Where You Work Is Where You Stand:
A Firm-Based Theory of Trade Opinion

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Stanford University
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Motivation

- Employers are critical to individual economic identity and interests
- Attention to firms as investors, importers, exporters, but not as employers
- Attention to individuals as consumers, producers, but not as employees
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Prominent theories predict trade policy cleavages by skill or sector: Heckscher-Ohlin (Ohlin, 1933); Ricardo-Viner (Viner, 1931)

Increasingly complex globalization produces anomalies for current theory:
Puzzle

Prominent theories predict trade policy cleavages by skill or sector:

Increasingly complex globalization produces anomalies for current theory:

What explains variation in trade preferences among workers at the same skill level, who are employed in the same sector?
Textiles Manufacturing in the United States

This is a textile factory...

American Apparel Factory. Los Angeles, CA (LA Times)
Textiles Manufacturing in the United States

This is a textile factory...

American Apparel Factory. Los Angeles, CA (LA Times)

So is this.

Toray International Factory. Seattle, WA (Seattle Times)
Trade Preferences

- Ricardo-Viner: Irwin (1996); Irwin & Kroszner (1999); Busch & Reinhardt (2000)
- Non-economic: Hainmueller & Hiscox (2006); Mansfield & Mutz (2009); Guisinger (2009)
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Accounting for Transaction Costs

- Firms are the primary locus of economic activity
  - Theory of the firm: Coase (1937); Williamson (1975)
- Employee interests are tied closely to employer interests
  - Better fits intuition about individual preferences (e.g., LG vs. Samsung employees)
  - Non-trivial costs of changing employers (Jacobson et al., 1993)
- Distributive theories of globalization need to account for firms
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Heterogeneity in Employer Preferences

- Firms vary in productivity (Melitz, 2003)
- More productive firms should favor openness (Helpman et al., 2004)
  - Jensen et al. (2015)
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- Not much attention to effect on employees’ preferences
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Predicted Distributional Cleavages

Hecksher-Ohlin
Predicted Distributional Cleavages

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Ricardo-Viner
Predicted Distributional Cleavages

Firm-Based Theory

- Employers are central to most individuals’ economic interests.
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  - Firm competition shapes labor market competition
- Individuals’ trade opinions influenced by employer type
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Hypotheses

$H_1$: Individuals employed by internationally-competitive firms are more likely to favor trade openness than those employed by less-competitive firms.

$H_2$: Employer competitiveness moderates the effects of other economic interests (e.g., skill level, sector, occupation).

$H_3$: The effect of employer competitiveness is conditioned by employees’ position in their firms. Higher-status employees will have systematically higher support for openness.
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- EASS 2008 (China, Japan, Taiwan)
  - Large, nationally-representative surveys analogous to GSS
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Key Variables

- **PROTECTION**: Seven point scale measuring agreement with limits on foreign imports “to protect [the] national economy.”
- **FOREIGN FIRM**: Dichotomous variable indicating whether respondents are employed by a foreign-owned firm.
- **GLOBALIZED EMPLOYER**: Dichotomous variable indicating if employer imports, exports, or produces in a foreign country.
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Hypothesis 1: Base Model

Figure 1: Ordered Logit (P=6). Shown with robust, region-clustered SEs.
Hypothesis 2: Sector, Skill Interactions

Figure 2: Ordered Logit (P=6). Shown with robust, region-clustered SEs.
Hypothesis 2: Offshorability at mean Task Routineness

Exposure to Offshoring at Mean Task Routineness

Figure 3: Ordered Logit (P=6). Shown with robust, region-clustered SEs.

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Where You Work Is Where You Stand:
Hypothesis 2: Task Routineness at mean Offshorability

Figure 4: Ordered Logit (P=6). Shown with robust, region-clustered SEs.
Hypothesis 3: Conditional Effects of Relative Status

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Job Security
- Job Secure
- Job Not Secure

Temporary Work Status
- Permanent Employees
- Temporary Employees

Job Role
- Non-Executives
- Executives

Job Satisfaction
- Not Satisfied
- Satisfied

Location
- Branch Offices
- Headquarters

Ownership
- Non-Family
- Family Workers

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Where You Work Is Where You Stand:
Contributions

- Introduces firm-based theory of trade opinion
- Extends logic of heterogeneous firms to individual level
- Generates and tests novel predictions about distributional cleavages due to complex globalization
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Future Research

- Extension to other policy preferences
- Investigate effect of internal firm organization on employee preferences
- Campaign finance and/or lobbying behavior by individual firms
- Cross-national variation
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**JGSS 2008 Descriptive Statistics**

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<td>College Graduate</td>
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Figure 6: Number Employed by Globalized Firms (L); Labor Productivity (R).