Abstract

This paper presents a two-stage lobbying competition model of tariff determination. In the first stage, domestic firms lobby for tariff protection, an anti-tariff group of domestic consumers or foreign firms lobbies against tariff protection and then the government sets a specific tariff rate. In the second stage, given the tariff rate determined in the first stage, domestic and foreign firms set their output level à la Cournot. After proving that there exists a unique subgame perfect equilibrium in the model, this paper examines how an increase in group size of a pressure group changes the equilibrium tariff rate.

JEL Classification Numbers: C72, D43, F12, L13.
Key Words: contest, lobbying, public good, rent-seeking, tariff

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