

Stephen P. Magee's Work on Endogenous Protection

Stephen P. Magee and William A. Brock are the pioneers in the field of endogenous protection. This is a branch of international economics which explains why countries and industries have tariffs and other forms of trade restrictions.

Brock and Magee's first large working paper on this subject appeared at the University of Chicago in May of 1973. Their first presentation on this subject was in George Stigler's Workshop on Industrial Organization in January of 1974. These papers are listed below.

Since 1973, Magee has written or co-authored over 32 papers and one seminal book on endogenous protection. His papers with William A. Brock in the early 1970s and his later work with Leslie Young in the 1980s are the foundation of the modern literature on the political economy of protection. Brock and Magee's theoretical work showed how tariffs and other trade restrictions could be explained by explicit maximizing behavior by economic agents, lobbies, political parties, and voters. Many of the papers through 1988 were collected and published in the following volume, a 440 page monograph with 100 pages of mathematical appendices:

Stephen P. Magee, William A. Brock and Leslie Young,
Black Hole Tariffs and Endogenous Policy Theory.
New York: Cambridge University Press, 1989.

Despite the formidable mathematical rigor of this work, over 2500 copies of the book have been sold since 1989 and it is still in print. The book summarized 16 years of work. The following endorsements appeared on the cover of the book:

"This book is the most comprehensive analysis so far of the theory of endogenous foreign trade policy. The authors' survey of literature covers broad areas of endogenous allocation and redistribution policies in general.

- Assar Lindbeck
Royal Swedish Academy of Sciences
Chairman of the Nobel Committee in Economics in 1989

"Sixteen years have elapsed since Brock and Magee began their promising work on the theory of protection. Now they and Leslie Young have shown that our wait has been properly rewarded. Here is a wide-ranging and highly imaginative treatment of protectionism and the underlying theory of coalitions."

- George J. Stigler
University of Chicago
Nobel Laureate in Economics, 1982

"This book takes a major step toward giving us a real understanding of why we observe restrictive protectionism despite the free-trade arguments advanced by economists for more than two centuries."

- James M. Buchanan
George Mason University
Nobel Laureate in Economics, 1986

"Magee, Brock, and Young are the pioneers of modern political economy. Since the early 1970s their work has provided the theoretical microfoundations for the subject. This long-awaited book also demonstrates empirical tests of the theory. The Magee-Young theorem of increasing returns to the abundant factor will join the Rybczynski theory as a core proposition in the theory of international trade."

- Robert E. Baldwin
University of Wisconsin at Madison
The empirical pioneer in the field of endogenous protection

Major New Ideas by Chapter

in Magee, Brock and Young,
Black Hole Tariffs and Endogenous Policy Theory, by chapter.

- 3 the probabilistic voting model
endogenous policies in general equilibrium
political efficiency defined
the tradeoff between economic and political efficiency
policies as prices in political markets
powerless politicians
- 4 the contribution specialization theorem
- 5 policies are rational
the reverse slope theorem
the reverse shift theorem
- 6 endogenous lobbying theory
the power function model of endogenous lobbying
the industry lobby as a non-cooperative n-person game
endogenous political jurisdictions
how to estimate the free-rider effect
- 7 a specific-factor model of short-run lobbying in the U.S.
- 8 the invisible foot and the waste of nations
using lawyers are proxies for rent seeking
rent seeking as a negative externality
evidence of slower GNP growth with more lawyers and rent seeking
the paradox of initially rising GNP with more lawyers
- 9 endogenous redistribution theory
the 2x2x2x2 model
redistribution as a negative externality
political power as the probability of election
political parties must be Stackelberg leaders
- 10 prisoners' dilemma tariffs
redistributive policies are due to uninformed voters
the Leontief general equilibrium model of endogenous policies

- 11 the compensation effect
multiple equilibrium traps
the progressivity of endogenous politics
the passageway thesis of no equilibrium
political schizophrenia
endogenous policies as implicit insurance
- 12 increasing returns to politics
clout reversals and economic development
symmetric exploitation by capital and labor
unstable country capital endowments
polarization of world capital
Brazilian vitality
the Indian disease
- 13 isoprotection curves
Republican protectionism
the macroeconomic by-product theory
endogenous protection in the U.S.
- 14 the factor endowment theory of policies
domestic politics is independent of world prices
the magnification paradox -- lobbying up, tariffs down
the Cobb-Douglas general equilibrium model of endogenous policies
policy bifurcation -- tariffs up, export subsidies down
- 15 economic black holes
- 16 evidence for the endowment theory of tariffs
evidence of nontariff barrier protection
- 17 the senile industry argument for protection
economics dominates politics in explaining protection
tariffs are inverted U-shaped on GNP per capita
endogenous industrial policy
- 18 the politically efficient policy
the voter information paradox
optimal obfuscation
the theory of the second worst

Papers Written or Co-authored by Stephen P. Magee on Endogenous Protection

1970s

1. William A. Brock and Stephen P. Magee, "An Economic Theory of Politics: The Case of the Tariff", Mimeo, University of Chicago, May, 1973. Black Hole Tariffs, Chapter 6.
2. William A. Brock and Stephen P. Magee, "The Economics of Politics," a paper presented at the Workshop on Industrialization Organization, University of Chicago, January, 1974. Black Hole Tariffs, Chapter 3, "The Special-Interest Model of Endogenous Tariff Theory with Probabilistic Voting."
3. William A. Brock and Stephen P. Magee, "The Economics of Pork-Barrel Politics", Report 7511, Center for Mathematical Studies in Business and Economics, University of Chicago, February 1975. Reprinted in Black Hole Tariffs, Chapter 5, "Endogenous Tariff Theory."
4. William A. Brock and Stephen P. Magee, "Reverse-Sloped Reaction Functions in Constant Sum Noncooperative Games", Mimeo, University of Chicago, January, 1976. Black Hole Tariffs, Appendix to Chapter 5.
5. Stephen P. Magee and William A. Brock, "The Campaign Contribution Specialization Theorem," Mimeo, University of Chicago, February, 1976. Black Hole Tariffs, Chapter 4.
6. William A. Brock and Stephen P. Magee, "Understanding Collective Action: A Formal Analysis of the Voluntary Provision of Public Goods" Mimeo, University of Chicago, December, 1977. Black Hole Tariffs, Chapter 6.
7. William A. Brock and Stephen P. Magee, "The Economics of Special-Interest Politics: The Case of the Tariff" *American Economic Review* 68 (May, 1978), 246-250. Reprinted in Black Hole Tariffs, Chapter 5 and 6.

1980s

8. William A. Brock and Stephen P. Magee, "Tariff Formation in a Democracy", in John Black and Brian Hindley, eds., *Current Issues in Commercial Policy and Diplomacy*. New York: St. Martin's Press, 1980, 1-9. Reprinted in Black Hole Tariffs, Appendix to Chapter 5.
9. Stephen P. Magee and William A. Brock, "A Model of Politics, Tariffs and Rent Seeking in General Equilibrium" in Burton Weisbrod and Helen Hughes, eds., *Human Resources, Employment and Development. Vol. 3: The Problems of Developed Countries and the International Economy; Proceedings of the Sixth World Congress of the International Economic Association held in Mexico City, 1980*. London: MacMillan, 1983, 497-523. Reprinted in Black Hole Tariffs, Chapter 9.
10. William A. Brock and Stephen P. Magee, "The Invisible Foot and the Waste of Nations," in David C. Colander, ed, *Neoclassical Political Economy*. Cambridge, Mass: Ballinger, 1984, 177-185. Reprinted in Black Hole Tariffs, Chapter 8.
11. Stephen P. Magee, Leslie Young and William A. Brock, Mimeo, "The Progressivity of Endogenous Tariff Policy in General Equilibrium," Conference on International Political Economy, Department of Finance, University of Southern California, March, 1984. in J. Kimball Dietrich, ed., *Industrial Policy And International Trade*. Greenwich, Conn: JAI Press, 1992, 45-70. Reprinted in Black Hole Tariffs, Chapter 11.

12. Stephen P. Magee, "Three Simple Tests of the Stolper-Samuelson Theorem," in Peter Oppenheimer, ed., *Issues in International Economics*. Proceedings of the Oxford International Symposium. London: Oriel Press, 1980, 138-153. Reprinted in *Black Hole Tariffs*, Chapter 7.
13. Leslie Young and Stephen P. Magee, "Risk Aversion and the Black Hole in the Political Economy of Protection," Mimeo, University of Texas, March, 1983; presented at the American Economic Association Meetings, Chicago, 1987. *Black Hole Tariffs*, Chapter 15.
14. Stephen P. Magee and Leslie Young, "Multinationals, Tariffs and Capital Flows with Endogenous Politicians" in Charles P. Kindleberger and David Audretsch, eds., *The Multinational Corporation in the 1980s*. Cambridge: M.I.T. Press, 1983, 21-37. Reprinted in *Black Hole Tariffs*, Chapter 12.
15. Stephen P. Magee, "Optimal Obfuscation and the Theory of the Second-Worst," Mimeo, University of Texas, October, 1983. *Black Hole Tariffs*, Chapter 18.
16. Stephen P. Magee, "Endogenous Tariff Theory: A Survey", in David C. Colander, ed., *Neoclassical Political Economy: The Economics of Rent Seeking and DUP Activities*. New York: Ballinger, 1984, 41-51. Reprinted in *Black Hole Tariffs*, Chapter 2.
17. Leslie Young and Stephen P. Magee, "A Prisoners' Dilemma Theory of Endogenous Tariffs", a paper presented at the Econometric Society Meetings, December, 1982, and presented at the Conference on Rational Actor Models in Political Economy, Stanford University, April, 1984. Reprinted in *Black Hole Tariffs*, Chapter 10.
18. Leslie Young and Stephen P. Magee, "Endogenous Protection, Factor Returns and Resource Allocation" *Review of Economic Studies*, 53 (1986), 407-419. Reprinted, *Black Hole Tariffs*, Chap 14.
19. Stephen P. Magee, "The Political Economy of U.S. Protectionism," in Herbert Giersch, ed., *Free Trade In The World Economy*. Tubingen: Mohr Press, 1987, 368-402 Proceedings of the Kiel Conference, Kiel, West Germany, June, 1986. Reprinted in *Black Hole Tariffs*, Chapter 17.
20. Stephen P. Magee and Leslie Young, "Endogenous Protection in the United States, 1900–1984," in Robert M. Stern, ed, *US Trade Policies in a Changing World Economy*. Cambridge: MIT Press, 1987, 145-195. Reprinted in *Black Hole Tariffs*, Chapter 13.
21. Stephen P. Magee, " The Endowment Effect: Cross-National Evidence on Factor Endowments on Tariffs," Mimeo, University of Texas at Austin, June, 1987. *Black Hole Tariffs*, Chapter 16.
22. Stephen P. Magee and Thomas H. Noe, "Economic Policy Failure with Endogenous Voting," *Hong Kong Economic Papers* (No. 19, 1989), 9-12.
23. Stephen P. Magee, William A. Brock and Leslie Young, *Black Hole Tariffs and Endogenous Policy Theory: Political Economy in General Equilibrium*. New York: Cambridge University Press, 1989.

1990s

24. "The Effect of Income and Prices on Protection and Rent Seeking in the US, 1950-1986," in Louis Philips and Lester D. Taylor, eds., *Aggregation, Consumption And Trade: Essays In Honor of H.S. Houthakker*. The Netherlands: Kluwer, 1992, 197-216. [Stephen P. Magee].
25. Stephen P. Magee, "The Political Economy of Trade Policy: A Survey," forthcoming in David Greenaway and Alan Winters, eds, *Surveys In International Trade*, 1993, 139-176.

26. Stephen P. Magee, "Endogenous Protection and Real Wages," in Alan Deardorff and Robert M. Stern eds, *The Stolper-Samuelson Theorem: A Golden Jubilee*. Proceedings of the Conference to Celebrate the 50th Anniversary of the Theorem. Ann Arbor: Univ of Michigan Press, 1994, 279-288.
27. Nakgyoon Choi and Stephen P. Magee, "Increasing Returns to Politics in Developing Countries: Endogenous Protection in the Fixed-Factor Model," in *The Political Economy Of Conflict And Appropriation*, edited by Michelle Garfinkel and Stergios Skaperdas, eds., Cambridge University Press, 97-118, 1996.
28. Stephen P. Magee, "Endogenous Protection: The Empirical Evidence," in Dennis C. Mueller, ed, *Perspectives On Public Choice: A Handbook*. New York: Cambridge Univ Press, 1997, 526- 561.
29. Nakgyoon Choi and Stephen P. Magee, "Estimates of US Trade Lobbying from an Endogenous Tariff Model, 1958-87," in Nakgyoon Choi, *An Empirical Analysis Of International Trade Policy*. New York: Garland, 1997, 89-118.
30. Nakgyoon Choi and Stephen P. Magee, "Returns to Politics in Developing Countries," in Nakgyoon Choi, *An Empirical Analysis Of International Trade Policy*. New York: Garland, 1997, 119-138.
31. Stephen P. Magee and Hak-Loh Lee, "Endogenous Regionalism's Free Trade Bias: Special Interests in the EEC, 1968-1983," in Bernardo Bortolotti and Gianluca Fiorentini, eds, *Pressure Groups and Self Regulation*. New York: Oxford Press, 1999, 51-85.

2000

32. Stephen P. Magee and Hak-Loh Lee, "Endogenous Tariff Creation and Tariff Diversion in a Customs Union," *European Economic Review*," forthcoming, 2000.