Does Populism Affect Trade? How Audience Costs Affect the Design of Preferential Trade Agreements

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1 Introduction

The rise of populist leaders and parties was a defining trend in the last decade for Western politics. Despite differences in the shape, form and degree of populism, this spectre has been associated with a growing backlash against globalization. Characterized as a "serious threat to the liberal international order (LIO)" (Broz, Frieden, Weymouth 2020), the backlash shares two defining features; a rejection of established institutions, and a growing hostility towards international integration of domestic politics and economics. Chief amongst these grievances of the LIO has been the liberal trading regime. Populist leaders have been amongst the most vocal critics, with Donald Trump describing it as "the consequence of a leadership class that worships globalism over Americanism" (Nandi 2018). He would later go further, in his state of the Union address, to declare "In fact, unfair trade is perhaps the single biggest reason that I decided to run for President".

Although political scientists have sought to explain the origins of this backlash, the inequalities generated by trade competition, and the possible ramifications of a protectionist discourse on the future of the LIO, so far we know very little about the trading behaviour of populists. Indeed, the empirical record has been mixed. On the one hand, there is a clear relationship between import-shocks and support for right-wing populists in Europe (Dippel et al. 2015; Caselli et al. 2019; Hays, Lim, and Spoon 2019), as well as the election of extremist candidates in the US (Autor et al. 2016). Although there are many factors spurring the election of populism, one study found that "trade participation is the only significant factor" determining a surge in populist votes across European and Latin American voters (Stankov 2018), with these parties rejecting economic globalization and further market integration (March 2007, Mudde 2007). On the other hand European populism, in either a left-wing or right-wing context, is not strictly anti-trade. In fact, a central economic argument raised by Brexiteers was the so-called protectionist and behind-the-border barriers to trade imposed by the EU on Britain (Rodrik 2018). Proponents of Brexit were concerned with the "elite" overriding the sovereignty of the popular will, and the British people's control over their economic policies.

These conflicting interpretations of populism and trade immediately raise the question, how does populism affect trade? Are populist leaders more protectionist? Rather than the volume of trade, this paper focuses on differences in the design of preferential trade agreements (PTAs) between populists and non-populists. PTA design illustrates complex variation between agreements in the depth (extent to which the agreement liberalizes trade) and flexibility (devices which enable states to adjust, escape, or respond to domestic contingencies) that aggregate trade measures cannot capture.

The starting point of this paper is to focus on what factors may affect differences in trade policy design amongst democracies more broadly. The existing literature has made in-roads into the role of PTAs as signalling devices, so that leaders may make credible commitments to liberalisation (Maggi and Rodriguez-Clare 2007, 1998; Staiger and Tabellini 1999; Mitra 2002). However, democratic leaders clearly do not face a homogeneous pressure to reassure the public and signal their responsible economic policy-making equally – and voters preferences over trade can vary starkly during periods of economic milieu.

Borrowing from the Audience Cost literature, I develop a logic of democratic audience costs - the probable costs incurred by a leader resulting from irresponsible policy making and/or failure to follow-through on policy commitments, imposed by an audience (Fearon 1994; Schelling 1966; Smith 1998) - that explains the variation in pressure that populist democratic leaders are exposed to from the public, and how this pressure induces differences PTA design outcomes between populists and non-populists. Political leaders have three principle domestic audiences relevant to their survival; the masses, party interests, and special interests. All three groups have competing preferences over trade agreements (Chittick and Billingsley 1989; Herrmann, Tetlock, and Diascro 2001). The median voter prefers lower trade barriers, import-competing interest groups prefer higher tariff barriers, party members wishing to extract rents but also pacify their constituents are somewhat in-between. The mode of entry of the leader substantially shapes which group's preferences a leader is more beholden to. Populist leaders are elected with both a greater degree of centralisation in their relationship with their party, and are elected on a policy agenda of 'us' (the masses) versus 'them' (the elites). As a result, they generate high audience costs from the public comparative to the other groups. In addition these leaders are elected on an anti-establishment mandate, where they pledge their allegiance to the 'people' over the party, or elite interests. Their survival depends on signalling to voters that they are catering first and foremost to their policy preferences. By conceptualising trade agreements as signals, the content of the PTA can be thought of as a function of the commitment of the leader to follow through on their policy direction. In the case of PTA design, leaders who anticipate greater costs from citizens ex-post for lack of follow-through on liberalisation, will be motivated to design agreements that cater to these preferences ex-ante, lest they're penalised for incompetence or inconsistency.

As a result, I argue that populist leaders are more likely to sign deeper PTAs than their non-populist counterparts. The deeper the PTA the more the leader may be antagonizing import-competing interests; since the leader must continue to signal to their primary audience, they are more likely to use discretionary tactics to protect particular lobbying interests – including greater flexibility mechanisms allowing for adjustment periods and more escape clauses. Populist leaders are then more likely than non-populist leaders to utilize targeted tariffs when designing PTAs; to target politically relevant domestic firms by creating exemptions and specifying product categories (Pond 2017).

Lastly, as with the audience cost literature in a conflict-setting, 'crisis' also alters this relationship. Economic crisis mediates the effect of populist leaders on PTA design by increasing public awareness to trade policy (and therefore the signal), as well as altering the preferences of the audience. Popular attitudes towards trade become more protectionist during economic downturn, and populist leaders incurring higher audience costs are more likely to respond to the vacillations of preferences by signing shallower PTAs.

I test my theory on a panel of approximately 66 countries spanning 1990-2017 using the global populist dataset (Hawkins et al. 2019), trade design data from DESTA (Dür, Baccini, and Elsig 2014), and granular data of product-differentiated tariffs (Betz 2019). Using both monadic and dyadic models, the findings show that populist leaders sign deeper PTAs than non-populist leaders; but this relationship flips for populists during hard economic times. Populist leaders are also more likely to utilise targeted tariffs to reconcile the provision of deeper PTAs with protectionists demands from import-competing interests.

My research helps to address an important issue in the political economy literature, namely that not all democratic leaders are the same and not all face the same political challenges. I make new theoretical contributions by reconceptualising and applying the mechanism of 'audience costs' from the conflict-initiating literature, in the context of trade agreements, demonstrating that populist leaders face different incumbency-survival concerns. In addition, my findings help policymakers understand that populist leaders are more likely to shift trade policy in line with public preferences as the economic climate oscillates between good times (liberalization) and bad times (protectionism). This is the first large-n comparative study into how populist trade policy varies, and one of a handful of studies to use product-differentiated tariff rates.

2 Democracies and variation in PTA Design

A small literature has asked why democracies exhibit such wide variation in trade liberalisation outcomes. The distributional consequences of trade agreements generate both winners and losers. This, combined with the observation that national outcomes on trade diverge so widely, suggests that the way in which institutions function to aggregate the conglomerate of conflicting interests is key to explaining differences in tariff-levels and motivates a new line of inquiry (Oatley 2017). Different features of the domestic political environment can transform individual preferences into outcomes; ultimately privileging some preferences over others. Since past findings suggest the presence of elections explains the increased accountability of democratic leader's vis-a-vis autocrats, existing research has sought to use variation in electoral types to account for differences in trade policies of democracies (Hankla 2006; Nielson 2003; Rickard 2010; Rogowski 1987). According to this research, proportional systems have a larger constituency base than single-member districts of plurality systems and should therefore prefer greater trade liberalization policies visa-vi ma- joritarian systems (Oatley 2017). These studies build off the formal logic model presented by Grossman and Helpman (2005) detailing tax incentives under different systems, and have found support in several studies (Rickard 2010; Grossman and Help- man 2005). Yet, the results have been inconsistent when compared to two other models.

Voter seat elasciticity and selectorate theory predict higher tariffs for PR systems. Rogowski and Kayser (2002) for instance, use a seat-vote elasticity model to demon- strate that politicians in PR systems can cater to narrow interests since their loss of votes corresponds to a lower loss of overall seats in the legislator than in majoritarian systems (Rogowski and Kayser 2002). This would suggest higher taxes in PR systems. Additionally, following the selectorate theory of De Mesquita (2003), the provision of public goods is determined by the ratio of citizens (the selectorate) to the winning coalition. In this framework, trade policy is fungible with public goods as it reduces domestic prices and therefore a larger selectorate to winning coalition ratio determines lower tariffs (Mesquita Bruce et al. 2003). In this model, tariff levels should be lower in majoritarian systems and higher in PR systems due to the corresponding size of the winning coalition. Mansfield and Busch (1995) confirmed the PR systems exhibit higher tariffs. Comparatively though, between the PR and majoritarian explanations, aggregate studies show inconsistent and mixed empirical findings on the electoral system type thesis (Mansfield and Busch 1995; Oatley 2017; Wagner and Plouffe 2019; Menocal 2011; Hatfield and Hauk Jr 2014).

There have been numerous issues with using selectorate theory to explain variation in how democracies trade. For one, it is largely used to differentiate democracies from autocracies (Milner and Kubota 2005). Additionally, Clarke and Stone (2008, 387) showed that the selectorate model failed when controlling for democracies, where "the size of a polity's selectorate and winning coalition are often not associated with the decisions made by leaders" (Clarke and Stone 2008). Though the concepts underlining the model are useful, a critical weakness is evaluating the relative power of the winning coalition and the selectorate (Ezrow and Frantz 2011). To some extent, parts of the selectorate are targeted to elect a given party or leader, and some leaders – through their own profile – can leverage greater power of their party, or appeal to a sufficient subset of voters. Additionally, selectorate theory assumes that liberal trade policies are a public good, where leaders perceive a benefit to trade because democratic institutions incentivize them to care about public welfare (Weeks 2012). This conclusion overlooks the private incentives leaders have to cater to import-competing interests or a traditional hard party line on trade policy. Selectorate theory is unable to account for within-democracy variation in trade policy outcomes.

Building on these gaps, other studies have pursued the signalling function of PTA formation, arguing that democratic leaders signal their intentions to the public during economic downturn as credible commitment devices between the government and interest groups (Maggi and Rodriguez-Clare 2007, 1998; Staiger and Tabellini 1999; Mitra 2002), and prolonging their tenure through the mechanism of volatility reduction (Arias, Mosley, and Rosendorff 2020). For example, Maggi and Rodriguez-Clare (1998) have highlighted that democratically elected leaders are more motivated to sign PTAs as protectionist demands distort investments and reduce efficiency over the longer term, which are likely to have deleterious consequences on their re-election chances. Accordingly, PTAs reassure the public that a leader is serving their best interests (Maggi and Rodriguez-Clare 2007; Mansfield and Milner 2018). However, less scholarly attention has been devoted

to the puzzle that democratic leaders clearly do not face a homogenous pressure to reassure the public and signal their responsible economic policy-making equally – and voters preferences over trade can vary starkly during periods of economic milieu. Furthermore, these past findings largely examine aggregate PTAs, and do not differentiate between the institutional difference in PTA design. Given these issues, it is unsurprising that studies have failed to find evidence that democracies vary in a consistent manner on how they trade.

3 Domestic institutions and Trade: A Theoretical Framework

All leaders are motivated to survive in office. PTAs are devices which enable leaders to either solve issues relating to credibility or commitment. (Bagwell and Staiger 1999; Johns and Rosendorff 2009; Arias, Hollyer, and Rosendorff 2018). PTAs generate domestic political benefits which cannot be realised by unilateral trade policy alone. PTAs also involve considerable adjustment costs depending on how deeply they penetrate trade barriers. Thus, negotiating and ratifying deep PTAs are costly, and send a stronger signal of a government's preferences than do shallower PTAs. Governments will only pursue deep PTAs if the benefits of doing so outweigh the domestic political costs. Aside from the economic effects which motivate leaders to create agreements, trade agreements can resolve domestic political issues (Arias, Hollyer, and Rosendorff 2018, 907). By conferring information to the broader public as well as special interests groups, PTAs signal to the public the credible commitment of a leader to adhere to the preferences of their electorate – or if the leader is engaging in rent-seeking behaviour. This information can help leaders maintain office, as voters' attitudes towards the incumbent are heavily reliant on perceptions of recent economic trends (Fiorina 1981; Kiewiet 1983; Lewis-Beck 1990).

There are numerous mechanisms through which public opinion can influence trade or other forms of foreign policy (Foyle 1999; Kertzer and Brutger 2016; Tomz, Weeks, and Yarhi-Milo 2020), ranging from elections, indirectly through legislators, or the media's influence (Potter and Baum 2014). Strategic leaders in some models are retrospectively sanctioned, but they may also take into account public opinion ex-ante. This ex-ante constraint on the leader is informed by the leader taking cues from the preferences of their domestic audience. This audience has the means to punish the leader by removing them from office, or even protesting their policies. The previous literature assumed that audiences in democracies consisted of the entire enfranchised electorate. However, in democracies, as I argue in greater detail later, audiences are heterogenous. Public opinion orientated research on foreign policy habitually examines individual or regional level characteristics that can affect the formation of preferences, but the expectation that treatment might vary is absent from audience cost experiments thus far (Tomz 2007; Levendusky and Horowitz 2012; Davies and Johns 2013). As Kertzer and Brutger (2016) argue, "existing work has thus assumed that audience costs abide by an essentially unitary logic, and that leaders face an essentially unitary audience" (Kertzer and Brutger 2016, 234-5). Part of the problem is that the literature has not elaborated on the micro-foundations that generate 'audience costs' (Kurizaki and Whang 2015). Democratic leaders have three principal audiences; their electorate, their party and special interests.

The constraints on the leader can therefore vary, depending on the extent to which a leader depends on these audiences to survive in office. Thus far existing scholarship has not asked whether democratic leaders may be more or less sensitive to these audience costs. In autocracies, Jessica Weeks (2008, 2012) showcases the most comprehensive coverage of the issue of variation in sensitivity to audience costs amongst leaders (Weeks 2008). In building on modern scholarship that identifies two related dimensions to the internal functioning of authoritarian regimes: mode of entry and degree of personalised power (Geddes 1999), Weeks proposes that these two dimensions of militarism and personalism explain variation in constraints on leaders and their associated preferences. Mode of entry and degree of personalisation varies within democracies in a subtle but significant way.

Democratic leaders have varying incentives to either cater to the interests of their electorate or engage in rent-seeking behaviour by protecting key firms or industries. The dual dynamics of institutional structure and the mode of entry of the leader – whether they rely on key party support or whether they were elected on a particular party platform – determine which groups they rely on to gain and maintain power; in other

words, how they survive. These dynamics produce varying levels of personali- sation, and the extent to which the leader's must rely on their party, or the masses. As I argue below, the differences in these dynamics are most pronounced between populist and non-populist democratic leaders. It is this variability that is so crucial to how constrained the leader is by their cognition of future pay-offs and losses when they submit their preferences in the design of a trade agreement.

At the crux of this causal story is also whether and why an audience may be incentivized to punish/reward a leader for their policy choices. The design of an agreement enables audiences to draw inferences on the competency of the leader by analysing the economic environment, and determining if the leader could have been more economically responsible; what is referred to as 'sophisticated retrospection' (Fearon 1999; Johns 2006), where the "voter takes into account his or her final pay- off and the ex ante uncertainty over payoffs that existed when the game began" (Johns 2006, 238). Sophisticated Retrospection has been almost exclusively been applied to conflicting initiation, but the assumptions can be translated to economic policy. It's not just 'voters' in democracies, but individuals in autocratic regimes, who may revolt should economic conditions deteriorate and they have received no signal that the leader has acted to rectify or prevent the milieu. Of course this position presumes audiences are able to infer between types of trade agreements which is, admittedly, a very difficult argument to make; however it is not so important that the audience is able to view a physical PTA as 'deep' or 'shallow' so much as the design of the agreement will have tangible effects depending on its design – and it is these effects which the audience will react to.

4 Audience Preferences

This brings us to the question of how various audiences may define a failed policy. In my framework the leader selects whether or not to sign a deep (shallow) and rigid (flexible) PTA and set tariffs. I argue that variation in audience costs, as a function of the institutional constraints on a leader, affects this decision calculus.Trade agreements function as 'signals' for leaders to gain political cache by signalling to voters their economic responsiveness, position on protectionism and irresponsible rent-seeking behaviour. The content of the signal is a function of the commitment of the leader to the policy direction which becomes clearer over time as the benefits of trade are unevenly distributed across time. The depth of the agreement is the extent to which the agreement liberalises trade and opens markets, where the content of the signal is the extent the leader has committed to this policy. A shallower agreement with more protectionist measures is, in essence, an empty signal. Once the signal is sent, audience costs are generated by either breaking the agreement and therefore rendering the trade agreement null, or if the leader fails to follow through on the commitment by signing a shallower PTA (an empty signal). Depth/shallowness is a relatively straightforward dimension, whereas flexibility/rigidity is more complicated as flexibility provisions are implemented in relation to the depth of the agreement. The last part of this framework is determining the audience's preferences over design.

Leaders themselves face competing incentives to cater to audience preferences, based on the potential benefits of extracting rents by keeping trade barriers high and by providing protection to particular interest groups, as well as toeing the party line on trade versus the benefits of improving social welfare conditions and free trade interests (Hollyer and Rosendorff 2012). Assuming the median voter prefers a more liberal trade barrier (although this preference is not fixed) in order to accrue the benefits of welfare gains, raising trade barriers beyond this level to protect special interest groups results in welfare losses. I assume, then, that a deeper PTA is the preference of the majority of the electorate. However, this preference is conditional.

Although the median voter prefers lower trade barriers, economic shocks can alter voter preferences. Although past empirical evidence in the United States, for in- stance, suggests that the general public supported relatively free trade (Chittick and Billingsley 1989; Herrmann, Tetlock, and Diascro 2001), more recent data shows that citizens lean protectionist (Guisinger and Saunders 2017). Studies which do show a shift towards protectionist attitudes amongst the public tend to stem from economic shocks, rising levels of unemployment (Hoffman 2010) and specially, unemployment in import-competing industries during recessions (Mansfield, Mutz, and Brackbill 2019).

Economic crisis alters public support for trade – even if economic consequences don't directly affect every individual equally. Studies have increasingly demonstrated the tendency that individuals vote sociotropically rather than egocentrically; meaning that voters use information from their overall observation of the economy, rather than their own situation, to form beliefs over the value of trade policy (Mansfield and Mutz 2009; Nadeau, Lewis-Beck, and Bélanger 2013). Furthermore, voters appear more driven to punish governments for liberal trade policies during hard economic times, with the behavioural economic literature showing that "individuals never seem to reward positive country-level information with higher approval rates for trade (which has been suggested by previous contributions to the literature), they only tend to react to negative country-level information with lower trade approval rates" (Maria Schaffer and Spilker 2019; Hicks, Milner, and Tingley 2014; Tversky and Kahneman 1991). Thus, preferences of the median-voter during 'good' economic times can largely be said to favour lower barriers, free trade and deeper PTAs; but these preferences 'flip' to protectionism and shallower PTAs during economic crisis.

The above discussion provides a framework for predicting how leaders who are more or less sensitive to audience costs will sign trade agreements. Below I theorize that levels of personalism and the mode of entry, which alter the audience cost sensitivity of a leader, vary considerably between populist and non-populist regimes.

5 Domestic Audiences: Populist versus non-populist leaders

There are two main features of populism which increase a leaders' sensitivity to audience costs and therefore influence the design of PTAs as these leader's cater to audience demands. First, populist regimes are characterised by a top-down leadership structure which imbibes the executive with a direct line of commitment to the public, rather than the party; their policy choices are less at the mercy of the party since the party's popularity is contingent on the leader. There are, of course, systemic differences in terms of party-centric and candidate-centric rules that govern party discipline (Nielson 2003). The former exist when party leaders are able to control access to the ballot, voting for the party list, and votes pooled at the party level. The inverse of this relationship occurs with candidate-control over these features (Carey and Shugart 1995). In the former, party leaders have greater control over electoral sanctioning mechanisms including rank and file as well as greater discretion over economic and social reforms (Haggard and McCubbins 2001; Carey and Shugart 1995). While this set of rules might increase the likelihood of producing a populist leader, it is not deterministic. Research has shown that electoral institutions that delegate powers to the party leader to enable them to sanction rank and file are better able to overcome collective-action problems in supplying public goods (such as free trade) (Nielson 2003).

The second feature distinguishing populist leaders from other democratic exec- utives is their mode of entry. Conceptualising populism has proved enormously difficult. Economic definitions, for instance, tend to emphasise that populism is the implementation of policies that receive wide support from a significant proportion of the population but harm the economic interests of the majority (Acemoglu, Egorov, and Sonin 2013). Alternatively, Dornbush and Edwards (1991) argue that populism is an economic approach, "that emphasizes growth and income distribution and de- emphasizes the risk of inflation and deficit finance" ()dornbusch2007macroeconomics, armendariz2017economics. These definitions, however, offer little discerning criteria and where applied, often limit their analysis to leftist- populist regimes at the expensive of right-wing populist cases. Definitions also differ in conceptualising the inclusivity of populism. The subtypes of populism can be bifurcated into inclusionary and exclusionary forms – the former appear in affluent societies showing increasing concern about immigrants and the influence of foreign institutions, and the latter are generally associated with poorer societies plagued with issues of poverty and corrup- tion (Mudde and Kaltwasser 2013). In contrast, an ideational definition considers populism as a world-view that divides society into two homogenous groups; the 'pure' people (usually a large pro- portion of the public) and the 'corrupt' elite (Kaltwasser 2018). The former are painted as industrious and hard-done-by, while the latter are privileged and corruptive. Such a Manchinean distinction means the term can adopt different meanings in specific contexts. For example in Latin America the people are connotated with the socially disadvantaged (an inclusionary definition) while the people in Western Eu- ropean populist discourse are native/nationals.

The rhetoric of populist democracies highlights the tension with liberal democracy, where the institu- tions of democracy, including the institution of trade, is considered co-opted by the elite.

The relationship between top-down leadership structures and populism is blurred. Populist political entities distinguish themselves by their structure, exhibiting a "top- down political mobilization of mass constituencies by personalistic leaders" (Levitsky and Roberts 2011, 6). Weyland (2001) goes so far as to argue that a party can be considered "populist as long as the party has low levels of institutionalization and leaves the leader wide latitude in shaping and dominating its organization" (Weyland 2001, 14). The leader is the voice box of the party's appeal to popular will (Taggart 1995; Weyland 2017; De la Torre 2014), able to "build personalist machines... to bring a wide range of voters into their electoral base" (Singer 2018, 4). Identifying the 'typical' or 'ideal' form of populism "is therefore the direct nature of the rela- tionship between the masses and the leader. . . " (Jaguaribe 1967, 168), especially their charisma (Germani 1978; Resnick 2014; Mayorga 2006). For Leaman (2004) the charge of 'populism' applies when there is a "verticalist and personalist leadership style and rhetoric" (Leaman 2004, 234).

Taken together, populist democratic leaders incur greater audience costs from the mass public than do their democratic peers based on both their 'mode of entry' (how they are elected and on what platform) and how they maintain their power. Populism is characterised by an anti-establishment platform of us vs. them with a top-down structure. The top-down structure emphasises the autonomy of the individual leader, unconstrained by their party, and able to cater to a larger constituency than their party demands. The 'personalisation' of the leader and/or the party they belong to creates an incentive structure for the leader to connect with the relevant constituency beyond their party's platform. Democratic leaders, whether belonging directly to the party or a seeking election independent of their party, are interested in maximising their chances of re- election. Parties can punish candidates for deviating from the party line, however populist leaders can circumnavigate this outcome by building a strong popular base. Regardless of whether the behaviour or policies of the populist leader are incongruous with the party line, members of the party face a trade-off between reigning in the candidate and risking losing their popular base, particularly as voter use informational short-cuts by focusing on their attitude towards the leader in electing members from their party/allegiance.

In appealing directly to the broader public and espousing an anti-establishment and anti-elite rhetoric, populist leaders suffer greater audience costs than non-populist leaders when they engage in rent-seeking behaviour or fail to signal to the public that they are continuing to pursue their interests in providing public goods. This sensitivity translates into populist leaders signing deeper PTAs during good economic times when public preferences remain pro-free trade.

However, leaders also face a time-inconsistency problem when it comes to inter- national trade. Deeper PTAs enable leaders and citizens to realize the benefits of liberalization in their domestic markets, however, anticipation of future economic shocks increases the attractiveness of implementing escape provisions to enable the country to re-impose trade restrictions temporarily and then return to compliant practices when economic conditions improve (Bearce, Eldredge, and Jolliff 2016). Flexibility provisions are implemented in relation to the depth of the agreement.The evidence on the effect of rigidity or flexibility in PTAs is mixed. Although I leave the task of investigating the impact of PTA design to future research, anticipation of the design effects factor into the ex-ante decision-making of leaders. There are two competing hypotheses regarding flexibility provisions in institutional design. The 'rigidity' hypothesis speculates that flexibility encourages defection or deviant behaviour of states (Helfer 2013, 186), and ultimately flexibility hurts economic cooperation (Staiger and Tabellini 1987). There is some support in the economics literature that escape clauses depress trade (Bown and Crowley 2007). In contrast, the flexibility hypothesis suggests that flexibility increases the depth of trade agreements (Kucik and Reinhardt 2008), as the distributional effects of PTAs are dependent on their depth (Egger 2015), flexibility provisions help soften the impact on import-competing industries hardest hit by international competition.

In terms of the initial design, there is robust empirical evidence of a positive relationship between depth and flexibility in institutions. The two hypotheses are not incompatible in that while the exercise of flexibility

provisions does distort trade,their inclusion is a trade-off for deeper PTAs, which improve the distributional effects. Flexibility and depth are distinct, yet related, dimensions of PTA design which factors into the incentives and determinants facing leaders in designing institutions. The rational design literature shows states are strongly motivated to include flexibility mechanisms into PTA design. Flexibility mechanisms function as 'insurance' instruments for international parties as the costs of compliance may rise in the event of an exogenous economic shock (Kucik 2012). The rational design literature assumes that all flexibility mechanisms mutually benefit all parties to the agreement, however flexibility – like depth – unevenly effect segments of the public and therefore competing preferences emerge over flexibility provisions. The inclusion of flexibility mechanisms in PTAs are also a way for leaders to sign deeper PTAs and signal to the public that they are not engaging in rent-seeking behaviour, while simultaneously using PTA rules to target politically sensitive industries or lobby groups.

Flexibility, then, is an attractive instrument for leaders to respond to changing audience preferences, which may vary in response to the economic climate, even if they may harm international cooperation by providing latitude for defection or deviant behaviour (Johns 2014). Thus, flexibility provisions signal an increased commitment to a domestic constituency, but a decreased commitment to the international cooperation. Thus, flexibility provisions signal an increased commitment to a domestic constituency, but a decreased commitment to the international cooperation. I expect democratic leaders who are more sensitive to audience costs to prefer more flexible PTAs so they may avoid antagonizing import-competing industries as they sign deeper PTAs, and allow leaders enough flexibility to quickly respond to protectionist attitudes during economic downturn.

Hypothesis 1: Populist leaders are more likely to sign deeper and more flexible PTAs.

The deeper the PTA the more the leader may be antagonizing import-competing interests; since the leader must continue to signal to their primary audience, they are more likely to use discretionary tactics to protect particular lobbying interests – including greater flexibility mechanisms allowing for adjustment periods and more escape clauses. Populist leaders are then more likely than non-populist leaders to utilize targeted tariffs when designing PTAs; to target politically relevant domestic firms by creating exemptions and specifying product categories (Pond 2017). Populist leaders can signal to their audience by lowering average tariff rates but simultaneously increase uniform rates to increase revenue. Product-specific protection enhances the political feasibility for populist seeking to sign deeper PTAs during 'good' economic times by insulating selective domestic firms from the international market and enabling them to appease both their primary audience and opponents of trade. Non-populist leaders who may be less incentivized to cater to public preferences may not exploit targeted tariffs for political expediency as they sign shallower PTAs.

Hypothesis 2: Populist leaders are more likely to use targeted tariffs.

Observationally, when we witness shifts towards both populist and protectionist attitudes, it is during economic shocks where public preferences are 'flipped'. For example, Margalit (2011) has found that trade-related job loss in hard-hit counties in the US reduced incumbent presidents vote shares significantly (Margalit 2011), with further research suggesting that exposure to Chinese imports is associated with the election of extremist candidates (Autor, Dorn, and Hanson 2016). In a study of US electorates critically threatened by the deluge of Chinese imports, Autor et al (2016) finds voters replace moderate congressional members with extreme (right) candidates. In Germany, Dippel et al (2015) showed exposure to imports had a negative effect on local labour market performance and generated higher vote shares for the extreme right and protectionist attitudes (Dippel, Gold, and Heblich 2015).

These observations run counter to contemporary dogma within the political economy literature which suggests that democratic governments push trade liberalisation during hard times. Mansifled and Milner (2018) for instance, argue that leaders sign more PTAs during economic downturn to signal policy responsiveness and Davis and Pelc (2017) argue that countries experiencing shared conditions of hard times impose less protectionism (Davis and Pelc 2017). Such studies, however, use aggregate PTAs, rather than PTA content, as their unit of analysis.

Prominent examples of populism emerging during periods of economic crisis date back to the 1930 period in the United States, however "little empirical research has at- tempted to evaluate whether recessions prompt the mass public to become more hostile to trade and, if so, why" (Mansfield, Mutz, and Brackbill 2019, 37). Guiso et al. (2019) has argued that economic crisis triggers voter apathy, disaffection of traditional parties, and the entry of populist parties or leaders (Guiso et al. 2019). Not only do these find- ings reinforce leadership survival and trade policy by showing that the public punishes leaders for liberal trade policies during hard-times; they also suggest some leaders are more or less receptive to these switching preferences. This leads to my third hypothesis:

Hypothesis 3: Populist leaders will sign shallower and more rigid agreements during economic crisis.

6 Data

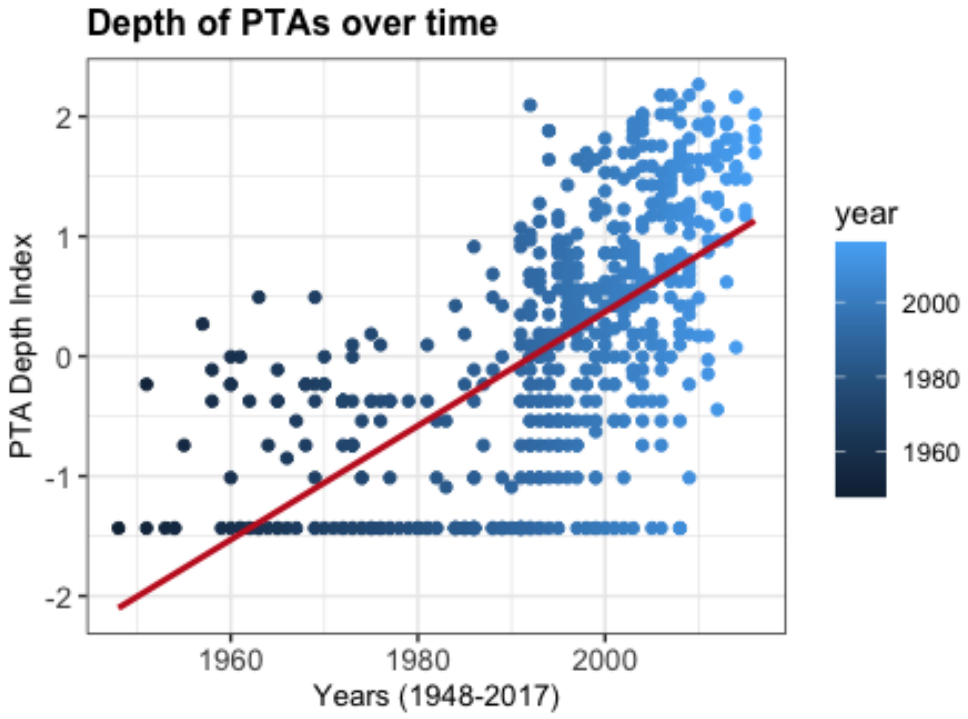
6.1 Dependent Variables

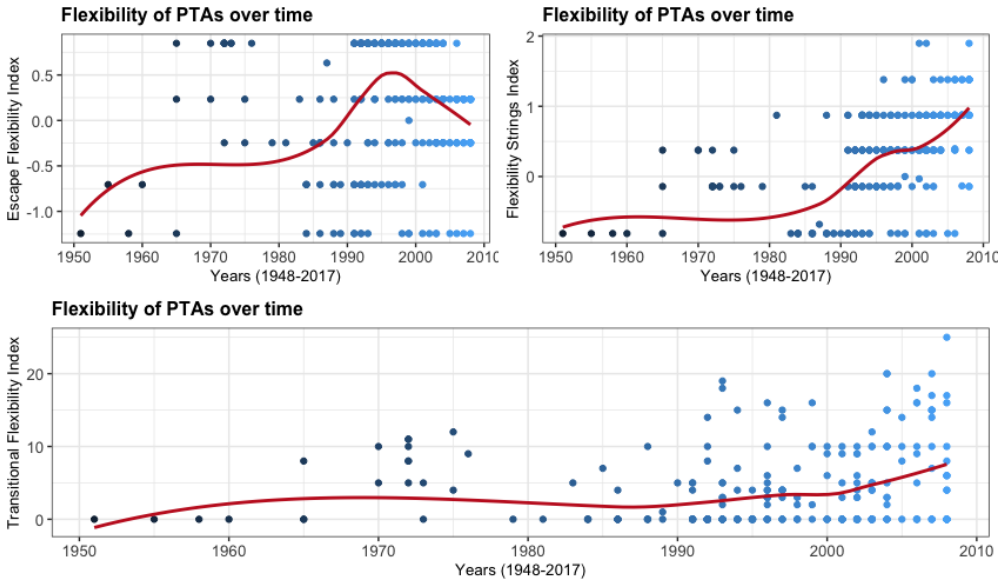
My dependent variable is the design of PTAs which I operationalise through two measurements of 'depth'; the degree of concessions in relation to liberalisation, and 'flexibility'; the presence of short and long term opt-outs. I subsume enforceability (the presence of dispute settlement mechanism) under the umbrella of flexibility. 'Depth' and 'Flexibility' are two measures adopted from the Design of Trade Agreements Database for PTAs signed between 1948-2017 (Dür, Baccini, and Elsig 2014). Operationalising 'design' is a complex task, but the DESTA dataset is largely congruent with how earlier schools of thought conceived of institutional design. Abbott's (2002) early idea of "legalization" captured three components of institutional characteristics;obligation, precision, and delegation, defined along three dimensions (Abbott and Snidal 2000). Obligation referred to the rules or commitments binding states, precision was a measurement of the precision of the rules states were subjected and scrutinized by, and delegation was the transferal of authority to a third-party to monitor, interpret and apply the rules for the purposes of dispute resolution. Abbott envisioned three 'types' of institutions that would embody these dimensions to varying degree; ideal types where all three properties were maximised, hard types were all three – or at least obligation and delegation – are high, and soft type with an combinations and amalgamations of attributes. Consistent with this is an interpretation of trade as running along these two dimensions.

1. The first measurement of depth if operationalised in two ways; first is an additive index ranging from 0-7 that captures the degree of tariff reductions (including provisions on service trade, public procurement, IP, investments etc.). The majority of my analysis focuses on the second measurement of depth, a continuous variable (*depthrasch*) which is constructed through latent trait analysis on 48 items that theoretically relate to liberalisation. Intuitively higher values are associated with more depth, and lower values with shallower agreements.

2. The second dependent variable is flexibility which is operationalised through three separate measures. The first is long-term flexibility (*escapeflexibility*) which is an index ranging from 0 to 4 which enables parties to protect themselves against future developments without breaking the agreement. Short-term flexibility (*transitionalflexibility*) is the adjustment period afforded to parties to meet liberalization levels. Finally, *flexibilitystrings* is a measure aggregating the degree of provisions on subsidies, anti-dumping, safeguards etc.

Figures 1.1 and 1.2 (below) illustrate the distribution of PTA design across time. Depth and flexibility have increased exponentially. A second set of dependent variables are used in the main analysis on democracies to supplement the limited sample size. These variables are obtained through harmonized data on product-specific tariff rates (Betz 2019). Since the tariff data coverage is unbalanced over time, with the majority of countries entering into the dataset in 1995; it is an appropriate choice to test the effects of populism in democracies - where the Global Populism Dataset covers a similar time period. I make use of variables drawn from Betz (2019) database on six-digit applied tariff rates from the World Integrated Trade


Depth of PTAs over time
PTA Depth Index
2
1
0
-1
-2
1960
1980
2000
Years (1948-2017)
year
2000
1980
1960


Flexibility of PTAs over time
Escape Flexibility Index
0.5
0.0
-0.5
-1.0
1950
1960
1970
1980
1990
2000
Years (1948-2017)
Flexibility of PTAs over time
Flexibility Strings Index
2
1
0
1950
1960
1970
1980
1990
2000
Years (1948-2017)
Flexibility of PTAs over time
Transitional Flexibility Index
20
10
0
1950
1960
1970
1980
1990
2000
2010
Years (1948-2017)

Solutions database between 1988 and 2014 (although most countries enter into the data post-1995) (Betz 2019). The three dependent variables at this level are:

1. The share of product-specific categories with exhibit uniform tariff rates(levels);

2. The share of product-specific categories with tariff peaks, defined as "tariff rates one standard deviation above the category average" (peaks);

3. The share of product categories with selective trade liberalization, defined as "product categories where at least one, but not all, products have a tariff rate of zero" (cuts).

The dependent variables are aggregated proportions of binary outcomes with scores ranging between 0 and 1. These additional measures of trade design complement the macro-measurements of depth and flexibility. First, the operationalization is unreceptive to comparative advantage between countries since it is based on tariff rates across similar products in particular industries (Betz 2019). Trade theories based on Heckscher-Ohlin and Ricardo-Viner models would expect few differences amongst similar products since either class or industries, respectively, will align in trade policy stances. These product-level tariff differences allow me to distinguish countries which use targeted protectionist measures which may not be obvious just looking at flat tariff rates. Targeted tariff rates allow governments to reconcile competing demands from two audience preferences for trade design; import-competition/elite interests and domestic pubic interests. They are therefore an additional measure of depth and flexibility.

Populist leaders should have higher targeted protectionist targeting than their non-populist counterparts: a lower share of product categories with uniform tariff rates, higher share of product categories with tariff peaks, and a higher share of product categories with selective trade liberalisation. Product-specific tariffs enable populist leader, who's constituency is concerned with championing domestic firm competitors, to manage these domestic conflicts over globalization. Additionally, evidence of product-specific tariffs indicate populists' target foreign firms while protecting their core constituency through protectionist measures. Although not tested here, retaliatory tariffs reveal a similar pattern of targeting behaviour amongst populist leaders (Fetzer and Schwarz 2019).

I therefore test my hypotheses of audience cost variation on two different trade design datasets. The value of this approach is to increase the robustness of the findings regarding granular data on product-specific tariffs, while capturing the 'big picture' of how trade design differs on just two simpler dimensions of depth and flexibility.

6.2 Explanatory Variables

The independent variable is *audience costs*. I proxy for whether or not a leader incurs audience costs from the mass public by using the degree of populism of the democratic administration. I firstly differentiate between autocracies and democracies by using a range of regime-type criteria consistent with the literature. I utilize a 'minimalist' definition of democracy (Przeworski et al. 2000). I follow Yue and Zhou (2018) who look at aggregate trade data (Yue and Zhou 2018), by using the dichotomous coding of democracy from Boix, Miller, and Rosato (2013) (BMR) which accounts for two of the main elements of differentiating between democracies and autocracies; political contestation and citizen participation (Boix, Miller, and Rosato 2013). The BMR criteria roughly corresponds to the Polity Index cut-offs to assess whether a country falls into a 'full autocracy' (a score of -10) or a 'full democracy' (a score of +10). The cut off sits at -6 for autocracies and +6 for democracies. I do not use the index beyond the indicator cut-offs to separate regime types due to the issues with the index's measurement of 'full' democracy/autocracy.

I proxy for the independent variable (audience costs) using a measure of populism characterized by a high degree of personalism and the particular mode of entry of the leader. Personalism, as a regime type, has typically been restricted to autocratic regimes – as a way of typifying the question "who rules constrained by whom?" and applying the criteria of how the leader enters power/maintains power - usually with a top-down structure and a concentration in power. If we apply the same criteria to democracies, we can observe variation in:

1. The concentration of power in the leader (either by conventions/norms or institutionalisation) and,

2. The mode of entry of the leader which dictates how the leader maintains their power-base (operationalised by their electoral strategy)

The standardized practice of categorising democracies usually follows distinctions between majoritarian versus proportional (mixed) types, or prime ministerial versus presidential systems. Although these distinctions are helpful in understanding the relationship between voter constituencies and elections, they are less capable of capturing audience costs by identifying a) the degree of personalisation of the leader and, b) the mode of entry of the leader – their platform and the audiences they appealed to. For example, if a democracy is coded as prime ministerial we do not know if the prime minister exerts tight control over his cabinet and party or whether he was elected on a particular platform that resonated with certain dominant groups.

The inability to distinguish between concepts is an inherent issue with elelctoral- type classifications, leading to conceptual stretching by fitting 'presidential' systems inside a populist type while certain prime ministers may also display similar populist characteristics. Although, it may certainly be the case that populism is more likely under presidential systems. An additional issue with traditional democratic typologies is that the reduce countries to the same category for their duration (presidential/prime ministerial or majoritarian/PR). By employing a time-invariant classification of the explanatory variable, studies relying on these measures are unable to account for evidence of such wild fluctuations in leadership type within countries. If it were the case that these structures were deterministic of policy outcomes then we would see a consistent and linear relationship across time, for example between majoritarian systems and trade policy outcomes; which does not occur.

While all democratic leaders come to power through elections, their relationship with their constituency differs greatly both between and within administrations. Like autocracies, democracies themselves display aspects of the same spectrum of personal- ism. However the presence of elections 'softens' this effect. In this sense, democratic leaders are all sensitive to the mass public – however personalisation increases this sensitivity to the broader public and decreases sensitivity to party-discipline. The cyclical emergence of this type of democratic governance coalesces two distinct criteria; a top-down executive structures and a particular anti-elite electoral platform that specifically targets constituent interests and alienates elite interests. These features determine how to code populism.

Populist distinguish themselves by their structure, one of "top-down political mobiliza- tion of mass constituencies by populist leaders" (Levitsky and Roberts 2011, 6-7). The most similar version of this type of democracy is a populist-style of party leadership. Weyland (2001) goes so far as to argue that a party can be considered "populist as long as the party has low levels of institutionalization and leaves the leader wide latitude in shaping and dominating its organization" (Weyland 2001, 14). The leader is the voice box of the party's appeal to popular will (Taggart 1995; Weyland 2017; De la Torre 2014),andtheleaderisthenableto"buildpersonalistmachines... abletobringa wide range of voters into their electoral base" (Singer 2018, 4). The second criteria of populist regimes concerns their mode of entry – the platform they are elected on – which again can be captured by populist-type democracies. Jaguaribe (1967) identifies 'ideal' populist regimes by "the direct nature of the relationship between the masses and the leader. . . " (Jaguaribe 1967, 168), especially their charisma (Germani 1978; Resnick 2014; Mayorga 2006). For Leaman (2004) the word populism applies when there is a "verticalist and personalist leadership style and rhetoric" (Leaman 2004, 324). I operationalise populist regimes through these two organizational features, using the Global Populism Dataset (Hawkins et al. 2019). This database uses textual-analysis of political speeches covering 66 countries and 215 leaders and positions the leader at one with the 'common' people against the backdrop of the 'elite'. The first ordinal measure characterises regimes as 'not populist', 'somewhat populist', 'populist', and 'very populist' with the discrete variable 'average-score' measuring populist levels between 0-1. I collapse the ordinal categories to create a binary variable labelled dummy-populism with 0 denoting a non-populist leader, and 1 a populist leader.

This measurement is far from perfect. There is no contemporary comprehensive global time-series dataset for populist regimes. The efficient machine-learning methods of scraping corpus's of electoral speeches require close-supervision due to the difference in dictionary-terms across countries. Such a task also requires extensive regional and linguistic knowledge to ensure consistency across countries. This is a serious deficit

in the literature, and a ripe area for future work, despite the labour-intensity. An additional trade-off with using this data-set is that, while it contains the most comprehensive list and largest sample of populist leaders, the time-span is restricted to 2000-2018 and largely covers Europe and the Americas.[1]

6.3 Controls

Besides populism, there are several alternative causal mechanisms that may be driving preferences over PTA design. I therefore add a set of control variables to avoid overestimating the effects of the main independent variable. I lag covariates such as GDP where necessary. I include several variables from gravity models including log GDP, log GDPpc, GDP growth, log of trade, and POLCON index as a proxy for veto players. I include a dummy variable that assumes the value of 1 if country I is a GATT/WTO member, and a dummy variable that takes the value of 1 if country the dyadic pair of countries are allies. In several regressions I also control for availability of natural resource rents, 2 region-specific trends, percentage of trade that is manufacturing-related and prior PTAs. Additionally, for democracies I add in a control for leader/party ideology, and a dummy variable for presidential systems. Control variables such as these are regularly included on the right-hand side of models predicting PTA-related outcomes (participation, formation, and in this case, design) (Mansfield, Milner, and Rosendorff 2002).

7 Empirical Strategy

I test my hypotheses on democracies with two main models. In the first empirical model I use a dyadic dataset in which the unit of analysis is the PTA with two bilateral partners; at least one country in each pair is coded as Populist. For ease of analysing targeted tariffs, I replicate the results using a monadic dataset with the aggregate depth of PTAs signed by that country in a year. The baseline equations are:

$$DepthRasch_{ij,t} = \beta_0 + \beta_1 Populist_{i,t-1} + \beta_2 X_{ij,t-1} + \beta_3 Zi_{i,t-1} + \beta_4 W_{i,t-1} +_t \epsilon_{ij,t-1},$$

$$Flexibility_{ij,t} = \beta_0 + \beta_1 Populist_{i,t-1} + \beta_2 X_{ij,t-1} + \beta_3 Zi_{i,t-1} + \beta_4 W_{i,t-1} +_t \epsilon_{ij,t-1},$$

Due to the restricted sample size in democracies (1990-2017), I replicate the tests using a fractional logit model on granular tariff-line data. This additional data supplements the limited testing of the DESTA dataset. Since the dependent variables ('tariff peaks', 'share of products' and 'tariff cuts') are all proportions bounded between 0 and 1 fractional models have advantages over linear models by mapping the conditional mean of the outcome variable to the predictor variable with a logit link function.

7.1 Empirical Analysis

The results in table 5.8 support the main hypothesis (1) that populism increases the probability of signing deeper agreements. The baseline model presents the results from an OLS regression with control covariates. The variable mean populism has a consistently negative and significant effect on the depth of trade agreements. For additional robustness, I test populism on both the weighted *depthrasch* and the *depthindex*. Like above, since *Escapeflexibility* and *Flexibility Strings* are coded as ordinal variables I use an ordered probit to estimate the model, and non-inflated negative binomial regression using *TransitionalFlexibility* as many observations are coded with zero. The estimation technique accounts for the existence of zeros. The distribution of the observations is shown in figure 5.6. The results in table 5.9 indicate that populism substantively increases the probability of signing flexible PTAs; however because of the restricted cases and historical sample size, (1990-2018) I supplement these results with further tests using granular data on targeted tariffs.

The premise of my theory of audience costs is that they are always present. However, the model of audience costs would suggest that the mechanism should be more salient during times of economic crisis. To investigate how economic distress affects PTA design between populist and non-populist regimes I use a binary interactive variable that indicates whether or not a country has experienced negative growth in the

[1] Exceptions in Asia and Africa include: Central Asia, Thailand and India

Table 5.8: Effect of Populism on PTA design: Depth

	Dependent variable:	
	PTA Depth Rasch	PTA Depth Index
	(1)	(2)
Populism Score	0.486** (0.141, 0.830)	2.205*** (1.059, 3.352)
Log GDP	−0.012 (−0.041, 0.017)	−0.143** (−0.239, −0.046)
system_presidential	−0.127 (−0.387, 0.133)	−1.026* (−1.891, −0.162)
GDP Capita (Country A)	0.016*** (0.008, 0.024)	0.056*** (0.029, 0.083)
GDP Capita (Country B)	0.008** (0.002, 0.014)	0.025** (0.005, 0.044)
Log Trade	0.531*** (0.340, 0.721)	1.599*** (0.966, 2.233)
Polcon Index (Country A)	−0.091 (−0.521, 0.338)	−0.264 (−1.693, 1.165)
Polcon Index (Country B)	0.746*** (0.300, 1.191)	2.115** (0.632, 3.598)
Natural Resource Rents	−0.064*** (−0.088, −0.041)	−0.175*** (−0.252, −0.098)
Disputes (Country A)	0.079 (−0.060, 0.219)	0.352 (−0.113, 0.818)
Disputes (Country B)	−0.194*** (−0.288, −0.099)	−0.462** (−0.775, −0.148)
Region: Latin America	0.528*** (0.329, 0.727)	2.038*** (1.376, 2.700)
Region: North America	1.472*** (0.816, 2.128)	3.787*** (1.605, 5.970)
Region: South Asia	−0.762 (−1.614, 0.091)	−2.056 (−4.893, 0.782)
Region: Latin America	0.482** (0.175, 0.790)	1.389** (0.367, 2.411)
Region: North America	−0.211 (−0.751, 0.328)	−1.591 (−3.385, 0.203)
Region: South Asia	−0.661** (−1.205, −0.117)	−2.418** (−4.228, −0.607)
Manufacturing (Country A)	−0.003 (−0.018, 0.011)	−0.012 (−0.060, 0.036)
Manufacturing (Country B)	−0.039*** (−0.059, −0.020)	−0.139*** (−0.204, −0.074)
Election Year (Country A)	−0.128* (−0.245, −0.010)	−0.531** (−0.921, −0.141)
Election Year (Country B)	0.018 (−0.088, 0.124)	−0.126 (−0.479, 0.227)
FDI GDP(Country A)	−0.008*** (−0.012, −0.003)	−0.026*** (−0.041, −0.011)
FDI GDP(Country B)	−0.004* (−0.007, −0.0005)	−0.013** (−0.024, −0.003)
Polity Index (Country A)	−0.054 (−0.132, 0.024)	−0.154 (−0.413, 0.106)
Polity Index (Country B)	0.022 (−0.042, 0.086)	0.286** (0.074, 0.498)
Total PTAs (Country A)	−0.001 (−0.012, 0.010)	0.038* (0.0004, 0.076)
Total PTAs (Country B)	0.004 (−0.008, 0.016)	0.035 (−0.005, 0.074)
Ideological Gov (Country A)	−0.031 (−0.096, 0.034)	−0.162 (−0.379, 0.055)
Ideological Gov (Country B)	−0.014 (−0.079, 0.051)	0.037 (−0.180, 0.254)
Constant	−0.725 (−1.990, 0.540)	−3.598 (−7.807, 0.612)
Observations	250	250
R^2	0.389	0.465
Adjusted R^2	0.308	0.395
Note:		*p<0.1; **p<0.05; ***p<0.01

Table 5.9: Baseline Model: PTA Flexibility

	Dependent variable:	
	Flexible Escape Index	Flexible Rigid Index
	(1)	(2)
Populism Score (dyadic)	1.637*** (0.775, 2.499)	3.105*** (1.959, 4.252)
Crisis Dummy	0.427 (−0.113, 0.967)	−0.229 (−0.948, 0.490)
Presidential System	−0.661 (−1.388, 0.067)	−0.957 (−1.925, 0.011)
GDP Capita	−0.003 (−0.016, 0.010)	0.005 (−0.012, 0.022)
Log Trade	0.388 (−0.074, 0.849)	0.206 (−0.408, 0.820)
Natural Resource Rents	−0.047 (−0.103, 0.010)	−0.079* (−0.153, −0.004)
Disputes (Country A)	0.202 (−0.170, 0.574)	−0.083 (−0.578, 0.411)
Disputes (Country B)	(−0.086, 0.367)	0.078 (−0.223, 0.379)
Region: Latin America	2.308*** (1.491, 3.125)	2.134*** (1.047, 3.221)
Region: North America	0.095 (−1.461, 1.652)	0.822 (−1.249, 2.893)
Region: South Asia	0.773 (−0.803, 2.348)	1.609 (−0.487, 3.705)
Manufacturing (Country A)	0.024 (−0.011, 0.060)	0.006 (−0.042, 0.053)
Manufacturing (Country B)	−0.111*** (−0.159, −0.063)	−0.181*** (−0.244, −0.117)
Total PTAs (Country A)	−0.036** (−0.064, −0.009)	−0.069*** (−0.105, −0.033)
Total PTAs (Country B)	0.061*** (0.030, 0.092)	0.085*** (0.043, 0.126)
Ideological Gov (Country A)	0.032 (−0.142, 0.207)	0.061 (−0.172, 0.293)
Ideological Gov (Country B)	0.130 (−0.043, 0.303)	0.169 (−0.061, 0.400)
Constant	1.179 (−1.332, 3.690)	4.597** (1.255, 7.938)
Observations	284	284
Akaike Inf. Crit.	1,042.341	1,204.590
Note:		*p<0.1; **p<0.05; ***p<0.01

two years prior (*crisis*). The variable takes a value of 1 if lagged two-year moving average of per capita economic growth, otherwise the value is zero. Similarly, I create an indicator of economic prosperity labelled *boom*, if growth is greater than 5 percent (Geddes et al. 2018, 188). Additionally I include defaults on sovereign debt loans as an additional measurement of economic crisis using Reinhart and Rogoff's historical dataset of defaults to external creditors (Reinhart and Rogoff 2009). *SovereignDefault* assumes a value of 1 for country-years a government fails to meet a principal interest payment and 0 otherwise. Table 5.12 and 5.13 show the effects of interacting populism with economic crisis, finding a negative and statistically significant decrease in the probability of signing deep and flexible PTAs when populism increases and a state experiences economic crisis. The finding substantiates hypothesis 2 that populist leaders are more likely to sign shallower and more rigid PTAs during economic crisis.

Table 5.12: Baseline Model (dyad):Effect of interacting Populism with Economic Crisis on PTA Depth

	Dependent variable:
	PTA Depth
Populism	0.403** (0.085, 0.721)
Crisis	0.210 (−0.064, 0.484)
Presidential	−0.073 (−0.325, 0.179)
GDP	0.004 (−0.001, 0.008)
Trade log	0.404*** (0.244, 0.564)
Natural Resources	−0.059*** (−0.078, −0.039)
Disputes (Country A)	0.009 (−0.120, 0.137)
Disputes (Country B)	−0.099** (−0.177, −0.020)
Region: Latin America	0.451*** (0.169, 0.734)
Region: North America	0.186 (−0.353, 0.725)
Region: South Asia	−0.708** (−1.253, −0.163)
Manufacturing (Country A)	−0.002 (−0.014, 0.010)
Manufacturing (Country B)	−0.030*** (−0.046, −0.013)
Total PTAs (Country A)	−0.005 (−0.015, 0.004)
Total PTAs (Country B)	0.011* (0.0001, 0.022)
Ideology (Country A)	0.036 (−0.025, 0.096)
Ideology (Country B)	0.017 (−0.043, 0.077)
Populism:Crisis	−1.445*** (−2.261, −0.628)
Constant	−0.081 (−0.950, 0.788)
Observations	284
Akaike Inf. Crit.	440.528
Note:	*p<0.1; **p<0.05; ***p<0.01

7.2 Targeted Tariffs

To assess whether these results change when examining granular data, I run the independent variable on three new dependent variables. Populist regimes are associated with fewer product categories that possess uniform tariffs (*share*), a greater amount of categories with tariff peaks (*peaks*), and more categories with partially eliminated tariffs (*cuts*). I use a fractional logit model and table 5.10 shows that increases in the levels of populism is associated with less product categories with uniform tariffs, more categories with tariff peaks, and more categories were tariffs are eliminated entirely. The coefficient on the populist proxy variable is statistically significant in all three of the models and supports hypothesis 3 that populist leaders will be more likely to use targeted tariffs. Figure 5.7 also displays the three dependent variables on categories across the dummy variable. Substantively, the results also show that the estimated effect size of the treatment

Table 5.13: Effect of interacting Populism with Economic Crisis on PTA design: Flexibility

	Dependent variable:	
	Flexible Escape Index	Flexible Rigid Index
	(1)	(2)
Populism	2.150*** (1.240, 3.059)	3.722*** (2.509, 4.935)
Crisis	1.350*** (0.567, 2.132)	0.880 (−0.164, 1.924)
Presidential	−0.641 (−1.360, 0.079)	−0.933 (−1.893, 0.026)
GDP	−0.002 (−0.015, 0.010)	0.005 (−0.011, 0.022)
Trade log	0.332 (−0.126, 0.790)	0.139 (−0.472, 0.749)
Natural Resources	−0.045 (−0.100, 0.011)	−0.076* (−0.151, −0.002)
Disputes (Country A)	0.210 (−0.158, 0.577)	−0.074 (−0.565, 0.416)
Disputes (Country B)	0.155 (−0.068, 0.379)	0.096 (−0.202, 0.395)
Region:Latin America	2.294*** (1.486, 3.102)	2.117*** (1.039, 3.194)
Region:North America	0.112 (−1.427, 1.651)	0.842 (−1.211, 2.894)
Region:South Asia	0.788 (−0.770, 2.345)	1.627 (−0.451, 3.705)
Manufacturing (Country A)	0.026 (−0.010, 0.061)	0.007 (−0.040, 0.054)
Manufacturing (Country B)	−0.108*** (−0.155, −0.061)	−0.177*** (−0.240, −0.114)
Total PTAs (Country A)	−0.039** (−0.066, −0.012)	−0.072*** (−0.108, −0.036)
Total PTAs (Country B)	0.060*** (0.030, 0.091)	0.084*** (0.043, 0.125)
Ideology (Country A)	0.047 (−0.126, 0.220)	0.079 (−0.152, 0.309)
Ideology (Country B)	0.124 (−0.048, 0.295)	0.162 (−0.067, 0.390)
Populism:Crisis	−3.763*** (−6.096, −1.430)	−4.523** (−7.635, −1.411)
Constant	1.266 (−1.218, 3.750)	4.702** (1.389, 8.014)
Observations	284	284
Akaike Inf. Crit.	1,036.898	1,200.532
Note:		*p<0.1; **p<0.05; ***p<0.01

is considerable. Past research has shown that high bureaucratic capacity is associated with similar results on targeted tariffs (Betz 2019). To assess whether there is a confounding variable and this is a spurious relationship, I regress Betz (2019) measurement of bureaucratic capacity on latent personalism. I find that switching from non-populist to populist regimes is associated with a decrease in bureaucratic capacity at a statistically significant level. Low-levels of bureaucratic capacity would predict the opposite results I find on targeted tariffs with populism.

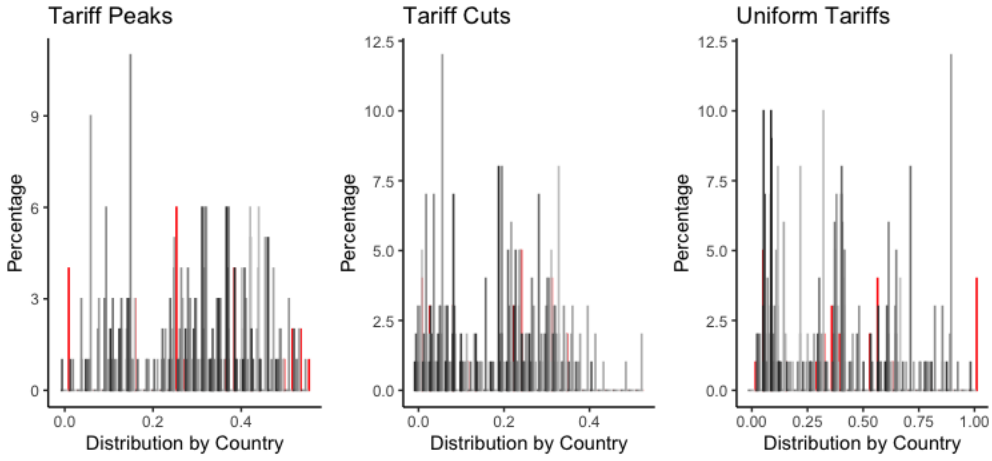


Figure 1: Histograms of targeted tariff data (outcome variables. Note: Left panel shows share of tariff categories with tariff peaks (defined as tariff rate one standard deviation above category average). Middle panel shows share of tariff categories with selective liberalization. Right panel shows share of tariff categories with uniform tariffs across products.)

7.2.1 Robustness Checks

Critiques of the populist measurement might point to whether populism is capable of capturing the autonomy of the leader from their party constraints. To examine the validity of this measure I compare it to existing indicators on political constraints. The POLCON III dataset contains an index that measures political constraints based on "the feasibility of political change by the host-country government" (Henisz 2000, 334). The variable is weighted between 0 and 1 with 1 indicating the highest level of constraint and directly addresses the separation of power between the legislator and the executive. I regress *polconiii* on personalism. The results are found in table 5.11. In line with my theoretical expectations, I find that political constraint is significantly and negatively associated with populism. In other words, an increase in political constraint of the executive decreases the likelihood that a regime will be populist; populism is associated with less constraints on the executive. I do not use the POLCON index to proxy for the independent variable as it does not capture the additional criteria of populism – which is the electoral agenda of the incumbent. Although, executive constraints on their own are also associated with an increase in the depth of PTAs (in line with my expectations). Political constraints do not affect trade through other channels such as variation in GDP.

Table 5.10: Effect of Populism on Targeted Tariffs

	Dependent variable:		
	peaks	share	cuts
	(1)	(2)	(3)
Populism	0.005** (−0.033, 0.044)	−0.096*** (−0.142, −0.049)	0.001* (−0.020, 0.023)
'left right'	0.017 (−0.002, 0.037)		
president	−0.003 (−0.041, 0.034)		
election_year	0.016 (−0.013, 0.045)		
bureaufac_norm	0.107 (−0.019, 0.234)		
gdp_capita	0.0004 (−0.001, 0.002)		
Constant	0.083 (−0.005, 0.170)	0.396*** (0.369, 0.424)	0.186*** (0.173, 0.199)
Observations	199	360	360
Akaike Inf. Crit.	−262.925	42.409	−506.518

Note: *p<0.1; **p<0.05; ***p<0.01

Table 5.11: Relationship between Political Constraints and Populism

	Dependent variable:	
	Populist Index	
	(1)	(2)
POLCON	−0.508*** (−0.722, −0.295)	−0.384*** (−0.563, −0.206)
GDP (Country A)		−0.002** (−0.003, −0.0005)
GDP (Country B)		−0.004*** (−0.005, −0.002)
Natural Resources (Country A)		−0.012** (−0.020, −0.004)
Natural Resources (Country B)		0.042*** (0.037, 0.047)
Trade log (Country A)		0.054* (0.009, 0.100)
Trade log (Country B)		0.129*** (0.087, 0.171)
region:Latin America		−0.017 (−0.111, 0.077)
region:North America		0.003 (−0.139, 0.144)
region:South Asia		0.013 (−0.174, 0.201)
region:Latin America		−0.160*** (−0.221, −0.099)
region:North America		0.289** (0.099, 0.479)
region:South Asia		−0.181 (−0.475, 0.113)
Observations	353	344
R^2	0.044	0.491
Adjusted R^2	−0.008	0.446
Note:		*p<0.1; **p<0.05; ***p<0.01

8 Conclusion

PTA design touches on key issues for modern states: international economic cooperation and the state of the domestic economy. The received wisdom is that populists may be driving or facilitating the backlash against the global trading regime. It is therefore surprising that at certain points in time populist leaders sign deeper PTAs than their non-populist counterparts. I have argued that domestic political incentives exist for leaders to design PTAs in certain ways. In particular, I argue that audience cost considerations are an institutional determinant of trade politics. Of course, audience costs are not the sole factor shaping PTA design; there are a number of economic and international variables which exert significant influence on how PTAs are designed. But the audience cost logic of trade policy, and its application to populist democratic leaders has been a neglected area of study to date.

PTAs are devices leaders can use to signal to the public that a leader is not captured by special interests or engaging in rent-seeking behaviour. The content of a PTA also signals the extent to which the leader has followed through on their commitment to liberalise trade. Irresponsible policy-making or failure to follow through by designing 'shallow' PTAs can incur audience costs which take the shape of either electoral defeat or mass unrest/coups. Sensitivity to audience costs varies depending on which group the leader relies on most to maintain power, and the preferences of that group. Leaders that incur larger audience costs from the masses are more likely to sign deeper PTAs than leaders who's audience costs are split between the masses and the inner-elite party-members or special interests. Using levels of populism, I argue that the less dependent the leader is on their inner-elite or party to survive, the more likely they are to cater to mass preferences in designing PTAs. Populist leaders sign deeper PTAs than non-populist leaders.

Audience costs have a similar impact on flexibility in PTAs. Populist leaders are more likely to include flexibility provisions than non-populist leaders. Populist leaders use adjustment mechanisms to soften the impact of deeper PTAs on import-competing industries. This finding is reinforced when looking at targeted tariffs, with populist leaders also more likely to use selective liberalisation to protect politically sensitive industries.

Lastly, economic crisis mediates the impact of audience costs on how leaders design PTAs. Evidence sug-

gest voters lean protectionist and advocate for economic nationalism during economic downturn. Populist leaders with greater sensitivity to audience costs are more receptive to these demands and sign shallower agreements during hard-times. Empirical tests based on a panel dataset covering multiple dimen- sions of PTA design have provided support for the above arguments predictions and posited causal mechanisms.

There are several avenues for future research. Given the relationship between deeper PTAs and greater flexibility in democracies in particular, my findings suggests that some of the criticisms that leaders make concessions in private to avoid incurring audience costs, are well founded (Levendusky and Horowitz 2012; Guisinger and Saunders 2017; Brown and Marcum 2011). Given the current uncertainty over the economy, these findings have implications for economic crisis bargaining, and how leaders will need to signal their responsiveness to downturn.

This study is also the first effort to assess whether and how the emergence of highly personalist leaders in democracies affects trade preferences. Among the many concerns raised by the rise of populism is that it has fuelled the anti-globalisation backlash against the international trade regime. My results show that these concerns are misplaced; on average populist leaders sign deeper PTAs than their non-populist counterparts. This relationship reverses during hard economic times. During down- turn, populist leaders are more likely to respond to demands for protection as voter attitudes become more hostile to free trade during periods of economic unrest. Highly populist populist leaders are hyper-sensitive to audience costs and are more likely to respond to shifting public demands in line with shifting economic fortunes. The finding that populst democracies become more protectionist during hard- times challenges the current empirical and theoretical dogma in the political economy literature that democracies will lean towards liberalisation under crisis (Davis and Pelc 2017; Mansfield and Milner 2018). This puzzling finding demands further attention. These findings pose many potential policy issues if the phenomenon of populism continues to grow and the global economy experiences increased volatility, since non-populist democrats are more likely to stay the course of free-trade during downturn.

A related question that emerges from this study is: Why do voters become more hostile to free trade during periods of economic unrest? Although antipathy to trade is likely the result of unemployment in import-competing industries and increased risk- aversion, the causal link is still unclear (Mansfield, Mutz, and Brackbill 2019). Future work should explore the endogenous relationship between populism and economic unrest, and why some states are susceptible to growths in populist leaders or parties.

Perhaps the most striking implication of the findings is to question whether studies that measure populism based on computational text-analysis should use the presence or absence of anti-trade rhetoric as the criteria. If populist leaders sign deeper PTAs, then the relationship between populist leaders and their rhetoric is unclear. Of course, whether voters are more likely to vote populist during periods of economic unrest when prompted with anti-trade political speeches is a ripe topic for future re- search. Trump's 2016 campaign speeches proclaimed that importing products is "the consequence of leadership class that worships globalism over Americanism" (Nandi 2018), and an interesting future line of inquiry should examine whether employment to companies of global value chains is a factor that affects how individuals respond to these claims, revealing more nuances of audiences targeted by campaign speeches in particular regions. These studies would also add to the current lacuna in empirical testing of New New Trade Theory. Evidence that this economic hyper-responsiveness of populist leaders extends to other instruments of policy-making suggests an important area for future research, including investment treaties, bilateral loans, and foreign direct investment patterns.

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