Political Pressure: An Examination of U.S. Senators' Actions in Restricting Canadian Softwood Lumber Imports

Joseph Godwin[1] and Daowei Zhang[2]

[1]*Graduate Research Assistant, School of Forestry and Wildlife Sciences, Auburn University, 602 Duncan Drive, Auburn, AL 36849-5418 (phone: 334-844-8043; fax: 334-844-1084; e-mail: jsg0005@tigermail.auburn.edu).*
[2]*Alumni and George Peak Jr. Professor of Forest Economics and Policy, School of Forestry and Wildlife Sciences, Auburn University, 602 Duncan Drive, Auburn, AL 36849-5418 (corresponding author: phone: 334-844-1067; fax: 334-844-1084; e-mail: zhangd1@auburn.edu).*

Over the past 30 years the U.S.–Canadian softwood lumber trade dispute has resulted in three managed trade agreements that have not been voted on in the U.S. Congress. Nevertheless, U.S. Senators have played an important role in shaping the political environment that has nurtured these agreements. In this paper we construct a lumber influence index based on 14 known events between 2001 and 2006 and analyze what factors influenced a senator's decision to publically call for restricting Canadian lumber imports and to adopt the 2006 Softwood Lumber Agreement. Our results show that the size of the wood products manufacturing industry in a state, campaign contributions, logrolling, and ideology played a significant role and that interest group politics is prevalent in this dispute.

Au cours des 30 dernières années, le différend commercial entre le Canada et les États-Unis au sujet du bois d'œuvre résineux s'est soldé par trois accords de commerce administré qui n'ont pas été mis au vote du Congrès des États-Unis. Néanmoins, les sénateurs américains ont joué un rôle important dans le façonnement du climat politique dans lequel ces accords ont été préparés. Dans le présent article, nous avons mis au point un indice de l'influence fondé sur 14 événements connus qui se sont déroulés entre 2001 et 2006, et nous avons analysé les facteurs qui ont influencé un sénateur à préconiser publiquement des restrictions sur les importations de bois d'œuvre canadien et à adopter l'Accord sur le bois d'œuvre résineux en 2006. Les résultats de notre étude montrent que la taille de l'industrie de la fabrication des produits en bois dans un État, les contributions aux campagnes, les alliances politiques dans un but intéressé et l'idéologie ont joué un rôle considérable et que l'influence des groupes d'intérêt a été un facteur apparent dans ce différend.

INTRODUCTION

For the past 30 years the American lumber industry has actively lobbied the U.S. government to restrict imports of Canadian softwood lumber. These lobbing efforts contributed to the successful adoption of three managed trade agreements that brought the industry billions of dollars in economic rents. Although no action related to the dispute has been subjected to a congressional vote and trade negotiations have been handled by the administration, congressional pressure has played an important role in securing all three trade agreements (Zhang 2007). However, the motivating factors behind the congressional pressure have only been speculated and never analyzed quantitatively.

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In this paper we examine the special interest politics behind whether a U.S. Senator signaled support for continuing trade restrictions between 2001, when the second managed trade agreement between the two countries expired, and 2006 when the third managed trade agreement was signed. We introduce a lumber influence index (LIX), capturing 14 events that all senators could use to signal their support for renewing trade restrictions to two competing interest groups: the U.S. lumber industry and housing industry. We contend that such an influence index captures the legislative and political production activities with regard to protecting the U.S. lumber industry that faces the prospect of stiff competition from Canadian producers, much to the dismay of the U.S. housing industry. We then attempt to determine the motivating factors behind these senatorial political actions in a quantitative fashion. Our results show that interest group politics in the United States played out well in the events that led to the signing of the third managed trade agreement between the countries and that the interaction between U.S. Senators and the two competing interest groups is through political campaign contributions. Thus, unless the political money trail is restrained or taken by the pro-free trade interest group, the prospect for free trade in softwood lumber is not bright.

This paper begins with a brief history of the trade dispute, followed by a literature review of special interest politics. We then introduce our theoretical model, LIX, and data. The final sections present our statistical results and conclusions.

HISTORY OF THE SOFTWOOD LUMBER TRADE DISPUTE

The United States and Canada have experienced increasingly freer trade over the last century thanks to the adoption of several free trade agreements. A notable exception is softwood lumber. The current trade dispute over softwood lumber started when lumber prices collapsed in the early 1980s and when some American producers saw that Canadian producers were increasing their market share in the United States during a period of economic recession. These American producers responded by formally complaining about the process used to sell harvesting rights in Canada where the provincial governments own the majority of the productive forestland and sell timber-harvesting rights through various tenure arrangements. They claimed that Canadian producers were subsidized because Canadian producers as tenure holders paid administratively determined and low stumpage prices (Zhang 2007).

Following repeated complaints by the America lumber industry, the United States and Canada signed a Memorandum of Understanding (MOU) in 1986 under which Canada would collect an export tax on its softwood lumber destined for the United States. In September 1991 Canada chose to withdraw from the MOU. A brief period of litigation and free trade followed, and then the two countries signed the Softwood Lumber Agreement (SLA) of 1996. The MOU and the 1996 SLA brought the American lumber producers some US$3 billion in economic rents while costing American consumers about US$4 billion (Wear and Lee 1993; Zhang 2006).

When the 1996 SLA expired in March 2001, the U.S. Commerce Department began another countervailing duty investigation. This time it added an investigation of illegal dumping. Unsurprisingly, the American lumber industry mobilized all possible political

forces and attempted to generate significant pressure on the administration to secure a new managed trade agreement. Their efforts resulted in the SLA of 2006 that will last for seven to nine years.

The political maneuver surrounding to the 2006 SLA is very similar to the two previous managed trade agreements in that a group of U.S. Senators have played a key role. Zhang (2007, p. 260) observes:

> The Coalition for Fair Lumber Imports (the lobbying group of the U.S. lumber industry) is well organized and plays interest group politics better than U.S. consumer groups. Since inception, it has 'owned' some U.S. lawmakers. Usually, at some important juncture of negotiation or litigation, these lawmakers exert pressure on the U.S. administration and Canadians in the form of letters, public hearings, speeches, or legislative actions. A core group of U.S. senators, mostly from the lumber-producing states in the Pacific Northwest and South, plus other senators who exchange political favours with them, have sometimes constituted a voting majority or a significant block that no U.S. president could ignore . . . . Under political pressure and U.S. trade laws, Commerce and the International Trade Commission have arguably used ever-shifting, result-driven methodologies in their respective subsidy, dumping, and injury investigations. Canadians are simply not able to win the lumber dispute when U.S. administrative and independent authorities actively help domestic producers; recall that both Commerce and ITC (International Trade Commission) were repeatedly found by FTA (U.S.-Canada Free Trade Agreement) and NAFTA (North American Free Trade Agreement) panels to have failed to apply U.S. laws properly.

Thus we use the U.S. Senate to study political pressure in the lumber dispute. Zhang (2007) also notes that the U.S. lumber industry and a group of U.S. Senators have had a long history of close relationship. The U.S. lumber industry succeeded in applying political pressure through the Senate Finance Committee for the very first time in 1986. On whether to grant the President the fast track authority to negotiate what has become the U.S.–Canada Free Trade Agreement, the Senate Finance Committee had then secured a concession and commitment from the President to "fix the timber" issue before it did not disapprove the fast track authority on a 10–10 vote. The lumber industry has since had the support from a group of senators, more so than from members of the House of Representatives.

LITERATURE REVIEW

The process by which special interest groups and politicians interact on policy development is complicated and often ambiguous. Some of the interactions are not made public, and others may not have a clear effect on policy development. Furthermore, politicians often face competing interest groups and contrasting demands from them. Finally, any collusions or quid pro quo agreements between politicians and interest groups are illegal under U.S. campaign finance and other statutory laws.

Nonetheless, economists and political scientists have developed theories on political interaction. Grossman and Helpman (1992, 1996, 2001) suggest that special interest groups and politicians come to policy agreements through a two-stage process. In the first stage, interest groups decide which plausible policies maximize their expected utility and

develop contribution plans that increase the likelihood of successful political payouts. In the second stage, politicians, or political parties, develop policy platforms that maximize their chances of winning elections, which often depend on their ability to raise campaign contributions. Similarly, Bernheim and Whinston (1986) propose a first-bid menu auction framework as a possible explanation for how decision makers allocate resources, extract rents, and please certain interest groups. This is in line with the special interest theory of public policy making (Stigler 1971; Krueger 1974; Becker 1983), which assumes that interest groups demand, and legislators (government officials) supply, special favors, or economic rents.

This interactive process between politicians and special interest groups requires a signaling and feedback mechanism to facilitate their coordination and communication. The most reliable signals from politicians to interest groups are their words and actions. On the other hand, the most reliable signal from interest groups to politicians is campaign contributions. In this paper, we try to reveal the interactions between U.S. Senators who signal their policy stances to special interest groups and interest groups that make political contributions to support these senators.

When political actions are carried out in the form of a vote or a series of votes, one can use the traditional roll call analysis to determine the legislators' motivation behind their votes (e.g., Welch and Peters 1983; Mehmood and Zhang 2001; Mian et al 2009). However, voting occurs only on a small fraction of bills introduced. Further, a large portion of the political actions is in forms other than bills. Thus, quantitative empirical analyses of legislative production often do not cover letters, public hearings, speeches, or symbolic legislative actions intended to apply political pressure to obtain a desired result. Yet, when legislators spend time, effort, and political capital doing these things, they are likely expecting some sort of payoff whether or not the matter is voted on. Thus, these time and efforts are an important part of political production process and need to be studied qualitatively and quantitatively from the demand-side and supply-side.

To study nonvoting political actions carried out by law-makers quantitatively, one needs to create some kind of composite index that cover all relevant actions. Gokcekus and Fishler (2009) suggest using appropriate weighting mechanisms to create such an index—the "cotton influence index" that categorizes a law-maker's support for U.S. cotton industry based on his or her voting, participation in the legislative process such as hearing, and speeches. In this way, they are able to quantify how well politicians shepherd the interest of the U.S. cotton industry and what the influence of the cotton industry have on the passage of the 2002 farm bill. Zhang and Laband (2005) look into two key letters from U.S. Senators to the President in this specific trade dispute.

Following this line of research, we argue that an influence index similar to the cotton influence index (Gokcekus and Fishler 2009) may be the best way to capture the wide-range of legislative involvement in the political production process when a formal vote does not exist. In this way, a series of seemingly isolated events over time can be grouped together and studied quantitatively. Legislative involvement and influence on trade policy often include issue-driven inquiry, speeches, hearing, letter-writing to key administration officials, negotiating behind the scenes, and sponsoring or co-sponsoring bills that are unlikely to become laws. All these activities exert political pressure to the administration and U.S. trade partners in trade negotiations.

Table 1. Events included in the lumber influence index

Event	Date	Model 1	Model 2	Model 3	Model 4
Sen. Con. Res. 8	February 7, 2001	X	X		X
Letter to President	March 16, 2001	X	X	X	
Letter to Commerce	November 30, 2001	X	X	X	
Speech	December 19, 2001	X			
Letter to ITC	March 15, 2002	X	X	X	
Letter to Commerce	September 20, 2002	X	X	X	
Letter to USTR	November 1, 2002	X	X	X	
S.219	January 28, 2003	X	X		X
Statement in Congressional Record	July 7, 2003	X			
Statement in Congressional Record	May 10, 2004	X			
Statement in Congressional Record	May 11, 2004	X			
Statement in Congressional Record	May 19, 2004	X			
S.2992	November 17, 2004	X	X		X
Statement in Congressional Record	January 24, 2005	X			

Sources: Zhang (2007) and The Library of Congress (2009).

THEORETICAL MODEL

For the purpose of fully capturing and studying the politics of the lumber dispute in the U.S. Senate, we use all 14 known public events related to the dispute between 2001 and 2006. These events provide opportunities for U.S. Senators to signal whether they support for restricting Canadian softwood lumber imports. Because the 2001–06 round of the softwood lumber dispute was a continuation of the longer trade war American lumber producers had already capitalized the economic rents of the trade restrictions into their businesses. Further, the relationship, signaling and feedback mechanisms, and communication channels (give and take) between senators and industry groups are well established. This may give legislators some power in extracting rents while U.S. industry has grown to expect the additional income from the trade protection (McChesney 1987). So senators make political signals to the industry and expect to receive political rents in exchange for protecting the industry's economic rents.

These events varied, but fell into three broad categories: sponsorship or co-sponsorship of legislation, endorsement of letters sent to administration officials supporting the renewal of the 1996 SLA, or hearings and statements made on the Senate floor. These events are the basis of our LIX and are listed in Table 1. Of the 14 events, six were speeches or statements in the Congressional Record, three were legislation, and five were letters to the President or key officials in his administration. Each individual action received an equal weighting in the LIX. Only events that support the renewal of the 1996 SLA are included in the LIX.

Not all senators supported the lumber industry, and some even introduced legislation calling for a competitive softwood lumber market. Two examples of this are Senate Concurrent Resolutions (S. Con. Res.) 4 and 135. Introduced in 2001 and 2002, respectively, both provided an opportunity for senators to show their opposition to trade restrictions in softwood lumber and their support for affordable housing. As these resolutions are not

included in the LIX, it is truncated at a lower bound of 0, and requires the use of a Tobit model (Cameron and Trivedi 2009) in our regression analysis.

The first of the three categories of actions are statements and speeches. Statements are symbolic acts, which are often performed for the benefit of constituents (Hill and Hurley 2002). The six statements included in the LIX are most often joint statements in the congressional record, representing a tangible action that a senator could use to signal a policy position to special interest groups, to demonstrate the seriousness of the matter to Congress, and to pressure the Canadian negotiators to sign another trade restriction agreement.

The second category of action is the introduction of resolutions and bills in the Senate. One of the resolutions included in the LIX is S. Con. Res. 8 of 2001, which calls for renewal of the 1996 SLA. A concurrent resolution is not considered to be true legislation since it does not require a presidential signature and will not become law. But a concurrent resolution is a tool used by the Senate or the House of Representatives for "expressing fact, principles, opinions, and purposes" (White 1941 p. 886). The LIX also includes two bills introduced during this period. The first was S.219 of 2003, a proposed amendment to the Tariff Act of 1930, which deals with specific technical aspects of determining a foreign subsidy and is directly aimed at the U.S.–Canada softwood lumber dispute. The second bill, S.2992 of 2004, attempted to distribute duties collected from softwood lumber imported from Canada to the American timber interests in accordance to the Byrd Amendment. Both bills were referred to the Finance Committee where they languished. These resolutions and bills provide a clear signal of the senators' position and are intended to influence political and administrative actions.

The final category is five letters sent to officials involved in the trade investigations and negotiations. Senators used these letters to express a desirable action to be taken and to relay how important the softwood trade issue was to them. For example, in a 2002 letter sent to the Secretary of Commerce, Donald Evans, and the U.S. Trade Representative, Robert Zoellick, 13 senators asked the Bush Administration to "vigorously and publicly defend" the Commerce Department's determination that Canada was dumping lumber on the U.S. market (Zhang 2007). By directly contacting and directing administration officials, senators are taking a more forceful action to express and signal their positions on the trade issue.

Since this study looked at the 107th and 108th Congresses, there were a total of 111 senators serving during this period. This means some senators are included in the data set in spite of not serving for the entire six-year period. However, this is not a serious problem as 80% or 89 out of the 111 senators served in both congresses, and the regression results with only these who served the full period are not much different from what we report here. Table 2 relates the level of supports from senators, as reflected in their LIX score, and the corresponding mean campaign contributions they received from the two competing industries. A clear relationship between the level of support and the amount of campaign contribution a senator received from the forest industry is apparent, but a detailed relationship requires statistical analysis.

The LIX provides a picture of how much a senator signaled support for a third managed trade agreement. To see if different categories of actions are motivated by different factors several models are ran using different components of the LIX. The first two models consist of multiple categories of actions. Model 1 includes all letters,

Table 2. Campaign contribution received by U.S. Senators and their support for restricting Canadian lumber imports

Group	Frequency	Mean contributions from forest industry (2000 to 2006)[a]	Mean contributions from home building industry (2000 to 2006)[a]
No support (LIX = 0)	54	$12,458.70	$27,614.12
Weak support (LIX = 1 or 2)	33	$22,589.83	$21,521.33
Moderate support (LIX = 3 or 4)	19	$37,122.90	$19,310.44
Strong support (LIX = 5 or higher)	5	$80,765.64	$18,918.00

[a]Data in 2000 dollars from Opensecrets.org.

co-sponsorship of bills, and speeches and statements. Only letters and co-sponsorship of bills are included in Model 2. The other two models examine only one type of action focusing on either letters (Model 3) or co-sponsorship of bills (Model 4). A model using only speeches and statements as the dependent variable is not presented since convergence was not achieved during the maximum-likelihood estimation of its Tobit model.

Because the number of events included in these models are different, it is misleading if one tries to compare their results directly. To make a comparison among models possible, we normalize the dependent variables by converting them into a percent term. Thus, the dependent variables used in the Tobit regression for all models have a range between 0 and 100.

ESTIMATION METHOD AND DATA

Our estimation is conducted using the *Tobit* command in Stata 11 (Cameron and Trivedi 2010), which uses a maximum likelihood estimation method. The Tobit maximum likelihood estimator requires that the errors are homoskedastic and normally distributed (Cameron and Trivedi 2009). A visual examination of the errors shows that all models met this requirement.

All models use the same eight independent variables: three from demand-side and five from supply-side. The first demand-side variable is the share of wood products industry as a percentage of state domestic product, which is used to approximate how important the lumber industry is to each state. The next variable is campaign contributions from the timber industry. The final demand-side variable is the campaign contributions from the housing industry. The housing industry is the most important consumer of lumber and has lobbied for free trade through the course of the dispute in the name of affordable homes. We use the total real amount contributed by each industry for the 2000 through 2006 election cycles, using 2000 as the base year for inflation indexing purposes (Center for Responsive Politics 2009).

Our supply-side variables include party affiliation, ideology (two variables), membership in the Senate Finance Committee, and a shared border with Canada. The variable *Party* is a dummy, with senators assigned a "1" if they are Republicans and a

"0" otherwise. Since partly lines do not perfectly capture differences in ideology, we use two additional variables that track the senators' voting record: opposition to trade barriers and opposition to subsidies. The Cato Institute's "Free Trade, Free Markets: Rating Congress" website is used to determine a senator's stance on all trade issues. Senators received a "1" for opposing trade barriers if over the course of their careers they voted against trade barriers at least 50% of the time according to Cato's index and a "0" otherwise. The same approach is used to define the opposition to subsidy variable. The Senate Finance Committee is in charge of trade related issues. If a senator served on the Finance Committee during either of the congresses examined, they received a "1" and a "0" otherwise. Finally, the variable *Border* is used as an approximation of other U.S.–Canada trade conflicts. States bordering with Canada often produce similar products with neighboring Canadian provinces—whether it is wheat and cattle in Montana and North Dakota, steel products in Pennsylvania and Ohio, auto parts in Michigan, forest products in Washington, Idaho, or Maine, or media products in New York (Zhang and Laband 2005). Over the years, when the United States has had trade disputes with Canada, senators from affected states might ask senators from other states for their political support. In the case of the softwood lumber dispute, it seems plausible that senators from states bordering with Canada will be supportive of the U.S. lumber industry, even though their states may not be large lumber producers (Zhang and Laband 2005). The *Border* variable serves as an indicator of logrolling in the U.S. Senate and is expected to have a positive sign.

With the exception of variables for the wood products industry's share of state domestic products and forest industry campaign contribution, which have a high (0.61) but still acceptable correlation coefficient, other explanatory variables are not highly correlated. Also, we omitted a variable measuring the contribution of housing industry to state domestic product for two reasons. First, such data are not available for the housing industry, but only for the construction industry as a whole. Furthermore, we used the share of housing starts to state domestic product. But the coefficients of this variable are insignificant in all of the models.

EMPIRICAL FINDINGS

The summary statistics of all variables are listed in Table 3, and regression results are presented in Table 4. The goodness of fit is measured by the McKelvey & Zavoina's R^2 (R^2_{MZ}). Veall and Zimmermann (1994) find that the R^2_{MZ} is the best approximation of the ordinary least squares R^2 for uncensored data. The four models have an R^2_{MZ} of 0.478, 0.429, 0.380, and 0.389, respectively. The Akaike's Information Criterion (AIC), another measure for goodness of fit, range from 3.371 to 5.710. A smaller AIC is considered an indication of a superior fit (Long 1997). Model 4 has the best fit, followed respectively by Models 1, 3, and 2. These results are inconsistent with those indicated by the R^2_{MZ}. On the other hand, this could be an indication that all models fit the data similarly well, as all 4 AIC, and 4 R^2_{MZ} are in a similarly tight range.

The variable for wood products industry has a significant and positive coefficient in all models. The levels of significance in these coefficients are higher in the Models 1 and 2, but the magnitude is largest in Model 4. These results show that the greater the importance of the wood products industry in a state the greater the support from senators

Table 3. Summary statistics of dependent and independent variables

Variable	Mean	Std. dev.	Min.	Max
LIX (Model 1)[a]	11.65	16.29	0	100
LIX (Model 2)[a]	18.47	23.41	0	100
LIX (Model 3)[a]	22.34	26.79	0	100
LIX (Model 4)[a]	12.01	23.27	0	100
Importance of wood products industry[b]	0.48	0.46	0.03	2.09
Total forest industry campaign contributions[c]	22.77	36.55	0	276.18
Total housing industry campaign contributions[c]	23.97	27.29	0	149.58
Binary frequency statistics			0	1
Opposition to subsidies[d]			82	29
Opposition to tarrifs[d]			40	71
Finance Committee membership			76	35
Party[e]			53	58
Border[f]			82	29

[a]Normalized by taking the percentage for the LIX.
[b]Percentage of wood product manufacturing to state GDP.
[c]Total contributions from 2000 to 2006 in thousands; with a 2000 base year.
[d]Data from http://www.Cato.org.
[e]1 if Republican, 0 otherwise.
[f]1 if a senator's state shares a border with Canada, 0 otherwise.

from that state for softwood lumber trade restrictions and that this relationship is perhaps strongest in the co-sponsorship of legislation (Model 4).

The variable for campaign contributions a senator receives from the forest industry has the expected positive sign while that for campaign contributions from the home building industry has the expected negative sign across all models. The contributions from the forest industry are significant in the first three models at the 5% level or better. The homebuilders' contributions are significant at the 10% level in Models 1 and 2, but not significant in Model 3. Neither variable had a significant coefficient in Model 4.

More interesting, however, is how the magnitude of the coefficients changes within and across the models for both variables. First, the magnitudes of the coefficients for the forest industry and the housing industry campaign contribution variables are similar, but their signs are opposite in each of the four models. This suggests that money matters and where the money come from matters in this case. Second, for the forest industry campaign contributions Model 3 has the highest coefficient at 0.315, and Model 1 the lowest at 0.204. This may indicate that campaign contributions might influence the willingness of senators to exercise political pressure and the type of actions they choose to take. All things being equal, campaign contributions from forest industry are likely to make senators apply direct political pressure by sending letters to key administration officials.

Opposition to subsidies is statistically significant in all models at the 5% level or better. The coefficients are greatest for Model 4 at –38.934 and lowest for Model 1 at –17.145. This implies senators with a history of opposing subsidies were not willing

Table 4. Regression results

Variable	Model 1	Model 2	Model 3	Model 4
Importance of wood industry	16.100***	24.173***	25.930**	48.960**
	(5.711)	(8.939)	(11.537)	(18.936)
Total forest industry campaign contributions	0.204***	0.261**	0.315**	0.266
	(0.098)	(0.119)	(0.154)	(0.235)
Total housing industry campaign contributions	−0.186*	−0.255*	−0.291	−0.572
	(0.098)	(0.151)	(0.194)	(0.406)
opposition to subsidies	−17.145***	−25.478***	−28.116**	−38.934**
	(5.580)	(8.681)	(11.190)	(19.634)
Opposition to tariffs	−0.366	−2.700	−1.508	−6.532
	(4.650)	(7.271)	(9.382)	(15.482)
Finance Committee membership	4.676	4.728	6.427	3.464
	(4.347)	(6.818)	(8.808)	(14.473)
Party	0.309	1.428	−5.290	25.441
	(4.711)	(7.392)	(9.602)	(16.023)
Border	8.310*	13.218*	17.294*	13.318
	(4.365)	(6.830)	(8.838)	(14.447)
Constant	−3.395	−2.638	−2.684	−56.879***
	(4.640)	(7.220)	(9.450)	(19.078)
Sigma constant	17.814	27.935	35.889	49.421
	(1.770)	(2.848)	(3.886)	(7.703)
Log likelihood	−283.048	−306.878	−304.220	−177.091
McKelvey & Zavoina's R^2	0.478	0.429	0.380	0.389
AIC	5.280	5.710	5.662	3.371
No. of observations	111	111	111	111

*, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

to signal support for the protectionist measures. The finding makes sense as restricting Canadian lumber imports represents a subsidy to the timber industry in the form of higher domestic lumber prices as well as the possibility of receiving payments from the duties collected under the Byrd Amendment. The coefficients for the variable *Border* are significant at the 10% level in the first three models, indicating that a possibility of logrolling among senators in this case. The coefficients for opposition to trade barriers and party are statistically insignificant.

CONCLUDING REMARKS

This paper explores the relationship between political actions by senators and factors that influence such actions. In the absence of voting on specific softwood lumber bills, we construct an influence index to capture U.S. Senators' actions and participations in the latest round of the U.S.–Canada softwood lumber trade dispute. A Tobit model is estimated using the full LIX constructed on all 14 known events and the LIX parts. Our results show that senators are likely to support trade restrictions on softwood lumber when the wood products industry in their states is important, that the sources and amount

of money they received in campaign contributions matter, and that logrolling and the senators' ideology, approximated by past voting records, are influencing factors.

The results are in line with previous work on the softwood lumber trade dispute. Zhang and Laband (2005) find a state ranking of lumber production, softwood production per capita, political party, and a shared U.S.–Canadian border to be significant variables influencing senators' signatures on two letters sent to the President in 1991 and 2001. We use a different variable to measure the importance of the lumber industry in a state, and the results are similar to Zhang and Laband (2005). As in Zhang and Laband (2005), we find possible logrolling among senators from states bordering with Canada. Unlike Zhang and Laband (2005), political party is found not to be significant. A possible explanation for this is that the letters examined by Zhang and Laband (2005) was to the President, while this paper includes a series of letters sent to both the President and administration officials. Also, Zhang and Laband (2005) speculate that the strong Republican support for the 1991 letter might have been a way for Republican senators to signal displeasure with President George Bush over his compromise budget.

This study confirms that special interest theory may explain why the U.S. lumber industry has been winning the softwood lumber war in the last three decades. More importantly, we establish a clear linkage between industry campaign contributions and senators' political actions. The policy implication of the latter is that free trade in softwood lumber or any other goods and services could be greatly enhanced when the political money trail is broken or severely restrained. Otherwise, an industry that wants free trade will have to pay more campaign contributions to U.S. law-makers than the opposing industry. When the interest groups with more money win becomes a norm in the American political arena, competing industries are invited to seek government favors in income redistribution. When more and more resources are spent by firms and industries in nonproductive lobbying and other political activities, economic efficiency will suffer and economic growth will be lagging.

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