

Industry, Self-Interest, and Individual Preferences over Trade Policy

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Overview

- Previous research has examined trade in general.
- We ask about protection for specific industries.
- We find little support for SS, RV, NNT theories.

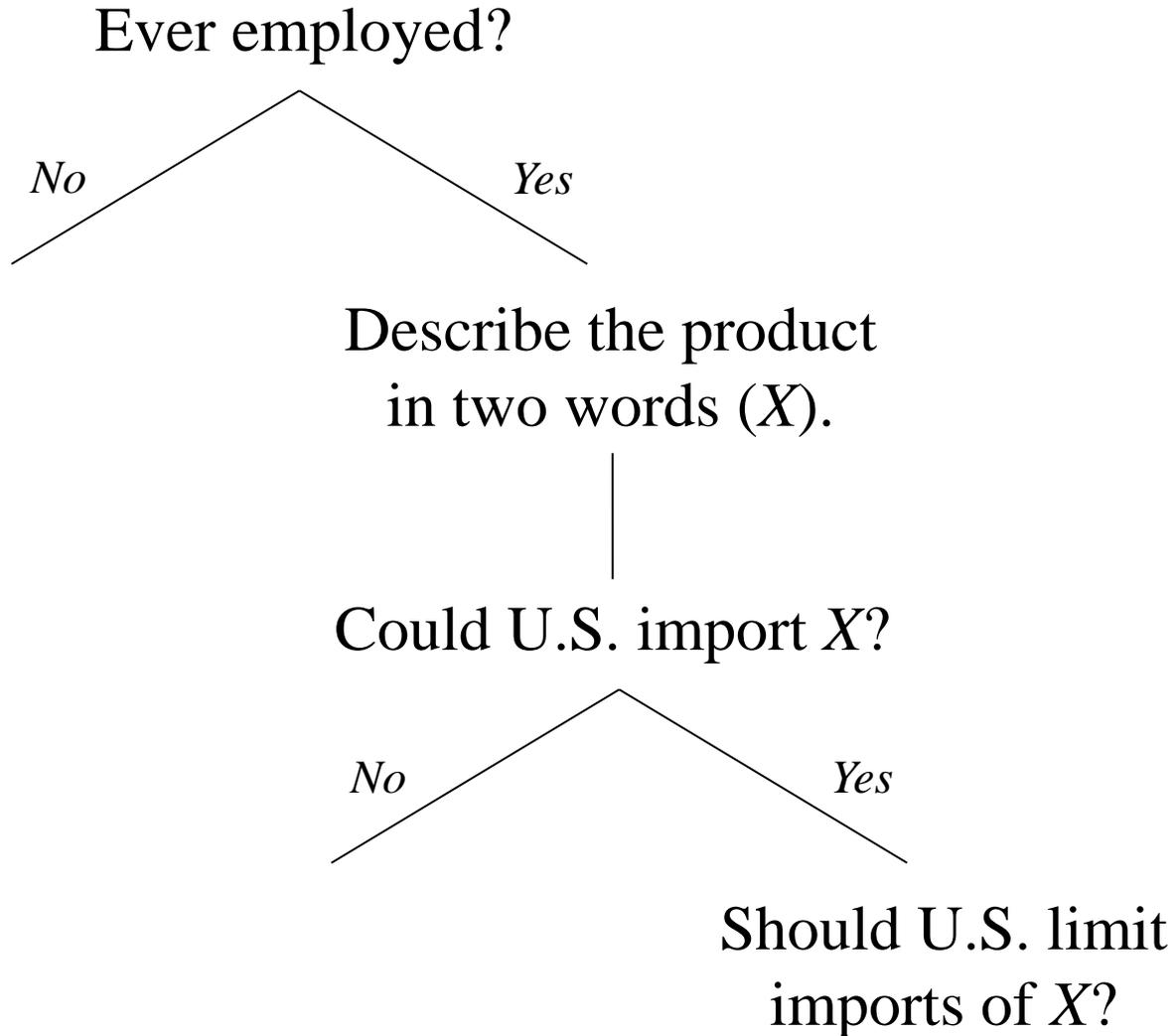
Predictions of three theories

- SS: protect industries that use your factor intensively.
- RV: protect the industry in which you work.
- NNT: protect my industry if my firm is inefficient.

We measured preferences about various industries.

- Should the U.S. government limit imports from foreign businesses that employ a [low, medium, high] percentage of workers with college degrees?
- What about specific products and services, which vary in their use of college-educated workers?

We also measured preferences about R's own industry.



Finally, we included two generic questions about trade.

- “Do you favor or oppose placing new limits on imports?” (ANES)
- “Do you think the government should try to encourage international trade or to discourage international trade?” (Mansfield and Mutz)

Sample

- We ran two studies on Amazon Mturk (August 2011 and November 2012).
- Respondents were diverse, with good variation in educational attainment.

Educated respondents were less protectionist (generically).

	Favor new limits on imports		Shoud discourage international trade	
	(1)	(2)	(3)	(4)
Education	-1.18 (0.44)		-1.16 (0.30)	
Some college		-0.46 (0.40)		-0.37 (0.28)
College degree		-0.70 (0.41)		-0.69 (0.29)
Advanced degree		-1.27 (0.48)		-1.21 (0.33)

(Estimates from logit or ordered logit models that controlled for gender, age, income, union, unemployed, party ID, isolationism, nationalism.)

Low-educ citizens wanted to protect low-educ industries.

Education of foreign workers	Education of U.S. respondent	
	No college	Some college
Low	68	59
Medium	49	40
High	38	34
Difference: Low-High	29	24
Ratio: Low/High	1.8	1.7

Table gives the % of U.S. respondents who wanted to limit imports from foreign businesses that employ low, medium, or high shares of workers with college degrees.

But highly educated respondents did, too!

Education level of foreign workers	Education of U.S. respondent	
	College degree	Advanced degree
Low	59	45
Medium	40	29
High	34	22
Difference: Low-High	25	23
Ratio: Low/High	1.7	2.1

Their desire to protect low-educated industries is the opposite of SS.

Other anomalies for SS

- Most people had uniform preferences about protection for all types of industries, regardless of factor intensity.
- Many other people had diverse preferences about protection for industries with similar factor intensities.

Overall, only 5% had SS-consistent preferences.

Condition	Cumulative %
Had different preferences for different factors	48
<i>And</i> wanted protection for own factor	25
<i>And</i> wanted free trade for other factors	23
<i>And</i> had consistent within-group preferences	5

R's were not especially protective of their own industry.

<u>Product</u>	<u>Support for limits (%)</u>
Fruits and vegetables	62
Medicines	50
Furniture	46
Cars	41
Clothing	41
Own product	40
Computers and software	35
Cell phones	33

(Table gives % who want to limit imports of that type of product.)

We asked about the difficulty of switching industries.

“Suppose you lost your job and could not get a job at another company that sells *X*. Would it be easy or hard for you to get a job at a business that does not sell *X*, but pays as well as the job you currently have?”

<u>Answer</u>	<u>Percent</u>
Very Easy	12
Somewhat Easy	34
Neither	21
Somewhat Hard	27
Very hard	6

Among people who said switching would be hard:

<u>Product</u>	<u>Support for limits (%)</u>
Fruits and vegetables	64
Furniture	50
Medicines	47
Clothing	46
Cars	46
Own product	42
Cell phones	37
Computers and software	37

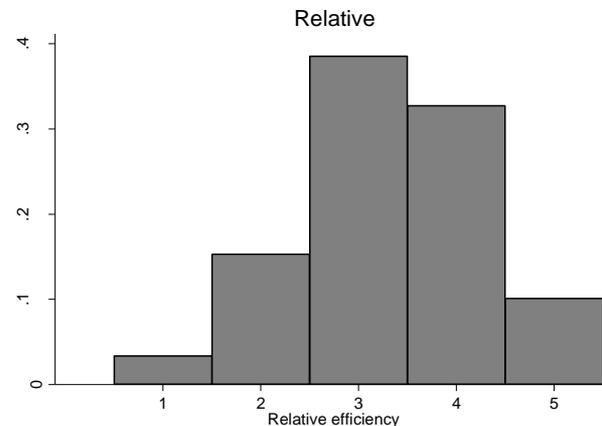
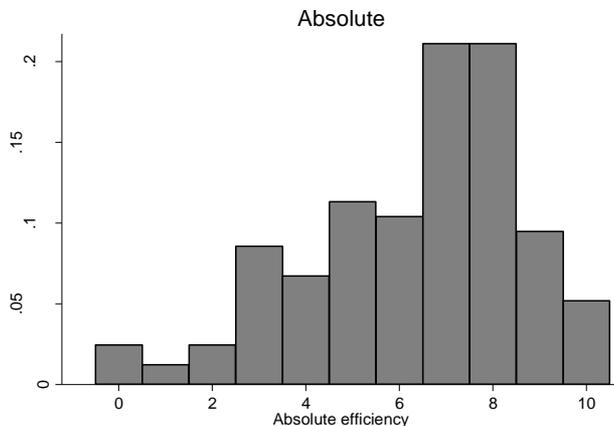
Similar pattern in follow-up study that included services.

<u>Product</u>	<u>Support for limits (%)</u>
Customer service rep.	66
Data entry	57
Typing services	56
Fruits and vegetables	54
Business consulting	53
Medicines	53
Own product	43
Computers and software	41
Clothing	40
Furniture	38
Cars	36
Cell phones	34

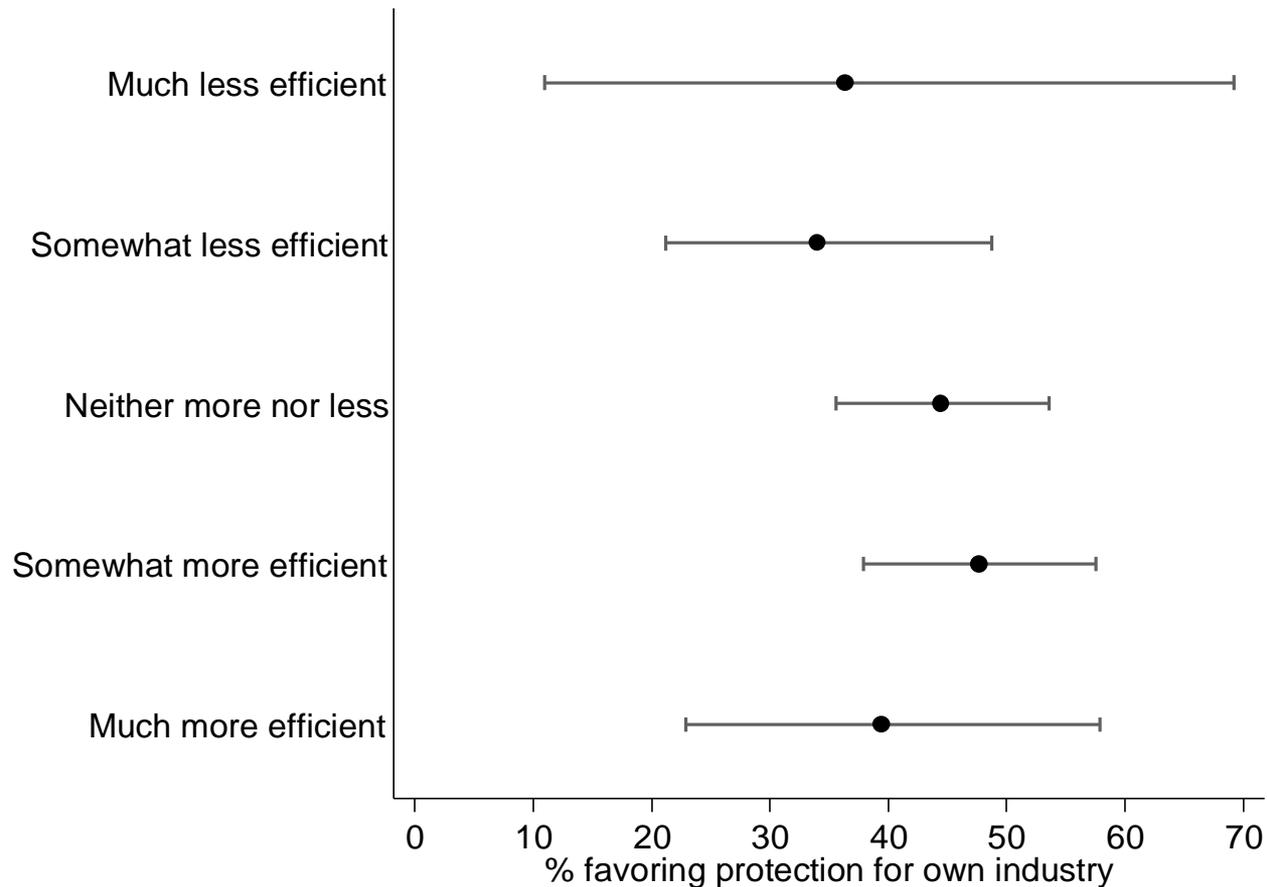
To test NNT, we measured perceptions of efficiency.

Absolute: Efficiency means making things quickly, without sacrificing quality or wasting materials. Inefficiency is the opposite. How would you rate the place where you work on a scale from 0 to 10, where 0 is extremely inefficient and 10 is extremely efficient?

Relative: Is the business where you work more or less efficient than other businesses that make similar products?



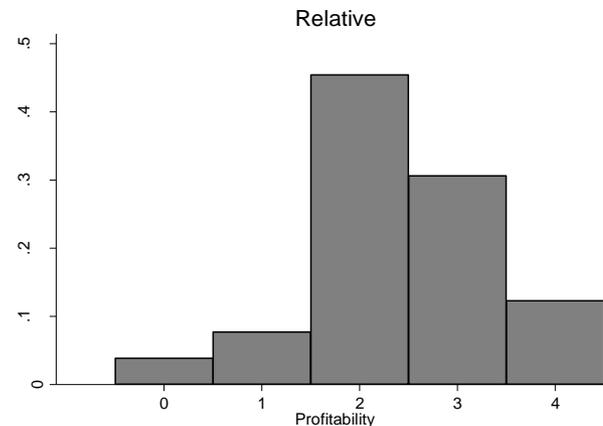
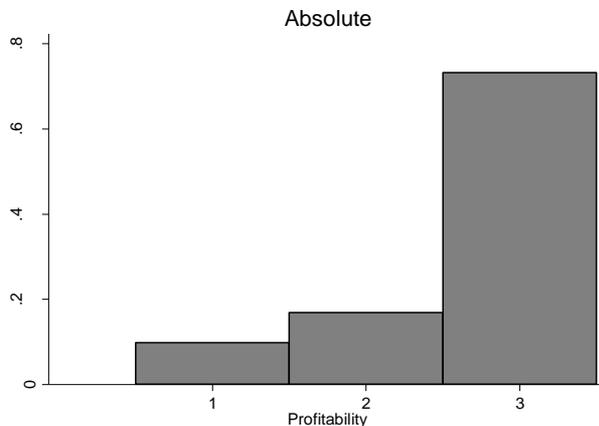
Respondents from relatively inefficient firms were not more protective of their own industry.



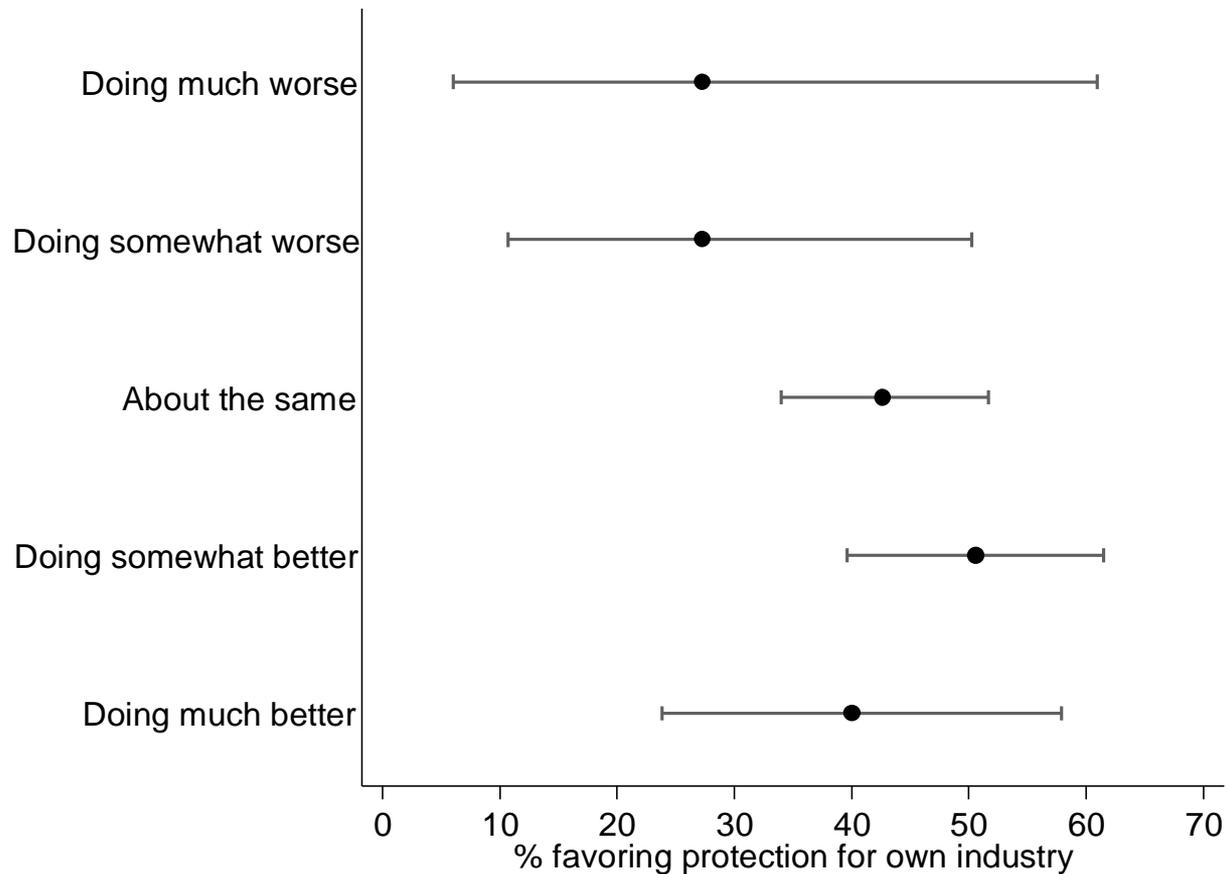
We also measured perceptions of profitability.

Absolute: Some businesses make money, some businesses lose money, and some businesses break even. Which best describes the business where you work now?

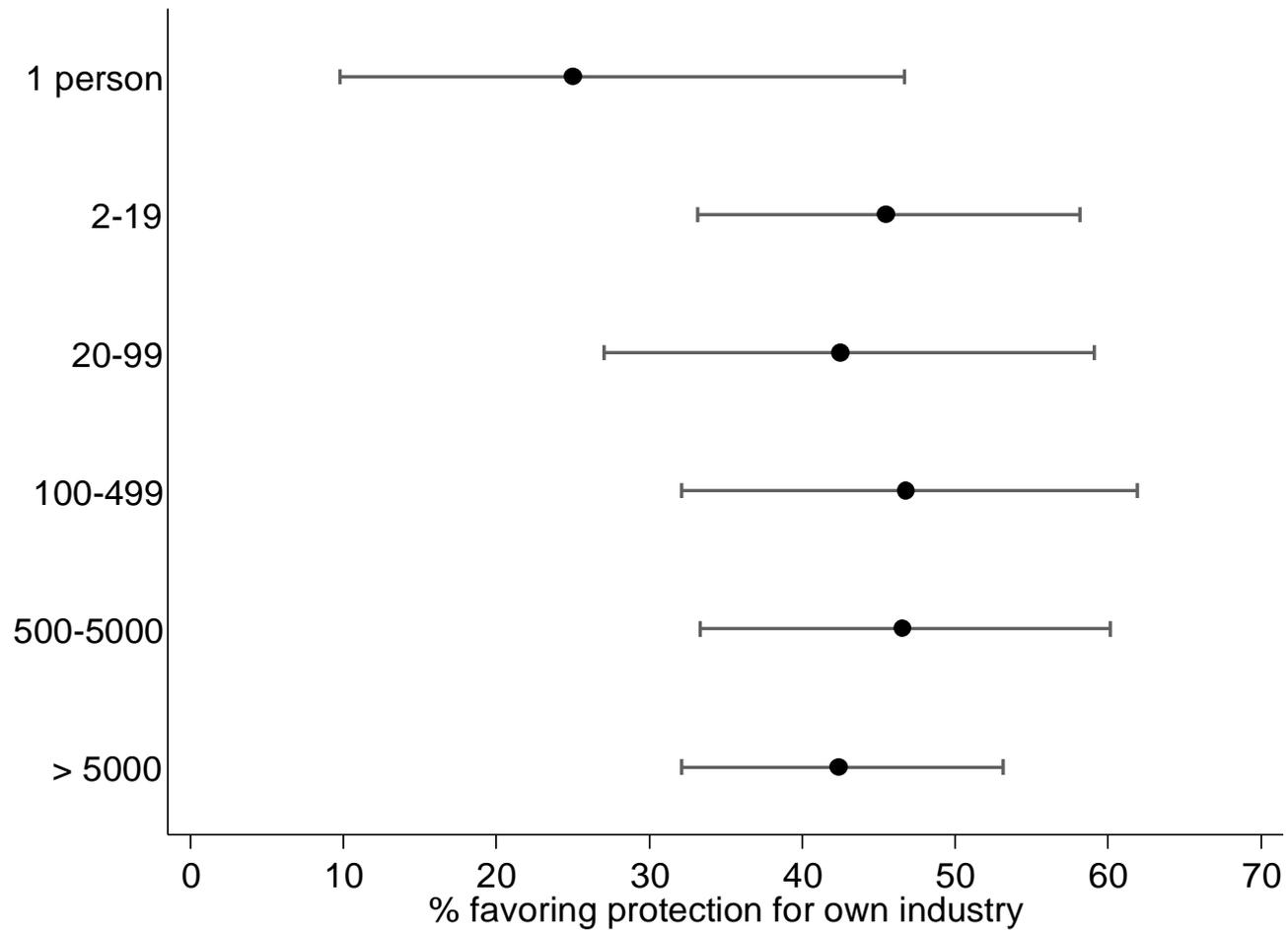
Relative: When it comes to making money, is your business doing better or worse than other businesses that make similar products? [5 response categories]



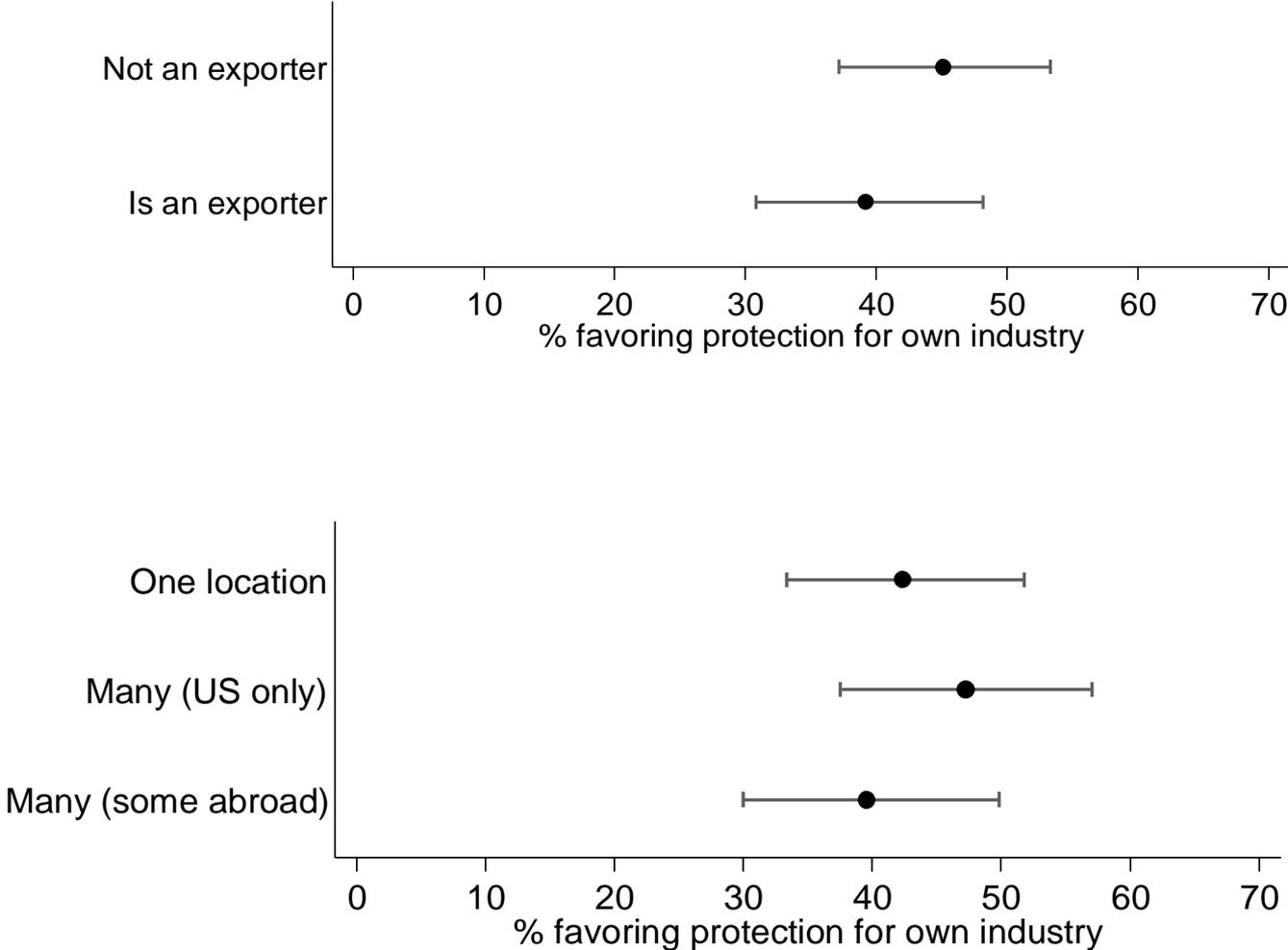
Respondents from relatively low-earning firms were not more protective of their own industry.



R's from small firms were not more protectionist.



What about working for an exporter or a multinational?



Conclusions

- We developed factor-specific and industry-specific measures of protection.
- Attitudes were not consistent with factor, industry, or productivity-based theories.

Next steps

- Why? Study preferences over consumption, fear of retaliation, non-economic factors.
- Administer the survey to probability samples in the U.S. and abroad.

We welcome your suggestions!