

Professor Arye L. Hillman



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Research interests: Political Economy and Public Policy (International Economics,
Public Economics, Impediments to Economic Development, Expressive
Behavior and Policy Choice)

Arye L. Hillman is the William Gittes professor of economics at Bar-Ilan University in Israel. His primary research interest is the political economy of public policy. His more than 100 publications have appeared in various professional journals.

He is the author of the books "The Political Economy of Protection" (1989; reprinted 2001) and "Public Finance and Public Policy: Responsibilities and Limitations of Government" (1st edition 2003, 2nd edition 2009, translated to Chinese, Greek, Hebrew, Japanese, Russian). Edited volumes include "Markets and Politicians: Politicized Economic Choice" (1991), "40 Years of Research on Rent Seeking" (with Roger Congleton and Kai Konrad 2008), and "The WTO and the Political Economy of Trade Policy (with Wilfred Ethier 2008).

His academic studies were at the University of Newcastle NSW (1st class honors and the University Medal), Macquarie University (Master in Economics with honors), and the University of Pennsylvania (PhD in economics). He has been a visiting professor at various universities including the Australian National University, UCLA, Princeton, Paris I (Sorbonne-Panthéon), Nanyang Technological University in Singapore, and Huazhong University of Science and Technology in China, the University of Freiburg, and has been a fellow of the Japanese Society for the Promotion of Science at Kobe University.

He was editor-in-chief and editor (1994-2015) of the European Journal of Political Economy (Elsevier). Since 1989, he has co-organized the annual Silvaplane Workshop in Political Economy, which gives young researchers the opportunity to present their ideas.

He is a former president of the European Public Choice Society and a recipient of the Max-Planck Prize for Humanities Sciences.

PERSONAL INFORMATION

Date of birth: 13 January 1947

Place of birth: Bad Wörishofen, U.S. zone of occupation, Germany

Citizenship: Israel

Family history: Sole survivor of children of Yehoshua (י"ר) and Rosa Hillman (ר"ר), whose other children perished at Auschwitz. Married to Jeannette (née Mann). 4 children, 18 grandchildren.

Higher education

B.A., First Class Honors in Economics and the University Medal, University of Newcastle, Australia 1963-67 (honors thesis advisor Paul Sherwood)

M. Ecs. (Honors), Macquarie University, Sydney, Australia 1968-70, degree awarded 1972 (thesis advisor Peter Lloyd)

PhD Economics, University of Pennsylvania, USA 1970-73 (thesis advisors Albert Ando, Wilfred Ethier)

Academic family tree: Ron Jones, to Wilfred Ethier; and Albert Ando

PROFESSIONAL INFORMATION

Affiliation:

Bar-Ilan University, William Gittes Chair, Professor of Economics, from 1984

Other affiliations:

Kiel Institute of World Economics International Research Fellow

CESifo, Research Fellow

CEPR, Research Fellow

Offices and Honors

Max-Planck-Prize for Humanities Sciences, joint with Heinrich W. Ursprung, 1994

President, European Public Choice Society, 1996-1997

Fellow, Japanese Society for the Promotion of Science, 2000

Albert Winsemius Professor, Nanyang Technological University, Singapore, 2000

Visiting positions

Centre d' économie de la Sorbonne, University of Paris I Sorbonne-Panthéon,
Master in Economics Program, Spring semesters 2010, 2011, 2012
University of Freiburg, FRG, Institute for Economic Research, summer
semester 2009
Huazhong University of Science and Technology, Wuhan, China, summer
2005
Princeton University, U.S.A., Woodrow Wilson School of Public Policy and
International Affairs and Department of Economics, visiting professor
of economics, fall semester 2004
International Monetary Fund, Washington D.C., Fiscal Affairs Department,
summers 2000-2003
University of Catania, Sicily, Italy. Economics, March 2000
Kobe University, Japan, Economics Department, January-February 2000
The World Bank, Washington, DC, Research Fellow, Socialist Economies
Reform Unit, 1990
Princeton University, U.S.A., Woodrow Wilson School of Public Policy and
International Affairs and Department of Economics, visiting professor
of economics, spring semester 1989
U.C.L.A., Los Angeles, U.S.A., visiting professor, Department of Economics,
1985-87
Monash University, Melbourne, Australia. Visiting researcher, Center for
Excellence, Economics, summer 1981, 1982
Australian National University, visiting lecturer in Public Finance, The
Faculties, 1979, visiting researcher, the Research School of Social
Sciences summer 1980
University of Illinois at Urbana, U.S.A., visiting assistant professor of
economics, 1973-74

Previous positions

Bar-Ilan University: Senior Lecturer 1980-1982, Associate Professor 1982-
1984
Tel-Aviv University, Lecturer, Department of Economics, lecturer 1974-79
University of Pennsylvania, U.S.A., Research Fellow, Economics Research Unit
(concurrent with graduate studies) 1970-1973
Macquarie University, Sydney, Australia. Senior Teaching Fellow 1968,
lecturer with tenure 1969-1970

Editorial positions

Editor and editor-in-chief, *European Journal of Political Economy* (Elsevier), 1994-2015
Associate editor for *Political Economy and Institutions*, imp-WG: Economics. The Open-Access, Open-Assessment E-journal, Kiel Institute of World Economics, since 2006
Australian Economic Papers, editorial board, since 2004
International Advisory Board, *Weltwirtschaftliches Archiv*, since 1995
Editorial Board, *The Journal of International Trade and Economic Development*, since 1995
Advisory Board, *Encyclopedia of Public Choice*, 1999
Associate Editor, *Economics and Politics*, 1990-1999

Silvaplana workshop in political economy

Jointly organized with Professor Heinrich Ursprung of the University of Konstanz, annually since 1989.

Policy-related research activities

Government of Israel: Office of the Prime Minister, Jerusalem, Israel

Position paper 1992: The economy of Israel: Misinformation or disinformation?

Chair 1996-1997: Forum for discussion of economic policy options

International Monetary Fund, Fiscal Affairs Department, Washington DC

Ethics, governance, and development failure 2000

User prices and basic education in low-income countries 2002

Governance, growth and fiscal policy in low-income countries 2003

The World Bank, Washington DC

Adjustment to end of CMEA trading system, Hungary 1990

International trade policy regime 1992 (Turkmenistan)

Choice of the tax regime 1992 (Bulgaria)

Incentives for private sector development 1993-1994 (Bulgaria)

Foreign trade regime 1993 (Baltics)

Foreign trade subsidies, directed credits 1993 (Russia)

Incentives for private sector development 1993 (Hungary)

Financing government in transition 1994-95 (Bulgaria)

World Development Report Background Paper 1995-96: "Rents and the transition" (with Alan Gelb and Heinrich Ursprung)

Enterprise development, 2002 (Uzbekistan)

Political economy of transition 2012 (Montenegro)

GATT/World Trade Organization

International trade policy and environmental interests 1991

Trade, technology, and social marginalization 1998

The European Union

Economic policy in Hungary 1989

Plenary and public lectures

2010-2012

- Australasian Public Choice Conference, University of Tasmania. Plenary lecture: "Beyond criticism: Logrolling and decoy voting in the United Nations", December 10-11 2012
- National University of Singapore, Lee Kuan Yew School of Public Policy. Public lecture: "Expressive behavior and public policy", August 13, 2012
- World Bank, ECA PREM Seminar "Lost in transition", June 19, 2012
- XII April International Conference on Economic and Social Development, Higher School of Economics, Moscow, "The professional literature in economics", 3-4 April 2012 <http://conf.hse.ru/en/2012/honorary>
- Public Choice Society, World Conference, Miami. Plenary talk: "A good idea: So what". March 2012
- Jerusalem Institute for Market Studies May 2011. Public lecture on: "Identity and expressive behavior in voting in Israel"
http://www.youtube.com/watch?v=q2tz5_RW35o
- Public Choice Society, San Antonio, March 2011. Plenary presentation: "Behavioral political economy"
- Silvaplana Workshop on Political Economy. Pontresina, July 2010. "Expressive policy traps"

2006-2009

- CESifo 3rd Workshop on Political Economy, Dresden, December 2009. Keynote speaker on "Expressive behavior"
- European Public Choice Society, Athens, April 2009. Plenary lecture on: "Expressive behavior in economics and politics: An overview and a perspective"
- Alexander von Humboldt Foundation: the Israeli Humboldt Club, the Humboldt Kolleg Symposium on "When Science and Humanities Meet", January 8, 2009. Invited lecture: "The welfare state"
- Jerusalem Institute for Market Studies, 21 May 2008. Public lecture: "The work ethic and the welfare state"
- Hubei College of Economics, China, October 10, 2007. Public lecture: "Is social justice achievable?"
- Singapore Economic Review annual public lecture, Nanyang University, September 20, 2007: "Globalization and social justice"
- University of Havana, 44th Anniversary of the Initiation of the Study of Economics, Havana, Cuba, October 6, 2006. Plenary lecture on: "The elusive quest for social justice"

1989-2005

- Mont Pelerin Society General Meetings, Salt Lake City, August 15-20, 2004. Plenary address on: "Institutions of international decision making: the United Nations"
- The World Bank, PREM Conference, Washington DC, April 27-28, 2004. Debate with Jeffrey Sachs on: "Economic policies for failed

states"
<http://www.nytimes.com/2004/11/07/magazine/07SACHS.html?pagewanted=all&r=0>
European Public Choice Society, Berlin, April, 2004. Plenary lecture on:
"Development failure"
Israel Economic Association, Symposium on 50 years of Economic Research
in Israel, April 28, 1999. Invited lecture on: "Political Economy"
European Public Choice Society Annual Conference, Prague, April 1997.
Presidential Address: "Political economy and political correctness"
Mont Pelerin Society General Meeting, Cannes, September 1994. Plenary
address: "Nostalgia, self-interest, and the transition from socialism"
European Public Choice Society Annual Conference, Portrush, April 1993.
Plenary address: "The transition from socialism: Some comforting
thoughts for adherents to a public choice perspective"
Geneva Environmental Meetings, Environment and Development: Conflict
and Convergence, May 1992. Presentation on: "Environmental
protection and international trade"
Annual Meetings of the Economic Association of Israel, Tel-Aviv, December
1991. Plenary lecture: "The political economy of international trade
policy"
European Public Choice Society Annual Conference, Meersburg, April 1990.
Plenary lecture on "International trade policy: Benevolent dictators
and optimizing politicians"
Taft Lecture, University of Cincinnati, April 1989. On: "Liberalizing socialist
industry"

Research supervision and teaching

PhD Thesis supervision, Bar-Ilan University

Yoav Zeif, 1999. Three essays in international trade policy and income
distribution

Shirit Katav-Herz, 2002. Social norms, labor standards, and international
consequences

Ronen Bar-El, 2006. Essays in intergenerational economics

Odelia Rosin, 2008. The economic consequences of obesity

Yariv Weltzman, 2010. The persistence of ineffective aid

Rezina Sultana, 2011. Essays on the political economy of economic
development

Doron Klunover, in progress. Three Essays in the Theory of Contests

Courses taught (graduate and undergraduate)

Public finance

Political economy

International economics

RESEARCH

Research summary

Recent publications and working papers (since 2010)

Books

Edited volumes

Publications by principal topics

1. Political economy of international trade policy
 - The political-economy foundations of protectionist policies
 - Trade liberalization and globalization
 - Trade embargoes
 - The environment
 - Market structure and protection
 - Protectionist policies as insurance
 - Multinational firms and foreign investment
 - Asset markets and strategic trade policy
 - Surveys of the political economy of trade policy
2. Political economy of international migration
 - The political-economy foundations of immigration policies
 - Illegal immigration
 - Host-country benefits from immigration
3. Rent seeking and political persuasion
 - Theory of rent seeking
 - Institutions and rents
 - Political economy and political correctness
4. Political economy of public policy
 - Expressive behavior and public policy
 - Public policy and public safety
 - Government in low-income countries
 - Paternalistic public policy
 - Tax competition
 - Hobbes and the prophet Samuel on the need for a king
 - Public goods and clubs
5. Discrimination
 - Antisemitism: Economic and behavioral foundations
 - Voting in the United Nations

Other topics

- Transition from communism
- Comparative advantage and international trade
- Short papers, policy papers, comments

Research summary

My research is in political economy, which is the interface between economic and political decisions. I have also been interested in behavioral political economy, in particular expressive behavior.

International trade policy and protectionism

My interest in political economy began in the field of international trade, with a quest to understand why governments prevent people from trading with one another. In contrast to pre-existing explanations that viewed departures for free trade as second-best socially optimal policies of benevolent government, I proposed that policies that impeded free trade were explained by political benefits through the income-redistribution consequences of protectionist policies. Subsequently, with developments by Gene Grossman, Elhanan Helpman, and others a decade later, the political-economy approach became the accepted means of explaining international trade policies. In research that included collaboration with James Cassing and Heinrich Ursprung, I showed how, beyond protectionism, political motives also explained choice of the means of protection and links between international trade policy and the environment.

International trade liberalization

In research with Peter Moser, we proposed the view of international trade liberalization as a political-economy phenomenon that we described as 'politically optimal exchange of market exchange'. Our model based on motives of political support showed how governments have an interest in mutual liberalization of trade as means of increasing incomes in their respective export sectors. Our view was consistent with how trade negotiators themselves viewed liberalization of international trade and was in contrast to the standard literature that studied trade liberalization as the mutual removal of tariffs that had been imposed to influence the terms of trade. In an early paper I had sought to make the point that benefits to a population through 'optimal tariffs' required distribution of tariff revenue. Governments in high-income countries do not seem to care about tariff revenue, which is a small part of financing of the government budget. Therefore governments could not be influenced in trade policy by effects through tariff revenue. Our model predicted and explained trade liberalization without recourse to tariff-revenue effects through changes in the terms of trade.

International trade policy and asset markets

Joint research with JoAnne Feeney studied the link between asset markets and international trade policy. We showed how strategic trade policy, a widely propagated proposal for government intervention in international markets, is

compromised by the existence of asset markets and how diversification through asset markets moderates support for protectionist policies.

Policies with regard to international migration

I introduced political economy into the study of migration policy. Previously migration of people had been considered symmetrically with international capital movements through the Rybczynski Theorem of the Heckscher-Ohlin model or the short-run specific-factors model. Migration of people however differs from international movement of factors of production because of social and economic consequences of arrival of people with or without their families and the possibility that the welfare state may need to accommodate the immigrants. I considered reasons why young and older generations might have different interests in migration policy. Research with Gil Epstein and Heinrich Ursprung studied the decision to emigrate from a country in which rulers appropriated incomes for favored redistribution. Research with Avi Weiss asked why illegal immigration was allowed so long as immigrants stayed confined to permissible sectors or industries (to artificially convert immigrants to specific factors).

Rent seeking and political persuasion

A parallel research theme has been the theory of rent seeking, and related rent creation and rent extraction. Rent seeking is central to a political economy perspective on public policy in stressing the social costs of political discretion. Gordon Tullock had noted that political persuasion resulted in social losses because of resources attracted away from productive activity. Rent seeking is by nature generally hidden and so unobservable. Rents can however often be observed. An important question is therefore whether the social losses incurred in seeking rents can be inferred from the observed value of rents. In joint research conducted with Eliakim Katz, Dov Samet, and John Riley, I demonstrated conditions under which rent dissipation could be taken to be complete so that values of observed rents reflected the social cost of rent seeking. Complete rent dissipation had been an assumption in studies of rent seeking by Richard Posner, Anne Krueger, and others. A paper with Eliakim Katz described rent seeking in government bureaucratic hierarchies. A paper with Heinrich Ursprung studied rent seeking by insiders able to influence political decisions and by outsiders seeking to be insiders. The literature had studied contests for rents that were available at a point in time: in research with Toke Aidt, we developed a model that demonstrated the consequences of contests for rents that endured over time and could require re-contesting in the future.

Political economy and the failure of economic development

I have studied the political economy of failure of economic development. Empirical research shows that aid has been ineffective in promoting economic growth in low-income countries. More generally, development objectives have not been achieved

in many low-income countries, where the poor population has remained poor. A political-economy perspective explains development failure in terms of the personal objectives of rulers and ruling elites in poor countries. My Nietzschean model of development failure describes the interaction between the weak who cannot defend the product of their labor and the strong who can appropriate at will the output of the weak.

Political economy of transition from communism

I have studied the transition from communism, which has also been very much a topic of political economy. Changing institutions and the introduction of private property rights through privatization changed personal opportunities and economic and political incentives. I was fortunate in having had the opportunity to visit many post-communist countries as an advisor for the World Bank and the International Monetary Fund.

Expressive behavior and identity: Behavioral political economy

My recent research focus has been on behavioral political economy and in particular the effects of expressive behavior on economic and political decisions. Expressive behavior has been proposed to explain voting as a low-cost activity by non-decisive voters. I have extended the role of expressive behavior to expressive rhetoric and to expressive giving. Expressive behavior is important for public policy because expressive policy traps can arise in which people expressively support public policies to make an impression on others that they would veto if they could. Research with Niklas Potrafke investigated the role of expressive and instrumental voting when voting is based on group identity. Usually voting according to group identity is inconsistent with democracy because of predetermined majorities. We studied a rare case in which democracy persists with group identity and considered implications for other locations where group affiliation is the source of identity.

Discrimination

It is interesting and puzzling why there should be discrimination against an entire people without regard for the behavior of the people in the population against whom there is discrimination. The most long lasting and widespread of such discrimination has been against the Jewish people and in contemporary guise against the Jewish state. I have researched the behavior of antisemites in a quest to identify whether sources of antisemitism sentiment have economic foundations. In joint research with Raphael Becker, Niklas Potrafke, and Alexander Schwemmer, we studied voting in the United Nations General Assembly and found an extraordinary preoccupation in UN resolutions with criticism of the Jewish state. We confirmed that objective criteria do not justify the preoccupation with Israel. We use a model of expressive behavior to explain decoy voting whereby the autocratic majority in the United Nations uses voting to criticize the state of Israel to distract attention from

their repressive acts against their populations. Other countries can also be the victims of autocratic accusations of the behavior in which autocratic governments engage.

My book *Public Finance and Public Policy: Responsibilities and Limitations of Government* (Cambridge University Press, 2003, 2nd edition 2009) has been translated from the original English to Chinese, Greek, Japanese, Russian). The book provides a political economy perspective on the choice between personal decisions markets and decisions of government.

An earlier book *The Political Economy of Protection* (Harwood 1989, reprinted in 2001 by Routledge) set out the foundations for a political economy approach to international trade policy that subsequently became the mainstream approach to explaining deviations from free-trade policies.

RECENT PUBLICATIONS (since 2010)

Hillman, Arye L., 2010. *Expressive behavior in economics and politics*. *European Journal of Political Economy* 26, 404 – 419.

Summary: Expressive behavior is defined as the self-interested quest for utility through acts and declarations that confirm a person's identity. Expressive voting is a case of expressive behavior. The above paper introduces expressive behavior in the forms of expressive rhetoric and expressive generosity. The questions for society and for public policy are whether expressive behavior affects others, and if so whether beneficially or disadvantageously. In experiments, expressive behavior that is self-pleasing and pleasing to others benefits others. There are adverse social consequences when, in real-life decisions, the same pleasing expressive behavior results in unwanted public policies of expressive-policy traps. The paper considers the prospects for avoiding or exiting expressive-policy traps.

Hillman, Arye L., 2011. *Expressive voting and identity: evidence from a case study of a group of U.S. voters*. *Public Choice* 148, 249-257 (review article).

Summary: The source of evidence on expressive voting has been experiments, in general conducted with students. A study of voting of a subgroup of US voters allows reinterpretation of voter behavior in expressive terms. There is evidence of expressive voting contrary to self-interest, to confirm allegiance to an ideology. Traditional members of the sub-group vote expressively but in accord with their self-interest.

Hillman, Arye L., 2013. *Economic and behavioral foundations of prejudice*. In Charles S. Small (Ed.), *Global Antisemitism: A Crisis of Modernity* (pp. 51-67). Leiden, Netherlands, and Boston, MA: Martinus Nijhoff Publishers.
<http://isgap.org/isgap-books/> ^[12]

Summary: An enquiry into economic and behavioral foundations of antisemitism. The focus is on the behavior of antisemites and not the historical acts of antisemitism. Antisemitic behavior is defined as propagating "big lies", using the big lies for demonization, and after demonization denying Jews the right of self-defense. The three elements of antisemitism have historical foundations. One element is sufficient for antisemitism. Usual explanations of discrimination in economic theory do not explain the prejudice known as antisemitism, in traditional form against Jews and in contemporary form also against the Jewish state. Cognitive dissonance is present because Jews and the Jewish state are

successful but cannot be harmed or have their possessions appropriated. Historical continuity suggests roles for envy and for fear in explanations of the behavior of antisemites. Attitudes to reasons for personal success as effort or luck are identified as underlying the different proportions of antisemites in populations in Europe as against populations in the U.S., Australia, and Canada.

Hillman, Arye L., 2013. *Rent seeking*. In Reksulak, Michael, Razzolini, Laura, Shughart, William F. II (Eds.), *The Elgar Companion to Public Choice* (2nd Edition). Edward Elgar, Cheltenham U.K., pp. 307-330.

Summary: A survey of the theory and applications of rent seeking, including rent creation and rent extraction.

Becker, Raphael N., Arye L. Hillman, Niklas Potrafke, Alexander H. Schwemmer, 2015. *The preoccupation of the United Nations with Israel: Evidence and theory*. Review of International Organizations, forthcoming.

Summary: Data compiled on all United Nations General Assembly resolutions on which voting took place between January 1990 and June 2013 reveal a preoccupation with one country: in 65 percent of instances in which a country is criticized in a resolution, the country is Israel, with no other country criticized in more than 10 percent of resolutions. We use comparative quantitative criteria to confirm that Israel is subject to discrimination. To explain the motives for discrimination, we present a model of behavioral political economy that includes decoy voting, vanity of autocrats, and a Schelling focal point for deflection of criticism. The model includes a role for traditional prejudice. Our conclusions more generally concern political culture in the United Nations.

Hillman, Arye L., 2015. *Rent seeking as political economy*. In: Roger D. Congleton and Arye L. Hillman (Eds.), 2015. *Companion to Political Economy of Rent Seeking*, Edward Elgar, Cheltenham UK, chapter 2.

Summary: The theory of contests had added interesting refinements to understanding rent-seeking behavior. Rent seeking, in conjunction with rent creation and rent extraction, is also at the core of political economy. When combined with rent creation and extraction, rent seeking provides a perspective on the social costs of political, regulatory, and bureaucratic discretion.

Hillman, Arye L., 2015. ***Rents and international trade policy***. In: Roger D. Congleton and Arye L. Hillman (Eds.), 2015. *Companion to Political Economy of Rent Seeking*, Edward Elgar, Cheltenham UK, chapter 12.

Summary: Whether the presence of politically created rents is acknowledged or not has distinguished two approaches to the study of international trade policy. A model that excludes politically created rents proposes that: (1) governments' efficiency objectives give rise to protectionist policies; (2) social welfare can be increased by a government providing subsidies to firms competing in international markets; (3) tariffs are used by governments to improve the terms of trade, with the population benefitting through distribution of tariff revenue; and (4) trade liberalization takes place to reduce or eliminate the trade restrictions that were imposed to improve the terms of trade. A second model that includes politically created rents offers quite different interpretations of governments' trade policy decisions. The latter rent-inclusive model is consistent with revealed political preference for using trade policy to provide private benefits and with the political insignificance of tariff revenue. McCloskey (1998) has proposed that we view economists as storytellers. Given the evidence that governments' trade policy decisions create rents for private benefit, we can ask why the story without rents has been told.

Arye L. Hillman, Kfir Metsuyanin, and Niklas Potrafke. ***Democracy with group identity***. *European Journal of Political Economy*, special issue on Behavioral Political Economy, forthcoming 2015. Revised version of a paper presented at a conference on Behavioral Political Economy, Venice, July 20-22, 2014.

Summary: Voting according to group identity is often inconsistent with democracy because of predetermined majorities. We study a case of democracy with group identity, local elections in Israel, that includes near-complete voter turnout. We propose general principles of voting with group identity that distinguish between identity-based expressive voting and instrumental voting for material gain. With material gain present, we examine whether group identity influences the likelihood of a local-government jurisdiction being subject to a central-government financial rehabilitation program.

Arye L. Hillman and Niklas Potrafke, ***The UN Goldstone Report and Retraction: An empirical investigation***. *Public Choice* 2015.

Summary: Democracies and autocracies differ in attitudes to symmetric warfare. We investigate, using voting in the United

Nations General Assembly on resolutions relating to the UN Goldstone Report, whether democracies and autocracies also differ in attitudes to self-defense against state-supported terror. The Goldstone Report focused specifically on the actions of Israel in a war with Hamas-controlled Gaza but propagated a general principle in an interpretation of international law that limited and criminalized self-defense against state-sponsored terror. We find differences between democracies and autocracies with regard to support for the Goldstone interpretation of international law criminalizing self-defense.

PUBLICATIONS -- BOOKS

Arye L. Hillman, 1989. *The Political Economy of Protection*. Harwood Academic Publishers, Chur. Reprinted in 2001 by Routledge, London.

Summary: A basic conclusion of the theory of international trade is that free trade is efficient. For people can only gain from voluntary exchange. This book considered the reasons why political decision makers choose not to allow free trade. Standard trade theory had separated efficiency from distributional decisions by assuming the availability of lump-sum taxes and transfers. Absence of lump-sum taxes and transfers results in compromise of the efficiency of free trade by governments seeking distributional objectives. Standard trade theory also assumed benevolent governments or political decision makers who choose policies to maximize social welfare and explained protectionism as a second-best policy of the social-welfare maximizing governments. This volume describes policy choices of political decision makers who have political objectives of political support and winning elections. Trade policy furthers these objectives by redistributing income to obtain political support. Since the initial publication of the book, these themes became common place in the professional literature on the political economy of protection.

Arye L. Hillman, 2009 (2nd edition). ***Public Finance and Public Policy: Responsibilities and Limitations of Government***, Cambridge University Press, New York NY.

1st Edition, 2003, Cambridge University Press, New York
Japanese 2006, Keiso Shobo, Tokyo
Chinese 2006, Chinese Academy of Social Sciences, Beijing
Russian, 2009, Publishing House of the State University, Higher School of Education, Moscow
Greek, 2013, Papazisis publishers, Athens
Hebrew (electronic)

Summary: The book is a treatise on markets and governments and is presented as a text on public finance and public policy. The book begins with the proposal that ‘the most important question in the study of economics is when should a society forgo the economic freedom of markets and rely on the public finance and public policy of governments’ and with the question ‘what do we predict will be the outcome when voters and taxpayers delegate responsibilities to the governments through public finance and policy?’ Standard public finance is integrated with a political economy perspective on behavior of governments and political decision makers. Lump-sum taxes and transfers are regarded as not feasible, so there is interdependence between efficiency and distributional consequences of government decisions.

PUBLICATIONS -- EDITED VOLUMES

Arye L. Hillman (Ed.), 1991. ***Markets and Politicians: Politicized Economic Choice***. Kluwer Academic Publishers, Boston and Dordrecht.

Summary: A collection of papers by different authors setting out foundations in different fields of economics of the incentives for and consequences of political motives for intervening in market activity

Wilfred Ethier and Arye L. Hillman (Eds.), 2008. ***The WTO and the Political Economy of Trade Policy***. Edward Elgar, Cheltenham UK.

Summary: A collection of the papers making the most significant conceptual contributions to the political economy of international trade policy against the institutional background of the WTO and

formerly the GATT – with an introduction the reviews the
literature

Roger D. Congleton, Arye L. Hillman, and Kai Konrad (Eds.), 2008. ***40 Years of Research on Rent Seeking***. Springer, Heidelberg.

Volume 1: ***Theory of Rent Seeking***

Volume 2: ***Applications: Rent Seeking in Practice***

With ***Introduction and summary***: pp. 1 – 42 (BOTH VOLUMES)

Summary: The two volumes reprint papers that made significant contributions to the theory and application of rent seeking in the 40 days since the introduction of the concept of rent seeking to the literature

Roger D. Congleton and Arye L. Hillman (Eds.), 2015. ***Companion to Political Economy of Rent Seeking***, Edward Elgar, Cheltenham UK.

Summary: A collection of original papers by different authors providing an introduction to a topic in the field of rent seeking

WORKING PAPER

Christian Bjørnskov, Željko Bogetić, Arye L. Hillman, and Milenko Popović, ***Trust and identity in a small post-socialist post-crisis society***.

The World Bank
Europe and Central Asia Region
Poverty Reduction and Economic Management Unit
April 2014
Policy Research Working Paper 6828

Summary: The principal focus in the substantial literature on impediments to economic development has been on the inadequacies of policies and governance. Successful economic development requires however effectiveness of markets and incentives for investment, which in turn require trust. We report on trust in a development context using trust experiments and a post-experiment survey relating trust to identity and other personal attributes in the setting of Montenegro, a small recently-independent post-socialist, post-conflict, post-crisis society. External validity was sought by providing sufficient material reward to balance identity-related expressive motives and by

having two groups of subjects, one usual university students and another group that, while also students, was somewhat older and had had greater market or commercial experience. We review cultural priors that can be expected to affect trust and distinguish between generalized trust that can be socially beneficial and particularized trust that can be disadvantageous for development. Our empirical results suggest that trust among private individuals is not an impediment to development in Montenegro. The results redirect us to issues of governance and political entrenchment as explanations for impediments to development.

RESEARCH PAPERS -- PUBLICATIONS

RESEARCH TOPIC 1

POLITICAL ECONOMY OF INTERNATIONAL TRADE POLICY

BOOKS

Arye L. Hillman, 1989. *The Political Economy of Protection*. Harwood Academic Publishers, Chur. Reprinted in 2001 by Routledge, London. *Summary*: See Books above.

Wilfred Ethier and Arye L. Hillman (Eds.), 2008. *The WTO and the Political Economy of Trade Policy*. Edward Elgar, Cheltenham UK. *Summary*: See Edited Volumes above

RESEARCH PAPERS

The political-economy foundations of protectionist policies

Hillman, Arye L., 1982. *Declining industries and political-support protectionist motives* *American Economic Review* 72, 1180-1187.

Reprinted in:

The WTO, Safeguards, and Temporary Protection from Imports, Chad Brown (Ed.), Edward Elgar, Cheltenham UK, 2006.

The WTO and the Political Economy of Trade Policy, Wilfred Ethier and Arye L. Hillman (Eds.), Edward Elgar, Cheltenham UK, 2008, pp. 43 – 50.

Forty Years of Research on Rent Seeking 2 – Applications Rent Seeking in Practice. Roger D. Congleton et al. (Eds.), Springer, Berlin, 2008, pp. 105 – 112.

Summary: I proposed that a political-support model rather than a model of social-welfare maximizing government explains protection for domestic import-competing industries that are in decline because of falling world prices. The literature at the time attributed protection to second-best efficiency objectives of socially benevolent governments. The political-support model showed why protection increases when import prices fall. The paper provides the conceptual foundation for the subsequent development of models of the political economy of protection in the 1990s by Gene Grossman, Elhanan Helpman, and others.

Cassing, James H. and Arye L. Hillman, 1985. ***Political influence motives and the choice between tariffs and quotas.*** *Journal of International Economics* 19, 279-290.

Summary: Previous studies of use of tariffs and quotas had compared the consequences of the two types of means of protection but had not asked why the different instruments are used. This was the first study to ask why governments sometimes use tariffs and at other times quotas as the means of protection. The model shows that in different circumstances the different means of protection maximize political support.

Cassing, James H. and Arye L. Hillman, 1986. ***Shifting comparative advantage and senescent industry collapse.*** *American Economic Review* 76, 516-523.

Reprinted in:

The WTO and the Political Economy of Trade Policy, Wilfred Ethier and Arye L. Hillman (Eds.), Edward Elgar, Cheltenham UK, 2008, pp. 516 – 523.

Summary: Declining import-competing industries were observed to abruptly collapse rather than output declining along a continuous domestic supply function. A political-economy model explains the phenomenon of abrupt industry collapse through the feedback from industry decline to the political importance of the industry for policy makers.

Hillman, Arye L. and Heinrich W. Ursprung, 1988. ***Domestic politics, foreign interests and international trade policy***. *American Economic Review* 78, 729-745.

Reprinted in:

International Trade, J. Peter Neary (Ed.), Edward Elgar, Cheltenham UK, 1996.

The Globalization of the World Economy: Trade and Investment Policy, Thomas Brewer (Ed.), Edward Elgar, Cheltenham UK, 1999, pp. 470 – 86.

The WTO and the Political Economy of Trade Policy, Wilfred Ethier and Arye L. Hillman (Eds.), Edward Elgar, Cheltenham UK, 2008, pp. 99 -115.

See also

Domestic politics, foreign interests, and international trade policy: Reply, *American Economic Review*, 1994, 84, 1476-78.

Summary: This was the first study to investigate why governments transfer rents to foreign producers through voluntary export restraints. Tariffs provide government revenue or quotas provide rents to domestic interests. Voluntary export restraints provide protection to domestic producers while converting tariff revenue to foreign private profits, thereby providing foreign producers with compensation for the restricted market access for their exports. The choice of the means of protection was described as determined in the context of political competition by candidates for office making policy pronouncements.

Hillman, Arye L., 1990. ***Protectionist policies as the regulation of international industry***, *Public Choice* 67, 101-110.

Summary: Describes how protectionist policies are a means of regulating industries in different policy jurisdictions.

Hillman, Arye L., 1992. ***International trade policy: Benevolent dictators and optimizing politicians***, *Public Choice* 74, 1-15.

Summary: Compares different interpretations of objectives of policy makers.

Hillman, Arye L., 2015. ***Rents and international trade policy***. In: Roger D. Congleton and Arye L. Hillman (Eds.), 2015. *Companion to Political Economy of Rent Seeking*, Edward Elgar, Cheltenham UK, chapter 12.

Summary: Whether the presence of politically created rents is acknowledged or not has distinguished two approaches to the study of international trade policy. A model that excludes politically created rents proposes that: (1) governments' efficiency objectives give rise to protectionist policies; (2) social welfare can be increased by a government providing subsidies to firms competing in international markets; (3) tariffs are used by governments to improve the terms of trade, with the population benefitting through distribution of tariff revenue; and (4) trade liberalization takes place to reduce or eliminate the trade restrictions that were imposed to improve the terms of trade. A second model that includes politically created rents offers quite different interpretations of governments' trade policy decisions. The latter rent-inclusive model is consistent with revealed political preference for using trade policy to provide private benefits and with the political insignificance of tariff revenue. McCloskey (1998) has proposed that we view economists as storytellers. Given the evidence that governments' trade policy decisions create rents for private benefit, we can ask why the story without rents has been told.

Trade liberalization and globalization

Hillman, Arye L. and Peter Moser, 1996. *Trade liberalization as politically optimal exchange of market access*. In: Matthew Canzoneri, Wilfred Ethier, and Vittorio Grilli (Eds.), *The New Transatlantic Economy*, Cambridge University Press, New York, NY, pp. 295-312.

Reprinted in:

The Global Trading System, volume 2, Core Rules and Procedures, Kym Anderson and Bernard Hoekman (Eds.), I.B. Tauris and Co Ltd, London and New York, 2002.

The WTO and the Political Economy of Trade Policy, Wilfred Ethier and Arye L. Hillman (Eds.), Edward Elgar, Cheltenham UK, 2008, pp. 290 – 307.

Summary: The study is the first in the international trade literature to describe and model trade liberalization as exchange of market access. Previous studies had viewed trade liberalization in terms of aggregate welfare and as removal of "optimal tariffs" and had not

accounted for political-support responses and distributive consequences of trade liberalization.

Hillman, Arye L., Peter Moser and Ngo Van Long, 1995. ***Modeling reciprocal trade liberalization: The political-economy and national-welfare perspectives***, Swiss Journal of Economics and Statistics, September 1995, 131, 503-515.
Summary: A more technical exposition of the above.

Hillman, Arye L. and JoAnne Feeney, 2004. ***Trade liberalization through asset markets***. Journal of International Economics 64, 151-167.

Reprinted in:

The WTO and the Political Economy of Trade Policy, Wilfred Ethier and Arye L. Hillman (Eds.), Edward Elgar, Cheltenham UK, 2008, pp. 173 - 189.

Summary: The paper is the first to model preferences for trade liberalization as responsive to diversification of industry-specific incomes through asset market diversification. Conditions are derived under which, given the initial asset ownership distribution, diversification through asset market results in consensus for free trade.

James, David E. and Arye L. Hillman, 1970. ***A note on the distribution of tariff proceeds***, *Economic Record*, 46, 117-19.

Summary: This note makes the point that the welfare of a population depends on how tariff revenue is distributed. The note is relevant for the debate on whether terms of trade effects are part of the calculation that underlies trade-liberalization decisions. Do governments liberalize trade because of terms of trade effects and are governments inhibited by terms of trade effects from liberalizing trade? The benefits of an improvement in the terms of trade through an optimum (or other) tariff require distribution of tariff revenue. If tariff revenue is not important for trade policy, nor is the optimum tariff or any change in the terms of trade due to trade liberalization.

Hillman, Arye L., 2005. Globalization and the political economy of international trade policy). In: Trade Policy Reforms and Development: Essays in Honor of Professor Peter Lloyd, Volume II, Sisira Jayasuriya (Ed.), Edward Elgar, Cheltenham, U.K., 2005, pp. 3 - 22.

Summary: Describes the asymmetries between political incentives to depart from free trade and to liberalize trade.

Hillman, Arye L., 2008. ***Globalization and social justice***. *Singapore Economic Review* 53, 173 - 189.

Summary: Against the background of large literature claiming injustices associated with globalization, the different dimensions of the relation between social justice and globalization are described. The paper is based on an invited lecture: Singapore Economic Review Public Lecture, Nanyang Technological University, September 2007.

Trade embargoes

Ruth W. Arad and Arye L. Hillman, 1979. ***Embargo threat, learning and departure from comparative advantage***, *Journal of International Economics* 9, 265 - 75.

Summary: A country is described that is subject to an embargo threat in a product for which there is learning-by-doing but there will nonetheless be no comparative advantage in the product in the future. Producing the good contrary to comparative advantage is inefficient but future production costs will be lower if trade is embargoed. The application is to defense equipment.

Hillman, Arye L., and Ngo Van Long, 1983. ***Pricing and depletion of an exhaustible resource when there is anticipation of trade disruption***. *Quarterly Journal of Economics*, 98, 215 - 33.

Summary: A country that has its own supplies of a depletable resource can also import the resource subject to the likelihood of a trade embargo. Domestic consumption of the domestically available resource reduces the quantity that will be available in the future if trade is embargoed. The paper investigates the appropriate policy regarding the mix between imports and use from domestic supply.

Hillman, Arye L., and Ngo Van Long, 1985. ***Monopolistic recycling of oil revenue and intertemporal bias in oil depletion and trade*** ^[31], *Quarterly Journal of Economics*, 100, 597 - 624.

Summary: A foreign cartel supplies imports of oil consists of countries and rulers of countries in the cartel also have monopoly power in the international capital market. The ability to determine the rate of interest is expressed in the Hotelling rule for profit-maximizing extraction of a depletable resource. The paper studies whether joint monopoly power increases or decreases extraction of the depletable resource.

The environment

Hillman, Arye L. and Heinrich W. Ursprung, 1992. *The influence of environmental concerns on the political determination of international trade policy*. In: Richard Blackhorse and Kym Anderson (Eds.), *The Greening of World Trade Issues*, University of Michigan Press, Ann Arbor MI, 1992, pp. 195 – 220. Invited paper for a conference organized at the GATT (replaced by the WTO).

Hillman, Arye L. and Heinrich W. Ursprung, 1994. *Greens, super greens, and international trade policy: Environmental concerns and protectionism*. In: Carlo Carraro (Ed.), *Trade, Innovation, Environment* [33], Springer, Heidelberg, pp. 75 – 108.

The papers are the first studies of political determination of international trade policy when policy is subject to influence by environmental interests. Environmentalists are distinguished as either being “greens” who care only about the local environment and so are Nimbi’s (not in my backyard), or alternatively environmentalists are “super greens” who care about the global environment. The model describes circumstances in which environmental lobbies have common interest with producers and with consumers in the determination of international trade policy.

Market structure and protection

Hillman, Arye L., 1991. *Market structure, politics, and protection*. In: Elhanan Helpman and Assaf Razin (Eds.), *International Trade and Trade Policy*, MIT Press, Cambridge MA, pp. 118 – 40.

Hillman, Arye L., Ngo Van Long, and Antoine Soubeyran, 2001. *Protection, lobbying, and market structure*, *Journal of International Economics* 54, 383 – 409.

Hillman, Arye L., Ngo Van Long, and Antoine Soubeyran, 2003. *Lobbying for tariff protection and allocation of entrepreneurial resources*. In: *New Developments in International Trade: Theoretical and Empirical Investigations*, Seiichi Katayama and Kaz Miyagiwa (Eds.), Research Institute for Economics and Business Administration, Kobe, pp. 129 – 46.

How does how market structure affect the allocation of time and talent of entrepreneurs and producers between productive activity and lobbying for protection, when lobbying for protectionist policy is a “public good” from which all entrepreneurs and producers in an import-competing industry will benefit, if lobbying is successful.

Protectionist policies as insurance

Hillman, Arye L., James H. Cassing, and Ngo Van Long, 1986. ***Risk aversion, terms of trade variability, and social consensus trade policy*** ^[38], *Oxford Economic Papers* 38, 234-242.

Summary: Because of moral hazard and adverse selection, personal incomes cannot be insured against changes in the terms of trade. The paper shows how protection may be sought as a substitute for the absent insurance markets.

Hillman, Arye L., Eliakim Katz, and Jacob Rosenberg, 1987. ***Workers as insurance: Anticipated government intervention and factor demand***, *Oxford Economic Papers*, 39, 813-820.

Reprinted in:

The WTO and the Political Economy of Trade Policy, Wilfred Ethier and Arye L. Hillman (Eds.), Edward Elgar, Cheltenham UK, 2008, pp. pp. 585–592.

Summary: Political sensitivities to unemployment are means of evoking protectionist policy responses.

Multinational firms and foreign investment

Hillman, Arye L. and Heinrich W. Ursprung, 1993. ***The multinational firm, political competition, and international trade policy***, *International Economic Review* 34, 347 – 63.

Summary: The decision of multinational firms whether to supply a market from local production or imports affects politically determined trade policy.

Hillman, Arye L. and Heinrich W. Ursprung, 1999. ***Foreign investment and endogenous protection with protectionist quid pro quo*** ^[41]. *Economics and Politics* 11, 1 – 12.

Summary: The paper studies protection that is contingent on foreign investment to supply a market through local production rather than imports.

Asset markets and strategic trade policy

Hillman, Arye L. and JoAnne Feeney, 2001. ***Privatization and the political economy of strategic trade policy*** *International Economic Review* 42, 535-556.

The paper is the first study of the consequences of private ownership and asset markets for “strategic trade policy”. Diversified private owners of assets are disadvantaged by strategic trade policy. The policy proposals of the theory of strategic trade policy are shown to be consistent only with publicly-owned firms, which is a fundamental critique of strategic trade policy, to be added to other problems noted in the literature by Avinash Dixit, Gene Grossman, and others.

Surveys of the political economy of trade policy

Hillman, Arye L. 1989. *Policy motives and international trade restrictions*. In Hans-Jürgen Vosgerau (Ed.), *New Institutional Arrangements for the World Economy*, Springer, Heidelberg, 1989, pp. 284 – 302.

Hillman, Arye L., 2001 (Italian). *La politica del commercio internazionale per gli anni 2000: idee fondamentali e sviluppi. Il Futuro delle Relazione Economiche Internazionali*, Saggi in onore di Fredrico Caffè, a cure di Giancarlo Corsetti, Guido M. Rey, and Gian Cesare Romagnoli, FrancoAngeli, Milano 2001, pp. 27 – 63. (Translated by Maria Grazia Nicolosi).

Hillman, Arye L., 2003. *International trade policy: explaining departure from free trade* ^[43]. In: *Encyclopedia of Public Choice*, Charles Rowley and Friedrich Schneider (Eds.), Kluwer Academic Publishers, Dordrecht, 2003, pp. 129 – 138. See also *Departure from free trade: A survey*, CEPR Discussion paper 3707, January 2003. Reprinted in: Charles K. Rowley and Friedrich Schneider (Eds.), *Readings in Public Choice and Constitutional Political Economy*. Springer, New York, 2008.

Hillman, Arye L., 2003. *Trade liberalization and globalization*. In: *Encyclopedia of Public Choice*, Charles Rowley and Friedrich Schneider (Eds.), Kluwer Academic Publishers, Dordrecht, pp. 312 – 20. See also *Trade liberalization and globalization: A survey*, CEPR Discussion paper 3845, March 2003. Reprinted in: Charles K. Rowley and Friedrich Schneider (Eds.), *Readings in Public Choice and Constitutional Political Economy*. Springer, New York, 2008.

Hillman, Arye L., 2008. *The gains from trade and refusal to trade*. In: Ngo Van Long, Makoto Tawada, and Binh Tran Nam (Eds.), *Globalization and Emerging Issues in Trade Theory and Policy*. A volume in honor of the 80th birthday of Murray Kemp, Emerald Group Publishing, 2008, pp. 193 – 208.

Co-authors and co-editors: Political economy of international trade policy

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RESEARCH TOPIC 2

INTERNATIONAL MIGRATION

The political-economy foundations of immigration policies

Hillman, Arye L., 1994. *The political economy of migration policy*. In: Horst Siebert (Ed.), *Migration: A Challenge for Europe*, J.C.B. Mohr Paul Siebeck, Tübingen, 1994, pp. 263 – 282.

Summary: The first paper to note the role of political-economy considerations in determination of countries' migration policies: extant studies used neo-classical models to base predictions of incentives for migration on differences in factor returns and had treated international movement of capital and of people symmetrically through the Rybczynski Theorem. Migration of people introduces social, economic, and political considerations that are absent from the "international labor movements" described in a neo-classical model.

Hillman, Arye L. and Avi Weiss, 1999. *Beyond international factor movements: Cultural preferences, endogenous policies, and the migration of people, an overview*. In: Jaime de Melo, Riccardo Faini, and Klaus Zimmermann (Eds.), *Migration: The Controversies and the Evidence* [111], Cambridge University Press, Cambridge UK, pp. 76 – 91.

Summary: An overview of the differences between international migration of people and the theory of international factor movements.

Hillman, Arye L., 2002. *Immigration and intergenerational transfers*. In: *Economic Policy for Aging Societies* [103], Horst Siebert, editor. Kluwer Academic Publishers, Dordrecht and Boston, pp. 213 – 26.

Summary: The paper uses a political-economy perspective to ask whether migration can substitute for declining indigenous birth

rates in sustaining intergenerational transfers. The young and old in a host population are described as having different culturally-based and income-related policy preferences with regard to immigration.

Epstein, Gil and Arye L. Hillman, Arye L. 2003. *Unemployed immigrants and voter sentiment in the welfare state*, *Journal of Public Economics*, 87, 1641-1655.

Reprinted in:

Seiichi Katayama and Heinrich Ursprung (Eds.), *International Economic Policies in a Globalized World*, Springer, Berlin, 2004, pp. 119 – 32.

Summary: In an efficiency wage model of unemployment in a welfare state, unemployed immigrants have social value, if they accept job offers.

Epstein, Gil, Arye L. Hillman, and Heinrich W. Ursprung, 1999. *The king never emigrates*, *Review of Development Economics*, 1999, 3, 107 – 21.

Reprinted in:

Forty Years of Research on Rent Seeking 2 – Applications: Rent Seeking in Practice. Roger D. Congleton, Arye L. Hillman, Kai Konrad (Eds.), Springer 2008, pp. 265 – 79.

Summary: A population secures benefits or finances rents for others in accord with proximity to a “king”, who dispenses favors and keeps rents for himself. Individuals have a comparative advantage in productive activity or in seeking rents from the king. Emigration is possible. The population declines and the tax base unravels as the people financing the rents of those close to the king leave.

Illegal immigration

Epstein, Gil, Arye L. Hillman, and Avi Weiss, 1999. *Creating illegal immigrants* ^[107], *Journal of Population Economics* 12, 3-21.

Summary: The model describes transition from legal employment of immigrants to illegality.

Hillman, Arye L. and Avi Weiss, 1999. *A theory of permissible illegal immigration*. *European Journal of Political Economy*, December 1999, 15, 585-604.

Summary: The paper proposes an answer to why illegal immigrants are regarded as illegal for enforcement purposes, only if they work outside of designated sectors. Enforcement is selective to ensure that immigrants remain employed only in the designated sectors. That is, selective enforcement ensures that immigrants remain industry-specific in production.

Host-country benefits from immigration

Hillman, Arye L., 1977. *The Brigiden Theorem*. *Economic Record*, 53, 434-446.

Summary: The Australian Brigiden Report (1929) explicated the essentials of the relation between income distribution and protection before the publication of the Stolper-Samuelson Theorem. The authors of the Report accepted the argument for free trade but pointed out that protection encouraged immigration of productive labor.

Arad, Ruth W. and Arye L. Hillman, 1979. *The collective good motive for immigration policy*. *Australian Economic Papers*, 18, 243-257.

Summary: The paper introduces sharing of collective costs of public goods as a motive for immigration policy.

Co-authors Migration:

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RESEARCH TOPIC 3

RENT SEEKING AND POLITICAL PERSUASION

Rent seeking is a core part of the study of the political economy of public policy. The social costs of rent seeking occur because of political discretion in assigning benefits or imposing costs. Rent-seeking activity is by its nature in general unobserved. Models of rent-seeking contests aim to infer values of social loss from the observed values of contestable rents.

EDITED VOLUMES

Roger D. Congleton, Arye L. Hillman, and Kai Konrad (Eds.), 2008. ***40 Years of Research on Rent Seeking***. Springer, Heidelberg.

Volume 1: ***Theory of Rent Seeking*** ^[15]

Volume 2: ***Applications: Rent Seeking in Practice*** ^[16]

Introduction and summary ^[17]: pp. 1 – 42 (both volumes)

Roger D. Congleton and Arye L. Hillman (Eds.), 2015. ***Companion to Political Economy of Rent Seeking***. Edward Elgar, Cheltenham, UK.

RESEARCH PAPERS

Theory of rent seeking

Hillman, Arye L. and Eliakim Katz, 1984. ***Risk-averse rent seekers and the social cost of monopoly power***, *Economic Journal* 94, 104-110.

Reprinted in:

The Political Economy of Rent Seeking, Charles Rowley, Robert Tollison and Gordon Tullock (Eds.), Kluwer Academic Publishers, Boston, 1988, pp. 81-90.

The Economic Analysis of Rent Seeking, Roger Congleton and Robert Tollison (Eds.), Edward Elgar, Oxford, 1995, pp. 243 – 249.

Forty Years of Research on Rent Seeking 1 – The Theory of Rent seeking. Roger D. Congleton, Arye L. Hillman, Kai Konrad (Eds.), Springer 2008, pp. 97 – 103.

Summary: Complete rent dissipation permits the social loss from rent seeking to be directly associated with the value of a contested rent. The paper formally demonstrates complete dissipation for risk-neutral competitive rent seekers. Computations are provided for consequences of risk-aversion by rent seekers.

Hillman, Arye L. and Eliakim Katz, 1987. ***Hierarchical structure and the social costs of bribes and transfers***. *Journal of Public Economics*, 34, 129-142.

Reprinted in:

The Economics of Corruption and Illegal Markets, Gianluca Fiorentini and Stephano Zamagni (Eds.), Edward Elgar, Cheltenham UK 1999. In the series The International Library of Critical Writings in Economics.

Forty Years of Research on Rent Seeking 1 – The Theory of Rent seeking.
Roger D. Congleton, Arye L. Hillman, Kai Konrad (Eds.), Springer 2008, pp.
523 – 536.

Summary: Rent dissipation is studied in hierarchies where parts of
contestable bribes are transferred from lower to higher-level
officials

Hillman, Arye L. and Dov Samet, 1987. *Dissipation of contestable rents by small
numbers of contenders*, *Public Choice*, 54, 63-82.

Reprinted in:

Forty Years of Research on Rent Seeking 1 – The Theory of Rent seeking. Roger
D. Congleton, Arye L. Hillman, Kai Konrad (Eds.), Springer 2008, pp. 165 –
184.

See also: Hillman, Arye L. and Dov Samet, 1987. *Characterizing equilibrium
rent-seeking behavior: A reply to Tullock*, *Public Choice*, 54, 85-87.

Summary: This paper presents the first solution to the rent seeking
game in which the highest rent-seeking outlay secures the rent (the
all-pay auction). In the equilibrium, the expected total value of rent-
seeking outlays is equal to the value of the rent for any number of
risk-neutral rent seekers. Hence rent dissipation is on average
complete. A justification is thereby provided for inferring the social
cost of rent seeking from the observed value of contested rents.

Hillman, Arye L. and John Riley, 1989. *Politically contestable rents and transfers*,
Economics and Politics 1, 17-39.

Reprinted in:

Forty Years of Research on Rent Seeking 1 – The Theory of Rent seeking. Roger
D. Congleton, Arye L. Hillman, Kai Konrad (Eds.), Springer 2008, pp. 185 –
207.

Summary: The all-pay auction is extended to asymmetric
valuations. Results are compared with the Tullock contest success
function.

Hillman, Arye L. and Heinrich W. Ursprung, 2000. *Political culture and economic
decline*, *European Journal of Political Economy*, 16, 189-213.

Reprinted in:

Forty Years of Research on Rent Seeking 1 – The Theory of Rent seeking. Roger D. Congleton, Arye L. Hillman, Kai Konrad (Eds.), Springer 2008, pp. 219 – 243.

Summary: Rent dissipation is described in dual or nested contests in which insiders are placed to compete directly for rents assigned through political decisions, while outsiders compete to become insiders. The paper explains why political liberalization is consistent with increased social losses from rent seeking.

Aidt, Toke and Arye L. Hillman, 2008. ***Enduring rents.*** *European Journal of Political Economy* 24, 454 – 53.

Summary: The standard model of rent seeking describes rents at a point in time, for example, monopoly or protectionist rents or rents through budgetary assignment. The paper extends the rent-seeking model to rents that endure over time. Rents may need to be re-contested in the future or rents may altogether disappear, which through the expected present value of a contested rent, determines the social loss from rent seeking.

Hillman, Arye L., 2013. ***Rent seeking.*** In Reksulak, Michael, Razzolini, Laura, Shughart, William F. II (Eds.), *The Elgar Companion to Public Choice* (2nd Edition). Edward Elgar, Cheltenham U.K., pp. 307-330.

Summary: An introduction to the literature on rent seeking and rent extraction

Hillman, Arye L., 2015. ***Rent seeking as political economy.*** In: Roger D. Congleton and Arye L. Hillman (Eds.), 2015. *Companion to Political Economy of Rent Seeking*, Edward Elgar, Cheltenham UK, chapter 2.

Summary: The theory of contests had added interesting refinements to understanding rent-seeking behavior. Rent seeking, in conjunction with rent creation and rent extraction, is also at the core of political economy. When combined with rent creation and extraction, rent seeking provides a perspective on the social costs of political, regulatory, and bureaucratic discretion.

Institutions and rents

Hillman, Arye L. and Adi Schnytzer, 1986. ***Illegal activities and purges in a Soviet-type economy: A rent-seeking perspective***, *International Review of Law and Economics*, June 1986, 6, 87-99. .

Reprinted in:

Forty Years of Research on Rent Seeking 2 – Applications: Rent Seeking in Practice, Roger D. Congleton, Arye L. Hillman, Kai A. Konrad (Eds.), Springer 2008, pp. 545 – 557.

Summary: Rent creation under communism

Hillman, Arye L., 1988. ***Impediments to a competitive environment in Israel.*** Presented at Symposium on American-Israel Economic Relations in Honor of the 40th Anniversary of the State of Israel, New York (June 1988). Published in conference proceedings, edited by Mordechai Hacoen, American-Israel Economic Corporation, New York 1989.

Summary: Describes a rent-creating “market socialist” economic system (where there are markets but private ownership is limited)

Alan Gelb, Arye L. Hillman, and Heinrich W. Ursprung, 1998. ***Rents as distractions: Why the exit from transition is prolonged.*** In: Economic Interdependence and Cooperation in Europe, Nicolas C. Baltas, George Demopoulos, and Joseph Hassid (Eds.), Springer, 1998, 21 – 38.

Based on:

Rents and the Transition, World Development Report Background Paper, The World Bank, Washington D.C., April 1996

Summary: Rents in the transition from socialism create distractions from productive activity

Chen Kang, Gu Qingyang, and Arye L. Hillman, 2002. ***From the helping hand to the grabbing hand: Fiscal federalism in China.*** In: John Wong and Lu Ding (Eds.), *China's Economy into the New Century: Structural Issues and Problems.* World Scientific, Singapore, pp. 193 – 215.

Summary: The creation of rents in the context of fiscal federalism in China

Hillman, Arye L., 2005. ***Political institutions, jurisdictional boundaries, and rent creation.*** *Keio Economic Studies*, nos. 1-2 2005, 42, 25 – 37. Special issue in honor of Professor Michihiro Ohyama, edited by Wilfred J. Ethier and Makoto Yano.

Summary: There are political incentives for creation of new political jurisdictions for the purpose of political rent creation. Hence former communist countries segmented into their former sub-federal parts. Other examples are provided of independent

states sought for purposes of market segmentation and rent creation.

Political economy and political correctness

Hillman, Arye L., 1997. *Political economy and political correctness*. *Public Choice* 96, 219-239.

Presidential Address, European Public Choice Society, Prague, April 1997.

Reprinted in:

Forty Years of Research on Rent Seeking 2–Applications: Rent Seeking in Practice. Roger D. Congleton, Arye L. Hillman, Kai Konrad (Eds.), Springer, Berlin, 2008, pp. 791 – 811.

Summary: Considers the study of rent seeking from the perspective of political correctness. The theory of rent seeking is based on the premise that political decision makers are subject to influence and that government is not necessarily socially benevolent. Political correctness is a limitation on allowable discourse. A view of rent seeking as a politically incorrect topic is based on a view that students should not be exposed to the description of rent-creating and rent-assigning political behavior, and should rather be taught that personal benefit derives only from productive activity. Yet presenting gains from rent seeking as deserved rewards assigned by political decision makers does not teach students the virtues of democratic vigilance.

Book reviews

Black Hole Tariffs and Endogenous Policy Theory: Political Economy in General Equilibrium, by Stephen P. Magee, William A. Brock and Leslie Young, *Journal of Economic Literature*, 1991

The Economics of Special Privilege and Rent Seeking, by Gordon Tullock, *Kyklos*, 1991

Co-authors, co-editors Rent Seeking and Political Persuasion

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RESEARCH TOPIC 4

POLITICAL ECONOMY OF PUBLIC POLICY

BOOK

Arye L. Hillman, 2009 (2nd edition). **Public Finance and Public Policy: Responsibilities and Limitations of Government**, Cambridge University Press, New York NY.

1st Edition, 2003, Cambridge University Press, New York
Japanese 2006, Keiso Shobo, Tokyo
Chinese 2006, Chinese Academy of Social Sciences, Beijing
Russian, 2009, Publishing House of the State University, Higher School of Education, Moscow
Greek, 2013, Papazisis Publishers, Athens
Hebrew (electronic)

EDITED VOLUME

Arye L. Hillman (Ed.), 1991. **Markets and Politicians: Politicized Economic Choice**. Kluwer Academic Publishers, Boston and Dordrecht

RESEARCH PAPERS

Expressive behavior and public policy

Hillman, Arye L., 2010. *Expressive behavior in economics and politics*. European Journal of Political Economy 26, 404 – 419.

Summary: Expressive behavior is defined as the self-interested quest for utility through acts and declarations that confirm a person's identity. Expressive voting is a case of expressive

behavior. The paper introduces expressive behavior in the forms of expressive rhetoric and expressive generosity. The questions for society and for public policy are whether expressive behavior affects others, and if so whether beneficially or disadvantageously. In experiments, expressive behavior that is self-pleasing and pleasing to others benefits others. There are adverse social consequences when, in real-life decisions, the same pleasing expressive behavior results in unwanted public policies of expressive-policy traps. The paper considers the prospects for avoiding or exiting expressive-policy traps.

Hillman, Arye L., 2011. *Expressive voting and identity: evidence from a case study of a group of U.S. voters*. Public Choice 148, 249-257 (review article).

Summary: The source of evidence on expressive voting has been experiments, in general conducted with students. A study of voting of a subgroup of US voters allows reinterpretation of voter behavior in expressive terms. A case study is provided of expressive voting contrary to self-interest, to confirm allegiance to an ideology.

Arye L. Hillman, Kfir Metsuyanin, and Niklas Potrafke. *Democracy with group identity*. European Journal of Political Economy, special issue on Behavioral Political Economy, forthcoming 2015.

Revised version of a paper presented at a conference on Behavioral Political Economy, Venice, July 20-22, 2014.

Summary: Voting according to group identity is often inconsistent with democracy because of predetermined majorities. We study a case of democracy with group identity, local elections in Israel, that includes near-complete voter turnout. We propose general principles of voting with group identity that distinguish between identity-based expressive voting and instrumental voting for material gain. With material gain present, we examine whether group identity influences the likelihood of a local-government jurisdiction being subject to a central-government financial rehabilitation program.

Public policy and public safety

Hillman, Arye L., Raphael Franck, Miriam Krausz, 2005. *Public safety and the moral dilemma in the defense against terror*, *Defense and Peace Economics* 16, 347 – 364. (CEPR DP 4736, November 2004).

Summary: A moral dilemma arises when it is impossible to identify who is a terrorist before an act of terror is committed. The paper describes how the moral dilemma affects the public policy response in defense against terror.

Hillman, Arye L., 2007. *Economic and security consequences of supreme values*. *Public Choice* 30, 259 – 280.

Also published as:

An economic perspective on radical Islam. In Hillel Frisch and Efraim Inbar (Eds.), *Radical Islam and International Security: Challenges and Responses*, Routledge, London, 2008, pp. 44 – 69. [64]

Summary: This paper reviews data on income in Muslim countries showing that Islam results in low incomes. Explanations given for the low incomes are reviewed. A focus is then placed on the role of supreme values in inhibiting economic development (extreme values allow no trade-offs in achieving lexicographically ordered objectives). If supreme values require conquest, high incomes would be a distraction. Low incomes are then endogenous to supreme values.

Arye L. Hillman and Niklas Potrafke, *The UN Goldstone Report and Retraction: An empirical investigation*. Public Choice 2015.

Summary: Democracies and autocracies differ in attitudes to symmetric warfare. We investigate, using voting in the United Nations General Assembly on resolutions relating to the UN Goldstone Report, whether democracies and autocracies also differ in attitudes to self-defense against state-supported terror. The Goldstone Report focused specifically on the actions of Israel in a war with Hamas-controlled Gaza but propagated a general principle in an interpretation of international law that limited and criminalized self-defense against state-sponsored terror. We find differences between democracies and autocracies with regard to support for the Goldstone interpretation of international law criminalizing self-defense.

Government in low-income countries

Hillman, Arye L. and Otto Swank, 2000. Why political culture should be in the lexicon of economics [65], *European Journal of Political Economy* 16, 1 – 4.

Summary: Makes the case for including political culture as an explanation for policy choices and behavior of political decision makers

Hillman, Arye L., 2004. *Nietzschean development failures*, *Public Choice* 119, 263 – 280.

Revised version of Poverty, inequality, and unethical behavior of the strong . Working Paper no 00/187, November 2000, International Monetary Fund, Washington D.C.

Summary: I apply the description of the world due to Friedrich Nietzsche to the institutions of poor countries. The population is divided into the 'strong' and the 'weak'. The strong are not impeded by conscience or ethics and have the objective of appropriating the output of the weak. Appropriation is costly for the strong. The weak have no means of protecting their output from appropriation but they can choose not to be productive. There is no pure-strategy Nash equilibrium when the strong act as 'roving bandits'. In an equilibrium, all efficiency losses fall on the weak. The weak have incentives to make the strong believe that the weak are lazy and non-productive.

Hillman, Arye L. and Eva Jenkner, 2004. *User payments for basic education in low-income countries* [68]. In: *Helping countries Develop: The Role of Fiscal Policy*, Sanjeev Gupta, Benedict Clements, and Gabriela Inchauste (Eds.), International Monetary Fund, Washington DC, 2004, pp. 233 – 264.

Working Paper no 02/182, November 2002, International Monetary Fund, Washington D.C.

Non-technical version: How to pay for basic education: Poor children in poor countries, *Economic Issues* 33, 2004 [70], International Monetary Fund, Washington DC.

Summary: We document self-financing of schooling through voluntary user prices by poor parents in poor countries. Parents resort to self-financing through user prices when governments have not fulfilled a basic responsibility of providing adequate schooling for children.

Emanuele Baldacci, Arye L. Hillman, and Naoko Kojo, 2004. *Growth, governance, and fiscal-policy transmission channels in low-income countries* [71]. *European Journal of Political Economy* 20, 517 – 549.

Revised version of Working Paper no 03/237, December 2003, International Monetary Fund, Washington DC.

Reprinted in:

Helping countries Develop: The Role of Fiscal Policy, Sanjeev Gupta, Benedict Clements, and Gabriela Inchauste (Eds.), International Monetary Fund, Washington DC, 2004, pp. 67 – 104.

Summary: We show, for low-income countries, growth of per capita income increases when public spending (or the government budgetary deficit) declines. Negative marginal product of government is therefore indicated, attributable the rent creation and rent seeking avoided when the size of government declines.

Hillman, Arye L. and Miriam Krausz, 2007. ***Directed credits and corruption***. In Rahul Gupta and Santap Sanhari Mishra (Eds.), *Corruption: The Causes and Combating Strategies*. The Icfai University Press, Hyderabad, 2007, pp. 73-81.

Summary: We show the consequences of government-directed credits when government officials are corrupt.

Hillman, Arye L. 2007. ***Democracy and low-income countries***. In José Casas Pardo and Pedro Schwartz (Eds.), *Public Choice and Challenges of Democracy*, Edward Elgar, Cheltenham, U.K., pp. 277 – 294.

Summary: The public-choice premise of pursuit of self-interest in government provides the appropriate predictive basis for the role of government in low-income countries, which are often called “developing” even through the economic circumstances of populations are regressing. The paper reviews the reasons why elites in low-income countries may have no interest in economic development for the population at large.

Hillman, Arye L., 2002. ***The World Bank and the persistence of poverty in poor countries***, *European Journal of Political Economy* 18, 783 – 95. Extended review of: *The Elusive Quest for Growth*, by William Easterly, MIT Press, 2001. Review article

Hillman, Arye L., 2004. ***Corruption and public finance: an IMF perspective***. *European Journal of Political Economy* 20, 1067 – 77. Extended review of: *Governance, Corruption, and Economic Performance*. George T. Abed and Sanjeev Gupta, (Eds.), International Monetary Fund, Washington, DC, 2002. Review article

Paternalistic public policy

Hillman, Arye L., 1980. *Notions of merit want*, *Public Finance* 35, 213 – 226.

Summary: An investigation of paternalistic intervention

Tax competition

Cassing, James H. and Arye L. Hillman, 1982. *State-federal resource tax rivalry* ^[74].
Economic Record 58, 235 – 241.

Summary: Perhaps the first paper describing tax competition in a federal system

Hobbes and the prophet Samuel on the need for a king

Hillman, Arye L., 2009. *Hobbes and the prophet Samuel on leviathan government*.
Public Choice 141, 1 – 4.

Hillman, Arye L., 2009. *Hobbes and Samuel: reply* (to the defense of Hobbes by Geoffrey Brennan). *Public Choice* 141, 13 – 15. ^[75]

Summary: Hobbes sought to justify a leviathan or king with all-encompassing power using a quote from the prophet Samuel. However, Samuel actually warned against appointing a king.

Public goods and clubs

Hillman, Arye L., 1978. Symmetries and asymmetries between public input and public good equilibria. *Public Finance*, No.3, 1978, 33, 269 – 279.

Summary: An investigation of the relation between public goods and public inputs.

Helpman, Elhanan and Arye L. Hillman, 1977. *Two remarks on optimal club size*.
Economica, 44, 293 – 96.

Summary: James Buchanan's model of "clubs" described voluntary sharing arrangements in which everybody could find their "optimal" club. However, people may be excluded giving rise to privileged insiders and excluded outsiders. We reformulated the club equilibrium to describe exclusion. In so doing, we extended an original formulation by Kwang Ng.

Hillman, Arye L. and Peter Swan, 1979. *Club participation under uncertainty*,
Economics Letters 4, 307–12. ^[77]

Summary: The club problem with exclusion implies uncertainty in access to club benefits.

Hillman, Arye L. and Peter Swan, 1983. *Participation rules for Pareto-optimal clubs*, *Journal of Public Economics* [78]20, 55 – 76.

Summary: The club problem with exclusion implies uncertainty in access to club benefits. The profit-maximizing club sells lottery tickets for club access.

Co-authors, co-editors Public Policy and Political Economy

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RESEARCH TOPIC 5

DISCRIMINATION

Antisemitism: Economic and behavioral foundations

Hillman, Arye L., 2013. *Economic and behavioral foundations of prejudice*. In Charles S. Small (Ed.), *Global Antisemitism: A Crisis of Modernity* (pp. 51-67). Leiden, Netherlands, and Boston, MA: Martinus Nijhoff Publishers.
<http://isgap.org/isgap-books/> [12]

Summary: An enquiry into economic and behavioral foundations of antisemitism. The focus is on the behavior of antisemites and not

the historical acts of antisemitism. Antisemitic behavior is defined as propagating “big lies”, using the big lies for demonization, and after demonization denying Jews the right of self-defense. The three elements of antisemitism have historical foundations. One element is sufficient for antisemitism. Usual explanations of discrimination in economic theory do not explain the prejudice known as antisemitism, in traditional form against Jews and in contemporary form also against the Jewish state. Cognitive dissonance is present because Jews and the Jewish state are successful but cannot be harmed or have their possessions appropriated. Historical continuity suggests roles for envy and for fear in explanations of the behavior of antisemites. Attitudes to reasons for personal success as effort or luck are identified as underlying the different proportions of antisemites in populations in Europe as against populations in the U.S., Australia, and Canada.

Voting in the United Nations

Raphael N. Becker, Arye L. Hillman, Niklas Potrafke, Alexander H. Schwemmer, *The preoccupation of the United Nations with Israel: Evidence and theory*, Forthcoming 2015, Review of International Organizations

CESifo working paper 5034, October 2014

http://www.cesifo-group.de/ifoHome/publications/working-papers/CESifoWP/CESifoWPdetails?wp_id=19126637

<http://link.springer.com/article/10.1007/s11558-014-9207-3>

Summary: Data compiled on all United Nations General Assembly resolutions on which voting took place between January 1990 and June 2013 reveals a preoccupation with one country: in 65 percent of instances in which a country is criticized in a resolution, the country is Israel, with no other country criticized in more than 10 percent of resolutions. We use comparative quantitative criteria to confirm that Israel is subject to discrimination. To explain the motives for discrimination, we present a model of behavioral political economy that includes decoy voting, vanity of autocrats, and a Schelling focal point for deflection of criticism. The model includes a role for traditional prejudice. Our conclusions more generally concern political culture in the United Nations.

RESEARCH TOPIC 6

TRANSITION FROM COMMUNISM

Political-economy issues were at the fore of studies of the transition from socialism in the 1990s, although not always treated as such. Policies with regard to privatization in particular had the political-economy attribute of distributing wealth in accord with ability to influence decisions of policymakers. Or the decision makers assigned wealth to themselves. Much of my research on transition took place in the course of cooperation with researchers from the World Bank.

Edited volumes

Arye L. Hillman and Branko Milanovic (Eds.), 1992. *The Transition from Socialism in Eastern Europe: Domestic Restructuring and Foreign Trade*. The World Bank, Washington, D.C.

Arye L. Hillman and Željko Bogetić (Eds.), 1995. *Financing Government in Transition, Bulgaria: The Political Economy of Tax Policies, Tax Bases, and Tax Evasion*. The World Bank, Washington, D.C., 1995.

Reprinted by Avebury Publishing, Brookfield, Vermont, 1996.

Overviews

Hillman, Arye L., 1994. *The transition from socialism: An overview from a political-economy perspective*. *European Journal of Political Economy* 10, 191 – 225. Special issue, festschrift in honor of Peter Bernholz, edited by Manfred Gärtner and Heinrich W. Ursprung.

Hillman, Arye L., 1996. *Western economic theory and the transition: The public choice perspective*. *Economics and Mathematical Methods (Journal of the Central Economic and Mathematical Institute of the Russian Academy of Sciences)* 32, 77-90. In Russian, translated by Mark Levin.

Published in English as:

Trade, Growth, and Economic Policy in Open Economies: Essays in Honor of Hans-Jürgen Vosgerau, Karl-Josef Koch and Klaus Jaeger, editors, Springer, 1998, pp. 351 – 367.

Rents and privatization

“Market socialist” type economic systems attempted to preserve the paternalism of socialism while introducing markets confronted inherent dilemmas. Privatization was a means of privileged redistribution of wealth and income. The theory of clubs could be applied to describe membership of different groups in transition societies. The private sector and non-privatized firms had symbiotic relationships, with the privately owned firms using state assets. The banking sector was hostage to state firms that had loans that were not being repaid and were increasing because of further loans provided to stave off bankruptcy of the state firms.

- Hillman, Arye L. 1991. **Liberalization dilemmas**. In *Markets and Politicians: Politicized Economic Choice* [86], Arye L. Hillman (Ed.), Kluwer Academic Publishers, chapter 10, pp. 189 – 207.
- Hillman, Arye L. 1992. **Debate on the transition of post-communist economies to a market economy**, *Acta Oeconomica (Journal of the Hungarian Academy of Sciences)* 44, 285 – 289.
- Hillman, Arye L. 1992. **Progress with privatization**, *Journal of Comparative Economics*, 1992, 16, 733 – 749.
- Hillman, Arye L. 1993. **Socialist clubs: A perspective on the transition** [87], *European Journal of Political Economy*, 1993, 9, 307 – 319.
- Hillman, Arye L., Lubomir Mitov and R. Kyle Peters, 1995. **The private sector, state enterprises, and informal economic activity**. In *Financing Government in Transition, Bulgaria: The Political Economy of Tax Policies, Tax Bases, and Tax Evasion* [82], Željko Bogetić and Arye L. Hillman (Eds.), The World Bank, Washington, D.C., pp. 47 – 70.
- Summarized in: Arye L. Hillman and Željko Bogetić, 1995. Privatizing profits of Bulgaria’s state enterprises [88], *Transition* (The World Bank) March 1995, 6, 4 – 6.
- Hillman, Arye L. and Heinrich W. Ursprung, 1999. **The political economy of banking sector reform in the transition**. In: *Financial Sector Transformation: Lessons from Economies in Transition* [89], Mario Blejer and Marko Škreb (Eds.), Cambridge University Press, New York, pp. 132 – 149.

International trade policy during transition

The system international trade among communist countries created impediments to trade liberalization. There were subsequent difficulties of international trade when the communist system ended.

- Hillman, Arye L. and Adi Schnytzer, 1992. ***Creating the reform-resistant dependent economy: Socialist comparative advantage, enterprise incentives and the CMEA***. In: *The Transition from Socialism in Eastern Europe: Domestic Restructuring and Foreign Trade*, Arye L. Hillman and Branko Milanovic (Eds.), The World Bank, Washington, DC, chapter 10, pp. 243 – 262.
- Hillman, Arye L., 1992. ***The transition from the CMEA system of international trade***. In: *Trials of Transition: Economic Reform in the Former Communist Bloc*, Michael Karen and Gur Offer (Eds.), Westview Press, Boulder, pp. 271 – 289.
- Hillman, Arye L., 1992. ***The transition from socialist trade to European integration***. In: *The EC after 1992 - Perspectives from the Outside*, Silvio Borner and Herbert Grubel (Eds.) Cambridge University Press, Cambridge UK, pp. 61 – 79.
- Hillman, Arye L. and Heinrich W. Ursprung, 1996. ***The political economy of trade liberalization in the transition***, *European Economic Review (Papers and Proceedings)*, April 1996, 40, 783 - 794.
- Hillman, Arye L., Manuel Hinds, Branko Milanovic, and Heinrich W. Ursprung, 1997. ***Protectionist pressures and enterprise restructuring: The political economy of trade policy in transition***. In: *Trade and Tax Policy, Inflation and Exchange Rates* [91], Assaf Razin and Hans-Jürgen Vosgerau (Eds.), Springer, Berlin, Heidelberg and New York, pp. 215 – 243.
- Hillman, Arye L. and Heinrich W. Ursprung, 1999. ***What is special about endogenous international trade policy in transition economies?*** In: *Balance of Payments, Exchange Rates, and Competitiveness in Transition Economies* [92], Mario Blejer and Marko Škreb (Eds.), Kluwer Academic Publishers, Boston and Dordrecht, 255 – 282.

Public finance during transition

The following papers from World bank volumes describe problems of public finance in the transition.

- Hillman, Arye L., Istvan Abel, and David Tarr, 1992. ***The government budgetary consequences of reform of the CMEA system of international trade: The case of Hungary***. In: *The Transition from Socialism in Eastern Europe: Domestic Restructuring and Foreign Trade*, Arye L. Hillman and Branko Milanovic (Eds.), The World Bank, Washington, DC, chapter 12, 277-293.
- Bogetić, Željko and Arye L. Hillman, 1994. ***The tax base in the transition: The case of Bulgaria***, *Communist Economies and Economic Transformation*, 6, 267-

282. Policy Research Working Paper number 1267, The World Bank, Washington, DC, March 1994.

Updated as:

Bogetić, Željko and Arye L. Hillman, 1995. The choice of a tax system, in: ***Financing Government in Transition, Bulgaria: The Political Economy of Tax Policies Tax Bases, and Tax Evasion***, Željko Bogetić and Arye L. Hillman (Eds.), The World Bank, Washington, D.C., pp. 33 – 46.

Economic statistics in the transition from communism

In a market private-property economy, production and consumption decisions are made before statistics become available. In a planned socialist (communist) system, the statistics precede production and consumption. What is the role of statistics in the transition?

Hillman, Arye L., 1991. Some problems of statistical measurement of economic activity in the transition from planned socialism. In: ***Economies in Transition: Statistical Measures Now and in the Future***, Petr O. Aven (Ed.), International Institute for Applied System Analysis, Laxenburg, Austria, 1991, 69-78.

Ethics and the rule of law

Hillman, Arye L., 1998. ***The legal system in the transition from social to private property: with reference to Hobbesian anarchy, Locke's natural right of freedom, and the rule of law.*** In proceedings of conference on Challenges and Opportunities for Economic Transition in Yugoslavia, edited by Goran Pitić, USAID, Economic Institute, Chesapeake Associates, 1998, pp. 264 – 69.

Hillman, Arye L., 2002. ***On the way to the promised land: ten years in the wilderness without Moses.*** Published in Russian (translated by Mark Levin). In Economics and Mathematical Methods -Journal of the Central Economic and Mathematical Institute of the Russian Academy of Sciences, 38, 78 – 94.

Transition and transformation: Cocoons, butterflies and other outcomes

Hillman, Arye L., 2003. ***Interpretations of transition.*** In *Political Economy of Transition and Development: Institutions, Politics, and Policies* [85], Nauro F. Campos and Jan Fidrmuc (Eds.), Kluwer Academic Publishers, Dordrecht, pp. 23 – 40.

Co-authors, Co-editors, Transition from Communism
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Manuel Hinds, The World Bank, Washington DC
Branko Milanovic, The World Bank, Washington DC
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Kyle Peters, The World Bank, Washington DC
Adi Schnytzer, Bar-Ilan University
David Tarr, The World Bank, Washington DC
Heinrich W. Ursprung, University of Konstanz

RESEARCH TOPIC 7

COMPARATIVE ADVANTAGE AND INTERNATIONAL TRADE

Hillman, Arye L. and Clark W. Bullard III, 1978. *Energy, the Heckscher-Ohlin theorem and U.S. international trade*, American Economic Review 68, 96-106.

Reprinted in:

Bertil Ohlin: Critical Assessments, John Cunningham Wood (Ed.),
Routledge, London, 1997.

Summary: The United States was importing energy directly. The paper studies empirically whether the United States was also importing energy indirectly through factor-content of trade.

Fishelson, Gideon and Arye L. Hillman, 1979. *Domestic monopoly and redundant tariff protection*, Journal of International Economics 9, 47-55.

Summary: A domestic monopoly benefits from the full extent of tariff protection even if the entire extent of protection provided is not reflected in the domestic price.

Hillman, Arye L., 1980. *Observations on the relation between "revealed comparative advantage" and comparative advantage as indicated by pre-trade relative prices*, Weltwirtschaftliches Archiv, 116, 315 – 21.

Summary: Counterexamples show that, contrary to its designation, the measure of "revealed comparative advantage" does not necessarily reveal comparative advantage. A condition is established for the measure to hold.

See also: Jeroen Hinloopen and Charles Van Marrewijk, 2008.
Empirical relevance of the Hillman condition and comparative
advantage. *Applied Economics* 40, 2313 – 2328.

Blejer, Mario I. and Arye L. Hillman, 1982. ***A proposition on short-run departures from the law of one price: Unanticipated inflation, relative price dispersion and commodity arbitrage***, *European Economic Review* 17, 51-60.

Reprinted (in Spanish):

“Una explicacion de las desviaciones a corto plazo de la ley del precio unico: inflacion imprevista, dispersion de precios relativos y arbitraje comercial”. In *Inflacion y variabilidad de los precios relativos, Mexico, DF, 1984, pp. 75 – 86.*

Summary: The law of one price predicts a single world price for traded goods, after allowance for transport and transactions costs. The paper presents a model in which impediments to commodity arbitrage include uncertainty about the duration and magnitude of price differences.

Fisher, Franklin M. and Arye L. Hillman, 1984. ***The commodity composition of trade and the Heckscher-Ohlin theorem in the presence of aggregate and commodity specific factor-intensity reversals***, *Journal of International Economics* 17, 159-172.

Reprinted in:

Aggregation: *Aggregate Production Functions and Related Topics*, chapter 11, pp. 261 – 275, Franklin M. Fisher, Harvester, Wheatsheaf and MIT Press, 1992.

Summary: The literature on the factor-intensity reversal qualification to the Heckscher-Ohlin Theorem assumed two goods, one exported and one imported, and the question was whether the technologies of the two goods exhibit a factor-intensity reversal. The paper above considered the meaning of factor-intensity reversals when exports and imports are aggregates of goods, with each individual good having its own particular production technology. With traded goods defined as aggregates, factor-intensity reversals can occur for underlying industry-specific production technologies. The qualification to the Heckscher-Ohlin Theorem applies to the aggregate technologies, provided that the conditions for aggregation over goods are satisfied.

Hillman, Arye L. and Eliakim Katz, 1986. ***Domestic uncertainty and foreign dumping***, Canadian Journal of Economics 19, 403-416.

Summary: Domestic demand uncertainty can explain dumping at less than marginal cost of production.

Hillman, Arye L., 1989. ***Resolving the puzzle of welfare-reducing trade diversion: A prisoners' dilemma interpretation***, Oxford Economic Papers 41, 452-455.

Summary: Explains how decisions of consumers give rise to the welfare loss from trade diversion. The welfare loss from trade diversion is a case of a multi-person prisoners' dilemma.

Co-authors: Comparative advantage and international trade

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Gideon Fishelson, Tel-Aviv University, Israel

Frankin Fisher, MIT, Cambridge MA, USA

Eliakim Katz, then Bar-Ilan University, Israel

SHORT PAPERS, POLICY PAPERS, COMMENTS

The economy of Israel

Inflationary government financing and the trade deficit: Evidence from Israel, in *Studies in Economics 1977*, edited by Nadav Halevi and Ya'acov Kopf, Israel Economic Association, Jerusalem, August 1978, p. 94 – 107 Hebrew. Gideon Fishelson co-author.

Comparative performance of Israel's industrial exports in the EEC and U.S. markets, in *The Economic Integration of Israel in the EEC*, edited by Herbert Giersch, J.C.B. Mohr, Paul Siebeck: Tübingen, 1980, pp. 125 – 174. Gideon Fishelson, Se'ev Hirsch co-authors

The factor-content characteristics of Israel's trade in a multilateral setting, in *The Economic Integration of Israel in the EEC*, edited by Herbert Giersch, J.C.B. Mohr, Paul Siebeck: Tübingen, 1980, pp. 175 – 198. Gideon Fishelson, Se'ev Hirsch co-authors

International trade policy in Israel: Another model, *Public Choice*, 1992, 74, 355-360.
A program for restructuring of the Histadrut sector of the economy of Israel, August 1989. With Yitzhak Goldberg et al Hebrew and English.

- The economics and politics of Europe 1992. In *Europe 1992: The Perspective from Israel*, Arye L. Hillman and Zvi Sussman (Eds.), Israel International Institute for Applied Economic Policy Review, Tel-Aviv, 1991, pp. 7 – 22.
- The economy of Israel: Misinformation or disinformation? Prepared for the *Office of the Economic Advisor, Prime Minister's Office*, Israel, January 1992.
- Israel and Jordan in a new Middle East, in *Proceedings of Symposium on Israel-Middle East Relations in the Year 2000*, American-Israel Economic Corporation, New York, 1996, pp. 122 – 124.
- The past as a guide to the future. In: *The Progress of Israel's Economy: The 50th Anniversary of the State of Israel*, edited by Mordecai Hacoheh, American-Israel Economic Corporation, New York, 1998.

International trade and migration

- The case for terminal protection for declining industries: Comment, *Southern Economic Journal*, July 1977, 43, 155-160.
- Factor-intensity reversals: Conceptual experiments with traded goods aggregates, *Weltwirtschaftliches Archiv*, 1979, 115, 272-283. Se'ev Hirsch co-author.
- On water-in-the-quota, *Canadian Journal of Economics* 1980, 13, 310 – 317. Gideon Fishelson and Edward Tower co-authors.
- Unilateral and bilateral trade policies for a minimum-wage economy, *Journal of International Economics* 1981, 11, 407 – 413.
- On the dynamic non-equivalence of tariffs and quotas in the monetary model of the balance of payments, *Journal of International Economics*, August 1982, 13, 163 – 169. Mario I. Blejer, co-author. Reply, May 1985, 18, 381-382.
- On the use of trade policy measures by a small country to counter foreign monopoly power [116], *Oxford Economic Papers*, 37, 346 – 52. Joseph Templeman co-author.
- Tariff-revenue transfers to protectionist interests: Compensation for reduced protection or supplementary reward for successful lobbying? *Public Choice* 1988, 58, 169 - 172.
- Comment on: The political economy of protectionism: Tariffs and retaliation in the timber industry. In: Robert E. Baldwin (Ed.), *Trade Policy Issues and Empirical Analysis*, University of Chicago Press for NBER, 1988, pp. 364 – 368.
- Comment on: Technology policy in the completed European market. In: L. Alan Winters and Anthony Venables (Eds.), *European Integration: Trade and Industry*, Cambridge University Press, Cambridge UK, 1991, pp. 161 – 164.
- Equalizing the cost of success: Equitable graduation rules and the Generalized System of Preferences, *Journal of International Economic Integration* 1991. 6, 40-51. James H. Cassing co-author
- Comment on: Capital controls in direct democracies. In: Hans-Jürgen Vosgerau (Ed.), *European Integration in the World Economy*, Springer, Heidelberg, 1992, pp. 772 – 774.
- Social marginalization: The effects of trade and technology. *Research Department, World Trade Organization*, Geneva, February 1997.

Herd effects and migration. CEPR Discussion working paper 1811. Centre for Policy Studies, London, Gil Epstein, co-author 1998.

Public economics

A generalized cost allocation scheme: Comment. In: Steven A.Y. Lim (Ed.), *Theory and Measurement of Economic Externalities*, Academic Press, New York, 1976, pp. 103 – 106.

The theory of clubs: A technological formulation. In Agnar Sandmo (Ed.), *Essays in Public Economics*, D.C. Heath and Co., Lexington, Mass., 1978, 29 – 47. An elaboration and extension of sharing as a technology.

A social safety net for the impact of technical change ^[119], *Economic Record*, September 1981, 57, 232 – 237. James H. Cassing co-author.

Preemptive rent seeking and the social cost of monopoly power , *International Journal of Industrial Organization*, September 1984, 2, 277 – 281.

Excise taxes, import restrictions, and the allocation of time to illegal activity ^[121], *International Review of Law and Economics* 1984, 4, 213 – 22. Eliakim Katz co-author

Comment on: The philosophy of locational competition. In: Horst Siebert (Ed.), *Locational Competition in the World Economy*, J.C.B. Mohr Paul Siebeck, Tübingen, 1995, pp. 17 – 25.

Energy policy

A review of issues pertinent to liquid fuel policy ^[122], *Economic Record* 1981, 57, 11-27. Fred Gruen co-author.

Substitutes for a depletable resource and the monopolistic conservationist presumption, *Australian Economic Papers*, 1982, 21, 193-199. Ngo Van Long co-author.

Oil price instability and domestic energy substitution for imported oil, *Economic Record*, 1984, 60, 28-33. Eliakim Katz co-author.

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