

1 Motivation

Lots of governments don't seem to be maximizing either social welfare, a weighted sum of welfare and contributions, or Baldwin-style government objective function. Those all imply that governments value consumer surplus to some degree.

- It may be that Chinese government's objective is to maximize domestic employment (Caroline Freund)
- Not clear exactly what Trump is maximizing. He talks about employment, trade balance. More likely profits? Tariff revenue? Could be median voter sentiment?
 - What does a simple mercantilist objective function look like?
 - How does median voter's sentiment actually get translated into trade policy? Read John McLaren's new paper
- Emanuel: "winning." Is this share of surplus? Or just share.
 - Trump wants to 'get a better deal.' What does this mean? More market access?

2 Main Idea

What a trade agreement is *for* depends on what governments care about.

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3 Model

Need trade agreement model, two countries

- Probably shouldn't be a balanced-trade model
- Probably should be asymmetric
 - Certainly bargaining power should be asymmetric. But where does it come from?
 - Market size? Technology? Industrial structure?
 - Hold-up style outside option in terms of supply/demand?
- I.O. bilateral bargaining models have voluntary exchange. How does this vary under Trump-style threats?
 - No rules?
 - Are participation constraints asymmetric? Is it just the outside option that varies? The ability to punish varies for sure. Of course how open the economies are plays into both, along with institutional constraints (both domestic and international).