
Worker Perceptions and Pressures in the Global Economy

Is There a “Disconnect” between Worker Perceptions and Pressures in the United States?

We have presented evidence on both worker perceptions and pressures in an increasingly global US economy. As for perceptions about globalization, a wide range of public opinion surveys indicate that US citizens recognize both the costs and the benefits of integration with the world economy. But on balance, the public seems to weigh the costs more than the benefits, so that their perceptions are translated into generally skeptical policy preferences about the liberalization of trade, immigration, and foreign direct investment. Moreover, these preferences divide strongly across skill levels: less-educated, lower-income workers are much more likely to oppose policies aimed at freer trade and immigration. As for pressures in the US labor market, these workers, still the majority of the US labor force, have had close to zero or even negative real-wage growth for more than 25 years thanks to the combination of slow growth in average real wages and sharp rises in inequality of relative wages across skill groups.

How are these perceptions, policy preferences, and labor-market pressures related to each other? One hypothesis is that the labor-market pressures have produced the policy preferences. That is, amid poor real and relative-wage performance, less-skilled US workers have blamed globalization for these outcomes and thus have been more likely to oppose policies aimed at further liberalization.

We present two pieces of evidence to support this hypothesis. One is responses to a set of survey questions suggesting that public support for

trade liberalization declined at roughly the same time as the downturn in US labor-market performance. The other is responses to a set of survey questions showing that a majority of Americans do think that globalization has hurt the US labor market.

First, consider time-series evidence on public support for trade liberalization. The data from chapter 4 show that the poor labor-market performance of US less-skilled workers began in the mid to late 1970s. Did public opinion about globalization change with the decline in labor-market performance? If it did, this association could be consistent with the hypothesis that labor-market pressures shape policy preferences (although, as we discuss below, it need not be if people are forward-looking regarding labor-market pressures). Ideally we would be able to test this association using data from a continuous time series of identically worded questions. We do not have this kind of data, but we are able to use two different kinds of similarly worded trade policy questions. Data from both sets of questions suggest a decline in public support for liberalization occurring at roughly the same time as the downturn in labor market outcomes.

One set of questions, asked in 1957 and 1983, is of the “is trade good or bad” variety.¹

Question:	What about tariffs on foreign goods? Do you think tariffs should be fairly high to protect people’s jobs and our own industry from foreign competition, or should they be fairly low to keep prices down and encourage international trade?
Responses:	High: 34% Low: 34% Medium (vol.): 10% Depends (vol.): 6% Don’t know: 16%

Source: Roper, March 1957

Question:	Some people favor increasing taxes on foreign imports to protect American jobs in certain industries. Others oppose increasing import taxes because it would lead to higher consumer prices for certain products. Which comes closest to your opinion?
Responses:	Favor: 55% Oppose: 36% Don’t know: 9%

Source: Gallup/*Newsweek*, May 1983

1. In these surveys, certain volunteered responses—that is, responses other than the choices presented by the interviewer—were recorded, coded, and tallied. These are identified with the abbreviation “vol.” in the results.

In 1957, respondents were evenly divided on whether they thought tariffs should be high to protect jobs or low to keep prices down. In 1983, 55 percent of respondents favored higher tariffs to protect American jobs, and 36 percent were opposed. In similarly phrased questions asked in the late 1980s and 1990s (see chapter 2), a clear majority of respondents favored the more protectionist response, as in 1983.

The other set of questions, asked in five surveys conducted between 1945 and 1981, does not address trade's costs and benefits but instead asks about higher or lower tariffs in general.

Question: Are you in favor of high tariffs or low tariffs for this country?

Responses: High: 39%
Low: 34%
No opinion: 28%

Source: Gallup, September 1945

Question: By and large, do you favor higher tariffs or lower tariffs than we have at present?

Answers, 1959: Higher: 31%
Lower: 40%
Same (vol.): 18%
No opinion: 11%

Answers, 1961: Higher: 32%
Lower: 40%
Same (vol.): 14%
No opinion: 14%

Source: Gallup, May 1959 and December 1961

Question: Frequently on any controversial issue there is no clear-cut side that people take, and also frequently solutions on controversial issues are worked out by compromise. But I'm going to name some different things, and for each one would you tell me whether on balance you would be more in favor of it, or more opposed to it? . . . High tariffs on goods imported by the United States from other countries.

Responses: Favor: 47%
Oppose: 31%
Have mixed feelings (vol.)/Don't know: 22%

Source: Roper, January 1978

Question: Frequently on any controversial issue there is no clear-cut side that people take, and also frequently solutions on controversial issues are worked out by compromise. But I'm going to name some different things, and for each one would you tell me whether on balance you would be more in favor of it, or more opposed to it? . . . High tariffs on goods imported by the United States from other countries.

Responses: Favor: 50%
Oppose: 28%
Have mixed feelings (vol.)/Don't know: 22%

Source: Roper, January 1981

These questions show a pattern similar to that of the first set: responses before the 1970s appear less protectionist. Given the amount of data and the lack of comparable questions, this time-series evidence is by no means conclusive. However, it is broadly consistent with the hypothesis that labor-market pressures have influenced US opinion about globalization.²

The second piece of evidence supporting this hypothesis is what individuals themselves have to say about the connection. Recall from chapter 2 that the large majority of Americans worry that international trade generates labor-market costs in terms of job destruction and lower wages. But when asked about these costs not in the abstract but rather with direct reference to recent US wage developments, do Americans think that globalization has mattered? The limited survey evidence on this question suggests that the answer is yes.

Question: Do you agree or disagree with the following statement: Most American trade agreements with foreign countries are a principal cause of lost jobs and a lower standard of living in this country?

Responses: Agree: 63%
Disagree: 32%
Don't know: 5%

Source: CNN/Time, October 1995

Nearly two-thirds of Americans think that trade has been "a principal cause" of lower US living standards. However, this question does not ask for respondents' opinions about trade's role relative to other forces. The next question does. What is striking is that for every respondent citing technological change as the primary cause of slow real-wage growth

2. One point that should be clear, given our evaluation of the time-series evidence, is that public opinion is *not* markedly more skeptical about globalization in the 1990s than in the late 1970s and 1980s.

(9 percent of respondents), three groups of respondents cite globalization as the primary cause (30 percent total: 11 percent for immigration, 11 percent for foreign competition, and 8 percent for jobs going overseas).

- Question: Many economic experts say that American wages are not rising as fast as they could, that is, wages are not keeping up with inflation and increases in the cost of living. To the extent that this is true, which of the following reasons would you say is most responsible for causing wages to rise slowly in the United States?
- Responses: Corporate greed: 26%
Lack of education: 15%
Illegal immigrants: 11%
Foreign competition: 11%
New technology requiring fewer workers: 9%
Jobs going overseas: 8%
Competition at home: 5%
Undecided: 15%

Source: EPIC/MRA, April 1998

What about rising wage inequality? A large majority of Americans think that trade has contributed to this trend—five times as many as those who think that trade has worked against it.

- Question: Do you think that the growth of international trade has increased the gap between rich and poor in this country, decreased the gap, or has had no effect?
- Responses: Increased: 56.2%
Decreased: 10.4%
Neither: 27.2%
Don't know/refused: 6.1%

Source: Program on International Policy Attitudes, October 1999

The responses appear to cleave across skill groups for this question, with less-educated workers more likely to think that trade has been widening inequality.

- Question: Do you think that the growth of international trade has increased the gap between rich and poor in this country, decreased the gap, or has had no effect?
- “Increase” responses:
Those with college degree or more: 50%
Those with some college: 53%
Those with high school degree: 55%
Those with less than high school: 70%

Source: Program on International Policy Attitudes, October 1999

If one describes the redistribution lines generated by trade in terms of “business” versus “workers,” Americans again seem to think that trade has worsened income distributions.

Question: As you may know, international trade has increased substantially in recent years. I would like to know how positive or negative you think the growth of international trade is, for certain groups of people. Please answer on a scale from 0 to 10, with 0 being completely negative, 10 being completely positive, and 5 being equally positive and negative.

Answers for “American business”:
Mean: 6.14
Median: 7.00
Percent over 5: 61%

Answers for “American workers”:
Mean: 4.53
Median: 5.00
Percent over 5: 25%

Source: Program on International Policy Attitudes, October 1999

Thus, the hypothesis that labor-market pressures have had a role in the formation of public perceptions and policy preferences is supported both by time-series evidence on declining support for trade liberalization and by direct questions about this linkage. It seems plausible that amid poor real and relative-wage performance, less-skilled US workers have blamed globalization for these outcomes and thus have been more likely to oppose policies aimed at further liberalization.

Chapter 4 showed, however, that most academic researchers have concluded that technological change, not globalization, has been the major force affecting US labor markets in recent decades. Is there somehow a “disconnect” between the academic research and this hypothesis linking labor-market pressures to policy perceptions? No, for at least three reasons.

First, the academic research does not uniformly conclude that globalization has had no effect on US wages, particularly the rise in wage inequality. Again, in the survey of prominent economists mentioned in chapter 4, the role of trade was estimated at 10 percent, compared with 45 percent for technology—but 10 percent is hardly negligible.

Second, in evaluating US policy, people may be forward-looking. Even if all US citizens thought that globalization has not affected US labor markets in the past, they may still think that globalization will affect them in the future. On the trade side, Haskel and Slaughter (2000) have shown that the US tariffs remaining at the end of the Tokyo Round of the General Agreement on Tariffs and Trade (GATT) were highest in the less-skill-

intensive sectors—in particular, textiles, apparel, and footwear. This finding suggests that there may be scope for future trade liberalizations—in particular, the Multifiber Arrangement phase-outs under the GATT's Uruguay Round—to pressure US less-skilled wages. On the immigration side, Borjas (1999) has examined how US less-skilled wages are likely to be pressured further if current US immigration policy is not altered to increase the skill mix of arriving immigrants. Hence there is reason to suppose that future US liberalizations will pressure US less-skilled wages.

Third, people may simply think that technological change is a force unimpeded by government policy, and so may opt for protectionist trade, immigration, and FDI policies to address labor-market pressures. Suppose Americans generally held the same views as the polled economists, thinking that technological change has been many times more important than trade or immigration in widening US inequality. They may still opt for protection because they do not think that policy can slow the advance of technology. Recall from chapter 2 that 61 percent of Americans think that trade protection can halt trade's growth.³

Thus, in many ways, worker perceptions about globalization appear to be in accord with the worker pressures of globalization. Indeed, making this connection between worker interests and opinions is one of the key contributions of this study. Although concerns about the impact of globalization on the environment, human rights, and other issues are an important part of the politics of globalization, it is the connection between policy liberalization, worker interests, and individual opinions that forms the foundation for the US public's skepticism about liberalization.

This conclusion suggests many interesting questions that we leave open. For example, our evidence linking individuals' economic interests in policy options with their preferences about these options does not preclude political leaders and the media from influencing public opinion.⁴ And our analysis has demonstrated how the globalization backlash resonates

3. The connection between preferences and pressures is further bolstered by the numerous analyses in chapter 3 that evaluated our interpretation of the empirical link between skills and preferences.

4. As we document in chapter 2, opinions about globalization are characterized by low information and uncertainty. Under such circumstances, "elite" debate may influence opinion formation. Although we do not think it likely that elites can lead opinions about globalization in any direction, under such circumstances it seems reasonable to believe that they can influence things like the connections the public makes between globalization and labor-market performance. Evaluation of the effects of elite debate on globalization opinions is an important topic for future research. With this caveat in mind, it is important to recall that our analysis of both the broad patterns and cleavages in public opinion about globalization includes data for which the distribution and intensity of elite debate varies. Consequently, we think our characterization of these *central tendencies* of public opinion on globalization are robust to these further considerations (e.g., see our analysis of the effects of political awareness in chapter 3).

with widely held public opinion that divides strongly across skill groups. As the policy actions of this backlash are the outcome of interactions among policy preferences, collective-action problems, and political institutions, we have added one piece to the puzzle of understanding the backlash.

Policy Implications

What do our findings have to say to policymakers? In closing, we offer two policy implications suggested by our analysis.

First is simply the need to acknowledge the skills-preferences opinion cleavage and the breadth of antiglobalization sentiments it implies in the United States today. In chapter 1 we cited recent antiglobalization events such as the November 1999 WTO protests in Seattle. However, much of the media coverage on that and other such events has left unclear whether those protesting were simply unrepresentative fringe groups or whether their concerns resonate with attitudes among the broader American public. The latter is closer to the truth. It is not just vandalizing “anarchists” in Seattle or just union workers from selected trade-affected industries who oppose globalization policies. It is a much broader share of US citizens, dividing strongly across skill groups. This finding is consistent with the idea that globalization’s labor-market pressures affect certain skill groups across all industries thanks to domestic labor-market competition.

Second, the skills-preferences cleavage suggests that US support for liberalization will be broader if adjustment assistance is targeted to individuals in particular skill groups. Survey evidence indicates that Americans are more likely to support liberalization when it is explicitly linked with assistance aimed at minimizing labor-market costs. First, a majority of Americans regard current trade assistance to be inadequate.

Question:	I would like to know your impression of government efforts to help retrain workers who have lost jobs due to international trade. Do you think those efforts have been . . .
Responses:	More than adequate: 2.2% Adequate: 29.1% Not adequate: 56.9% Don’t know/refused: 11.8%

Source: Program on International Policy Attitudes, October 1999

And when asked what constituencies current US trade policy favors, large majorities of Americans think that too little attention is paid to average Americans or working Americans, with a commensurate majority who think that too much attention is paid to “multinational corporations.” This finding is consistent with the idea that citizens want policy to focus not just on liberalization but also on its effect on US workers.

Question: I would like to know your sense about the US government officials who are making decisions about US international trade policy. How much do you think they consider concerns [of the following groups]?

Answers for “general American public”:
Too much: 5.3%
Too little: 68.3%
About right: 24.6%
Don’t know/refused: 1.8%

Answers for “working Americans”:
Too much: 2.2%
Too little: 72.4%
About right: 23.3%
Don’t know/refused: 2.1%

Answers for “multinational corporations”:
Too much: 54.2%
Too little: 14.5%
About right: 24.2%
Don’t know/refused: 7.1%

Source: Program on International Policy Attitudes, October 1999

Support for trade liberalization is higher when, rather than being portrayed as a yes-or-no option, a third alternative is offered—to liberalize slowly to allow more time for worker adjustment.

Question: As you may know, international trade has increased substantially in recent years. This increase is largely due to the lowering of trade barriers between countries by, for example, lowering import taxes. Lowering trade barriers is a controversial issue. Here are three positions on the issue. Which comes closest to your point of view?
A: We should keep up barriers against international trade, because importing cheap products from other countries threatens American jobs.
B: We should remove trade barriers now because this allows Americans to sell in other countries what they do the best job of producing, and to buy products that other countries do the best job producing, saving everybody money.
C: We should lower trade barriers, but only gradually, so American workers can have time to adjust to the changes that come with international trade.

Responses: Statement A: 31.3%
Statement B: 24.0%
Statement C: 42.9%
Don’t know/refused: 1.8%

Source: Program on International Policy Attitudes, October 1999

In consonance with the evidence from chapter 2, the share of protectionist preferences is larger than the share of liberalizing preferences. However, a plurality of respondents select the third option, to liberalize slowly to facilitate adjustment. Even more dramatic is that when a policy option makes explicit the need for liberalization to be linked with government adjustment policies, fully two-thirds of respondents select it.

Question: As you may know, there are various views on the question of whether the US should promote freer trade. There are also different views on the question of whether the US government should have programs that try to help workers who lose their jobs because of free trade. Which of the following three positions comes closest to your point of view?
A: I favor free trade, and I believe that it IS necessary for the government to have programs to help workers who lose their jobs.
B: I favor free trade, and I believe that it is NOT necessary for the government to have programs to help workers who lose their jobs.
C: I do not favor free trade.

Responses: Statement A: 66.3%
Statement B: 17.6%
Statement C: 14.3%
Don't know/refused: 1.9%

Source: Program on International Policy Attitudes, October 1999

Our evidence on the skills-preferences correlation suggests that adjustment policies will have maximal effect when targeted by skills. It is the less-educated, lower-income US workers who tend to be most concerned about globalization, regardless of industry of employment; hence it is to this group that adjustment policies should be directed. Adjustment policies targeted at particular industries may be inadequately narrow. For example, eligibility for the Trade Adjustment Assistance (TAA) program hinges on job dislocations from a set of industries administratively determined to be affected by trade. Our analysis suggests that this industry focus misses the large majority of those concerned about trade liberalization, because the majority of US workers are employed in nontraded industries.⁵ Today in the United States, calls for policies to “improve US skills” are widespread. Our analysis suggests a novel motivation for such policies: to better address concerns about globalization.

5. In the United States today, more people work either in retail trade or in government at all levels than in all of manufacturing.