that the commodity (or, more broadly, the policy outcome) is multidimensional, and (b) persuade them of the value of the other bits of the package. In terms of trade protection, for example, non-group members then become willing to pay more for the same product (say, food) because they give higher salience to the other bits of the package (say, the environment, or family values).

Interest groups are not alone in appealing to positive externalities for support. Political parties may use it to enlarge their membership, or as one author aptly puts it: “National societal goals transcending group interests offer the best sales prospect for the party intent on establishing or enlarging an appeal previously limited to specific sections of the population” (Kirchheimer 1990: 54). Political leaders may also appeal to positive externalities to garner support for their policies. Positive externalities may be linked to a specific idea or to a wider ideology, but in either case they are seen to enhance the broader societal welfare.

With respect to the survey project, then, my recommendation is to conceptualize individuals’ trade preferences as multidimensional—with non-economic ideas such as national pride, environmental preservation, family values, and more recently, “fair trade”, organic food (uncontaminated by BSE, growth hormones), as the tools with which elites persuade consumers to pay for trade protection. The strategy is one of persuading consumers the give higher salience to these non-economic dimensions and thereby impose (and extract from consumers) added value to a traded commodity. (For an example of where a nationalizing the interest strategy can give rise to trade liberalization, see Schonhardt-Bailey 2001; Schonhardt-Bailey 2006 (forthcoming).)

(3) Measurement of Legislators’ Trade Policy Preferences, and
(4) Trade Preferences in the Context of the European Union

For three practical reasons, I will collapse my last two issue areas into one section: (1) this memo has already exceeded the length requested by the conference organizers,
and (2) my designated discussant, Matt Gabel, will likely provide greater expertise in these areas (particularly with respect to the EU); and (3) the topics overlap.

The very simple point is that the survey project does not, as far as I can tell, give due weight to the role of the EU in shaping policy preferences on globalization. Trade policy, immigration, factor mobility and capital investment are all core to EU politics and policy. EU trade policy is not directly formulated by national governments—it is an exclusive competence of the EU (and particularly of the Commission). Hence, a national interest model is inappropriate when analysing issues of globalization within the context of the EU. Individuals’ preferences are thereby shaped not only by views on the policy in question (and how that is placed in the larger debates on globalization), but also by attitudes towards the EU itself. Britons are, for example, noted for their antipathy towards the EU, and this is reflected in their attitudes on immigration, trade, social welfare, and monetary policy. Surely the fact that Britain remains outside the Euro Area (as are Denmark and Sweden, two other countries in the sample), while Germany, France and Spain are within the Euro Area will also shape individuals’ attitudes towards globalization. (Indeed, to complicate matters, entry to the Euro Area itself is not exogenous, and thus questions of causality will need to be considered carefully.)

With respect to the measurement of legislators’ preferences, once again the EU setting complicates matters. Which legislators matter more in the context of globalization—those in national parliaments or in the European Parliament? And, moreover, how well can surveys capture legislators’ preferences on policies relating to globalization? More to the point, to what extent has existing survey data from MEPs on their attitudes to EU trade policy been exploited?

The standard measure of legislators’ preferences for the U.S. Congress is now Poole and Rosenthal’s DW-NOMINATE scores. The same program has been applied to the European Parliament (but see also, fn 7), thus producing a massive set of data on both members of the US Congress and members of the European Parliament (see http://voteworld.berkeley.edu/). Surely any attempt to gauge legislators’ policy preferences would do well to exploit the actual voting behavior of American and European legislators. It may very well be sensible to merge survey data with voting data, but I would argue that it would be unwise to ignore the latter entirely (not least because at least the latter would provide an inter-temporal measure of preferences while the former offers no such promise).


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1 The discussion below draws heavily upon the argument in (Schonhardt-Bailey and Bailey 1995).
2 An exception is (Verdier 2002).
3 In our chapter, we explore the cases of the U.S. and Germany in order to illustrate the implications of this analysis (Schonhardt-Bailey and Bailey 1995).
4 Bates and Krueger emphasize the importance of ideology in shaping individuals’ interests in times of uncertainty: “A result of this uncertainty [in economic policy reforms] is that people can be persuaded as to where their economic interests lie; wide scope is thus left for rhetoric and persuasion. In such situations, advocates of particular economic theories or of ideological conceptions of how economies work can acquire influence. . . . Under conditions of uncertainty, people’s beliefs of where their economic interests lie can be created and organized by political activists; rather than shaping events, notions of self-interest are instead themselves shaped and formed. In pursuing their economic interests, people act in response to ideology.”(Bates and Krueger 1993: 456)
5 The power of the European Parliament in the area of trade policy is, however, limited—but, would increase dramatically if the Constitutional Treaty is ratified.
6 For example of such data, see the European Parliament Research Group website: http://wwwlse.ac.uk/collections/EPRG/Default.htm. The access codes for the survey data are:
Work is also underway by Simon Hix (LSE) and others to obtain a survey of the current European Parliament (i.e., elected in June 2004).