Feelings First:
Non-Material Factors as Moderators of Economic Self-Interest Effects on Trade Preferences

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- Sources of trade preferences can be grouped into two broad categories:

  > Material self-interest: skill level or industry

  > Non-material, affective factors: nationalism, ethnocentrism, xenophobia, etc.

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- My paper addresses this gap in the literature.

The priority of affective, non-material factors

Attitudes toward foreign cultural influences enjoy a form of priority over (industry-based) economic self-interest in the formation of preferences:

- Strength of cultural attitudes *condition the effect of* industry factors on trade opinion.

- Specifically, only when attitudes toward foreign cultures are weak or *neutral* (i.e., neither positive nor negative), does industry-based self-interest have any effect.

Implications of my findings

- Cultural attitudes and industry effects do not reinforce or counterbalance each other in this context.

- Rather, material self-interest is a *second order* factor that acquires salience only when cultural attitudes deviate from neutral.

- Affective sources are *first order* factors that can altogether trump the contribution of (industry-based) self-interest to an individual's position on trade.

The theory of symbolic politics and trade

- People acquire early in life broad stable predispositions – prejudices, nationalism, political ideology – that shape their attitudes toward particular issues in adulthood.

- When people encounter a "new" policy issue (i.e., trade) the symbols posed by that issue evoke an *automatic, emotional* response in accordance with longstanding "symbolic" predispositions.

- When symbolic predispositions are strong, preferences are unaffected by the rational calculus of self-interest.

Data

- Harvard Globalization Survey (HGS) Project's targeted survey of over 4,000 workers in 12 U.S. industries.

- Two-stage sampling approach: first, 12 industries selected to provide variation along a set of dimensions including trade balance, factor intensity, size, etc.

- Then, a sample of workers, proportional to the size of the industry, recruited from each.

- Survey fielded online between Sept 2010 and Feb 2011.

Dependent variables

Three binary DVs, each constructed from one of three questions:

We would like to learn about your views on trade with other countries – by trade we mean American businesses and individuals buying good from other countries or selling goods to other countries.

1. *Do you think that restrictions on buying goods made in other countries should be increased, decreased, or kept at the current level?* **(Tariff Support)**

2. *Do you think that trade with other countries is good or bad for you and your family?* **(Bad Self Impact)**

3. *Do you think that trade with other countries is good or bad for the United States as a whole?* **(Bad US Impact)**

Measure of symbolic attitudes

A three-point measure of "cultural" attitudes
(positive=1; neutral=2; negative=3), constructed from the
following question:

> *People have different views on whether exposure to cultural*
> *influence is positive or negative for American society. In your*
> *view, what is the impact of foreign cultural influences on*
> *American society?* **(Cultural Sentiment)**

Measure of objective economic self-interest

- I focus on respondents' industry of employment, with three-digit NAICS codes used to classify industries.

- *Import Industry* is a binary variable that takes the value "1" when a respondent works in an industry with a negative net trade balance; "0" otherwise.

- I detected no differences with respect to trade attitudes between those working in export-oriented versus non-tradables industries.

Split sample analysis

- I want to establish that the effect of self-interest depends crucially on the strength of symbolic attitudes.

- I split the data into three by value of *Cultural Sentiment* and analyze each sub-sample separately, using the three DVs.

- As expected, strong industry effects are observed in the neutral group, but where attitudes toward foreign cultural influences are either positive or negative, the effect of the industry variable fades completely.

Table 1. DV = Beliefs about trade's personal impact

Value of *Cultural Sentiment*	Coefficient on *Import Industry*	P-value	Observations
Positive	.234 (-.108, .577)	0.179	1995
Neutral	.607 (.267, .947)	0.000	1040
Negative	-.099 (-.485, .288)	0.616	703

Table 2. DV = Beliefs about trade's country-level impact

Value of *Cultural Sentiment*	Coefficient on *Import Industry*	P-value	Observations
Positive	.067 (-.266, .400)	0.694	1994
Neutral	.538 (.203, .874)	0.002	1044
Negative	-.190 (-.570, .190)	0.327	703

Table 3. DV = Tariff support

Value of Cultural Sentiment	Coefficient on Import Industry	P-value	Observations
Positive	.223 (-.012, .459)	0.063	1994
Neutral	.516 (.213, .819)	0.001	1044
Negative	.284 (-.072, .640)	0.118	704

Change in predicted probability of *Bad Self-Impact*=1 resulting from change in *Import Industry* from 0 to 1
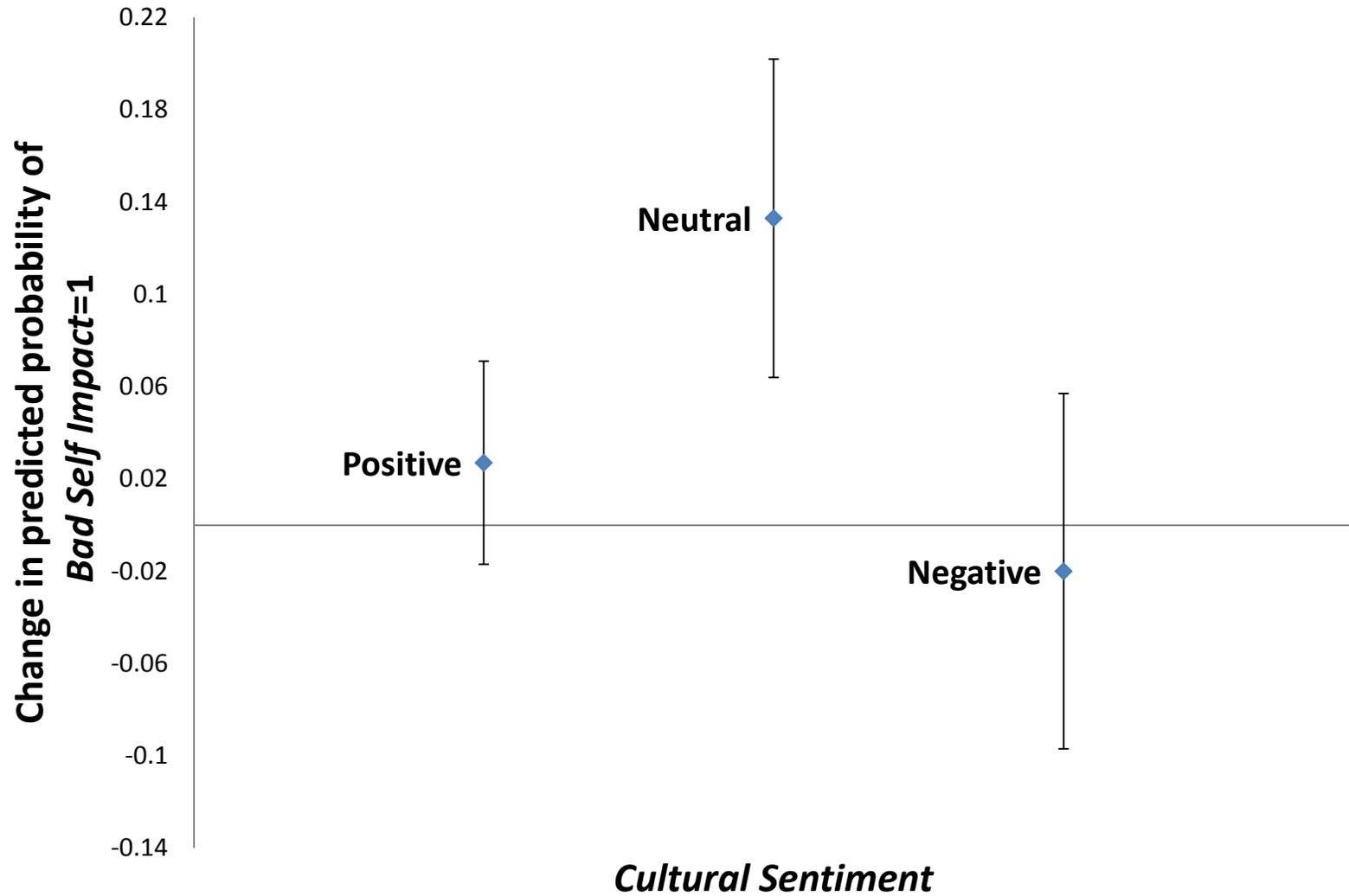
Interaction analysis

Next, I test the conditional relationship in the whole sample using an interaction of import and the cultural IV:

- The relationship I posit is *non-linear*, therefore *Import Industry*Cultural Sentiment* is not appropriate.
- Transform 3-point *Cultural Sentiment* into *Neutral Sentiment* dummy .
- Interact *Neutral Sentiment* with *Import Industry.*
- This particular coding treats "positives" and "negatives" as equal for the purpose of this analysis.

Interaction analysis

The analysis confirms that, at least where beliefs about trade's impact are concerned, the salience of material self-interest depends on weak symbolic attitudes.

Table 4. Logit coefficient on interaction term by dependent variable

|	DV=Bad Self Impact	DV=Bad US Impact	DV=Tariff Support
*Neutral Sentiment*Import Industry*	.470 (p-value=0.024)	.500 (p-value=0.014)	.267 (p-value=0.130)

Conclusions

- In the formation of individual trade preferences, material self-interest is a "second order" consideration that acquires salience only when strong sentiments toward foreign cultural influences are lacking.

- Affective, symbolic sources of trade preferences – i.e., factors that prompt an automatic, affective response – enjoy a higher level of priority: they are "first order" factors that can altogether trump the contribution of economic self-interest to an individual's stance on trade.
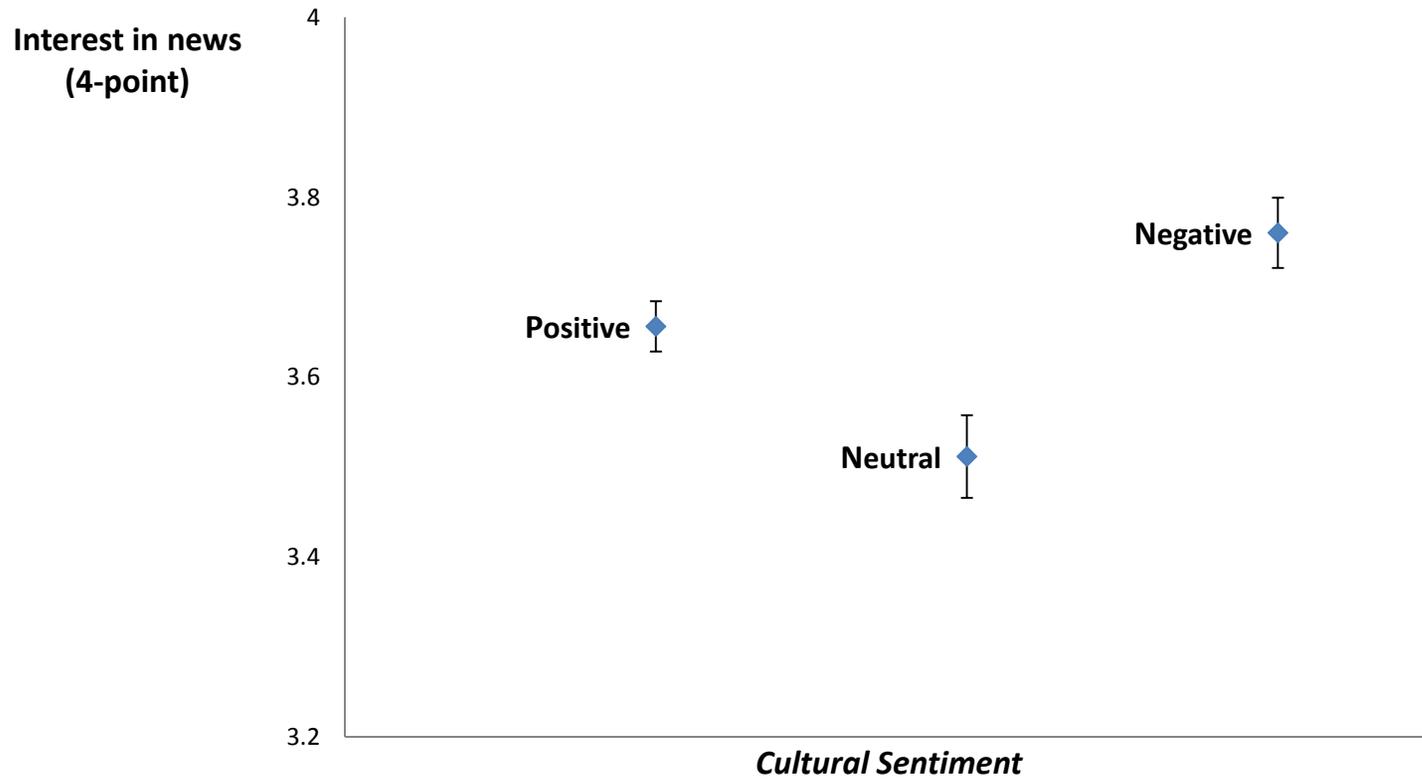
Some key contributions of this study

- Introduces a nuanced and theoretically-informed conception of trade preferences and preference formation.

- Theory from political psychology highlights possibilities for further, theoretically-informed investigations into the process of trade preference formation.

- Suggests the importance of including and considering "neutral" positions on attitudinal scales: looking more closely at "neutrals" can reveals second order dynamics.

Supplemental Slides

Mean weekly frequency of reading, watching or listening to news by value of *Cultural Sentiment*


Frequency of reading, watching or listening to news

Cultural Sentiment

Positive

Neutral

Negative

12
11
10
9
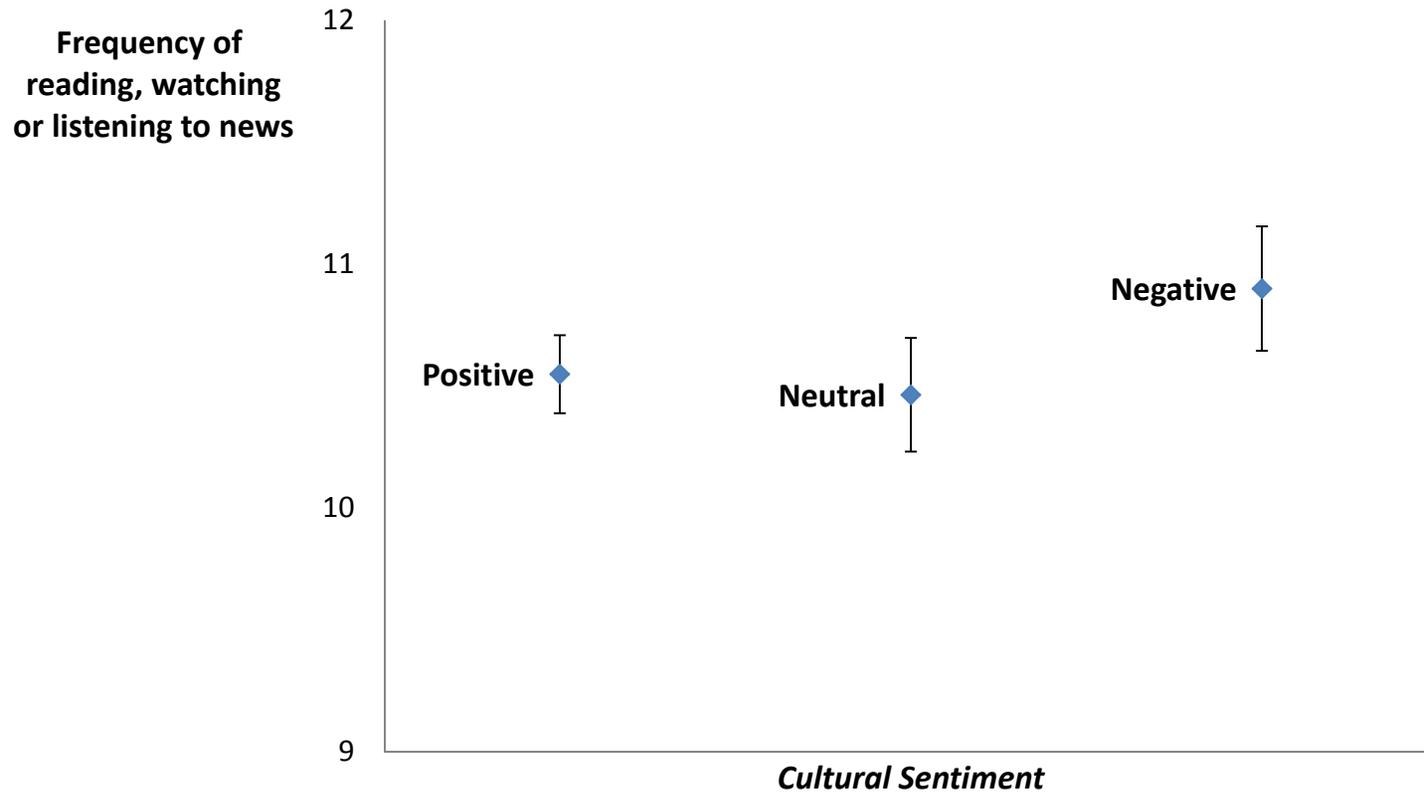
Mean measure of interest in news by value of *Cultural Sentiment*

Interest in news (4-point)

4

3.8 — Negative ◆

3.6 — Positive ◆

3.4 — Neutral ◆

3.2

Cultural Sentiment

Mean measure of economic knowledge by value of *Cultural Sentiment*
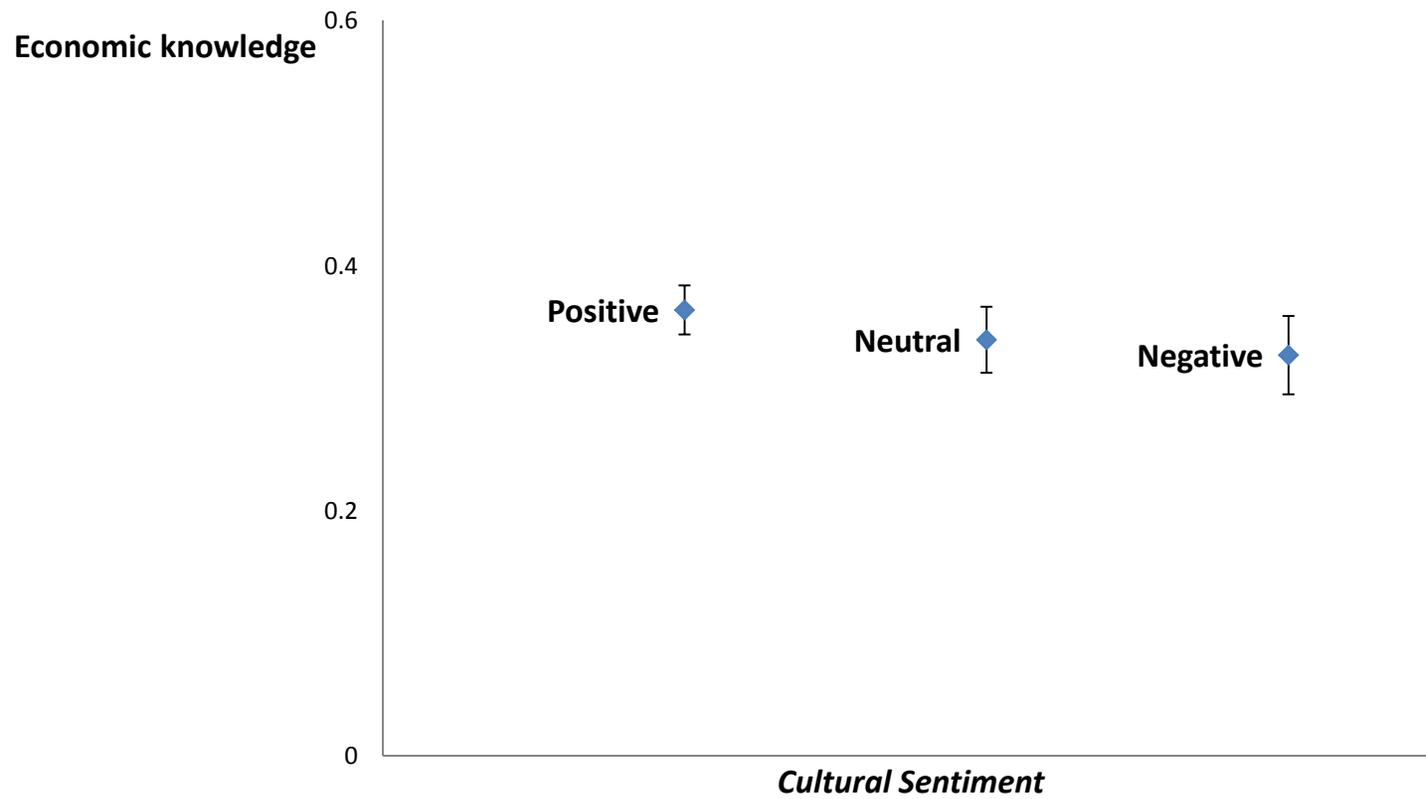
Mean level of education by value of *Cultural Sentiment*
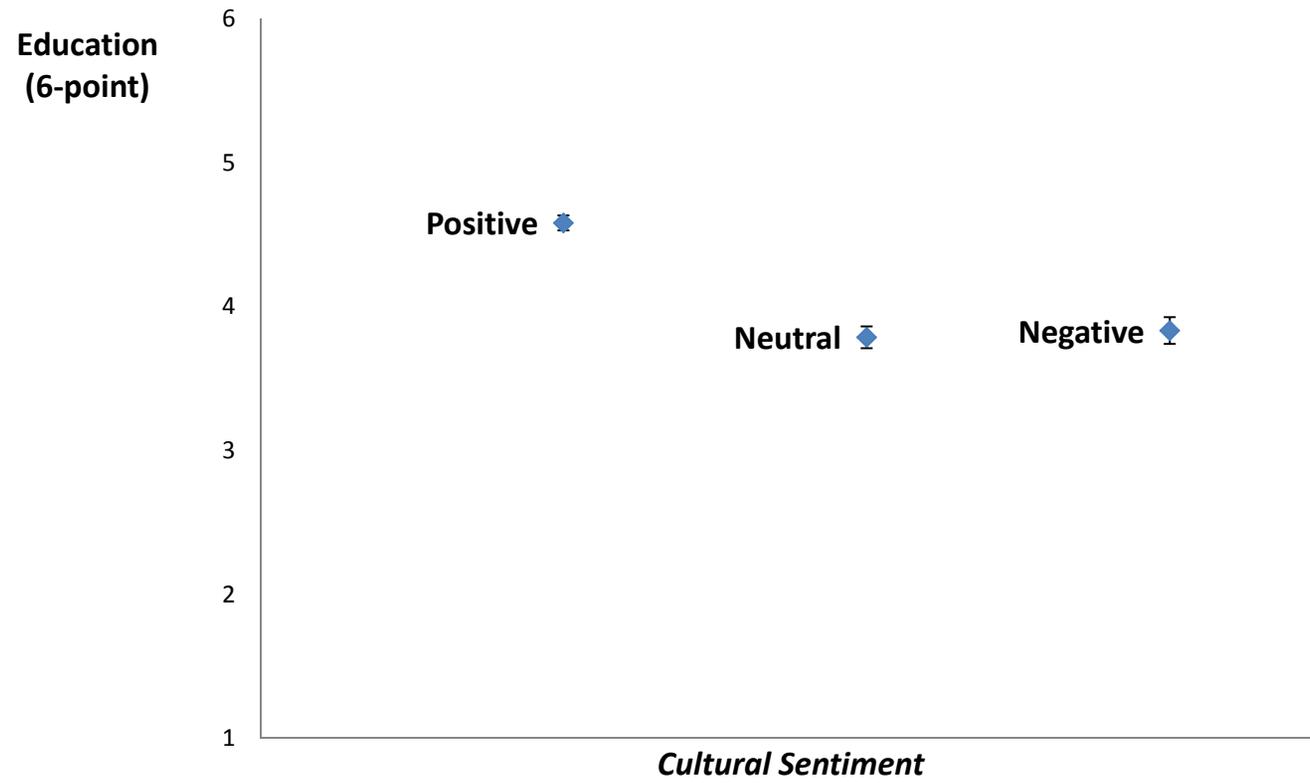
Measure of symbolic attitudes

Notice that the survey instrument used by HGS:

- Allows for the identification of a *neutral* position toward foreign cultural influences.

- Says nothing about economic or political interaction with foreigners.

- Allow for a clean separation of cultural xenophobia from moderate patriotism.

Whole sample analysis

First, taking the approach of existing studies, I find that:

- Both material and non-material factors play an important role, on average, in the formation of trade preferences.

- Cultural attitudes are, in general, stronger predictors of trade attitudes than industry-based self-interest.

- These results tell us little else about the microfoundations of trade preference formation.

Table 1. Changes in predicted probabilities of *Tariff Support*=1

Independent Variable	Change in value of IV	Resulting *change* in Pr(*Tariff Sentiment*=1)	95% confidence intervals
Cultural Sentiment	pos to neg	.090 (29%)	(.045, .132)
Import Industry	0 to 1	.078 (23%)	(.039, .118)

Table 2. Changes in predicted probabilities of *Bad Self Impact*=1

| Independent Variable	Change in value of IV	Resulting *change* in Pr(*Bad Self Impact*=1)	95% confidence intervals
Cultural Sentiment	pos to neg	.183 (150%)	(.141, .227)
Import Industry	0 to 1	.042 (26%)	(.011, .073)

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Notice that the survey instrument used by HGS:

- Allows for the identification of a *neutral* position toward foreign cultural influences.

- Says nothing about economic or political interaction with foreigners.

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Select robustness checks

➢ The *reverse* conditional relationship does not hold: in interaction analysis using *Import Industry*Cultural Sentiment*, the interaction term is *not* significant.

➢ Substituting a continuous measure of import penetration for the binary import variable does not affect the results.

➢ Substituting a 5-point measure of *Cultural Sentiment* for the original 3-point measure does not affect the results.

➢ Symbolic predispositions and industry of employment are not correlated (Pearson's *r* = 0.053).

Change in predicted probability of *Bad US Impact*=1 resulting from change in *Import Industry* from 0 to1
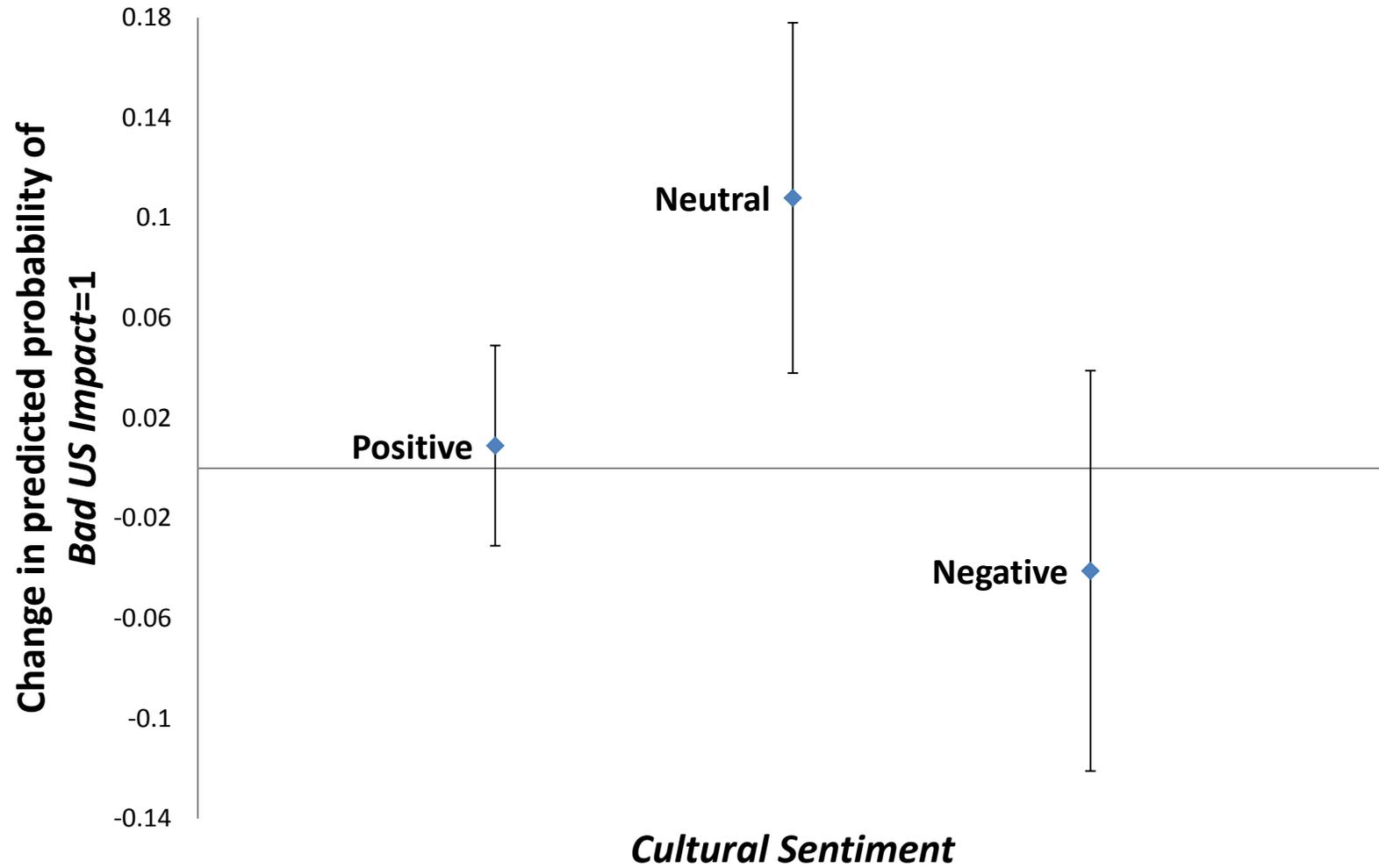
Change in predicted probability of *Tariff Support*=1 resulting from change in *Import Industry* from 0 to 1
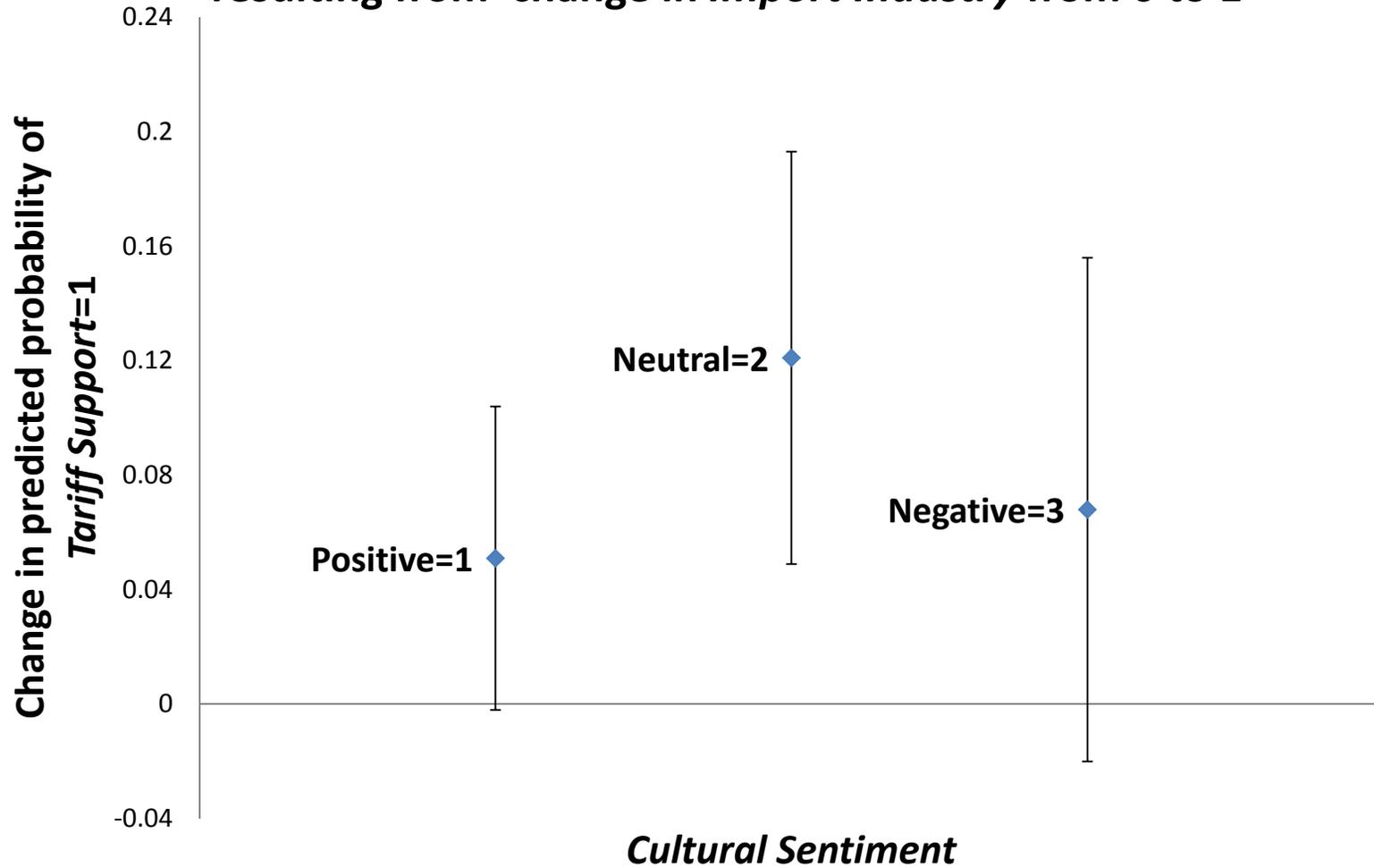
More broadly: trade opinion via affect heuristic

- **Affect heuristic**: when a difficult and complex choice is guided directly by automatic feelings of liking and disliking, with little deliberation or reasoning.

- The affect heuristic is an instance of substitution: the quick answer to an easy question (How do I feel about foreignness?) serves as an answer to a much harder question (Were do I stand on trade policy?).