International trade often inspires intense conflict between workers and their employers. In this book, Adam Dean studies the conditions under which labor and capital collaborate in support of the same trade policies. Dean argues that capital-labor agreement on trade policy depends on the presence of “profit-sharing institutions.” He tests this theory through case studies from the United States, Britain, and Argentina in the late-nineteenth and early-twentieth centuries; they offer a revisionist history placing class conflict at the center of the political economy of trade. Analysis of data from more than one hundred countries from 1986 to 2002 demonstrates that the field’s conventional wisdom systematically exaggerates the benefits that workers receive from trade policy reforms. *From Conflict to Coalition* boldly explains why labor is neither an automatic beneficiary nor an automatic ally of capital when it comes to trade policy and distributional conflict.

Adam Dean is an Assistant Professor of Political Science at Middlebury College, Vermont. He specializes in international relations with a focus on international political economy. His research interests include the political economy of trade, labor politics, and American Political Development. He earned his BA from the University of Pennsylvania, his MSc from the London School of Economics and Political Science, and his MA and PhD from the University of Chicago.
POLITICAL ECONOMY OF INSTITUTIONS AND DECISIONS

Series Editors
Stephen Ansolabehere, Harvard University
Jeffry Frieden, Harvard University

Founding Editors
James E. Alt, Harvard University
Douglass C. North, Washington University of St. Louis

Other books in the series
Alberto Alesina and Howard Rosenthal, Partisan Politics, Divided Government, and the Economy
Lee J. Alston, Thrainn Eggertsson, and Douglass C. North, eds., Empirical Studies in Institutional Change
James E. Alt and Kenneth Shepsle, eds., Perspectives on Positive Political Economy
Jeffrey S. Banks and Eric A. Hanushek, eds., Modern Political Economy: Old Topics, New Directions
Yoram Barzel, Economic Analysis of Property Rights, 2nd edition
Yoram Barzel, A Theory of the State: Economic Rights, Legal Rights, and the Scope of the State
Robert Bates, Beyond the Miracle of the Market: The Political Economy of Agrarian Development in Kenya
Jenna Bednar, The Robust Federation: Principles of Design
Charles M. Cameron, Veto Bargaining: Presidents and the Politics of Negative Power
Kelly H. Chang, Appointing Central Bankers: The Politics of Monetary Policy in the United States and the European Monetary Union
Peter Cowhey and Matthew McCubbins, eds., Structure and Policy in Japan and the United States: An Institutionalist Approach
Gary W. Cox, Making Votes Count: Strategic Coordination in the World’s Electoral System

continued after the Index
FROM CONFLICT TO COALITION

Profit-Sharing Institutions and the Political Economy of Trade

ADAM DEAN

Middlebury College, Vermont
Dedicated to Elana Dean
&
In Memory of Alvin Simonson
Contents

List of Figures page viii
List of Tables ix
Acknowledgments x

1 Introduction 1
2 A Theory of Profit-Sharing Institutions 13
3 Evidence and Research Design 37
4 The Gilded Wage: *Trade Politics in the American Textile and Steel Industries* 53
5 Liberalized by Labor 100
6 Trade Politics in Britain and Argentina 138
7 Power Over Profits 165
Appendix 182
8 Conclusion 199

References 208
Index 221
Figures

2.1 Causal Logic of Trade Models .......................... page 16
2.2 Unemployment, Labor Supply, and Wages ............... 18
4.1 Immigration into Bristol County (Fall River) and Allegheny County (Pittsburgh) .......... 96
5.1 CIO Density and Export Shares ......................... 130
5.2 Marginal Effect of Union Density on Senate Voting for the 1945 RTAA ..................... 136
7.1 The Effect of Labor Rights on Profit Sharing .......... 174
7.2 Marginal Effect of Productivity Growth on Wage Growth .......... 187
7.3 Marginal Effect of Labor Rights on Wage Growth .......... 187
7.4 Distribution of Variables .............................. 188
Tables

4.1 Trade Policy Preferences of American Steel and Textile Unions  
5.1 Trade Policy Preferences of the AFL and CIO  
5.2 Senate Votes on the RTAA, 1934 and 1945  
5.3 Probit Model. DV = Vote in Favor of RTAA 1945  
5.4 Probit Model. Alternative Union Density Measures  
7.1 Baseline OLS Regression Results. DV = Wage*  
7.2 OLS Regression Results with Controls  
7.3 Descriptive Statistics  
7.4 Correlation Table – Industry-Country-Year Variables  
7.5 Correlation Table – Country-Year Variables  
7.6 Robustness Check: Labor Rights and Labor Power Variables  
7.7 Robustness Check: Fixed-Effect Regression and Rarely Changing Variables  
7.8 Robustness Check: Standard Errors Clustered by Country  
7.9 Robustness Check: Technology, Industry-Country and Industry-Year Fixed Effects  
7.10 Robustness Check: Disaggregate LaborRights into Law and Practice  
7.11 Robustness Check: Determinants of the Profit-Sharing Rate  
7.12 Robustness Check: OECD and Developing Countries  
7.13 117 Countries in Dataset  
7.14 46 Countries Missing Data and Dropped from Full Model
This book grew out of my Ph.D. dissertation at the University of Chicago, where I was lucky to have support from a wonderful group of advisers: Duncan Snidal, Will Howell, Dan Slater, and Jong Hee Park. The journey from dissertation to book would have taken many more years if not for encouragement from Jeffry Frieden, who hosted a book manuscript conference for me at Harvard in the spring of 2015. The generous feedback from Bill Clark, Jeff Colgan, James Ashley Morrison, Layna Mosley, David Singer, Dan Slater, and Dustin Tingley improved the final book immensely. I thank Middlebury College for the financial support that made that conference possible.

Numerous other scholars have offered feedback over the years. While studying in Chicago, I was fortunate to discuss my work with John Mearsheimer, John Padgett, Gerry Rosenberg, Alberto Simpser, Faisal Ahmed, Milena Ang Collan Granillo, Gene Gherzoy, Ethan Porter, Matthias Staich, Felicity Vabulas, Tom Wood, David Burk, Carmine Grimaldi, and Andres Millan. A special thanks to Morgan Kaplan, whose constant support – often on every sentence I write – continues to be of enormous intellectual and emotional importance. I am also thankful for the help I received from several undergraduate research assistants, including Harsh Hiranandani, Katie Leu, Jamie Ocampo, and Joyce Oh.

While visiting Duncan Snidal in Oxford, I had the privilege to meet Desmond King, David Rueda, and Walter Mattli, all of whom offered much-welcomed interest and support. Visiting England also allowed me to re-connect with Ken Shadlen, my old advisor from the London School of Economics, who first encouraged me to pursue a Ph.D., and provided me with an attractive example of what an academic career might look like.

I owe perhaps my biggest intellectual debt to what we called the Gang of Four – a group of graduate students who met, at our best, once a week
Acknowledgments

to discuss each other's work. Jonathan Obert, Anne Holthoefer, Nick Smith, and Chris Haid improved my writing and research incalculably. I owe a special thanks to Jonathan; it is hard to imagine having written this book without the hundreds of hours spent discussing our work over coffee, dinner, and the occasional whiskey. What a nice coincidence that we both find ourselves teaching at small liberal arts colleges in the mountains of New England.

This book project also benefited from continual feedback and critique from various workshops, conferences, and invited talks. I thank participants from multiple workshops at the University of Chicago, as well as audiences at Oxford, UMASS Amherst, and various APSA, ISA, MPSA, and IPES conferences. I also thank Robert Dreesen, from Cambridge University Press, whose early support for my research made finishing and publishing this book a pleasure.

Since joining the faculty at Middlebury College, I've received guidance from a wonderful group of colleagues, including Keegan Callanan, Kemi Fuentes-George, Chris McGrory Klyza, Sebnem Gumuscu, Bert Johnson, Peter Matthews, Jamie McCallum, Sarah Stroup, Jessica Teets, and Amy Yuen. Allison Stanger went above and beyond – she read the complete manuscript, came up with the title, and gave me the courage to finally declare the book finished.

I thank my family and my parents for their love and support throughout my education and career. I owe a special thanks to my grandfather, Al Simonson, whose enthusiasm for learning knew no bounds. I wish he were still here to see this book in print. Finally, I thank my wife, Elana, who read and discussed every draft of this project over the past seven years. She has kept me happy, motivated, and intellectually honest. With her help, this year will see the publication of my first book, and the birth of our first child.

Middlebury, VT
May 2016