

Trade Is Good, but Voters Aren't Buying It

By N. Gregory Mankiw

One defining characteristic of recent political debate — in the United States and abroad — is anxiety about foreigners.

You see it in Donald Trump's railing against immigrants and trade agreements. It may well be part of Hillary Clinton's shift, under pressure from Bernie Sanders, against the Trans-Pacific Partnership, which she once embraced as "the gold standard in trade agreements to open free, transparent, fair trade."

You certainly see it in the British decision to exit the European Union, which has become known as Brexit. That vote flummoxed most political forecasters, and it makes one wonder whether Americans might also produce a surprise in November.

What's going on?

Voters clearly aren't listening to economists. In a recent poll, an overwhelming number of leading economists agreed that Brexit would most likely lower incomes both in Britain and in the rest of the European Union.

Similarly, in the United States, most top economists agree that "past major trade deals have benefited most Americans" and that "trade with China makes most Americans better off." But those aren't sentiments we will be hearing anytime soon from Mr. Trump or Mrs. Clinton.

In one respect, it is easy to understand why. According to a CBS News/New York Times poll conducted last month, only 35 percent of registered voters thought the United States gained from globalization, while 55 percent thought it lost. On issues of international trade, the current crop of candidates is following public opinion. (Henceforth the president, rather than being our elected leader, may be called our elected follower.)

But all this raises the question of why so many people, on both sides of the Atlantic, are ready to embrace a move away from international economic engagement when expert opinion overwhelmingly calls for a very different

approach. Economists do not have a good answer, but some political scientists have been studying the issue.

In particular, Edward Mansfield and Diana Mutz, professors in the political science department of the University of Pennsylvania, have written a pair of research papers exploring attitudes toward free trade and offshore outsourcing. This work gives some clues about what may be happening inside the minds of today's voters.

For an economist, one natural hypothesis to entertain is that people's attitudes toward globalization are based on their self-interest. That is because textbook economic theory says that openness to international trade increases a nation's overall prosperity, but it also says that some people gain and others lose. Even if the gains exceed the losses over all, those who get the short end of the stick may still object.

Yet Mr. Mansfield and Ms. Mutz reject this theory of voter attitude. If people were just looking out for themselves, their view of globalization would be determined by the industry in which they worked. Those in industries with a high concentration of exports should be favorable to an open economy, while those in industries that have to compete with imports should be opposed. In actuality, however, people's attitudes about free trade and offshore outsourcing are unrelated to the characteristics of the industry in which they are employed.

After analyzing their survey data on individuals' attitudes and attributes, these political scientists conclude that voters embrace policies based on the broader national interest. This theory is called sociotropic voting. There are several reasons people may look beyond narrow self-interest.

One is simply that people are more altruistic than economists usually think they are. But it's also possible that it is just hard for people to determine with much precision how national policies affect their personal circumstances, and in light of this uncertainty, it is reasonable to presume that any policy good for the overall economy is probably good for you, too.

The issue then becomes why people think that globalization is bad for the economy in the first place. In other words, why do they doubt what so many economists teach about the gains from trade? The data analysis of Mr. Mansfield and Ms. Mutz suggests that skepticism about trade and outsourcing is closely related to three other sets of beliefs.

The first is isolationism more broadly. Trade skeptics tend to think, for example, that the United States should stay out of world affairs and avoid getting involved in foreign conflicts. They are not eager for the United States to work with other nations to solve global problems like hunger and pollution.

The second is nationalism. Trade skeptics tend to think that the United States is culturally superior to other nations. They say the world would be better if people elsewhere were more like Americans.

The third is ethnocentrism. Trade skeptics tend to divide the world into racial and ethnic groups and think that the one they belong to is better than the others. They say their own group is harder-working, less wasteful and more trustworthy.

As Mr. Mansfield and Ms. Mutz put it, “trade preferences are driven less by economic considerations and more by an individual’s psychological worldview.” They also report that this isolationist, nationalist, ethnocentric worldview is related to one’s level of education. The more years of schooling people have, the more likely they are to reject anti-globalization attitudes.

Consistent with this, Andrew McGill reports in *The Atlantic* that the recent Brexit vote was strongly correlated with education. Districts with a high percentage of college graduates tended to vote to remain in the European Union, while those with a small percentage tended to vote to leave.

In the long run, therefore, there is reason for optimism. As society slowly becomes more educated from generation to generation, the general public’s attitudes toward globalization should move toward the experts’.

The short run in which we find ourselves now, however, is another story.