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The Returns from Rent-Seeking:
Campaign Contributions, Firm Subsidies
and the Byrd Amendment

by

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The Returns from Rent-Seeking: Campaign Contributions, Firm Subsidies and the Byrd Amendment[*]

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Abstract

This is the first empirical study to examine Congressional support of an antidumping law that directs the U.S. Customs Service to distribute collected duties to protected firms. The law produces a highly transparent measure of how much each firm is rewarded for its rent-seeking efforts to secure the bill's passage. Therefore, this policy provides researchers with a unique setting in which to study the link between campaign contributions, Congressional behavior, and the subsequent financial returns to firms. Our empirical results show that campaign contributions from potential beneficiaries increased the likelihood that lawmakers would sponsor the law, and political contributions from the law's beneficiaries increased with the rewards that they expected to receive.

Key words: campaign contributions, rent-seeking, Byrd Amendment, antidumping

JEL classification: F13, D72

Introduction

In late 2000, President Clinton signed legislation containing the most controversial antidumping legislation in decades. "The Continued Dumping and Subsidy Offset Act (CDSOA)," informally known as the Byrd Amendment, requires the U.S. Customs Service to distribute all collected antidumping (AD) duties to firms that supported the original petition of the existing AD order.[1] Prior to the Byrd Amendment, AD law (like tariffs in general) provided only indirect support by forcing targeted foreign competitors to pay added taxes. Passage of the CDSOA means that U.S. companies can now directly receive financial aid; disbursements generate a totally new source of revenue for recipient firms.[2]

The Byrd Amendment has been derided almost universally by international economists and U.S. trade partners. Even President Clinton, who signed the Agricultural Bill containing the Byrd Amendment, stated unequivocally: "I call on the Congress to override this provision, or amend it to be acceptable, before they adjourn." Despite these criticisms, the CDSOA was implemented and has led to the distribution of more than $500 million to U.S. firms in its first two years of operation. In 2002, an unprecedented number of WTO-member countries joined together to contest the CDSOA's legality under international trade law.[3] In 2003, a WTO appellate body ruled that the provision violates WTO law and must be repealed in order to avoid retaliatory measures.

The Byrd Amendment provides a highly transparent measure of how much each firm was rewarded for its rent-seeking efforts to secure the bill's passage, specifically the dollar value its Byrd disbursement. Therefore, this policy provides us with a unique setting in which to study the link between campaign contributions, Congressional behavior, and the subsequent financial returns to firms. In the

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following paper, we shed light on who originally supported the CDSOA and who has benefited from it. We investigate the link between the bill's Congressional sponsors and its corporate beneficiaries, focusing on the flow of campaign contributions between the two groups. While other researchers have studied the impact of political donations on Congressional outcomes, to our knowledge this is the first econometric analysis of Congressional behavior regarding the CDSOA, which allows for the study of the direct connection between a firm's political contributions and its financial returns.

Our results indicate that contributions from beneficiary firms increased a legislator's probability of sponsoring the Byrd Amendment. The probability of sponsorship was also higher for Republicans, members of the Senate, opponents of free trade, and those legislators representing states with relatively large steel industries. Additionally, we find evidence that political contributions from the law's beneficiaries increased with the rewards they expected to receive, although not by as much suggested by some political economy models of trade policy.

Our analysis begins with a brief legislative history of the Byrd Amendment, and its economic and political repercussions. In section III, we provide an overview of some of the political economy models that seek to explain patterns of trade protection, as well as empirical studies that have tested the validity of these models. Section IV contains our empirical model and a discussion of the data used in the analysis. Results of the empirical tests are presented in Section V, while Section VI concludes.

I.   History of the Byrd Amendment

Despite the global controversy that has developed over the Byrd Amendment, Congress enacted the law in late 2000 with virtually no debate and seemingly little thought as to its consequences.[4] The policy first appeared in March 1999, when Rep. Ralph Regula (R-OH) introduced the "Continued Dumping and Subsidy Offset Act of 1999" (H.R. 842) to the U.S. House of Representatives. Just two weeks later, Sen. Michael DeWine (R-OH) introduced an identical bill (S. 61) to the Senate. Both bills were referred to committees with oversight over international trade matters, where they languished for nearly two years.[5]

Later the following year, Congress worked furiously to complete the Agriculture Appropriations bill of 2001 prior to the end of the fiscal year.[6] The appropriations bill was relatively uncontroversial, providing funds to the U.S. Department of Agriculture and its programs, such as farm subsidies, food stamps, and natural disaster assistance. Although the Senate passed its version of the bill on July 20 and the House soon followed on July 22, these bills were not referred to a conference committee until September 28, just days before the end of the fiscal year.[7]

The 28 members of the conference committee, chaired by Rep. C. W. Bill Young (R-FL), met on October 3 to resolve differences between the two versions of the bill. Typically, conferees are limited in the changes they can make to appropriations bills. For example, conferees are not allowed to insert new matter that is not germane to the differences between the two versions of the bills. However, one of the conferees, Sen. Robert Byrd (D-WV) apparently proposed to amend the bill with the "Continued Dumping and Subsidy Offset Act." The new language, now known as the Byrd Amendment, was incorporated into the agricultural appropriations bills by a vote of 7 to 6, with 15 conferees either absent or abstaining from the vote.

Supporters of the Byrd Amendment claimed that there were not enough votes to strike the provision from the conference report. However, some press reports indicated that the Rep. Young (R-FL), the chair of the conference committee, allowed the amendment because he did not want to antagonize Sen. Byrd during the final days of the appropriation process.[8] The inappropriate amendment did not go unnoticed by the rest of Congress. Chairman of the House Ways and Means Committee Bill Archer (R-TX) wrote in a letter to Young that "I must insist that the amendment be deleted before filing the final conference report."

Despite Archer's protest, the amendment remained in the final conference report. Traditionally, conference reports are passed with minimal debate and no amendments. Members did have the option of raising a point of order against the conference report because it included non-germane provisions, but none did. During debate on the conference report, only two members spoke against inclusion of the Byrd Amendment. Rep. James Kolbe (R-AZ) stated that "because of my strong opposition to this provision, I will reluctantly vote against this bill today."[9] Sen. Don Nickles (R-OK) asserted that the amendment "could not pass the Finance Committee. It could not pass the Ways and Means Committee. Again, how many colleagues are even aware that this is in the bill? The Finance Committee, which deals with trade, would totally reject this idea of rewarding people if they file successful dumping lawsuits."[10] Both voted against the conference report. Nevertheless, the report passed in the House by a margin of 340 to 75 and in the Senate by a margin of 86 to 8.

Following its passage, the law was strongly criticized by U.S. importers and exporters, as well as its leading trading partners. For example, a group of U.S. importers claimed in February 2001 that the law "creates a financial incentive to support petitions [in order to collect] duties later, and could work to increase the

number of ...cases filed."[11] European Union officials stated that the system "creates a perverse incentive system" to reward companies for bringing complaints.[12] Empirical studies suggest that opponents were correct in their supposition that the Byrd Amendment would increase the level of antidumping protection in the United States. Olson [2004] found strong evidence that industries have filed more antidumping petitions since passage of the Byrd Amendment.

Although antidumping petitions have increased under Byrd Amendment, it is unclear what impact the new law has had on consumers and aggregate welfare. Using a theoretical model of firm decision-making, Evenett [2004] finds that a provision like the Byrd Amendment encourages domestic firms to raise prices, thus lowering total welfare, as doing so increases the sales of foreign firms and increases tariff revenue. Evenett's results also suggest that foreign firms are better off under the Byrd Amendment because of the price increase. In contrast, a model developed by Collie and Vandenbussche [2004] suggests that the Byrd Amendment can lead to lower antidumping duties and increase aggregate welfare; intuitively, domestic firms only receive Byrd funds if the government collects tariff revenue. Therefore firms are unlikely to request and pressure government officials for prohibitive tariff levels.

What is clear is that the Byrd Amendment has proven to be extremely popular among certain U.S. firms since its passage. Customs distributed $561.1 million to over 1,200 firms between 2001 and 2002. The value of individual awards ranged from hundreds of dollars to more than $60 million. Table [1] includes a list of the leading beneficiary industries in 2001.

The World Trade Organization ruled in September 2002 that the Byrd Amendment violates the international agreement on subsidies and directed the United States to abolish the law. There are currently two bills pending before Congress that

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would repeal the Byrd Amendment, although it is unclear when action on these bills will be taken.

II. The political economy of trade protection

Economists have developed a wide-variety of political economy approaches to explain the formation of trade policy. For example, Mayer [1984] uses a median voter framework to postulate that the tariff schedule is developed according to the interests of voters and, thus, is a function of an economy's factor-ownership distribution. Because few countries utilize direct democratic voting to decide upon complicated issues such as trade policy, Hillman [1982] develops an alternative model in which the tariff rate is the solution to an optimizing problem in which the government faces a tradeoff between political support from industries and the dissatisfaction of consumers. Hillman was one of the first to postulate that the welfare that accrues to elected officials due a specific decision, or the political support function, is a weighted function of the gain to industries and aggregate welfare in the economy.

Most political economy models since Hillman [1982] have utilized a political support function framework; in these models, elected officials care about the gain to industries because industries provide officials with political contributions which are essential to winning elections. However, the models differ in the motivation and timing behind political contributions. For example, Magee, Brock and Young [1989] suggest that candidates choose their trade policy prior to an election; industries contribute to the candidate whose trade policy most closely meets their needs and the contributions help those candidates win the election. In contrast, Grossman and Helpman [1994] hypothesize that special interest groups offer politicians campaign

contributions that depend upon their policy stance. Then politicians choose their stance knowing that the level of contributions depends upon their decision

Several economists have tested the validity of political economy models of trade policy. For example, Goldberg and Maggi [1999] directly test Grossman and Helpman's [1994] "Protection for Sale" model using coverage ratios for non-tariff barriers in the United States in 1983 and find that the pattern of protection was consistent with the basic predictions of the model. Baldwin and Magee [2000] examine Congressional voting patterns on three trade bills introduced in 1993 and 1994 to study whether campaign contributions by Political Action Committees (PAC) influenced individual Congressmen's votes. They find that contributions from labor groups were associated with votes against freer trade and contributions from business groups were associated with votes in favor of freer trade. Similarly, Fisher, Gokcekus and Tower [2002] study individual votes on the "Bipartisan Steel Recovery Act of 1999," and find that political contributions from the steel industry and steel unions increase the probability of a vote in favor of the bill, while contributions from the auto industry decrease the probability of an affirmative vote.

Many of the same political economy models described above can also be applied to other policy outcomes; economists and political scientists have used a wide variety of methods to test if and how campaign contributions impact legislative outcomes. For example, Chappell [1982] compares interest group contributions and Congressional votes on seven different Congressional votes between 1974 and 1977; he is unable to conclude that contributions have a significant impact on voting decisions, particularly compared to personal ideology and the preferences of constituents. Stratmann [1991] suggests that these results may be due to the complexity of the issues chosen for study; in a similar study using votes on subsidies

to the farm sector he finds that contributions are an important determinant in explaining voting behavior; he also finds that relatively small amounts of contributions can have important consequences for the outcome of Congressional elections.

Other empirical papers have postulated that campaign contributions and lobbying may influence legislative outcomes slightly differently. Wright [1990] finds that while campaign contributions prove useful in explaining special interest group's lobbying patterns, it is lobbying, not money, that shape Congressional member's policy decisions. Hall and Wayman [1990] conclude that campaign contributions are more likely to influence the degree of Congressional members' involvement in a particular piece of legislation, not their vote.

Although there have been no empirical studies that examine whether campaign contributions have influenced changes in U.S. antidumping statutes, numerous economists have analyzed whether political economy models of trade policy can explain the outcomes of antidumping petitions. Models of bureaucratic decision-making suggest that bureaucratic agencies such as the International Trade Commission (ITC) may become closely controlled by Congress. Moore [1992], Hansen and Prusa [1997], and Liebman [2001] all find evidence that constituents of the Congressmen on the committees charged with overseeing the ITC are favored in the antidumping petition process. However, like Devault [2001], many of these studies find that economic criteria are more important determinants of petition outcomes.

Like Baldwin and Magee [2000] and similar papers, this study analyzes the impact of campaign contributions on legislative outcomes. However, because we observe which firms applied for Byrd Amendment dollars in the year following

passage of the legislation, we are able to pinpoint those firms whose contributions were most likely made to pressure Congressional members to support the Amendment. The Byrd Amendment also provides a unique opportunity to study the marginal return per dollar of campaign contribution, because we observe exactly how much each firm benefited from the Byrd Amendment in the year following passage of the legislation. Because of the distinct legislative history of the Byrd Amendment, we focus on an alternative way of measuring Congressional support for the law instead of using Congressional votes. Specifically, we hypothesize that firms use campaign contributions to pressure Congressmen to sponsor the legislation and, thus, help ensure its passage.

III. Econometric specification and data

As noted above, most studies of the political economy of trade protection utilize Congressional votes on a particular piece of legislation as the dependent variable to test for the presence of political influence. However, because the Byrd Amendment was part of a larger non-trade related bill, the votes on this particular bill cannot be considered indicative of the level of support for the Byrd Amendment. For example, Rep. Archer, who was so adamant that the Byrd Amendment should be excluded from the appropriations bill, abstained from the final vote on the conference report. Speaker of the House Dennis Hastert (R-IL) still voted in favor of the bill, despite stating that the provision was "counter to fundamental negotiating objectives" in the World Trade Organization (WTO).[13]

Therefore, we use a measure of legislative involvement as the dependent variable to test whether political contributions influence legislative outcomes. Hall and Wayman [1990] measure this involvement as the member's activity during formal committee mark-ups and committee action behind the scenes, however this data is not

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publicly available for the Byrd Amendment. Therefore, we proxy legislative

involvement with whether or not the member was a co-sponsor of the original bill

introduced in the House and Senate. There were 68 cosponsors of the "Continued

Dumping or Subsidy Offset Act" in the House and an additional 26 in the Senate (see

Table [4]). Six of these cosponsors were on the conference committee that attached

the Byrd Amendment to the appropriations bill. Therefore, it seems reasonable to

believe that these cosponsors were integral in the final passage of the Byrd

Amendment.

Political economy models of trade policy suggest that a legislator's involvement

will be influenced by industry campaign contributions as well as constituent

characteristics. We propose that campaign contributions received by the legislator are

a function of the expected benefits firms expect to receive from the Byrd

Amendment, the legislator's expected policy position, and the influence the legislator

may have on passage of the legislation. As noted in Chappell [1982], Stratmann

[1991], and Baldwin and Magee [2000], the residuals in the involvement equation and

contribution equation may be correlated. In other words, the same unobserved factors

may influence both the level of contributions made to a Congressman and his or her

support for the Byrd Amendment. Therefore, we analyze the level of legislative

involvement in the Byrd Amendment and the campaign contributions received by the

legislator using a "simultaneous probit-Tobit" model proposed by Chappell [1982].[14]

Specifically, define S_i^* as the legislator i's propensity to actively support or

sponsor the Byrd Amendment, and a dummy variable S_i that equals 1 when the

legislator chooses to sponsor the legislation. Define C_i as the value of political

contributions from firms that expect to benefit from the Byrd Amendment following

its passage. The model we use to explain sponsorship and contributions is defined as:

$$S_i^* = \beta_C C_i + \beta' X_i + \varepsilon_{iS}$$

$$S_i = \begin{cases} 1, & if \quad S_i^* \geq 0 \\ 0, & else \end{cases} \tag{1}$$

$$C_i = \begin{cases} \gamma' W_i + \varepsilon_{iC} & if \quad \gamma' W_i + \varepsilon_{iC} \geq 0 \\ 0 & else \end{cases} \tag{2}$$

where X_i is a vector of other variables that influence legislator's sponsorship decision, W_i is a vector of variables that determine campaign contributions from the beneficiary firms, and β and γ are parameters to be estimated. We assume that the errors ε_{iC} and ε_{iS} have the bivariate normal distribution with the following restrictions:

$$E(\varepsilon_{ij}) = 0, \ E(\varepsilon_{ij}^2) = 1, E(\varepsilon_{iC}\varepsilon_{iS}) = \rho \quad for \ all \ i, j$$
$$E(\varepsilon_{ij}\varepsilon_{i'j'}) = E(\varepsilon_{ij}\varepsilon_{i'j}) = 0 \quad for \ all \ i \neq i' \tag{3}$$

As noted above, models of trade policy suggest that the sponsorship decision *(S)* will be influenced by industry campaign contributions as well as constituent characteristics. Although there is probably some welfare loss associated with the Byrd Amendment, this loss is widely dispersed across consumers, foreign firms, and U.S. importers. The literature on collective actions clearly indicates that the more dispersed costs, the less likely it is that individuals or firms will lobby against an action; therefore, we focus solely on contributions from the proponents or beneficiaries of the Byrd Amendment. We collected political contribution data from the Federal Election Commission (FEC). Firm contributions are the sum of contributions by any Political Action Committees (PAC) affiliated with the firm as well as contributions by individuals who list the firm as their primary place of employment between 1998 and 2000.[15]

We proxy constituent and, thus, legislator characteristics in a number of important ways. To control for pre-existing Congressional attitudes toward trade policy and, possibly, the Byrd Amendment, we include the Congressional member's vote on the African Growth and Opportunity Act of 2000 (AGOA). The bill, which was one of the few trade actions taken by the 106th Congress, expanded trade relations with sub-Saharan Africa and the Caribbean Basin, renewed the Generalized System of Preferences (GSP) program, and reauthorized the Trade Adjustment Assistance (TAA) program. It passed in the House by a margin of 309 to 110 and in the Senate by a margin of 77 to 19.

We also include a dummy variable for legislators who represent states in which the steel industry accounts for at least 0.10 percent of total employment. Because steel represents more than one-third of the total AD caseload, it is likely that legislators from these states would be pre-disposed to vote for more favorable AD laws. Finally, we include two dummy variables to capture political and institutional differences across members. Because the Republican Party is generally considered less protectionist than the Democratic Party, we hypothesize that its members would be less likely to sponsor a bill like the Byrd Amendment. Similarly, Senators, who have a broader constituent base than Representatives, may be less vulnerable to narrow interest groups like those pursuing trade protection.

Constituent and legislative characteristics will also influence the amount of political contributions donated to each candidate *(C)*. Therefore, all of the variables included in the Sponsorship equation are also included in the contributions equation. One would also expect the level of political contributions to be a function of the amount of influence the legislator has on passage of the legislation. We include a dummy variable for those members of the House Ways and Means and Senate

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Finance Committees because the legislation was initially referred to these Committees, and normally the legislation should have been passed by these Committees prior to being considered by the rest of Congress. We also include the number of terms each legislator has served in Congress because more senior members of Congress typically have more power.

Finally, but perhaps most importantly, we assume that the level of political contributions is a function of total receipts of Byrd Amendment funds in 2001. Grossman and Helpman [1994] find that the marginal change in political contributions associated with a small change in policy is equal to the effect of the policy change on the lobby's gross welfare. As noted above, the Byrd Amendment provides a unique chance to test this hypothesis because we observe exactly how much each firm benefits from the policy. We expect the level of beneficiary firms' political contributions to be highly correlated with the expected level of benefits associated with passage of the Byrd Amendment, which is proxied by the actual receipt of funds in 2001.

IV.   Empirical results

Full information maximum likelihood (FIML) results appear in Table [2]. Adjusted R^2 values suggest that the model fits the data reasonably well. All probit coefficients in the Byrd 'sponsorship' equation are significant at the one percent level. Most importantly, campaign contributions from disbursement recipients appear to have influenced support for the Byrd Amendment. Marginal effect calculations indicate that an extra one thousand dollars in contributions increased the likelihood that a member of Congress would sponsor the Byrd Amendment by about 0.43 percent.[16]

To further investigate the significance of campaign contributions on legislative outcomes, we perform a simulation similar to that performed in Baldwin and Magee [2000]. Using coefficient estimates from the model, we estimate the probability of each legislator sponsoring the CDSOA. Summing these probabilities, we find that the model predicts that there will be 79 sponsors of CDSOA.[17] Recalculating these probabilities assuming that campaign contributions are zero, we find that the number of sponsors of the bill drops 67 percent from the baseline model to only 39 sponsors. Given the small number of legislators that actually approved inclusion of the Byrd Amendment on the agricultural appropriations bill, this significant decline in support may have been enough to prevent passage of the law.

Members of the Senate and the Republican Party were more likely to sponsor the bill, holding other factors constant. We find these results to be somewhat counterintuitive, since as noted above Republicans are traditionally more inclined towards free trade and Senators are generally less vulnerable to protectionist interest groups. As expected, legislators from steel states were more likely to sponsor the Byrd Amendment. Marginal effect calculations show that legislators from states with relatively high steel employment were almost eight percent more likely to sponsor the bill. This is not trivial, but perhaps smaller than we would have predicted given the intense usage of AD law by the steel industry.[18] Finally, lawmakers generally opposed to free trade, as indicated by a vote against the African Trade bill, clearly favored the highly protectionist Byrd Amendment.

The second equation in our system analyzes campaign contributions from firms that received Byrd funds. Most explanatory variables produce significant coefficient estimates at either the one or five percent level. Results indicate a positive and significant association between campaign contributions given by Byrd beneficiaries

between 1998 and 2000 and the disbursements paid in 2001. Specifically, a one million dollar increase in the benefits earned by those Byrd beneficiaries contributing to a specific legislator resulted in an average increase in political contributions of $194.

It is difficult to interpret these results, which are aggregated at the firm level but disaggregated by legislator. However, a separate analysis of disaggregated firm contribution data confirms the above results. Specifically, regression results presented in Table [3] indicate that a million dollar increase in the Byrd disbursements received by individual firms resulted in an average $600 increase in total campaign contributions. The larger the Byrd payout the firm expected to receive (in the event that the CDSOA became law), the more they donated to Congress – presumably to increase the likelihood of the bill's passage.

However, this result is far from supporting Grossman and Helpman's [1994] prediction that the marginal change in political contributions should be equal to the effect of the policy change on the firm's gross welfare. The tiny magnitude of the coefficient shows that large increases in predicted disbursements are associated with relatively small increases in contributions. This is possibly due to the fact that contributions serve to generate Congressional support for a number of issues, not just the CDSOA. In fact, regression results confirm that historical levels of campaign contributions, prior to the introduction of the CDSOA, are a stronger predictor of contributions between 1998 and 2000.[19] It may also be due to the uncertainty surrounding the impact of the law; for example, the steel industry might have expected to be the largest beneficiary of the CDSOA, but it has received a relatively small percentage of total Byrd disbursements. Finally, campaign finance laws in the

United States may prevent firms from donating as much as they would ideally like to the candidate.[20]

We find that members of the Senate were more likely to receive larger contributions, a plausible outcome since a single Senate vote carries greater weight than a single House vote. On the other hand, more senior senators received smaller contributions from Byrd recipients. We attribute this to the fact that Senators with longer tenures are perhaps more secure amongst their constituencies and therefore less likely to be influenced by contributions. Thus, they were less likely to be targeted by potential Byrd beneficiaries. Republicans also received smaller contributions from Byrd recipients, an expected result given the Party's generally free trade orientation.

Finally, coefficients on the 'African Trade Bill' and 'Steel State' dummy variables indicate that larger contributions were given to lawmakers generally opposed to free trade and/or from states with larger steel industries. Both of these finding are expected.

V.   Conclusions

The Byrd Amendment provides economists with a new opportunity to investigate the relationship between financial rewards, campaign contributions, and legislator behavior. Like other empirical political economy articles, we find that campaign contributions strongly influenced Congressional decision making.

The nature of the Byrd Amendment, however, also allows us to more accurately assess the relationship between firm-level rewards from protectionist trade policies and firm-level campaign contributions. Our results indicate that larger contributions did indeed come from firms that were more likely to receive large Byrd pay-outs. However, large increases in Byrd disbursements are associated with only small

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increases in campaign contributions, which is far from the one-to-one correspondence predicted by some theoretical models. We attribute this to three facts: contributions serve to generate Congressional support on several fronts, not just a single piece of legislation such as the CDSOA, uncertainty surrounding the benefits of the CDSOA may have retarded political contributions, and campaign finance laws may prevent firms from donating their optimal amount.

WTO condemnation of the Byrd Amendment has led to increasing pressure to remove this policy. In the event that retaliatory measures are taken by U.S. trade partners, the political influence of Byrd beneficiaries will be more severely tested. At that point, an opposition to the CDSOA will emerge and a more complex welfare analysis of this legislation will be necessary. Until that time, U.S. firms will continue to receive hundreds of millions of dollars in Byrd disbursements in addition to the more favorable competitive conditions they enjoy due to traditional antidumping protection.

[1] The CDSOA was contained in the Agriculture Spending bill passed by the 106th Congress (Public Law 106-387). Prior to the CDSOA, dumping duties collected by U.S. Customs were ultimately transferred to the U.S. Treasury. The CDSOA, which modifies antidumping law dating back to the Tariff Act of 1930, requires that duties be placed into accounts for the U.S. firms that were the original petitioners for standing AD orders. Firms then petition Customs for the collected duties in order to pay for "qualified" expenditures, including manufacturing facilities, equipment, research and development, and personnel training.

[2] The Byrd Amendment has drastically altered the fortunes of several US firms, including a few that have actually reopened production facilities in order to be eligible for disbursements. For example, Elkton Sparkler Company, which had closed its factory in 1999, resumed production in 2002 in order to claim Byrd funds (see Wall Street Journal, December 5, 2002). The policy has also provided enormous sums of money for a select group of firms (See Table 5). For example, bearing producer Timken had a net income of $38.8 million in 2002. However, if the firm had not collected $79.8 million in Byrd disbursements during the year, it would have had a net income **loss** of approximately $41 million.

[3] Eleven members requested the establishment of a panel (Australia, Brazil, Canada, Chile, EU, India, Indonesia, Japan, Korea, Mexico, Thailand), and six others joined as third parties supporting the complaints (Argentina, Costa Rica, Hong Kong, China, Israel, and Norway). See http://www.eurunion.org/news/press/2003/2003003.htm.

[4] The fact that the bill passed with so little discussion perhaps illustrates a significant weaknesses in the U.S. legislative process.

[5] The House Ways and Means Committee and Senate Finance Committee have jurisdiction over all international trade issues, thus any legislation dealing with trade policy is typically debated, amended and passed by these Committees before being referred to the entire House or Senate for further amendment and vote.

[6] Each year, Congress must pass 13 appropriations bills that provide the legal authority to spend U.S. Treasury funds on such things as agriculture and defense. If these bills are not passed by October 1, or the start of the fiscal year, Congress must pass short-term funding bills or face a government shut-down.

[7] Following passage of a bill in both the House and Senate, the bill must then be considered by a Conference Committee, who is charged with resolving the differences between the two bills.

[8] "Byrd Amendment on AD, CVD Duties Prevails in Conference," Inside U.S. Trade, October 6, 2000, pg. 8.

[9] Congressional Record, 2000. 106th Cong., 2nd session, Vol. 146, pt. 126.

[10] Ibid.

[11] "Importer Group Urges U.S. Congress to Repeal Byrd Amendment," Dow Jones International News, February 13, 2001.

[12] Elizabeth Olson, "U.S. Law on Trade Fines is Challenged Overseas," The New York Times, July 14, 2001.

[13] "Byrd Amendment on AD, CVD Duties Prevails in Conference," Inside U.S. Trade, October 6, 2000, pg. 8.

[14] We also test the model's two equations separately. Probit results for the sponsorship equation change very little from those produced by the full model. However, least

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squares results from the campaign contributions equation are quite different from those generated in the system estimation.

[15] These years were chosen to capture contributions that led to the legislator's election in the Fall of 1998, as well as those made during the 106th Congressional session that could have encouraged the representative to support the CDSOA.

[16] The estimated coefficients from a probit model cannot be interpreted as the predicted change in the dependent variable produced by a marginal change in the independent variable ($\partial y/\partial x$). In order to measure the predicted change in the probability of sponsoring the legislation produced by a marginal change in the continuous independent variables or a discrete change in the independent dummy variables, marginal effects are estimated from the full model. Marginal effects are calculated at the selected variable's sample mean, evaluating all other variables at their sample means.

[17] The model appears to predict decisions in the Senate more accurately than in the House. The model correctly predicts 26 sponsors in the Senate, but underestimates the number of sponsors in the House by 16.

[18] This may be related to the fact that steel producers have **not** been amongst the top recipients of Byrd disbursements.

[19] We define historical contributions as those made by the firms between 1995 and 1997.

[20] Currently, no individual is allowed to donate more than $2,000 to any individual candidate, and PACs are prevented from donated more than $5,000 to any individual candidate.

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Table 1
Byrd amendment receipts, 2001

Product	Millions of Dollars	Share of Total
Ball bearings	$74.6	36.1
Pasta	20.0	9.7
Petroleum wax candles	18.3	8.8
Cylindrical roller bearings	12.6	6.1
Industrial belts	8.4	4.1
Stainless steel sheet and strip	7.6	3.7
Carbon-steel flat products	7.1	3.4
Tapered roller bearings	5.2	2.5
DRAMS	5.1	2.5
Stainless-steel cookware	3.8	1.8
Other	44.1	21.3
Total	$206.8	100.0

Source: U.S. Customs, "Fiscal Year Reports For Continued Dumping and Subsidy Offset Act, FY 2001."

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Table 2
Full information maximum likelihood results (FIML)

Parameter	Coefficient Estimate	Marginal Effects	Variable Mean
Dependent Variable: SPONSOR			
Constant	-1.6524**		
Contributions (in thousands of dollars)	0.0595**	0.0043	$6.64
Senate	0.8417**	0.0738	0.19
Republican	0.4093**	0.0389	0.51
African Trade Bill Vote	-1.0313**	-0.0606	0.80
Steel State	0.9504**	0.0796	0.30
Adjusted R^2	15.96		
Dependent Variable: CONTRIBUTIONS			
Constant	7.4389**	7.4389	
Disbursements (in thousands of dollars)	0.0002**	0.0002	$11,954.90
Senate	2.9252*	2.9252	0.19
Terms	-0.0215	-0.0215	4.61
Terms*Senate	-2.0833**	-2.0833	0.47
Republican	-3.6681**	-3.6681	0.51
African Trade Bill Vote	-1.5850*	-1.5850	0.80
Trade Subcommittee	-1.3572	-1.3572	0.11
Steel State	2.2570**	2.2570	0.30
Adjusted R^2	22.75		
Log Likelihood	-2005.56		
Number of Observations	535		

**,* indicates significance at the 1% and 5% levels respectively

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Table 3
Firm-level total political contributions (OLS estimation)

Parameter	Coefficient	Variable Mean
Constant	-2.6186	
Byrd disbursements (thousands of dollars)	0.0006**	$1,605.64
Historical contributions (thousands of dollars)	1.4856**	16.42
Steel	4.0759	0.55
Adjusted R^2	98.23	
Number of observations	142	

** indicates significance at the 1% level

Table 4
Congressional sponsors of the CDSOA

House Sponsor	State	House Sponsor (cont)	State
Aderholt, Robert	AL	Regula, Ralph	OH
Barcia, James A	MI	Ros-Lehtinen, Ileana	FL
Bishop, Sanford D Jr	GA	Sawyer, Thomas C	OH
Blagojevich, Rod R	IL	Schaffer, Robert W "Bob"	CO
Boyd, F Allen Jr	FL	Sherwood, Don	PA
Brown, Sherrod	OH	Shimkus, John M	IL
Buyer, Steve	IN	Shuster, E G	PA
Canady, Charles T	FL	Skeen, Joe	NM
Chabot, Steven J	OH	Skelton, Ike	MO
Coyne, William J	PA	Souder, Mark E	IN
Cramer, Robert E "Bud"	AL	Spratt, John Mckee Jr	SC
Cunningham, Randy "Duke"	CA	Strickland, Ted	OH
Degette, Diana L	CO	Stupak, Bart	MI
Deutsch, Peter	FL	Thompson, Mike	CA
Diaz-Balart, Lincoln	FL	Thurman, Karen L	FL
Doolittle, John T	CA	Traficant, James A Jr	OH
Doyle, Michael F	PA	Visclosky, Peter J	IN
English, Philip	PA	Whitfield, Edward	KY
Evans, Lane A	IL	Wise, Robert E Jr	WV
Farr, Sam	CA	Young, C W Bill	FL
Foley, Mark	FL		
Gephardt, Richard A	MO	**Senate Sponsor**	**State**
Gillmor, Paul E	OH	Abraham, Edmond Spencer	MI
Goss, Porter Johnston	FL	Ashcroft, John D	MO
Hayes, Robert Cannon	NC	Baucus, Max S.	MT
Holden, Tim	PA	Bunning, Jim	KY
Johnson, Nancy Lee	CT	Burns, Conrad	MT
Jones, Stephanie Tubbs	OH	Byrd, Robert Carlyle	WV
Kaptur, Marcy (Marcia) C	OH	Collins, Susan M	ME
Kennedy, Patrick J	RI	Conrad, Gaylord Kent	ND
Klink, Ronald P	PA	Craig, Larry E	ID
Kucinich, Dennis J	OH	Crapo, Michael D	ID
Levin, Sander M	MI	Daschle, Thomas A	SD
Lipinski, William O	IL	Dewine, Mike	OH
Lofgren, Zoe	CA	Dorgan, Byron L	ND
Manzullo, Donald A	IL	Fitzgerald, Peter G	IL
Mascara, Frank	PA	Hatch, Orrin G	UT
Mccollum, Bill	FL	Helms, Jesse	NC
Mica, John L	FL	Hollings, Ernest F	SC
Mollohan, Alan B	WV	Hutchinson, Tim	AR
Murtha, John P	PA	Johnson, Tim	SD
Myrick, Sue	NC	Rockefeller, John Davison Iv	WV
Ney, Robert William	OH	Santorum, Richard J	PA
Norwood, Charles Whitlow	GA	Smith, Bob	NH
Phelps, David D	IL	Snowe, Olympia J	ME
Pryce, Deborah	OH	Specter, Arlen	PA
Radanovich, George	CA	Thurmond, Strom	SC
Rahall, Nick J Ii	WV	Voinovich, George	OH
		Wellstone, Paul David	MN

Table 5
CDSOA recipient firms and 2001 disbursements

Firm	Product	Disbursements
Torrington	bearings	$62,840,463
Timken	bearings	$31,019,146
Zenith Electronics	TV receivers	$24,311,452
Candle-Lite	candles	$15,587,593
The Gates Rubber Company	industrial belts	$8,361,259
New World Pasta (Hershey Foods)	pasta	$8,136,032
American Italian Pasta	pasta	$7,659,236
Micron Technology	random access memory (RAM)	$5,194,281
Bethlehem Steel	steel sheet	$4,160,116
Armco	carbon steel long/flat products	$3,716,372
Ideal Basic Industries	cement	$3,253,895
E.I. du Pont de Nemours	chemical products	$3,019,047
Magnesium Corporation of America	magnesium	$2,915,609
Carpenter Technology	stainless steel	$2,787,325
Olin	brass sheet	$2,621,843
Hercules	industrial nitrocellulose	$2,538,604
Woodings-Verona	hand tools	$2,372,808
A. Zarega's Sons	pasta	$2,314,480
U.S. Steel	carbon steel long/flat products	$2,312,843
Allegheny Ludlum	stainless steel	$2,070,947
Maui Pineapple	canned pineapple	$1,792,483
General Wax & Candle	candles	$1,658,099
Diamond Sparkler	sparklers	$1,582,575
Wheatland Tube	steel pipe/tube	$1,475,846
J&L Specialty Steel	stainless steel	$1,241,013
Philadelphia Macaroni	pasta	$1,190,042
Laclede Steel	steel pipe/tube	$1,168,328
North American Stainless	stainless steel	$1,145,237
Lumi-Lite Candle	candles	$1,072,290
Neenah Foundry	iron/steel castings	$1,013,805
LTV Steel	carbon steel long/flat products	$865,233
Allied Tube & Conduit	steel pipe/tube	$860,768
Gooch Foods	pasta	$732,374
Diamond Chain	roller chain	$725,064
Kubar Bearings	ball bearings	$711,908
Vulcan Foundry	iron/steel castings	$698,322
Talley Metals Technology	stainless steel	$678,788
Quanex	steel pipe/tube	$550,718
Sharon Tube	steel pipe/tube	$549,651
Rockwell Graphics Systems	newspaper printing presses	$530,843
Inland Steel Industries	carbon steel long/flat products	$485,409
Illinois Tool Works	helical spring lock washers	$441,276
General Housewares	cooking ware	$438,819
Morse Chain Division, Borg Warner	roller chain	$433,921
Minnesota Mining & Manufacturing	pressure-sensitive plastic tape	$413,729
Link-Belt Chain Division, FMC	roller chain	$405,211
WCI Steel	carbon steel long/flat products	$377,908
Globe Metallurgical	silicon metal	$324,545

Table 5 (cont)
CDSOA recipient firms and 2001 disbursements

R-M Industries	sulfanic acid	$300,084
National Steel	carbon steel long/flat products	$280,784
Rex Chainbelt	roller chain	$275,921
Dixon-Ticonderoga	Pencils	$252,676
Buffalo Color	China	$242,582
Stauffer Chemical (Rhodia, Inc.)	industrial phosphoric acid	$224,622
Century Tube	steel pipe/tube	$220,613
Slater Steels	stainless steel	$213,937
Warwood Tool	hand tools	$202,269
Tube Forgings of America	steel fittings	$201,140
Le Baron Foundry	iron castings	$197,780
Albright & Wilson (Rhodia, Inc.)	phosporic acid	$197,535
Ladish (Trinity Fitting Group, Inc.)	steel fittings	$190,159
Crucible Materials	steel pipe/tube	$184,653
Geneva Steel	carbon steel long/flat products	$135,601
Bristol Metals	steel pipe/tube	$130,294
U.S. Foundry & Manufacturing	iron/steel castings	$126,841
Western Tube & Conduit	steel pipe/tube	$119,811
Kaiser Steel	steel pipe/tube	$113,177
Wagner Brake	brake rotors	$107,478
Lukens Steel	carbon steel long/flat products	$104,887
Monterey Mushrooms	preserved mushrooms	$92,883
Damascus Tubular Products	steel pipe/tube	$91,704
Litton Power Translission Division	roller chain	$86,707
UNR-Leavitt (Leavitt Tube Company)	steel pipe/tube	$82,083
ACCO USA	paper clips	$76,427
Faber-Castell (Newell Rubbermaid)	Pencils	$71,026
Mushroom Canning	preserved mushrooms	$68,577
Lone Star Steel	steel pipe/tube	$65,223
North Star Steel	steel pipe/tube	$64,395
Heritage Salmon	fresh/chilled Atlantic salmon	$63,576
Regal Ware	stainless steel	$60,310
Republic Engineered Steels	stainless steel	$60,310
East Jordan Foundry	iron castings	$58,957
Wooster Brush	paint brushes	$56,863
Ispat Inland Steel Industries	carbon steel long/flat products	$54,195
IPSCO Steel	carbon steel long/flat products	$51,877
L.K. Bowman	preserved mushrooms	$47,087
Chemical Products	barium chloride	$38,634
Maruichi American	steel pipe/tube	$33,650
Taylor Forge Stainless	stainless steel	$33,389
Pajaro Valley Greenhouses, Inc.	Flowers	$32,909
Shaw Alloy Piping Products	stainless steel fittings	$29,202
Municipal Castings	iron/steel castings	$28,935
Hyster	forklift trucks	$27,552
Southwestern Pipe	steel pipe/tube	$24,337
Southwood Farms	preserved mushrooms	$21,545
United Steelworkers of America	Steel	$21,462
Flowline	stainless fittings	$20,433

Table 5 (cont)
CDSOA recipient firms and 2001 disbursements

Republic Technologies International	carbon steel long/flat products	$17,348
Mills Iron Works	steel fittings	$14,417
Wellman	polyester staple fiber	$13,371
United Canning	reserved mushrooms	$12,423
Gerlin	flanges/pipe	$12,140
The Garlic Company	fresh garlic	$11,806
Sunny Dell Foods	preserved mushrooms	$11,714
A&D Christopher Ranch	Garlic	$10,366
Electralloy	stainless bar	$8,792
Alexander & Baldwin	Sugar	$8,060
Arteva Specialties S.a.r.l.	polyester staple fiber	$8,059
Vessey and Company	fresh garlic	$3,080
Tyler Pipe	iron/steel castings	$2,529
TXI-Chaparral Steel	steel beams	$1,891
Allegheny Foundry	iron castings	$1,869
AmeriSteel	steel reinforcing bar	$1,835
Maass Flange	steel flanges	$1,703
Markovitz Enterprises	steel fittings/flanges	$1,509
Elkem Metals	silicon metal	$1,283
Nucor	carbon steel long/flat products	$1,004
Birmingham Steel	steel reinforcing bar	$1,000
New Jersey Steel	steel reinforcing bar	$735
Ideal Forging	steel flanges	$708
Vision Metals' Gulf States Tube	steel pipe/tube	$675
Commercial Metals	steel reinforcing bar	$674
CF&I Steel	steel pipe/tube	$507
Weldbend	steel fittings	$338
Planar Systems	electroluminescent flat-panel displays	$256
Intercontinental Polymers	polyester staple fiber	$243
Maverick Tube	steel pipe/tube	$217
Hackney	steel fittings	$217
Marion Steel	steel reinforcing bar	$210
Koppel Steel	steel pipe/tube	$109
California Steel Industries	carbon steel long/flat products	$92