

# Fragments of Economic Accountability and Trade Policy

RYAN KENNEDY

*The Ohio State University*

While there has been a prodigious amount of literature on trade policy written in the past two decades, very little of that literature has dealt with countries in economic transition or nondemocratic regimes. There has also been a lack of work dealing with state interests in trade policy beyond realpolitik discussions of national security. This article seeks to fill some of these gaps through a study of two samples: one of liberalization in 25 post-Communist countries between the years 1991 and 1999 and the other of 124 countries from around the world in 1997. The study concludes that a key element in the choice between free trade and protectionism is the level of “fragmentation of economic accountability.” Such fragmentation consists of two major components: (1) the existence of a strong capitalist class that is independent of the government; and (2) the dispersion of political power among actors both inside and outside the government. Where the government is more accountable to a wide range of interests, policies are more likely to be aligned with market mechanisms, encouraging the adoption of reforms, including the liberalization of trade policy. This article builds on the conclusions of Frye and Mansfield in several ways: (1) it embeds political fragmentation into a larger theoretical framework of economic accountability of government institutions; (2) it introduces the importance of state ownership in shaping government interests; (3) it introduces an idea of social, not just institutional, accountability; and (4) it proposes a statist view of trade policy that is lacking in the present literature.

---

Since the end of World War II, the promotion of free trade has been a pillar of international economic policy, promoted through numerous international treaties and organizations. Among economists, the consensus seems to be that freer trade is an imperative in the developing world (Caughlin et al. 1995; Sachs and Warner 1995). However, despite the pressure of international organizations and the advice of economists, there is a large amount of variation in trade policy among states. Why do some countries adopt lower trade barriers than others? Despite the widespread recognition of the practical and theoretical importance of answering this question, there remain several large gaps in the literature dealing with trade policy. In particular, there has been very little work carried out to explain the trade policies of states in transition or of states with nondemocratic governments.

---

*Authors' note:* Ryan Kennedy is a Ph.D. candidate at The Ohio State University. He is currently working in Moldova as a Fulbright researcher. The author thanks Timothy Frye, Marcus Kurtz, John Quinn, Philip Nel, Christina Xydias, Allison Kennedy, and four anonymous reviewers for their comments on previous versions of this article. He also thanks Brandon Bartels, Jan Box-Steffensmeier and Quintin Beezer for their help with the methodology, and Timothy Frye and Edward Mansfield for use of some of their data. All errors are the author's.

Related to this, there has also been a lack of work dealing with the implications of government interests outside of *realpolitik* discussions about the relationship between trade and national security. The literature in the area of foreign-policy analysis has focused on the “three i’s”: interest groups, international structure, and ideas. In the interest groups literature, government policy is viewed as the outcome of competition between groups for trade policies that benefit their industry (Schattschneider 1935; Milner and Yoffie 1989; Nau 1989; Milner 1995). International structure suggests that freer trade was a reflection of U.S. interests and its hegemonic status after World War II, while a decline in free trade is a reflection of the U.S.’s hegemonic decline (Krasner 1976). The literature on ideas suggests that policy beliefs are reflected in laws and institutions. These laws and institutions, in turn, carry a type of inertia that continues to influence policy outcomes long after changes in international and domestic structure would predict policy change (Goldstein 1989, 1995). In contrast to these explanations, this article suggests that government interests in the economy and in maintaining stability also play a large role in trade policy.<sup>1</sup>

This article seeks to contribute to our understanding of trade policy through a study of liberalization in two samples of countries. First, it will look at the process of liberalization in 25 democratizing countries in Eastern Europe and the former Soviet Union from 1991 to 1999. Second, the sample will be expanded through a cross-sectional study of 124 countries. The study contends that a key element in the choice of trade policies is the level of “fragmentation of economic accountability.”<sup>2</sup> Such fragmentation consists of two major components: (1) the existence of a strong capitalist class that is independent of the government; and (2) the dispersion of political power among many actors both inside and outside the government.<sup>3</sup> Where the government is accountable to a wider range of interests, policies are more likely to be aligned with market mechanisms, encouraging the adoption of economic reform, including the liberalization of trade policy. This article builds on the conclusions of Frye and Mansfield (2003) in several ways: (1) it embeds political fragmentation into a larger theoretical framework of economic accountability of government institutions; (2) it introduces the importance of state ownership in shaping government interests; (3) it introduces an idea of social, not just institutional, accountability; and (4) it proposes a statist view of trade policy that is lacking in the present literature.

This study will proceed in four parts. In the first part, some of the theoretical and practical implications of trade policy in Eastern Europe and the former Soviet Union will be explored. Second, a theory of economic accountability will be developed. Next, the theory’s components will be tested, along with several of other variables from the literature, in the post-Communist cases. Finally, the theory will be tested in a sample of 124 countries from around the world to see whether the theoretical implications developed in the post-Communist cases can be expanded to a larger area.

<sup>1</sup>In this way, it fits well in the literature of the “new statism,” which suggests that the state has interests that are independent of social pressures (see Evans, Rueschemeyer, and Skocpol 1985).

<sup>2</sup>This term was first coined by Quinn (1999a, 1999b) and was inspired by Sklar’s (1987) emphasis on the “norm of accountability” in the promotion of democracy. Sklar contended that accountability comes in parts, or “fragments,” that foster the creation and deepening of other fragments of democracy.

<sup>3</sup>The original concepts of the fragments of economic accountability had six parts: “(1) a democratic polity; (2) a large or independent farming class; (3) a strong foreign bourgeois class; (4) a small or uninfluential state role in the economy; (5) regional monetary regimes or independent central banks; and (6) regional trade organizations and treaties” (Quinn, 1999a, 1999b:131). All of these are encompassed in the two criteria above, with the possible exception of (5) and (6). The fifth was left out as there was little basis for linking central banks to trade policy choices and regional monetary regimes (with the exception of the short-lived “ruble zone”) did not play a large role in the economic decisions of the post-Communist countries involved in this study. The sixth criterion was left out because of difficulties in determining whether it was a cause or effect of trade liberalization. As no clear pattern emerges in the post-Communist setting, it was not included.

### Trade Policy in the Post-Communist Context

While there is a prodigious amount of literature on trade in general, there is very little that has dealt specifically with the post-Communist cases. Several reasons can be posited for this gap. The first is, especially when compared with the dramas taking place in other parts of the political and economic scene, trade is perceived as a less-exciting area of study. Indeed, trade policy choice seems a little tame when placed next to tanks storming parliament buildings or the outbreak of ethnic warfare.

The second is that trade policy within post-Communist countries is often considered monotonic. Aslund (2002:171) points out that, for the most part, trade liberalization in the region was a given:

Shortages prevailed in all socialist economies. Many products were not available at all, while others, notable cars and consumer electronics, were exorbitantly expensive. Therefore, the liberalization of imports enjoyed strong popular support. Furthermore, initially extremely low real exchange rates in the transition countries made all imports so expensive that price competition was out of the question.

In a few cases, the International Monetary Fund (IMF), World Trade Organization (WTO), and European Union (EU) had to encourage prospective eastern European and Commonwealth of Independent States (CIS) members to raise their tariff rates. The IMF viewed tariffs as a means of raising revenues for the new regimes, the EU required prospective members to raise their tariff rates to match those of the Union as a whole, and the WTO viewed some level of tariffs necessary for countries to negotiate the lowering of those tariffs. Perhaps the disinterest of scholars in this area is justified by the uniform acceptance of trade liberalization in post-Communist countries.

Neither of these reasons, however, is particularly strong. Trade policy reform is extremely important, especially in the context of broader economic and political reforms. As Sachs and Warner (1995:2) point out:

[T]he international opening of the economy is the sine qua non of the overall reform process. Trade liberalization not only establishes powerful direct linkages between the economy and the world system, but also effectively forces the government to take actions on the other parts of the reform program under the pressures of international competition. For these reasons, it is convenient and fairly accurate to gauge a country's *overall* reform program according to the progress of its trade liberalization. (emphasis in original)

Sachs and Warner (1995) contend that this is even more important in developing countries, where the process of convergence hinges on the import of capital and modern technologies from wealthier countries, reaping the "advantages of backwardness." In the post-Communist world, where the import of new technologies and management ideas is essential for the restructuring of the state-planned economy, the importance of trade liberalization for long-term economic growth is further magnified. For countries that are also attempting to reform their political system, economic performance could also impact the success of the political transition (Przeworski 1991).

Trade policy takes on additional importance in the economic battle of "the valiant liberal reformers, fighting against self-dealing rent seekers profiting from inconsistencies of the transition economy" (Aslund 2002:19; also Kitschelt et al. 1999).<sup>4</sup> Many of the clientelist policies that shelter rent seekers are impossible to

---

<sup>4</sup>By "rent seeking" I am referring to investments of real resources (political or monetary) undertaken by individuals or groups with similar interests in the expectation of: (1) obtaining an increase in their income as a result of changes in legal rights, and (2) maximizing the benefit of earlier policy changes that created nonexclusive rights

maintain in the face of competition in the international economy. On the other hand, high tariff walls, export licensing, and artificial exchange rates provide numerous sources of rents for business people who do not want to expose themselves to market competition and for politicians who are trying to promote their own parochial loyalties. Thus, trade policy plays a key role in the maintenance of both economic and political liberalization (Rogowski 1987; Frieden 1991; Frieden and Rogowski 1996). The prominence of rent seeking in a country can have far-reaching implications for its economic development. Especially in underdeveloped or transitional countries, rent seeking takes scarce resources out of productive areas in the economy, using them to promote and/or perpetuate further rents (Murphy, Shleifer, and Vishny 1993). In the post-Communist context, the relationship between rent seeking and growth has been noted by several scholars (Hellman 1998; Hellman, Jones, and Kaufmann 2000; Aslund 2002).<sup>5</sup>

Liberalization of trade and currency exchange has also not been nearly as uniform or complete as some think. Export regulations persisted in many of the post-Communist countries, and export licenses provided a large source of rents for companies (Aslund 2002). State trade, run by the bureaucrats from the old state planning system, survived well into the late 1990s in most of the CIS. It was not until October 1998 that Kyrgyzstan became the first CIS country to join the WTO, followed by Georgia in 2000. As of 1999, only 57% of the 26 post-Communist countries rated by the European Bank for Reconstruction and Development (EBRD) achieved a liberalization ranking that indicated full liberalization of their trade and foreign exchange system, and only 27% reached the standards and performance norms of advanced industrial economies at any point between the period of 1991 and 1999.<sup>6</sup> Only Hungary maintained a fully liberalized trade regime during the entire period between 1991 and 1999, and three countries, Belarus, Turkmenistan, and Uzbekistan, still had widespread import and export controls or very limited legitimate access to foreign exchange in 1999 (EBRD 2000; Table 1).

Finally, on a theoretical level, understanding the choice of trade policies in transition countries is very important. A survey of economists in 1984 suggested that one of the few things they agreed on was that, under most conditions, tariffs, and quotas reduce the general welfare (Frey et al. 1984). The stubbornness of protectionism in the face of international and academic pressure against it has led economists to seek explanations. These explanations range from the simple ignorance of politicians to arguments about the rationality of protection for “infant industries” and “optimal tariff levels” in developing states.<sup>7</sup> Faced with this frustrating ques-

---

(Hartle 1983). I am not suggesting that all policies that might cause distortions in market values are bad (Hartle 1983 provides an excellent critique of this stance). Some market distortions are inevitable, even without government involvement, and not every government involvement in the economy hurts growth. The contention is that when such distortions are prevalent in a society, parochial ties take the place of market mechanisms. This is the case in many developing countries.

<sup>5</sup>All of this is not to be taken as a blind lobby for fully free trade in the developing world. Indeed, even the most open economies still have many restrictions on free trade in the form of tariffs, quotas, and domestic subsidies. Stiglitz (2002) points out that IMF policies that promote free trade in the developing world without regard to the restrictions placed on raw materials in the developed world can be counter-productive. Nonetheless, most scholars would agree that the levels of trade restrictions in many places in the developing world are much higher than is optimal and that these policies are a hindrance to growth.

<sup>6</sup>Those achieving a ranking of four or higher, indicating full liberalization, were Albania, Armenia, Bulgaria,\* Croatia, Czech Republic,\* Estonia, Macedonia, Georgia, Hungary,\* Kyrgyzstan, Latvia,\* Lithuania, Moldova, Poland,\* Romania, Slovakia,\* and Slovenia.\* Those marked with \* achieved a score of 4 + (4.3) indicating that standards and performance norms of advanced industrial economies were achieved. This ranking system will be discussed in greater detail later in the article.

<sup>7</sup>While the level of tariffs declined dramatically after the depression years, there is ample evidence to suggest that this phenomenon was due mainly to a pragmatic response to international political crisis and that the depression-era tariff levels were probably unusually high historically. In general, there has not been any general decline in protectionism over the past two centuries and trade barriers have remained at a relatively high level (Nelson 1988).

TABLE 1 Trade Liberalization in Post-Communist Countries

<i>Degree of Trade Liberalization</i>	<i>Frequency</i>	<i>Percentage of Total</i>
Full liberalization	23	10.1
Extensive liberalization	84	37.0
Partial liberalization	43	18.9
Some liberalization	31	13.7
Little or no liberalization	46	20.3
Total	227	100

*Note.* These figures are based on annual data for 25 post-Communist countries compiled by the EBRD (2000). The criteria used for these categorizations are explained further in the discussion of the operationalization of the dependent variable appearing earlier in this article.

tion, scholars have increasingly turned to political answers in order to explain the choice of what would seem to be an “irrational” policy (see, e.g., Frey 1984; Nelson 1988; Nau 1989). The post-Communist cases provide an interesting addition to this literature by allowing us to view a large number of cases, all making fundamental choices on trade liberalization at approximately the same time. They also provide the opportunity to perform some of the empirical research that has, so far, been lacking in the study of endogenous trade theory, which has often been limited to case study and formal modeling. As Findlay and Wellisz (1983:480) conclude, “[R]efined model building, unless accompanied by empirical work, soon runs into diminishing returns.”

For these reasons, the study of trade policy in post-Communist countries is neither boring nor fruitless. If no other argument from this article is accepted, it is hoped that more exploration of trade policy in this region be pursued.

### **The Fragments of Economic Accountability**

If hypotheses stressing economic accountability sound a little strange to readers familiar with the literature on economic reform, especially in Latin America, there is good reason for it. By contrast with theories of economic accountability, much of the economic transition literature assumes that successful reform necessitates a government that is insulated from the public in order to avoid the reversal of reforms once the shocks are felt in society. Rodrik (1996:10) presents the general view as follows:

Hence economists are often torn between two conflicting perspectives: on the one hand, good economic policy should produce favorable outcomes and therefore should prove also to be good politics; on the other hand, the implementation of good economic policy is often viewed as requiring “strong” and “autonomous” (not to say authoritarian) leadership . . . The irony is that most of the reforms the author discusses in the preceding pages required the suspension of normal politics and as heavy a dose of authoritarianism as seen anywhere.

Przeworski (1991) presents this argument as the J-curve of reform. In the short term, this model predicts that reforms are likely to cause inflation, unemployment, resource misallocation, and volatile changes in relative income. Such shocks create a backlash and a reversal of reform.

Recently, a number of scholars have added an institutional dimension to this. These scholars contend that reform is easier in systems that have fewer “veto players”—individual or collective actors whose agreement is required for a change in the status quo (Tsebelis 1995; Hallberg and Basinger 1998; Henisz and Mansfield

2004). Haggard and Kaufman (1995) make the explicit contention that fragmentation of power is an impediment to initiating and sustaining economic reform.

In a similar vein, most of the literature on trade policy, particularly protectionism, has viewed it as the result of a classic pluralist clash of interests, where groups try to influence the level of government protection in accordance with their economic interests (Becker 1983; Frey 1984; Nau 1989; Milner 1995). The government is relegated to being a black box, out of which the decision is made favoring the more powerful group. Those studies that have tried to attribute a more active role to the government in setting trade policies have focused on institutional interests or norms (Goldstein 1995; Ray 1995). These theories assume that the policy decision is being made by *established and independent* bureaucracies and that the choice is about the *continuance* of free trade in the face of societal pressure to raise barriers. Neither of these criteria fits easily in the post-Communist context.

More recently, this view has come under fire from scholars in post-Communist transitions, who have noted that reform has progressed the *least* in exactly the places where the civil liberties and government turnover are the *lowest* (Hellman 1998; Hellman, Jones, and Kaufmann 2000). These theorists suggest that the larger problem in reform in post-Communist countries is the perpetuation of rent-seeking behavior by “captor” firms, who purchase underprovided public goods and rent-generating advantages directly from the government. Such firms are able to shape the legal and business environment to their own advantage, at significant social cost. From this perspective, it is these firms, and not the general public, who pose the greatest danger to reforms.

All of these theories share the assumption that the state has a relatively passive role in determining policy. In these theories, the state may resist social pressures and maintain the status quo, due to veto points or bureaucratic inertia, but it does not have an independent economic interest in the reforms. This assumption does not reflect the reality of most developing or nondemocratic countries.

The economic accountability model differs from other theories of trade liberalization and economic reform by “bringing the state back in.” “Economic accountability,” a term coined in studies of postcolonial Africa by Quinn (1999a, 1999b), refers to when actors or institutions provide a check on government power in the economy. Such institutions are important for economic reform because they force government policy into line with market mechanisms. In terms of trade liberalization, while such forces are not likely to be uniformly in favor of free trade, the conflict between these groups over the ideal tariff level is still able to promote a lower level of overall trade restriction (Findlay and Wellisz 1983).

Two specific fragments of economic accountability are looked at in this article: (1) the existence of a strong capitalist class that is independent of the government; and (2) the dispersion of political power among many actors both inside and outside the government. While it can be argued that there are more institutions that might contribute to economic accountability, these two capture the most fundamental aspects of the accountability thesis.

The first criterion, the existence of a strong independent capitalist class, refers to the generally negative effect that government ownership has on trade liberalization. Where the government controls the majority of the productive resources within a country, that government is much more likely to choose protectionist trade policies. This is for several reasons. First, under conditions of state ownership, companies lose their “political insulation” (Shafer 1983). Essentially, companies are forced to comply with policies that are not designed to maximize profit, but rather to maximize the political power of the government leaders (Bates 1981; Quinn 2002). Describing the African case, Quinn (2002:76) points out:

[G]iven the incentives of politicians in states characterized by patron-client networks, such state-ownership of industries or the major export sectors greatly

expanded the size of the economy to be distributed as patronage. These sources of state patronage were further enlarged by state adoption of inward-oriented development politics: currency overvaluation, protectionism, and over-staffing allowed for greater distribution of rents while it reduced the ability of these firms to compete.

Companies and productive resources are thus turned into political bargaining chips that leaders use to form bonds of patronage and loyalty with important elites in the country. Those who support the government are rewarded with managerial positions in important companies, while those who do not support the government find it difficult to establish an independent source of income. Maintenance of these fetters of patronage requires that the government pursue relatively closed trade policies. Exposure to competition from outside market forces would undermine the government monopoly on the productive resources of the country and would make it difficult for the state-owned enterprises to compete while maintaining their dual role as both political and economic entities.

Second, the insulation of state-owned enterprises from the accountability of private property owners, market forces, or independent governmental oversight encourages members of this “managerial bourgeoisie” to pursue their short-term interests in increasing their wealth and power, rather than their long-term interests in improving societal welfare (Quinn 1999a, 1999b). This contention can be explicated as follows: tariffs and other taxes on imports and exports provide a source of revenue for the government. Where the power to make tariffs is separated from ownership of industry, raising tariffs past a certain level produces negative returns because the demand for the product shifts to domestic providers (Findlay and Wellisz 1983).<sup>8</sup> However, where the power over trade policy and the ownership of industry is not separate, the government has the ability to gain revenue through both the increased taxes on imports and through the increase in demand for products made by the state-owned factories. Thus, the state is able to maximize its revenue, and, by effect, its political and economic power, by maintaining a policy of strict protection. It is possible for this situation to be avoided where government authorities have significantly long time horizons and low discount rates. However, especially in authoritarian regimes, this is the exception and not the rule (Olson 1993).

A final reason for which state ownership inhibits the adoption of more liberal trade practices is that state enterprises are, in general, less competitive than their private counterparts, and therefore develop an independent interest in maintaining protectionist trade practices. The World Bank (1995) notes that where state-owned enterprises are prevalent, they are almost always the largest consumers of subsidies and credit from the state, and, with very few exceptions, are much less productive than the private sector (see also Saulniers 1994). Given their inability to compete with international competition and their influential status vis-à-vis the state, state-owned enterprises become an independent lobbying force for the maintenance of trade barriers. Thus, state ownership produces a vicious cycle, where the government uses state economic potential to further its own political goals, and, in the process, produces a class of managers who have an inherent interest in perpetuating their patrimonial privileges.

While the literature dealing with the link between government ownership and trade liberalization, or lack thereof, is rather small and limited to the African case, the evidence that government ownership promotes protectionism is quite persuasive. Quinn (2002), in an analysis of 12 sub-Saharan states from 1973 to 1985,

---

<sup>8</sup>This shift is the basic concept behind the idea of “infant industry” development, where new industries in developing countries produce for the domestic market, as import substitutes, until they are efficient enough to compete on the international markets.

finds that countries where the state controlled 51% or more of the productive resources, without exception, pursued inward-oriented (i.e., autarkic) trade practices.<sup>9</sup> Grosh (1991), in her study of public enterprises in Kenya, calculated the effective rate of protection (ERP), defined as the difference between value added at domestic prices and value added at world priced, divided by the latter, for public, quasi-public, and private firms. She found that, on average, Kenya's public enterprises had an ERP of 47.1%, compared with 3.3% for quasi-public firms and 22% for private firms. In addition, only 2.1% of public enterprises operated in sectors where the ERPs were zero or negative, while 68.2% of quasi-public and 35% of private firms faced similar challenges.<sup>10</sup> Put simply, these studies indicate that state-owned enterprises enjoy higher rates of protection from the state, and widespread public ownership results in the pursuit of highly protectionist policies.

Turning now to the second part of the economic accountability theory, the dispersion of political power, two hypotheses are important: first, if the country is a democracy, then we can expect more liberal trade practices; and second, where the country is not a democracy, trade liberalization is more likely to occur where power is more fragmented between actors within the regime. In post-Communist regimes, there is a wide variance in the amount of fragmentation that exists. Some countries have managed to maintain highly centralized authoritarian regimes, others have maintained authoritarianism but have considerable competition among the government elite, while still others have democracies that rival their western European models. From this perspective, we would expect them to also have very different outcomes in trade liberalization.

Nondemocratic governments that have maintained a high centralization of power have little incentive to liberalize their trade and foreign exchange practices. Such practices, as has been noted above, provide the means for collecting rents that strengthen the government's political power and the wealth of its leaders (North 1981). In addition to the collection of rents, high trade barriers also provide the means for the government to generate revenues, especially in areas where taxes are difficult to enforce (Findlay and Wellisz 1983).

On the other hand, nondemocratic regimes that have a higher level of fragmentation of political power and more interelite competition are more likely to choose liberalized trade. Several arguments can be given for this conclusion. First, fragmentation of political power makes it more likely that protectionist coalitions can be defeated by reformist groups within the government. As Frye and Mansfield (2003:642) state:

If political power becomes fragmented, these protectionist ruling coalitions should be harder to maintain. Indeed, fragmentation creates political space for reform-minded elites, thrusting groups that support commercial reform onto the political stage. These include exporters, the service sector, and financial interests, groups that have reason to favor openness and that are likely to have greater influence over trade policy in the aftermath of communist rule.

Second, competition for political power tends to drive down rents, making it more difficult to maintain the collusive agreements necessary to sustain protectionist practices (Roeder 2001; Frye and Mansfield 2003). The reasoning behind this can be expressed in terms of a simple prisoner's dilemma game. Consider two com-

---

<sup>9</sup>Of the 12 African states analyzed from 1973 to 1985, all seven that were characterized by significant state ownership produced strongly inward trade policies, while only one of the states where state ownership was insignificant pursued similar policies.

<sup>10</sup>It should be noted that Grosh concludes that government enterprises, on the whole, are not overprotected. She also contends that public enterprises can play a productive role in the economy, but even here she emphasizes that independence from centralized control is important in their performance.

peting players for political power within a nondemocratic regime. Both players face a choice of maintaining the current level of rents, thus maintaining their current level of political power, or receive a higher payoff if they could increase their individual rents while decreasing the rents of the other player. In this situation, both players have an incentive to defect and attempt to decrease the rents of their opposition. This competition causes each player to undermine the rents of the other player, resulting in a decline in the overall level of sustainable rents for both players. As Verdier (1998:589) puts it,

Assume that the elites face two options: collude or compete. If they collude, they can jointly exploit the masses up to the point of revolt. If instead they compete, seeking to tax each other's wealth as well as that of the masses, these elites must lower the tax burden on the masses, since the amount of support that each elite can elicit from the masses is key in deciding which elites win or lose the intra-elite struggle.

In this way, opportunistic behavior by political leaders can actually lead to a decrease in the political power of the regime. For the purposes of this analysis, the result of this equilibrium is the liberalization of trade policy. Finally, multiple centers of power make it more difficult for protectionist interests to "capture" the state, a practice that would encourage policies like export quotas in order to increase the market distortions of which the company could take advantage (Hellman 1998; Hellman, Jones, and Kaufmann 2000).

The argument for why trade liberalization is more likely in countries with higher levels of democratization and civil liberties flows naturally from the above analysis. By definition, democratization encourages the fragmentation of power among groups, due to the existence of free and fair elections and the freedom of independent groups to form and pressure the government for policy outcomes. Similar to the arguments presented above, democracy increases the opportunities for proreform coalitions to gain power, increases the competition among elites and various interest groups, and decreases the likelihood of a few particular industries being able to "capture" the state. Because of this, many post-Communist scholars have argued that democratization and the guarantee of civil liberties are absolutely essential for reform to take place (Hellman 1998; Hellman, Jones, and Kaufmann 2000; Aslund 2002). As Hellman, Jones, and Kaufman (2000:33) suggest, democracy is necessary to "channel the strategies of firms away from state capture to more legitimate forms of influence through a combination of societal 'voice,' transparency of reforms, political accountability, and economic competition." By implication, these same ideas of accountability, transparency, and competition make it more difficult for the state to benefit through the types of rent creation and capital accumulation outlined above (see also Verdier 1998).

Again, the literature on fragmentation's effects on trade liberalization is small but persuasive. In one of the few studies of trade policy dealing with the post-Communist cases, Frye and Mansfield (2003) test the hypothesis of democracy and fragmentation against a host of other explanatory variables for post-Communist cases from 1990 to 1998. They find that democratic countries are almost certain to engage in extensive liberalization, nondemocracies with high levels of fragmentation are almost equally likely to promote open trade policies, nondemocracies with moderate fragmentation are only about 5–10% less likely than democracies to conduct open trade, and nondemocracies with highly concentrated power were very unlikely to liberalize their trade practices. In a similar way, Pohl (1989), in his case study of trade policy making in China, found that liberalization coincided with the decentralization of production and investment decisions to local government and enterprises. He also found that reforms have progressed the fastest in the rural

sector, where decision making was devolved to the household level, and where centralized Foreign Trade Commissions (FTCs) lost most of their monopoly power or were branched off into smaller separate units.<sup>11</sup>

While a compelling case can be made for either of these two components of economic accountability individually, the present study argues that an even more compelling analysis takes them both into account simultaneously. This study takes the next crucial step in this research, providing a large-N test of both variables as part of a larger theoretical concept.

### Testing the Theory of Economic Accountability

To test the validity of the economic accountability theory, this study begins by examining 25 post-Communist countries from 1991 to 1999. The dependent variable—level of trade liberalization—is operationalized using an ordinal measure of trade and foreign exchange liberalization (*Trade*) compiled by the EBRD (2000). This measure is coded as

- 1 = Widespread import and/or export controls or very limited legitimate access to foreign exchange.
- 2 = Some liberalization of import and/or export controls; almost full current account convertibility in principle but with a foreign exchange regime that is not fully transparent (possibly with multiple exchange rates).
- 3 = Removal of almost all quantitative and administrative import and export restrictions; almost full current account convertibility.
- 4 = Removal of all quantitative and administrative import and export restrictions (apart from agriculture) and all significant tariffs; insignificant direct involvement in exports and imports by ministries and state-owned trading companies; no major nonuniformity of customs duties for nonagricultural goods and services; and full account convertibility.
- 4 + = Standards and performance norms of advanced industrial economies; removal of most tariff barriers; and membership in WTO.<sup>12</sup>

These measures are initially coded by the EBRD's country experts; they are then defended before a panel of economists within the EBRD and scrutinized by the World Bank and the IMF. Finally, they are reviewed by the editors of the *Transition Report* before they are included. Unlike measures of "openness"<sup>13</sup> that are used in many studies on trade, this measure has the advantage of being particularly oriented toward measuring trade policy, rather than simply the overall level of trade. Plus and minus scores are operationalized by the EBRD as 0.3 for a plus and  $-0.3$  for a minus. This system is transferred wholesale into the data set for this study, resulting in 11 possible ratings, nine of which are found in these data.

In order to measure the significance of the independent capitalist class in each country, a measure of the share of the gross domestic product (GDP) made up of the private sector for each year is used. The larger the share of the GDP that comes from the private sector, the lower the importance of state-owned industries, and, this study's hypotheses would suggest, the greater the degree of trade and foreign exchange liberalization.<sup>14</sup>

The operationalization of fragmentation requires two measures. The first is an index of fragmentation within the government. To measure this, a modified version

<sup>11</sup>It should be noted that Pohl (1989) concludes that fragmentation within the Chinese bureaucracy has slowed the pace of reforms. However, this is compared with some theoretic level of future liberalization. Fragmentation or power still played a key role in the initiation of reform.

<sup>12</sup>Data for this measure are taken from the EBRD (2000).

<sup>13</sup>Calculated as (Exports + Imports)/GDP.

<sup>14</sup>Data are collected from the EBRD (2000).

of the scale developed by Roubini and Sachs (1989) is used. It is calculated as follows:

- 0 = One-party government (no competitive elections).
- 1 = One-party majority parliamentary government or united presidential government.
- 2 = Two-party coalition government or divided presidential government.
- 3 = Three or more party coalition government.
- 4 = Minority government.

The fragmentation of the government is calculated as the average fragmentation for a country for each year.<sup>15</sup> In addition to the scores on government fragmentation, a measure is needed for the level of political and civil liberties enjoyed by the citizens of each country. To represent this factor, the Freedom House (2001) scores of political and civil liberties are averaged for each country for each year. Each score ranges from 1 to 6, with 1 indicating the highest level of freedom and 6 the lowest.<sup>16</sup> While Freedom House has come under fire for some of its measures, there is a very high correlation between it and most other measures of democracy used in scholarly research, and it is unlikely to bias significantly the results of this study, especially when indexed with the government fragmentation scores.<sup>17</sup> Finally, the total fragmentation index is calculated by dividing the governmental fragmentation score by the Freedom House scores.<sup>18,19</sup>

Several macroeconomic conditions are generally accepted as explanations of trade policy choice, and these are incorporated into this study as control variables. Consistent with the pluralist theories discussed above, the most often cited variables deal with the effects of economic decline on trade policy. The most intuitive version of this theory contends that groups who lose during the process of trade liberalization will form together to lobby for higher levels of protection. As the losers of reform often have lower transaction costs than the winners, they are more likely to get represented (Caughlin, Chrystal, and Wood 1995). Where reforms have been especially painful, the power of antireform groups is likely to increase, forcing the government to reverse its reform policies (Przeworski 1991).

Contrary to this pluralist theory, some scholars have argued that trade liberalization is *more likely* where macroeconomic conditions are worsening. Rodrick (1996:28) summarizes this argument as follows:

[T]he opportunity to do something that will benefit most everyone by a large margin—an opportunity that arises only when the economy is mismanaged terribly and falls into deep crisis—allows reformist policy makers to sneak in, alongside the stabilization, microeconomic and structural reforms which have

<sup>15</sup>The data itself were calculated by Timothy Frye and Edward Mansfield. This study is greatly indebted to them for the use of their calculations.

<sup>16</sup>By accepting these rankings, this study is making an implicit decision about whether to measure democracy as a continuous or dichotomous variable. The former is chosen mainly for its ability to show gradations on the amount of pluralism that is allowed within the nondemocratic regimes in the study (for arguments in support of this choice, see Bollen 1990; Elkins 2000).

<sup>17</sup>Frye and Mansfield (2003) test both the Freedom House and *Polity II* scores in similar models and conclude that both measures are highly correlated and produce similar results.

<sup>18</sup>A discussant on an earlier version of this project suggested that it was possible that none of these variables changed much, and thus any relationships were simply a matter of the stability of all measures. As demonstrated by the following examples, this was not the case. On average, the trade liberalization scores for each country changed by 1.87 between 1991 and 1999, which is quite significant for a 1–4.3 scale. Private share of GDP changed, on average, 41.54%. Finally, fragmentation spanned an average range of 0.61 across all cases.

<sup>19</sup>These components were brought into a single index because they are used to represent a single concept—fragmentation in the decision-making process. However, tests were performed running them separately as well. This did not significantly change the results.

significant distributional implications and which would be difficult to implement under normal circumstances.

Similarly, Sachs and Warner (1995) observe that liberalization in many developing countries occurred after severe macroeconomic crises, such as a debt crisis or very high inflation. Indeed, the entire post-Communist case could be put forth as such an instance of severe macroeconomic crises allowing reformers to make striking, and sometimes painful, economic decisions (Aslund 2002). When the economy is already in tailspin, the public is more likely to accept radical measures to ensure stabilization, under the rationale that things cannot become much worse and reforms offer at least a hope of future growth. Such stabilization measures would be more difficult to pass under conditions of economic stability or growth, where individuals would be unlikely to risk their current economic security for possible future gains.<sup>20</sup>

In a similar vein, the level of import penetration has been hypothesized to have an effect on trade policies. It is widely argued that higher levels of imports tend to invite a backlash against free trade by sectors of industry in the domestic economy that produce similar products. If these groups are well organized, they could be expected to pressure the government into a more protectionist trade stance. Conversely, where a country is more reliant on imports for the satisfaction of consumer demand, the harder societal groups can be expected to press for liberalization. This pressure may be extremely important in countries emerging from the rampant shortages of the late Communist era.

Finally, the size of a country's overall economy can impact its trade policy decisions. On the one hand, economically large countries are likely to have a higher lever of self-sufficiency, and therefore a lower demand for imports. This allows them to improve their terms of trade by pursuing a policy of optimal protection. On the other hand, higher levels of national income are likely to increase the demand for imports and the amount of products available for export, both of which might increase demands for higher trade and foreign exchange liberalization.<sup>21</sup>

The operationalization of these variables is straightforward. The severity of economic decline is measured using two variables: the level of unemployment and the level of inflation.<sup>22</sup> The importance of imports in the economy, or level of import penetration, are the total value of merchandise imports. Finally, the size of the country's overall economy is measured by its real GDP. The data for these variables are taken from the EBRD (2000).<sup>23</sup>

---

<sup>20</sup>This would, of course, depend on how large the individual believes those future gains will be and how low their discount factor is.

<sup>21</sup>There are, of course, still more theories of trade liberalization that could be included. As one colleague said of trade theories, "Anything one could think of has been set forth as an explanation of trade liberalization." An example of this is geography, which, when measured as distance from the nearest EU capitol, was statistically significant in a cross-sectional analysis performed as a part of some preliminary research for this article (see Kopstein and Reilly 2000 for a discussion of geographical diffusion theory). It did not alter the findings in those tests and was left out of the final version because it did not vary over time. Ultimately, choices had to be made, for space and methodological reasons, of what to include and exclude. While I have tried to include the most relevant hypotheses here, it might be a productive area for future research to add more controls and see whether the results remain constant.

<sup>22</sup>It should be noted that, although the EBRD statistics on unemployment are the best available, no unemployment measure is going to be completely accurate. The EBRD takes their measure from the International Labor Organization and state agencies for unemployment statistics. However, firms have multiple reasons for wanting to misreport their employment levels to state agencies. There are also definitional problems in determining unemployment. For example, in Russia, companies will often not pay workers in the hopes that they will quit, and thus the company will not have to pay them compensation packages for termination.

<sup>23</sup>Normally, these measures would be taken at  $t - 1$  to show causality. However, this does not make much sense with the EBRD measures as the dependent variable. These measures are not given until the end of each year—meaning that they measure the degree of trade openness on December 31. It makes little sense to contend that the economic developments of the year before still have an impact at that point.

The cross-sectional time-series (CSTS) nature of this design has some well-known difficulties (see Stimson 1985). Unbiased CSTS models must deal with both heteroskedasticity and autoregression problems at the same time. The model we are dealing with here is made even more difficult because of the relatively low number of both countries ( $N$ ) and years ( $T$ ) involved. The most efficient method for handling these problems is to estimate the impact of units (country) and time as random effects, where two additional parameters ( $u$  and  $e$ ) are estimated from a random distribution. Two serious pitfalls present themselves with this approach. First, if the variables are misspecified, this could result in biased coefficients as compared with a fixed-effects model, which estimates either time or space as fixed parameters. In order to test for this problem, a Hausman specification test was run comparing the coefficients produced by the fixed effects and random effects models, and the coefficients were generally found to be consistent.<sup>24</sup> Second, there is a danger that the standard errors, because they are not adjusted for group correlations, may be misleading (Beck and Katz 1996). To correct for this, the models in Table 2 all use panel-corrected standard errors.<sup>25</sup>

Table 2 presents the results of five models. Model 1 is the basic model, which includes the independent variables laid out above regressed against the EBRD's trade policy measure. The next four models check the robustness of the results in model 1: model 2 uses maximum-likelihood estimation to check the robustness of the modeling choice, model 3 utilizes five new control variables that test the specification of both the political and macroeconomic variables; model 4 reruns the base model without outlier cases; and model 5 tests the base model against an alternative measure of trade openness (dependence).

The results of model 1 provide strong support for the hypotheses laid out above. In the model, the measure of government ownership is statistically significant ( $p \leq .001$ ). These results indicate that it would take an increase of about 33.3% in the amount of the GDP accounted for by the private sector for a country to move to a higher category in the EBRD measures of trade liberalization. Within these data, this amounts to slightly more than 1.5 standard deviations. Put another way, if all other variables are held at their means, a movement from the 25th percentile of private share of GDP, 20%, to the 75th percentile, 60%, would take a country from a score of approximately 1 to approximately  $2 +$ .<sup>26</sup> The measure of government fragmentation is also significant ( $p \leq .009$ ) and has an estimated coefficient of .357. This indicates that it takes an increase of 0.84 in the fragmentation index, or about 1.21 standard deviations, for a country to be assigned a  $+$  (0.3) on the EBRD trade liberalization scale. A move from the 25th percentile, 0.25, to the 75th percentile,

<sup>24</sup>The Hausman specification test failed to reject the null hypothesis, which stated that the difference in the coefficients generated by the random effects estimator and the fixed (within)-effects estimator were systematic. However, the  $\chi^2$  of 6.15 was high enough to be worrying. Ultimately, the primary difference in the coefficients was due to the fragmentation variable. The most likely cause is that, because the main areas of variation in political fragmentation are between countries, rather than within countries over time, a large proportion of its coefficient in the random effects model stems from the between effects. And indeed, when this is mechanically corrected for (see Stata 2005:307), the coefficients are almost indistinguishable and the  $\chi^2$  becomes  $< 0.01$ . This should put to rest most concerns about bias in the coefficients.

It should be noted that while Beck (2001) suggests the use of panel dummy variables to model unit effect explicitly, this is undesirable for this study for two reasons: (1) the efficiency losses associated with adding 26 new independent variables are very large with a  $T$  of 9; and (2) it completely washes out any between effects, eliminating the effect of any variable that varies systematically across countries, but does not show much *relative change* over time. To use this, we essentially have to accept that assumed differences in states are more important than the explicit variables separating them.

<sup>25</sup>The results were also compared with a couple of alternative models. One of these was using Beck and Katz's (1996) suggestion of OLS coefficients and panel-corrected standard errors. This model was also run using a basic AR(1) correction for autocorrelation. It is worth noting that both the coefficients and hypothesis tests were nearly identical to the results presented in Table 2.

<sup>26</sup>These values are hand calculated using the estimated coefficients from model 1.

TABLE 2 Estimates of the Influences on Trade Liberalization in Post-Communist Countries, 1991–1999

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Lag of trade liberalization	—	2.704 (.000)	—	—	—
Private Share of GDP	0.030 (.000)	0.073 (.002)	0.013 (.014)	0.029 (.000)	-0.245 (.156)
Fragmentation	0.357 (.009)	2.167 (.001)	0.221 (.036)	0.347 (.009)	10.499 (.030)
Inflation	-0.00007 (.054)	-0.000009 (.463)	-0.0002 (.000)	-0.00007 (.010)	-0.0004 (.231)
GDP	0.000006 (.000)	0.000003 (.000)	—	0.000006 (.000)	—
Unemployment	0.028 (.004)	0.024 (.197)	0.011 (.249)	0.027 (0.004)	-0.742 (.078)
Import penetration	-0.00004 (.000)	-0.0002 (.000)	—	-0.00004 (.000)	—
Agricultural employment	—	—	0.011 (.020)	—	—
EU	—	—	0.044 (.240)	—	—
Trade balance	—	—	-0.000 (.003)	—	—
Polarization	—	—	0.058 (.335)	—	—
Elite turnover	—	—	0.074 (.227)	—	—
$R^2$ within	0.493	—	0.467	0.529	0.040
$R^2$ between	0.799	—	0.740	0.819	0.120
$R^2$ overall	0.713	—	0.612	0.743	0.085
N	159	159	95	153	186
Groups	24	24	19	24	24

Note. Entries are the weighted average of the estimates produced by the between and within estimators (see STATA, 2005:288) with  $p$ -values in parentheses. One-tailed tests are conducted for all estimates.

GDP, gross domestic product.

1.33, on the index, when all other variables are at their mean, results in a country's EBRD liberalization score improving from a 1+ to a 2-.

Three of the macroeconomic indicators perform relatively well. The measure of GDP has a positive relationship with trade liberalization; a 50 billion dollar increase in GDP, about 0.81 standard deviations, adds a + onto the liberalization score, and is statistically significant ( $p \leq .001$ ). This supports the contention that increased production results in greater demands for trade liberalization. The measures of economic downturn, inflation, and unemployment, have inconsistent results. Increased inflation seems to have a negative effect on trade liberalization, and is marginally statistically significant ( $p \leq .054$ ). Unemployment is statistically significant ( $p \leq .004$ ), but it is positively correlated, indicating that greater unemployment results in greater trade liberalization. Overall, it is impossible to determine how economic downturn affects trade liberalization in this model. Further inquiry into just how particular *types* of economic downturn affect liberalization might be interesting. Finally, the measure of import penetration is statistically significant ( $p \leq .001$ ) and suggests that increased imports result in less trade liberalization. This supports the contention that high import penetration results in a reaction against trade liberalization.

The first test of robustness looks at the choice of model used above. The EBRD variable of trade liberalization is not, strictly speaking, a continuous variable, which the first model assumed. Because of the large number of values taken by the variable, it is unlikely that this assumption significantly affects the results. Nevertheless, some scholars may object to treating ordered categorical (ordinal) variables as though they were continuous. In Model 2, the trade liberalization variable is collapsed into four basic categories, and an ordered logit model is used for analysis. To address heteroskedasticity, robust clustered standard errors were calculated, using country to define the clusters. Dealing with autocorrelation in this context required the use of a lagged dependent variable. This is a suboptimal strategy as, when the lagged variable is also significant, it can cause an artificial and misleading decrease in the coefficients of the independent variables (see Achen 2000).<sup>27</sup> Nevertheless, the main variables of interest remain statistically significant. Private share of GDP is significant ( $p \leq .002$ ) and has a positive correlation. The coefficient suggests that a country in the 25th percentile in private ownership has about a 53% chance of receiving a 4 on the EBRD ratings,  $\pm 9\%$ , while a country in the 75th percentile has an 82% chance, give or take 7%.<sup>28</sup> Fragmentation is also significant ( $p \leq .001$ ) and the coefficient suggests that a country in the 25th percentile in terms of fragmentation has a 37% chance of receiving a 4, give or take 12%, while a country in the 75th percentile has an 85% chance,  $\pm 5\%$ . While the results are consistent with those in model 1, collapsing the dependent variable into four categories means giving up information, and the significant lagged dependent variable is troubling. The rest of the models return to the random effects strategy.

Model 3 looks at several new variables to test the robustness of the economic accountability measures to alternative specification. With the collapse of Communism, one of the weakest sectors in terms of international competition was agriculture. Lacking the capital to modernize production, and facing competition from subsidized Western goods, it could be posited that countries where agricultural employment is high would be less likely to liberalize trade policies in order to protect farmers from competition. The role of the EU is another important variable

<sup>27</sup>An earlier version of this article analyzed the effect of the lagged dependent variable and found that it has a substantial effect on the coefficients, though not significance, of the main independent variables. This equation has also been modeled using a maximum-likelihood CSTS estimator (see STATA 2005:302) and the results did not change significantly. In addition, different models of autocorrelation have been used, both within the contemporaneous correlation and GEE context. Again, the results did not substantially change from those in model 1.

<sup>28</sup>These counterfactuals are calculated using Clarify software designed by Tomz, Wittenberg, and King (2001). For more information, see King, Tomz, and Wittenberg (2001).

in some of the literature. Some authors suggest that the possibility of EU integration drove reforms in potential accession states (Aslund 2002). It could be that those countries that signed accession agreements with the EU will have higher levels of trade liberalization. The third variable reconceptualizes the economic crisis idea slightly. It is possible that employment and inflation crises have a consistent effect, but that economic crises result in protectionism only if there is a large negative trade balance. Thus, a variable of the net balance of trade is added to the model.

The last two variables in this model deal with potential alternative explanations for the fragmentation results. First, a measure of political polarization is added. It is possible that the fragmentation results are misleading from the veto player standpoint. While there may be institutional fragmentation, this may be offset by a lack of ideological difference between parties. Second, a measure of elite turnover is added. This variable is in response to the idea that the fragmentation results are tautological, as any fragmentation of the post-Communist government would be away from the Communist leadership (see Frye 2002). At the same time, the GDP and import penetration variables were dropped from the model to improve the goodness of fit.<sup>29</sup>

Model 3 shows that the addition of these variables does not significantly change the conclusions of the first model. While the coefficients of both the fragmentation and private enterprise variables decline slightly, they both remain statistically significant. Of the new variables, only agricultural employment ( $p \leq .02$ ) and trade balance ( $p \leq .003$ ) reach conventional levels of statistical significance. Both variables react differently than expected, with increased agricultural employment resulting in higher levels of trade liberalization, and more favorable trade balances resulting in lower levels of liberalization.

The fourth model runs the results, minus significant outliers. While scatter plots of the errors did not reveal any cases that were exercising undue leverage on the results, this model was run to check that the results are robust. Six cases had standard errors that were more than two standard deviations from the mean. Those were: Azerbaijan in 1994, Croatia in 1994, Georgia in 1993, Moldova in 1995, Uzbekistan in 1999, and Ukraine in 1994. When these cases are removed from the model, the fragmentation and private enterprise variables retain their levels of statistical significance, but lose .01 and .001 in their coefficients, respectively. The removal of these cases also improves the overall goodness of fit for the model by about 3%.

Finally, in model 5, the main set of independent variables is run against the standard variable of openness. While openness is often used as a proxy for trade liberalization, it has two shortcomings. First, it is a measure of trade dependence rather than trade policy, and the two need not be related. Second, it is overly determined by a number of factors unrelated to policy, including geographic location, proximity to markets and exporters, dependence on exportable natural resources, population, whether the country is a small island, and, of course, whether the country has a high GDP. As an example of the first shortcoming, the correlation between the EBRD measure of trade liberalization and the openness variable is  $-.015$ . Not only is the correlation low, but is in the *opposite direction* of what is expected. Either the EBRD is completely off in its analysis of trade policy or openness is only loosely related to policy. The second shortcoming can be illustrated by looking ahead at the global sample. If openness were really an accurate measure of trade policy liberalization, then Bahrain, with a trade dependence of 148.58% of GDP, would be more than four times more liberal in its trade policies than Japan, with a trade dependence of 20.42% of GDP. As a frame of reference for this comparison, Bahrain's mean tariff rate in 2000 (the latest year available) was 7.7%, while Japan's mean tariff rate in 2002 was 2.2% (Miles, Holmes, and O'Grady 2006).

---

<sup>29</sup>Including these variables leads to decline in the goodness of fit by nearly 20%. However, both of this study's main variables remain consistent, with the standard error of the fragmentation variable somewhat increased ( $p < .061$ ).

Nevertheless, because the openness measure is so widely used, the results of a model 5 using it as the dependent variable are reported in Table 2, with import penetration and GDP removed, as they are part of the openness index. The results, unsurprisingly, are inconsistent with the other models. Private share of GDP now has a negative coefficient and does not approach accepted levels of statistical significance. Fragmentation, however, remains consistent, suggesting that a one-point increase in the fragmentation index results in a 10% increase in trade to GDP.

Overall, the results presented in Table 2 support the fragments of economic accountability theory laid out above. However, three problems remain. First, it is possible that this result is simply due to a “spirit of the times,” and that the correspondence between reforms is due to some post-Communist countries pursuing political and economic transitions while others did not. In other words, political fragmentation, privatization, and trade liberalization may all be part of the same choice of transition. Second, it may be questioned whether the theory of economic accountability can be generalized outside of the region. Finally, with the inconsistent results provided by the openness (trade dependence) variable, some may question whether the EBRD measures are unique in this relationship. What is needed is a larger model that includes countries from more regions, including those not going through radical periods of reform, and uses different measures of liberalization. Such a model is analyzed in the final section of this study.

### Expanding the Sample: The Global Effects of Economic Accountability

Fortunately, the data for evaluation of the economic accountability theory on a global basis are made available through the *Economic Freedom of the World* reports produced by James Gwartney and Robert Lawson (2000). With the help of over 56 organizations spanning the globe, they compiled measures of what they call “economic freedom” for 124 countries.<sup>30</sup> Data are collected for 23 indicators of economic freedom from 1997, and each are scaled from 0 to 10. Where higher values are indicative of greater economic freedom, the formula for deriving the 0–10 score is:  $(V_i - V_{\min}) / (V_{\max} - V_{\min})$  multiplied by 10. Conversely, where higher values indicate less economic freedom, the score is calculated:  $(V_{\max} - V_i) / (V_{\max} - V_{\min})$ , multiplied by 10. In both cases, the resulting measures score lower economic freedom as a lower value and higher economic freedom as a higher value. Two variables from this index are used to represent the level of trade liberalization. The first one is a measure of the mean tariff rate. In this measure, higher mean tariffs will cause a lower economic freedom score, so *high tariffs* are indicated by scores closer to 0 and lower tariffs are indicated by scores closer to 10. The second measure is the amount of revenue from taxes on international trade as a percent of exports plus imports. This measure makes it possible to look at how heavily both exports and imports are subjected to barriers in their free flow. Again, a lower score indicates higher levels of taxation, while a higher score indicates lower taxation.

Operationalization for the level of government ownership also comes from the economic freedom index, utilizing their measure of government enterprises and investment as a share of the economy. Like the above measures, lower scores indicate a higher level of government involvement. Thus, this study expects a positive

<sup>30</sup>Two notes should be made about this data set. First, not every country had scores for every category used here in 1997. In these cases, the 1995 scores were used if they were available. This should not significantly affect the outcomes as these scores rarely change dramatically over such a short period of time. Second, some of the data used here are not necessarily of the highest quality. For example, Albania and Bulgaria, which both have private sectors that make up more than 70% of their GDP, have the same score on importance of government enterprises and investment in the economy as Chad, the Central African Republic, and the Republic of the Congo, and a lower score than the Democratic Republic of the Congo. Nonetheless, the overall quality of the data seems pretty good, especially for a sample of this size.

relationship between the scale of government enterprises and the two measures of trade liberalization.

Fragmentation is measured using the average of the Freedom House scores for political rights and civil liberties for the same year (1997). While this measure does not capture fragmentation within the governing coalition as explicitly as the Roubini/Sachs scores, it gives a rough approximation of the plurality of voices and opinions involved in policy-making decisions. It also has the advantage of covering all of the countries involved in the economic freedom index.

The macroeconomic variables are operationalized using measures similar to those used in the previous section. The size of the economy is measured using the GDP statistics from the World Bank (2006). Economic downturn is measured using yearly calculations of inflation in the consumer price index (World Bank 2006). Finally, import penetration is calculated using the value of imports as a percentage of GDP. Additionally, a measure of the importance of the trade sector is also included. This measure takes the percentage of the GDP made up of firms in the trade sector of the economy and converts it into an economic freedom score, with higher values indicating higher percentages of the GDP made up of industries involved in trade (Gwartney and Lawson 2000). All these variables, with the exception of the size of the trade sector, are taken at time  $t - 1$ .

Although this model is a simple cross-sectional design, there is still reason to suspect heteroskedasticity. In cases of heteroskedasticity, the OLS estimates should be unbiased, but the standard errors might be biased, resulting in misleading tests for statistical significance. A heteroskedasticity-consistent covariance matrix (HCCM) is an appropriate way to correct for this problem. When  $N=250$ , an HC3 version of the heteroskedasticity-consistent standard errors is the only method that reliably produces correct inferences (Beck 2000; Long and Ervin 2000). Therefore, OLS estimates are utilized along with robust HC3 standard errors to make inferences of statistical significance in this sample.

Table 3 presents five models. Models 6 and 7 present the base model laid out above regressed against the tariff rate and taxes on trade, respectively. As in the previous section, the next three models test the robustness of the original results: models 8 and 9 add three control variables to test the variables under alternative specification, and model 10 utilizes the measure of trade openness as the dependent variable.

Turning to the results of model 6, which analyzes the effect of the independent variables against the mean tariff level, further support for the economic accountability argument is found. The only macroeconomic indicator to achieve statistical significance is import penetration ( $p \leq .026$ ), which has a positive direction, indicating that higher levels of import penetration result in an increase in the economic freedom score (lower mean tariffs). Both of the indicators of economic fragmentation achieve high levels of statistical significance and show the expected directional relationships. Government enterprises and investment as a share of the economy is significant ( $p \leq .002$ ) and is positively correlated with the measure of tariff levels, meaning that a lower level of government ownership is significantly related to lower mean tariff rates. For example, a country in the 25th percentile will have a predicted mean tariff score of 6.76, give or take 0.23, while a country in the 75th percentile will have a mean score of 7.44, give or take 0.19. This is an improvement of over 2/3 of a point on a 10-point scale, or about 6.7%. In a similar manner, the Freedom House scores for a country are significantly related to the mean tariff rate ( $p \leq .001$ ) and have a negative coefficient, which, in this context, establishes that countries with higher levels of political and civil liberties have a lower tariff rate than less free countries.<sup>31</sup> In this case, countries in the bottom 25th

<sup>31</sup>DfBeta statistics were calculated for this model on both the government enterprise and freedom variables. In both cases, the resulting values for all cases were well below the standard cutoff of 1.0, indicating that none of the cases are exercising undue leverage as outliers.

TABLE 3 Estimates of the Influences on Trade Liberalization Globally, 1997

Variable	Model 6	Model 7	Model 8	Model 9	Model 10
Government share	0.172 (.002)	0.214 (.007)	0.157 (.022)	0.175 (.037)	- 1.379 (.220)
Freedom	- 0.387 (.001)	- 0.502 (.000)	- 0.541 (.001)	- 0.567 (.001)	- 7.966 (.003)
Size of trade Sector	0.045 (.237)	0.281 (.001)	0.009 (.460)	0.165 (.073)	-
GDP	0.0000003 (.155)	0.0000002 (.271)	0.0000004 (.039)	0.0000003 (.242)	-
Import penetration	0.018 (.026)	0.004 (.366)	0.023 (.024)	0.007 (.257)	-
Inflation	- 0.000009 (.494)	0.002 (.356)	- 0.0003 (.485)	0.001 (.461)	0.013 (.476)
Unemployment	-	-	0.055 (.101)	0.011 (.415)	-
WTO	-	-	- 1.530 (.007)	0.471 (.292)	-
Trade balance	-	-	0.000 (.069)	0.000 (.152)	-
R <sup>2</sup>	0.387	0.460	0.468	0.563	0.097
N	98	101	75	72	114

Note. Entries are OLS estimates with *t*-scores, calculated using robust HC3 standard errors, in parentheses. One-tailed tests are conducted for all estimates. GDP, gross domestic product; WTO, World Trade Organization.

percentile in their Freedom House score, the highest numeric scores, are expected to have economic freedom scores on tariff rates of 6.71,  $\pm 0.23$ , while countries in the top 25th percentile have an expected score of 7.68,  $\pm 0.20$ . This is an improvement of almost a full point, or about 10%, on the 10-point economic freedom index of tariff restrictions. The adjusted  $R^2$  is 0.387, meaning that 38.7% of the variance is explained by this model. While not nearly as high as in the models above, it is relatively good considering the number of different countries and areas involved in this survey and that it is only analyzed for one period in time.<sup>32</sup>

Model 7, which uses taxes collected on exports and imports as the dependent variable, has comparable results. Here, the only macroeconomic indicator to achieve significance is the percentage of the economy made up by industries in the trade sector. This relationship is statistically significant ( $p \leq .001$ ) and positive, suggesting that larger trade sectors encourage trade liberalization. Again, both indicators of economic accountability are statistically significant, and have coefficients in the predicted direction. It is slightly surprising that, while most of the other variables show dramatic changes in their level of statistical significance and/or the size of their coefficients, both significance and size remain remarkably consistent for both the government share of the economy as well as the Freedom House scores in these models.<sup>33</sup> In this model, a country in the bottom 25th percentile of economic freedom in terms of government involvement has an expected score on trade taxes of 7.05,  $\pm 0.28$ , and a country in the 75th percentile has an expected score of 7.91,  $\pm 0.23$ . So a country in the 75th percentile is expected to be 7/8 of a point, or almost 9%, higher on the 10-point economic freedom scale. Similarly, a country in the bottom 25th percentile in terms of its Freedom House score has an expected economic freedom score on trade taxes of 6.78, give or take 0.31, while a country in the 75th percentile has an expected score of 8.29, give or take 0.25. This is an improvement of one and a half points, or 15%, on the 10-point scale. The model as a whole explains 46% of the variance in tax levels, which again is quite respectable for a study of this kind.

Two alternative specification models are run to make sure these results are robust. As before, variables are added to include the trade balance of the country and involvement in a free trade organization (in this case, the WTO).<sup>34</sup> Also, a measure of unemployment is added (World Bank 2006). This was left out of the initial model because of its substantial effect on the number of cases. Agricultural employment is not included because it has a very substantial effect on the number of cases and systematically excludes states from Africa.<sup>35</sup> In both models 8 and 9, which use tariff rates and taxes on trade as dependent variables, respectively, the measures of economic accountability remain statistically significant. The coefficient for government enterprises loses some of its effect, while the coefficient for political and civil freedoms increases. It is difficult to tell whether these changes are due to the inclusion of new control variables or the significant decrease in the number of cases. Of the additional variables, none of them demonstrate significant and consistent results across the models.<sup>36</sup>

<sup>32</sup>For both these models, a RESET test was used to make sure that the variables in these models have the proper functional specification. In both models, the null hypothesis, that the difference between coefficient specifications is zero, cannot be rejected ( $p > .2$ ). VIF scores were also used to check for colinearity. None of the variables had a VIF score above 2.00, the usual cutoff for colinearity, and the average VIF for the models was 1.29.

<sup>33</sup>DFBeta statistics were also calculated for this model on both the government enterprise and freedom variables. In both cases, the resulting values for all cases were well below the standard cutoff of 1.0, indicating that none of the cases are exercising undue leverage as outliers.

<sup>34</sup>It should be noted that only a handful of countries from this sample were not members of the WTO.

<sup>35</sup>However, it should be noted that the inclusion of this variable diminishes the significance of several variables significantly. However, our two main variables remain significant at the  $p < .10$  level and maintain their causal direction.

<sup>36</sup>Colinearity does not appear to be a problem, as VIF scores remained well below 2.00.

In the final cross-sectional model, the economic accountability variables are included alongside the measure of economic openness (trade dependence). The inflation variable is also included. It is the only original independent variable that is not also a partial measure of, or part of the calculations of, trade dependence. As before, there is little correlation between openness and the policy variables. The correlation between openness and average tariff is about .315, and the correlation between openness and taxes on exports and imports is .316. The results of model 10, as with the above model, deviate significantly from the models of trade policy. Only the measure of political and civic freedom remains statistically significant and has the same direction as in the previous models.

Overall, these models suggest the importance of economic accountability in promoting the liberalization of trade policies. The macroeconomic theories fail to garner consistent support, and thus it is difficult to draw any conclusions as to their effect. It would seem from this analysis that the positive influence of economic accountability in the post-Communist cases is not simply due to an overall "spirit of the times," but is part of a more generalizable theory of trade policy choice.

### Conclusions

In this analysis of trade policy theory, two indicators of economic accountability have been developed and tested against levels of trade liberalization in a sample of post-Communist countries from 1991 to 1999 and in a global sample from 1997. In both of these analyses, the results show that significant government ownership of the productive resources of a country has a negative effect on trade liberalization, while fragmentation of decision-making authority, expressed as fragmentation within the government and pluralism in society, has a positive impact on the liberalization of trade.

In the post-Communist context, these results make a strong case that, contrary to much of the literature on transition economies, fragmentation, and accountability are good for reforms, and that an insulated government is not necessary for liberalization to take place. Instead, it may even be counterproductive where that government also takes an active role in the economy. This study also points out that, far from being the weaklings they are often portrayed as, the institutions of the state have an important and active role in the process of reforms in Eastern Europe and the former Soviet Union. Finally, the results here indicate that shifts in macroeconomic conditions do not uniformly affect the policy choices of post-Communist countries. The contrary effects of the two measures of economic downturn, inflation and unemployment, make it difficult to draw conclusions as to how countries react in policy to economic downturns.

In the global context, this article sheds light on areas not normally studied in trade policy literature. It demonstrates that pluralism, while it may sometimes encourage a government toward protectionism, is generally a force for liberalization of world trade. The results also demonstrate another danger associated with state ownership of productive resources, a policy that has been widely derided by economists, but has not declined in recent decades (World Bank 1995). Interestingly, the strong relationship between state ownership and trade policy may pose a problem for the literature dealing with the effects of both on growth, because the close relationship between the two may make it difficult to identify the effects of either one independently.

This study will end by pointing out that trade liberalization may not be the only economic policy influenced by the fragments of economic accountability, nor is the influence of state interests in trade policy something that should be unique to modern politics. Exploring other ways in which accountability influences economic reform and performance through time may prove to be an interesting and important area for future research.

**Appendix A: Cases**

## A1

---

Sample 1:	
Albania 1991–1999	Kyrgyzstan 1991–1999
Armenia 1991–1999	Latvia 1991–1999
Azerbaijan 1991–1999	Lithuania 1991–1999
Belarus 1991–1999	Moldova 1991–1999
Bulgaria 1991–1999	Poland 1991–1999
Croatia 1991–1999	Romania 1991–1999
Czech Republic 1991–1999	Russia 1991–1999
Estonia 1991–1999	Slovakia 1991–1999
Former Yugoslavian Republic of Macedonia 1991–1999	Slovenia 1991–1999
Georgia 1991–1999	Tajikistan 1991–1999
Hungary 1991–1999	Turkmenistan 1991–1999
Kazakhstan 1991–1999	Ukraine 1991–1999
	Uzbekistan 1991–1999

---

## A2

---

Sample 2:		
Albania	Ghana	Pakistan
Algeria	Greece	Panama
Argentina	Guatemala	Papua New Guinea
Australia	Guinea-Bissau***	Paraguay
Austria	Guyana***	Peru
Bahamas	Haiti***	Philippines
Bahrain*	Honduras**	Poland
Bangladesh**	Hong Kong	Portugal
Barbados	Hungary	Romania
Belgium	Iceland	Russia
Belize*	India	Rwanda
Benin***	Indonesia	Senegal
Bolivia	Iran	Sierra Leone
Botswana*	Ireland	Singapore
Brazil	Israel	Slovakia**
Bulgaria	Italy	Slovenia**
Burundi*	Jamaica**	Somalia***
Cameroon	Japan	South Africa
Canada	Jordan*	South Korea
Central African Republic**	Kenya	Spain
Chad*	Kuwait*	Sri Lanka
Chile	Latvia	Sweden
China	Lithuania	Switzerland
Columbia	Luxembourg	Syria
Democratic Republic of Congo	Madagascar	Taiwan
Republic of Congo	Malawi	Tanzania
Costa Rica	Malaysia	Thailand
Cote d'Ivoire	Mali	Togo***
Croatia*	Malta*	Trinidad
Cyprus	Mauritius	Tunisia
Czech Republic	Mexico	Turkey
Denmark	Morocco	Uganda
Dominican Republic	Myanmar*	Ukraine**
Ecuador	Namibia	United Arab Emirates***
Egypt	Nepal	United Kingdom
El Salvador	New Zealand	United States

## A2. (CONTD.)

---

Estonia	Netherlands	Uruguay
Fiji*	Nicaragua	Venezuela
Finland	Niger*	Zambia
France	Nigeria**	Zimbabwe
Gabon*	Norway	
Germany	Oman	

---

\*Not in *Tariff* models because of missing data.

\*\*Not in *Taxes* models because of missing data.

## References

- ACHEN, CHRISTOPHER H. (2000) Why Lagged Dependent Variables Can Suppress the Explanatory Power of Other Independent Variables. Annual Meeting of the Political Methodology Section of the American Political Science Association, Los Angeles, CA.
- ASLUND, ANDERS. (2002) *Building Capitalism: The Transformation of the Former Soviet Bloc*. Cambridge: Cambridge University Press.
- BATES, ROBERT H. (1981) *Market and States in Tropical Africa: The Political Basis of Agricultural Policies*. Los Angeles: University of California Press.
- BECK, NATHANIEL. (2000) Reporting Heteroskedasticity Consistent Standard Errors. *The Political Methodologist* 7:4–6.
- BECK, NATHANIEL. (2001) Time-Series-Cross-Section Data: What Have We Learned in the Past Few Years? *Annual Review of Political Science* 4:271–293.
- BECK, NATHANIEL, AND JONATHAN KATZ. (1996) Nuisance Vs. Substance: Specifying and Estimating Time Series Cross Section Models. *Political Analysis* 6:1–34.
- BECKER, GARY S. (1983) A Theory of Competition among Pressure Groups for Political Influence. *The Quarterly Journal of Economics* 98:371–400.
- BOLLEN, KENNETH A. (1990) Political Democracy: Conceptual and Measurement Traps. *Studies in Comparative International Development* 25:7–24.
- CAUGHLIN, CLETUS C., K.ALEC CHRYSAL, AND GEOFFREY E. WOOD. (1995) Protectionist Trade Policies: A Survey of Theory, Evidence, and Rationale. In *International Political Economy: Perspectives on Global Power and Wealth*. 3<sup>rd</sup> edition, edited by Jeffrey A. Frieden and David A. Lake. New York: St Martin's Press.
- ELKINS, ZACHARY. (2000) Gradations of Democracy? Empirical Tests of Alternative Conceptualizations. *American Journal of Political Science* 44:293–300.
- EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT. (various years) *European Bank for Reconstruction and Development Transition Report*. London: EBRD.
- EVANS, PETER B., DIETRICH RUESCHEMEYER, AND THEDA SKOCPOL, EDS. (1985) *Bringing the State Back In*. Cambridge: Cambridge University Press.
- FINDLAY, RONALD, AND STANISLAW WELLISZ. (1983) Some Aspects of the Political Economy of Trade Restrictions. *Kyklos* 36:469–481.
- FREEDOM HOUSE. (2001) Freedom in the World. Available at <http://www.freedomhouse.org> (Accessed December 3, 2001).
- FREY, BRUNO S. (1984) The Public Choice View of International Political Economy. *International Organization* 38:199–223.
- FREY, BRUNO S., WERNER POMMERHNE, FREIDRICH SCHNEIDER, AND GUY GILBERT. (1984) Consensus and Disconsensus among Economists: An Empirical Inquiry. *American Economic Review* 74:986–994.
- FRIEDEN, JEFFREY. (1991) *Debt, Development and Democracy*. Princeton: Princeton University Press.
- FRIEDEN, JEFFREY, AND RONALD ROGOWSKI. (1996) The Impact of the International Economy on National Policies: An Intellectual Overview. In *Internationalization and Domestic Politics*, edited by Robert O. Keohane and Helen V. Milner. Cambridge: Cambridge University Press.
- FRYE, TIMOTHY. (2002) The Perils of Polarization: Economic Performance in the Post-Communist World. *World Politics* 54:308–337.
- FRYE, TIMOTHY, AND EDWARD D. MANSFIELD. (2003) Concentration of Government Authority and Trade Liberalization in Post-Communist Countries. *British Journal of Political Science* 33: 635–657.

- GOLDSTEIN, JUDITH. (1989) The Impact of Ideas on Trade Policy: The Origins of U.S. Agricultural and Manufacturing Policies. *International Organizations* 43:31–71.
- GOLDSTEIN, JUDITH. (1995) Ideas, Institutions and American Trade Policy. In *International Political Economy: Perspectives on Global Power and Wealth*. 3<sup>rd</sup> edition, edited by Jeffrey A. Frieden and David A. Lake. New York: St Martin's Press.
- GROSH, BARBARA. (1991) *Public Enterprise in Kenya: What Works, What Doesn't, and Why*. Boulder, CO: Lynne Reinner Publishers.
- GWARTNEY, JAMES, AND ROBERT LAWSON. (2000) *Economic Freedom of the World*. Vancouver, Canada: The Fraser Institute.
- HAGGARD, STEPHAN, AND ROBERT KAUFMAN. (1995) *The Political Economy of Democratic Transitions*. Princeton, NJ: Princeton University Press.
- HALLBERG, MARK, AND SCOTT BASINGER. (1998) Internationalization and Changes in Tax Policy in OECD Countries: The Importance of Domestic Veto Players. *Comparative Political Studies* 31:321–352.
- HARTLE, D. G. (1983) The Theory of 'Rent Seeking': Some Reflections. *The Canadian Journal of Economics* 16:529–554.
- HELLMAN, JOEL S. (1998) Winners Take All: The Politics of Partial Reform in Postcommunist Transitions. *World Politics* 50:203–234.
- HELLMAN, JOEL S., GERAINT JONES, AND DANIEL KAUFMANN. (2000) Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition. World Bank Policy Research Working Paper, 2444.
- HENISZ, WITOLD J., AND EDWARD D. MANSFIELD. (2004) Votes and Vetoes: The Political Determinants of Commercial Openness. William Davidson Institute Working Paper, 712.
- KING, GARY, MICHAEL TOMZ, AND JASON WITTENBURG. (2000) Making the Most of Statistical Analysis: Improving Interpretation and Presentation. *American Journal of Political Science* 44:347–361.
- KITSCHOLT, HERBERT, ZDENKA MANSFELDOVA, RADISLAW MARKOWSKI, AND GABOR TOKA. (1999) *Post-Communist Party Systems: Competition, Representation, and Inter-Party Cooperation*. Cambridge: Cambridge University Press.
- KOPSTEIN, JEFFREY, AND DAVID A. REILLY. (2000) Geographic Diffusion and the Transformation of the Post-Communist World. *World Politics* 53:1–37.
- KRASNER, STEPHEN D. (1976) State Power and the Structure of International Trade. *World Politics* 28:317–347.
- LONG, J. SCOTT, AND LAURIE H. ERVIN. (2000) Using Heteroscedasticity Consistent Standard Errors in the Linear Regression Model. *The American Statistician* 54:217–224.
- MILES, MARC A., KIM R. HOLMES, AND MARY ANASTASIA O'GRADY. (2006) *2006 Index of Economic Freedom*. Washington, DC: Heritage Foundation.
- MILNER, HELEN V. (1995) Resisting the Protectionist Temptation: Industry and the Making of Trade Policy in France and the United States during the 1970s. In *International Political Economy: Perspectives on Global Power and Wealth*. 3<sup>rd</sup> edition, edited by Jeffrey A. Frieden and David A. Lake. New York: St. Martin's Press.
- MILNER, HELEN V., AND DAVID B. YOFFIE. (1989) Between Free Trade and Protectionism: Strategic Trade Policy and a Theory of Corporate Trade Demands. *International Organization* 43:239–272.
- MURPHY, KEVIN M., ANDREI SHLEIFER, AND ROBERT W. VISHNY. (1993) Why is Rent-Seeking so Costly to Growth? *The American Economic Review* 83:409–414.
- NAU, HENRY R. (1989) Domestic Trade Politics and the Uruguay Round: An Overview. In *Domestic Trade Politics and the Uruguay Round*, edited by Henry R. Nau. New York: Columbia University Press.
- NELSON, DOUGLAS. (1988) Endogenous Tariff Theory: A Critical Survey. *American Journal of Political Science* 32:796–837.
- NORTH, DOUGLAS. (1981) *Structure and Change in Economic History*. New York: W.W. Norton Press.
- OLSON, MANCUR. (1993) Dictatorship, Democracy, and Development. *American Political Science Review* 87:567–576.
- POHL, GERHARD. (1989) Trade Policymaking in China. In *Domestic Trade Politics and the Uruguay Round*, edited by Henry R. Nau. New York: Columbia University Press.
- PRZEWORSKI, ADAM. (1991) *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America*. New York: Cambridge University Press.
- QUINN, JOHN J. (1999a) Economic Accountability: Are Constraints on Economic Decision Making a Blessing or a Curse? *Scandinavian Journal of Development Alternatives and Area Studies* 18:131–171.

- QUINN, JOHN J. (1999b) The Managerial Bourgeoisie: Capital Accumulation, Development and Democracy. In *Postimperialism and World Politics*, edited by David G. Becker and Richard Sklar. Westport, CT: Praeger Publishing.
- QUINN, JOHN J. (2002) *The Road Oft Traveled: Development Policies and Majority State Ownership of Industry in Africa*. Westport, CT: Praeger Publishing.
- RAY, EDWARD JOHN. (1995) Changing Patterns of Protectionism: The Fall in Tariffs and the Rise of Non-Tariff Barriers. In *International Political Economy: Perspectives on Global Power and Wealth*. 3<sup>rd</sup> edition, edited by Jeffrey A. Frieden and David A. Lake. New York: St. Martin's Press.
- RODRIG, DANI. (1996) Understanding Economic Policy Reform. *Journal of Economic Literature* 34:9–41.
- ROEDER, PHILLIP G. (2001) The Rejection of Authoritarianism. In *Postcommunism and the Theory of Democracy*, edited by Richard D. Anderson, M. Steven Fish, Stephen E. Hanson and Phillip G. Roeder. Princeton, NJ: Princeton University Press.
- ROGOWSKI, RONALD. (1987) Trade and the Variety of Democratic Institutions. *International Organization* 41:203–223.
- ROUBINI, NORIEL, AND JEFFREY SACHS. (1989) Government Spending and Budget Deficits in the Industrial Countries. *Economic Policy: A European Forum* 8:101–127.
- SACHS, JEFFREY D., AND ANDREW WARNER. (1995) Economic Reform and the Process of Global Integration. *Brookings Papers on Economic Activity* 1995:1–95.
- SAULNIERS, ALFRED. (1994) Public Enterprise Reforms in Francophone Africa. In *State owned Enterprise in Africa*, edited by Barbara Grosh and Rwekaza S. Makandala. Boulder, CO: Lynne Reiner Press.
- SCHATTSCHEIDER, E. E. (1935) *Politics, Pressure and the Tariff*. New York: Prentice Hall.
- SHAFFER, MICHAEL. (1983) Capturing the Mineral Multinationals: Advantage or Disadvantage. *International Organization* 37:93–119.
- SKLAR, RICHARD L. (1987) Developmental Democracy. *Comparative Studies in Society and History* 29: 686–714.
- STATA. (2005) *Longitudinal/Panel Data*. College Station, TX: StataCorp LP.
- STIGLITZ, JOSEPH E. (2002) *Globalization and its Discontents*. New York: W. W. Norton and Company.
- STIMSON, JAMES A. (1985) Regression in Space and Time: A Statistical Essay. *American Journal of Political Science* 29:914–947.
- TOMZ, MICHAEL, JASON WITTENBERG, AND GARY KING. (2001) *Clarify Software for Interpreting and Presenting Statistical Results, Version 2.0.*. Cambridge, MA: Harvard University. Available at <http://gking.harvard.edu> (Accessed December 12, 2006).
- TSEBELIS, GEORGE. (1995) Decision Making in Political Systems: Veto Players in Presidentialism, Parliamentarism, Multicameralism and Multipartyism. *British Journal of Political Science* 25:289–325.
- VERDIER, DANIEL. (1998) Democratization and Trade Liberalization in Industrial Capitalist Countries, 1830s to 1930s. *Comparative Studies in Society and History* 40:587–608.
- WORLD BANK. (1995) *Bureaucrats in Business: The Economics and Politics of Government Ownership*. Oxford: Oxford University Press.
- WORLD BANK. (2006) World Development Indicators. Available at [devdata.worldbank.org/data-query](http://devdata.worldbank.org/data-query) (Accessed December 4, 2001).

