Abstract: Does material self-interest drive individual attitudes about economic globalization? To address this question, we examine individual preferences for capital controls—a policy that is widely regarded as too complex and inconsequential for average citizens to understand. This paper challenges this assumption, and argues that self-interest can have important effects on preferences for international financial regulation. We argue that one major type of capital control measure—restrictions on residents’ ability to purchase foreign currency, known as “capital outflow controls”—have substantial consequences for many ordinary citizens in emerging markets. As a result, individuals that benefit from capital controls are more likely to support these regulations than individuals that are harmed. Since no previous surveys have examined public opinion towards capital controls, we fielded two waves of original survey questions to nationally representative samples of voters in Argentina. We find that objective measures of individuals’ economic interests – namely, their employment status and level of participation in the financial system – are strongly associated with individual opinions on capital outflow controls. Several additional pieces of evidence demonstrate that capital controls are a salient issue for many citizens. Put together, these results indicate that interests can strongly influence individuals’ attitudes towards international financial policy because the stakes of this policy can be substantial for ordinary citizens.
I. Introduction

For several decades prior to the outbreak of the Global Financial Crisis, increasing numbers of governments around the world reduced restrictions on cross-border flows of money and financial assets, known as “capital controls.” Since 2008, the tide has shifted, and many major countries have re-imposed capital controls. Countries such as Brazil, Indonesia, Russia, and South Korea have adopted controls on capital inflows to prevent their economies from overheating and their currencies from rising in value. Other countries—developed ones like Greece and Iceland, and emerging markets such as China, India, Nigeria, and Venezuela—have tightened restrictions on the outflow of funds in response to capital flight. These policy choices have large stakes for these countries and their populations. While capital controls can enhance macroeconomic and financial stability (Ostry et al. 2012), they also limit residents’ investment options and make it more expensive for households and businesses to borrow money (Forbes 2007).

This paper examines the mass domestic politics of capital controls. Our main objective is to understand how average citizens form opinions about capital controls, and whether they even have meaningful opinions about this issue at all. Do members of the mass public pay any attention to regulations on cross-border capital flows? If so, do individuals favor international financial policies that advance their personal economic interests? It is striking how little we know about individual attitudes towards this important policy instrument.¹

¹ We are not aware of any prior studies of public opinion towards capital controls. Some studies have investigated the determinants of public attitudes towards foreign direct investment (FDI) (Pandya 2010). However, since foreign direct investment has substantially different effects from international financial flows (e.g. Blanchard et al. 2015), individual preferences for these distinct types of international investment are
Previous research provides two opposing perspectives on whether individual self-interests influence preferences towards international economic policies. The dominant “open-economy politics” approach assumes that citizens know whether they win or lose from the reduction of barriers to international economic exchange (see Lake 2009). Consistent with this view, some prior studies find that self-interest influences individual attitudes towards certain aspects of foreign economic policy, such as international trade (Baker 2005; Scheve and Slaughter 2001), immigration (Mayda 2006), foreign direct investment (Pandya 2010), and foreign debt repayment (Curtis et al. 2014).

On the other hand, a number of recent studies find that individual self-interest is a poor predictor of attitudes towards international economic policy (Bechtel et al. 2014; Hainmueller and Hiscox 2007; Mansfield and Mutz 2009; Rho and Tomz 2016; Walter et al. 2016). “The lack of self-interested policy preferences occurs,” according to these scholars, “because citizens have a difficult time linking their personal economic situations to public policies” (Mansfield and Mutz 2009, 431-432; Bearce and Tuxhorn 2016; Rho and Tomz 2016). Similarly, the existing literature on the political economy of capital controls suggests that average citizens are incapable of identifying their interests in this issue-area. According to conventional wisdom, the effects of capital account openness are “vague and uncertain” (Brooks and Kurtz 2012, 102), this policy has “low domestic political visibility” (Helleiner 1994, 203), and “citizens are unlikely to fully grasp the technical complexity the policy issue” (Pinheiro et al 2015, 160).²

This paper argues that capital controls can be much more salient for average citizens than has been previously appreciated. Capital controls have large and visible stakes for many members of the mass public. Consequently, personal self-interest, as determined by attributes such as individuals’ labor market status and their level of participation in the financial system, can strongly shape preferences towards capital controls.

We do not argue that self-interest always influences attitudes towards capital controls. Self-interest should be irrelevant in advanced economies, where vulnerability to capital market crises is limited. Citizens are also unlikely to understand their personal interests towards capital inflow controls, which apply to non-residents and only affect residents indirectly. However, self-interest is likely to influence preferences towards capital outflow controls—restrictions on residents’ ability to purchase foreign currency—in developing countries, where it is common for citizens to save and borrow in foreign currency. Our main point is that there is an important subset of capital account restrictions that are politically salient for average citizens in many countries in the world.

In this paper, we bring new evidence to bear on the question of the determinants of individual attitudes about capital controls. Our primary evidence comes from two original, nationally representative, surveys of Argentine citizens. Argentina provides a unique empirical opportunity for learning about the mass political economy of capital controls because the country recently experienced a high-profile debate over the use of these measures, which ended with their removal in December 2015. This enabled us to ask citizens about their opinions towards a real-world policy dilemma, and thus receive
meaningful answers—unlike if we focused on a country where capital account liberalization was not on the policy agenda.

Our survey data show that economic interests can have important effects on mass public opinion towards capital outflow controls. Two main findings support this argument. First, individuals with more involvement in the financial system—a group that is particularly harmed by foreign exchange restrictions—are more likely to oppose restrictions on capital outflows. Second, unemployed individuals, who have much to gain from the insulation provided by capital controls, are more supportive of outflow controls.

We also present four types of evidence showing that capital outflow controls were a salient issue for many citizens—a precondition for the emergence of self-interested preferences. First, the results of a list experiment show that a considerable share of the population in Argentina (9.5%) evaded the capital controls by purchasing foreign currency on the black market. Second, individuals displayed high levels of knowledge about when the government introduced and removed capital controls. Third, capital account liberalization was one of the most common responses to an open-ended question about the best thing that Argentina’s new President has done. Fourth, preferences towards capital outflow controls had a sizable effect on how individuals voted in the country’s Presidential election: individuals that opposed outflow controls were significantly less likely to vote for the incumbent party, which promised to retain those controls. While further research is required to assess whether self-interest influences individual attitudes towards capital controls in other countries, this paper shows that this can become a salient issue, and one in which self-interests are important.
II. Self-Interest and Individual Attitudes Towards Capital Controls

Scope of the Argument

Self-interest is only likely to influence policy preferences when policies have large and tangible effects on individuals’ wellbeing (Citrin and Green 1990; Chong et al. 2001; Sears and Funk 1990). Most previous work doubts that self-interest matters for capital controls for precisely these reasons: it is assumed that the personal stakes of capital controls are small, and the causal chain that connects this policy to individual interests is highly complex. Though these assumptions may be accurate in some contexts, it does not apply everywhere or for all types of capital control measures.

The salience of capital controls varies across countries. It is unusual for capital controls to garner serious attention from either the public or policymakers in the most mature financial systems, such as Canada, Germany, and the United States, where confidence in the local currency is usually high and few individuals save or borrow in foreign currencies. However, capital controls have important stakes for average citizens in countries where foreign currency is commonly used in financial transactions. In these “dollarized” financial systems, imperfections and distortions in local financial markets encourage residents to use foreign currency for many financial transactions (Levy-Yeyati 2006). As a result, members of the mass public have strong reasons to oppose restrictions on foreign currency use and other types of international financial transactions.

Economic conditions also affect whether capital controls are salient for the mass public. Relative to more tranquil periods, the stakes are magnified during periods of large-scale “surges” of capital inflows and during periods when capital rapidly exits an
economy, known as “sudden stops.” The benefits of financial openness should be particularly clear during foreign lending booms, when citizens have access to cheap foreign capital, and at times of capital flight, when the personal gains from exiting the local financial market are sharpest. These same conditions, however, also intensify the benefits of capital controls: the need to insulate economies from the global capital flow cycle is particularly acute during intense booms and busts. Surges and sudden stops of international capital are also likely to intensify debate among elites over whether to introduce or remove capital controls. Greater attention to these issues may, in turn, improve average citizens’ understanding about the advantages and disadvantages of capital controls, and help some voters understand their personal interests.

Finally, the type of capital control measure matters. It is important to differentiate between controls applied to capital inflows and controls applied to capital outflows. Capital outflow controls refer to restrictions on the ability of residents to exit the local financial system. Capital inflow controls restrict non-residents’ ability to enter the national financial system. The public is typically much more aware of and concerned about the former type of regulation than the latter. It is not difficult for individuals to understand the effects of restrictions on capital outflows because these regulations

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3 These are common events. One study counts 152 surges and 74 sudden stop episodes in a sample of 42 emerging markets between 1976 and 2003 (Agosin and Huaita 2012).

4 In Quinn and Toyoda’s (2008, 1409) words, “restrictions on residents and nonresidents…correspond to restrictions on capital outflows and inflows, respectively.” See also Korinek and Sandri (2014, 2). This is true for most types of capital flows, including those that are of greatest importance for the mass public, such as bank credit and personal transactions. However, there is no necessary relationship between residency and the direction of flows for certain asset categories, such as bonds and equities. Governments can restrict residents from issuing equities/bonds abroad (a resident inflow restriction) and non-residents’ issuance of stocks/bonds locally (a nonresident outflow restriction). For further discussion, see Schindler (2009, 228).
directly limit what residents are permitted to do with their savings. The effects of capital inflow controls are more opaque because these measures apply to the actions of non-resident investors. While potentially important, the effects of capital inflow controls are complex and hard for citizens to recognize.\(^5\)

To recap, our argument is that the conventional wisdom about the mass political economy of capital controls is incomplete. Consistent with the prevailing view, capital controls receive little attention from the mass public in the most mature and stable financial systems, during periods of economic tranquility, or for controls applied to non-resident transactions. However, there are some contexts where capital controls become much more salient for average citizens than has been previously appreciated. For the many countries whose financial systems remain “dollarized,” controls on resident capital outflows frequently become politically salient at times of financial boom and bust.

\textit{The Salience of Capital Outflow Controls}

Capital outflow controls often have large and visible impacts on members of the mass public. One direct personal cost of capital outflow controls is that it becomes more difficult for savers to move their funds out of the local economy or out of the local currency. This can be very costly for individuals with savings tied up in the national financial system, especially when inflation rates are high, domestic interest rates are low, or local financial institutions are perceived as being unsafe. In addition to being large in

\(^5\) Capital controls also differ along other dimensions that may influence their salience. For instance, controls that apply to financial assets that many citizens use, such as hard currency and bank loans, may have greater interest to the public than regulations that apply to equities, bonds, and other asset categories that fewer citizens use.
magnitude, these effects are easy for individuals to understand because they directly eliminate individuals’ ability to earn higher rates of return on their life savings.

China provides a vivid illustration. Chinese capital controls enable the government to set ceilings on the interest rates that banks pay to their depositors. “Because of stringent capital controls…Chinese workers can only deposit their hard-earned savings in state commercial banks that pay only negative real interest rates” (Vermeiren and Dierckx 2012, 1655-56). Lardy (2008) estimates that these measures reduced the income of Chinese depositors by $36 billion in the first quarter of 2008, equivalent to 4.1% of Chinese GDP.

In fact, when regulations permit them to do so, citizens in developing countries commonly save in foreign currency rather than domestic currency. According to data from Levy-Yeyati (2006), in the average developing country more than one quarter of bank deposits are denominated in foreign currency. For instance, in Cambodia, despite the government’s ongoing efforts to promote the wider use of the national currency, Cambodians still use dollars for most transactions—including as gifts to their deceased ancestors, who presumably prefer dollars themselves (Wallace 2016).

The insatiable desire to hold foreign currency sometimes leads citizens to attempt to evade restrictions on their use, despite the great costs involved. Venezuelans that were unable to access dollars at the official exchange rate of 200 bolivars paid over 1000 bolivars per dollar in the black market in 2016 (Boyd 2016). When Icelanders were prohibited from purchasing euros unless they had proof of travel to the European Union, some residents bought cheap airline tickets that they had no intention of using just to be able to purchase their quota worth of foreign currency (Sigurgeirsdóttir and Wade 2015,
In countries where citizens lack confidence in the national financial system, individuals have gone to great lengths to purchase foreign currency.

Due to these large and visible costs, the imposition of capital outflow controls has generated strong popular reactions in some countries. When Argentina imposed draconian outflow controls in the midst of its December 2001 financial crisis, the public’s reaction was intensely negative. As Paul Blustein (2005, xx) recounts: “People reacted with outrage to their inability to obtain cash from automatic teller machines. National television showed a woman screaming at Presidential spokesman Juan Pablo Bay lac: ‘How can I get my money? It’s my savings. I’m furious.’” The Cypriot government’s decision to impose capital controls in May 2013 left Cyprus’ residents “confused and worried” and contributed to a “public wave of anger” (Tagaris and Kambas 2013; Pasick 2013). In Nigeria, the imposition of capital outflow controls, intended to support the value of the country’s currency, left “a lot of Nigerians complaining” (Fick and Pilling 2016). Fears of a negative public reaction help explain why the Greek government delayed implementing capital controls as long as possible. In the words of one former Greek central banker, “I thought people would shoot each other if we had to impose capital controls.”

At the same time, capital outflow controls have strong positive effects on some members of the mass public. Most significantly, controls on capital outflows help reduce capital flight and enhance monetary policy independence, which promotes growth and employment. Although these macroeconomic effects are less direct and noticeable than the above-mentioned effects on savers, individuals whose employment status is sensitive

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to overall labor-market conditions are likely to take these macroeconomic effects into consideration. Moreover, average citizens may become aware of these macroeconomic effects because proponents of capital controls often argue that these regulations enhance macroeconomic stability and protect jobs (see, e.g., Gallagher 2015, 103-118; Sigurgeirsdóttir and Wade 2015, 117-124). For instance, advocates of capital outflow controls in Argentina argued that removing the controls “would destroy the salary of all the population” (La Nación, 15 October 2015).

The macroeconomic effects of capital controls have even helped rally public support for the governing regime in some countries. Malaysia’s imposition of capital controls during the 1997-98 financial crisis enhanced the government’s popularity with some key constituents and this helped Prime Minister Mahathir retain power throughout the crisis. In Pepinsky’s (2009, 192) words: “Capital controls enabled expansionary policies, fulfilling the demands of fixed capital and the Malay masses…Having received their preferred adjustment policies, the regime’s coalition of supporters had no incentive to withdraw support. So Malaysia’s regime survived the crisis.” Similarly, in Iceland, the population “accept[ed] that without capital controls the whole economy could become unstable” (Sigurgeirsdóttir and Wade 2015, 122). As a result, during Iceland’s 2013 elections, the Progressive Party’s promise to retain capital outflow controls, and use the insulation provided by controls to write down citizens’ mortgage debts, “helped propel it from minor party to major party and secure the position of prime minister” (Sigurgeirsdóttir and Wade 2015, 124). In sum, average citizens in a number of countries have mobilized around the issue of capital outflow controls because this policy has important and visible effects on members of the mass public.
Self-Interest and Individual Preferences for Capital Controls

The discussion thus far has explained why mass public opinion towards controls on capital outflows is likely to be influenced by personal interests. The final step in the argument is to explain who is helped and hurt by capital controls. We argue that capital outflow controls are particularly beneficial for individuals facing labor market insecurity but highly costly for individuals that participate in the financial system. Thus, economically insecure individuals should support capital outflow controls whereas “financialized” individuals should oppose them.

The costs of capital controls are primarily microeconomic in nature (e.g. Forbes 2007; Kose et al. 2008). Controls on capital outflows make it more costly for residents to transfer their savings or other liquid assets abroad. Frequently, such controls also make it more difficult to conduct other types of international payments, from using debit cards when traveling abroad to wiring money to family members that live in a foreign country. Hence, the degree to which individuals are involved in the financial system should influence their level of support for capital controls. In developing countries, a key cleavage over international financial policies will be between the “unbanked”—individuals that do not use any formal financial services—and those that are included in the financial system (Demirguc-Kunt et al. 2015).

Individuals that participate in the financial system should be more opposed to capital outflow controls. Those with savings or other liquid financial assets benefit from being able to transfer at least some of these assets outside of the country or into a foreign currency. One motive for doing so is to construct a more diversified investment portfolio.
A related motive, which is particularly salient in emerging and developing countries, is to keep some funds in a safer, sounder, advanced-economy financial system in order to limit one’s exposure to the various risks that arise when keeping one’s entire savings in an underdeveloped financial system. Since capital controls make it more difficult or costlier for individuals to transfer their assets abroad, financially invested individuals should be more likely to support unrestricted access to international financial markets (Frieden 1991: 439; Tomz 2002: 704; Freeman and Quinn 2012; Haggard and Maxfield 1996: 38). More broadly, regulations and fees on the use of cross-border financial services are costly to individuals that participate in the financial system. By contrast, individuals that lack liquid financial assets and do not participate in the financial system have less to gain from an open capital account.

Other groups of individuals benefit from controls on capital outflows. Enhanced macroeconomic stability is the most widely touted benefit of capital controls (e.g. Korinek 2011; Ostry et al. 2012). Controls are a useful macroeconomic tool for two distinct reasons. First, the open-economy trilemma states that capital controls increase monetary policy independence (for a given level of exchange rate stability). This means that capital controls make it easier for governments to use monetary policy to achieve domestic economic targets, such as increasing the level of employment or stabilizing the rate of inflation. Second, capital controls affect macroeconomic conditions by reducing the volume of capital that flows into or out of a country. Controls on capital outflows
stem the outward flow of capital and keep investment within the economy, which can help stabilize an economy and protect jobs.⁸

Capital outflow controls are particularly beneficial for individuals that lack job security, such as the unemployed, under-employed, and those likely to lose their jobs in a prolonged recession (Gallagher 2015; Pepinsky 2009). These individuals are likely to favor policies that improve their prospects of finding and retaining a job. Controls on capital outflows raise the exit costs for capital-holders, contributing to increases in domestic investment and in the demand for labor. Capital controls also give policymakers more room to cut interest rates to stimulate investment and employment. In light of these effects, we expect individuals with high degrees of labor-market insecurity, such as those without jobs, to be most supportive of capital outflow controls.

Summary and Testable Hypotheses

Our main argument is that material interests shape individual preferences over capital outflow controls. From this broad argument, we derived two hypotheses that we test below. First, individuals that participate in the financial system are more likely to oppose controls on capital outflows. Our second hypothesis is that individuals that lack job security are more likely to support controls on capital outflows.

We also argued that self-interest matters because capital outflow controls have high stakes for many citizens. Since this claim cuts against the received wisdom about the political economy of capital controls, we also more directly evaluate whether capital

⁸ Although some question whether capital controls are effective (e.g. Edwards 1999), much recent evidence finds that capital controls enhance monetary independence (Aizenman et al. 2013; Obstfeld et al. 2005; Klein and Shambaugh 2015) and influence the volume of capital flows (Ahmed and Zlate 2014; Forbes et al. 2016; Ghosh et al. 2014).
outflow controls are salient for the mass public. Our argument implies that many individuals are visibly affected by capital outflow controls; people are aware of changes in regulations on capital outflows; they consider this to be an important policy issue; and individuals are more likely to vote for political candidates that promise to implement capital control policies that are consistent with their own preferences.

III. The Empirical Setting: Capital Controls in Argentina

Argentina is a particularly useful setting for investigating the drivers of individual preferences about capital and exchange controls. One simple reason to focus on Argentina is that it is precisely the type of country where our theory expects capital controls to become salient: Argentina is a middle-income country whose economy is heavily dependent on global capital flows and highly volatile as a result.\(^9\) Inflation is one indicator of macroeconomic instability that has been particularly high in Argentina. Over the 1960-2015 period, Argentina had one of the highest average inflation rates in the world (183%). However, since hyperinflation ended in 1992, Argentina’s average inflation rate (7.7\%) has been close to the median developing country (7.2\%).\(^{10}\) Argentina also differs little from the typical developing country on several other key indicators of macroeconomic and financial volatility, such as the standard deviation of economic growth and the degree of “deposit dollarization.”\(^{11}\) By the standards of

\(^9\) For an overview of economic volatility in developing countries, see Wibbels (2006).
\(^{10}\) Data are from the World Bank’s World Development Indicators database.
\(^{11}\) Using data from the World Development Indicators for 1960-2015, the standard deviation of growth in Argentina ranks at the 62\(^{nd}\) percentile among developing countries. On average, between 1970 and 2009, 31\% of deposits in Argentina were in foreign currency compared to 25\% for the median developing country. Calculations are based on an updated version of Levy-Yeyati’s (2006) dataset.
developing countries, Argentina’s level of economic instability is high, but not unusually so.

Another useful feature of the Argentine case is the existence of controls on both capital inflows and outflows. Until recently, Argentina applied capital controls to a larger number of asset categories than almost any other country in the world. Only 6 of the 100 countries in Fernández et al.’s (2015) dataset used a wider array of capital controls than Argentina in 2013. The presence of different types of capital control enables us to test our argument that self-interest shapes attitudes toward outflow controls but not for inflow controls. Though Argentina maintained an array of controls on cross-border finance, our analyses below focus on Argentina’s two most important capital control measures: inflow controls on bank deposits and outflow controls applied to foreign exchange transactions.

The most significant inflow control measure was introduced in June 2005, by then-President Nestor Kirchner, with the aim of stemming the tide of rising capital inflows. These rules required deposits in the Argentine banking system from abroad to remain in the country for a minimum of 365 days, and 30% of the value of each deposit had to be held in a non-interest-bearing account (*Financial Times*, 10 June 2005).

In more recent years, due to rising inflation and other economic problems, Argentine citizens and foreign investors started pulling their money from the country’s banks and selling off peso-denominated assets. In response, Argentina intensified controls on capital outflows. The most important measures, known in Argentina as “*cepo cambiario*” (meaning “dollar trap” or “dollar clamp”), were introduced in October 2011 by the administration of President Cristina Fernández de Kirchner. The main feature of the controls was a registry system to record and approve every transaction involving the
exchange of pesos for foreign currencies. Purchases as small as $100 were subject to official approval, and the use of credit and debit cards abroad were taxed. These controls were progressively tightened between 2011 and 2014: limits on dollar purchases went down and surcharges for the use of credit cards abroad increased.¹⁴

The capital controls regime became a central political issue in the 2015 presidential election. Capital controls were “one of the issues where the differences are greatest” between the candidates (La Nación, 8 November 2015). Daniel Scioli, the candidate for the Front for Victory (Frente para la Victoria), the Kirchnerista faction of the Peronist Party, repeatedly stressed the need to retain capital controls (see, e.g., La Nación, 15 October 2015). By contrast, the candidate for the center-right Let’s Change (Cambiemos) party, Mauricio Macri, vowed to dismantle outflow restrictions on his first day in office (Clarín, 17 April 2015). Responses to survey questions about capital controls are likely to be meaningful in this context because they address a real policy dilemma that was being debated at the time.

Macri won the election after receiving 51% of the vote in the runoff election. On December 17, eight days after his inauguration, Macri eliminated the major capital outflow controls that were introduced in 2011. At the same time, Macri removed the 30% unremunerated reserve requirement on foreign bank deposit inflows that was instituted in 2005 (Cronista Comercial, 16 Dec. 2015).

¹⁴ Raszewski (2013) provides an overview of these measures.
IV. The Data: Public Opinion Towards Capital Controls in Argentina

In order to examine the sources of public opinion towards capital controls, we fielded several questions on this topic in two separate nationwide surveys. First, several questions were included in the first wave of the Argentine Panel Election Study (APES), a nationally representative face-to-face survey of 1,149 Argentine adults that was fielded between June 24, 2015 and August 6, 2015 (Lupu et al. 2015). The second survey was conducted by Isonomia Consultores, an Argentine polling company, during the week of June 21-26, 2016. This survey was a representative national sample of 4,300 Argentine adults using a combination of face-to-face interviews and telephone surveys based on random-digit dialing.

The two surveys were fielded in fairly distinct contexts. Argentina retained strict controls on both capital inflows and capital outflows at the time of the first survey, but those controls were no longer in place when the second survey was fielded. Citizens had also received much more information about capital controls by the time of the second survey. Figure 1 shows that the media coverage of capital controls in Argentina—measured as the number of newspaper articles that refer to “cepo cambiario” relative to the number of articles that refer to “economy”—was limited in July 2015 (5 months prior to the policy change). Argentines had much more information about capital controls by the time of the June 2016 survey (6 months after the policy change): not only was the cumulative amount of media information much greater, but individuals also experienced the effects of the policy reform by that time.

FIGURE 1 GOES HERE
Figure 1 also shows that the amount of attention that Argentina’s media paid to capital controls was roughly comparable to the attention given to this issue in several other countries that recently altered their capital control policies. When South Korea tightened capital controls in October 2009, public attention remained minimal. However, when Brazil intensified capital controls in October 2010, media attention to capital controls came close to Argentine levels. Following the imposition of capital controls in Greece in late June 2015, newspaper references to capital controls shot up well above the quantity observed in Argentina.

In both surveys, we asked respondents about their opinions towards the most prominent capital outflow control measure and the most important type of capital inflow control. The question about capital outflow controls from the first survey asks individuals whether they agree with the requirement that “citizens need to obtain permission from the national government and pay taxes to purchase dollars.” The question about inflow controls asks whether respondents agree with the following policy: “foreign investors face taxes and regulations to enter the Argentine financial system.” In both questions, the five possible response categories were (1) strongly agree, (2) somewhat agree, (3) neither agree nor disagree, (4) somewhat disagree, and (5) strongly disagree. Higher values on these variables indicate greater opposition to capital controls and stronger support for financial openness.

For each country, we focused on the most prominent newspaper that covers economic issues: La Nación, Folha de São Paulo, Kathimerini, and Chosun for Argentina, Brazil, Greece, and Korea, respectively. We selected the single most commonly used phrase for capital controls in each country (in the local language): “cepo cambiario” for Argentina; “IOF” (the widely used acronym for Imposto sobre Operações Financieras, the name of the capital controls legislation) for Brazil; “capital controls” for Greece, and “capital regulations” for Korea. We selected these countries because it was feasible to search these countries’ newspaper websites in their native language.
The second survey inquired about Argentines’ opinions regarding the elimination of these two capital control measures. The wording for the outflow control question is as follows: “the government recently lifted restrictions on the ability of citizens to purchase dollars, a policy often known as ‘cepo cambiario.’ What is your opinion about the decision to end the cepo cambiario?” We asked respondents the following question regarding the liberalization of capital inflow controls: “The government recently eased restrictions for foreign investors to enter the Argentine financial market. What is your opinion about the decision to remove these restrictions?” We used the same five-point ordinal scale as before, but reversed the scale so that higher values again indicate stronger opposition to capital controls.

FIGURE 2 GOES HERE

Figure 2 presents histograms of these variables. In both surveys, Argentines were more supportive of capital inflow controls than capital outflow controls. In the first survey, over three-quarters of respondents (76%) strongly or somewhat agreed with inflow controls compared to just 42% who strongly or somewhat agreed with the outflow controls. In the second survey, 30% agreed with inflow controls compared to 20% that agreed with outflow controls.

To summarize, individuals are much more supportive of capital inflow controls than of capital outflow controls. It is sensible that average citizens are more opposed to controls on capital outflows, which directly constrain citizens’ investment opportunities, than they are with controls on capital inflows, which apply to foreign financial institutions and only affect residents indirectly. The gap in public opinion towards capital
inflow and outflow controls provides some preliminary evidence that members of the public recognize the differences between these distinct types of financial regulation.

V. The Relationship Between Material Interests and Support for Capital Controls

Explanatory Variables and Statistical Model

This section examines whether material interests influence individuals’ opinions towards capital controls. We suggested that two factors are likely to determine whether capital controls, particularly controls on capital outflows, are perceived to be beneficial or harmful to individuals: their level of financial participation and their job security.

Financial participation is measured using information from two separate questions. Both surveys asked respondents whether they own a bank account and whether they have a credit card. Each captures a different aspect of “financialization” or “financial inclusion” (Demirguc-Kunt et al. 2015). The capital control measures in place in Argentina are likely to be particularly costly for individuals with bank accounts and credit cards. Bank accounts imply that an individual has some savings, which could potentially be transferred into a foreign currency. Argentina’s regulations made it costly to use credit cards abroad, and these costs will be more relevant for credit card holders than others. We sum up these two binary indicators to create a single measure of financial participation, which ranges from zero to two.18 This variable summarizes the degree to which individuals have a financial interest in openness towards capital outflows.

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18 The appendix shows that results are similar when we include additional types of financial activity in our measure, such as whether an individual had an outstanding loan and/or owns stocks or bonds. We do not include data on equity/bond ownership in our main estimates because only 0.5% of respondents reported owning stocks or bonds in the APES dataset; this question was not included in the second survey. Our main models do
An individual’s employment status is used to capture their vulnerability to labor market fluctuations. We use unemployment as our main proxy for labor market insecurity because individuals that lack employment have the most to gain from policies that promote economic growth and employment. Individuals without a job are coded as 1; all other employment categories, including students, retirees, homemakers, and people with jobs, are coded as 0.\textsuperscript{19} We expect joblessness to be associated with stronger support for capital outflow controls.\textsuperscript{20}

We also include several control variables in our analyses, focusing on potential confounders that may be correlated with our indicators of personal economic interest as well as public opinion on international financial restrictions. The first control variable is an individual’s position in the income distribution in Argentina, which is measured using a ten-point scale of self-reported class position. Second, we measure respondents’ ideological beliefs, using a variable in which respondents placed themselves on a scale ranging from zero for “left” ideology to ten for “right” ideology. Third, we measure individuals’ education levels, using an ordinal scale where higher values indicate higher levels of education.\textsuperscript{22} Fourth, we control for gender identity because previous studies have found women to be more protectionist than men (Mansfield et al. 2015). Finally, we

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\textsuperscript{19} The employment categories varied slightly across the two surveys. For example, the first survey included “unpaid worker” while the second included “rentier.”

\textsuperscript{20} The first survey contains an alternative measure of an individual’s concern with job security: whether they report that unemployment is Argentina’s most important problem. Using this perceptual measure in place of actual employment status produces similar results, and the two variables are strongly correlated, with 22% of unemployed respondents viewing unemployment as the most important problem compared to 6% of other respondents.

\textsuperscript{22} The first survey includes ten categories, the second survey nine categories.
include a respondent’s party identification: whether they identify with the Peronist Party; Front for Victory; or one of the two main parties in the Let’s Change coalition, the Republican Proposal (PRO) or Radical Party. Individuals that identify with other, smaller, parties or do not identify with any political party are the baseline group. All models include province-level fixed effects to control for omitted region-specific factors that may influence public opinion.23

The Determinants of Support for Capital Outflow Controls

Table 1 presents the main results regarding the covariates of (dis-)agreement with capital outflow controls. Each column examines a different dependent variable. We estimate ordered logit models because our dependent variables are ordinal scales.

Both measures of economic interest are correctly signed and statistically significant in the first model, which examines attitudes towards capital outflow controls using the APES dataset. Involvement in the financial system is positively related to the dependent variable, meaning that financial participation is associated with greater opposition to capital outflow controls and greater support for liberalization. Unemployment is associated with stronger agreement with restrictions on converting pesos into dollars. Party identification is the only other variable that is statistically significant in model 1, with supporters of the incumbent FPV faction being more supportive of capital controls and supporters of the main opposition parties (PRO and Radicals) more opposed to capital outflow controls.

23 A test of joint significance for the province dummies suggests that they should be included in the model. Using standard errors that are clustered by province, rather than the provincial fixed effects, produces similar results.
Figure 3 shows that our main variables of interest have substantively meaningful effects. The left panel displays the estimated effects from model 1. It shows that a one-unit increase in financial participation increases the probability of strongly supporting openness for capital outflows by 3 percentage points for the average observation in the sample. Unemployed people are 12 percentage points less likely to strongly support financial openness than others.

The second column in Table 1 examines the determinants of support for capital outflow controls using the *Isonomía* survey. As in the previous model, financial participation is positive and statistically significant and unemployment is negative and statistically significant. The right portion of Figure 3 shows that increasing financial participation by one unit increases the likelihood of strongly agreeing with the liberalization of outflow controls by 2.2 percentage points. Unemployment reduces the probability of strongly agreeing with liberalization by 3.0 percentage points. All the other variables in this model are correctly signed and statistically significant: individuals that are wealthier, more educated, ideologically to the right, and identify with the PRO or Radical Party are more likely to favor liberalization; women and people that identify with Peronism or the FPV are less supportive of liberalization.

Thus far, the data show that two measures of personal economic interests, unemployment and financial participation, are associated with support for capital outflow controls. These findings are consistent in both surveys despite the different contexts in which they were fielded as well as other differences in the surveys, such as question
wording and sampling strategies.\textsuperscript{24} Perhaps surprisingly, the variables measuring economic interests have larger effects, both in absolute terms and relative to other covariates, in the first survey, which occurred before this issue received very high levels of attention from the media and politicians. This suggests that the emergence of self-interested preferences over capital controls does not require an extraordinary amount of information.

\textit{Robustness Checks}

We conducted a number of robustness checks to rule out alternative explanations for our findings. We briefly summarize these results here. The appendix contains further details on these analyses, as well as the full output of the regression models.\textsuperscript{25}

The first issue that we consider is the possibility that our measures of economic interest towards capital controls are really capturing peoples’ broader attitudes towards politics and economics, rather than their attitudes on this specific issue. To address this possibility, we used a measure of individuals’ attitudes towards the state’s role in the economy that is available in the APES dataset and a measure of nationalist sentiment from the \textit{Isonomia} dataset. Controlling for these variables has little impact on the coefficients of the financial participation and unemployment variables.

Next, we added several variables that capture other potentially important aspects of an individual’s economic interests towards capital controls. For our analyses that use the APES dataset, we included three additional interest-based variables that were

\textsuperscript{24} Relative to the first survey, the second contained more high-income, financialized voters that supported Macri, and fewer Peronist/FPV identifiers (see appendix).

\textsuperscript{25} The appendix is available from the authors upon request.
available in the dataset: whether the individual is a public employee; whether the individual owns their own firm; and whether the individual reports being an “unpaid worker.” When analyzing the second dataset, we controlled for public employment, employment in the financial sector, and employment in the tradable sector of the economy. The addition of these variables does not alter the size or statistical significance of our two variables of interest.

The final alternative explanation that we considered relates to individuals’ levels of political sophistication. If financially-involved individuals are more supportive of capital controls than unemployed Argentines because they are more knowledgeable, and better understand the (negative) effects of these policies, controlling for political knowledge should attenuate the effect of these covariates. Controlling for a respondent’s objective knowledge—measured, as in Curtis et al. (2014), as the number of fact-based questions that an individual answers correctly—did not alter the size or significance of financial participation or unemployment in either dataset.

We also examined whether political sophistication moderates the effect of the other variables in our model. Tomz (2004) argues that sophisticated voters can better identify their interests, and are therefore more likely to express preferences that are consistent with their economic interests than unsophisticated voters. At the same time, sophisticated voters should also be more aware of political parties’ positions on this issue, and might also be more responsive to partisan and ideological factors as a result (e.g. Baker 2009). To evaluate these hypotheses, we added multiplicative interaction terms between voter sophistication and each of the covariates included in our main specification.
(models 1 and 2 of Table 1). In both surveys, sophisticated voters are more likely to hold preferences that reflect their ideology and partisan identity than unsophisticated voters. However, better-informed voters do not appear any more likely to express attitudes consistent with their self-interest than less knowledgeable voters.

*The Determinants of Support for Capital Inflow Controls*

The next analyses examine the covariates of support for controls on capital inflows. Models 3 and 4 of Table 1 present the main results for the capital inflow controls variables, using the APES and *Isonomia* datasets, respectively. Our main measures of economic interest, *FINANCIAL PARTICIPATION* and *UNEMPLOYED*, are not statistically significant in these models. For both variables, the direction of the relationship with support for capital inflow controls flips across the two models. The estimated size of these effects is also small.\(^{27}\) Several other variables have important effects on preferences towards capital inflow regulations: individuals tend to be more supportive of capital inflow controls when they are at the lower end of the class distribution; hold left-wing ideological beliefs; identify with the FPV party; and are female. In summary, individual self-interest plays an important role in shaping average citizens’ preferences for controls over capital outflows, but does not appear to influence individual attitudes towards capital inflow controls.

\(^{26}\) For these results, we use a binary measure of sophistication, coded affirmatively for respondents that scored at or above the median level of knowledge.

\(^{27}\) All four average marginal effects are less than 0.01 in absolute value.
VI. The Salience of Capital Controls

The findings presented in the previous section, that economic self-interest influences preferences for capital outflow controls, are at odds with the conventional wisdom that capital controls lack salience for ordinary citizens. This section more directly evaluates the assumptions underlying our interest-based argument: that capital controls have important and visible effects on the public, and the public is aware of those effects. We show that many members of the mass public are directly affected by capital outflow controls; they know when this policy changes; average people consider this an important issue; and, finally, individuals are more likely to vote for politicians that agree with them on this issue. Put together, the evidence suggests that capital outflow controls can become a highly salient issue for average citizens.

Personal Effects of Capital Outflow Controls

The first question we address is whether capital controls have a visible impact on citizens. Some scholars argue that capital account policies do “not negatively affect any specific societal group in an easily recognizable way; rather, its impact was largely at the less visible and more dispersed macroeconomic level” (Helleiner 1994, 20). This section shows that controls on capital outflows also have important, direct, and highly visible microeconomic effects on many ordinary citizens. To do so, we examine one channel through which controls affected average Argentines: purchases of dollars in the black market (known in Argentina as the blue market).

After the imposition of the exchange controls in 2011, some Argentines decided that acquiring foreign currency through official channels was exceedingly cumbersome,
and they started to evade these controls by buying dollars through unofficial markets. Evading these regulations was costly for individuals. Foreign currency was more expensive on the black market than in the official market; at times, the black market price for dollars was twice as high as the official price. Purchasing foreign currency on the black market was also an illicit activity. For individuals, having to go through unofficial channels to acquire foreign currency represents one direct (and sizeable) personal cost of the country’s system of exchange controls.

We estimate how many people illicitly purchased foreign currency during the period in which tight controls were maintained on capital outflows (2011-2015). The proportion of the population that used the unofficial currency market provides a very conservative estimate of the share of the population that was directly affected by these controls; many people that were unwilling to break the law or pay a premium for transacting with illicit vendors would probably have purchased foreign currency if regulations were less strict. Determining how many people purchased foreign currency in the informal market is challenging because individuals may be reluctant to admit to illicit activities. To surmount this problem, we used the list experiment technique (also known as the item count technique), a common method for measuring the prevalence of “sensitive” behaviors or opinions in a population.

Our experiment, conducted in our June 2016 survey, proceeded as follows. Half of our respondents were randomly selected to be in the control group. This group was asked how many internationally oriented activities, out of a list of 4 innocuous options,

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28 Argentine newspapers reported the price of dollars on the black market on a daily basis, but not the quantity of transactions.
29 For an overview of the technique, see Glynn (2013).
they have done in the last five years. The four activities were (1) communicating with someone in another country by phone or email; (2) traveling to a foreign country; (3) purchasing goods that were originally made outside of Argentina; and (4) investing in a foreign country’s stock market. Respondents in the treatment group were asked how many activities they have done out of a list of five total activities. The treatment list included the same four activities as the control list plus one sensitive item: whether they purchased dollars in the “parallel market” (a euphemism for the black market).

Since individuals do not need to directly admit to engaging in illicit behavior, they have less incentive to respond dishonestly. By design, the responses do not allow us to determine which individuals participated in the illicit currency market. However, under certain assumptions, the difference in means between the treatment and control groups provides an unbiased estimate of the proportion of the population that did so. The appendix presents diagnostic tests and additional details on this experiment, which show that the data appear to satisfy the requirements for unbiased estimation.

The first row of Table 2 presents our estimate of the proportion of the population that purchased dollars on the parallel market. The mean number of activities for the control and treatment groups were 1.231 and 1.326, respectively, a difference of 0.095. This implies that 9.5% of Argentine adults purchased foreign currency in unofficial markets over this period. This is a substantial number, and suggests that a non-negligible share of the Argentine public personally experienced the costs of the country’s capital outflow controls.

TABLE 2 GOES HERE
Not all types of Argentines were equally affected by exchange regulations. Capital controls should be particularly important for people that participate in the financial system. The second and third rows of Table 2 estimate the prevalence of illegal foreign currency purchases for two subgroups of the population: individuals that are highly involved in the financial system, operationalized as having both a bank account and credit card; and individuals with lower levels of financial participation. We estimate that 14.8% of highly financialized individuals purchased foreign currency illegally whereas only 0.7% of people with low levels of financial involvement did so. This supports our argument that capital outflow restrictions are particularly costly for financialized individuals.

Knowledge About Capital Controls

To determine whether Argentines pay attention to capital controls, we asked factual questions about the timing of shifts in capital controls and in other policy areas. If individuals do not know or care about capital controls, few should be aware of when capital control policies change. These fact-based questions help evaluate the assumption that “most citizens in the developing world” do not “have strong priors [about]…the current status of the capital account” (Brooks and Kurtz 2007, 708).

Our second survey included four factual questions about capital controls. These questions ask when the inflow controls were introduced and removed, and when the outflow controls were introduced and removed. For purposes of comparison, we also included questions about two prominent pieces of domestic social legislation (the Universal Child Allowance and same-sex marriage) and two other foreign economic
policy issues (trade agreements and foreign direct investment). One concern is that capital controls have been revised more recently than some other policy issues, and this may inflate individuals’ levels of knowledge about this issue. To help address this concern, we added one question about an earlier piece of legislation that was partly related to capital account liberalization: passage of the Convertibility Law of 1991. All nine fact-based questions asked which President was responsible for the policy change. Whether an individual knows which President passed a piece of legislation is informative about whether that person knows which general period saw this policy change.

Figure 4 reports our main findings about political knowledge. The data indicate that knowledge about capital outflow controls is high in both absolute and relative senses. Over three-quarters of respondents correctly identified Macri as the President that liberalized capital outflow controls. More than two-thirds knew that Fernández de Kirchner introduced the outflow controls. The two questions about capital outflow regulations received the second and fourth most correct responses. Knowledge about capital outflows exceeded knowledge about Argentina’s most prominent recent policy in the area of foreign direct investment: the renationalization of YPF from its Spanish owner. It also greatly exceeded knowledge about trade policy, as proxied by knowledge about Mercosur, Argentina’s most important trade agreement. Although the time lag since the adoption of Mercosur likely reduced the number of correct answers to the trade policy question, the fact that knowledge about the Convertibility Law greatly exceeds

31 This law established full currency convertibility and a fixed peso-dollar exchange rate.  
32 The ordering of these questions was randomized to minimize question-order effects.  
33 We did not ask about the specific year that a policy changed because citizens—even politically attentive ones—are unlikely to have such precise levels of knowledge about any policy issue.
knowledge about Mercosur cuts against the widespread view that average citizens pay more attention to international trade than to international financial policies.

FIGURE 4 GOES HERE

On the other hand, knowledge about capital inflow controls is very poor. Barely one-quarter of respondents were aware that Macri liberalized capital inflows. Less than ten percent knew that Nestor Kirchner introduced the inflow control measures. The extraordinarily high number of respondents that admitted that they did not know when capital inflow controls were introduced or removed reinforces the conclusion that this policy lacks salience.

In sum, Argentines display high levels of knowledge regarding shifts in capital outflow controls, but very limited knowledge about government regulation of capital inflows. As we show in the appendix, we also find that financial participation increases knowledge about capital outflow controls, but does not make people more knowledgeable about other policy issues, including capital inflow controls.

The Perceived Importance of Capital Controls

Even if people are personally affected by capital controls, and are aware of changes in these controls, one might wonder how the issue ranks in importance compared to other political and economic issues. The prevailing view is that capital controls are an issue “about which few citizens have typically heard, let alone care” (Brooks 2004, 406). To shed light on this question, we leverage two open-ended questions from the Isonomía survey. These questions asked individuals what the best thing that the government of Mauricio Macri has done and what the worst thing that this government has done. The
frequency of mentions of capital controls provides a useful proxy for the perceived importance of this issue relative to others. Since respondents were only asked about the single best or worst policy, this measure greatly understates the share of voters that perceive capital controls as an important issue.

Figure 5 ranks the most common responses to the question about the Macri government’s best action. Of the 4,300 survey participants, 256 (or 6%) mentioned the liberalization of the *cepo cambiario* as the best thing that Macri has done in his first six months in office. If one excludes people that did not answer the question or answered either “everything” or “nothing”, 9.5% of the remaining respondents referred to capital controls. This is a particularly high figure in light of the fact that most respondents focused on general themes, such as honesty, justice, change, or order, rather than concrete policy decisions. Capital controls are also important in a relative sense: it is the third most common response, only behind reducing corruption and increasing pensions. It ranks above other prominent policy shifts, including Macri’s resolution of the country’s longstanding dispute with its foreign creditors, the removal of export taxes and import barriers, and reductions in utility subsidies.

FIGURES 5 & 6 GO HERE

Figure 6 examines public perceptions of Macri’s worst policy since he became President. Inflation is, by far, the issue that is considered to be Macri’s worst area of performance. Very few other concrete policy decisions receive large numbers of mentions. A mere 0.7% of respondents referred to capital account liberalization in this
question. Although this is a low figure, it is higher than some other policies that are typically considered to be highly salient, such as pensions and taxes.\footnote{The appendix shows that individuals that benefited from capital account liberalization were more likely to believe that the removal of capital outflow controls was Macri’s best policy change. We also examined which types of individuals were more likely to view capital account liberalization as Macri’s worst action, but found few statistically meaningful correlations; this is due in large part to the very low number of positive cases on this variable.}

The data presented in this section show that many individuals believe that capital account liberalization is an important issue. Among the people that consider capital controls salient, advocates of liberalization greatly outnumbered opponents. This evidence suggests that capital account liberalization might have helped increase popular support for Macri’s government, a point that is echoed in our next set of analyses.

*The Relationship Between Support for Capital Controls and Voting Behavior*

The final question we address is whether capital controls can have consequences for political behavior. The 2015 elections in Argentina provide a unique opportunity to address this question because the two major candidates adopted opposing stances towards capital outflow controls: Daniel Scioli of the incumbent FPV party campaigned on maintaining these controls while Mauricio Macri promised to liberalize them. It is therefore plausible that voters’ choice of candidate in this election was influenced by their preferences on this issue. In this section, we evaluate the hypothesis that voters that disagreed with capital outflow controls were less likely to support the incumbent party.

The 2015 Presidential election in Argentina unfolded in three stages. The first was a nationwide primary election on August 9, which was open to all voters. The primary
ballot consisted of 15 candidates from 11 parties. The candidate with the most votes from each party would go on to represent their party in the general election, but parties also had to obtain at least 1.5% of the overall vote share to make it on the general election ballot. Thus, in this primary election, candidates needed to succeed relative to other candidates within their party and relative to those from other parties. Six parties made it on to the ballot for the general election, which was held on October 25. To win the election at this stage, a candidate had to receive at least 45% of the vote, or win 40% of the vote with a ten-point margin over the next candidate. No candidate did so, forcing a runoff election on November 22 between the two top candidates, Macri and Scioli.

Our outcome of interest here is whether an individual voted for Daniel Scioli, the incumbent party’s candidate and the candidate that expressed the strongest support for capital controls.35 We focus on the primary election because our first survey took place shortly before this stage of the election. However, we also analyze voting in the latter two stages of election, using data from the second wave of the APES, which was fielded after the final round of voting, in late November and December 2015.

There is a strong bivariate relationship between individuals’ views on capital outflow controls and their intention to vote for Scioli in the primary election ($\chi^2 = 62$, $p < 0.01$). To more rigorously test this relationship, we fit logit models where the dependent variable is a binary measure of whether the individual intends to vote for Scioli (1) or not.

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35 Sergio Massa, who placed third in the primary and general elections, adopted a similar position towards capital controls as Macri. Massa promised to eliminate the controls within his first 100 days in office (Clarín, 17 April 2015).
In addition to preferences on capital outflow controls, we include all the variables that were included in the baseline model of the previous set of analyses (including the provincial fixed effects). We also control for attitudes towards capital inflows and one additional variable that is substantively relevant for voting, but less likely to influence capital policy preferences: whether an individual voted for Kirchner in the previous election.

**TABLE 3 & FIGURE 7 GOES HERE**

The first column of Table 3 reports the results of this model specification and Figure 7 presents the average marginal effects of each variable. Opposition to capital outflow controls is negative and statistically significant. A one-unit increase in this variable reduces the probability of voting for Scioli by 2.9 percentage points for the average observation in the sample. Opinions towards capital outflow controls are nowhere near as important as party identification or previous vote choices, but its effect is quite substantial nevertheless. By contrast, attitudes towards capital inflow controls had no bearing on support for Scioli, which makes sense because this policy issue was not discussed during the election campaign.

The dependent variable in the second model of Table 3 is whether a respondent voted for Scioli in the general election. The final model examines the Scioli vote in the runoff election. Due to the considerable time lag between when the explanatory variables

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36 We obtain similar results using multinomial logit models, where the dependent variable denotes whether an individual intends to vote for Scioli/FPV, one of the candidates in the Cambiemos alliance, or one of the smaller parties.

37 Adding these two variables to our models of preference formation does not alter the impact of our main variables of interest. The relationship between preferences for capital controls and voting is similar if we include the additional variables used in the earlier analyses (those included in Figure 3).
were measured and when the outcome variable was measured, it is unsurprising that the overall fit for models 2 and 3 is substantially weaker than in model 1. Most of the covariates have smaller coefficients and some are no longer statistically significant. However, our measure of opinion towards capital outflow controls is a statistically significant predictor of vote choice across all three stages of the election. The average marginal effect of this variable is -0.031 in model 2 and -0.029 in model 3.

While our results are suggestive that attitudes towards capital controls influenced voting, we cannot rule out the possibility that people instead revised their attitudes on this issue to match the position of their preferred party. To help rule out this alternative explanation, we examine whether individuals that initially opposed capital controls were more likely to change their vote away from Scioli between the primary election and the general election—a period in which this issue grew in salience. Among those that voted for Scioli in the primary, individuals that disagreed with capital controls were less likely to vote for Scioli in the November runoff election (48%) compared to voters that held neutral or favorable views towards capital controls (60%) (p < 0.05). Similarly, among individuals that voted against Scioli in the primary, individuals that were indifferent to or supportive of capital controls were more likely to switch their vote towards Scioli for the runoff election (23%) than individuals that disagreed with capital controls (15%) (p = 0.06). As a further test, Model 4 in Table 2 shows that attitudes towards capital controls (measured in July) influence voting in the November runoff election even after controlling for how an individual voted in the primary election.

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38 This approach follows Lenz (2009).
These findings demonstrate that opinions about capital controls can influence how individuals vote in elections in at least some conditions, such as when candidates line up on different sides of the issue. This obviously does not imply that capital controls play a large role in all elections, but it does suggest that capital controls have the potential to become politically consequential—a possibility that is ignored by a large body of scholarship in International Political Economy.

VII. Conclusions

Does material self-interest influence whether individuals favor or oppose global economic integration? While early studies often answered in the affirmative, some important recent studies find that economic interests have little bearing on individual attitudes towards restrictions on international trade, immigration, and foreign debt. We address this question by examining public opinion towards regulations on international monetary and financial transactions—a policy tool that is widely perceived as incomprehensible for average citizens, and therefore one for which interest-based approaches have little utility. These assumptions about the mass political economy of capital controls, however, have not been subjected to rigorous empirical evaluation.

Using survey data from Argentina, this paper provided a first effort to test these claims. We found some evidence that is consistent with the conventional wisdom: preferences towards capital inflow controls bear little relationship with individuals’ material interests. However, a great deal of evidence refutes the dominant perspective on this topic. Our data show that an individual’s objective economic interests, as determined by attributes such as their participation in the financial system and their employment
status, strongly predict their opinion towards controls on capital outflows. We also uncovered evidence showing that capital outflow controls are a salient concern for large numbers of ordinary people. In short, this paper demonstrates that public opinion towards some capital control measures is strongly shaped by materials interests, and this occurs because these regulations have high stakes for the masses.

Whether or not self-interest influences attitudes towards capital controls beyond Argentina remains an open question. It is possible that Argentina’s history of financial instability has increased the public’s attention to international financial policies, enhanced their knowledge of the effects of capital controls, and thus increased the role of self-interest. However, the amount of attention paid to capital controls in Argentina hardly differs from other countries that have recently altered their capital controls (see Figure 1). In addition, although individuals require some basic knowledge in order to understand their interests, we found that self-interest had a weaker relationship with capital policy preferences in the second survey, when information about capital controls was far more abundant (see Figure 3). Furthermore, we found that better-informed voters are no more likely to express attitudes consistent with their self-interest than less knowledgeable voters. These results suggest that voters do not require exceptional amounts of information or knowledge in order to formulate self-interested preferences over capital outflow controls.

There are also some factors that make Argentina a relatively unlikely case to observe interest-based preferences over capital controls. Most notably, intense partisan polarization in Argentina may have strengthened the role of partisan and ideological
factors and weakened the importance of interest-based factors.\footnote{Druckman et al. (2013) show that party polarization increases the effect of partisan identities and weakens the effect of personal interests on policy preferences. Baud (2013, 113) and Svampa (2014, 163) characterize contemporary Argentina as a highly polarized country.} Overall, it seems unlikely that self-interest would be more important in Argentina than in other emerging markets during periods of capital flight. Ultimately, additional research is necessary to determine how broadly our findings apply, and we hope that our results encourage further research on the mass political economy of capital controls.

Irrespective of the generalizability of our findings, our evidence establishes that interests can play a more important role in international financial policy than is usually assumed possible. More broadly, our evidence based on this supposedly technical and complex issue cuts against the increasingly popular view that ordinary people pay little attention to international economics and are incapable of understanding how international economic policy affects their personal wellbeing. Self-interest may be more important than some recent studies suggest.

Why does this study find an important role for material self-interest when many previous studies find that personal interest have no bearing on preferences towards international economic policies? A number of differences may be important. First, the importance of self-interest is likely to vary across issue-areas. Economic interests may less important for policies that have powerful cultural dimensions, such as openness to immigration. Second, international economic issues may be more significant for average citizens in small open developing countries that lack well-developed welfare states than for residents of large, highly developed, economies, such as the United States and the countries of Western Europe, where most previous surveys have been conducted. Finally,
self-interest may be more important for large-scale policy reforms than for more minor policy changes. Our research shows that self-interest can influence foreign economic policy preferences in at least some contexts, but further research is needed to understand the precise conditions under which average citizens form preferences towards foreign economic policy on the basis of their personal economic interests.

References


41 The magnitude of the policy change examined here, in which Argentina eliminated extremely onerous restrictions on international economic exchange, is larger than those examined in many previous public opinion studies. For example, signing additional free trade agreements—one question addressed in Mansfield and Mutz (2009)—would not dramatically change the overall level of trade openness in the US, which is already a member of 20 preferential trade agreements.


Mansfield, Edward D., Diana C. Mutz, and Laura R. Silver. 2014. “Men, Women, Trade,


Table 1: Covariates of Attitudes Towards Capital Controls

<table>
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<tr>
<th></th>
<th>(1) Outflow Controls</th>
<th>(2) Outflow Controls</th>
<th>(3) Inflow Controls</th>
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Note: * p < 0.1, ** p < 0.05, *** p < 0.01. Standard errors are in brackets. Province fixed effects omitted from table for reasons of space. Positive (negative) coefficients indicate that the variable increases support for financial openness (capital controls).
Table 2: Frequency of Purchasing Foreign Currency on the Black Market

<table>
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<th>Control List</th>
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<td>1.231</td>
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Note: Cell entries for first two columns refer to mean number of activities that an individual has done in the past five years from the five-item treatment list and four-item control list, respectively. Third column presents the difference in means between treatment and control groups, which provides an estimate of the proportion of the population that purchased foreign currency on the informal market. Standard errors are in brackets. * p < 0.1, ** p < 0.05, *** p < 0.01.
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Note: * p < 0.1, ** p < 0.05, *** p < 0.01. Standard errors are in brackets. Province fixed effects omitted from table for reasons of space.
Figure 1: Media Attention to Capital Controls in Four Countries
Figure 2: Agreement with Capital Controls in Argentina

Note: Figure displays extent of agreement or disagreement with capital outflow controls and capital inflow controls across two survey waves. All variables are scaled so that responses further to the left (right) in the figures imply greater support (opposition) towards capital controls.
Figure 3: Marginal Effects on Support for Capital Outflow Controls

Note: Circles denote change in predicted probability of strongly supporting an open capital account for outflows in response to a one-unit change in the listed variable. Lines indicate 95% confidence intervals of marginal effects. Effects are calculated for the average observation in the sample.
Figure 4: Political Knowledge
Figure 5: Public Perceptions About the Government’s Best Policy

Note: Bars indicate percent of all respondents that referred to each issue as the best thing that the new government has done. All issues that were mentioned by more than 0.5% of respondents are included.
Figure 6: Public Perceptions About the Government’s Worst Policy

Note: Bars indicate percent of all respondents (N = 4,300) that referred to each issue as the best thing that the new government has done. All issues that were mentioned by more than 0.5% of respondents are included.
Figure 7: Marginal Effects on Presidential Vote