Capital on Capitol: Hill Personal Finances and Trade Liberalization in the US

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Abstract

Are legislators who stand to personally benefit from freer trade more likely support it? By linking politicians' personal assets to firm-level data and moving beyond a Stolper-Samuelson framework, I reify the more nuanced predictions of New and New New Trade theory. Specifically, I argue that politicians with stakes in productive firms in differentiated industries are significantly more likely to support trade liberalization than politicians who own less of these types of assets. Using roll-call votes on free trade agreements enacted from 2004 to 2011, I find that members of Congress with more capital are more likely to vote for liberalization, affirming basic trade theory. I explore a potential mechanism, finding that the results are driven by owning productive firms in differentiated industries that lobby Capitol Hill regarding trade. This suggests, as theorized by Grossman and Helpmann, that lobbying plays an informational role, revealing the state of the world to politicians whose interests are aligned with those of the lobbyists. Finally, I provide evidence that the relationship is not driven by differences in constituents by leveraging the two-member districts of the Senate and limiting the observations to same-party pairs. This article opens up new avenues of inquiry into to the role of money in politics, measures and operationalizes the personal interests of politicians to help explain U.S. trade policy, and encourages us to think about implications for representation.