Understanding of Trade

Stefanie Stantcheva
(Harvard)

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Motivation: How do People Reason about Trade and Trade Policy?

1. How well do people understand trade and trade policies?
   - Impacts on prices and wages?
   - Impacts of trade policies?

2. Which factors shape their support for different types of trade policies?
   - Material self-interest?
   - Broader social and economic concerns?
   - Trade restrictions vs. compensatory redistribution?

Address these questions using surveys and experiments.
Social Economics Surveys and Experiments as a Key Research Tool

Large scale surveys that go in-depth into people’s minds.

Surveys have been used for a long time for statistics. Some variables are now better measured in administrative high-quality data (like income, family situation, employment)

Yet, some things are invisible in data other than survey data (even great data!): perceptions, attitudes, knowledge, and views.

Limits of revealed preference approaches.

Reliable results require good design & appropriate samples.

Benefits of surveys:

Two-way learning between policy makers/researchers & people.

What should the “social objective” be? What do people find “fair?”

Flexible tool, can collect more data. Comments very welcome!!
The Factors Shaping Views on Trade Policy

Views on trade policy: trade restrictions and compensatory redistribution

Self-interest (perceived and objective)

I
As a Consumer

Impact on prices
Impact on variety

II
As a Worker

Exposure through:
- Occupation
- Sector
- Local labor market
- Human capital (education)

Broader economic & social concerns

III
Perceived efficiency effects of trade

IV
Perceived distributional impacts of trade

V
Patriotism, partisanship, geopolitical concerns
Support for free trade and trade restrictions: should the U.S. aim at reducing barriers?

Compensatory redistribution: should the government invest more in retraining programs for those hurt by trade?

General redistribution: should the government invest more in better schools for children from low-income families?

Sample Characteristics
Distributive Effects Treatment

There are often both winners and losers from trade.

When there is more trade, all households who consume the imported goods can gain from it. The benefits from increased trade can be perceived by a large group, throughout the country.

The losers from trade are generally a smaller group, often concentrated in one place or industry. However, their losses can be very large, and therefore more visible.
Efficiency Effects treatment

When there is more trade between the two countries, companies in the car sector from country A will be able to **export more** of the goods and services they produce and increase their profits.

Firms in the clothing sectors will not be able to export much because they cannot produce as cheaply as the firms in country B. In these sectors, companies may **close down** because of the new foreign competition.

More trade can also increase **learning** between firms and people in countries A and B as well as the diffusion of **knowledge and technology**. This can make all firms and people more productive.

In a larger market, domestic industries have to be more efficient to remain competitive.
Economist (= Efficiency + Distributive Effects) treatment

Imagine that a country, that we call country A, starts trading more with a foreign country, called country B.

Imagine that the U.S. starts trading more with a foreign country, called country X.

A

In a larger market, domestic industries have to be more efficient to remain competitive. This can raise U.S. firms’ productivity and spur long-run economic growth.

U.S.

The government can try and reduce the losses by helping U.S. workers in the sectors hurt by trade such as the clothing sector.
Survey 2 Flow

Background of Respondent:
Gender, age, income, education, family situation, political views, media exposure, patriotism.

Views on Government

Priming Treatment: Own Job Risks
Priming Treatment: Own Consumption
Control Group

Policy Views:
- Support for free trade or trade restrictions: should the U.S. aim at reducing barriers?
- Compensatory redistribution: should the government invest more in retraining programs for those hurt by trade?
- General redistribution: should the government invest more in better schools for children from low-income families?
Own Job Risks (Priming) Treatment

What are the main considerations that come to your mind when you think about the U.S. trading with foreign countries and how your job has been affected by it? [Open ended]

Since 2000, more than 5 million jobs in the manufacturing sectors have been lost. One of the causes behind this decline is the increased competition with foreign countries that pay lower wages to their workers. How serious of a threat do you think trade with foreign countries pose for the future of your sector?

Do you agree or disagree with the following statement? “Because of trade and the resulting competition with foreign countries that pay lower wages to their workers, my wage has not grown as fast as it would otherwise have”?

How likely do you think it is that, over the next 10 years, your job will be outsourced, offshored, or automated because of competition with foreign countries?
Imagine the U.S. did not trade goods and services with other countries. What are the main things you feel like you’d be missing? [Open-ended]

Can you think of some goods only produced in foreign countries that you regularly buy and consume because of trade with foreign countries? Please describe. [Open-ended]

Do you agree or disagree with the following statements?

- Trade with other countries has decreased the prices of the goods I regularly buy by increasing competition among firms.

- Trade with other countries has increased the variety of the goods I have access to in ordinary stores.
Outline

1 First Reactions: Text Analysis of the Open-Ended Survey Questions
2 Understanding of Trade
3 Perceived Efficiency and Distributional Effects of Trade
4 Views on Trade Policy
Outline

1. First Reactions: Text Analysis of the Open-Ended Survey Questions
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What do you think would be the effects on the U.S. Economy if barriers to trade, such as tariffs, were increased?

![Graph showing the share of respondents mentioning various topics related to trade and economics among Republicans and Democrats. The topics include Negative Price, Negative Efficiency, Negative Distributive, Negative Labor, Positive Reallocation of Trade Relations, Positive without Justification, and Does not Know. The graph indicates the percentage of respondents in each category with error bars for each group.]

### Considerations

- **Negative Price**: Republican -9.72 (2.49), Democrat -14.95 (2.16)
- **Negative Efficiency**: Republican -3.08 (1.43), Democrat -2.48 (1.05)
- **Negative Distributive**: Republican 5.51 (1.09), Democrat 1.19 (0.58)
- **Negative Labor**: Republican 3.06 (1.50), Democrat 3.11 (1.59)
- **Positive Reallocation of Trade Relations**: Republican 0.0, Democrat 0.0
- **Positive without Justification**: Republican 0.0, Democrat 0.0
- **Does not Know**: Republican 0.0, Democrat 0.0
Keywords (1/2) Negative

Negative Price: (hit, destroy, bad, negat, suffer, disast, disasstr, downfal, detriment, recess, depress, troubl, unhappi, hurt, harm, hit, loos, lost, damag, pay, worst, wors, fragil, pay, cost, impact) & (consumer, peopl, citizen, household, american, us), (increas, higher, high, up, rais, more, soar) & (price, cost), pay, inflationa, inflat, expens, hard & purchas, afford, less & cheap;

Negative Efficiency: (destroy, bad, negat, suffer, disast, disasstr, downfal, detriment, depress, troubl, unhappi, hurt, harm, kill, death, shrink, declin) & (effici, compet, competit, innov, technolog, growth, economi), (increas, higher, high, up, rais, more, soar) & tax, ineffici, recess, depress, loss, economi & (collaps, down, shrink, hurt, crash, wors, slowdown, hamper, slow, hinder, negat), (slow, reduc) & growth, decreas & gdp;

Negative Distributive: (hit, destroy, bad, affect, negat, suffer, disast, disasstr, downfal, detriment, recess, depress, troubl, unhappi, hurt, harm, hit, loos, lost, damag, pay, worst, wors, fragil, pay, cost, out & work) & (manufactur, farmer, busi, busine, busin, job, firm, poor, poorer, middleclass, middl & class, workingclass, compani, bottom, industri, lower & class, sector), layoff, bankrupt, bankruptci, poor & poorer;

Negative Labor: (hit, destroy, bad, negat, suffer, disast, disasstr, downfal, detriment, recess, depress, troubl, unhappi, hurt, harm, hit, loos, lost, damag, pay, worst, wors, loss) & (labor, job, unemploy, salari, union, wage, outsourc, worker, employe, employ, manufactur, manufact, manufacur, manufactur, manugfactur), (increas, high) & unemploy, retrain, (decreas, low, lower) & (salari, wage, employ), (few, fewer, lessen) & job;
Keywords (2/2) Positive

Positive...:
Words included: good, posit, benefit, benefici, better, thrive, strengthen, improv, stronger, help, nice, great, bolster, improv, increas;
Words excluded: catastroph, loss, lose, destroy, bad, negat, suffer, disast, disast, downfal, detriment, depress, troubl, unhappi, hurt, harm, kill, death, shrink, declin, lost, price, cost, afford, expens, (pay & more), inflat;

...Reallocation:
own, ourselv, domest, work, job, farmer, demand, local, (product, buy, protect, support, good, posit, benefit, benefici, better, thrive, strengthen, improv, stronger, help, nice, great, economy) & (our, usa, america, american, us);

...Levelling of Trade Relations:
fair, (other & countri), china, chines;

...without Justification:
Answers in the Positive section that were neither in Reallocation nor in Levelling of Trade Relations.
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A Short “Problem Set:" Stylized and Hypothetical Questions

Goal: Check for understanding, in hypothetical scenarios, “holding all else fixed.”

The U.S. is a large net exporter of laptops (meaning that it sells more laptops abroad than it purchases from abroad and that U.S. laptops are a large share of all laptops sold in the world), and a large net importer of cars (meaning that it purchases more cars from abroad than it sells abroad and that cars purchased by customers in the U.S. are a large share of worldwide car purchases).

The laptop sector employs many high-skilled, college-educated workers. The car sector employs many low-skilled workers. Cars are produced for cheaper abroad, while laptops are produced for cheaper in the U.S.

Imagine that the U.S. starts importing even more cars and producing less cars domestically...

Imagine also that the U.S. starts producing and exporting more laptops...

What happens to prices of cars/laptops, consumers who purchase cars/laptops, wages of high/low-skilled workers in the car/laptop sectors (in short-run and long-run), etc..

- More Problem Set Questions
Gaps in understanding on prices/wages. College-educated more accurate

Some effects are harder to understand than others.

- US prices ↑ if import tax ↑
- Prices abroad ↑ if export tax ↑
- Wages of car workers moving to laptop sector ↑ if car imports ↑
- US wages ↑ if US laptop exports ↑
- US wages ↓ if US cars imports ↑
- Prices abroad ↓ if US laptop exports ↑
- US prices ↓ if US cars imports ↑
- Both countries better off from trade
- Consumers benefit if imports ↑
- Justifiable to import even if US more productive

Expected Value of Random Answers

Share of Respondents who Agree

Effects of Taxes

Effects on Wages

Effects on Prices

Welfare

Non-College Educated  College Educated
Gaps in understanding on prices/wages. College-educated more accurate

Some alignment on the overall welfare effects of trade or the effects of trade-related taxes.
Gaps in understanding on prices/wages. College-educated more accurate

Little agreement on the effects of trade on prices or wages in different sectors.
Gaps in understanding on prices/wages. College-educated more accurate

College-educated: more accurate, more optimistic. Self-interest or more?
Gaps in understanding on prices/wages. College-educated more accurate

- US prices ↑ if import tax ↓
- Prices abroad ↑ if export tax ↑
- Wages of car workers moving to laptop sector ↑ if car imports ↑
- US wages ↑ if US laptop exports ↑
- US wages ↓ if US cars imports ↑
- Prices abroad ↓ if US laptop exports ↑
- US prices ↓ if US cars imports ↑
- Both countries better off from trade
- Consumers benefit if imports ↑
- Justifiable to import even if US more productive

Small partisan gaps in understanding.
If made worse off by trade: anticipate more (-) effects from open trade, even in hypothetical scenarios.
More accurate respondents also more willing to pay for information.
Knowledge about Trade Policy

From which country does the US import the most?

- Brazil: 1%
- Canada: 7%
- China: 71%
- France: 1%
- Germany: 1%
- India: 1%
- Ireland: 0%
- Italy: 1%
- Japan: 4%
- Mexico: 7%
- Netherlands: 1%
- South Korea: 1%
- Switzerland: 1%
- Taiwan: 1%
- United Kingdom: 4%

To which country does the US export to the most?

- Brazil: 1%
- Canada: 19%
- China: 44%
- France: 1%
- Germany: 2%
- India: 2%
- Ireland: 0%
- Italy: 1%
- Japan: 5%
- Mexico: 14%
- Netherlands: 0%
- South Korea: 1%
- Switzerland: 0%
- Taiwan: 0%
- United Kingdom: 9%

Know what an import tariff is: 78%
Know what a quota is: 48%
Outline

1. First Reactions: Text Analysis of the Open-Ended Survey Questions
2. Understanding of Trade
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4. Views on Trade Policy
PERSONAL IMPACTS
Positive Correlation between Perceived & Objective Exposure Measures

- Trade made you worse off
- Trade negatively affected your job
- Trade decreased prices of the goods you buy

Measure of Exposure
- Routine occupation
- Local labor market
- Comparative advantage occupation
- Routine occ. x Tradable sector
- Offshorable occ. x Tradable sector
- Routine x Offshorable occupation
- Tradable sector
- Local lab. mkt x Tradable sect.
- Local lab. mkt x Routine occ. x Tradable sect.
↑ exposure through sector, occupation, or local labor market ↔ feeling worse off from trade in job & overall...
... and not feeling price decreases as a consumer.
College-educated ↔ feel less negatively impacted (as consumers & workers)
Correlation between subjective & objective exposure is strong, but not perfect.
Personal Impacts: Concentrated (Job) Losses, Diffuse (Consumer) Gains

The Respondent Believes that:

- **Trade ↓ prices of goods they buy**: 57% (Better off) - 30% (Worse off)
- **Trade ↑ variety of goods they buy**: 66%
- **Easy to find job in a different sector**: 63% - 47%
- **Their wage growth slower due to foreign competition**: 46%
- **Trade is a major reason x unemployment in their sector**: 57% - 65%

- **Trade ↑ competition in your sector**: 55% - 25%
- **Trade is threat to future of their sector**: 29%
- **Their job likely to be outsourced or offshored**: 19%
- **Extent to which job negatively affected by... (0-10 scale)**: Automation 3.1, Trade 4.2, Immigration 4.3
- **They are better off (or worse off) from trade**: 61% - 39%

Survey 1 questions:
- Better off from trade
- Worse off from trade

Survey 2 questions:  
- Better off
- Worse off
People are divided on whether trade has increased the prices of goods they buy.

The Respondent Believes that:

- **Trade ↓ prices of goods they buy:**
  - Sample Average: 57% (with a range of 30%)

- **Trade ↑ variety of goods they buy:**
  - Sample Average: 66%

- **Easy to find job in a different sector:**
  - Sample Average: 63% (with a range of 47%)

- **Their wage growth slower due to foreign competition:**
  - Sample Average: 46%

- **Trade is a major reason x unemployment in their sector:**
  - Sample Average: 57% (with a range of 65%)

- **Trade ↑ competition in your sector:**
  - Sample Average: 55% (with a range of 25%)

- **Trade is threat x future of their sector:**
  - Sample Average: 29%

- **Their job likely to be outsourced or offshored:**
  - Sample Average: 19%

- **Extent to which job negatively affected by... (0-10 scale):**
  - Trade: 4.2
  - Immigration: 4.3
  - Automation: 3.1

- **They are better off (or worse off) from trade:**
  - Sample Average: 61% (with a range of 39%)

Survey 1 questions:
- Better off from trade
- Worse off from trade

Survey 2 questions:
- Automation
- Trade
- Immigration
Do think trade has increased the variety of goods available

The Respondent Believes that:

- Trade ↓ prices of goods they buy: 57% agreed, 30% disagreed
- Trade ↑ variety of goods they buy: 66% agreed
- Easy to find job in a different sector: 63% agreed, 47% disagreed
- Their wage growth slower due to foreign competition: 46% agreed
- Trade is a major reason for unemployment in their sector: 57% agreed, 65% disagreed

- Trade ↑ competition in your sector: 55% agreed, 25% disagreed
- Trade is threat x future of their sector: 29% agreed, 19% disagreed
- Their job likely to be outsourced or offshored: 3.1% (Automation), 4.2% (Trade), 4.3% (Immigration)
- Extent to which job negatively affected by: 61% agreed, 39% disagreed

Survey 1 questions:
- Better off from trade
- Worse off from trade

Survey 2 questions:
- Agree
- Disagree

25170
Minority of respondents thinks that trade is a major threat to their sector or job

The Respondent Believes that:

- Trade ↓ prices of goods they buy: 57% better off, 30% worse off
- Trade ↑ variety of goods they buy: 66% better off
- Easy to find job in a different sector: 63% better off, 47% worse off
- Their wage growth slower due to foreign competition: 46% worse off
- Trade is a major reason for unemployment in their sector: 57% better off, 65% worse off

- Trade ↑ competition in your sector: 55% better off, 25% worse off
- Trade is threat x future of their sector: 29% worse off
- Their job likely to be outsourced or offshored: 19% worse off
- Extent to which job negatively affected by... (0-10 scale): 3.1 automation, 4.2 trade, 4.3 immigration
- They are better off (or worse off) from trade: 61% better off, 39% worse off

Survey 1 questions:
- Better off from trade
- Worse off from trade

Survey 2 questions
On balance, more people feel made better off than worse off

The Respondent Believes that:

- **Trade ↓** prices of goods they buy: 57% made better off, 30% made worse off.
- **Trade ↑** variety of goods they buy: 66%.
- **Easy to find job in a different sector**: 63%.
- **Their wage growth slower due to foreign competition**: 46%.
- **Trade is a major reason x unemployment in their sector**: 57%.

- **Trade ↑ competition in your sector**: 55%.
- **Trade is threat x future of their sector**: 29%.
- **Their job likely to be outsourced or offshored**: 19%.
- **Extent to which job negatively affected by... (0-10 scale)**: Automation (3.1), Trade (4.2), Immigration (4.3).
- They are better off (or worse off) from trade: 61%.

Survey 1 questions:
- Better off from trade
- Worse off from trade

Survey 2 questions
PERCEIVED EFFICIENCY EFFECTS
Perceived Efficiency Effects of Trade

The respondent believes that:

- **Trade ↑** competition in the U.S.: 61% in generic branch, 69% in personalized branch.
- **Trade ↑** innovation in the U.S.: 72% in generic branch, 72% in personalized branch.
- **Trade ↑** GDP growth of the U.S.: 45% in generic branch, 37% in personalized branch.
- **If U.S. exports ↑** value of $ ↑: 53% in generic branch, 57% in personalized branch.
- Both countries better off when trading: 68% in generic branch, 78% in personalized branch.
Divided, but generally positive views of efficiency gains from trade

The respondent believes that:

- Trade ↑ competition in the U.S.: 61%, 69%, 72%, 45%
- Trade ↑ innovation in the U.S.: 62%, 72%
- Trade ↑ GDP growth of the U.S.: 53%, 57%, 47%
- If U.S. exports ↑ value of $ ↑: 68%, 78%, 47%
- Both countries better off when trading: 61%, 69%, 72%, 45%
Views (on broader efficiency effects) differ by own experience (arrow B).
Objective exposure & education also significantly correlated with efficiency perception.

The respondent believes that:

- **Trade ↑ competition in the U.S.**: 61%, 69%, 72%, 45%
- **Trade ↑ innovation in the U.S.**: 62%, 72%
- **Trade ↑ GDP growth of the U.S.**: 53%, 57%, 47%
- **If U.S. exports ↑ value of $ ↑**: 68%, 78%, 47%
- **Both countries better off when trading**: 47%
PERCEIVED DISTRIBUTIONAL IMPACTS
Which Groups of people do you think would gain if trade barriers such as tariffs were increased?
Perceived Distributional Impacts: Do these Groups Gain from Trade?

The respondent believes that:

- **Large corporations gained from trade**: 67%, 75%, 66%
- **Small businesses gained from trade**: 19%, 25%, 4%
- **High-income households gained from trade**: 61%
- **Middle-income households gained from trade**: 23%
- **Low-income households gained from trade**: 20%

Divided, but generally perceive adverse distributional gains from trade
Broad agreement on some of the winners from trade, namely large companies and high-income households

The respondent believes that:

- Large corporations gained from trade: 67%, 75%, 66%
- Small businesses gained from trade: 19%, 25%, 4%
- High-income households gained from trade: 61%
- Middle-income households gained from trade: 23%
- Low-income households gained from trade: 20%

Respondents in generic branch:
- Better Off from Trade
- Worse Off from Trade
Pessimistic about middle-class and low-income households

The respondent believes that:

- **Large corporations gained from trade**: 67%, 75%, 66%
- **Small businesses gained from trade**: 19%, 25%, 4%
- **High-income households gained from trade**: 61%
- **Middle-income households gained from trade**: 23%
- **Low-income households gained from trade**: 20%

Respondents in personalized branch:
- Better Off from Trade
- Worse Off from Trade
Perceived Distributional Impacts

The Respondent Believes that:

- It’s easy to change sector x low-skilled workers: 37%
- It’s easy to change sector x high-skilled workers: 63%
- Trade is a major reason x unemployment & decline of industries: 79%
- Main cause x loss of manufacturing jobs (S2):
  - Automation: 42%
  - Trade: 47%
  - Immigration: 11%

Overall trade helped U.S. workers: 50% (60% in personalized branch)
Trade is a major reason x rise in inequality: 66% (64% in personalized branch) x 76%
Trade ↓ prices of goods sold in the U.S.: 57%
More trade can make all better off (losers can be compensated): 62% (71% in personalized branch) x 46%
Aware of possible adverse distributional impacts through the labor market.

The Respondent Believes that:

- It's easy to change sector x low-skilled workers: 37%
- It's easy to change sector x high-skilled workers: 63%
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  - Immigration: 11%

Overall trade helped U.S. workers: 50% in generic branch, 60% in personalized branch, 22% in personalized branch.

Trade is a major reason x rise in inequality: 66%, 64%, 76%.

Trade ↓ prices of goods sold in the U.S.: 57%.

More trade can make all better off (losers can be compensated): 62%, 71%, 46%.
Pessimism and disagreement on whether trade benefits workers or how it shapes inequality & unemployment

The Respondent Believes that:

- It's easy to change sector x low-skilled workers: 37%
- It's easy to change sector x high-skilled workers: 63%
- Trade is a major reason x unemployment & decline of industries: 79%
- Main cause x loss of manufacturing Jobs (52%):
  - Automation: 42%
  - Trade: 47%
  - Immigration: 11%

Overall trade helped U.S. workers: 50%
- Trade is a major reason x rise in inequality: 66%
- Trade ↓ prices of goods sold in the U.S.: 57%
- More trade can make all better off (losers can be compensated): 62%

Respondents in personalized branch:
- Better Off from Trade
- Worse Off from Trade
Quite divided on price effects (Hard to know counterfactual? Relative prices?)

The Respondent Believes that:

- It’s easy to change sector x low-skilled workers: 37%
- It’s easy to change sector x high-skilled workers: 63%
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Overall trade helped U.S. workers: 50% 60% 22%
Trade is a major reason x rise in inequality: 66% 64% 76%
Trade ↓ prices of goods sold in the U.S.: 57%
More trade can make all better off (losers can be compensated): 62% 71% 46%

Respondents in personalized branch:
- Better Off from Trade
- Worse Off from Trade
Yet, a majority believes that in principle everyone could be made better off thanks to policy ("Losers can be compensated")

The Respondent Believes that:

- It’s easy to change sector x low-skilled workers: 37%
- It’s easy to change sector x high-skilled workers: 63%
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Overall trade helped U.S. workers:
- Sample Average: 50% - 60% - 22%

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- Sample Average: 66% - 64% - 76%

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Which Factors Shape Support for Free Trade and Redistribution?

Views on trade policy: trade restrictions and compensatory redistribution

A

Self-interest
(perceived and objective)

I
As a Consumer

II
As a Worker

Exposure through:
• Impact on prices
• Impact on variety

B

Broader economic & social concerns

C

III
Perceived efficiency effects of trade

IV
Perceived distributional impacts of trade

V
Patriotism, partisanship, geopolitical concerns

We will think about both correlations and causality, thanks to the experiments.
Compensation is hard in practice. I ask respondents about distortionary policies, not “ideal” lump-sum compensation.
1. Do Consumer Gains Matter?

Views on trade policy:
trade restrictions and compensatory redistribution

Self-interest
(perceived and objective)

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Exposure through:
• Impact on prices
• Impact on variety

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As a Worker

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Patriotism, partisanship, geopolitical concerns

Broader economic & social concerns

A

B

C
Consumer Gains are Non-Salient

From topic analysis: prices come to mind often.

Yet, people are quite divided on whether prices have decreased or not thanks to trade (both overall and for goods they buy).

Price effects may be hard to grasp

Belief that prices have decreased not predictive of support for free trade or redistribution (correlation).

Priming people to think about gains as consumers does not change policy views either (causal).
2. Do Own Job Risks Matter?

Views on trade policy:
trade restrictions and compensatory redistribution

Self-interest
(perceived and objective)

As a Consumer

As a Worker

Exposure through:

- Impact on prices
- Impact on variety

Broader economic & social concerns

III
Perceived efficiency effects of trade

IV
Perceived distributional impacts of trade

V
Patriotism, partisanship, geopolitical concerns

I

II

A

B

C
Those more exposed to trade support less free trade; no difference in support for redistribution.

**Individual Characteristics**
- Female
- Age 30-49
- Age 50-69
- Middle-income
- High-income
- Republican
- College

**Exposure to Trade**
- Perceived Exposure (Being worse off from trade)
- Comparative advantage occupation
- Routine & offshorable occupation
- Tradable sector

**Beliefs**
- Trade Increases Innovation, Competitiveness and GDP
- Trade decreases prices of consumer goods
- Large Companies won more than small ones
- High-income HHs benefit more than low-income HHs
- Sector switch easier if high skill
- Trade major reason for rise in inequality
- Trade major reason for unempl. and hurts US workers
- Possible to compensate losers through policies

**Treatments**
- Efficiency Effects
- Distributive Effects
- Economist (=Efficiency + Distributive)
- Own Job Risks
- Own Consumption
Primed people to think about own job risks reduces support for free trade

⇒ trade creates a concentrated set of losers: Although a minority of respondents feel directly impacted in their job, these potential losses are salient and loom large.
Parenthesis: College-educated support more free trade & more redistribution (conditional on income)

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- High-income
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- Trade major reason for rise in inequality
- Trade major reason for unempl. and hurts US workers
- Possible to compensate losers through policies

Treatments
- Efficiency Effects
- Distributive Effects
- Economist (=Efficiency + Distributive)
- Own Job Risks
- Own Consumption

Support for Free Trade
Support for Redistribution

Note: Hard to see education only as proxy for factor endowment and attribute these effects to pure self-interest.
3. Belief in the efficiency gains from trade

Views on trade policy:
trade restrictions and compensatory redistribution

Self-interest
(perceived and objective)

As a Consumer
• Impact on prices
• Impact on variety

As a Worker

Exposure through:
• Occupation
• Sector
• Local labor market
• Human capital (education)

Broader economic & social concerns

Perceived efficiency effects of trade

Perceived distributional impacts of trade

Patriotism, partisanship, geopolitical concerns
Beliefs in the efficiency gains from trade matter for support for free trade

---

**Individual Characteristics**
- Female
- Age 30-49
- Age 50-69
- Middle-income
- High-income
- Republican
- College

**Exposure to Trade**
- Perceived Exposure (Being worse off from trade)
- Comparative advantage occupation
- Routine & offshorable occupation
- Tradable sector

**Beliefs**
- Trade increases innovation, competitiveness and GDP
- Trade decreases prices of consumer goods
- Large Companies won more than small ones
- High-income HHs benefit more than low-income HHs
- Sector switch easier if high skill
- Trade major reason for rise in inequality
- Trade major reason for unempl. and hurts US workers
- Possible to compensate losers through policies

**Treatments**
- Efficiency Effects
- Distributive Effects
- Economist (=Efficiency + Distributive)
- Own Job Risks
- Own Consumption

---

Support for Free Trade
- Support for Redistribution
*Efficiency* treatment significantly improves support for free trade
Indirect effect of self-interest (through efficiency perceptions) is relevant too

Views on trade policy:
trade restrictions and compensatory redistribution

Self-interest (perceived and objective)

Broader economic & social concerns

I
As a Consumer

II
As a Worker

Exposure through:
- Impact on prices
- Impact on variety

III
Perceived efficiency effects of trade

IV
Perceived distributional impacts of trade

V
Patriotism, partisanship, geopolitical concerns

A
C
B

Patriotism, partisanship, geopolitical concerns
4. Perceived distributional impacts of trade

Views on trade policy:
trade restrictions and compensatory redistribution

Self-interest
(perceived and objective)

As a Consumer

• Impact on prices
• Impact on variety

As a Worker

Exposure through:
• Occupation
• Sector
• Local labor market
• Human capital (education)

Broader economic & social concerns

Perceived efficiency effects of trade

Perceived distributional impacts of trade

Patriotism, partisanship, geopolitical concerns
Belief that losers can be compensated is strongest predictor of support for free trade
Other perceptions of the distributional impacts of trade are only weakly correlated with views on trade.
As long as respondents believe that adverse consequences from trade on some groups can be dampened by redistributive policy, they are likely to support more free trade, even if they believe that there are adverse distributional consequences.
Perceived distributional impacts of trade also substantially matter for support for compensatory redistribution
Effects of the *Distributive effects* and *Economist* treatment on support for free trade confirm that explaining compensatory redistribution “cancels” out worries about adverse distributive effects.
Both treatments strongly increase support for redistribution (& do not reduce support for free trade)
Indirect effect of self-interest (through distributional perceptions) is relevant too.

Views on trade policy:
trade restrictions and compensatory redistribution

Self-interest (perceived and objective)

Broader economic & social concerns

I
As a Consumer

II
As a Worker

III
Perceived efficiency effects of trade

IV
Perceived distributional impacts of trade

V
Patriotism, partisanship, geopolitical concerns

Exposure through:
- Impact on prices
- Impact on variety
- Occupation
- Sector
- Local labor market
- Human capital (education)
In sum: The importance of the belief that losers can be compensated

Even if people understand that there could be adverse distributional impacts from trade, they will still support free trade as long as they believe that losers can be compensated.

People care both about efficiency and distributional effects, but these beliefs shape different aspects of their policy views, i.e., views on free trade itself versus views on redistribution to deal with the adverse consequences.

⇒ efficiency gains are more relevant for trade policy; distributional concerns can be “fixed” by other policies

However, absent the belief that losers can be helped, distributional worries decrease support for trade.

In practice, compensation is challenging!
Indirect vs. direct effects of self-interest

Views on trade policy:
trade restrictions and compensatory redistribution

Self-interest
(perceived and objective)

Broader economic & social concerns

I
As a Consumer

II
As a Worker

III
Perceived efficiency effects of trade

IV
Perceived distributional impacts of trade

V
Patriotism, partisanship, geopolitical concerns

Gelbach decomposition shows direct self-interest channel (arrow A) accounts for 30% if we use perceived exposure, 50-70% for exposure based on occupation, and 84% for exposure based on sector.

Gelbach Decomposition
5. Additional results: International relations, patriotism, and partisanship

Views on trade policy:
trade restrictions and compensatory redistribution

Self-interest
(perceived and objective)

Broader economic & social concerns

I
As a Consumer

II
As a Worker

Exposure through:
- Impact on prices
- Impact on variety

III
Perceived efficiency effects of trade

IV
Perceived distributional impacts of trade

V
Patriotism, partisanship, geopolitical concerns

• Impact on prices
• Impact on variety
• Occupation
• Sector
• Local labor market
• Human capital (education)
Additional results: International relations, patriotism, and partisanship

No new causal evidence, interesting correlations. Have been studied!

Worry about geopolitical ramifications from trade restrictions & retaliation ↔ more likely to support policies to compensate losers from trade rather than support outright trade restrictions

Patriotism measures ↔ support for trade restrictions & lower support for compensatory redistribution.

Partisanship matters, but bigger difference is in support for compensatory transfers and redistribution.

Relative (to other very polarized policy issues!) bi-partisan support for free trade, with restrictions such as on food imports to ensure food security and “infant industry” argument.

Substantial partisan gaps in support for compensatory and general redistribution.
Conclusions

Understanding of how trade and trade policy work is mixed.

Overall, belief in positive efficiency gains, but also awareness of adverse distributional impacts.

Respondents’ own exposure (both actual and perceived) to trade through their work is significantly correlated with their support for trade restrictions.

More surprising is that it not only shapes their assessment of how trade affects them, but also their broader perceptions of the efficiency and distributional impacts of trade on the U.S. as a whole ("indirect effect").

Findings lend support to the idea that losses from trade in the labor market are concentrated and large, while consumer gains are widespread and diffuse.

Broader concerns matter too: Belief in efficiency gains $\leftrightarrow$ more support for free trade.

People who believe that those hurt by trade can be helped using other tools (i.e., compensatory redistribution) do not oppose free trade, even if they are convinced that it will entail adverse distributional consequences. Instead, they support more redistribution.
THANK YOU!

https://socialeconomicslab.org/
<table>
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<tr>
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### Correct Answers to the Case Study

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<th>Willingness to Pay</th>
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<th>( \text{Correct Answers to the Case Study} )</th>
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<th>Panel B: Effect of Trade</th>
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<td>Better off from Trade</td>
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When you think about trade policy and whether the U.S. should put some restrictions on trade with other countries, such as tariffs, what are the main considerations that come to your mind?
Topic Analysis: Keywords for the Main Topics Identified

Efficiency:
- effici, compet, competit, innov, technolog, ineffici, growth, gdp, tax, economi, (more & varieti), (stock & market);

Price:
- cost, price, afford, (pay & more), inflationa, inflat, expens, (impact, suffer, affect, hurt, effect, hit, loos, lost, pay) (consum, citizen, peopl, american, household);

Fair Trade & Int. Relations:
- fair, unfair, imbal, balanc, justic, equal, (even & (share, valu)), reciproc, cooper, (mutual & (benefit, benefici)), equit, (take & advantag), (play & field) china, retali, retaliator, ((other, foreign, those, relat, relationship, certain) & countri), mexico, (intern & trade), negoti, renegoti, (advantag & us), (trade & war), isol, isolation, isolationist, (world & economi), (pay & back), cheat;

Distributive:
- ((impact, suffer, affect, hurt, effect, hit, loos, lost, difficult, difficulti, problem, horribl) & (farmer, busi, busine, busin, firm, poor, poorer, middleclass, (middl & class), industri, sector)), winner, loos, corpor, workingclass, ((expens, under) & (busi, busin, busine)), (lower & class), (better & compani);

Protectionism:
- ((made) & (usa, america, us)), ((buy, protect, support) & (usa, america, american, local)), ((restrict, tariff) & (fine, good, need, use, reason, some, necessari));

Labor:
- labor, job, unemploy, salari, union, wage, outsourc, worker, employe, employ, retrain.
Imagine now that the **U.S. starts importing even more cars** and producing less cars domestically.

What will happen to the **price of cars in the U.S.?**
- *It will decrease; It will remain the same; It will increase*

Would you say that **households** who purchase cars in the U.S. are now **better off**?
- *Yes; No*

What will happen to the **wages of low-skilled workers** working in the **car sector**?
- *Wages will decrease; Wages will remain the same; Wages will increase*
Imagine also that the U.S. starts producing and exporting more laptops.

What will happen to the **price of U.S. laptops abroad**, i.e., in the countries where the U.S. sells laptops?
- [It will decrease; It will remain the same; It will increase]

What will happen to the **wages of high-skilled workers** working in the laptop sector?
- [Wages will decrease; Wages will remain the same; Wages will increase]

Imagine now that over time, some **low-skilled workers from the car sector** are able to quit their jobs and find new jobs in the laptop sector.

What will happen to their wages now if the U.S. exports more laptops?
- [Wages will decrease; Wages will remain the same; Wages will increase]
A Short “Problem Set” Style Series of Questions (Cont. 3/3)

If the U.S. were to impose an export tax on laptops, what would happen to the price of laptops abroad?
▶ [It will decrease; It will remain the same; It will increase]

If the U.S. were to impose an import tariff on cars sold in the U.S, what would happen to the price of cars in the U.S?
▶ [It will decrease; It will remain the same; It will increase]

If exports from your sector to other countries would increase, what do you think will happen to your wage?
▶ [It will decrease; It will remain the same; It will increase]

If the U.S. started to import more of the goods produced in your sector, what do you think would happen to your wage?
▶ [It will decrease; It will remain the same; It will increase]
Support for Free Trade and Redistribution (Definitions)

*Support for free trade* captures whether the respondent thinks that the U.S. should aim to reduce trade barriers.

*Support for Redistribution* measures support for redistribution policy. It is constructed following the methodology of Kling, Liebman, and Katz. It consists of an equally weighted average of the z-scores of all redistribution-related variables and is further divided by its standard deviation.

Higher for respondents who agree that the best tools to help workers are more generous transfers and direct assistance to workers (rather than restricting imports or subsidizing production in their industry) and who want to increase spending on support and retraining programs for workers displaced by international competition and trade. It is also increasing in support for more general (non-trade specific) redistributive spending such as help for those out of work, better schools for children from low-income families, and wage subsidies.
Gelbach Decomposition of Support for Free Trade (1/2)

Those who Perceive they are Worse off from Trade Support less Free Trade because they...

- Believe trade has not decreased prices
- Believe it is impossible to compensate losers through policies
- Believe trade has not increased innovation, competitiveness and GDP
- Do not support government intervention in the economy
- Believe trade is a major reason for unempl. and hurts US workers
- Other mechanisms
- Unexplained part of the gap

% of the gap explained

Those who are in Routine & Offshorable Occupations Support less Free Trade because they...

- Believe trade has not increased innovation, competitiveness and GDP
- Believe it is impossible to compensate losers through policies
- Do not support government intervention in the economy
- Believe trade has not decreased prices
- Other mechanisms
- Unexplained part of the gap

% of the gap explained
Gelbach Decomposition of Support for Free Trade (2/2)

Those who are in Tradable Sectors Support less Free Trade because they...

- Believe it is impossible to compensate losers through policies
- Believe trade has not increased innovation, competitiveness and GDP
- Believe trade is a major reason for unemployment and hurts US workers
- Believe trade has not decreased prices
- Other mechanisms
- Unexplained part of the gap

% of the gap explained

Those who are in Comparative Advantage Occupations Support more Free Trade because they...

- Believe it is possible to compensate losers through policies
- Believe trade has increased innovation, competitiveness and GDP
- Believe trade has decreased prices
- Other mechanisms
- Unexplained part of the gap

% of the gap explained