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## **NAFTA, GATT Uruguay Round, and Fast Track 1998: A Brief Legislative History**

For those who favor greater trade liberalization, Congressional approval in 1993 and 1994 of measures establishing a free trade area for the United States, Canada, and Mexico and implementing the multilateral agreements reached in the Uruguay Round represented major accomplishments. Approval of both measures was strongly contested, however, and the outcome of the NAFTA legislation was still in doubt at the time of the final vote.

### **North American Free Trade Agreement**

Of the two measures, NAFTA clearly involved the greatest national controversy. Destler (1995, 217) remarks that NAFTA “set off the most prominent and contentious domestic debate on trade since the Smoot-Hawley Tariff Act of 1930.” NAFTA not only added Mexico to the free trade agreement that had been negotiated between Canada and the United States in 1988 but also broadened the scope of that agreement. The key features of NAFTA are the elimination of tariffs and most nontariff barriers to trade among the three countries over a 10-year period (15 years for some import-sensitive products) and the requirement that US, Canadian, and Mexican investors be treated as well as domestic investors and as favorably as any other foreign investors (the so-called national treatment and most favored nation provisions). Important liberalization in such service-sector industries as telecommunications, finance, and land transportation is also achieved under NAFTA. In addition, side agreements were negotiated that provide for the monitoring of environmental and

labor-market conditions in the three countries and promote compliance with each country's national laws and regulations on these matters.<sup>1</sup>

In terms of NAFTA's economic importance, the intensity of the NAFTA debate was surprising, since (1) one-half of Mexican imports were already entering the United States duty-free and the remainder faced an average tariff rate of only 4 percent; (2) there was already an absence of significant investment barriers between the two countries; and (3) the Mexican economy was only about 1/25th the size of the US economy. In consonance with these facts, most analyses predicted that the impact of the agreement on the United States would be modest, with average wages estimated to rise by 0.1 to 0.3 percent and aggregate US employment to increase by 0.03 to 0.08 percent (US International Trade Commission 1993, chapter 2). These studies predicted appreciable job losses in only a few industries, such as apparel, household appliances, sugar, and ceramics.

Several factors explain why the debate was more intense than would seem justified by its predicted economic impact. The most important was the decision by organized labor to oppose congressional approval in the strongest terms. In doing so, most labor unions were convinced that the adverse wage and employment effects would be much more widespread than economists had predicted. They also may have feared that approval of NAFTA would lead to similar agreements with many other low-wage countries. The result might be that an initial moderate flow of goods intensively using low-skill labor from Mexico would eventually turn into a flood of imports from many other countries and would exert strong downward pressures on US employment and wages.

Concerns expressed by various environmental groups over the polluting activities of the many *maquiladoras* near the US-Mexican border further focused attention on NAFTA. These groups were apprehensive not just about a rise in pollutants along the border but also about the possibility that a rush of US firms to Mexico to take advantage of the cheaper labor and more lenient environmental standards would encourage US legislators to weaken environmental laws in the United States. Ross Perot, who as an independent candidate for the presidency had garnered 19 percent of the total vote in the 1992 election, added to the intensity of the debate by maintaining that NAFTA would lead to the loss of millions of jobs (to which he memorably attributed a "giant sucking sound").

President Clinton's initial position on NAFTA also helps account for the intensity of the debate. The agreement had been negotiated by the Bush administration and was formally signed in December 1992. As a presidential candidate, Clinton endorsed the basic text but called for side agreements that would strengthen organizing rights and safety standards for Mexican workers, tighten environmental standards in Mexico, and guard against surges of imports.

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1. For a detailed description and evaluation of NAFTA, see Hufbauer and Schott (1993).

**Table 1 House votes on NAFTA, GATT Uruguay Round, and fast track 1998**

	NAFTA				GATT				Fast track 1998			
	Rep.	Dem.	Ind.	Tot.	Rep.	Dem.	Ind.	Tot.	Rep.	Dem.	Ind.	Tot.
Yeas	132	102	—	234	121	167	—	288	151	29	—	180
Nays	43	156	1	200	56	89	1	146	71	171	1	243
Pres.	—	—	—	—	—	—	—	—	—	3	—	3
N.V.	—	—	—	—	—	—	—	—	6	3	—	9

Rep. = Republican; Dem. = Democrat; Ind. = independent; Tot. = total; Pres. = voted present; N.V. = not voting.

Source: Voting data from *Congressional Quarterly Almanac*.

Negotiations on the side agreements were not completed and approved by President Clinton until August 1993. Shortly thereafter, the White House launched a vigorous effort to gain support for the agreement. Traditional supporters of a liberal trade policy such as the business community, editorial writers, and academics were organized in a more coherent manner, while opposition from environmental groups was moderated as a result of the provisions of the side agreement on the environment. In addition, meetings between Clinton and undecided House members at which the president made concessions or granted unrelated favors appear to have been effective in gaining votes for NAFTA.

These various efforts were successful. Whereas administration leaders had believed in September that they were far short of the votes needed to gain House approval,<sup>2</sup> a week before the final vote in November they thought they were only about 10 votes short of a majority. The House approved NAFTA by a vote of 234 to 200 on 17 November 1993 (table 1). Only 40 percent of Democrats voted in favor of the measure, however, compared to 75 percent of Republicans. The Senate approved the pact by a vote of 61 to 38 on 20 November 1993, with 77 percent of Republicans and 49 percent of Democrats voting in favor (table 2).

The considerable interest of constituents in the NAFTA debate induced an unusually large number of House members (293) to present brief statements on the floor prior to the final vote in which they outlined the reasons for their votes. Table 3 summarizes the main reasons given by those planning to vote for (177) and against (116) approval of NAFTA.

2. A 20 September 1993 poll of the House of Representatives on NAFTA by USA-NAFTA, a corporate support coalition, found that 190 representatives opposed NAFTA and 161 supported it (Destler 1995, 225n).

**Table 2 Senate votes on NAFTA and GATT Uruguay Round**

	NAFTA				GATT			
	Rep.	Dem.	Ind.	Tot.	Rep.	Dem.	Ind.	Tot.
Yeas	34	27	–	61	35	41	–	76
Nays	10	28	–	38	11	13	–	24

Rep. = Republican; Dem. = Democrat; Ind. = independent; Tot. = total.

Source: Voting data from *Congressional Quarterly Almanac*.

Many members cited more than one factor in explaining their vote. As the table indicates, the perceived impact of NAFTA on jobs and wages was the major consideration influencing the voting behavior both of members voting for and of members voting against the bill.<sup>3</sup> Among those in favor of NAFTA, 44 percent listed this factor first, compared to 70 percent of those who opposed the agreement. Furthermore, 112 of the 177 representatives (63 percent) who offered explanations of why they were voting for NAFTA and 92 of the 116 (79 percent) who offered explanations of why they were voting against the bill included the jobs/wages factor as one of the reasons for their vote. Among representatives in favor of NAFTA, the reason second most commonly listed first (37 percent) was the market-opening benefits of the agreement. Among those opposed to NAFTA, the reason second most commonly listed first (12 percent) was the belief that Mexico was engaging in undemocratic political and unfair economic practices for which it should not be rewarded. Another 10 percent of NAFTA opponents listed as the first reason for their vote the belief that it would worsen environmental and illegal immigration problems with Mexico. The improvement of foreign relations with Mexico was mentioned first by 13 percent of those in favor of the bill, whereas 3 percent of those opposed believed that NAFTA would threaten US sovereignty and weaken national defense.

From an economist's viewpoint, the reasons given by proponents and opponents of NAFTA alike are flawed. Standard macroeconomic analysis holds that shocks to the economic system such as the tariff reductions associated with a free trade agreement affect the level of employment in the economy only temporarily. The level of aggregate employment is determined mainly by such macroeconomic factors as interest rate levels and fiscal policies together with such structural features of the economy as the demographic composition of the labor force, the nature of government rules and regulations affecting the flexibility of labor markets, and

3. Unfortunately, it was not possible to separate jobs and wages as factors influencing voting behavior, since many representatives lumped the two together.

**Table 3 House members' stated reasons for NAFTA vote**

	First stated reason (percentage of members)	Stated as one reason (number of times)
<i>Members voting for NAFTA</i>		
1. Will increase jobs and wages	44	112
2. Will expand markets for US goods	37	85
3. Will improve foreign relations	13	59
4. Will improve environmental and immigration problems	4	35
5. Will raise living standards	<u>2</u>	<u>11</u>
	100	302
<i>Members voting against NAFTA</i>		
1. Will decrease jobs and wages	70	92
2. Will reward Mexico for unfair economic and undemocratic political practices	12	35
3. Will worsen environmental and immigration problems	10	44
4. Will threaten US sovereignty and weaken US national defense	3	6
5. Will increase government spending and reduce tax revenue	<u>5</u>	<u>14</u>
	100	191

Source: US Congress, *Congressional Record—House*, vol. 139, no. 160, part 2 (17 November 1993).

the generosity of various social welfare programs. Unfortunately, the employment-creating or employment-displacing effects of changes in exports and imports are emphasized as reasons for voting for or against trade liberalization not only by members of Congress but also by executive branch officials. The fundamental effect of reciprocal trade liberalization, namely, that it raises the standard of living in a country, is generally ignored as implications for short-run employment and income distribution dominate the discussion.

## GATT Uruguay Round Agreements

Though it received far less national media attention than the vote on NAFTA, the legislation implementing the Uruguay Round agreements is

likely to affect the welfare of US citizens in the long run much more significantly than NAFTA. Among the major accomplishments of the agreements signed by some 125 countries are (1) a reduction of some export subsidies and import quotas in agriculture,<sup>4</sup> (2) the phasing out of quantitative import restrictions for textiles and apparel by 2005 (the Multi-fiber Arrangement), (3) the extension of GATT rules to trade in services, (4) the negotiation of a multilateral agreement protecting intellectual property rights, (5) the liberalization of a few trade-related investment measures, (6) the reduction of average tariff levels by about one-third and the ban on voluntary export restraints, (7) the strengthening of dispute settlement procedures, and (8) the establishment of the World Trade Organization to provide a stronger institutional framework for administering the agreements on trade.<sup>5</sup>

Unlike with NAFTA, President Clinton did not inherit a signed international agreement on the GATT Uruguay Round. Although officials in the Bush administration had made a concerted effort to complete the negotiations, which had started in 1986, they were unable to do so, and the Clinton administration was faced with the tasks of completing the international negotiations and getting Congress to approve the resulting set of agreements. After seven years of negotiations, the appointments of a new director general of the GATT (Peter Sutherland), a new chief negotiator for the European Union (Leon Brittan), and a new US trade representative (Mickey Kantor) seemed to revitalize the negotiations in 1993, and they were successfully completed in early December.

The process of congressional approval continued for another year, however. Objections raised by some members of Congress concerning a loss of US sovereignty under the WTO and the high level of R&D subsidies permitted under the agreement were two reasons for the delay. Environmentalists, who had split over NAFTA approval, were united in their disapproval of the Uruguay Round agreements, whereas organized labor, which had vigorously fought against NAFTA, criticized the GATT agreement but did not oppose it as strenuously. Presidential candidates Ross Perot and Pat Buchanan as well as consumer advocate Ralph Nader opposed the agreements, as they had NAFTA. However, after the administration dropped its efforts to include new fast-track authority in the implementing legislation and further concessions were made to ease the concerns about loss of sovereignty, the Uruguay Round agreements were approved in the House of Representatives on 29 November 1994 by a vote

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4. The main accomplishment of the Uruguay Round negotiations on agriculture was to bring this sector under GATT disciplines and thereby improve the conditions under which agricultural goods are traded. The extent of actual trade liberalization and improvement of market access was modest. See Josling (1998).

5. See Preeg (1995) for an excellent history of the Uruguay Round negotiations, and Schott (1994) for a detailed analysis of the various agreements.

of 288 to 146 and in the Senate on 1 December 1994 by a vote of 76 to 24. A strong majority of both parties in the House and Senate approved the implementing legislation (see tables 1 and 2).

## Fast Track 1998

Before passage of the Trade Act of 1974, multilateral trade agreements negotiated under GATT (which dealt with tariff reductions) did not require congressional approval before becoming legally binding. However, Congress specified that certain products be excluded from duty cuts, limited the extent to which duty levels could be reduced on other products, and required that significant cuts be introduced gradually. In authorizing negotiations on nontariff barriers in addition to tariffs in the Trade Act of 1974, Congress decided to continue the traditional implementing procedures with respect to multilateral tariff agreements but to require congressional approval of any agreements reached on nontariff matters. This requirement was later extended to bilateral agreements on tariffs and nontariff measures such as NAFTA. Congress must, however, vote on the agreements on an up-or-down basis, without the possibility of amendments, within 60 days after the president has submitted the implementing bill.

The Trade Act of 1974 provided fast-track authority for a five-year period beginning in 1975, and this was extended in 1979 when the trade agreements negotiated under the 1974 act were approved by Congress. Fast-track authority was again renewed in 1988, 1991, and 1993. The 10-month extension granted to the Clinton administration in 1993 was sufficient to complete the Uruguay Round negotiations and secure passage of the implementing legislation. The Clinton administration was unable to link a further extension of fast track to the implementing legislation of 1994, however. (See Destler 1997 for a detailed discussion of fast-track legislation and the controversy over fast-track procedures.)

In an effort to maintain a leadership position for the United States in promoting these initiatives, the president again asked the Republican-controlled Congress to renew fast-track authority in the fall of 1997. This effort also failed, however. Only 4 Democrats voted for the bill reported out of the Ways and Means Committee, and 12 voted against it. (The Republican vote in the committee was 20 in favor of the bill and 2 opposed.) A survey of House members by National Journal's *CongressDaily* (see *CongressDaily*, 10 November 1997) taken shortly before the fast-track bill was brought up for consideration on the floor of the House found that only 34 Democrats in the House were planning to vote for the bill, with another 2 leaning toward a positive vote. In contrast, 149 Democrats and 1 independent were planning to vote against the bill, with another 7 leaning in that direction. Ten representatives were undecided, and three did not respond to the survey.

Republicans in the House were much more inclined to vote for the bill, with 100 stating that they would vote in favor of the bill and 7 leaning in this direction. However, 58 Republicans were planning to vote against the measure, and another 7 were leaning toward voting against it. In addition, 40 Republicans were undecided, and 16 did not respond to the survey. A survey by Public Citizen (see their Web site at [www.citizen.org](http://www.citizen.org)) found that 35 Democrats and 132 Republicans supported the 1997 fast-track bill and 162 Democrats, 1 independent, and 65 Republicans opposed it. Twenty-eight Republicans and six Democrats were undecided, and six legislators were not covered by the survey. Apparently the administration's own assessment of the likely outcome of the House vote was consonant with the unfavorable prospects indicated by these two surveys, since on 10 November 1997 President Clinton asked House Speaker Gingrich to withdraw the bill from further consideration.

The failure to renew fast track was closely related to disagreement over the extent to which rules covering labor rights and environmental matters should be included in trade agreements that could be implemented under fast-track procedures. As indicated by its proposals at the first ministerial conference of the WTO in Singapore in December 1996, the Clinton administration wished to add rules covering labor rights and environmental matters to the WTO. Such rules were opposed not only by many WTO member countries but also by many US business groups and members of Congress, especially Republicans. Congressional opponents did not want any WTO agreements on labor and environmental standards to be covered by US fast-track implementing procedures, since this would make it more difficult to prevent them from becoming part of US law. The compromise reached between the Republican-controlled Congress and the Clinton administration on the 1997 bill reported out of the House Ways and Means Committee limited the use of fast-track procedures for WTO agreements reached on labor and environmental matters to those directly related to trade, such as foreign labor and environmental policies that "arbitrarily or unjustifiably discriminate or serve as disguised barriers to trade" or that are used "as an encouragement to gain competitive advantage in international trade or investment" (H.R. 2621, title I, section 102).

Most Democrats in the House felt that the bill's provisions did not deal adequately with the adverse wage and employment effects of trade liberalization on the less-skilled members of the workforce. As a means of changing what they considered to be the unfair foreign practices generating these adverse effects, these legislators pressed for strong WTO labor and environmental standards under which sanctions could be used against violators. They were unwilling to support renewal of fast track unless the president was given the authority to negotiate such standards and to include any agreements on these matters under the usual fast-track procedures.

The Senate signaled its apparent willingness to extend fast track by voting to invoke cloture (an action that requires 60 votes and limits debate on a bill to a maximum of 30 hours) on a fast-track bill that was acceptable to the administration. Democrats voted 26 to 19 in favor of cloture, and Republicans 43 to 12.

In the spring of 1998 President Clinton backed away from his plan to press for approval of fast track that year. The president and other administration officials maintained that fast track could not be passed in 1998 in view of the fall congressional elections and that it would be better to wait until 1999 before bringing the matter before Congress again. The Republicans, who controlled both the House and the Senate, disagreed with this position, claiming that fast track could be passed in 1998, especially if the president played a vigorous role in lining up support among Democratic members of Congress.

The bill brought before the House in September was similar to the 1997 bill in excluding labor and environmental components of trade agreements from fast-track procedures, but it increased the consultative role of congressional agricultural committees in the negotiating process in the hope of gaining more support from members representing agricultural districts. The bill was defeated, however, with 180 votes for it and 243 against it (see table 1). Among Democrats, 29 favored passage (about 14 percent of those voting) and 171 voted against approval, whereas among Republicans, 151 voted for it (68 percent of those voting) and 71 against it.

It appears that some of the negative and recorded “present” votes by Democrats were in protest of the Republican leadership’s bringing the measure to a vote even though Democratic leaders had warned that it would not pass. For example, Representative Robert Matsui (D-CA), the ranking minority member of the Trade Subcommittee of the Ways and Means Committee and a longtime supporter of fast-track legislation, was quoted as saying that he was voting against the measure to show his displeasure with the Republicans’ tactics (*Inside U.S. Trade*, 28 September 1998).<sup>6</sup> The lack of a strong effort by the president to round up Democratic support also may account for the lower level of support by Democrats in 1998 (a half dozen or so votes fewer than were tallied in the 1997 surveys).

While some of the opposition to the 1998 fast-track bill may have been due to such tactical political considerations, actions on other trade-related legislation in the last half of the 1990s confirm that there has been a significant erosion of congressional support for continued trade liberalization compared to the first half of the 1990s. For example, in November 1997 a bill to extend the tariff and quota benefits received by

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6. Representative Matsui was one of the four Democratic members of the Ways and Means Committee who had voted for the bill when it was reported out of this committee in the 1997 effort to renew fast-track authority.

Mexico under NAFTA to the Caribbean Basin nations was defeated in the House by a vote of 234 to 182, even though the measure was strongly supported by President Clinton and the Republican congressional leadership. In March 1999, despite the threat of a presidential veto and objections by Republican leaders, House members also approved by a vote of 289 to 141 a bill that would impose quotas on steel imports for the next three years. In this case 13 Democrats and 128 Republicans opposed steel quotas, while 197 Democrats, 1 independent, and 91 Republicans favored them. The bill failed in the Senate, however, when a motion to limit debate and to proceed to a vote on the bill was rejected. Proponents of steel quotas were able to muster only 42 of the required 60 votes for cloture.

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## Analytical and Empirical Framework

### Political Economy Framework

The political economy framework on which we base our investigation of voting behavior draws on the extensive theoretical and empirical analysis of this subject undertaken by both economists and political scientists.<sup>1</sup> In the public choice literature developed by economists, policy decisions are viewed as being determined by the interactions between elected officials, who are suppliers of particular public policies, and constituent groups, who are demanders of such policies. Economists emphasize the importance of the economic interests of producers and workers in determining the policy demands of constituents. For example, in view of the international competitive disadvantage faced by US producers of traditional manufactures that intensively use less-skilled labor, one would expect producers and workers in such industries to exert political pressure on legislators to vote against trade-liberalizing measures. In contrast, producers and workers in technologically advanced, skill-intensive industries are likely to support increased trade liberalization, since this tends to increase exports, profits, and wage levels in these industries. Thus legislators representing districts or states with high proportions of less-skilled workers and industries facing significant import competition are likely to oppose market-opening trade policies, since they risk not being reelected if they do not do so.

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1. For a recent review of political economy models developed by economists, see Rodrik (1995). For recent surveys of the work of political scientists in this field, see Morton and Cameron (1992), Smith (1995), and Bender and Lott (1996).

Political scientists also emphasize the importance of economic conditions in legislators' districts and states in influencing their votes but, in addition, stress the importance of legislators' broad ideological views. Within this framework, one would expect, for example, legislators who believe strongly in the merits of free enterprise and open markets to vote for trade-liberalizing measures and legislators who are especially concerned about the economic welfare of less-skilled, less-educated workers to vote against such measures. Voting patterns of elected officials on a range of bills (other than those being studied) that clearly either promote or impede a particular ideological goal are typically used to proxy a legislator's ideology. We regard the ideological leanings of legislators as also reflecting the ideological views of the voters who elected them.

Campaign contributions are another variable that has received considerable attention from both political scientists and economists who model legislative voting behavior. It is generally believed that those running for election or reelection to Congress can improve their chances of winning by accepting campaign contributions, which enable them—through advertising, for example—to inform voters about the merits of their candidacies. Individuals and organized interest groups make such contributions to improve the election or reelection prospects of candidates who share their political views and to increase their chances of gaining access to legislators after election in order to lobby for their positions on legislation that concerns their interests.

In our analysis we divide campaign contributions from organized interest groups into those representing labor concerns and those representing business concerns. If lobbying by these groups is effective, we would expect congressional votes for trade-liberalizing legislation to be negatively related to contributions from organized labor and positively related to contributions from organized business groups.

Interest groups consider a number of factors in determining how much to contribute to a member of Congress.<sup>2</sup> One is the legislator's influence within Congress. Members of important committees and in leadership positions receive larger contributions from interest groups that are affected by the committees' actions. Business groups, for example, are likely to provide large contributions to members of the House Ways and Means Committee, which deals with taxes, whereas labor unions are likely to target members of the Education and Workforce Committee. Since interest groups tend to support legislators who have a record of voting in the group's interest, we also would expect high legislative ratings given to a

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2. We assume that contributors take the probabilities of election as given and attempt to alter the policies of elected candidates. As Stratmann (1991) and others have pointed out, most studies do not show that incumbents' expenditures have a significant effect on the number of votes they receive.

member of Congress by business groups to be positively correlated with contributions from these groups, and high ratings by labor groups to be positively correlated with labor contributions.

In summary, our political economy framework or model hypothesizes that voting by a member of Congress on trade legislation is influenced by three broad sets of factors: (1) various economic conditions in the legislator's district or state; (2) the ideological leanings of the constituents who elected the legislator (as measured by his or her past voting record); and (3) the magnitude of the campaign contributions the legislator received from different interest groups. The magnitude of the contributions a legislator receives are hypothesized to be influenced by such factors as the legislator's leadership position in Congress, the nature of the congressional committees on which the legislator serves, and the legislator's ideological views. In the next section we specify the econometric model used to test whether voting on the three bills being studied is consistent with these various hypothesized relationships, and in chapter 3 we present the results of our tests.

## Econometric Model

We use regression analysis to test the hypothesized relationships among economic conditions, ideology, campaign contributions, and the voting behavior of members of Congress on the NAFTA bill, the legislation implementing the Uruguay Round agreements, and the 1998 fast-track bill. A vote in favor of these measures is assigned a value of 1, and a vote of disapproval is assigned a zero. An improvement in our methodology over other analyses of recent trade bills (e.g., Kahane 1996; Steagall and Jennings 1996; Box-Steffensmeier, Arnold, and Zorn 1997; Holian, Krebs, and Walsh 1997; and Uslaner 1998) is the manner in which we handle campaign contributions. Not only may campaign contributions to a legislator play an indirect role in deciding the legislator's vote on a particular trade bill, but also the legislator's expected vote may have influenced the amount of the contributions he or she received. Labor organizations, for instance, were likely to donate extra funds in 1992 to representatives they knew would oppose NAFTA. Because of this two-way relationship between voting behavior and campaign contributions, it is necessary to include a separate relationship in the econometric analysis explaining the various factors influencing the magnitude of campaign contributions to legislators in order to avoid biased estimates of the effects of contributions on voting behavior. Furthermore, to avoid the possibility that results will be biased because legislators who adopt a particular policy stance on one trade bill are likely to vote similarly on other trade bills, especially if the votes are all taken within a relatively short period, we also analyze the votes on NAFTA and the GATT Uruguay Round agreements

simultaneously.<sup>3</sup> A more detailed description of the model we estimated is provided in appendix A.

Table 4 provides descriptions and mean values of the specific variables used in the regression analysis. The sources of these data are described in appendix B.

Economic characteristics that we expect to be negatively related to a favorable vote on a trade-liberalizing measure (i.e., the more important the economic factor is in a district or state, the more likely a legislator's vote will be against the bill) are the proportion of individuals in a district or state without a high school degree, the proportion with a high school degree only, and the unemployment rate. We also expect the likelihood of an unfavorable vote on a trade-liberalizing bill to increase with the proportion of union members in a district or state, since a number of industries facing significant import competition are heavily unionized—for example, textiles, apparel, and steel. However, we expect the probability of a vote in support of trade liberalization to be positively associated with the per capita income in a district or state.

To investigate the influence of a district's or state's trade with other countries on members' voting behavior, we created a variable (export ratio) indicating the relative dependence of the district or state on export-oriented and import-competing jobs. We divided industries into those for which the United States is a net exporter and those for which it is a net importer, and then summed up total district or state employment in net exporting and in net importing industries. We expect the probability of a vote in favor of NAFTA, the GATT Uruguay Round legislation, and the 1998 fast-track bill to be higher the larger the ratio of export jobs to import-competing jobs in a district or state. We also included a social variable in the NAFTA vote regression, namely, the percentage of the population of Hispanic origin, and we expect this to be positively correlated with a favorable vote.

Another economic variable included in our regression analysis is the proportion of a district's or state's total number of workers employed in particular manufacturing industries and in agriculture. Specific industries that various government studies predicted would be harmed by NAFTA include apparel, ceramic tiles, household appliances, sugar, citrus fruit, and vegetables.<sup>4</sup> The computing sector was cited as the main employment gainer. Sectors expected to be harmed by the GATT Uruguay Round agreements were dairy, textiles, apparel, lumber and wood

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3. We also estimated the full information maximum likelihood regressions separately for the two trade bills. The statistical significance levels are generally higher in these estimates.

4. The main studies from which these predictions are taken are US International Trade Commission (1992, 1993, and 1994).

**Table 4 Descriptions and means of variables**

Variable	Description	Mean
NAFTA	= 1 if representative (senator) voted for NAFTA	0.54 (0.62)
GATT	= 1 if representative (senator) voted for GATT Uruguay Round agreements	0.66 (0.76)
Fast track 1998	= 1 if representative voted for fast track 1998	0.41
Labor contributions	Labor PAC contributions to representatives (in thousands of dollars) in 1991-92, in 1996 Labor PAC contributions to senators (in thousands of dollars) in 1991-92	53, 64 153
Business contributions	Business PAC contributions to representatives (in thousands of dollars) in 1991-92, in 1996 Business PAC contributions to senators (in thousands of dollars) in 1991-92	154, 175 786
Terms	House terms served in 1993, in 1996 Senate terms served in 1993	5.1, 4.9 2.5
Labor Committee	= 1 if member of House Education and Labor Committee in 1993, or House Education and Workforce Committee in 1997 = 1 if member of Senate Labor and Human Resources Committee in 1993	0.09, 0.10 0.17
Ways and Means	= 1 if member of House Ways and Means Committee in 1993, in 1997	0.09, 0.09
Senate Finance	= 1 if member of Senate Finance Committee in 1993	0.17
Chair/ranking member	= 1 if chair or ranking member of major House committee or part of House leadership group	0.14
ACU	Rating of representative by the American Conservative Union (out of 100) in 1993-94, in 1997 Rating of senator by the American Conservative Union in 1993-94	46, 53 44
COC	Rating of representative by the US Chamber of Commerce (out of 100) in 1993-94, in 1997 Rating of senator by the US Chamber of Commerce (out of 100) in 1993-94	59, 66 55
LCV	Rating of representative by League of Conservation Voters (out of 100) in 1993, in 1997	51, 47

*(Table continues on next page)*

**Table 4 Descriptions and means of variables (*continued*)**

Variable	Description	Mean
AFL-CIO	Rating of representative by AFL-CIO in 1993-94, in 1997 Rating of senator by AFL-CIO in 1993-94	59, 51 53
Democrat	= 1 if representative is a Democrat in 1993, in 1997 = 1 if senator is a Democrat in 1993	0.59, 0.47 0.55
Union	Private-sector unionization rate by congressional district in 1991-92, and state unionization rate in 1993	12, 11
No high school diploma	Fraction of population (aged 25+) without a high school degree in 1990 in district, in state	0.25, 0.24
No college degree	Fraction of population (aged 25+) in district without a college degree in 1990	0.49
Per capita income	District per capita income (in thousands of dollars) in 1990	14.4
Unemployment rate	District unemployment rate (percentage) in 1990, in 1998	6.5, 4.3
Export ratio	Employment in industries for which the United States is a net exporter/employment in industries for which the United States is a net importer in 1993 by district, by state	1.4, 1.3
Percentage Hispanic	Percentage of population of Hispanic origin in district in 1990	8.8
Agriculture	District employment in agriculture (in thousands of persons) in 1992	7.2
Food	1993 employment in SIC 20/total employment, by district	0.017
Tobacco	1993 employment in SIC 21/total employment, by district	0.000
Textiles	1993 employment in SIC 22/total employment, by district	0.007
Apparel	1993 employment in SIC 23/total employment, by district	0.011
Lumber	1993 employment in SIC 24/total employment, by district	0.008
Furniture	1993 employment in SIC 25/total employment, by district	0.005

Paper	1993 employment in SIC 26/total employment, by district	0.007
Printing	1993 employment in SIC 27/total employment, by district	0.015
Chemicals	1993 employment in SIC 28/total employment, by district	0.009
Petroleum	1993 employment in SIC 29/total employment, by district	0.001
Rubber products	1993 employment in SIC 30/total employment, by district	0.010
Leather	1993 employment in SIC 31/total employment, by district	0.001
Stone, clay, glass	1993 employment in SIC 32/total employment, by district	0.005
Primary metals	1993 employment in SIC 33/total employment, by district	0.007
Fabricated metals	1993 employment in SIC 34/total employment, by district	0.015
Industrial machinery	1993 employment in SIC 35/total employment, by district	0.019
Electronic equipment	1993 employment in SIC 36/total employment, by district	0.015
Transportation equipment	1993 employment in SIC 37/total employment, by district	0.017
Instruments	1993 employment in SIC 38/total employment, by district	0.009
Miscellaneous manufactures	1993 employment in SIC 39/total employment, by district	0.004

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PAC = political action committee; AFL-CIO = American Federation of Labor-Congress of Industrial Organizations; SIC = Standard Industrial Classification.

*Sources:* See appendix B.

products, paper, footwear, steel, and motor vehicles. Predicted gainers included most agricultural industries, chemicals, nonelectrical machinery, computing equipment, and instruments. Since the administration planned to use new fast-track authority to expand US participation in regional agreements as well as to undertake a new multilateral trade negotiation, industry gainers and losers under this legislation would likely have been a combination of these two sets of industries. We expect that the higher the district's or state's proportion of workers employed in industries predicted to lose employment as a result of the trade legislation, the more likely a member of Congress from that district or state will vote against the legislation, and, likewise, that the higher the proportion of workers in industries predicted to gain, the more likely the member will vote in favor of the legislation.

We use the ratings of legislators by various interest groups as ideological indicators. These groups select several bills each year that are important for them and rate representatives according to the proportion (in percent) of their votes that were in the group's interest (100 indicates a perfect voting record from the viewpoint of the interest group). In analyzing the votes on NAFTA and the GATT Uruguay Round legislation, we combined the two yearly ratings for the 103rd Congress (1993-94) into one variable for each interest group and interpreted these ratings as indicators of the broad policy views of a majority of a legislator's constituents. For the 1998 fast-track bill we used the 1997 ratings.

The rating of the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) measures how closely a politician is aligned with labor interests, and the rating of the Chamber of Commerce indicates how closely he or she is tied to business interests. The American Conservative Union rating measures legislators' conservative leanings, and the League of Conservation Voters ranks them on environmental votes. Since the AFL-CIO, the Chamber of Commerce, and the American Conservative Union included members' votes on the NAFTA bill, the GATT Uruguay Round bill, or both in their ratings, we recalculated the ideological ratings excluding those two bills. We used a dummy variable (Democrat) to indicate the legislator's political party (a value of 1 signifies that the legislator is a Democrat). We expect legislators rated highly by the AFL-CIO and the League of Conservation Voters to vote against all three bills, and those rated highly by the Chamber of Commerce to favor them. We are uncertain about what to expect the sign of the regression coefficient for American Conservative Union ratings to be in view of the traditional support of conservatives for freer trade but also their concerns about the loss of sovereignty from international agreements. We expect most Democrats to oppose and most Republicans to support trade liberalization.

Contributions received by members of Congress are measured in terms of the funds received from political action committees (PACs) represent-

ing either labor or business interests.<sup>5</sup> Higher levels of funding by labor interests are expected to be negatively related to favorable votes on the three measures, and greater funding by business interests is expected to be positively related to favorable votes. The variables used to explain the magnitude of contributions from labor and business groups are the ratings by the AFL-CIO and by the Chamber of Commerce, party affiliation, membership in key House or Senate committees affecting labor and business (Ways and Means, Finance, and Education and Labor), leadership position in the House or Senate, and number of terms in office. We expect members who are rated highly by the AFL-CIO or who are on committees especially concerned with labor issues to receive more funds from labor PACs than other members, and those rated highly by the Chamber of Commerce and who are members of committees especially concerned with business issues to receive more funds from business PACs than others. Members who have served longer in Congress and who belong to the majority party are also expected to receive more campaign funds.

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5. PACs are established by interest groups to raise voluntary contributions to give or spend in federal elections for the purpose of campaigning for or against candidates. Federal law limits the sources of contributions to candidates for election to federal office to contributions from individuals and from PACs. Contributions to a particular candidate are limited to \$1,000 per election from individuals and \$5,000 per election from PACs (where primary and general elections count as two separate elections). In the 1996 elections US House candidates collected about 39 percent of their money from PACs, 36 percent from individual contributions of more than \$200, and 19 percent from small individual contributions. Senators received about 25 percent of their contributions from PACs, with large contributors accounting for the largest share of their campaign funding (see the Web site of the Center for Responsive Politics at [www.crp.org](http://www.crp.org)).

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## Empirical Results

### NAFTA and GATT: House Votes

Table 5 presents the results of estimating the equations predicting the labor and business contributions received by members of the US House of Representatives and their votes on the NAFTA bill and on the legislation implementing the Uruguay Round of the GATT (in this chapter we refer to the latter simply as “GATT”). They are generally consistent with the relationships described in our analytical framework concerning the manner in which economic conditions, ideology, and campaign contributions affect voting by members of Congress on trade legislation.

The numbers in the table show the actual regression coefficients (columns two and four) and the effect of a unit increase in the listed variable (above its mean) on expected campaign contributions or on the probability of a favorable vote (columns three and five). For example, in the first part of the table analyzing labor and business contributions, the third column indicates that a one unit increase in a member’s AFL-CIO rating is associated with an increase in the contributions he or she received from labor groups of \$1,075 on average (see table 4 for the variables’ units of measure). Similarly, in the second part of the table analyzing the NAFTA and GATT votes, an increase of 1 percentage point in the proportion of union members in a district is associated with an increase of 3.1 percentage points (column three) in the probability of a negative NAFTA vote, but only a 0.7 percentage point increase in the probability of a negative GATT vote. (As indicated at the end of the table, one, two, or three asterisks indicate that the probability that the coefficient is zero is less than or equal to 10 percent, 5 percent, or

**Table 5 Determinants of 1992 campaign contributions and 1993-94 trade policy votes**

**A. Contribution equations**

	Labor contributions		Business contributions	
	Coefficients	Unit increase effects	Coefficients	Unit increase effects
Constant	-38.756**		-3.027	
Terms	-2.383***	-2.025	7.237***	6.801
Democrat	18.795	17.308	55.032*	53.465
AFL-CIO rating	1.265***	1.075		
COC rating			1.232**	1.158
Labor Committee	35.268***	33.542		
Ways and Means Committee			80.971***	79.255
Chair/ranking member	36.175***	34.445	57.512***	55.923
Sigma (scale parameter)	22.641		68.798	
Observations	424		424	
Log likelihood	-5152		-5152	

**B. Voting equations**

	NAFTA vote		GATT vote	
	Coefficients	Unit increase effects	Coefficients	Unit increase effects
Constant	2.267		1.097	
ACU rating	-0.049***	-0.020	-0.066***	-0.024
COC rating	0.023***	0.009	0.037***	0.013
LCV rating	-0.006	-0.002	-0.007	-0.002
AFL-CIO rating	-0.032***	-0.013	-0.020***	-0.007
Labor contributions	-0.011***	-0.004	-0.013***	-0.005
Business contributions	0.003***	0.001	0.003**	0.001
Democrat	-0.072	-0.029	0.296	0.107
Union	-0.077***	-0.031	-0.020	-0.007
Per capita income	-0.007	-0.003	0.046	0.017
No high school diploma	-3.765*	-1.501	4.384*	1.586
High school, no college degree	1.468	0.585	0.785	0.284
Export ratio	0.714***	0.285	0.659***	0.238

**Table 5 Determinants of 1992 campaign contributions and 1993-94 trade policy votes (*continued*)**

	NAFTA vote		GATT vote	
	Coefficients	Unit increase effects	Coefficients	Unit increase effects
Unemployment rate	0.090	0.036	-0.143**	-0.052
Percentage Hispanic	0.020***	0.008		
Agriculture	-0.014	-0.006	-0.005	-0.002
Food	0.082	0.033	-14.132*	-5.111
Tobacco	47.534	18.947	85.913	31.072
Textiles	2.676	1.067	-18.139**	-6.560
Apparel	4.484	1.787	5.180	1.873
Lumber	2.545	1.014	7.810	2.825
Furniture	29.996*	11.956	0.608	0.220
Paper	3.242	1.292	-21.964**	-7.944
Printing	8.495	3.386	-8.593	-3.108
Chemicals	-24.526***	-9.776	4.618	1.670
Petroleum	-23.160	-9.232	24.980	9.034
Rubber products	15.174	6.048	-10.277	-3.717
Leather	5.725	2.282	36.803	13.310
Stone, clay, glass	16.592	6.613	9.259	3.349
Primary metals	-7.689	-3.065	9.404	3.401
Fabricated metals	17.619*	7.023	4.288	1.551
Industrial machinery	-18.971**	-7.562	13.132	4.749
Electronic equipment	15.472**	6.167	-12.364*	-4.472
Transportation equipment and instruments	2.560	1.020	5.975	2.161
Miscellaneous	17.493	6.973	51.289*	18.549
Percentage predicted correctly	78.4		76.9	

\*Indicates that the coefficient is statistically significantly different from zero at the 10 percent level.

\*\*Indicates that the coefficient is statistically significantly different from zero at the 5 percent level.

\*\*\*Indicates that the coefficient is statistically significantly different from zero at the 1 percent level.

Sources: See appendix B.

1 percent, respectively. We refer to the coefficient as statistically significant if the probability level is 10 percent or less.) Our econometric model correctly predicts about 77 to 78 percent of the House votes on each bill.

## **The Role of Labor and Business Contributions**

The first part of table 5 presents the estimates for the campaign contribution equations. As postulated in our political economy framework, labor and business PACs tend to provide more campaign funds to legislators whose previous voting records support the PACs' objectives. Contributions by labor PACs rise with the House member's favorable rating by the AFL-CIO, and business PAC contributions rise with the member's rating by the Chamber of Commerce. The coefficients of both ratings variables are statistically significant. PACs also direct contributions to legislators who have leadership positions in Congress. Both business and labor groups, all else being equal, gave greater campaign contributions to Democrats, who comprised the majority party in the 1993-94 House. On average a Democrat received \$17,308 more from labor groups and \$53,465 more from business groups than did an otherwise identical Republican. PACs representing business interests also gave more freely to representatives with longer tenure in the House.

The voting equation estimates in table 5 show that legislators' decisions on both the NAFTA and GATT bills were related in a statistically significant manner to how much campaign money they received from labor and business groups. For every \$1,000 contributed to a legislator by labor groups, the likelihood of the legislator's voting in favor of liberalization was 0.4 percentage points lower for the NAFTA bill and 0.5 percentage points lower for the GATT bill. A \$1,000 addition to contributions from business PACs was correlated with an additional 0.1 percentage point in the probability of voting to approve both NAFTA and GATT.

PACs were not the only source of lobbying pressure on House members. President Clinton also used the power of the Oval Office in an attempt to secure votes for the trade bills, especially in the case of NAFTA. On the basis of interviews and various public records, Grayson (1995, chapter 9, table 10) provides a list of 47 representatives who allegedly obtained special benefits from the administration in return for supporting NAFTA (for example, promises of additional federal spending in the member's district or pledges to protect an important import-competing industry in the member's district). Using the model shown in table 5, we estimated the predicted probability of a vote for NAFTA by these members in the absence of any special favors. Of the 46 representatives for whom we have sufficient data to make a prediction, we estimate that 35 would have voted for NAFTA without any special consideration. Thus President Clinton appears to have garnered 11 extra votes through the

concessions he made to individual House members. Those votes represent an important gain, considering that NAFTA's margin of victory was only 17 votes.

## **The Role of Economic Conditions**

Our findings suggest that, as postulated in our political economy model, the economic and social interests of constituents also influenced voting on the NAFTA and GATT bills. The likelihood of a favorable vote on both measures increased with the ratio of workers involved in export-oriented industries to workers involved in import-competing industries. The estimation results for the other economic variables, however, indicate that House members viewed NAFTA differently than the GATT agreement. The likelihood of legislators' voting against NAFTA increased with the proportion of unionized workers in their district and with the proportion of workers without a high school diploma. The likelihood of their voting in favor of NAFTA increased with the proportion of Hispanics in their districts.

These relationships probably reflect the stronger opposition of organized labor to NAFTA than to the GATT agreements and a belief on the part of legislators that free trade agreements with low-wage developing countries are more likely to hurt less-educated workers than multilateral agreements such as GATT. Hispanics perhaps believed that NAFTA would improve economic conditions in both the United States and Mexico.

Two other economic relationships that distinguish the GATT vote from the NAFTA vote are the negative correlation between support for GATT and the unemployment rate in a member's district, and the positive correlation between support for GATT and the proportion of the population without a high school diploma (both statistically significant). These relationships suggest that legislators are more concerned with the broad employment implications of such multilateral legislative initiatives than with their adverse impact on particular skill or labor groups.

Once the various general economic characteristics are taken into account, employment in most industries did not have a statistically significant association with legislators' voting. Moreover, most of the industries with statistically significant coefficient estimates were not listed as sectors likely to be affected most by the trade measures in studies undertaken before the bills were passed. The positive impact of electronics industry employment on NAFTA voting is consistent with most studies' predictions, but the negative impacts of chemicals and nonelectrical machinery employment and the positive effect of fabricated metals employment are unexpected. Conforming with the conclusions of most studies, high rates of employment in the textiles and paper industries had a statistically significant inverse relationship with voting for the GATT bill, but the fact that employment in the apparel industry did not have a statistically

significant relationship with the votes for either of the bills is surprising. The finding that strong employment in the electronics industry reduced the likelihood of a legislator's voting for GATT also runs counter to the predictions of most investigators.<sup>1</sup>

## The Role of Ideology

The relationship between House voting and ideological variables, as measured by legislators' past voting records, was especially strong. As expected, representatives ranked highly by the AFL-CIO tended to oppose NAFTA and GATT, and those rated favorably by the Chamber of Commerce tended to support these bills. Neither environmental concerns nor party affiliation were associated with members' voting decisions on NAFTA or GATT in a statistically significant manner once the various other measures of ideology and district economic conditions had been included as explanatory variables.

Somewhat surprisingly, a higher rating given to a legislator by the American Conservative Union was associated with a greater likelihood of voting against the bills despite the traditional view of conservatives as free traders.<sup>2</sup> Conservatism generally is associated with pro-business, anti-labor, and strong-national-defense stances, all of which lead to support for free trade principles. However, when these characteristics are controlled for with the Chamber of Commerce and AFL-CIO ratings, the estimates show that an increase in conservatism was negatively related to support for trade-liberalizing legislation. Perhaps the concern of conservatives about such matters as a loss of sovereignty and reduction of tax revenue with freer trade accounts for this result.

## NAFTA and GATT: Senate Votes

Estimates of voting behavior equations in the Senate on the two trade bills are presented in table 6. One difference from the House results is that PAC contributions from labor and business groups were related in a statistically significant manner only in the NAFTA vote. The relationship between labor and business contributions and the probability of an affirmative or negative vote for the two measures was also weaker. Among the three general economic variables included in the voting equations,

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1. Excluding the various general economic variables from the voting equations increases the number of significant industry coefficients but does not produce a sign pattern easily explainable in political economy terms.

2. A simple regression of NAFTA or GATT votes on American Conservative Union ratings yields a positive coefficient.

**Table 6 Senate votes on NAFTA and GATT**

<b>A. NAFTA vote</b>		
<b>Contribution equations (linear)</b>		
	<b>Labor contributions</b>	<b>Business contributions</b>
	<b>Coefficients</b>	<b>Coefficients</b>
Constant	18.799	-113.940
Terms	-13.443	44.612
Democrat	37.133	340.453
AFL-CIO rating	2.512**	
COC rating		10.095**
Labor Committee	74.779***	
Finance Committee		273.606***
<b>Voting equation</b>		
	<b>Coefficients</b>	<b>Unit increase effects</b>
Constant	0.695	
AFL-CIO rating	0.002	0.001
COC rating	-0.015	-0.005
Union	-0.169***	-0.054
Export ratio	1.808**	0.582
Labor contributions	-0.008**	-0.003
Business contributions	0.002**	0.001
No high school degree	0.145	0.047
Textiles	-46.446	-14.950
Percentage predicted correctly	77.3	
Observations	99	
Log likelihood	-1341	

*(Table continues on next page)*

the coefficient for the ratio of export-oriented to import-competing employment (export ratio) is positive in both the NAFTA and GATT votes, as in the House estimates, but the coefficient of this variable is considerably larger for the NAFTA vote than the GATT vote. Again similar to the House vote, strong union representation was associated with a

**Table 6 Senate votes on NAFTA and GATT (continued)**

<b>B. GATT vote</b>		
<b>Contribution equations (linear)</b>		
	<b>Labor contributions</b>	<b>Business contributions</b>
	<b>Coefficients</b>	<b>Coefficients</b>
Constant	19.536	-385.576
Terms	-12.960	40.743
Democrat	54.455	554.845**
AFL-CIO rating	2.310***	
COC rating		13.074**
Labor Committee	75.549***	
Finance Committee		349.973***
<b>Voting equation</b>		
	<b>Coefficients</b>	<b>Unit increase effects</b>
Constant	1.026	
ACU rating	-0.127**	-0.022
AFL-CIO rating	-0.049**	-0.008
COC rating	0.091**	0.016
Union	0.043	0.007
Export ratio	0.308	0.053
Labor contributions	-0.002	0.000
Business contributions	0.000	0.000
No high school degree	12.796**	2.206
Textiles	-54.412**	-9.381
Percentage predicted correctly	77.3	
Observations	99	
Log likelihood	-1327	

\*Indicates that the coefficient is statistically significantly different from zero at the 10 percent level.

\*\*Indicates that the coefficient is statistically significantly different from zero at the 5 percent level.

\*\*\*Indicates that the coefficient is statistically significantly different from zero at the 1 percent level.

Sources: See appendix B.

considerably reduced likelihood of a senator's voting for NAFTA but had a negligible impact on voting for GATT. Surprisingly, the more workers without a high school diploma there are in a state, the more likely it was that a senator would vote for both NAFTA and GATT.

Given the small number of observations, we could not include all of the ideological ratings by interest groups that we used in the House equations. The coefficients for the AFL-CIO and Chamber of Commerce ratings are statistically significant and have the expected signs in the GATT equation, but are not statistically significant and have the opposite signs to those expected in the NAFTA equation. Higher employment in the textiles sector was associated with opposition to both bills but, as in the House, this relationship was statistically significant only for the GATT vote.

## Fast Track 1998

The political party composition of Congress changed substantially between the NAFTA vote in 1993 and the fast-track vote in 1998. In the interim the Republican Party took control of the House. Whereas only 40 percent of House members were Republicans at the time of the NAFTA vote, 52 percent were Republicans when the 1998 fast-track vote was taken. Since a higher proportion of Republicans (75 percent) than Democrats (40 percent) voted for NAFTA in 1993, the 1998 fast-track bill would have passed fairly easily had these voting proportions remained constant as the House shifted to a Republican majority. However, the proportion of Republicans voting for fast track in 1998 slipped to 68 percent, and the proportion of Democrats favoring the bill dropped to 14 percent. Consequently, only 41 percent of House members voted to give fast-track authority to the president in 1998.

Table 7 presents the results of analyzing the 1998 House vote on fast track in the same manner as was done for the NAFTA and GATT votes.<sup>3</sup> As the table shows, the explanatory variables that were statistically significant in the NAFTA voting equation are also generally statistically significant, with the same signs, in the fast-track vote. For example, as in the NAFTA vote, greater labor contributions were associated with a higher probability that a representative opposed fast track, and larger business

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3. The rating indices of members by the American Conservative Union, AFL-CIO, Chamber of Commerce, and League of Conservation Voters were updated to 1997, and the data on business and labor contributions were updated to 1996. Unemployment rates by congressional district are those for 1998. We use the same values for the other explanatory variables in the voting equation as those used in the NAFTA-GATT analysis under the assumption that the relative changes among districts in these variables were not significant between 1993 and 1998.

**Table 7 Determinants of 1996 campaign contributions and 1998 fast-track vote**

<b>A. Contribution equations</b>				
	<b>Labor contributions</b>		<b>Business contributions</b>	
	<b>Coefficients</b>	<b>Unit increase effects</b>	<b>Coefficients</b>	<b>Unit increase effects</b>
Constant	-12.117		33.009	
Terms	-2.177**	-1.666	6.660***	6.588
Democrat	35.030**	29.839	-20.823	-20.497
AFL-CIO rating	1.161***	0.888		
COC rating			1.612***	1.594
Labor Committee	4.662	3.630		
Ways and Means Committee			90.418***	90.147
Chair/ranking member	24.966***	20.739	49.428***	49.186
Sigma (scale parameter)	51.171		75.090	
Observations	412		412	
Log likelihood	-4902		-4902	

  

<b>B. Fast track 1998 voting equation</b>		
	<b>Coefficients</b>	<b>Unit increase effects</b>
Constant	11.874***	
ACU rating	-0.077***	-0.012
COC rating	0.089***	0.014
LCV rating	0.024***	0.004
AFL-CIO rating	-0.049***	-0.008
Labor contributions	-0.022***	-0.003
Business contributions	0.003***	0.000
Democrat	1.058**	0.161
Union	-0.097***	-0.015
Per capita income	-0.255***	-0.039
No high school diploma	-19.144***	-2.912
High school, no college degree	-9.731***	-1.480

**Table 7 Determinants of 1996 campaign contributions and 1998 fast-track vote (*continued*)**

**B. Fast track 1998 voting equation**

	Coefficients	Unit increase effects
Export ratio	0.412**	0.063
Unemployment rate	0.028	0.004
Percentage Hispanic	0.009	0.001
Agriculture	-0.022	-0.003
Food	15.384*	2.340
Tobacco	97.517***	14.835
Textiles	-8.796*	-1.338
Apparel	10.094	1.536
Lumber	7.542	1.147
Furniture	-1.938	-0.295
Paper	11.859	1.804
Printing	16.329	2.484
Chemicals	-30.621***	-4.658
Petroleum	180.059***	27.392
Rubber products	-15.038	-2.288
Leather	15.953	2.427
Stone, clay, glass	-51.554**	-7.843
Primary metals	10.453	1.590
Fabricated metals	-6.783	-1.032
Industrial machinery	17.557**	2.671
Electronic equipment	12.936**	1.968
Transportation equipment and instruments	5.294	0.805
Miscellaneous	-3.724	-0.567
Percentage predicted correctly	85.9	

\*Indicates that the coefficient is statistically significantly different from zero at the 10 percent level.

\*\*Indicates that the coefficient is statistically significantly different from zero at the 5 percent level.

\*\*\*Indicates that the coefficient is statistically significantly different from zero at the 1 percent level.

Sources: See appendix B.

contributions were associated with a higher likelihood that a member supported the bill. The ratings of members by the American Conservative Union, the AFL-CIO, and the Chamber of Commerce also had statistically significant relationships with both votes. Other variables with statistically significant coefficients for both votes are the ratio of workers employed in export-oriented industries to those employed in import-competing industries, the proportion of unionized workers, the proportion of individuals with less than a high school education, and the proportions of workers employed in the chemical and the electronic industries. The contribution equations estimated are also quite similar between 1992 and 1996.

There are, however, some differences in the factors affecting the NAFTA and fast-track votes. The coefficients for the ratings by the League of Conservation Voters and for the party affiliation variable were negative but statistically insignificant in the NAFTA vote, but positive and statistically significant in the fast-track vote. The coefficient of the proportion of individuals with a high school education but no college training was positive but insignificant in the NAFTA vote, but negative and significant in the fast-track vote. In contrast to our original expectations, the per capita income coefficient was negative in both the NAFTA and fast-track votes (and statistically significant in the latter).

The most important difference between the voting equations for the two bills, however, is in the magnitude of the coefficients of several of the explanatory variables. Consider, for example, the ratings by the various interest groups. As can be seen from comparing the coefficients in the NAFTA voting equation (column two in table 5) and the 1998 fast-track voting equation (column two in table 7), the coefficients for the American Conservative Union and the AFL-CIO are somewhat more negative in the latter equation, while the Chamber of Commerce coefficient is a much larger positive number in the fast-track voting equation. On balance, the differences in these coefficients and in the constant term between the NAFTA and the fast-track votes had the effect of increasing the likelihood that the fast-track bill would be approved. Given the shift in the composition of the House to a more liberal-trade-oriented Republican majority, this result is not surprising.

The coefficients of the labor contributions variable indicate a higher probability of an unfavorable vote on the 1998 fast-track bill, however. The coefficient in the fast-track equation is a larger negative number than in the NAFTA vote, whereas the positive coefficient of the business contributions variable is the same. The relative impacts of labor and business contributions on voting behavior as well as the differences in these effects on the NAFTA and fast-track votes can be seen in table 8, which reports the results of recalculating the predicted number of favorable votes for the two bills under the following counterfactual experiments. For each bill, we first hold all other variables at their actual levels but

**Table 8 Counterfactual predictions of voting behavior without contributions**

	NAFTA		Fast track 1998	
	Predicted favorable votes	Effect of contributions	Predicted favorable votes	Effect of contributions
With all contributions	223		173	
No labor contributions	281	-58	238	-65
No business contributions	173	+50	145	+28
No contributions	228	-5	203	-30

set contributions from labor groups to each legislator equal to zero. Next, we set business contributions to each House member equal to zero, and finally we set both business and labor contributions to zero. The sum of all legislators' probabilities of voting for each bill in the three cases reveals the model's predicted number of votes if no labor contributions were made, if no business contributions were made, and if no campaign contributions of either kind were made.

As the table indicates, our unmodified NAFTA voting equation predicts 223 votes in favor of NAFTA. However, if we set labor contributions to zero for each representative without changing any of the other variables, the resulting regression equation predicts that 281 members would vote for the bill. A similar simulation in which business contributions are set to zero yields a predicted favorable vote count of 173, whereas setting both labor and business contribution to zero yields a predicted favorable vote count of 228. Thus, the simulations suggest that labor was somewhat more successful in its lobbying efforts than business, with the impact of campaign funding overall leading to five fewer votes for NAFTA.<sup>4</sup> A similar analysis of the 1998 fast-track vote suggests that the net effect of labor and business contributions was to reduce support for the fast-track bill by 30 votes.<sup>5</sup> Neither of these net effects would have been large enough to change the voting outcomes on either of the bills.

4. As the table shows, the net change in favorable votes with no funding by either group is not simply the sum of the changes when each group's funding is set to zero separately.

5. Since the other variables and legislators' responses to them would not remain unchanged if labor and business contributions were actually zero, one must regard the results of such counterfactuals only as rough indicators of the relative influence of the contributions variables.

The differences in coefficients of the general economic variables indicate a significantly lower likelihood that the fast-track bill would be approved in the House. A comparison between the NAFTA coefficients in table 5 and the fast-track coefficients in table 7 indicates that the negative economic coefficients in the NAFTA equation (the degree of unionization, the proportion of individuals without a high school diploma, and per capita income) all were more negative in the fast-track equation, whereas the positive coefficients in the NAFTA equation (the proportion of the population with only a high school education, the ratio of workers in export-oriented versus import-competing industries, and the unemployment rate) all were less positive or were negative in the fast-track equation. Some of the differences are, especially in the education variables, substantial. One implication of these shifts between the 1993 and 1998 votes is that NAFTA would have been decisively defeated if it had been associated with the economic coefficients of the 1998 fast-track equation.

Taken as a group, the differences in the coefficients of the proportions of workers in agriculture and the various manufacturing industries included in the voting equations would have had only a small impact on voting. Inserting these NAFTA industry coefficients into the fast-track equation reduces the proportion of predicted favorable votes by a few percentage points, and, likewise, using the industry coefficients from the fast-track equation in the NAFTA equation increases the proportion of favorable votes for NAFTA by just a few percentage points.

Some of the loss of support for freer trade in the 1990s can be explained by changes in the variables affecting legislator voting. Using the NAFTA coefficients, changes in the variables between 1993 and 1998 resulted in a loss of approximately 11 votes overall, or a 2.6 percentage point decline in the fraction of representatives voting for trade liberalization. Half of this predicted drop in support can be explained by the changes in contributions from labor and business groups over this time period. These aggregate predictions hide a larger change within the Democratic Party. Of the seats that were held by Democrats in both 1993 and 1998, the model predicts that changes in the variables resulted in a fall from 32 percent supporting the trade bills to 20 percent (a loss of about 22 votes). About 7 percentage points of this decline (13 votes) can be explained by the increased dependence of Democrats on labor PAC campaign contributions relative to business contributions.

In summary, the most important reason for the very different outcome of the 1998 House vote on fast track as compared to the 1993 vote on NAFTA seems to be the greater concern on the part of legislators about the adverse economic effects of trade liberalization on constituents who are less educated, who are members of labor unions, and who are employed in net import industries. Since the desire to be reelected makes legislators sensitive to voter preferences, this increased concern is presumably a response to political pressures from these groups of constituents

and others who share their views. There is also evidence of more effective lobbying by labor PACs against the 1998 fast-track bill than by business groups in favor of it, but this difference was not decisive. The changes in the coefficients of the ideological and specific industry variables between the 1993 and 1998 votes had the effect of increasing the probability of a favorable vote on the fast-track bill.

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## Conclusions

We find that ideology, campaign contributions, and economic factors, in consonance with the political economy models of economists and political scientists, all played a role in shaping congressional voting on trade bills in the 1990s. Legislators with a pro-business ideology, as indicated by high performance ratings by such organizations as the US Chamber of Commerce, tended to vote in favor of trade liberalization, whereas those with a pro-labor ideology and thus high ratings by the AFL-CIO tended to vote against the NAFTA bill, the GATT Uruguay Round legislation, and the 1998 fast-track bill. Conservatives were inclined to oppose these measures. Campaign funding by business and labor groups also affected voting patterns on these measures, perhaps by providing access to legislators to convince them of the validity of their stance. Specifically, we find that the larger the contributions from labor PACs, the more likely House members were to vote against NAFTA, the GATT Uruguay Round legislation, and the 1998 fast-track bill, whereas the larger the political contributions from business PACs, the more likely representatives were to vote in favor of these bills. In the Senate, the coefficients of campaign contributions from labor and business were statistically significant only in the case of the NAFTA vote. Our counterfactual exercise indicates, however, that the negative relationship between campaign funding by labor PACs and voting in favor of the trade bills and the positive relationship between contributions by business PACs and favorable votes were largely offsetting, so that the net impact of these funds does not change the outcome of any of the three bills.

The last set of variables that significantly influenced voting behavior, namely, economic conditions in legislators' districts or states, varied considerably in relative importance across the three bills. Approval of

NAFTA—a measure widely perceived as likely to result in significant job displacements and downward wage pressures among less-educated and unionized workers—was opposed by House members from districts with high proportions of workers without a high school diploma and by both representatives and senators from constituencies with high percentages of unionized workers and low ratios of export-oriented to import-competing jobs. In contrast, in the vote on the GATT Uruguay Round agreements, whose economic effects were generally viewed as being more evenly spread across income groups, the degree of unionization did not significantly influence voting patterns, and a high proportion of less-educated workers was actually associated with a higher likelihood of a legislator’s voting for the bill. The statistically significant negative relation between the unemployment rate in a House member’s district and the probability of a favorable GATT vote is another indication that legislators’ concerns about this bill focused on economywide rather than specific income-group effects.

The 1998 fast-track vote reflected an even greater concern on the part of legislators about the adverse effects of further trade liberalization on less-educated groups than the NAFTA vote. Not only did the unionization and no-high-school-diploma variables influence the likelihood of a favorable vote in the same manner as in the NAFTA vote, but also representatives in districts with a high proportions of individuals with just a high school education tended to vote against this measure. The main reason for the defeat of the 1998 fast-track bill was that legislators were more willing in the late 1990s than in the early 1990s to vote against trade-liberalizing measures on income-distribution grounds. The challenge now faced by those who favor trade liberalization is either to show that these concerns are ill founded or to devise better safeguard procedures and positive domestic adjustment devices that alleviate the income-distribution concerns of legislators without forgoing the national and international benefits of more-open markets.

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## Appendix A

### Methodology

The political economy framework described in chapter 2 suggests that a legislator's voting behavior is influenced by various economic and ideological characteristics of constituencies and by the magnitude of campaign contributions from different interest groups. The campaign funds received by a member of Congress depend on the legislator's policy positions and the influence he or she wields within the government. As Chappell (1982) and Stratmann (1991) point out, contributions from interest groups may be directed to legislators with a predisposition to vote in the manner the group favors. In addition, legislators who adopt a particular policy stance on one of the trade bills are likely to vote similarly on the other bills, especially if the votes are all taken within a relatively short period. Thus, unobserved characteristics that affected a legislator's votes on the NAFTA and GATT Uruguay Round bills may be correlated, since the votes on these measures occurred in 1993 and 1994. We analyzed the voting on these legislative initiatives and the campaign contributions received by each member of Congress from labor and business groups simultaneously by the method of full information maximum likelihood (FIML). The system of equations we estimate is:

$$\text{Vote}_{\text{nafta}} = F(\text{AX} + A_L(\text{Labor Con}) + A_B(\text{Bus Con})) + \varepsilon_n$$

$$\text{Vote}_{\text{gatt}} = F(\text{BX} + B_L(\text{Labor Con}) + B_B(\text{Bus Con})) + \varepsilon_g$$

$$\text{Labor Con} = \begin{cases} \text{DY} & \text{if } \text{DY} - \sigma_1 \varepsilon_1 \geq 0 \\ 0 & \text{if } \text{DY} - \sigma_1 \varepsilon_1 < 0 \end{cases}$$

$$\text{Bus Con} = \begin{cases} \text{EZ} & \text{if } \text{EZ} - \sigma_b \varepsilon_b \geq 0 \\ 0 & \text{if } \text{EZ} - \sigma_b \varepsilon_b < 0 \end{cases}$$

where  $A$ ,  $B$ ,  $D$ , and  $E$  are (transposed) vectors of coefficients,  $F$  is the cumulative standard normal distribution,  $X$  is a vector of constituency variables that influence members' voting behavior,  $Y$  and  $Z$  are vectors of variables that determine campaign contributions received by members from labor and business PACs, respectively, and  $\epsilon$  is a well-behaved error term.

For the Senate, because there are fewer observations, we were unable to estimate all four equations simultaneously. Instead we estimated two separate systems, one for each of the votes on the trade bills, with three equations each (one voting and two contribution equations). There are also so few censored observations for contributions in the Senate that we use linear rather than Tobit equations:

$$\begin{aligned} \text{Vote}_j &= F(A_j X_j + A_{L_j}(\text{Labor Con}) + A_{B_j}(\text{Bus Con})) + \epsilon_j \\ \text{Labor Con} &= D_j Y + \epsilon_1 \\ \text{Business Con} &= E_j Z + \epsilon_b \end{aligned}$$

where  $A$ ,  $D$ , and  $E$  are (transposed) vectors of coefficients,  $X$  is a vector of constituency variables that influence voting on the measures,  $Y$  and  $Z$  are vectors of variables affecting PAC campaign contributions to senators, and  $\epsilon$  is a residual with mean zero and is uncorrelated with the independent variables. We estimate this system of equations in the Senate for  $j = (\text{NAFTA}, \text{GATT})$ .

In order to test the proposition that campaign contributions are correlated with the residual in the voting equations, we ran a Hausman specification test on both the labor and the business contribution variables in each of the voting equations. For the vote on NAFTA, the Hausman test enabled us to reject the null hypothesis that business contributions were exogenous (at the 5 percent significance level) but did not enable us to reject the hypothesis that labor contributions were exogenous. In the 1998 fast-track voting equation, the Hausman test did not reject the null hypothesis that either labor or business contributions were exogenous. Because the theory suggests that contributions likely are endogenous, we present coefficient estimates from the multiple-equation system in which number of terms in office and committee membership are used to instrument for campaign contributions. The results are very similar when contributions are treated as exogenous.

The labor and business contributions coefficients are jointly significant (measured by the likelihood-ratio test) at the 1 percent level in both the NAFTA and GATT voting equations.<sup>1</sup> The coefficients on the socioeco-

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1. To determine whether our contributions results were dependent on outliers, we omitted all representatives who received labor contributions exceeding \$150,000. The labor contributions coefficient remained significantly negative and the business contributions coefficient significantly positive in the NAFTA equation.

conomic characteristics (percentage Hispanic, union representation, export ratio, fraction without a high school diploma, fraction without a college degree, unemployment rate, and per capita income) of the district are jointly significant at the 1 percent level for both GATT and NAFTA in likelihood-ratio tests. Likelihood-ratio tests show that the coefficients for the industry variables as well as those for the ideology variables are also jointly significant at the 1 percent level in both voting equations.

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## Appendix B

### Data Sources

The data used in the statistical analysis come from a variety of sources. The roll call votes of members of the House and Senate on the NAFTA and GATT Uruguay Round bills and of House members on the 1998 fast-track bill are taken from the *Congressional Quarterly Almanac*. Among the economic characteristics of a district's population used in the statistical analysis, the proportion of individuals over 25 years of age with no high school diploma, the fraction with a high school diploma but no college degree, the level of per capita income, the unemployment rate, and the proportion of the population of Hispanic origin are taken from the US Bureau of the Census publication *Population and Housing Characteristics for Congressional Districts of the 103rd Congress*. For the fast-track vote in 1998, the unemployment rate is updated to that year. The proportion of private-sector workers in each district who were unionized in the 1991-92 period is from Box-Steffensmeier, Arnold, and Zorn (1997).

Employment in congressional districts classified by two-, three-, and four-digit level Standard Industrial Classification (SIC) manufacturing industries is estimated from data collected at the county level in the 1993 *County Business Patterns*. If a county contains more than one congressional district within its borders, the number of workers in each district from an industry is estimated by using the fraction of the county's population (in 1990) residing in the district. For example, if 40 percent of the county's population lives in a congressional district, then 40 percent of the county's workers in each industry will be attributed to that district in our data set. On the basis of this procedure, we created variables indicating the fraction of the workforce that each industry represents in the congressional district. Data on population size by congressional district and county are listed in *Congressional Districts in the 1990s* (1993).

Only two-digit level SIC industries are included in the results reported here. We also examined three-digit level SIC industries when studies predicted that they would be strongly affected by either the GATT Uruguay Round agreements or NAFTA but found that three-digit level industry variables rarely had a sizable impact on voting decisions. The agriculture variable is the number (in thousands) of individuals employed in agriculture, forestry, and fishing in a legislator's district or state in 1990. These data come from the *1992 Census of Agriculture*.

The contributions data used in analyzing the votes on NAFTA and the GATT Uruguay Round legislation are from Makinson and Goldstein (1994). The data are the total PAC contributions (in thousands of dollars) received by each member of Congress in 1992 that Makinson and Goldstein identify as representing either labor or business interests. Contributions data used in the analysis of the 1998 fast-track bill were obtained from the Web site of the Center for Responsive Politics ([www.crp.org](http://www.crp.org)) and consist of funds received by members of Congress from labor and business PACs in 1996. Among the variables used to explain the magnitude of contributions from labor and business groups, the number of terms members have been in office and their committee memberships are from Duncan (1994) for the 103rd Congress and from the Web site of the Library of Congress for the 105th Congress.

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