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Protectionism in the 2016 Election: Causes and Consequences, Truths and Fictions

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Trade policy discussions in the United States have a decidedly “best of times, worst of times” flavor at the moment. Polls indicate a majority—the largest since 2000—believes trade is an opportunity for economic growth; poll respondents also believe free trade agreements are a good thing for the United States.¹ At the same time, US presidential politics have taken a protectionist turn, pulling pro-free trade sentiment down with them. Both the Democratic and Republican candidates for president—Hillary Clinton and Donald Trump—have come out against the Trans-Pacific Partnership (TPP) and the Central American Free Trade Agreement (CAFTA). Trump has gone so far as to

1. “Americans Remain Upbeat about Foreign Trade,” Gallup, February 26, 2016, www.gallup.com/poll/189620/americans-remain-upbeat-foreign-trade.aspx (accessed on August 5, 2016); “Free Trade Agreements Seen as Good for U.S., but Concerns Persist,” Pew Research Center, May 27, 2015, www.people-press.org/2015/05/27/free-trade-agreements-seen-as-good-for-u-s-but-concerns-persist/ (accessed on August 8, 2016).

suggest that he would either renegotiate or pull the United States out of the North American Free Trade Agreement (NAFTA) and impose 35 and 45 percent tariffs on Mexican and Chinese imports, respectively.² As former agricultural secretary Dan Glickman recently argued, “The ground underneath the decades old bipartisan consensus on free trade policy seems to be crumbling.”³

How did we wind up here? Two prominent explanations—that free trade is popular with elites but unpopular with the masses and that younger generations are more protectionist than older ones—can be rejected. Another three—the “China shock” sinking in, the current US electoral map privileging protectionist sentiment, and modern free trade agreements’ growing complexity—are more compelling. At root, the turn toward protectionism is the result of a disconnect between the United States’ rising trade exposure and a failure to adopt the social expenditure policies that have accompanied open markets in other advanced economies.

RED HERRING #1: FREE TRADE IS POPULAR WITH ELITES BUT NOT THE MASSES

One common view is that free trade is popular with elites but not the masses. Dave Johnson, a fellow at the Campaign for America’s Future, writes, “Voters have figured out that our country’s current ‘free trade’ policies are killing their jobs, wages, cities, regions and the country’s middle class. Giant multinational corporations and billionaires do great under free trade, the rest of us not so much.”⁴ This sentiment was central to Bernie Sanders’s campaign for the Democratic nomination and Trump’s ongoing campaign for president.

2. Simon Johnson, “Trump’s Tariff Proposal Would Gut US Export Jobs,” *Boston Globe*, June 27, 2016, www.bostonglobe.com/opinion/2016/06/26/johnson/ZE8JbSqqJb4pP2hE6rohM/story.html (accessed on October 16, 2016).

3. Dan Glickman, “The Future of Free Trade Agreements,” *The Hill*, April 8, 2016, thehill.com/blogs/congress-blog/economy-budget/275550-the-future-of-free-trade-agreements (accessed on August 8, 2016).

4. “Free Trade: The Elites Are Selling It but the Public Is No Longer Buying,” *Huffington Post*, March 11, 2016, www.huffingtonpost.com/dave-johnson/free-trade-the-elites-are_b_9441498.html (accessed on October 11, 2016).

If the US electorate at large is as protectionist as is commonly stated, it is not evident in survey data. Gallup has been polling US residents regularly on attitudes about foreign trade since the 1990s. For most of that time, majorities have viewed trade more as an opportunity for economic growth than a threat to the economy (figure 1). Opinion reversed in the mid-2000s and bottomed out at the height of the global financial crisis and concomitant steep recession. Since 2013, however, trade has been viewed more positively than even during the economic expansion of the 1990s. These data are consistent with those reported in a recent NBC News/Wall Street Journal poll.⁵

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Free trade agreements (FTAs) benefit from similar public support, though the past year has seen the margin close somewhat (figure 2). The Pew Research Center has been polling US residents on attitudes about FTAs since 2009. Over that time, a majority (53.6 percent) viewed them generally as a “good thing” for the United States, with 35.4 percent viewing them generally negatively. Likely as a result of the rancorous discussion around free trade occasioned by Sanders’s and Trump’s candidacies, support narrowed somewhat in 2016 (to 51 versus 39 percent), but a majority still viewed FTAs positively.

In both sets of polling data, approval appears to dip in presidential election years, partly because of the tendency of the US electoral system to reward protectionist policy stances in both presidential candidates and the US Congress (Conconi, Facchini, and Zanardi 2014; see “Plausible Explanation #2” below).

RED HERRING #2: YOUNGER VOTERS ARE MORE PROTECTIONIST THAN OLDER VOTERS

Another explanation that has been put forward is the youth vote and its purported anti-trade bent. Much of this discussion was fueled by revealed preferences during the presidential primaries. As the *Washington Post* reported in June, Bernie Sanders dominated the under-30 vote, winning 29 percent more votes than Trump and Hillary

Clinton combined, with Trump winning more votes than Clinton.⁶ Given that Clinton is the candidate with the strongest record of support for both free trade and FTAs, her comparatively poor performance with younger voters has been taken as evidence of a protectionist, anti-market bent among young people. Writing in *Rolling Stone*, Matt Taibbi noted, “For young voters, the foundational issues of our age have been the Iraq invasion, the financial crisis, free trade, mass incarceration, domestic surveillance, police brutality, debt and income inequality, among others. And to one degree or another, the modern Democratic Party, often including Hillary Clinton personally, has been on the wrong side of virtually all of these issues.”⁷ A month later, a Harvard survey of millennials found that only 27 percent of respondents agreed that the United States should try to eliminate trade and employment barriers (Harvard Institute of Politics 2016).⁸ Writing in the *American Prospect* in September, David Atkins said, “The Obama administration’s embrace of the Trans-Pacific Partnership—and Clinton’s slowness to come out against it—did not do her credit with many young voters inspired by Bernie Sanders’s fiery anti-TPP opposition.”⁹

It would be understandable if younger voters’ attitudes toward trade and FTAs were more skeptical: Millennials (people born between 1981 and 1997 and who came of voting age between 1999 and 2015) have experienced far greater trade exposure than earlier generations (table 1). They came of age at a time when trade as a percentage of GDP (26.6 percent) was roughly three times what it was when their grandparents cast their first vote (7.5 percent) and twice what it was when their parents first voted (13.7 percent). In the aftermath of World War II, the United

6. Aaron Blake, “More Young People Voted for Bernie Sanders than Trump and Clinton Combined—by a Lot,” *Washington Post*, June 20, 2016, www.washingtonpost.com/news/the-fix/wp/2016/06/20/more-young-people-voted-for-bernie-sanders-than-trump-and-clinton-combined-by-a-lot/ (accessed on October 5, 2016).

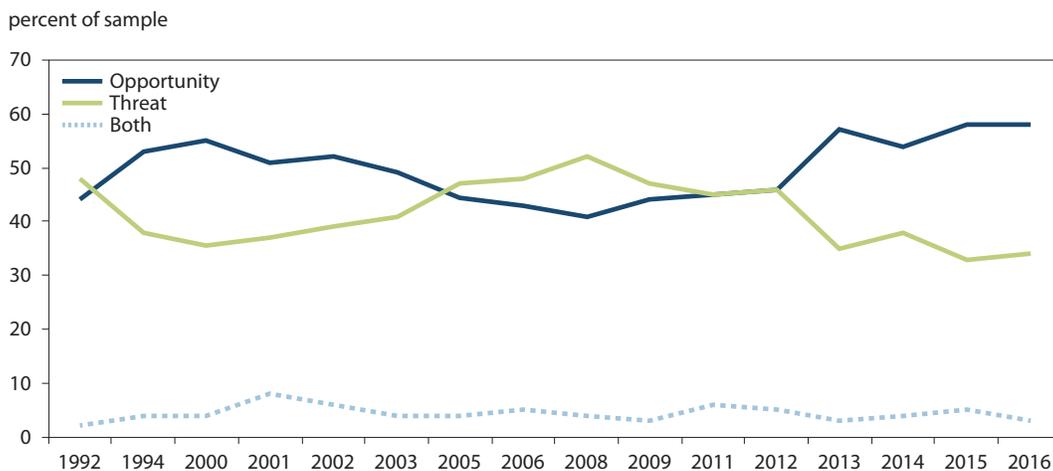
7. Matt Taibbi, “Why Young People Are Right about Hillary Clinton,” *Rolling Stone*, March 25, 2016, www.rollingstone.com/politics/news/why-young-people-are-right-about-hillary-clinton-20160325 (accessed on October 11, 2016); “Trade Deals Overshadow Democratic Race in Ohio,” *US News and World Report*, March 14, 2016, www.usnews.com/news/articles/2016-03-14/trade-deals-overshadow-democratic-race-in-ohio (accessed on October 11, 2016).

8. This study defined millennials as people 18–29. The statement was “Our country’s goal in trade policy should be to eliminate all barriers to trade and employment so that we have a truly global economy.”

9. David Atkins, “Why Millennials Don’t Like Clinton—and What She Can Do about It,” *American Prospect*, September 23, 2016, prospect.org/article/why-millennials-dont-clinton-and-what-she-can-do-about-it (accessed on October 16, 2016).

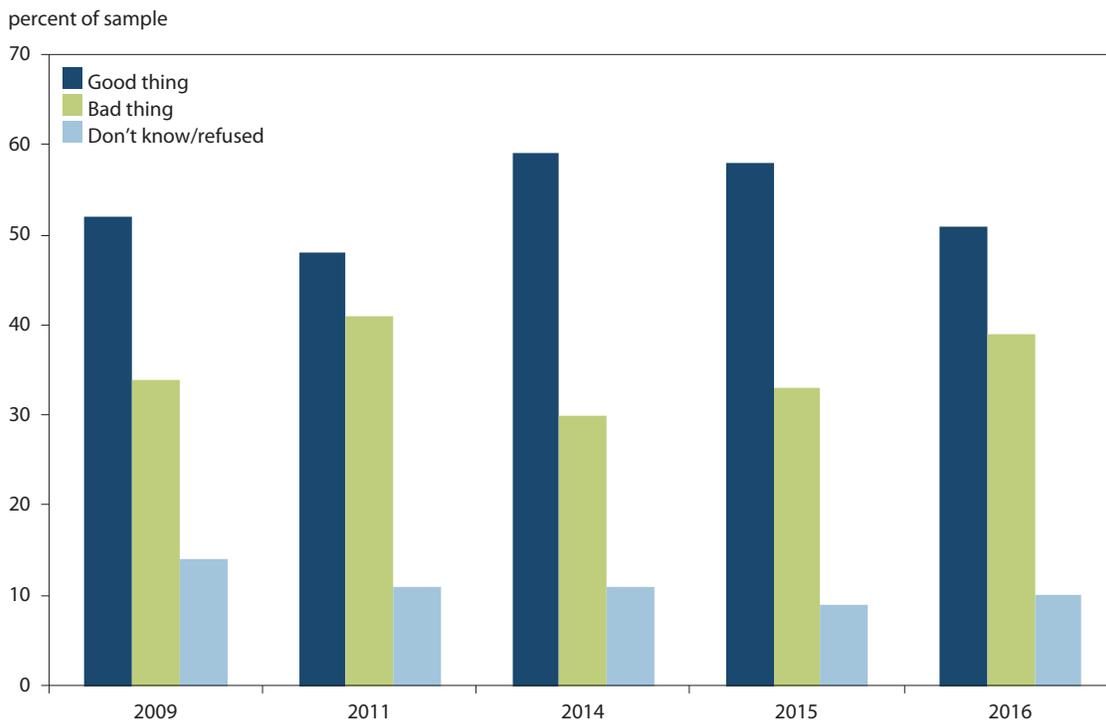
5. Mark Murray, “Majority of Voters Support Free Trade, Immigration: Poll,” *NBC News*, July 16, 2016, www.nbcnews.com/storyline/2016-conventions/majority-voters-support-free-trade-immigration-poll-n611176 (accessed on October 1, 2016).

Figure 1 Survey responses to question “Do you see foreign trade more as an opportunity for economic growth through increased US exports or a threat to the economy from foreign imports?” 1992–2016



Source: Data from Gallup (2016).

Figure 2 Survey responses to question “In general, do you think that free trade agreements between the United States and other countries have been a good thing or a bad thing for the United States?” 2009–16



Source: Data from Pew (2016).

States played the central role in the creation of the postwar liberal economic order, but if one came of age in the 1960s or 1970s, trade was still something that happened “over there,” with much less perceived relevance to the US

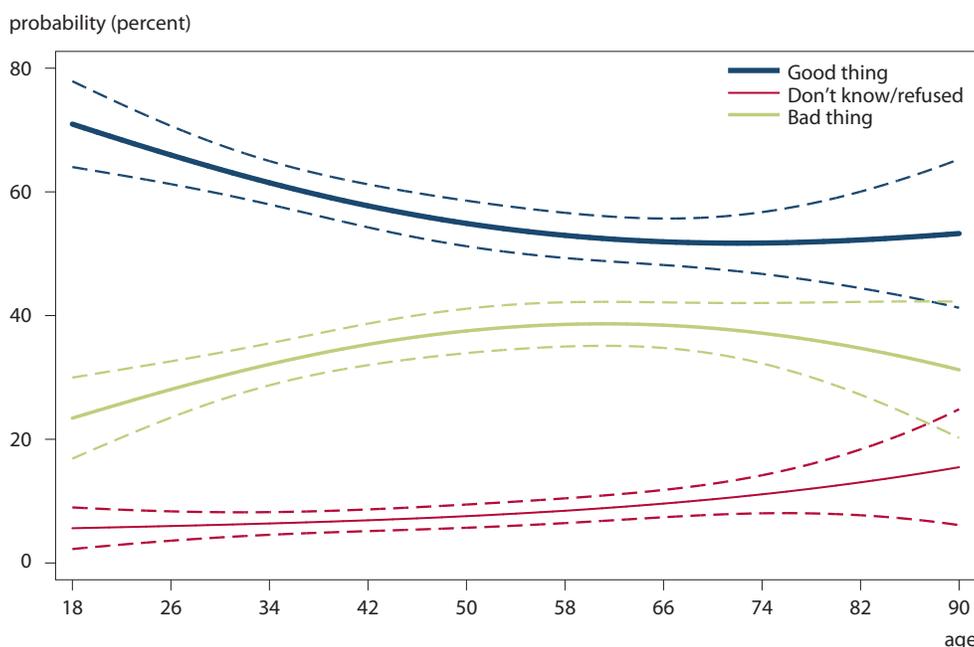
economy and US elections. Millennials are the first generation in US history to experience the kind of trade exposure the electorates of most other OECD countries have lived with since the 1960s.

Table 1 Exposure to trade by Americans of different generations

Generation	Birth year range	18th birthday range	Age in 2016	Trade as percent of GDP on 18th birthday
Silent generation	1928–1945	1946–1963	71–88	7.5
Baby Boomers	1946–1964	1964–1982	52–70	13.7
Generation X	1965–1980	1983–1998	36–51	19.7
Millennials	1981–1997	1999–2015	19–35	26.6

Source: Data from World Bank (2016); values for 1946–1959 from US Census Bureau (1975).

Figure 3 Survey responses to question “In general, do you think that free trade agreements between the United States and other countries have been a good thing or a bad thing for the United States?” by age of respondent



Note: For the regression model on which these estimates are based, see appendix A. Dashed lines are 95 percent confidence intervals for the estimated probabilities.

Source: Data from Pew (2015) and author’s calculations.

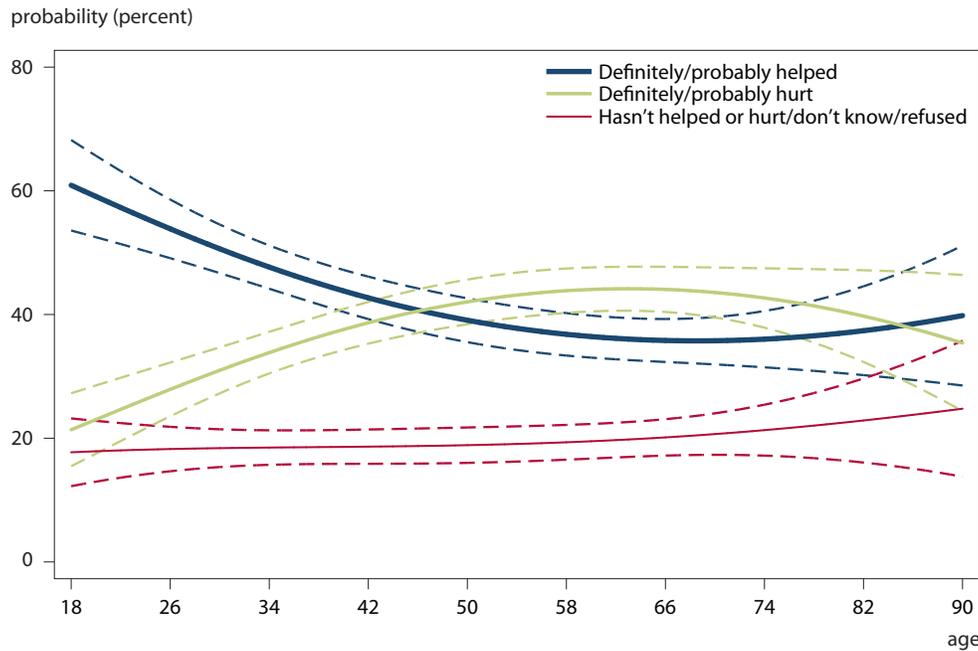
The problem with this narrative is that the data do not support it. Young people are much more pro-free trade and more likely to believe they have benefitted from trade and FTAs than any other generation. Even controlling for education, income, gender, ethnicity, and a host of other factors that might affect perceptions about their personal benefits from trade, young people are much more likely to express pro-trade and pro-FTA views. Indeed, the probability of responding “yes” to the question “In general, do you think that free trade agreements between the United States and other countries have been a good thing or a bad thing for the United States?” peaks at age 18 (76 percent) and bottoms out

in the mid-70s (52 percent) before increasing slightly in very old age (figure 3) (the regressions are reported in appendix A). Across age ranges, more poll respondents consistently view FTAs as good for the US economy than bad.

Younger people are also more likely than older people to believe that FTAs benefitted them or their families, a belief that bottoms out near retirement age (figure 4). People 54–74 are more likely to respond that free trade harmed them or their families. Baby Boomers are much more skeptical of FTAs than either their children or their children’s children.

In the main, younger voters are not clamoring for a return to more protectionist policies. Indeed, most have

Figure 4 Survey responses to question “Do you think free trade agreements have definitely helped, probably helped, probably hurt, or definitely hurt the financial situation of you and your family?” by age of respondent



Note: For the regression model on which these estimates are based, see appendix A. Dashed lines are 95 percent confidence intervals for the estimated probabilities.

Source: Data from Pew (2015) and author’s calculations.

never known a world without the World Trade Organization (WTO) and NAFTA; for younger voters, free trade and FTAs are the default state of affairs. Anti-FTA rhetoric hits home with people nearing retirement age, but not as much with older or younger Americans.

If these red herrings can be dismissed, what factors explain the protectionist bent the 2016 election has taken?

PLAUSIBLE EXPLANATION #1: THE CHINA SHOCK, POST-FINANCIAL CRISIS

One culprit is the China shock: the unprecedented (in scope and size) manufacturing-driven rise of the Chinese economy, which displaced as many as 2.0 million to 2.4 million US jobs as a result of imports from China (Acemoglu et al. 2014). Previous trade-related job displacement in the United States was either more gradual and highly geographically concentrated (like the decline in the US auto industry in the upper Midwest) or due to import competition from other higher-wage industrialized economies (Autor, Dorn, and Hansen 2013). China’s post-WTO ascension in world markets had exceptionally large, negative effects, including rising US trade deficit, wage stagnation, and especially job loss in manufacturing. Manufacturing employment losses were felt not just in the Rust Belt but also on the West Coast, the Northeast, and the South, making trade-related job loss

a more national issue.¹⁰ The “China shock” was felt beyond the “legacy losers” from trade, i.e., the Rust Belt and textile-producing communities in Georgia and the Carolinas.

This trade-related shock occurred against a broader backdrop of technology- and demand-driven job loss in manufacturing and skills-biased technological changes that drove down wages of lower-skilled workers. Practically, it may not matter to laid-off assembly line workers whether their job was “taken” by foreign workers or robots. The former, however, makes for a much more obvious political scapegoat, especially if the workers are Chinese (so that they can be linked to concerns about US national security and status as the world’s lone superpower) or Mexican (so that they can be linked to fears about immigration).¹¹

The China shock’s employment effects likely peaked around 2007—just as the global financial crisis arrived (Autor, Dorn, and Hansen 2013). Candidate and voter

10. Dustin Dwyer, “Where Have the Effects of Trade With China Hit Hardest? Not in the Midwest,” *Changing Gears*, February 24, 2012, www.changinggears.info/?p=12969 (accessed on October 26, 2016).

11. Margalit (2011) finds some evidence that voters respond more to job loss caused by offshoring than to job loss from other causes, such as technological change or domestic competition, but his sample is based on Trade Adjustment Assistance petitions, which are a nonrandom sample of aggrieved workers.

attention turned quickly to economic issues, but financial reform and domestic stimulus, rather than trade, became the key economic issues of the 2008 and 2012 elections (Bartels 2013). Only as the financial crisis gave way to a slow recovery has the China shock put trade front and center. Economically, the China shock is behind us. Its electoral consequences may not be.

PLAUSIBLE EXPLANATION #2: PROTECTIONIST SENTIMENT IN BATTLEGROUND STATES

The US electoral system results in presidential campaigns that are significantly more protectionist and skeptical of FTAs than the country as a whole. US presidential elections are not national elections but a series of winner-takes-all state (plus the District of Columbia) elections to elect the electoral college, which elects the president.¹² For a variety

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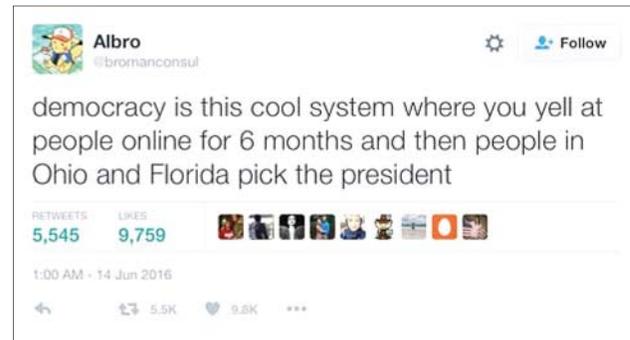
of reasons related to demographics and internal migration, many of these elections are not competitive. California, the state with the most electoral college votes (55), has voted Democratic in every presidential election since 1992, with an average margin of victory of almost 16 points. Texas, the largest reliably red state (38 electoral college votes), has voted Republican by an average of 13.4 points (a number that would have been considerably higher had native Texan Ross Perot not run as an independent in 1992 and 1996). Hillary Clinton began the general election campaign under no illusion that she would carry Texas¹³ or Tennessee;

12. Maine and Nebraska allocate their electors differently, with two electoral votes going to the winner of the popular vote and one each to the winner of the popular vote in the state's congressional districts. Until Barack Obama carried Nebraska's 2nd congressional district in 2008, the method had never resulted in a split panel of electors.

13. Demographic trends and Donald Trump's stance on immigration may be redrawing the electoral map, however. RealClearPolitics poll aggregator shows Clinton trailing Trump in the traditionally GOP-voting state by only five points as of October 25. "Texas: Trump vs. Clinton vs. Johnson vs. Stein," RealClearPolitics, www.realclearpolitics.com/epolls/2016/president/tx/texas_trump_vs_clinton_vs_johnson_vs_stein-6104.html (accessed on October 27, 2016).

Trump presumably felt the same about Democratic strongholds like California and New York.

Despite ritualized claims that the candidates will contest every state, the action in presidential elections—the campaign stops, the ad buys, the tailoring of messaging, and the ground game of mobilizing supporters and engaging in outreach—inevitably boils down to a handful of battleground states. Twitter user @bromanconsul sums up the issue succinctly:



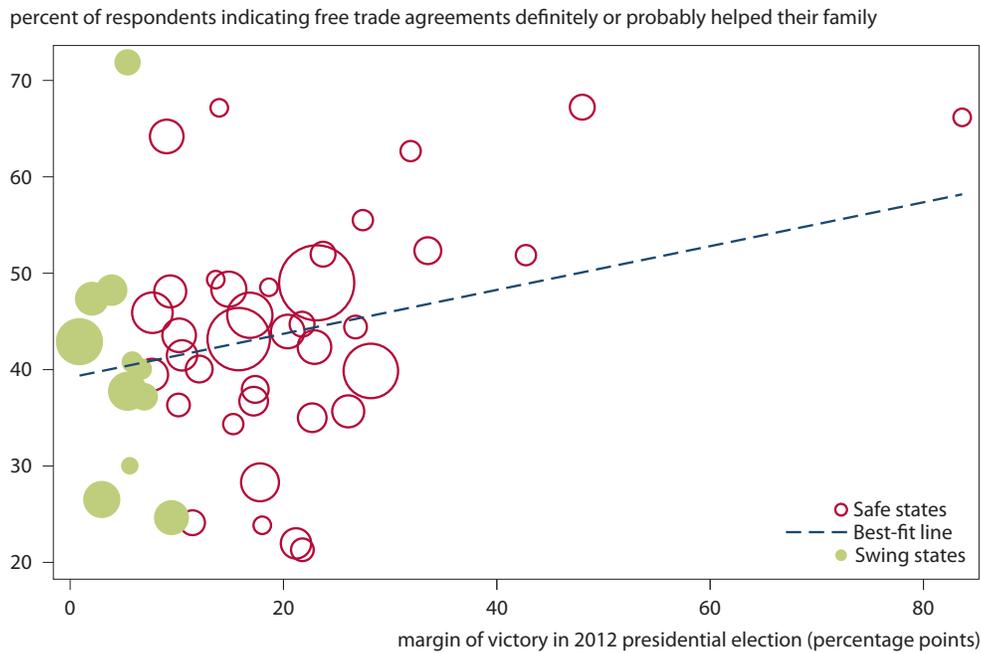
Battleground status is a contested concept, but the list of battleground states nearly always includes Michigan, Ohio, and Pennsylvania, three former industrial powerhouses that were staggered by deindustrialization well before the recent China shock as a result of import competition in the automobile industry. Voters in these states not only are more skeptical of trade and trade agreements but also attach more salience to trade as an issue (Guisinger 2009). A fourth state, Florida, is one of the primary destinations for Rust Belt migrants in search of better economic prospects.

These battleground states are more skeptical of free trade agreements than their less electorally competitive counterparts. Figure 5 plots US states and the District of Columbia according to the proportion of Pew survey respondents who thought FTAs had definitely or probably helped them and their families and the absolute margin of victory in the 2012 presidential election.¹⁴ More positive views of free trade are positively correlated ($r = 0.36$, $p < 0.05$) with absolute margins of victory, meaning that the more pro-free trade states are less competitive. The more competitive the state, the more skeptical the views on FTAs.

In the 11 battleground states in the 2016 election (Colorado, Florida, Iowa, Michigan, Nevada, New Hampshire, North Carolina, Ohio, Pennsylvania, Virginia, and Wisconsin), the pattern is striking. In only one (Colorado, with 9 electoral votes) did the majority of re-

14. Proportions are weighted using Pew's analytic weights to address over- and undersampling. North Dakota, Vermont, and Wyoming are excluded because they had five or fewer respondents.

Figure 5 Correlation between proportion of respondents in state who indicate that free trade agreements had definitely or probably helped them and their family and absolute margins of victory in the 2012 presidential election



Note: Size of circles reflects number of electoral votes.
Sources: Data from Pew (2015) and Federal Electoral Commission (2013).

spondents report that free trade had definitely or probably helped them or their families. In the remaining 10 (which together hold 137 electoral votes), the proportions agreeing with the statement ranged from 25 percent in Michigan (where Bernie Sanders won the Democratic primary) to 27 percent in Ohio and 48 percent in Virginia. Since 1944 Ohio has gone for the losing candidate at the national level only once (in 1960, when Richard Nixon carried the state over John Kennedy, with 53.3 percent of the vote). Moreover, voters in swing states are more apt to punish incumbents as trade exposure increases, creating a built-in disincentive to engage in further trade liberalization (Jensen, Quinn, and Weymouth 2016). This tendency can be offset, however, by government programs like Trade Adjustment Assistance, which help cushion the anti-incumbent effects of trade-related job loss (Margalit 2011).

Facing this electoral map, it is easy to understand why presidential candidates would temper their pro-trade positions in order to court voters in more protectionist battleground states. Free trade may be better policy, but protectionism plays better on the campaign trail—and the US electoral map amplifies this tendency. Absent major reforms to the electoral college or rapid demographic shifts in the upper Midwest, these states will continue to exert outsized influence on trade policy discussions.

PLAUSIBLE EXPLANATION #3: FREE TRADE AGREEMENTS AREN'T JUST ABOUT FREE TRADE

The basic arguments for both the aggregate welfare-enhancing effects of free trade and its concentrated costs are readily absorbed by first-year college students, if not high school students. Creating the architecture for such a trading system is considerably more complex—and has grown more so over time. This complexity both undermines the perceived transparency of FTAs and facilitates the creation of broad, anti-FTA coalitions that require that their members reject not the concept of free trade but the implementation of FTAs.

The text of the Israel-US Free Trade Agreement, which entered into effect in 1985, totals roughly 7,500 words. The text of the TPP, inclusive of annexes and schedules, runs to roughly 2 million words—an astonishing 266 times longer. The TPP is not an isolated case: FTAs have grown longer and more complex over time, as they move beyond tariff barriers to touch on a host of regulatory issues related to market access, harmonization of standards, environmental issues, intellectual property, and health and safety.

The increase in complexity is necessary to address nontariff barriers to trade, facilitate complex global supply

chains, and, some would argue, satisfy special interests in signatory countries. However, it both contributes to the sense that trade deals are intentionally obscure—and what is lurking in those pages?—and provides points of access for stitching together an anti-FTA coalition on grounds removed from standard arguments about employment effects, gains from trade, and the like.

The TPP counts among its detractors not just conventional import-competing opponents of FTAs like labor unions but also environmental organizations like the Sierra Club (which views its protections regarding wildlife and biodiversity as weak) and public health/development-related NGOs like Doctors without Borders and Oxfam (which oppose it on the grounds that it would curtail access to life-saving medicines in the developing world).¹⁵ Harmonizing standards in these areas across countries necessarily infringes on each country's sovereign autonomy to craft domestic policy, stoking concerns of a regulatory race to the bottom. Americans may view free trade and FTAs *in the aggregate* positively while being skeptical of particular FTAs, even if those FTAs—like the TPP—largely reflect US economic interests and are modeled on previous US trade agreements (Allee and Lugg 2016).

These factors help explain why Bernie Sanders was able to cultivate a large following among young voters, the most avowedly pro-free trade age cohort in the country: For Sanders and his supporters, TPP and other modern FTAs are not just—or perhaps even primarily—about traditional trade policy, they are about a host of issues related to workers' rights, environmental protection, and intellectual property. They also explain Hillary Clinton's about-face on TPP while maintaining a generally pro-free trade stance in the 2016 campaign. During the Democratic primary debate in New Hampshire on February 4, she laid out her pro-free trade, anti-TPP position:

I have a very clear view. We have to trade with the rest of the world. We are 5 percent of the world's population. We have to trade with the other 95 percent. And trade has to be reciprocal. That's the way the global economy works. But we have

failed to provide the basic safety net support that American workers need in order to be able to compete and win in the global economy.¹⁶

FREE TRADE AND EMBEDDED LIBERALISM

US public opinion is not, on the whole, anti-free trade. It appears, however, to be near a turning point regarding how to address the pain that has come with it. In other advanced economies, increasing trade openness has generally been accompanied by more interventionist employment, education, and social insurance policies and concomitant increases in the size of government (Katzenstein 1985, Rodrik 1996). This pattern has not held in the United States. That will need to change.

The basic logic is simple: Exposure to trade increases potential benefits but increases potential risk, and often the beneficiaries and risk-bearers are not the same industries or communities. Because the government has incentives to both maximize the size of the economy—which trade facilitates—and promote domestic stability, it has an incentive to provide social insurance in the form of compensatory domestic spending. By providing social insurance against external shocks, the government can sustain support for policies that enlarge the economy as a whole.

The relationship between trade and the size of government has not been central to US presidential politics for most of the 20th century. Since surpassing the United Kingdom in the early 1960s, the United States had been the world's largest trader in absolute terms until being surpassed by China recently. As a share of the economy, however, US trade has lagged significantly behind the levels of most of its industrialized, democratic counterparts. Most OECD economies began the 1960s more exposed to trade than the United States is now.¹⁷

The economies of the United States and Japan have generally been more inwardly focused. The United States' trade share was only half that of Japan in the 1960s to the mid-1980s. Trade as share of GDP averaged just 9.4 percent in the 1960s, well below OECD (24.1 percent) and world (24.6 percent) averages (table 2). This share climbed to 14.5 percent in the 1970s as a result of successive oil shocks, higher import prices, and increased demand for more fuel-efficient

15. AFL-CIO, "Ten Critical Problems with the Trans-Pacific Partnership," www.aflcio.org/Issues/Trade/Trans-Pacific-Partnership-Free-Trade-Agreement-TPP/Ten-Critical-Problems-with-the-Trans-Pacific-Partnership (accessed on August 15, 2016); Sierra Club, "Trans-Pacific Partnership," www.sierraclub.org/trade/trans-pacific-partnership (accessed on August 15, 2016); Doctors without Borders, "Trading away Health: The Trans-Pacific Partnership Agreement (TPP)," March 3, 2013, www.doctorswithoutborders.org/news-stories/briefing-document/trading-away-health-trans-pacific-partnership-agreement-tpp (accessed on August 15, 2016); OXFAM America, "Intellectual Property and Access to Medicine," policy-practice.oxfamamerica.org/work/trade/intellectual-property-and-access-to-medicine/ (accessed on August 15, 2016).

16. Hillary Clinton, "MSNBC Democratic Primary Debate in New Hampshire," www.ontheissues.org/2016_MSNBC_NH_Dems.htm (accessed on August 15, 2016).

17. The reasons for higher trade shares in OECD members are myriad, ranging from geographic proximity, higher average incomes, and smaller populations to intentional policy choices (such as the European Economic Community) designed to rebuild and reintegrate Western Europe in the aftermath of World War II (Ruggie 1982, Deardorff 1984).

Table 2 Trade and general government final consumption expenditure in the United States, the OECD, and the world, by decade, 1960–2015 (percent of GDP)

Period	United States		OECD		World	
	Trade	Central government expenditure	Trade	Central government expenditure	Trade	Central government expenditure
1960s	9.4	16.5	24.1	14.7	24.6	13.9
1970s	14.5	17.0	30.7	16.6	31.8	15.5
1980s	18.1	15.9	36.6	17.1	38.0	16.3
1990s	21.5	15.1	39.2	17.0	43.2	16.4
2000s	25.2	15.3	48.8	17.5	54.6	16.6
2010–15	29.7	15.5	56.4	18.5	59.6	17.4
Percent change, 1960s–2010s	216	–6	134	26	142	25

OECD = Organization for Economic Cooperation and Development

Source: Data from World Bank (2016).

vehicles from Europe and Japan. Still, US trade shares were comparatively small. In 1979 the United States surpassed only import-substituting Argentina, Brazil, and Turkey and still collectivist China in trade as a share of GDP. Since the 1970s, trade exposure in the United States has almost doubled. NAFTA began this process in the 1990s, but it accelerated more rapidly following China's accession to the WTO in 2001.

Bucking both OECD and global trends, US government expenditures have not risen in tandem. General government final consumption expenditure as a share of GDP—government expenditures on goods and services for individual and collective needs of the community—has been lower in the 2000s than during the 1960s, a time when the US economy and US workers were much less exposed to the vicissitudes of global markets and less likely to be displaced by technology (Iversen and Cusack 2000).¹⁸ Compared with other advanced democracies, the United States lags far behind in government spending, even compared with less trade-exposed advanced economies like Australia and Japan (figure 6). If rising government expenditures are central to the embedded liberal compromise—the combination of free trade with a more interventionist state that would address issues of equity and social protection—it should be unsurprising that support for the former would falter in the absence of the latter. Like the proverbial boiled frog, the United States has slowly seen wages stagnate and its trade exposure creep up without reacting with increased social

expenditures that might have headed off protectionist sentiment. In 2016 the US electorate hit its boiling point.

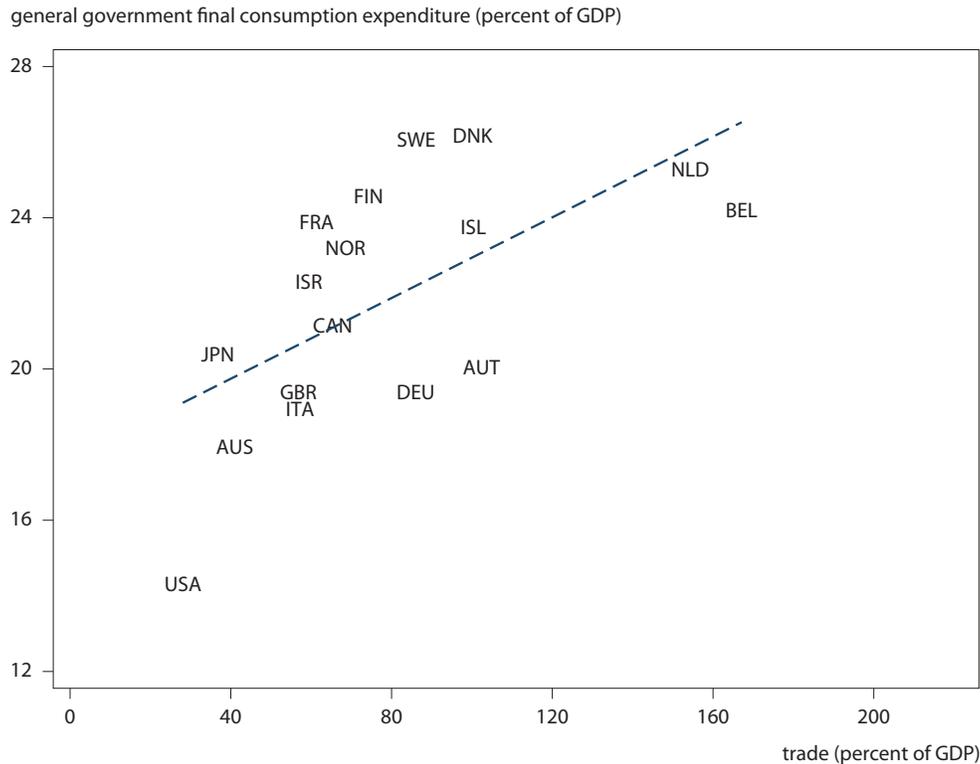
The disconnect between the United States' massive increase in trade exposure and minimal (if any) concomitant growth in the size of the state is at the heart of the apparent turn toward protectionist politics this election year. Protectionist rhetoric is a surrogate for a deeper discussion about the role of the state in an increasingly open economy. When Bernie Sanders says the United States should be more like Denmark or Sweden, he is presumably referencing their much higher government spending (about 25 percent of GDP in the 2000s versus 15.3 percent in the United States) to address issues of social and economic inequality arising from trade and technological change. But those levels of social expenditures are in part a response to much, much higher levels of trade exposure (more than 90 percent of GDP in Denmark and more than 80 percent in Sweden). Total social expenditures in the United States are broadly on par with other advanced economies—but only because of massive private expenditures, particularly on education and health care, the prices of which have risen much faster than inflation since the 1990s (Kirkegaard 2015). The private nature of these expenditures means that the losers from free trade—and others who have seen real incomes stagnate or decline—are falling even farther behind.

CONCLUSION

Trade makes the United States better off as a whole, but evidence that the costs are unevenly shared is mounting. Trade and technological change have cost many people their jobs, and transfers (for unemployment, disability, retirement, and health care) are not closing the gap in their incomes (Autor, Dorn, and Hansen 2013). This gap is also fueling political polarization (Autor et al. 2016; McCarty, Poole, and Rosenthal 2016). In this environment, both left-

18. As a share of GDP, total government spending by central, state, and local governments and social security funds in the United States was 11.4 percent higher in the 2000s than in the 1970s, though the increase was almost entirely confined to the period of the financial crisis (2007–12). Before that the figure had been essentially flat for decades (data.oecd.org/gga/general-government-spending.htm, accessed on October 17, 2016).

Figure 6 Correlation between trade as percentage of GDP and general government final consumption expenditure in 17 advanced democracies, 2015



AUS – Australia, AUT – Austria, BEL – Belgium, CAN – Canada, DEU – Germany, DNK – Denmark, FIN – Finland, FRA – France, GBR – United Kingdom, ISL – Iceland, ISR – Israel, ITA – Italy, JPN – Japan, NLD – Netherlands, NOR – Norway, SWE – Sweden, USA – United States
 Source: World Bank (2016) and author’s calculations.

and right-wing populist candidates have been able to gain traction, in large part by attacking free trade. But trade may not be the culprit, per se: Many advanced economies sustain much higher levels of trade exposure and do so with more expansive programs of social expenditure to address the costs (Kirkegaard 2015). The protectionist turn in the 2016 US presidential election is the result of neither a sea change in

public opinion on trade nor an anti-trade youth in revolt. It is intimately tied to the interaction between attitudes on trade and the peculiarities of the US electoral system, the tendency to make free trade agreements ever more encompassing, and government spending and compensatory policies that have not kept up with technological and trade shocks—particularly the China shock—to the US employment landscape.

APPENDIX A REGRESSION RESULTS

Table A.1 reports the regression results used to estimate the values reported in figures 3 and 4. The data are from a survey conducted by the Pew Research Center on May 15, 2015, the most recent survey in which these questions were asked and for which data are available for multivariate analysis. The outcome variable for model 1 is respondents' answer to the following question: "In general, do you think that free trade agreements between the United States and other countries have been a good thing or a bad thing for the United States?" Responses include 0 (good thing), 1 (bad thing), and 2 (don't know/refused to answer) (table A.2).

The outcome variable for model 2 is respondents' answer to the following question: "Thinking about the financial situation of you and your family.... Do you think free trade agreements have definitely helped, probably helped, probably hurt, or definitely hurt the financial situation of you and your family?" Responses include 0 (definitely/probably helped), 1 (definitely/probably hurt), and 2 (neither helped nor hurt/don't know/refused to answer) (table A.3).

Models were run using multinomial logistic regression with robust standard errors and Pew's calculated analytic weights designed to make the sample representative of the US population. In both models, coefficient estimates reflect the change in the likelihood of the outcome relative to the base category (model 1 = good thing, model 2 = definitely/probably helped) (table A.1).

Table A.1 Multinomial logistic regression estimates of support for free trade agreements in the United States

Variable	Model 1		Model 2	
	Bad thing	Don't know/ refused	Definitely/probably hurt	Neither/don't know/refused
Age				
Age in years	0.0497** (0.0195)	0.0164 (0.0298)	0.0784*** (0.0202)	0.0261 (0.0217)
Age in years squared	-0.0004** (0.0002)	0.0000 (0.0003)	-0.0006*** (0.0002)	-0.0001 (0.0002)
Education				
Education level	0.4998*** (0.1740)	0.0843 (0.3189)	0.2742 (0.1816)	0.1866 (0.2239)
Education level squared	-0.0526*** (0.0165)	-0.0021 (0.0300)	-0.0432** (0.0175)	-0.0194 (0.0211)
Income				
Income level	-0.0324 (0.1236)	-0.4937** (0.2019)	-0.1024 (0.1255)	-0.1195 (0.1497)
Income level squared	-0.0033 (0.0114)	0.0374* (0.0199)	-0.0026 (0.0120)	0.0071 (0.0139)
Gender				
Female	-0.2083* (0.1242)	0.8510*** (0.2206)	-0.2687** (0.1299)	0.3772** (0.1509)
Race				
Black	0.1699 (0.2099)	-0.0826 (0.3480)	0.3039 (0.2218)	-0.0165 (0.2773)
Asian	-0.1560 (0.3619)	-1.2571 (1.0366)	-0.3639 (0.3942)	-0.5872 (0.4092)
Mixed	0.3255 (0.2923)	-0.0260 (0.4662)	1.1199*** (0.3289)	0.3012 (0.3654)
Other	0.5004 (0.3079)	-0.2414 (0.5405)	0.8169*** (0.2943)	-0.1737 (0.3589)
Non-Hispanic	0.6607** (0.2704)	0.3011 (0.3880)	0.6794*** (0.2614)	-0.0710 (0.2512)

(table continues)

Table A.1 Multinomial logistic regression estimates of support for free trade agreements in the United States
(continued)

Variable	Model 1		Model 2	
	Bad thing	Don't know/ refused	Definitely/probably hurt	Neither/don't know/refused
Region				
Midwest	0.2899 (0.2002)	0.5582 (0.3459)	-0.0859 (0.2109)	-0.0538 (0.2370)
South	0.1501 (0.1849)	0.2938 (0.3230)	-0.2250 (0.1895)	-0.4757** (0.2232)
West	0.2554 (0.1983)	0.0746 (0.3634)	-0.5803*** (0.2106)	-0.5936** (0.2396)
Suburban dweller	-0.1024 (0.1590)	0.2130 (0.3078)	0.1088 (0.1710)	0.0854 (0.2099)
Urban dweller	-0.4142** (0.1792)	0.0333 (0.3360)	-0.1818 (0.1876)	-0.1817 (0.2325)
Voter registration				
Probably registered	-0.1504 (0.2486)	-0.0907 (0.4457)	-0.2292 (0.2572)	-0.1771 (0.3291)
Not registered	-0.4617** (0.1816)	-0.2582 (0.3165)	-0.5309*** (0.1934)	0.1126 (0.2036)
Don't know	-0.4851 (0.8311)	0.9263 (0.8635)	-1.5003* (0.8917)	0.5952 (0.7605)
Other				
Constant	-3.0693*** (0.7415)	-2.9647*** (1.0783)	-2.2046*** (0.7527)	-1.4736* (0.8233)
Observations	1,779	1,779	1,779	1,779

Note: Values are estimated regression coefficients, not marginal effects. Values for categorical variables (male/female, race, Hispanic, region, community type, and voter registration status) are relative to the excluded category (male, Hispanic, northeast, rural, definitely registered). Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table A.2 Raw survey responses to question “In general, do you think that free trade agreements between the United States and other countries have been a good thing or a bad thing for the United States?”

Response	Frequency	Percent
Good thing	1,158	57.84
Bad thing	670	33.47
Don't know/refused	174	8.69
Total	2,002	100.00

Source: Data from Pew (2015).

Table A.3 Raw survey responses to question “Do you think free trade agreements have definitely helped, probably helped, probably hurt, or definitely hurt the financial situation of you and your family?”

Response	Frequency	Percent
Definitely/probably helped	886	44.26
Definitely/probably hurt	709	35.41
Neither/don't know/refused	407	20.33
Total	2,002	100.00

Source: Data from Pew (2015).

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