

The Determinants of Individual Trade Policy Preferences: International Survey Evidence

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Summary

This paper addresses the determinants of individuals' attitudes towards protectionism, and asks: what makes some people more pro-free trade than others? To what extent do standard trade theory models help us to predict which groups are protectionist, and which are not? And to what extent are individual's attitudes rooted, not in rational calculations of material self-interest, but in cultural and ideological forces? To what extent is protectionism simply an economic manifestation of nationalism?

The economic theory tested by the paper is the standard Heckscher-Ohlin model of international trade, which suggests that in rich skill-abundant countries, the high-skilled should favor free trade, while the low-skilled should favor protection. The same theory also suggests that in poor, unskilled-labor abundant countries, it is the low-skilled who should be free traders, and the high-skilled who should be protectionist. A number of recent papers have found that the low-skilled are indeed more protectionist in the United States and Canada, which is suggestive evidence in favor of the Heckscher-Ohlin perspective. However, such findings do not exclude the possibility that low-skilled workers everywhere are protectionist, which would be completely at odds with that theory.

The paper also takes seriously the possibility that nationalism might be an important independent determinant of attitudes towards protectionism. The issue is important, since if support for economic protectionism is solely a function of the material interests of individuals, it can in principle be dealt with by offering side payments that compensate for the losses that result from liberalization. If, on the other hand, protectionist policy preferences are rooted in nationalist attitudes, the strategy to alter them will have to be very different, and the strategist may have to be less sanguine about the prospects of success.

The paper makes use of data provided by the 1995 International Social Survey Programme (ISSP) for 20 countries, all of which (barring the Phillipines) are either western, or east European

'transition' economies. The sample in each country is a national representative random sample of the adult population designed to achieve a norm of 1,400 cases and, in any event, not less than 1,000 cases. Respondents were asked how much they agreed or disagreed with the statement that their country 'should limit the import of foreign products in order to protect its national economy,' which is our measure of protectionism. The data set also provides individual-level measures of a range of demographic, socio-economic and political variables, including the respondent's skill level. Finally, principle components analysis yielded two factors or underlying dimensions of nationalist attitudes: a straightforward preference for and sense of the superiority of one's own country (here labeled patriotism); and a narrow or exclusive sense of nationality combined with a degree of chauvinism of the "my country right or wrong" variety (here labeled chauvinism).

The paper estimated a series of ordered probit models of the determinants of protectionism. The first finding is that protectionist attitudes are strongly related to both patriotism and chauvinism, and especially to the latter; this is a quite general result across countries, and the effect is quantitatively as well as statistically significant. For example, changing chauvinism from its 40th to its 60th percentile increases the probability of the most protectionist response by 6 percentage points (relative to a benchmark probability of 31%); changing chauvinism from its 20th to its 80th percentile increases the probability of such a response by 20 percentage points, an increase of 64% over the benchmark level. To that extent, it would appear that trade policy preferences are heavily influenced by non-economic factors.

The second result is that, even when cultural or ideological factors are taken into account, skill matters for policy preferences, and the effect that skill has on those preferences varies across countries in ways which are consistent with Heckscher-Ohlin theory. Roughly speaking, in countries with per capita incomes below \$12000 the lowest skilled tend to be more in favor of free trade, while they tend to be more protectionist in countries above that income threshold. Belonging to one of the higher skill categories only shifts attitudes in a slightly more liberal direction in poor countries; the effect is a large one in rich countries. Finally, there seems to be a strong negative relationship between

the impact of skills on protectionist attitudes, on the one hand, and income per capita on the other.

That is, high skills are generally associated with a preference for free trade, and this effect is stronger in richer countries than in poorer countries. Indeed, in some of the poorest countries in our truncated sample, high skills are, albeit weakly, associated with a preference for protection.

Third, there is a pronounced gender gap regarding trade policy preferences, which is quantitatively important and apparently consistent across countries. Being a woman increases the probability of the most protectionist response by 7.4 percentage points, or 24%. We have no explanation for this phenomenon, though we note that it is consistent with several other survey findings regarding the determinants of attitudes towards trade, European integration, and the market economy more generally.