

Politico-Economic Determinants
of American Trade Policy Attitudes

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October 11, 2007

Research Question and Approach

Question: What determines trade policy attitudes at the individual level?

Approach: Use survey data to econometrically match individual trade policy opinions with personal (demographic, economic, political, etc.) characteristics.

Preview of the Results: First, the determinants are inconsistent across policy variables. Next, for Americans, a mix of political affiliation, education, and industry-affiliation influences trade policy attitudes.

Comparative Advantage and Trade Policy Attitudes

- *Ex ante*, one would expect factor endowments and the individual distributional effects of trade to have a strong influence on trade policy views.
- Heckscher-Ohlin (H-O) vs. specific-factors: the mobility of factors among sectors will determine some of the distributional effects of trade.
 - H-O → factor endowments will determine the distributional effects of trade, irrelevant of the sectors in which those factors are employed.
 - Specific-factors → costly reallocation of factors implies that sector of employment will also influence distributional effects.
- ...but survey data alone cannot differentiate among competing theories of comparative advantage.
 - Empirical exercises of this type actually are tests of competing theories of comparative advantage only under the “assumption that agents are fully informed about the true distributional effects of policy,” (Balistreri, 1997) *and* these distributional effects are their overriding concern.

Some Representative Literature

- Balistreri (1997):
 - Data: Canadian National Election Study
 - Scenario: U.S.-Canada FTA
 - Findings: supportive of H-O

- O'Rourke and Sinnott (2001):
 - Data: International Social Survey Program (ISSP; cross-country study on national identity)
 - Scenario: generic question about limiting imports
 - Findings: supportive of H-O; social values

- Scheve and Slaughter (2001):
 - Data: U.S. National Election Study
 - Scenario: generic question about additional trade barriers
 - Findings: supportive of H-O; housing effects

Literature (cont'd)

- Mayda and Rodrik (2005): ISSP data, H-O vs. specific-factors, etc.
 - Data: ISSP
 - Scenario: generic question about limiting imports
 - Findings: supportive of factor-specificity; social values
- **Generally:** H-O model finds support (income and education are associated with pro-trade views), some sector-effects in Mayda and Rodrik, importance of values from ISSP.
- **Common Constraint:** All use a single (often vague) response variable, e.g.
 - ISSP: Agree or disagree: “[respondent’s country] should limit the import of foreign products in order to protect its national economy.”
 - U.S. NES: whether the subject does or does not support additional trade barriers.

The Survey

- “Americans on Globalization, Trade, and Farm Subsidies” conducted by the Program on International Policy Attitudes (PIPA) at the University of Maryland.
- 1,896 respondents, questioned over December 2003-January 2004.
 - Poll fielded by Knowledge Networks with a random sample from its nationwide research panel.
 - Nationwide research panel is randomly selected from U.S. households with telephones.
 - Household are provided internet access so they can take the web-based surveys.

The Questions

- Over 100 questions about various trade policies (seven below):
 - “As you may know, in early 2002 President Bush raised **tariffs on steel imports**. In response to challenges by other countries the World Trade Organization ruled that these increases were in violation of international trade rules. President Bush subsequently lowered the steel tariffs. What is your position on this decision?”
 - **30% believe it was right to raise them, and right to lower them, 24% believe it was right to raise them, and wrong to lower them, 32% believe it was a mistake to raise them.**
 - “As you may know, there are views on the question of whether the US should **promote freer trade**. There are also different views on whether the US government should have programs that try to help workers who lose their jobs because of free trade. Which of the following three positions comes closest to your point of view?”
 - **60% favor free trade conditional on helping workers, 13% favor it unconditionally, and 22% do not favor free trade.**
 - “Do you think the North American Free Trade Agreement, **NAFTA**, has been good or bad for the United States?”
 - **47% believe NAFTA was good overall, 39% say bad, 6% neither.**

The Questions (cont'd)

- “I’d like to know how positive or negative you think this process of **globalization** is, overall. Please answer on a scale from 0 to 10, with 0 being completely negative, 10 being completely positive, and 5 being equally positive and negative.”
 - **Mode of 5, distribution skewed toward positive.**

- “Do you favor or oppose the US government giving **subsidies to small farmers**, who work farms less than 500 acres?”
 - **77% in favor, 19% opposed.**

- “As you may know, the US and some countries of Central America have negotiated a treaty called the Central American Free Trade Agreement (**CAFTA**) that is similar to what the US now has with Mexico and Canada in NAFTA. Would you favor or oppose Congress approving such an agreement?”
 - **49% in favor, 42% opposed.**

- “As you may know, the US and most countries of North, Central, and South America have been discussing the possibility of having a **Free Trade Agreement of the Americas**, similar to what the US now has with Mexico and Canada in NAFTA. Would you favor or oppose have such a new agreement?”
 - **52% in favor, 40% opposed.**

Dependent Variables

- 2002 “safeguard” steel tariffs (mistake or not)
- Free trade in general (support or don’t support)
- NAFTA (good or not)
- Globalization in general (0-10, 0=completely negative, 10=completely positive)
- Farm subsidies for small farmers (oppose or support)
- CAFTA (support or oppose)
- FTAA (support or oppose)

Explanatory Variables and Expectations

- From the PIPA dataset:
 - Variable (expected sign)
 - Political party (Democrat against trade, Republicans for)
 - Education (College educated for trade, not against)
 - Location (on agricultural trade, urban for, rural against)
 - Income (greater income, more in favor of trade)
 - Employment (Manufacturing against trade, other for)
 - Homeownership (Owners for trade)

- Additional variables (state level):
 - Unemployment (Lower unemployment, more in favor of trade)
 - Export exposure (exports/GSP) (Higher exposure, more in favor of trade)

Estimation

- Compress responses to a binary choice for most questions, estimate via logit.
- Compress globalization variable from 11 to 5 choices, estimate via ordered logit.
- Model selection via Schwarz information criterion.
- Potential **endogeneity bias**: trade policy attitudes and party affiliation are plausibly jointly endogenous.
 - The direction of causality is unclear if one found that, for example, affiliation with the Democratic Party was associated with anti-trade views.
 - Do individuals with anti-trade views tend to join the Democratic party or do people that join the Democratic party become anti-trade?

Results

Table 1 – Econometric Results (for model that minimizes the Schwarz information criterion)

Dependent Variable	Steel Tariffs	Free Trade	NAFTA	Globalization	Farm Subsidies	CAFTA	FTAA
Explanatory Variable							
Party	1.71*** {0.362} (.221)	-	0.485** {0.121} (0.208)	-	-	-	-
Educ	-0.753*** {-0.159} (0.225)	-0.825*** {-0.151} (0.199)	-	-0.720*** (0.190)	-	-0.401** {-0.100} (0.165)	-
Unemst	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-
Manu	-	0.339* {0.062} (0.178)	0.925*** {0.209} (0.248)	-	-	-	-
Home	-	-	-	-	-	-	-
Xexp	-	-	-	-6.875** (2.849)	-	-	-
Rural	-	-	-	-	0.371** {0.068} (0.150)	0.426*** {0.106} (0.153)	-
Sample Size	492	864	391	513	1229	780	514

*Significant at .1, **Significant at .05, ***Significant at .01

Results (cont'd)

- **Key finding:** Determinants of opinions vary substantially across policy variables. → A single vague question about trade policy may not yield informative opinions.

- **Specifics:**
 - Steel tariffs: Republicans 36% more likely to think they were the right, college educated 16% less likely.
 - Free trade in general: College graduates 15% more likely to support it, manufacturing workers 6% less likely.
 - NAFTA: Manufacturing workers view it as a failure by a margin of 21%, Democrats are 12% more likely to view it as a success.
 - Globalization: Export exposure and education are both positively associated with views of globalization.
 - Farm subsidies: Rural dwellers are 7% more likely to favor subsidies for small farms.
 - CAFTA: College graduates are 10% more likely to support CAFTA, rural residents are 11% less likely.
 - FTAA: No explanatory variables were significant determinants of FTAA opinions, despite 92% of respondents having an opinion (52% in favor, 40% opposed)!

Recent Developments and Key Questions

- Offshore (services) outsourcing
 - Different effects of income and education?
- Trade policy and the Democratic takeover of the 110th Congress
 - What role was played by the distributional effects of growth?

Conclusions

- What's interesting here?
 - Comparison of determinants across policy variables.
 - Education matters. Abundant factor or information quality?
 - Sector also matters. Manufacturing workers have strong opinions.
 - Party affiliation matters, but not the way you think. When party leaders have staked a public claim on a policy, it can change rank-and-file views.

- **In sum:** Outreach on trade liberalization by respected politicians may be more useful than expected, especially if tied to helping dislocated workers.