

Compensated Liberalization:
Using Side Payments to Humanize and Facilitate
Freer Trade in the United States and the European Community

by

Brian M. Burgoon

Submitted to the Department of Political Science in
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ABSTRACT:

This dissertation investigates one of the ways countries can deal with the policy dilemmas and political conflicts stemming from greater economic openness -- by providing *side payment compensation* along-side liberalization. Such compensation includes any policy or good designed to assist victims of liberalization initiatives without compromising the liberalization itself. Examples include trade adjustment assistance for workers dislocated by US trade liberalization, and the "structural funds" assistance for dislocations associated with European Community internal market liberalization. The hope behind such compensation is that it will off-set the social costs of and defuse opposition to freer trade. Whether it does so in practice is a matter of unresolved debate, as are understanding of the incidence of compensation and the conditions that might explain that incidence.

My research addresses these debates by describing, explaining, and evaluating the incidence of compensation in US trade liberalization since 1934, and in European internal-market liberalization through the European Coal and Steel Community (ECSC) and the European Community (EC) since 1950. To explain the incidence of compensation, the dissertation develops, illustrates, and tests a theory of compensation focused on egoistic bargaining between protectionist and liberalizer coalitions, and in particular on two sets of conditions that influence such bargaining: the power and trade policy platforms of protectionist groups; and the jurisdictional breadth and preexisting welfare policies of the institutional settings through which bargaining takes place.

The main findings are three-fold. First, the incidence of side payment compensation varies substantially across liberalization episodes, across groups within episodes, and across regional settings (e.g. US vs. EC). Second, the case studies support a qualified defense of the policy of compensation: Although compensation fell short of its promise, it usually provided modest short-term benefits for the victims of liberalization, while significantly reducing protectionist opposition in the short- and medium-term. Third, the US and European cases suggest that varying protectionist power resources and platforms can explain the bulk of the US variation across episodes and groups, and that the institutional conditions can explain the broad contrasts between the US and the EC patterns of compensation.

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Introduction

The globalization of economic life, marked by freer and growing trade and financial flows, fuels some of our most contentious politics. Recent struggles over trade liberalization, such as the NAFTA and the liberalization of European Union Common Agricultural Policy, suggest why. On the one hand, increased openness expands the orbit of competition and exchange, promising more efficiency and wealth for societies in the aggregate, and especially strong gains for some internationally-oriented firms and the most skilled workers. On the other hand, greater openness poses a variety of human and environmental costs. It unleashes foreign competition and outward investment that promise heightened insecurity, dislocation and income losses for less internationally competitive workers and firms. And some groups fear that greater openness may give competitive advantage to producers in foreign countries with lax regulations, thereby fueling "competition in laxity" that undermines hard-won labor and environmental standards at home. These real or anticipated consequences spark conflict between those seeking the benefits of freer markets and those defending against its social and environmental costs. Every time government or other groups promote some kind of trade liberalization, competing groups rise up in opposition.

Such distributional conflict creates a policy dilemma for governments and polities trying to navigate a stable course through the international economy. Countries may embrace openness and push through trade liberalization without providing any new or promised redress for the groups who stand to lose from that liberalization -- a path that can be termed "uncompensated" liberalization. This outcome leaves victims of the liberalization to rely on whatever existing welfare, industrial policy or other general assistance the state provides. Although such assistance has traditionally been greater in more open economies, the deepening of openness has made it increasingly difficult for governments to sustain generous safety nets in the face of competitive pressures wrought by openness (Rodrik 1997). In any event, liberalization often proceeds in settings where broad social assistance is lacking or minimal, leaving market victims more vulnerable. And preexisting safety nets do little to protect social and environmental regulations from "competition in laxity." Such uncompensated liberalization, then, may bring benefits of economic openness, but at potentially high social and environmental cost -- a cost that some groups in society may simply not accept.

In the face of such costs and opposition, then, polities may make the opposite choice: retreat from openness, and in particular back away from or down-grade liberalization initiatives, a path that can be termed "compromised liberalization." Such a retreat could involve either exempting some groups from the reach of liberalization, or watering-down the initiative's

ambition. And such protectionism ranges from across-the-board closure to piecemeal protectionism, such as pursuit of protectionist safeguards to protect certain worker and environmental standards. Whatever the form and extent of such retreat, any preserved welfare or standards made possible by this compromised liberalization path comes at the expense of aggregate efficiency and wealth. The distributional costs of openness, in short, appear to force polities and their governments to make a difficult choice between equity and efficiency.

This dissertation is about a way governments can avoid such a choice -- by providing *side payment compensation* along-side the liberalization of trade or other flows. Political economists have long recognized that polities can smooth the distributional costs and conflict of trade liberalization by providing hypothetical systems of compensation to the losers of openness, generally seeing "compensation" as some cash pay-out designed to off-set losses. My concern is with "side payment compensation" more broadly, including any policy assistance targeted to help the anticipated losers of liberalization and that doesn't compromise that liberalization.¹ Real-life examples of such compensation include US adjustment assistance for workers and firms dislocated by various post-War episodes of trade liberalization, and the European Community's "structural funds" created partly to off-set the risks of internal market liberalization. The promise of compensation is that it can simultaneously off-set the social costs of and defuse political opposition to freer trade. This allows countries to reap globalization's benefits without having to bear all its costs. I call the provision of compensation along-side liberalization "compensated liberalization."

Compensated Liberalization's Unresolved Controversies

The impetus for a study of compensated liberalization is that existing literature on the politics of economic openness, and of distributional conflict generally, harbors unresolved disagreement or silence over the most basic questions about the use of side payments during liberalization struggles. *First, has compensation humanized and facilitated freer trade?* Research from a variety of political stripes -- from economic research on how to reconcile particularistic and general interests, to more sociological research on what nations do to protect themselves from the vagaries of open markets -- suggest that compensation holds promise to simultaneously off-set social costs of and defuse opposition to freer trade (Coase 1960; Polanyi 1944; Aho and Bayard 1984). Yet others claim that in practice compensation may fall short of this promise, because it will tend to provide little help to the real victims of liberalization, encourages rent-seeking abuses from unscrupulous groups, and does little to actually lower existing opposition while possibly sparking new opposition (Trebilcock et.al. 1990; Banks and Tumlin 1986).

¹ Throughout this study I use the term "side payment compensation" interchangeably with "compensation" and "side payments."

Second, in which liberalization episodes and to which groups has side payment compensation been provided? Some scholarship implies that compensation should be a common part of political life, including liberalization (Coase 1960; Tullock 1967). Others observe or assert that such compensation tends to be relatively rare or at least "under-provided," in the sense of being provided less than rational pursuit of efficiency and equity would predict (Oye 1992). And political economy scholarship is, in any event, ambiguous on the extent to which side payments are the mechanisms that link the tendencies of more open economies to have more generous public spending (Cameron 1978; Rodrik 1996).

Third and finally, why has compensation been provided during some episodes and to some groups and not others? About this explanatory issue, political economists have little to say about compensation per sé, and in any event the insights we can derive don't disagree so much as speak in different tongues. But an important division is between what can be loosely labeled an "altruist" and an "egoist" approach. The altruist perspective suggests that compensation reflects social contract or ideational norms that call for providing some policy redress to cushion members of society from the adjustment costs and risks of free trade and openness (Katzenstein 1985, Goldstein 1989). The egoist perspective, on the other hand, suggests that compensation reflects the dynamics of self-interested bargaining between protectionists and liberalizers (Tollison and Willett 1979; Friman 1993). Within the egoist perspective, the literature divides over what shapes the dynamics of such bargaining: (1) characteristics of the *groups* engaged in bargaining, such as the economic positioning and beliefs that underlie tastes for protection, or the sinews of political power that translate such tastes into policy demands; (2) or characteristics of the institutional setting within which groups bargain, such as information-gathering capacities of institutions that can mediate the "transaction costs" of identifying and negotiating side payments (Keohane 1984).

Unfortunately, this descriptive, normative and analytical attention to compensation lacks both empirical grounding and theoretical development, with the result that we don't know which if any of the views on the basic questions about compensated liberalization is correct. First, none of the literature has developed on empirical grounds. The literature addressing whether compensation humanizes and facilitates freer trade is the most empirical, but even it only offers anecdotal illustrations of when compensation does or does not work. Without more systematic review of the use of compensation over a more significant swath of time and space of liberalization we don't even know when compensation emerged from liberalization struggles, let alone why it has been provided at some times and places and not others, or when if at all it off-sets social costs and facilitates openness.

Second, the insights into what explains the incidence of compensation suffer from being theoretically under-identified, under-developed, and under-specified. Most of the insights are under-identified in the sense that they offer predictions of outcomes that cannot distinguish side

payment compensation from its alternatives -- protectionist redress (compromised liberalization) and nothing at all (uncompensated liberalization). Some insights focused on the power of groups, for instance, might anticipate when groups should win redress, but say nothing about when that redress will take the form of compensation as opposed to protectionism. The insights, moreover, are under-developed in the sense that alone or in combination they offer predictions about very narrow ranges of the incidence of side payments. For instance, the institutional factors on which some focus cannot predict variations in incidence that exist across groups and time -- within stable institutional settings. Finally, insights often lack specificity in that they highlight immeasurable or difficult-to-measure explanatory conditions. For instance, the focus on transaction cost conditions often says too little about what observable features in political life might mediate such conditions.

Most of these empirical and theoretical problems reflect the lack of any direct study of compensation, not poor theoretical insight or sloppy empirics. Still, without more empirical attention and some synthetic theoretical innovation focused on compensation, the most basic questions about compensated liberalization remain unanswered. When has compensation been provided during trade liberalization? Why has compensation been provided at some times and not others? And how successful has compensation been at off-setting the social costs of and facilitating freer trade?

Description, Explanation, and Evaluation of Compensated Liberalization

To better answer these questions, this study (1) describes when, where and to whom compensation has been provided in recent trade liberalization history; (2) develops and illustrates a more identified, developed and specified theory that can explain why compensation is provided at some times and not others; and (3) assesses whether compensation, when provided, actually humanizes and facilitates freer trade. The dissertation pursues these tasks through comparison of almost all the major episodes of US trade liberalization since 1934 with four episodes of European internal market liberalization under the European Coal and Steel Community (ECSC) and the European Community (EC) since 1950 -- each episode encompassing the legislative proposal, international negotiation, and legislative/referendum ratification of some trade liberalization.

Describing Compensated Liberalization. To describe the incidence of compensation over time and space, this study investigates the history of discrete liberalization episodes, to find examples of side payment compensation. This entails focusing on primary and secondary accounts of bargaining among state and societal groups arrayed in liberalizer and protectionist coalitions, to find out whether the bargainers discussed, promised, or provided some policy or benefit for the anticipated or alleged victims of the liberalization episode. Such accounts reveal whether and when side payments provide the mechanism by which countries cushion their societies from the blows

wrought by economic openness. And they reveal variation in the incidence of compensation over time and space -- across episodes, across groups within episodes, across countries, and across national and supra-national levels of governance through which countries pursue liberalization.

Explaining Compensated Liberalization. To explain the incidence of compensation unearthed by this description, the study develops a theory based on the premise that side payments emerge only when the liberalization initiative is under threat of defeat or costly retaliation by protectionists, and when the bargaining groups recognize compensation to be a feasible alternative to protectionism. Such a theory sides with those who see compensation reflecting egoistic bargaining rather than altruistic pursuit of societal fairness. But it also seeks to improve upon the egoistic bargaining perspective by synthesizing and moving beyond the under-identified, -developed, and -specified focus on groups and institutions. It does so by developing an egoist bargaining framework and focusing on political features of groups and their institutional setting that predict variations over time and space in the incidence of compensation rather than protectionism or nothing at all.

First, I argue that the power and platforms of protectionist groups strongly influence whether liberalization struggles will yield side payments. The more *political resources* protectionist groups have to threaten or retaliate against a liberalization initiative, the more likely they are to elicit some redress from the liberalizers. And the more issues other than protectionist demands that protectionist groups have on their *trade policy platforms*, the easier and more tempting it will be to link the liberalization to new issues. The interests and stated platforms of liberalizers and others in society set limits on whether, what kind, and how much compensation will be provided, but multi-issue protectionist platforms will increase the likelihood that redress will take the form of side payments rather than protectionist exemption from or revision of the liberalization. Thus, I hypothesize that compensation will be provided where protectionist coalitions not only have the political resources to threaten liberalization, but also approach bargaining with multiple demands rather than single-minded protectionism.

Second, I argue that the institutional setting through which groups bargain -- both the domestic ratification institutions such as legislatures, and the supra-national negotiating arenas -- affect the power to threaten liberalization and the desirability of side payments vis á vis other redress. Trade policy-making institutions with broader *jurisdictional reach* -- with authority over more issues than trade policy -- will make it easier to identify and negotiate linkable issues and to hold liberalization hostage to action on other issues, thereby encouraging compensation. Meanwhile, the generosity of *preexisting welfare state benefits* shapes whether side payments are redundant to or conflict with existing mechanisms for redressing pain. I hypothesize that more generous preexisting welfare will discourage provision of side payments during liberalization struggles. Together, these two institutional conditions suggest the following hypothesis: domestic

or international institutions that not only have jurisdiction over issues other than trade policy but also provide modest social welfare assistance will encourage side payment compensation during bargaining, whereas settings with narrow jurisdictions and/or generous welfare will tend to discourage compensation.

Evaluating Compensated Liberalization. To assess the usefulness of compensation, the study investigates several measures of compensation's effectiveness at facilitating liberalization and of actually humanizing the real and anticipated pain of liberalization. First, for each of the liberalization episodes, the research gauges opposition before and after provision of compensation -- relying on testimony, press statements, and lobbying expenditures and other measures of opposition -- to see if that provision made a difference for the targeted opposition. The research also considers whether compensation provides incentives or assistance to exit the trade-impacted sector and adjust to more promising areas, and looks for evidence of rent-seeking or extortionate abuses of compensation, such that compensation offers might yield more rather than less opposition. Together, these offer some measure of effectiveness in facilitating liberalization. Second, the research considers the scale and distribution of financial and in-kind costs and benefits, and summarizes implementation studies of the compensation packages that actually emerge from bargaining. Together with the information on abuses, these provide some measure of whether and how much compensation off-set social costs of freer trade, and of the equity of providing compensation.

Comparing US Trade Liberalization and EC Internal-market Liberalization

The US and European Community cases provide good grounds for describing and evaluating the variation in the incidence of compensation, and for illustrating and testing the above theory of compensated liberalization. The US and EC experience encompasses dozens of liberalization episodes, including both bilateral and multilateral initiatives, with the episodes divided into both domestic and international phases -- domestic authorization and ratification, as well as international negotiation. The episodes also include liberalization initiatives of varying ambition and focused on a variety of sectors and trade impediments to be liberalized. And the episodes span two different regions with distinct political-economic histories. This is a wide landscape to identify and assess the actual pattern of variation in the incidence of compensated liberalization. Given the difficulty of unearthing some of the deals that may constitute side payment compensation, the US cases have the added value of having been subject to as much empirical scrutiny as any issue of public policy, with journalists and historians shining much light upon even the darkest corridors of political exchange.

More importantly, the US and EC cases are good grounds for illustrating and testing my egoist theory of compensation, because they capture substantial but controlled variation in the theory's group and institutional conditions. The US history captures differences over time and sector in the power resources and platforms of protectionist groups. It only exhibits modest variation, however, in the institutional setting through which trade policy is bargained, particularly in jurisdiction and welfare that I hypothesize predict the incidence of side payments.

Meanwhile, comparing the US trade history with EC internal-market liberalization captures significant institutional variation. The inter-governmental conferences and Council of Ministers through which EC internal-market liberalization have been negotiated have broader jurisdiction than the supra-national institutions through which US trade liberalization has gotten negotiated, such as the inter-governmental arenas for GATT and the NAFTA. And at the national-level, most European institutions have substantially more developed and generous welfare states than their US counterparts. But the broad US-EC trends do not vary systematically in the power and platforms of protectionist groups. As a result, the US history illustrates and tests the power and platform conditions while controlling for the theory's institutional conditions, and the US-EC comparison illustrates the institutional conditions while controlling for power-platform differences.

The Findings

The research into these cases generates three sets of findings, corresponding with the respective goals of describing, explaining, and evaluating the incidence of compensation in liberalization history.

What is the Incidence of Compensation? First and most generally, the US and EC liberalization histories revealed that compensation was provided in plenty of liberalization episodes, to plenty of groups expected to suffer from liberalization. But the most groups in many episodes settled for a mix of uncompensated and compromised liberalization. And compensation only rarely involved promises or decisions to expand broad, untargeted social welfare provision, implying that side payments were rarely the mechanism linking openness with broader government spending.

Within these general patterns lurks important variation, however, in when and to whom it compensation has been provided. In some eleven US liberalization episodes between 1934 and 1962, for instance, compensation was unheard of -- with the struggles instead ending in a mix of uncompensated liberalization with the losers receiving no redress or compromised liberalization where the redress was protectionist exemption or revision. Through bargaining over the 1962 Trade Expansion Act, however, explicit compensation was provided for the first time, principally in the form of trade adjustment assistance (TAA) to workers and firms. In all subsequent legislative episodes of US liberalization, negotiations yielded at least some talk of compensation,

always including reform or expansion of the TAA but also sometimes including other compensation subjects, such as tax deferrals and proposals to reform social welfare provisions.

Most of this US compensation has been modest in the scale of benefits provided and the number of groups helped. And the adjustment assistance program, in particular, has been the object of ridicule and retrenchment when trade liberalization initiatives are not under review. The NAFTA liberalization, however, represents a partial exception to this pattern in that it yielded more generous and diverse compensation, in the form of adjustment assistance, environmental cleanup, tri-country commissions for monitoring labor and environmental standards, and a flurry of last-minute benefits targeted more narrowly at ambivalent legislators.

Finally, most of this US compensation was negotiated during domestic phases of the episode and provided by national governments, with very little compensation negotiated during international phases of negotiations or provided by supra-national institutions. The NAFTA trilateral commissions again represent notable exceptions to this rule. In short, the US liberalization history reveals a pattern of side payment compensation that is *inconsistent* in its incidence, *modest* in its scale and scope, and *national* in the institutions through which it has been provided and negotiated.

Compared to this US pattern, EC internal market liberalization exhibits a pattern of side payment compensation that is nearly opposite: more *consistent* in incidence, more *generous* in scale and scope, and more *supra-national* in the institutions through which it has been provided and negotiated. All five of the major episodes of EC internal-market liberalization yielded substantial side payments to buy the support of national delegations explicitly conditioning their support for liberalization upon provision of compensation packages. Negotiations over the ECSC, for instance, yielded the ECSC Re-adaptation program to fund job retraining and relocation for workers, and restructuring for firms, as part of the other transitional arrangements that included temporary subsidization. The European Economic Community (EEC) negotiations elicited not only a European Social Fund (ESF), a broader version of this Re-adaptation program, but also explicit commitments to upwardly-harmonize equal-wage laws, length of the standard work week, and standard vacation benefits -- all to off-set the costs of EEC tariff liberalization. And the Single European Act yielded the commitment to expand and reform all Structural Funds programs to off-set the risks of SEA liberalization, ultimately doubling the Funds budget to nearly \$170 billion over a five year period between 1994-99. This amounts to a yearly fund more than an order of magnitude larger than the US TAA ever was.

Almost all of the EC side payments were provided by supra-national institutions under EC Council of Ministers and EC Commission decisions and policies, and negotiated during the international, inter-governmental stages of the episodes. Surprisingly, during the domestic stages of negotiating these integration and liberalization landmarks, very little side payment compensation

was ever seriously discussed, let alone enacted. And national governments appear to have provided very little side payment compensation at any stage of the negotiations. Thus, whereas US compensated liberalization has been primarily national and domestic, EC compensated liberalization has been primarily a supra-national sport.

What Explains This US and EC Variation? The group-institutional theory of compensated liberalization predicts much of the variation in the incidence of compensation. In particular, the power and platforms of protectionist groups broadly predict the incidence of compensation in the US episodes, while the institutional conditions predict the broad differences between US and European compensation experience. In the US, the 1962 Trade Expansion Act marked the first liberalization episode when the protectionist coalition encompassed groups, such as organized labor, that not only had resources to threaten liberalization but also approached the episode with multi-issue platforms embracing related policies like adjustment assistance. This predicts what the history reveals: the advent of compensated liberalization in 1962. Growing disenchantment with side payment redress and a shift to unconditional protectionism among many groups -- borne of increasing trade competition and failures of previous adjustment assistance compensation -- predict the subsequent modesty of adjustment assistance or any other compensation.

The NAFTA episode, however, inspired a protectionist coalition of unprecedented diversity and determination, strongly threatening the liberalization at every point in its evolution, and comprising diverse groups with multi-issue platforms, including a Labor movement softening its unconditional protectionism. This extraordinary power and platform of the anti-NAFTA coalition predicts the exceptional diversity, reach, and supranationality of the NAFTA compensation.

The very different institutional settings within which US and EC liberalization unfolded, moreover, account for how Europe's EC liberalization yielded more generous and supra-nationally provided compensation than did US liberalization. EC internal market liberalization has been part of a broader political and economic integration project where internal market liberalization got pursued simultaneously with other policy reforms, implying a broader jurisdiction and more opportunities and demands for subjects of side payments. This made compensation at the international level easier and more necessary than in the US. The greater generosity of most European welfare states compared to the US, meanwhile, complicated and diminished interest in changing domestic welfare assistance to compensate for the costs of particular liberalization -- hence fewer domestic compensatory side payments.

Thus, in the EC the combination of broad jurisdiction and modest welfare at the supranational level with broad jurisdiction and *generous* welfare at the national level predicts what the history reveals: consistent and generous compensation at the supranational level. In the US, we see nearly the opposite: the combination of narrow jurisdiction and modest welfare provision at the supranational level, and broad jurisdiction and modest welfare at the national level. And such

an institutional configuration again broadly predicts what the history reveals: more frequent and substantial compensation negotiated and provided by national institutions, smaller scale and less frequent compensation negotiated during international phases or provided by supra-national institutions.

Have Side Payments Humanized and Facilitated Freer Trade? Finally, the study provides qualified support for the policy of compensated liberalization. In the cases studied, compensation varied a lot over time and space in the amount and effectiveness of the redress provided, and in how much it lowered existing or sparked new opposition to freer trade. In the US, for instance, compensation was very effective in buying labor support for the 1962 TEA liberalization, even though it ended up providing few benefits for workers and did little to promote adjustment out of non-competitive sectors. And in 1993, NAFTA compensation to environmental groups was much more successful than that to labor, both in the redress offered and the opposition defused. The EC Structural Funds, meanwhile, were more generous, provided more redress and bought off more political opposition during the Single European Act than had compensation provided in previous internal-market liberalization episodes.

The cases show some evidence of modest abuses and of the occasional extortionate demand sparked by offers of compensation. For instance, some free-trade Democrats and Republicans exaggerated demands and alleged pain to get some pork in the final days of the NAFTA fight. And during the inter-governmental negotiations over the SEA liberalization, the Irish delegation may have exaggerated how much pain their polity would endure due to SEA, designed to get more regional assistance and other side payments. These abuses, however, appear to be relatively rare exceptions to the rule of the groups making compensation demands and getting compensation redress roughly in line with anticipated pain.

The cases suggest that compensation's biggest down-side may well be an unintended consequence not foreseen by either compensation's supporters or detractors: compensating the losers of trade liberalization has done little to institutionalize or build support for, and may even have undermined, broader policy arrangements for remedying the pain of open markets. For instance, US labor's waning interest in and Congress' jealous support for a minimal TAA as a symbolic gesture of compassion has insured weak but persistent use of trade adjustment assistance as a cornerstone of US compensated liberalization. This pattern of support and weak assistance, however, has discredited the efficacy of public training policies and thwarted efforts to develop more generalized and more generous active labor market policies. In Europe, providing targeted compensation during internal market liberalization tended to draw attention away from the more capable and promising national solutions for mitigating liberalization's risks.

Smoothing over this variation and considering the unexpected, compensation provided less redress and defused less opposition than hoped for. But it did provide redress that was better for

its beneficiaries than the alternative of uncompensated liberalization, and in many cases did make liberalization more possible or sustainable. Especially if compensation packages can be designed to avoid abuses and to reinforce or at least steer clear of broader safety net arrangements, the judicious use of compensation can off-set the social costs of and facilitate economic openness.

The Chapter Plan

The rest of this dissertation develops all the above theoretical and empirical claims in eight chapters. Chapter One reviews the political economy literature to glean what existing scholarship has to say about the nature, propriety and origins of side payment compensation during liberalization, and then lays out my attempt to improve upon this literature. The focus is on the terms on which real-world compensation can be better described and evaluated, on a theory of compensated liberalization that can better explain variation in the incidence of compensation, and on a research design for carrying out these goals. The bulk of the thesis, Chapters Two through Eight, chronicles, evaluates and explains the inconsistent, modest, and national compensated liberalization in the United States since 1934, and more consistent, generous, and supra-national compensated liberalization within the EC.

Chapters Two through Six cover the history of side payment politics in US trade liberalization, with the chapters divided chronologically, according to the important periods in that history. Chapter Two details and explains the transition from the period of uncompensated and compromised liberalization between 1934 and 1962, to the 1962 advent of compensated liberalization with the provision of trade adjustment assistance and of a few industry-specific side payments during the 1962 Trade Expansion Act.

Chapter Three details the maturation and subsequent decline of compensated liberalization between 1963 and 1973. It begins with the provision of improved adjustment assistance for auto workers in the struggle for the 1965 Auto Pact. And it then details the subsequent disappointment and apparent decline in compensated liberalization with the AFL-CIO's rejection of adjustment assistance and turn to unconditional protectionism, and with the aborted liberalization initiatives of the Johnson and early Nixon Administrations.

Chapter Four chronicles the tenacity of compensated liberalization in the subsequent decade, 1974 to 1984. It first seeks to describe, explain, and evaluate the baroque side payment politics of the 1974 Trade Reform Act (TRA). It then analyzes the unusual provision of industry-specific side payments during the international phase of Tokyo Round liberalization that the TRA authorized. And the chapter concludes by studying the cycling fortunes of trade adjustment assistance in the aftermath of that Round through the 1980s -- upward ratcheting of TAA

compensation during every subsequent legislated liberalization initiative, but always resulting in modest and politically-vulnerable compensation.

Chapter Five concludes the US history with a detailed account of the unprecedented compensated liberalization of the NAFTA. The focus is on describing, explaining and evaluating the exceptionalism of this episode -- the greater scale, diversity and supranationality of the NAFTA side payment packages relative to any previous US compensated liberalization.

Chapters Six and Seven contrast this US trade liberalization history with that of internal market liberalization within the European Community between 1950 and 1990. That EC history is subdivided chronologically into its most dramatic moves towards greater liberalization. The focus of both chapters is on how and why the pattern of compensation to emerge from these episodes is more consistent, generous, and supra-national than the US pattern. Chapter Six provides the side payment history of the initiation of Community activity in the European Coal and Steel Community (ECSC) and the founding of the European Economic Community (EEC) via the Treaty of Rome.

Chapter Seven covers the remaining major EC liberalization episodes: the Greek and Iberian enlargements, and the extended negotiation and implementation of the Single European Act. The discussion in Chapter Seven not only continues the explanation of the US-EC differences, but also chronicles some important changes over time in the development of EC compensated liberalization: the increasing generosity of the benefits provided; greater willingness to offer and accept promises of compensation that get detailed after ratification of liberalization; and the narrowing focus of compensatory side payments on structural-fund reforms and expansion, rather than regulatory harmonization, technology policies, or other side payment subjects.

Chapter Eight concludes the dissertation by reviewing and extending the argument and findings. It recaps the argument and case evidence, and then offers recommendations for both liberalizers and protectionists to better use side payments to humanize and facilitate freer trade. Finally, the chapter situates the findings in the broader context of trade liberalization cases outside the US and EC settings, and of other issue areas like privatization and waste facility siting. This context suggests several directions for further study into when and how side payment compensation can be used to humanize and facilitate economic openness, and more broadly, to better reconcile general and particularistic interests.