

Economics Seminar, Indian Statistical Institute, New Delhi.

SPEAKER: Prachi Mishra,IMF.

TITLE: Protection for Free? The Political Economy of U.S. Tariff Suspensions

TIME: 11:30 AM - 1:00 PM.

DAY & DATE: Friday, 22nd March, 2013

PLACE: Seminar Room 2

Abstract:

This paper studies the political influence of individual firms on Congressional decisions to suspend tariffs on U.S. imports of intermediate goods. We develop a model in which firms influence the government by transmitting information about the value of protection, using verbal messages and lobbying expenditures. We estimate our model using firm-level data on tariff suspension bills and lobbying expenditures from 1999-2006 and find that indeed verbal opposition by import-competing firms, even without lobbying expenditures, significantly reduces the probability of a suspension being granted. We further find that lobbying expenditures by proponent and opponent firms sway this probability in opposite directions. The effect of verbal opposition is substantially larger than that of both opponent and proponent spending, which implies that either verbal opposition conveys more information or that the government is biased in favor of opponents. Under reasonable assumptions, we find government preferences to be biased in favor of opponents..

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