Discussion of "Globalization For Sale" by Blanga-Gubbay, Conconi and Parenti

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Summary of the paper

- Key stylized fact: *virtually all firms that engage in lobbying are large exporting firms that support FTAs*, at least if we focus on:
  - Lobbying activities/expenditures (not political contributions)
  - Lobbying by firms, not by groups/associations
  - FTA ratification in US Congress
- A model that is consistent with the above stylized fact:
  - Heterogeneous-firms oligopoly −> bigger firms (exporters) love free trade, smaller firms (import-competing) hate it
  - Under some conditions, exporters' profits are supermodular in productivity and market access −> bigger exporters gain more from FTAs
  - Political structure: contest-success function a' la Tullock (1980) with uncertainty about policy maker's bias
  - Under a further parameter restriction, import-competing firms and smaller exporters do not lobby, while "superstar" exporters lobby for FTAs
- The model yields additional predictions on the intensive margin of lobbying (e.g., firms spend more in support of FTAs when policy makers are more biased against FTAs)
  - Go back to the data and test these additional predictions

What's cool about this paper

- The key stylized fact is really cool, because it's really surprising: The Mystery of the Missing Lobbying for Protection
- Contributes to our knowledge about firm-level lobbying, an important but under-studied topic
- Not obvious how to explain the empirical findings. Standard models of quid-pro-quo lobbying a' la Grossman-Helpman do not seem very suitable here.

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  - If this is more likely to happen for smaller firms, you may have a selection bias

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  - The Mystery of the Missing Lobbying for Protection is about trade bills, not executive trade policy actions.
  - An import-competing lobby (e.g. steel) may find it more effective to lobby for unilateral tariff increases (e.g. invoking safeguard clauses) rather than against ratification of FTAs.

Comments on the Theory

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- This leads me to three suggestions: (1) Maybe change the title? (2) Be more explicit about the exact nature of lobbying you have in mind. (3) Think more about possible micro-foundations of the contest-success function.

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  - See also Helpman (1995), who re-casts the Findlay-Wellisz model in a specific-factor world.

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- Alternative reasons why big firms like free trade: they engage more in vertical FDI and are bigger importers of intermediate inputs. That is, they are more involved in Global Supply Chains.
  - You mention this story as an additional reason why firms' profits may be supermodular in productivity and market access. Is it possible to distinguish empirically between this story and the one highlighted by your model?
- The model has only two countries and hence does not capture the regional nature of FTAs, trade diversion/creation effects etc. Can you reassure us about the robustness of your results to these effects?
- Your theory is consistent with the stylized facts only under some conditions, which may fail to hold in some environments. There is a bit of tension between this theoretical ambiguity and the un-ambiguity of your empirical findings.

A Final Thought

- This paper (together with those by Kim, Osgood etc.) challenges the traditional wisdom that import-competing interests are politically more powerful than exporting interests.
- Where does that wisdom come from?
  - Also in models of industry-level lobbying based on a specific-factor structure (e.g. Grossman-Helpman), exporting industries tend to be bigger, so they have more to gain from free trade than import-competing industries have to lose.
  - *However* there are Olsonian reasons to expect that import-competing industries are more likely to get politically organized than exporting industries (e.g. the latter tend to be expanding industries, where the free-rider problem is more severe).
- Olsonian considerations do not apply to firm-level lobbying, so a possible overarching hypothesis is that firm-level lobbying is dominated by exporting firms, while industry-level lobbying is dominated by import-competing industries −> testable prediction?

Conclusion

- Very thought-provoking paper!
- Likely to stimulate further research on firm-level lobbying on trade policy