Preference Policies

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Abstract

In recent decades, many U.S. state and local governments have enacted preference policies. These policies mandate that preferential treatment be given to firms, citizens, or resources within the political jurisdiction. These preference policies distort interstate commerce and despite the potential negative long term consequences of enacting these policies, politicians may find it rational to implement such policies. This paper analyzes several political economy explanations for the adoption of preference policies, including political preferences and short-sightedness, sticky political response functions, and sticky capital. Further, the determinants of local preference policies are analyzed at the state level and compared with results from larger-scale tariff literature. The data show state-level preference through state preference policies does not mirror the pattern of trade protection received at the federal level.

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Introduction

Competition in markets is generally viewed by economists as a mechanism for creating efficient outcomes. Competition forces producers to lower prices and improve product quality, while offering tremendous incentives for innovation and entrepreneurship. But, what happens when governments compete?

This question has a myriad of answers, depending on the policy and level of government in question. At the international level, tariffs and quotas have been historical tools for raising revenue and protecting domestic industry. Recent evidence has shown races to the bottom in state spending practices such as Medicaid, while states have raced to the top in an attempt to receive additional federal grants for programs such as education. Tax competition has been empirically revealed, as multiple governments compete over mobile tax bases. So, where has policy affecting competition among governments been focused?

During most of the 20th century, the United States international trade policy has moved toward a reduction of global tariffs and more towards free trade. Evidence of this is shown by U.S. participation in the General Agreement on Trade and Tariffs (GATT) and continued participation in the World Trade Organization (WTO).[1] The 1962 Trade Expansion Act, which granted executive permission from congress to cut tariffs by half, paved the way for the 6th round of the GATT, named the Kennedy round, which focused on a world-wide reduction in tariffs of 50 percent, beginning in 1968 (Marvel and Ray 1983). Gardner and Kimborough (1989) likewise note the drop in the average U.S. tariff rates, from close to 30 percent at the turn of the 19th century to between 3 and 5 percent during the early 1980s.

With the prevailing federal policy on trade moving in the direction of fewer barriers, smaller tariffs, and less intergovernmental competition via market interference, initial economic intuition may lead to the conclusion that decentralized policy would similarly follow. However, through fierce competition over mobile tax bases, many state and local governments have moved in the opposite direction. One set of policies that create intergovernmental competition and purposefully distorts interstate commerce are preference policies.

Preference policies are policies which require governments to grant preferential treatment to businesses within the governing area or that require preferential use of resources within a defined region. These policies range from 'blanket' policies at the state level, which require a percentage preference for all purchases from state vendors, to minority-specific preference at the city level. Examples include a five percent blanket policy in New Mexico, Pennsylvania coal mandated for heating all state buildings in Pennsylvania, and a 3% woman-owned/10% minority owned preference on bids of over $25,000 in the city of Baltimore, MD. As of 2007, only 11 states had no preference policy whatsoever.

Using a numerical example, suppose the state government of New Mexico solicits bids for construction of a new government building. If a firm located in the state of Texas submits a bid

[1] The WTO replaced the GATT in 1995.

of $100 million, a firm located within New Mexico can win the project by submitting a bid of anything less than $105 million. Assuming homogenous firms, the preference policy creates a five percent rent for the firm located in New Mexico.

II. Preference and Reciprocal Policies

Regions with preference policies have a distinct advantage over regions without preference policies by attracting employers and directing governmental funds to producers within the jurisdiction.[2] To take advantage of the preference policy, employers may choose to locate a business in the region with the local preference policy. Also, politicians can assure that expenditures are spent within their jurisdiction. Weingast et al. (1981) describe how politicians view expenditures in their jurisdiction as a political benefit, regardless of source of the expenditure. Therefore, politicians may view preference policies as extremely attractive.

Regions without preference policies have enacted two strategies to combat the advantage generated by preference policies: creating their own preference policies and enacting reciprocal policies. To counter a preference policy in a competition jurisdiction, politicians may simply implement a preference policy of their own to appear more attractive to mobile employers and assure that their government spending stays in their jurisdiction.

Rather than each jurisdiction passing its own preference policy, a popular response has been the passing of reciprocal policies. Reciprocal policies simply reverse the preference advantage a firm may have in its own location. For example, if a firm located in New Mexico, which has a 5 percent preference policy, bids on a project in Colorado, which has a reciprocal policy, the New Mexican firm will be subject to a 5 percent *penalty*, equal to the preference the firm would have received if bidding on a project in Alaska. As of 2007, 39 states had implemented preference policies and 36 states had adopted a reciprocal policy.

While local firms may benefit in the short run from a local preference policy when compared to producers located in a region with no preference policy, the taxpayers in the region with a preference policy suffer. Preference policies distort outcomes that would occur under free-market competition. Similar to the effect of trade barriers, preference policies discourage outside bidding and allow local firms to charge a higher price while providing inferior production. In a more positive context, these preference policies also form tighter bonds between the government and firms who take advantage of the local preference. This invites a slew of potential inefficiencies that can arise with political favoritism.

Local reference policies also represent distortionary policy in line with Tullock's (1967) analysis of the rent seeking. Tullock explains that firms will employ resources toward obtaining market preferences that create rents, drastically increasing the size of the deadweight loss of the distortionary policy. Tullock (1980) later explains that the rent may or may not be completed dissipated in rent seeking activities or may even be over dissipated. Experimental results conclude that the combined rent-seeking activities of multiple entities for a single rent often results in *over*-dissipation of rents which significantly exceed the Cournot-Nash predicted level

[2] The extent of the advantage depends on the size and breadth of the policy, the size of the region, and competition facing the region.

of dissipation [see Millner and Pratt (1989), Millner and Pratt (1991), Shogren and Baik (1991), Davis and Reilly (1998), Potters et al. (1998), and Bolluck & Rutstrom (2007)]. These results signify that the total deadweight loss created by preference policies is the Harberger triangle, the Tolluck trapezoid, and potentially over-dissipated rents.

The additional long run inefficiencies and distortions caused by state and local preference policies are evident from the tariff literature, however short-run political benefits may lead politicians to pass preference policies. Preference policy benefits are further enlarged due to market imperfections of sticky capital and non-trivial political response function times. With state government spending growing at a rapid rate, a 50-year compound annual growth rate of 8.7 percent, the amount of rent capable of extraction through preference policies grew as well.[3]

Chang (2011) is the only author to provide analysis of preference and reciprocal policies in the U.S. Chang compiled information on preference policy practices from three sources: the National Association of State Procurement Officials, the state of Virginia, and a survey by the Procurement Office of the state of Oregon. Chang identifies that there are several complex issues involved with the preferential treatment of local businesses by governments. These include defining what counts as a local business, qualification and efficiency issues, and the type of preference given. The process of incorporating these issues, both when creating the legislation and administering the preference policy, also create non-trivial administrative costs that further exacerbate that inefficiencies of preference policy legislations.

Chang concludes that the optimal situation is one where no preference policies were in place. However, as this is unlikely to occur, Chang declares that reciprocal policies are the second-best response to minimize distortion into the future, while leveling the playing field for regions without preference policies in place.

III. Model

This study introduces a theoretical and empirical foundation for understanding why preference policies may be implemented. To do so, this study begins by looking at policy selection using game-theory. Players in this game are politicians who can choose to cooperate and not implement a preference policy for their region, C, or can choose to deviate from a cooperative agreement and implement a preference policy for their region, D.

Because regions with preference policies in place have an advantage in attracting employers and directing funds to workers in their jurisdiction, payoffs in the game incorporate how the players (politicians) value the outcomes of implementing a preference policy. Following Weigngast et. al (1981), regardless of the source of the expenditure, politician's view any spending in their jurisdiction (e.g. hiring of workers) as a benefit.

The payoff matrix for a 1-period game are shown below. A standard prisoners dilemma game is formed, as (C,C) earns players α and (D,D) yields players β. Shirking from a cooperation agreement gives the player implementing a preference policy θ, while leaving the player without the preference policy ρ.

[3] State Government Finances data from the Census Bureau, years 1957 to 2006, author calculation.

		Player 2	
		Do not cooperate (D)	Cooperate (C)
Player 1	Do not cooperate (D)	β, β	θ, ρ
	Cooperate (C)	ρ, θ	α, α

$$\theta > \alpha > \beta > \rho$$
$$(2\alpha) > (\theta + \rho)$$

The social optimum (minimizing the distortion caused by the preference policy) is achieved at (C,C), with no preference policies implemented. The Nash equilibrium resulting from the prisoner's dilemma is (D,D), however. This result would suggest that preference policies would be rational for all political actors to pass.

However, a multiple-period game is a more appropriate framework in which to analyze the motivation of policy implementation. After all, most policies are enacted with an infinite time horizon of applicability. In a repeated game framework, players must weigh their payoffs from all periods. In the infinitely repeated version of the game described above, players will cooperate if the other player cooperated in the previous period, but will adopt a trigger strategy of not cooperating once the alternative player breaches cooperation.

This paper specifically investigates the necessary conditions for the implementation of long-run efficient policies. The condition necessary for (C,C) to be the sub-game perfect Nash equilibrium is for Vc, the value for a player of cooperating in every period, to be greater than Vd, the value from being the first player to deviate from cooperation and receiving the benefit, θ, for deviating in that time period and the non-cooperative payoff, β, for every time period after deviating, with

(1) $V^C = \ldots \alpha + \delta\alpha + \delta^2 \alpha \ldots$
(2) $V^D = \ldots \theta + \delta\beta + \delta^2\beta \ldots$

where δ is the rate at which future payoffs are discounted, such that as δ approaches ∞, the value of the current time period consumption goes to zero and as δ approaches 0, the only payoff that becomes nonzero is that of the current period. Therefore, the greater δ, the more value politicians place on long-run payoffs and the smaller δ the greater the value placed on current and short-run payoffs.

Note that before deviation, it is assumed the players are cooperating, so $V^C = V^D = \alpha$ in every previous period. Deviating earns that player the desired payoff θ, in that time period, but then the lower payoff of β for the remaining periods of the game. This infinitely repeated game results in a simplified version of the Folk Theorem, with cooperation occurring only if

(3) $\alpha\left(\frac{1}{(1-\delta)}\right) > \theta + \beta\left(\frac{\delta}{(1-\delta)}\right)$

or

(4) $\delta > \frac{(\theta-\alpha)}{(\theta-\beta)}$

The Folk Theorem and (3) provide a possible answer the question first proposed in the section: why would politicians pass preference policies knowing their long-term negative consequences? Preference policies can be rational depending on the discount rate and the relative gains from non-cooperation. While, (3) shows that preference policies *can be* rational, a more positive analysis will explain whether preference policies a*re* politically rational.

The public choice literature is rich with analysis of short-sighted politicians [See Buchanan and Lee (1982), Sobel (1999), Laffer (2004), Margolis (1982)]. This is due to several factors, including short political terms in office, caused by term limits and uncertainty of reelection, and accountability to self-interested voters with imperfect information. Short-lived politicians will have an obvious preference for the present over the future, decreasing δ, and therefore increasing the incentives for implementing a local preference policy.

While (4) and political short-sightedness provide a justification for the implementation of preference policies, (3) relies heavily on the assumptions that players immediately implement a trigger strategy. Stickiness in political reaction functions delays the implementation of the trigger strategy. Passing a bill through a state legislature may take several years before the ratification process is complete and the policy is implemented. The delay of the trigger strategy changes the payoffs in (2) to

(5) $V^C = \ldots \alpha + \delta\alpha + \delta^2 \alpha \ldots$

(6) $V^D = \ldots\theta + \sum_{x=1}^{N} \delta^x\theta + \sum_{Y=N+1}^{\infty} \delta^Y \beta \ldots$

where N is the number of periods before the opposing player adopts the trigger strategy. Solving for cooperation as the dominant strategy:

(7) $\alpha\left(\frac{1}{(1-\delta)}\right) > \theta + \theta\frac{\delta-\delta^{n+1}}{1-\delta} + \beta\left(\frac{\delta^{n+1}}{(1-\delta)}\right)$

or

(8) $\delta > \left(\frac{(\theta-\alpha)}{(\theta-\beta)}\right)^{\frac{1}{1+n}}$

The δ from (8) must be greater than the δ from (4) in order for cooperation to be the rational decision. Because the player is delayed in implementing the reactionary strategy to an opposing region's preference policy, the first-mover advantage for preference policy implementation is larger than if the reacting player were able to immediately initiate a trigger strategy. The longer the reactionary process, N, the greater the first mover advantage. Therefore, the existence of

sticky political response functions increases the likelihood that a region will implement a preference policy.

Similarly, sticky capital changes the payoffs received by players by creating a first-mover advantage in non-cooperation by attracting capital to a region. Firms, when choosing where to locate, will be more attracted to the region with the local preference policy in place. Once the location decision is made and the sticky capital is put into place (a manufacturing plant or building for operation for example), even if the other region passes a reciprocal policy or similar preference policy, there may be no incentive for the firm to move. Because its capital is already located in the region which first passed the preference policy, the high fixed cost of moving may outweigh the benefits of locating in the alternative region.

If the incentives from sticky capital cause firms to only temporarily locate in the first-mover preference policy region, the results are exactly as seen in (8), with N representing the number of periods before firm locations return to equilibrium. As described previously, the incentives are greater for implementing a preference policy. The incentives are even stronger if sticky capital causes permanent first-mover firm location decisions such that the firm never has the incentive to move to the opposite region. This hysteresis effect creates payoffs as such:

$$(9)\ \theta\left(1+\frac{1}{(1-\delta)}\right) > \rho\left(1+\frac{1}{(1-\delta)}\right)$$

Because $\theta > \rho$, implementing a preference policy is the dominant strategy, for all values of δ.

With barriers such as short-sighted politicians, sticky political response functions, and sticky capital, it is predictable that preference policies are observed in the United States at multiple jurisdictional levels. Any single political barrier increases the likelihood that a region will implement a preference policy, but with all the political barriers combined, the incentives are extremely strong for policy makers to implement local preference policies, particularly for first movers.

IV. Literature Review

Outside of Chang (forthcoming), this is the first article to contribute an economic analysis of preference policies to the literature. A majority of the research on preference policies has been that of a legal nature, in determining if preference policies are indeed constitutionally legal. Bair (1995) provides a full analysis of the legality of preference policies under the Dormant Commerce Clause in the U.S. constitution. With the lack of economic literature on preference policies, this study examines the literature on tariffs, as preference policies act similarly to a within-county tariff.

The literature on the economic impact of tariffs is one of the richest literatures in the economic discipline and it is not the aim of this paper to contradict or contribute to these results. It will be sufficient for this paper to say that a reduction of tariffs and trade barriers, therefore moving toward more free trade, would beneficial to the U.S. in an overwhelming number of scenarios.

More prevalent for the research in this paper is the literature on the determinants of tariffs. Many studies, including Balassa (1967, 1971), Baldwin (1976), Ray and Marvel (1984) and others found consistent systematic preference for agricultural products and textiles. Others have historically focused on non-tariff barriers to trade incorporated with tariff rates [see Ray (1981a, 1981b) and Marvel and Ray (1983)].

More recently, several studies have investigated the political determinants of trade protection [see Ray (1981), Marvel and Ray (1983), Baldwin (1985), and Trefler (1993)][4]. Grossman and Helpman (1994) give theoretical foundations regarding the political economy for trade production, yielding cross-sectional predictions for import tariffs. Additional studies have used the Grossman-Helpman protection-for-sale model and similar models to further empirically test the determinants of tariff rates [most notably Goldberg and Maggi (1999) and Gawande and Bandyopadhyay (2000)]. Ederington and Minier (2008) provide additional analysis of the Grossman-Helpman model and recent literature.

V. Empirical Analysis

The aim of the empirical analysis in this section is to investigate the determinants of large-scale state-level local preference policies and to compare these results with the existing literature on determinants of macroeconomic tariffs. The dependent variable, *prefpolicy*, is a binary variable receiving a 1 if a state had substantial preference policy practices in place in 2007 or a 0 if the state did not have a preferency policy or if the preference policy was considered relatively trivial. In total, only 11 of the 50 states were considered to have substantial preference policies, causing *noprefpolicy* to receive a 0. Table 1 presents a summary of state-level preference policies.

[Table 1 About Here]

With a binary dependent variable, a probabilistic model is applied to examine a state's preference policy choice. The unobserved latent response variable for state i is

$$noprefpolicy^* = \beta_0 + \beta X + \mu,$$

where β_0 is a constant, β represents the coefficients on X, where X is a vector of independent variables of two different types: components of state GDP and state descriptive and political variables, and μ is a normally distributed error term. State GDP components are *manufacturing*, the percent of state GDP resulting from manufacturing; *textile*, the percent of state GDP resulting from the textile industry; *gov*, the percent of state GDP resulting from government spending; *ag*, the percent of state GDP resulting from agriculture; and *mining*, the percent of state GDP resulting from mining. State descriptive and political variables are *legislators*, the number of legislators in each state's legislature; *adacope*, an ideology measure of the state's political representatives, with 100 being the furthest politically left and 0 being the furthest politically right (Berry et al. 2010); *citi*, an ideology measure of the state's citizens, with 100 being the furthest politically left and 0 being the furthest politically right (Berry et al. 1998); and *white*, the percentage of the state population that was Caucasian.

[4] A more comprehensive review of the literature can be found in Rodrik (1995)

[GDP components should be relatively persistent: Column detailing 1970 vs. 2000 GDP components?]

In order to avoid reverse causation, all variables were lagged to a year prior to the implementation of any state preference policy. These dates along with the data sources are shown in Table 2. Because no statewide preference policies were in legislation prior to 1973, most variables were lagged to 1970. In order to account for major legislative body increases in 1972, *legislators* was set to 1972.

[Table 2: Descriptive state, About Here]

The coefficients of the probabilistic are estimated using both a probit and a logit, with the probability of a state not having a preference policy given by

$$\phi(\beta_0 + \beta X).$$

Building on the existing tariff literature, the predicted values for *ag* and *textile* are posited to have negative coefficients, resulting in a higher probability that states with higher concentrations in these industries will pass preference policies to favor their local economies. Likewise, *gov* and *pop* are posited to be negative, as states that spend more per capita have provide a larger quantity of funds capable of being influenced by the local preference policy and states that have greater populations have more spending to influence and more firms to take advantage of the preference. This creates a greater political benefit to the politicians and will increase the likelihood of implementing a local preference policy. The signs of *manufacturing* and *mining* are predictively ambiguous, as it is uncertain whether the pattern of industry protection will follow the tariff standards or whether different industries have been granted state-level protection. *Legislators* is expected to be positive, as the more legislators in the state governing body, the more difficult and time intensive it will be to pass preference policies. Both ideology variables are predicted to be negative because a liberal ideology invokes more government market intervention and trends toward less long-run economic policy than a fiscal conservative ideology. *White* is predictively ambiguous.

Results

The results from the probit and logit regressions are shown in Table 3 and Table 4. Table 3 presents the probit and logit results and their corresponding marginal effects using the *adacope ideology* measure. The GDP component variables *manufacturing*, and *textile* had negative coefficients, but the coefficients were not statistically significant. Rather, *mining* was shown to be the most predictive variable of passing a preference policy, having a negative and significant coefficient in both the probit and logit models as well as the largest coefficient (in absolute value) in marginal effects estimates. *Ag*, surprisingly, had a positive coefficient, but the coefficient was insignificant. These GDP component estimates suggest that, while agricultural and textile industries have been a driving force behind federal-level tariff protection, they have been less crucial in the implementation of state-level preference policies. Rather, states with heavy concentrations in mining have been more likely to impose a state-level preference policy. *Adacope ideology*, *legislators*, and *white* were all positive, but insignificant. *Under15*, *pop*, and *gov* were likewise insignificant, but yielded negative coefficients.

[Table 3 About Here]

Table 4 reveals the regression results using the citizen ideology measure. *Citi* was negative, but not statistically significant. The coefficients on *gov* and *ag* reversed signs while all other variables, had the same sign as in Table 3. *Textile* and *mining* were both statistically significant and had larger marginal effect coefficients in Table 4 for both the probit and logit models. *Legislators* was positive and significant, suggesting that it may indeed be the case that sticky political response functions impact preference policy legislation. States with more sizable legislatures may find it much more difficult and time consuming to pass further legislation, while states with smaller legislatures can quickly pass preference policies into law to capitalize on the first mover advantage created in preference policy legislation. *Pop* was also significant in the logit model specification, indicating that states with larger populations, and consequently a greater workforce and number of employers, will be more likely to pass preference policy legislation to protect their local industries.

[Table 4 About Here]

Conclusion

While U.S. federal policy has moved toward decreasing barriers to trade over the past century, state competition over mobile tax bases, specifically firm location decisions, has inhibited state-level policy from following the federal trend. States have enacted preference policy legislation, which requires preferential favor to be granted to within state firms and property. These policies create substantial market distortions hindering inter-state trade, commerce, employment, and firm location decisions.

Using a two-player repeated game framework, preference policies can be rational for politicians who have a discount rate that emphasizes short-run benefits. Even when assuming perfect information as to the long-run inefficiency of these policies, short-sighted politicians with low discount rates, sticky capital, and lengthy political response functions provide justification to policy makers for introducing preference policies.

Empirically, the determinants of preference policy implementation are investigated and compared with those from the tariff literature. Larger textile production was a common factor in increasing the likelihood both tariff formation and preference policy implementation. While manufacturing was known to be a large driver of tariff protection, manufacturing was not a significant factor in predicting state preference policies. The greatest factor for predicting preference policy adoption was the state's mining percentage of state GDP.

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Table 1

State	Preference Policy
Alabama	Up to 5% for "preferred bidders" Tie-bid Preference
Alaska	A 5% reduction in the bid price or offer applies to all vendors who qualify as Alaska bidders. A 7% preference is applied to agricultural or fisheries products (Agricultural products include dairy products, timber, and lumber, and products manufactured in the state from timber and lumber). A 3%, 5%, or 7% reduction applies to the qualifying products value in a bid price or offer that designates the use of Alaska products. The applicable discount is dependent on what percent the product being offered was produced or manufactured in the state. A 15% preference is applied for bidders offering services through a qualified employment program. A 10% preference is granted if the bidder is employing a staff that is made up of 50% or more persons with a disability
Arizona	Small Business preference: $1,000 - $25,000
Arkansas	A 5% preference against out-of-state prison industry bids.
California	5% for small business (goods, services, construction and IT) and non-small business subcontractors. The maximum preference is $50,000 and when combined with other preferences, the preference total cannot exceed $100,000 Target Area Contract Preference Act (TACPA) (applies to goods and IT only): 5% of the lowest responsive, responsible net bid price for worksite in distressed area: an additional 1-4% for hiring high risk unemployed people (HRUP) percentage of workforce during contract performance using scale below: 1% for 5-9% (HRUP), 2% for 10-14% (HRUP), 3% for 15-19% (HRUP), 4% for 20% or more (HRUP). The maximum preference is $50,000, and when combined with other preferences, the preference total cannot exceed 15% of the net bid price or $100,000, whichever is lower. Economic Zone Act (goods & IT only): Works the same as the TACPA preference. Same as for TACPA except applies to worksites in enterprise zones and hiring persons living in targeted employment area or are enterprise zone eligible. Local Agency Military base Recovery Area (goods & IT). Works the same as the TACPA preference. Same as for TACPA except applies to worksites in local agency military base recovery area and hiring people living in such area. Tie-bid Preference
Colorado	Tie-bid Preference
Connecticut	Tie-bid Preference
Delaware	No preference is given
Florida	5% price preference for use of recycled products or materials are made or materials recovered in this State. Tie-bid Preference
Georgia	Preference given to compost and mulch made in the state of Georgia
Hawaii	Preference applies to commodities produced manufactured, grown, mined, or excavated in Hawaii in value as follows: 3% for product with 25% or more, but less than 50% value added in-

	state; 5% for product with 50% or more, but less than 75% value added in-state; and 10% for products with 75% or more value added in-state. 5% recycled products preference based on recycled content as a percentage to total weight. 4% tax Preference to ensure fair competition for bidders paying the Hawaii general excise and applicable use tax. 5% Qualified Community Rehabilitation Programs preference. Preference for qualified community rehabilitation programs located in Hawaii. Tie-bid Preference
Idaho	Tie-bid Preference
Illinois	Preference is given to "Illinois Correctional Industries," "Illinois Sheltered Workshops for the severely handicapped," and "Illinois Small Businesses." 10% preference is given for use of Illinois coal Tie-bid Preference.
Indiana	15% small business preference
Iowa	Tie-bid Preference
Kansas	Tie-bid Preference
Kentucky	Preference given to products made by Kentucky prisons and industries for the blind and those with severe disabilities. Tie-bid Preference
Louisiana	10% Steel, agricultural or forestry products, including meat, seafood, produce, eggs, paper or paper Tie-bid Preference
Maine	Tie-bid Preference
Maryland	Boilers must be able to burn Maryland coal Tie-bid Preference
Massachusetts	Tie-bid Preference
Michigan	Tie-bid Preference
Minnesota	All all-terrain vehicles purchased by the commissioner of natural resources must be manufactured in the state of Minnesota. Tie-bid Preference
Mississippi	Tie-bid Preference
Missouri	Tie-bid Preference
Montana	No preference is given
Nebraska	Tie-bid Preference
Nevada	10% preference for recycled products manufactured within the State of Nevada Tie-bid Preference.
New Hampshire	No preference is given
New Jersey	No preference is given
New Mexico	5% for materials grown, produced, processed or manufactured wholly in New Mexico Tie-bid Preference
New York	Preference applies to state for purchase of food products. Percentage determined by the Commissioner of General Services assisted by the Commissioner of Agriculture and Markets.

	10% preference is applied for recycled-content products. An additional 5% preference may be granted if at least 50% of the secondary materials utilized in manufacture of that product are generated from the waste stream in New York State. Tie-bid Preference
North Carolina	Tie-bid Preference
North Dakota	North Dakota Department of Transportation must award contracts for highway grade stakes to work activity centers, unless no work activity center bids on the contract. Tie-bid Preference
Ohio	No preference is given
Oklahoma	No preference is given
Oregon	Tie-bid Preference
Pennsylvania	Pennsylvania coal is mandated for heating State buildings Tie-bid Preference
Rhode Island	Tie-bid Preference
South Carolina	7% In-State preference for procurements 7% Made In-State Preference for end products made, manufactured or grown in South Carolina Tie-bid Preference
South Dakota	5% to Grade A milk processors only Tie-bid Preference
Tennessee	Tie-bid Preference
Texas	Tie-bid Preference.
Utah	No preference is given
Vermont	Tie-bid Preference
Virginia	4% Preference for coal mined in Virginia Tie-bid Preference
Washington	No preference is given
West Virginia	2-1/2 to 5% for all purchases of commodities and services. Written claim preference is required if vendor's bid does not exceed the lowest qualified bid from a non-resident vendor by more than 2-1/2% of latter bid.
Wisconsin	No preference is given
Wyoming	5% applies to state and political subdivisions for all commodities manufactured or produced in Wyoming. 10% printing preference Tie-bid Preference

Table 2: Descriptive Statistics and Data Source

1970 Data

	mean	std. dev.	min	max	Data Source
adacope ideology	35.804	21.556	5.700	92.667	Berry et al. (2010)
citi ideology	44.505	18.158	11.019	81.596	Berry et al. (1998)
legislators	149.340	62.341	49.000	424.000	National Conference of State Legislators
pop	4.049	4.333	0.300	19.953	Census Bureau
white	0.884	0.113	0.388	0.996	Census Bureau
under15	29.154	1.743	25.800	34.300	Census Bureau
gov	0.452	0.151	0.299	1.179	BEA
ag	0.044	0.042	0.006	0.200	BEA
manufacturing	0.216	0.097	0.043	0.375	BEA
text	0.017	0.029	0.000	0.153	BEA
mining	0.032	0.057	0.000	0.255	BEA

Table 3

Dependent Variable no_pref_policy

Model	Probit				Logit			
	coef.	t-stat	marg. effect	t-stat	coef.	t-stat	marg. effect	t-stat
adacope ideology	0.04	1.30	0.00	1.30	0.07	1.19	0.00	0.61
legislators	0.02	1.16	0.00	1.16	0.04	1.13	0.00	0.67
popm	-0.16	-1.54	-0.01	-1.54	-0.31	-1.56	-0.01	-0.63
white	6.17	1.22	0.33	1.22	11.66	1.18	0.23	0.79
under15	-0.08	-0.30	0.00	-0.30	-0.13	-0.26	0.00	-0.23
gov	-4.81	-0.78	-0.26	-0.78	-7.82	-0.65	-0.15	-0.37
ag	12.54	0.45	0.67	0.45	24.67	0.46	0.48	0.50
manufacturing	-3.61	-0.82	-0.19	-0.82	-4.03	-0.51	-0.08	-0.39
text	-12.02	-1.10	-0.64	-1.10	-28.93	-1.34	-0.56	-0.53
mining	-32.20	-2.29**	-1.71	-2.29**	-61.17	-2.14*	-1.19	-0.63
constant	-1.45	-0.12			-4.51	-0.19	-0.09	-0.21
Log Like.	-9.47				-9.10			
N	51				51			

Table 4

Dependent Variable: no_pref_policy
Observations: 51

Model	Probit				Logit			
	coef.	t-stat	marg. effect	t-stat	coef.	t-stat	marg. effect	t-stat
citi ideology	-0.05	-1.33	-0.00	-1.33	-0.08	-1.18	0.00	-0.67
legislators	0.03	1.72*	0.00	1.72*	0.06	1.70*	0.00	1.07
popm	-0.15	-1.61	-0.01	-1.61	-0.29	-1.69*	-0.01	-0.91
white	6.77	1.35	0.60	1.35	11.97	1.16	0.38	0.75
under15	-0.17	-0.72	-0.02	-0.72	-0.27	-0.61	-0.01	-0.55
gov	3.79	0.71	0.33	0.71	5.79	0.61	0.19	0.67
ag	-1.56	-0.10	-0.14	-0.1	-1.64	-0.05	-0.05	-0.05
manufacturing	-3.26	-0.60	-0.29	-0.6	-4.08	-0.40	-0.13	-0.40
text	-23.62	-1.68*	-2.08	-1.68*	-48.97	-1.75*	-1.57	-0.80
mining	-34.11	-2.16**	-3.00	-2.16**	-63.50	-2.05**	-2.04	-0.83
constant	-0.25	-0.03			-2.22	-0.12	-0.07	-0.12
Log Like.	-9.46				-9.14			
N	51				51			