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TIMING IS EVERYTHING

Elections and Trade Liberalization in the Postcommunist World

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In the wake of the Soviet bloc's collapse, various postcommunist countries rushed to gain greater access to foreign markets. Many of them have made substantial progress in liberalizing commerce, but the movement toward free trade has been by no means universal. One prominent view is that the establishment of democratic institutions has stimulated economic reform in the postcommunist world. The authors conduct one of the first studies on this topic and find that democracies are indeed more likely to liberalize trade than nondemocracies. They also find that the electoral calendar has a potent influence on the timing of commercial reform in postcommunist democracies: Controlling for a range of factors, politicians are most likely to reduce trade barriers immediately after voters go to the polls. Trade liberalization is much less likely to occur at other points in a democracy's electoral calendar, and elections have no effect on commercial reform in nondemocracies.

Keywords: elections; trade policy; economic reform; postcommunist countries

In the wake of the Soviet bloc's collapse, various postcommunist countries rushed to gain greater access to foreign markets. Many of them have made substantial progress in liberalizing commerce, but the movement toward free trade was by no means universal. More than a decade after the fall of the Berlin Wall, very little is known about why some postcommunist countries have liberalized trade whereas others have not. Equally little is known

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about the factors guiding the timing of trade liberalization in the countries that enacted commercial reforms. The purpose of this article is to provide some initial evidence on these important topics.

One prominent view is that the establishment of democratic institutions has stimulated economic reform in the postcommunist world. Systematic research evaluating this claim, however, has been surprisingly scant, and virtually no such work centers on trade policy. Here we conduct one of the first studies on this topic and find that democracies are indeed more likely to liberalize trade than nondemocracies. We also find that the electoral calendar has a potent influence on the timing of commercial reform in postcommunist democracies: Controlling for a range of factors, politicians are most likely to reduce trade barriers immediately after voters go to the polls. Trade liberalization is much less likely to occur at other points in a democracy's electoral calendar, and elections have no effect on commercial reforms in nondemocracies.

By exploring the impact of elections on trade liberalization in the postcommunist world, this article contributes to two broader bodies of scholarship. First, although many observers argue that democracy improves the prospects for economic liberalization, the links between regime type and economic policy tend to be loosely drawn. Our findings help redress this gap in the literature by highlighting the central role played by competitive elections in the timing of reforms. Soon after voters cast ballots, politicians are likely to liberalize trade to take advantage of their popular mandates and to raise the chances that their economies will be on sound footings before the next elections are held. The electoral implications of commercial reform therefore help explain why democracy and trade liberalization have gone hand in hand in the postcommunist world.

Second, our analysis contributes to the large and influential literature on endogenous tariff theory, most of which focuses on trade policy in democracies and suggests that policy makers set trade barriers to improve their electoral prospects. Yet empirical studies of endogenous tariff theory almost never explicitly address the effects of elections. By showing how the electoral calendar guides the timing of commercial reform, we begin to fill this hole in the literature.

ELECTIONS AND TRADE LIBERALIZATION

For much of the 20th century, officials in Soviet-bloc countries pursued highly protectionist trade policies, fearing that commercial openness would threaten national security and undermine their ability to control the domestic

economy. The collapse of the Berlin Wall, however, led many of these states to reorient their foreign economic policies with remarkable speed. The European Bank for Reconstruction and Development (EBRD) provides annual ratings of the extent to which each postcommunist country has reformed various aspects of its economy. It recently reported that only the privatization of small enterprises has progressed further than the liberalization of trade and currency (European Bank for Reconstruction and Development, 1994). In fact, the EBRD concluded in 1994 that over half of the postcommunist countries had liberalized trade to an extent roughly comparable with Western European standards (p. 10). Further, those countries that liberalized trade have not subsequently reversed course. On the basis of data compiled by the EBRD (and used throughout this study), there is virtually no case in which a postcommunist economy became less commercially open from one year to the next.

Nonetheless, not all countries in the region have pursued free trade. Some, such as Turkmenistan, have made little effort to liberalize commerce. Others, such as Ukraine, were slow to open their economies to foreign competition. The purpose of this article is to analyze why some postcommunist countries have liberalized trade whereas others have not and to determine the factors influencing when commercial reforms are enacted.

Many observers suggest that a key to economic reform in the postcommunist world is the establishment of democratic institutions. Representative of this view is Joan Nelson (1994, p. 10), who maintains that "some version of democracy is . . . a necessary, though far from sufficient, condition for sustainable and credible economic reform" in this region. Anders Åslund, Peter Boone, and Simon Johnson (1996); Joel Hellman (1998); and others advance similar arguments. Most such claims emphasize that democracy promotes economic reform because democratic institutions vest citizens with the capacity to punish government officials who mismanage the economy. In a democracy, foreign economic policy is relatively transparent, and even if public officials are able to disguise protectionist policies, the resulting distortions are likely to harm economic performance. Because voters tend to hold politicians responsible for economic downturns (Lewis-Beck, 1988), public officials in democracies have greater difficulty manipulating the economy for their personal gain while retaining office. The relative ease with which society can monitor and punish leaders should yield lower trade barriers in democracies than elsewhere.

Although the view that democracy promotes trade liberalization is relatively widespread, virtually no empirical research on the postcommunist world has analyzed this topic. Equally little research (on any region of the world) has explicitly addressed the timing of commercial reforms in democ-

racies. Our analysis of this topic centers on elections, an institutional feature that is central to all democracies. We argue that fair, competitive, and regular elections generally spur commercial openness, thereby providing a causal link between regime type and economic reform.

More specifically, we maintain that politicians are particularly likely to conduct trade liberalization in the wake of elections. Our argument is based on two premises. First, public officials seek to retain office and use economic policy—including trade policy—as a means to achieve this end. This premise is consistent with many extant analyses of trade policy (Hillman, 1982; Hillman & Ursprung, 1988; Magee, Brock, & Young, 1989). It also accords with various accounts of economic reform in the postcommunist world. Andrei Shleifer and Daniel Treisman (2000, p. 4), for example, point out that reformers in Boris Yeltsin's government believed that enacting market-oriented policies—including trade liberalization—would bolster his prospects of winning reelection.

Second, voters take economic conditions into account when casting their ballots, and trade policy affects their decisions. There is strong evidence that, as elsewhere, individuals in the postcommunist world consider both their personal economic well-being and the overall state of the economy when they go to the polls. For instance, Stephen White, Richard Rose, and Ian Mcalister (1997, p. 232) find that voters in Russia who suffer because of reform efforts tend to vote against the incumbent government. Timothy Colton (2000) agrees that “pocketbook assessments and personal traumas do have measurable, independent effects on voting outcomes” in Russia. In addition, he concludes that macroeconomic conditions are at least as important as personal economic conditions in this regard, noting that “voters are more animated by Russia's pocketbook than their own” (pp. 94-95). Similarly, Alexander Pacek (1994) and Joshua Tucker (2001) find that economic performance has a strong bearing on electoral outcomes in Eastern Europe.

Equally, there is widespread agreement that trade liberalization can affect economic performance by promoting growth and increased efficiency (Kornai, 1992; Winters, 1995). Various influential advisors to postcommunist governments—such as Jeffrey Sachs (Sachs, 1993; Sachs & Lipton, 1990) and Åslund (1995)—and international financial institutions have been forceful proponents of this view. These arguments have not fallen on deaf ears. Many policy makers in the region seem to understand that commercial openness is a central ingredient in a thriving economy. Yegor Gaidar (1997, p. 667), the minister in charge of economic reforms in Russia, argued that reducing tariffs was a key to fostering growth. Askar Akayev, the president of Kyrgyzstan, backed the liberalization of foreign trade upon taking office for similar reasons (Anderson, 1999, p. 65). Even Mircea Snegur, an

ex-bureaucrat in charge of Soviet-era agriculture who became the president of Moldova, recognized the value of greater economic openness (“Snegur on New Constitution,” 1994, pp. 45-47). After the failure of autarkic policies and command economies, it was widely expected that increased openness to foreign commerce would improve economic performance and ultimately bolster the standing of politicians conducting the reforms.

At the same time, however, the distributional consequences of trade liberalization present incumbents with a political dilemma: Commercial reform tends to impose short-term costs on certain groups while taking longer to generate economic benefits for society at large (e.g., Haggard & Webb, 1993, p. 145). This certainly has been true in the postcommunist world. Stanley Fischer and Alan Gelb (1991), for example, point out that in the long run, trade reform in the region “will have a positive effect on [states’] economies.” But they also note that commercial liberalization “has had high short-run costs”—particularly for exporters who face heated competition and reduced demand in what had been the sheltered markets of postcommunist trade partners—“and is probably responsible for much of the drop in measured GDP that followed reform” (p. 97).¹ Politicians who undertake economic reforms as elections approach therefore risk alienating constituents who will bear the near-term costs of reform, without leaving enough time for voters to realize the corresponding gains. This problem becomes more severe if, as is often the case, the short-term costs of trade liberalization are disproportionately borne by protectionist interest groups that are better organized, better informed, and more politically potent than society at large, which is usually harmed by protection (Olson, 1965). As such, public officials have strong incentives to liberalize trade shortly after taking office to allow sufficient time for the policy change to generate benefits before voters go to the polls again.

This dilemma was not lost on observers of the region. Leszek Balcerowicz (1995)—the architect of Poland’s reforms—warned that the near-term costs of economic reform are best deferred until after elections. He concluded that “it is clearly better for [elections] to be organized in the fourth year of the implementation of an economic program (as in Hungary) rather than in its first year (as in Poland)” (p. 267).

A related reason to liberalize trade shortly after elections is that whereas some social groups have clear interests in protection and others have clear interests in open trade, certain groups have difficulty determining whether the gains from trade liberalization will outweigh the associated costs. As Raquel Fernández and Dani Rodrik (1991) show, such uncertainty tends to

1. Similar arguments have been advanced by Svejnar (1991, p. 128), Roland (2002, p. 41), and others.

reduce the aggregate support for reform because many of the eventual beneficiaries from greater commercial openness are likely to fear that it will harm them. Only after trade barriers actually have been reduced and the attendant benefits have been realized will these fears be assuaged. Thus, politicians have reason to allow as much time as possible for the gains from reform to disseminate throughout the economy and produce clear winners before voters cast their ballots, creating a strong incentive for them to liberalize trade immediately after elections.

Reforming commerce on the heels of elections also allows public officials to take advantage of their honeymoon periods. As Stephan Haggard and Steven B. Webb (1993) argue, "Putting reforms in place quickly at the beginning of a new administration . . . means that the reforms have time to put down strong roots during the honeymoon period, when support is high and opposition muted" (p. 159). John Williamson (1994) echoes this view, noting that politicians have an incentive to take advantage of the period of "extraordinary politics" that occurs just after an election. A key aspect of this period is the popular mandate that recently elected officials (be they challengers or incumbents) receive (Keeler, 1993). Because of that mandate, such officials have little incentive to compromise on policy issues, and the mass public is likely to be more willing to accept hardship induced by economic liberalization. After a honeymoon period ends, however, interest groups may have more success blocking reforms that harm them but benefit society at large, as occurred throughout Eastern Europe (Csaba, 1995, p. 67).

It is important to emphasize that our argument is not that trade liberalization occurs only after elections. As discussed below, circumstances sometimes arise that prompt public officials to open foreign trade at other points in the electoral calendar as well. Rather, we argue that politicians in democratic countries are more likely to liberalize trade shortly after elections than at other times.²

Although this claim accords with a number of recent studies on the political economy of reform (e.g., Przeworski, 1991, p. 166), many observers are skeptical that the timing of elections influences economic policy (e.g., Alt & Crystal, 1983). Moreover, despite broad interest in the relationship between elections and economic reform, few empirical studies have addressed this issue. Fewer still have focused on trade policy. Although much of the literature on foreign economic policy in democracies emphasizes the preferences of voters and interest groups (Caves, 1976; Magee et al., 1989; Mayer, 1984),

2. Because different economic reforms have different time horizons, beneficiaries, and political dynamics, we do not claim to offer a general explanation of economic reform (European Bank for Reconstruction and Development, 1999, p. 27; Hellman, 1998).

very little of that work explicitly examines the effects of elections, and none of it focuses on the postcommunist world.³

Indeed, empirical studies of economic policy in postcommunist countries have largely overlooked the electoral calendar. Åslund et al. (1996) and Hellman (1998) argue that elections have promoted economic liberalization, but neither study examines the impact of the timing of elections on reform. Sachs and David Lipton (1990), Adam Przeworski (1991), and Balcerowicz (1995) stress that the timing of economic reforms is a key determinant of whether they succeed but have not tested the argument. Treisman and Vladimir Gimpelson (2001) examine how politicians in Russia used economic policy in election years to improve their chances of retaining office but do not address this issue cross-nationally. Most important for our purposes, none of these studies analyzes trade policy. We seek to fill this important gap in the literature by directly assessing how the timing of elections affects commercial reform in countries emerging from communist rule.

A STATISTICAL MODEL OF TRADE POLICY

Although few empirical studies of trade policy or economic reform have considered the electoral calendar, such studies have focused considerable attention on a number of other political and economic variables. Failing to account for these factors could yield misleading results if they are related to trade liberalization and to either regime type or the timing of elections in the postcommunist world. Consequently, the following model of trade policy includes a set of such factors as well as a set of variables designed to test our core argument:

$$\begin{aligned} \text{Liberalization}_{it} = & \beta_0 + \beta_1 \text{Democracy}_{it} + \beta_2 \text{Election}_{it} + \\ & \beta_3 (\text{Democracy}_{it} \times \text{Election}_{it}) + \beta_4 \text{Fragmentation}_{it} + \\ & \beta_5 \text{Inflation}_{it} + \beta_6 \text{GDP}_{it} + \beta_7 \text{Per Capita GDP}_{it} + \\ & \beta_8 \text{PriceLib}_{it} + \beta_9 \text{IMF}_{it} + \beta_{10} \text{EU}_{it} + \beta_{11} \text{Trade}_{it} + e_{it}. \end{aligned}$$

The observed value of the dependent variable is 1 if a given country, *i*, liberalizes its trade policy from year *t* to year *t* + 1 and 0 otherwise. To code Liberalization_{*it*}, we use data on the removal of quantitative trade barriers compiled by the EBRD (1999). These data furnish some of the only direct measures of commercial liberalization in the postcommunist world and are widely regarded as high quality (Frye & Mansfield, 2003; Rodrik, 1992).

3. For an exception focusing on U.S. trade policy, see Baldwin (1985).

Alternative measures are generally less reliable and cover only a portion of the countries and years in our sample. The EBRD has constructed a variable, Trade_{it} , that equals 3 if country i accomplishes all of the following in or before year t : (a) eliminating its state monopoly on foreign trade, (b) substantially reducing barriers to exports, and (c) substantially reducing barriers to imports. $\text{Trade}_{it} = 2$ if country i meets two of these conditions in or before year t , 1 if country i meets one of these conditions, and 0 if country i conducts no commercial reform by year t . For each country, we compare the value of this variable in year t to the value in year $t + 1$. In any year t when the value of Trade_{it} is 3, we remove country i from the sample because it is not possible for this variable to increase in year $t + 1$. In every other country-year (i.e., when $\text{Trade}_{it} < 3$ in year t), $\text{Liberalization}_{it} = 1$ if Trade_{it} increases from year t to year $t + 1$. If Trade_{it} does not increase, $\text{Liberalization}_{it} = 0$.

It is important to recognize that there is no case in our sample for which Trade_{it} declines from year t to year $t + 1$. As such, we focus only on whether a country liberalizes trade or not, rather than considering increases in protectionism as well. It is also noteworthy that there are few cases for which Trade_{it} increases by more than one unit between year t and year $t + 1$, an issue to which we will return later.

The first three independent variables in the model are designed to test our claim that officials in democracies tend to liberalize trade in the aftermath of elections. Democracy_{it} is a measure of country i 's regime type in year t . Developed by Ted Robert Gurr and his colleagues (Gurr, Jagers, & Moore, 1989; Jagers & Gurr, 1995), this measure is created using the Polity98 data set. It is a 21-point index that ranges from 0 for extremely autocratic countries to 20 for extremely democratic ones. Election_{it} is the number of years—as of year t —until national elections are held in country i .⁴ Hence, $\text{Election}_{it} = 0$ in an election year, 1 in the year prior to an election, and so on. Every state in our sample has held elections during the postcommunist era, but there obviously has been great variation in the fairness of these contests. Because we expect the effects of elections on trade policy to be much stronger in democracies, we also include $\text{Democracy}_{it} \times \text{Election}_{it}$ in the model.

The remaining independent variables are included to account for certain political and economic factors that previous research has linked to trade pol-

4. Election_{it} is calculated as the time to the next presidential election in presidential systems and until the next parliamentary election in parliamentary systems. We code states as parliamentary in year t if the chief executive is indirectly elected and does not have a fixed term of office. We also include in this category the "mixed" systems of Lithuania, Poland, and Romania, where the president is directly elected, but the government—which is approved by the parliament and can be removed only by the executive under restrictive conditions—oversees economic policy.

icy and economic reform. $\text{Fragmentation}_{it}$ is a measure of the concentration of power in country i 's national government as of year t . Used in various studies of economic reform in the region, it is based on an index created by Noriel Roubini and Sachs (1989) that has been modified slightly to fit post-communist countries (European Bank for Reconstruction and Development, 1999; Frye, Hellman, & Tucker, 2000; Frye & Mansfield, 2003; Hellman, 1998). This variable equals 0 if country i has a noncompetitive regime, 1 if it has a single-party parliamentary government or a presidential government with majority support in the assembly, 2 if it has a two-party parliamentary or divided presidential government, 3 if it has a government of three or more parties, and 4 if it has a minority government. George Tsebelis (1995) argues that greater fragmentation and a larger number of "veto points" in government impede policy change. Because the countries included in our sample emerged from communist rule with command economies and highly protectionist trade policies, Tsebelis's claim suggests that the likelihood of trade liberalization should decline as the value of $\text{Fragmentation}_{it}$ rises.

In addition to domestic institutions, there is considerable agreement that macroeconomic conditions affect trade policy. Many observers argue that trade liberalization is stimulated by heightened inflation (Krueger, 1993; Rodrik, 1996). Liberalization risks harming some influential social groups, but deteriorating economic conditions are likely to elicit widespread demands for major reforms to improve economic performance. Leaders ignore such demands at their own peril (Krueger, 1993). Equally, Rodrik (1994, 1996) maintains that heightened inflation enhances the political efficiency of trade liberalization. When inflation rises, the anticipated benefits of reviving the economy overwhelm the distributional effects of trade liberalization. In contrast to this view, though, some observers argue that increased inflation stimulates the flow of imports by lowering their local prices, generating demands for protection from groups adversely affected by foreign competition (Magee et al., 1989, p. 188). Consequently, heightened inflation may inhibit trade liberalization. To assess these competing claims, we include Inflation_{it} , which is country i 's rate of inflation in year t .

GDP_{it} is the real gross domestic product (GDP) of country i in year t . One possibility is that an inverse relationship exists between GDP and trade liberalization, because larger states generally are less dependent on foreign commerce than smaller ones and often can improve their terms of trade through the use of optimal tariffs. Another possibility, however, is that the relationship between GDP and trade liberalization is direct. Greater national income increases a country's demand for imports and its supply of exports, which may expand the range of domestic groups that would benefit from open trade.

We also include Per Capita GDP_{*it*}, which measures country *i*'s per capita income in year *t*, because it has been argued that the extent of protectionism is closely linked to a country's level of economic development, and many of the other variables in the model are likely to be related to development as well (Conybeare, 1983; Magee et al., 1989).

PriceLib_{*it*} is a 3-point measure (ranging from 1 to 3) of the extent of domestic price liberalization in country *i* as of year *t*.⁵ We include this variable to address whether reforms aimed at areas of the economy other than trade influence our results. Hellman (1998), for example, argues that liberalizing either trade or prices, but not both, creates rents for certain social groups. Because groups that would gain these rents have an incentive to press for this type of "partial reform" package, price liberalization might be inversely related to trade liberalization. On the other hand, some observers note that combining price and trade liberalization generates economic benefits by allowing international market forces to help shape domestic prices (e.g., Fischer, Sahay, & Végh, 1996, p. 46). If policy makers are particularly interested in realizing such benefits, price liberalization may be directly related to trade liberalization.

Besides domestic institutions and macroeconomic factors, it is important to account for international influences on trade policy. First, because various observers maintain that international financial institutions have fostered economic reform in the postcommunist world, we include a dummy variable, IMF_{*it*}, indicating whether country *i* has a structural adjustment loan from the International Monetary Fund (IMF) in year *t*.⁶ Second, certain postcommunist countries have attempted to forge closer relations with the European Union (EU). An interest in tighter bonds with the EU is likely to be indicative of a more general preference for liberalizing foreign commerce. Consequently, trade reform may be positively associated with EU_{*it*}, a variable that equals 0 if country *i* has no formal relationship with the EU in year *t*, 1 if country *i* has applied for membership in the EU, 2 if country *i* has signed an interim agreement with the EU, and 3 if country *i* has signed an association agreement with the EU.

Further, we include Trade_{*it*} because whether a country engages in trade liberalization is likely to depend on how open it is in the first place. Finally, e_{it} is a stochastic error term.

5. Data for Inflation_{*it*}, GDP_{*it*}, Per Capita GDP_{*it*}, and PriceLib_{*it*} are taken from the European Bank for Reconstruction and Development (1999). Note that data on GDP and per capita GDP are expressed in U.S. dollars. The EBRD provides data on these variables for each country included in our sample. We deflate these nominal values using data on inflation provided by the EBRD.

6. Data on IMF loans are taken from the IMF's Web site (<http://www.imf.org/external/index.htm>).

Table 1
Descriptive Statistics

Variable	Mean	SD	<i>n</i>
Liberalization	0.316	0.467	114
Democracy	10.434	6.773	76
Election	1.284	1.284	116
Fragmentation	1.155	1.129	71
Inflation	699.40	1,713.46	104
Gross domestic product (GDP)	34,685.41	88,631.89	116
Per capita GDP	3,865.24	1,868.14	115
Price liberalization	1.727	0.776	116
International Monetary Fund	0.078	0.269	116
European Union	0.147	0.355	116
Trade	0.384	0.654	116

Note: These figures are computed using data for all countries for which the value of Trade_{it} is less than 3 in year t . Data cover the period from 1990 to 1998. Values for GDP are expressed in thousands of constant U.S. dollars.

Our sample consists of all postcommunist states for which the EBRD reports data during the period from 1990 to 1998 (years t) and for which the value of Trade_{it} is less than 3.⁷ Descriptive statistics for the variables analyzed here on the basis of this sample are shown in Table 1. After pooling these data across states and over time, we estimate a probit model because the observed value of the dependent variable is dichotomous. Tests of statistical significance are based on Huber (robust) standard errors that account for any heteroskedasticity in the data and for the fact that the data are grouped by country.

STATISTICAL RESULTS

The results of this analysis strongly support the view that democracies are more likely to liberalize trade than other states. They also indicate that commercial reform in democracies is most likely to occur shortly after voters go to the polls. As shown in the first column of Table 2, the estimate of Democracy_{it} is positive, the estimate of $\text{Democracy}_{it} \times \text{Election}_{it}$ is negative, and both

7. The only postcommunist countries for which the EBRD does not report data are Mongolia and Yugoslavia. Note that countries that were part of the Soviet Union do not enter our data set until 1991. As we mentioned earlier, many postcommunist countries had liberalized trade extensively by the mid-1990s (European Bank for Reconstruction and Development, 1994; Rodrik, 1992), and we exclude all country-years in which $\text{Trade}_{it} = 3$. For this reason and because of data limitations, much of the following analysis centers on 66 observations.

Table 2
Determinants of Trade Liberalization in the Postcommunist World, 1990-1998

Variable	Model						
	2.1	2.2	2.3	2.4	2.5	2.6	2.7
Intercept	-2.976*** (0.828)	-2.736*** (0.754)	-2.821*** (0.764)	-2.630*** (0.701)	-1.433*** (0.327)	—	-2.838*** (0.991)
Democracy	0.320*** (0.075)	0.270*** (0.051)	0.302*** (0.071)	0.259*** (0.047)	0.148*** (0.029)	0.238*** (0.056)	0.301*** (0.083)
Election	0.282 (0.250)	0.283 (0.244)	0.256 (0.249)	0.263 (0.244)	0.149 (0.217)	0.291 (0.202)	0.170 (0.218)
Democracy × Election	-0.058** (0.024)	-0.057** (0.023)	-0.055** (0.023)	-0.055** (0.022)	-0.039** (0.017)	-0.042** (0.018)	-0.053** (0.025)
Fragmentation	-0.302 (0.274)	—	-0.289 (0.273)	—	—	-0.129 (0.172)	-0.175 (0.286)
Inflation	-0.00015** (0.00008)	-0.00013* (0.00007)	-0.00013* (0.00007)	-0.00011 (0.00007)	—	-0.00005 (0.00007)	-0.00019 (0.00011)
Gross domestic product (GDP)	5.14×10^{-6} *** (1.83×10^{-6})	5.61×10^{-6} *** (1.51×10^{-6})	4.93×10^{-6} *** (1.74×10^{-6})	5.42×10^{-6} *** (1.41×10^{-6})	—	3.52×10^{-6} *** (1.08×10^{-6})	5.30×10^{-6} *** (1.79×10^{-6})
Per capita GDP	-0.0005*** (0.0001)	-0.0004*** (0.0001)	-0.0004*** (0.0001)	-0.0004*** (0.0001)	—	-0.0003** (0.0001)	-0.0005*** (0.0001)

Price liberalization	0.798** (0.332)	0.659** (0.284)	0.692** (0.289)	0.582** (0.248)	—	0.567** (0.248)	0.734* (0.377)
International Monetary Fund	-0.484 (0.565)	-0.406 (0.535)	—	—	—	-0.150 (0.397)	-0.257 (0.523)
European Union	1.751*** (0.661)	1.710*** (0.623)	1.570*** (0.512)	1.561*** (0.494)	—	1.243*** (0.443)	1.800*** (0.646)
Trade	-0.430** (0.218)	-0.441* (0.228)	-0.377 (0.241)	-0.398 (0.249)	—	-0.885*** (0.189)	-0.393* (0.217)
Exchange rate	—	—	—	—	—	—	1.64 × 10 ⁻⁶ * (8.94 × 10 ⁻⁷)
Cut Point 1	—	—	—	—	—	2.497*** (0.780)	—
Cut Point 2	—	—	—	—	—	3.274*** (0.773)	—
Cut Point 3	—	—	—	—	—	3.954*** (0.885)	—
Log likelihood	-28.26	-29.31	-28.45	-29.45	-38.69	-59.84	-24.85
<i>n</i>	66	72	66	66	74	66	62
χ^2	71.96***	72.52***	72.91***	77.55***	30.56***	83.85***	99.46***
Pseudo- <i>R</i> ²	.37	.40	.37	.40	.23	.20	.41

Note: Entries in columns 2.1 to 2.5 and 2.7 are probit estimates. Entries in column 2.6 are ordered probit estimates. Figures in parentheses are Huber (robust) standard errors. Two-tailed tests are conducted for all estimates.

* $p \leq .10$. ** $p \leq .05$. *** $p \leq .01$.

Table 3
Effects of Regime Type and the Time Until an Election on the Predicted Probability of Trade Liberalization

Regime Type	Number of Years Until an Election				
	0	1	2	3	4
Democracy	.92 (.82)	.78 (.71)	.57 (.57)	.34 (.25)	.16 (0)
Autocracy	.03 (.33)	.03 (0)	.03 (.17)	.03 (0)	.03 (.33)

Note: Entries are predicted probabilities computed using the estimates in the first column of Table 2. To generate these values, we assume that democracies are countries in which $Democracy_{it} = 15$, and autocracies are countries in which $Democracy_{it} = 5$. Figures in parentheses are the portions of cases in which commercial reforms actually took place at each point in the electoral calendar for states where $Democracy_{it} \geq 15$ in the row labeled "Democracy" and for states where $Democracy_{it} \leq 5$ in the row labeled "Autocracy."

of them are large and statistically significant. The estimate of $Election_{it}$ is positive but not significant. Because the effect of each independent variable in a probit model is nonlinear, assessing the magnitude of the impact of regime type and the electoral calendar requires some additional analysis. We will turn to that analysis shortly. But to aid in interpreting these results, it is useful to note that taken by itself, the estimate of $Democracy_{it}$ represents the effect of regime type on the probability of trade liberalization when $Election_{it} = 0$ (i.e., in an election year). Equally, the estimate of $Election_{it}$ indicates the influence of the length of time until an election is held on the likelihood of trade liberalization when $Democracy_{it} = 0$ (i.e., for the most autocratic states in our sample).⁸ The estimate of $Democracy_{it} \times Election_{it}$ reflects the change in the effect of regime type (the electoral calendar) on trade liberalization stemming from a one-unit change in the length of time until an election (regime type).⁹ Taken together, the estimates of $Democracy_{it}$ and $Democracy_{it} \times Election_{it}$ show that the marginal effect of heightened democracy on trade liberalization grows larger as the time until an election decreases. Further, there is evidence that the marginal effect of the electoral calendar on trade liberalization is reduced as the level of democracy declines.

To more fully evaluate the effects of these variables, we compute the predicted probability of trade liberalization when $Democracy_{it} = 15$ (i.e., when

8. As such, it is hardly surprising that the estimate of $Election_{it}$ is not statistically significant. Clearly, there is no reason to expect the electoral calendar to influence the timing of trade liberalization in autocracies.

9. On the interpretation of interaction terms, see Friedrich (1982) and Greene (1993, p. 239). For a discussion of interaction effects in models with a dichotomous dependent variable, see Jaccard (2001).

country i is relatively democratic) and when it equals 5 (i.e., when country i is relatively autocratic), varying Election_{it} from 0 to 4 because this is the range of values found in our sample (for all but two observations, where $\text{Election}_{it} = 5$). To calculate these probabilities, we hold constant each remaining variable in the model at its mean, except IMF_{it} and EU_{it} which we set to 0, their modal values.¹⁰

Recall that Election_{it} is measured in year t and that $\text{Liberalization}_{it}$ is measured from year t to year $t + 1$. As such, the predicted probability of reform in the year after an election is derived by setting Election_{it} equal to 0, the value of this variable in an election year. The results in Table 3 indicate that elections in democracies provide a strong impetus to commercial reform. The predicted probability of reform in the year following an election is .92, a figure that dips to .78 in election years (i.e., when $\text{Election}_{it} = 1$) and to .57 in the year before voters go to the polls (i.e., when $\text{Election}_{it} = 2$). In contrast, relatively autocratic countries are quite unlikely to liberalize trade: The predicted probability of reform is only about .03, regardless of the electoral calendar.

It should be noted that although the predicted probabilities of trade liberalization for democracies are high, they correspond closely to the figures observed in the raw data. In Table 3, we have also calculated the portion of cases for which commercial reform actually took place at each point in the electoral calendar for relatively democratic states (i.e., those in which $\text{Democracy}_{it} \geq 15$) and for relatively autocratic countries (i.e., those in which $\text{Democracy}_{it} \leq 5$). These figures, which are in parentheses, are much the same as the corresponding predicted probabilities of reform, especially for democracies.

We have provided considerable evidence that trade liberalization is likely to take place soon after an election. For democracies, the probability of liberalization is greater in the wake of an election than at any other time. However, there is also a marked—though smaller—prospect of liberalization on the eve of elections. Consistent with arguments advanced by Rodrik (1994, 1996) and others, preelection liberalization seems to occur primarily in the face of an economic crisis, such as very high inflation, that incumbents try to address before voters go to the polls. For example, in our sample, the average inflation rate for democracies (i.e., countries in which $\text{Democracy}_{it} \geq 15$) that liberalized trade 2 years or less before an election is 1,085%. By contrast, the average rate for democracies that liberalized trade at other points in the electoral calendar is less than half as high (511%).

10. Note that these sample means are computed using the 66 observations used to generate the estimates in the first column of Table 2.

Certain cases of an economic crisis prompting preelection trade liberalization stand out. Moldova experienced a severe terms-of-trade shock following the collapse of the Soviet Union, a 2-year civil war, and an inflation rate of 790% in 1993 (Tarr, 1993). Jonathan Walters (1994, p. 172) argues that these conditions spurred the government to liberalize foreign trade in late 1993, just prior to parliamentary elections that were held in February 1994. Ukraine, which liberalized trade 2 years prior to presidential elections in 1994 while facing an inflation rate of about 1,200%, also reformed foreign commerce in an effort to arrest an economic crisis ("Restrictions on Certain Goods Lifted," 1992). Estonia liberalized trade 3 months prior to its 1992 parliamentary elections, after a deputy finance minister deemed the republic on the "brink of bankruptcy" ("Republic on the Brink," 1992). In the same vein, Romania (1991), Lithuania (1992), and Armenia (1994) conducted commercial reforms within 2 years of elections when facing dire economic conditions.¹¹ Thus, although trade liberalization is especially likely to occur after democratic elections, severe economic crises can also spur policy makers to increase openness before voters cast their ballots.¹²

Regime type and elections, however, are not the only influences on trade liberalization. Economic conditions are also important. First, trade liberalization tends to occur in tandem with domestic price liberalization. The positive and statistically significant coefficient of $PriceLib_{it}$ indicates that commercial and price reforms are often implemented as a package of policies. Second, within the postcommunist world, economically large states and less developed countries are especially likely to reduce trade barriers. The estimate of GDP_{it} is positive, that of $Per\ Capita\ GDP_{it}$ is negative, and both of them are statistically significant. Equally, the coefficient of $Trade_{it}$ is negative and significant, providing evidence that as foreign commerce becomes more open, the odds of further trade liberalization decline. Finally, although an economic crisis may promote increased openness on the eve of democratic elections, in general, heightened inflation inhibits liberalization: The coefficient of $Inflation_{it}$ is negative and statistically significant.

11. Politicians in Romania recognized the dilemma of preelection trade liberalization. After describing the country's precarious economic situation and proposing greater commercial openness just 3 months prior to elections in September 1992, Prime Minister Teodor Stolojan noted, "Some people say: Let us do it after elections, on October 1 or November 1, and let the future cabinet take the blame for it. Well, I am unable to do such a thing" ("Prime Minister," 1992).

12. Three of the nine cases of trade liberalization that occurred at least 2 years prior to democratic elections were in Estonia and Latvia. These cases are somewhat unique because the political costs of liberalization fell heavily on the Russian minority who worked in heavy industry and had very restricted voting rights (Roeder, 1994). Thus, the political costs of conducting trade liberalization prior to elections were probably much lower in these cases than elsewhere.

International factors also influence the likelihood of trade reform. The estimate of EU_{it} is positive and statistically significant, indicating that postcommunist states are more likely to liberalize trade as their relations with the EU grow closer. Interestingly, though, the estimate of IMF_{it} is not significant. Neither is the estimate of $Fragmentation_{it}$. As shown in the second, third, and fourth columns of Table 2, however, removing these two variables separately or together has little bearing on the relationship between trade liberalization and either regime type or elections. Indeed, the fifth column of this table indicates that even after removing all of the control variables, the estimated effects of $Democracy_{it}$, $Election_{it}$, and $Democracy_{it} \times Election_{it}$ are stable.¹³

THE VALIDITY AND STABILITY OF THE RESULTS

Having generated some initial statistical estimates, we now conduct a set of additional tests to assess the validity and stability of these results. To begin, we recode trade liberalization and reestimate the model using a number of different statistical techniques. Then we analyze whether our results are being driven by any particular country in our sample and examine the effects of various factors that were not included in the model. We also address whether the preceding findings depend on the outcome of elections or how we code regime type. Finally, we consider the possibility that trade liberalization influences the electoral calendar or regime type.

First, the observed value of our dependent variable, $Liberalization_{it}$, equals 1 if the value of $Trade_{it}$ increases between years t and $t + 1$ and 0 otherwise. Treating this variable as dichotomous is quite reasonable because $Trade_{it}$ rarely increases by more than one unit in any given year. Nonetheless, because $Trade_{it}$ ranges from 0 to 3, $Liberalization_{it}$ can be redefined as equaling 3 if $Trade_{it}$ increases from 0 to 3 between years t and $t + 1$; 2 if it rises from either 0 to 2 or 1 to 3; 1 if it increases from 0 to 1, 1 to 2, or 2 to 3 over this interval; and 0 otherwise. Doing so, however, has little influence on our results. As shown in the sixth column of Table 2, the estimates of an ordered probit model (which is used because this dependent variable is ordered and

13. So too are the predicted probabilities of trade liberalization, which follow the same pattern shown in Table 3. After removing the control variables, we continue to find that the likelihood of commercial reform is much higher for democracies than nondemocracies and that it is highest when a democracy held an election in the previous year.

nominal) are much the same as those based on our earlier analysis, except that the effects of inflation are somewhat weaker.

Second, because it is possible for Liberalization_{*it*} to equal 1 only when Trade_{*it*} < 3 in year *t*, we have excluded those cases for which Trade_{*it*} = 3. However, it is important to ensure that this strategy does not create a selection bias, for example, if the same factors that influence whether Trade_{*it*} is at its highest possible level also influence the likelihood that it will increase from one year to the next. To address this issue, we estimate a censored probit model (Greene, 1993). The results produce no evidence of a selection effect, and the probit estimates are much the same as those reported in Table 2.¹⁴

Third, it is useful to determine whether our results are unduly influenced by any individual state in the sample. Consequently, we eliminate each state analyzed here, one at a time, and then reestimate the model. The 20 sets of results that are generated by this analysis yield only a single case in which an estimate in the first column of Table 2 changes sign (GDP_{*it*} when Russia is removed) and only 10 cases in which a statistically significant estimate becomes insignificant.¹⁵ Furthermore, none of those cases involves Democracy_{*it*} or Election_{*it*}. Just 1 case involves Democracy_{*it*} × Election_{*it*} (the *p* value of the estimate is .106 when Azerbaijan is removed), and from a statistical standpoint, this 1 case out of 20 could be due to chance alone. Hence, no single country seems to be driving our results.

Fourth, we include a number of additional variables in the model to ensure that they do not account for the observed effects of either regime type or the electoral calendar on the timing of trade liberalization. One statistical concern in an analysis such as ours is that the data are temporally dependent, a situation that left unattended can produce misleading results. To address this possibility, we include a variable indicating the number of years that have elapsed, as of year *t*, since country *i* last liberalized its trade policy (Beck, Katz, & Tucker, 1998). The estimate of this variable, however, is not statistically significant, pointing to the absence of temporal dependence in our data. As such, we do not include this variable in the following analyses (Beck et al. 1998, p. 1269).

In addition, we assess the impact of a number of economic and political factors. We analyze the effect of economic growth, defined as the percentage change in the real per capita GDP of country *i* from year *t* - 1 to year *t*. Growth may promote trade reform by reducing the incentives for interest groups to

14. That is, we cannot reject the hypothesis that the selection equation is independent of the probit model ($\chi^2 = 1.15, p = .28$). The only noteworthy change in the results is that the estimate of Trade_{*it*} is not statistically significant when the censored probit model is estimated.

15. There are 20 sets of results because there are 20 countries in our sample.

press for protection (Bhagwati, 1988, p. 6) and increasing domestic demand for goods, including imports. We also examine the influence on trade policy of country *i*'s government spending as a percentage of its GDP in year *t*. High levels of government spending cushion the distributional effects stemming from free markets (Bresser Pereira, Maravall, & Przeworski, 1993).¹⁶ However, governments marked by extensive spending also may intervene more actively in the economy and therefore may be less likely to favor liberalizing foreign trade.¹⁷ Next, we consider the effects of the real exchange rate on trade liberalization, using a measure described by Paul Krugman (1999) (see also Kaufman & Segura-Ubiergo, 2001, pp. 565, 584). A falling exchange rate helps protect import-competing segments of society from foreign competition by increasing the price of goods produced abroad. Governments that allow the exchange rate to depreciate may be relatively protectionist. Alternatively, an appreciated exchange rate increases the price of locally produced goods, which can put pressure on import-competing and exporting sectors, generating demands for protection.

We would also like to account for the ideological position of a country's leadership, particularly its position on economic reform. Direct measures of this factor are not available, but we examine some indirect measures of whether state leaders are oriented toward economic reform. Because communist regimes were highly autarkic, there is ample reason to expect that heads of state who held senior positions in those regimes when they fell would be less likely to undertake reforms than heads of state who either did not hold such positions when those regimes fell or had never held such positions. Equally, the greater the percentage of seats in a country's legislature held by the Communist Party (or the largest successor to that party), the less likely is commercial liberalization.¹⁸

Further, we analyze whether country *i* is a former Soviet republic. Åslund et al. (1996) point out that whether a country was part of the Soviet Union is a proxy for various "different underlying structural factors, such as the greater reliance on military-industrial production, a longer history of communism, greater reliance on trade within the communist bloc, and membership in the ruble zone when control over money creation disintegrated" (p. 219). In light of their finding that a systematic difference exists between the extent of eco-

16. Of course, the fact that government spending as a portion of GDP is relatively high indicates nothing about the content or beneficiaries of that spending.

17. Data on economic growth and the ratio of government spending to GDP are from the EBRD (1999).

18. Heads of state are prime ministers in parliamentary systems and presidents in presidential systems. Data on these factors are taken from Frye et al. (2000).

conomic reform in former Soviet republics and in other postcommunist countries, it is useful to consider this variable.

Finally, we include a dummy variable that equals 1 for countries with presidential systems and 0 for countries with parliamentary systems.¹⁹ We also assess whether the interaction between this factor and the time to an election influences commercial policy.

Among these additional variables, however, only the real exchange rate has a strong impact on trade policy. As shown in the final column of Table 2, there is evidence that commercial reform is more likely within postcommunist countries as the exchange rate becomes appreciated. But with the exception of Inflation_{it} —which is no longer statistically significant when the exchange rate is included—adding this variable to the model has very little bearing on the other factors considered here.

Fifth, we assess whether the outcome of elections affects our results. Preliminary analysis suggests that this is not the case. For example, whether elections produce turnover in government does not influence the likelihood of commercial reform. On the basis of our sample, postcommunist elections have produced turnover about three quarters of the time (27 times out of 37 elections). Of the cases in which turnover occurred, reform (13 of 27) was about as likely to take place as the absence of reform (14 of 27). We also supplement this analysis by including a variable in our model indicating whether elections in democracies produce turnover in government and find no evidence that it has a statistically significant effect on trade policy or that its inclusion in the model influences the other estimates in Table 2.

Equally, the findings reported earlier do not seem to be driven by the margin of victory in democratic elections. The average margin of victory is 33% in democratic elections that lead to commercial liberalization and 40% in those that do not.²⁰ Nor do the results reflect a tendency for the elections immediately following communist transformations—but not other elections—to promote trade liberalization. Roughly half of the episodes of commercial liberalization in our sample occurred after a country's first postcommunist election, and about half occurred after subsequent elections.

Sixth, recall that we have measured democracy using the index developed by Gurr (Gurr et al., 1989; Jagers & Gurr, 1995), which ranges from 0 to 20. Some studies, though, have used this index to create a dichotomous variable for regime type. To determine whether our results change when regime type

19. See note 4 for our operational definitions of presidential and parliamentary regimes.

20. For parliamentary systems, the margin of victory is the difference between the percentage of seats won by the first-place and the second-place parties. For presidential systems, it is the difference between the first-place and the second-place finishers.

Table 4
Examples of Trade Liberalization After Democratic Elections

Country	Date of Election	Date of Trade Liberalization
Bulgaria	June 1990	February 1991
Czechoslovakia	June 1990	January 1991
Georgia	November 1995	June 1996
Hungary	April 1990	January 1991
Lithuania	November 1992	June 1993
Moldova	February 1994	January 1995
Poland	June 1989	January 1990
Russia	June 1991	January 1992
Slovenia	December 1992	March 1993

Note: Democracies are defined as countries in which $Democracy_{it} \geq 15$.

is treated as dichotomous, we reestimate the model after defining country i as democratic in year t if the value of Gurr's index is (a) 15 or higher, (b) 14 or higher, (c) 13 or higher, (d) 12 or higher, or (e) 11 or higher. In each of these analyses, the estimated coefficient of $Democracy_{it}$ is positive, that of $Democracy_{it} \times Election_{it}$ is negative, and both of them are sizable and statistically significant. These results continue to indicate that for democracies, trade liberalization is more likely to occur in the year following an election than at other points in time. Further, in each case, the estimate of $Election_{it}$ is very small (ranging from $-.01$ to $-.10$) and is not statistically significant, indicating that, as expected, elections have no discernable bearing on commercial reform in nondemocracies.²¹

Finally, it is important to ensure that the findings in Table 2 are not undermined by any simultaneity bias that could emerge if trade liberalization affects either the electoral calendar or whether a state is democratic. We have attempted to address this possibility by lagging regime type and elections 1 year, measuring $Democracy_{it}$ and $Election_{it}$ in year t and $Liberalization_{it}$ from year t to year $t + 1$. To further address it, we measure $Liberalization_{i(t-1)}$ from year $t - 1$ to year t and then regress $Democracy_{it}$ on this variable using a probit specification. We also regress $Election_{it}$ on $Liberalization_{i(t-1)}$ using both ordinary least squares and a tobit specification (because the number of years until an election is held is censored at 0). The results of these analyses provide no evidence that trade liberalization has a statistically significant bearing on either the extent of democracy or the length of time until elections. As such, our earlier results do not seem to be threatened by a simultaneity bias.²²

21. It should be noted that treating regime type as a dichotomous variable reduces the strength of the relationship between many of the control variables and trade liberalization.

22. A related issue is that the timing of elections might be endogenous in parliamentary systems. For a general discussion of this issue, see Smith (2001). It should be noted, however, that

ILLUSTRATING THE LINKS BETWEEN ELECTIONS AND TRADE LIBERALIZATION

The preceding quantitative analysis provides considerable support for our argument that trade liberalization is especially likely to occur on the heels of elections in postcommunist democracies. At this point, it is useful to illustrate how elections have influenced the timing of trade liberalization in some of these countries.²³ Consider Poland, for example, which is one of the nine cases shown in Table 4 in which democratic politicians liberalized trade soon after an election.²⁴ Parliamentary elections in Poland brought a Solidarity-led government to power in June 1989. Having campaigned on dismantling communist-era economic structures, the new government quickly introduced a set of wide-ranging economic reforms. Led by Economics Minister Balcerowicz, the Polish government unveiled the “Balcerowicz Plan” on November 7 (Johnson & Kowalska, 1994). The plan—which included a broad array of liberal economic policies and a sweeping liberalization of foreign trade—took effect on January 1, 1990. Thus, 6 months after its electoral victory, the Solidarity government extensively liberalized foreign trade (Sachs, 1993). Balcerowicz has consistently attributed the success of this policy to quick action following the elections of 1989. By taking advantage of the period of extraordinary politics, the Solidarity government made good use of the political capital won during these landmark elections (Balcerowicz, 1995).²⁵

only about one quarter of our sample is made up of countries with parliamentary systems; in almost three quarters of the cases considered here, the chief executive’s term in office is fixed. Further, as we described earlier, there is no evidence that the effects of elections on liberalization differ between parliamentary and presidential governments. Thus there is little reason to expect that the strategic manipulation of elections is influencing our results.

23. To illustrate the findings, we continue to define democracies as countries in which $\text{Democracy}_{it} \geq 15$.

24. Note that the EBRD reports only annual data on trade policy in the postcommunist world. In some cases, including those listed in Table 4, it is possible to independently identify the exact month and year in which trade liberalization took place. In many other cases, however, it is not possible to identify the precise month when commercial reforms were enacted, either because data are difficult to obtain or because the reforms were phased in over a relatively long period of time. Consequently, it is not possible to analyze the month of liberalization in the preceding statistical analysis.

25. Poland conducted special elections to the presidency in December 1990 following President Jaruzelski’s unexpected resignation, but here we are concerned with parliamentary elections because Poland’s prime minister has greater authority over economic policy than its president.

Similarly, Boris Yeltsin won a resounding victory in Russia's June 1991 presidential elections and subsequently liberalized trade. Two months after his electoral victory, Yeltsin led efforts to defeat a coup by hard-liners within the Communist Party of the Soviet Union. These successes bolstered Yeltsin's authority and allowed him to claim a popular mandate. Yeltsin took advantage of this opportunity, liberalizing trade in January 1992 (Åslund, 1995). He reduced tariffs, cut the amount of hard currency that exporters were required to sell to the state, and ended the state monopoly on trade. Richard Layard and John Parker (1996) note that Yeltsin's government was keenly aware of the value of its popular mandate. Describing the decision to adopt a radical economic reform package, they observe that "the honeymoon argument was decisive. Speed was vital if anything was to be achieved" (pp. 58-59).

This pattern is not limited to right-wing parties. In Lithuania, the successor to the Communist Party, the Lithuanian Democratic-Labor Party, won both a majority of seats in the November 1992 parliamentary elections and the presidency in February 1993. Running on a platform emphasizing its competence in economic matters, the new government liberalized foreign trade shortly after assuming office (Krickus, 1997, p. 304). In July 1993, the government abolished the existing export licensing system. In October, it removed most quotas on foreign trade (European Bank for Reconstruction and Development, 1994, p. 109). In November, it signed a free-trade agreement with Russia, underscoring its push for commercial liberalization in the year after it took office.

Elections can spur trade liberalization, even without a turnover in government, as incumbents make use of their political capital. The policies of the Agrarian Democratic Party (ADP) in Moldova provide a good example. In February 1994, the dominant member of the governing coalition, the ADP, won 54% of the seats in parliament. Having adopted a more reformist economic position than the Socialist Party or the remnants of the Moldovan Popular Front, the ADP pursued rapid liberalization shortly after elections (Crowther, 1997, p. 319). By the end of 1994, the government had removed export quotas (except for grain), simplified licenses for exports and imports, and loosened rules for exporters to sell hard currency to the state (European Bank for Reconstruction and Development, 1995, p. 51). In January 1995, Moldova cut its maximum tariff to 50% and later in the year further reduced it to 20% (European Bank for Reconstruction and Development, 1996). This pattern is not unique. In our sample, Georgia, Armenia, and Slovenia also liberalized trade shortly after sitting governments won reelection.

Obviously, these illustrations provide only a preliminary assessment of the links between the electoral calendar and trade liberalization, but they shed

some light on why commercial reforms often occur on the heels of elections in postcommunist democracies.

CONCLUSIONS

In this article, we have conducted one of the first analyses of the influence of democratic institutions and the electoral calendar on trade liberalization in the postcommunist world. Our results provide strong evidence that reform is more likely in democratic regimes than other countries. Equally, public officials in postcommunist democracies have been particularly likely to liberalize trade shortly after elections. Indeed, although commercial reform sometimes occurs at other points in the electoral calendar, it is far more likely to occur soon after voters have cast their ballots. Further, elections have no impact on trade policy in nondemocracies.

More generally, our results bear on a number of issues in the field of political economy. First, scholars and policy makers have demonstrated great interest in the relationship between political institutions and economic reform. However, as various observers have pointed out, systematic research on the political conditions that facilitate reform in the postcommunist world has been lacking (Åslund et al., 1996; Hellman, 1998; Nelson, 1993; Roland, 2002). Our findings provide support for the widely held view that democracy has been an important precondition for economic reform in the postcommunist world. In addition, by identifying competitive elections as a potent impetus to trade liberalization, we have shed some new light on how and when democracy has stimulated commercial openness in the region. Thus, our results contribute to broader efforts to understand the effects of political institutions on economic policy (Roland, 2002, p. 47).

Second, this study contributes to the understanding of trade policy. Over the past 20 years, a vast literature has emerged on endogenous models of protection. Central to this literature is the notion that politicians set trade policy with an eye toward winning votes. Yet remarkably little empirical research has addressed whether elections actually influence trade policy.²⁶ Our findings indicate that there is a strong relationship between the electoral calendar and commercial reform. Furthermore, whereas empirical research on endogenous tariff theory generally focuses on the advanced industrial countries,

26. Many observers have complained about the lack of cross-national research on the links between domestic institutions and trade policy (e.g., Mansfield, Milner, & Rosendorff, 2000; Rodrik, 1996).

this theory is likely to help explain trade policy in the postcommunist world as well.

The links between elections and economic policy have piqued the interests of social scientists for decades. However, empirical studies of the relationship between elections and trade policy have been scarce, and virtually no research on this topic has focused on the postcommunist world. Our results indicate that the electoral calendar is central to an understanding of trade policy in countries that have emerged from communist rule. In so doing, they help to indicate why and when democracy has promoted economic reform in this part of the world.

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