

Effects of the Great Recession on American Attitudes toward Trade

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Abstract

Did the American public become more protectionist during the Great Recession of 2007-2009? If so, why? During this period, many observers expressed concern that rising unemployment would stimulate protectionist pressures. Our results indicate that although increased unemployment did not have an across-the board effect on trade preferences, individuals working in import-competing industries who lost their jobs during the Great Recession did grow more hostile to trade. However, even greater rising hostility to overseas commerce stemmed from a variety of non-material factors. Increasing ethnocentrism and opposition to involvement in world affairs between 2007 and 2009 help to account for growing antipathy toward trade. Further, increasing concern that foreign commerce would harm people in the future, even if it had not done so thus far, contributed to growing opposition to trade among the American public during the economic downturn.

The received wisdom is that protectionism rises during economic recessions. Much of the empirical support for this claim is drawn from work on the United States (Bohara and Kaempfer 1991; Rodrik 1995: 1486; Irwin 2005), although the evidence is hardly limited to this country (Corden 1987; Mansfield and Busch 1995). Despite the pervasive view that dips in the business cycle generate anti-trade sentiment, little empirical research has actually attempted to evaluate whether recessions prompt the mass public to become more hostile to overseas commerce and, if so, why.

In this study, we address whether the American public became more protectionist during the Great Recession of 2007-2009, the worst economic downturn in the U.S. since the Great Depression. We surveyed a representative sample of Americans in July 2007—before the recession’s onset—and the same Americans again in July 2009—after the recession’s conclusion. The fortuitous timing of this panel design allowed us to observe changes in individuals’ attitudes toward trade during the recession. Most importantly, the panel includes many repeated items that allow us to test alternative theories for why economic downturns may result in increased hostility to trade.

During this period, the U.S. unemployment rate nearly doubled and many observers expressed concern that this would stimulate protectionist pressures.. As *Forbes* magazine put it during the summer of 2009, “rising unemployment figures ... are a strong leading indicator of social pressures that can drive governments to restrict or distort trade.”¹ Consistent with this claim, political economists frequently argue that recessions generate protectionist pressures because individuals who lose jobs during downturns worry that they may experience difficulty finding alternative employment. These concerns are likely to be especially pronounced among

¹ See “Trade Protectionism Shadows Recession,” *Forbes*, July 16, 2009, accessed at <http://www.forbes.com/2009/07/15/trade-protectionism-doha-business-oxford.html>.

workers in import-competing industries that face rising competition from foreign producers (Irwin 2002; Bagwell and Staiger 2003).

Our results provide some support for this argument: although rising unemployment did not have an across-the board effect on trade preferences, individuals working in import-competing industries who lost their jobs during the Great Recession did grow more hostile to trade. However, even greater increases in hostility to overseas commerce stemmed from a variety of non-material factors. Existing research indicates that opposition to international trade is linked to an aversion to engagement in foreign affairs more generally and to prejudice toward people of different races and ethnicities (Mansfield and Mutz 2009). In the same vein, we find that increasing ethnocentrism and opposition to involvement in world affairs between 2007 and 2009 help to account for growing antipathy toward trade. Further, we find that increasing concern among Americans that foreign commerce could harm them in the future, even if it had not done so thus far, contributed to growing opposition to trade among the American public.

In some ways, the Great Recession is a unique episode with which to address the connection between changing economic conditions and trade attitudes. This event was a sudden exogenous shock that precipitated an unusually rapid decline in perceptions of the country's economic well-being. Methodologically, this helps to establish that economic change is driving trade attitudes. Moreover, our panel data also make it possible to rule out many potentially spurious associations. We take advantage of this unusual setting to break new ground in understanding changes in trade preferences, a topic on which very little research has been conducted.

THE GREAT RECESSION

Although the Great Recession had global repercussions, national polls consistently suggest that Americans did not attribute the U.S. financial crisis to international commerce. Before the recession officially began, a representative sample of Americans was asked who or what they thought should get most of the blame if a recession occurred. President George W. Bush was at the top of the list, the risky loans of mortgage lenders were second, and the third most popular target of blame was Congress (Los Angeles Times/Bloomberg Poll 2008). After the recession had occurred, a September 2009 survey indicated that Americans primarily blamed government institutions that did not do enough to regulate banks and financial companies, and financial companies that made risky loans or investments (Allstate/National Journal Heartland Monitor Poll 2009). Overseas commerce was not mentioned.

In a more extensive assessment, Americans were asked to what extent they blamed each of a long list of possible causes of the recession. Again, the most popular targets of blame were the banks and lenders that made risky loans, followed by the federal government and people who borrowed money that they could not afford to repay (Associated Press 2009). Likewise, other studies have found that blame was affixed to banks and financial institutions and, to a lesser extent, large corporations (Kenworthy and Owens 2012).

Importantly, none of the targets of blame for the recession involved trade, offshore outsourcing, or foreign competition. Thus, there was no ostensible reason for the American public to become more anti-trade in response to this economic decline. Consequently, the Great Recession poses an especially challenging test of the hypothesized relationship between economic downturns and public attitudes toward trade. To the extent that economic declines prompt waning support for trade *even when the decline is perceived to be domestic in origin*, we have an opportunity to better understand why this pattern occurs.

POTENTIAL THEORETICAL EXPLANATIONS

We examine a range of possible explanations for why protectionist sentiment might rise during recessions. The two prominent political economy theories about the origins of mass trade preferences—the Stolper-Samuelson and Ricardo-Viner models—both emphasize personal economic self-interest (in the former case rooted in one’s current skill level, and in the latter case, rooted in one’s current industry of employment). Based on the Stolper-Samuelson approach, high-skilled labor in the U.S. should support open trade, whereas low-skilled labor should oppose it. A Ricardo-Viner approach predicts that those employed in industries hurt by trade should be more likely to oppose it. Cross-sectional evidence has yielded only scattered and indirect evidence to date that either approach explains trade preferences.²

In both theories, trade attitudes are assumed to be fixed. As such, neither provides an obvious explanation for why trade attitudes should *change* over the course of a recession, unless someone’s skills or industry of employment change. Among workers whose skills change during a recession, only those who experience a reduction in their skills would be expected to grow more hostile to trade. Equally, based on the Ricardo-Viner approach, it should be those individuals who shift into industries negatively affected by trade during a recession that become more opposed to trade. It is improbable that enough individuals would suffer a decline in skills or gain employment in this sector to account for the rise in protectionism that recessions are purported to stimulate. For these reasons, we look elsewhere for explanations as to why protectionism should rise in response to a recession.

² For studies examining these cross-sectional relationships, see O’Rourke and Sinnott 2001; Scheve and Slaughter 2001; Mayda and Rodrik 2005; Hainmueller and Hiscox 2006; Mansfield and Mutz 2009.

Rising Unemployment

Is unemployment the engine driving increased protectionism during economic hard times? For centuries, concern over unemployment has been at the core of protectionist arguments (Irwin 1996: 40-41). As Irwin (2002: 70) explains, “The [protectionist] argument that resonates most strongly with the public and with politicians is that imports destroy jobs.” It is widely believed that unemployment stimulates protectionist pressures and is a key influence on trade policy (Bohara and Kaempfer 1991; Irwin 2005; Bown and Crowley 2013).

Further, job loss during a recession might provoke opposition to trade regardless of whether the downturn is seen to be caused by trade. The problem is not just that competition from imports can lead to job losses; it is also that unemployed workers will find it more difficult to become reabsorbed into the labor force during recessions. Even if they are re-employed, those workers who are displaced by rising imports are likely to suffer a significant and permanent reduction in wages (Kletzer 2004).

The surge in unemployment was one of the most striking features of the Great Recession. Hence, those who sustained a job loss during the recession might become more opposed to trade if they believe that it affects their prospects of re-employment. In addition, if people in industries or occupations negatively affected by trade were ever going to react to their personal vulnerability, one would expect it to occur when they become jobless during a severe economic downturn. Those losing a job in a threatened occupation or industry should become *more* opposed to trade, while those who lose a job in an occupation or industry benefitting from trade should become *more* supportive of international commerce. If someone loses a job and is aware that his or her prospects of re-employment are threatened by imports, it would be surprising if the person did not become more hostile to trade.

Intensification of Anti-Trade Preferences

The simplest explanation for growing opposition to trade during recessions is that many individuals already believe that trade is economically harmful.³ In the face of economic stress, their anti-trade views then intensify in response to the need for economic improvement. Of course, those who believe trade is beneficial to the economy should also logically become increasingly supportive of trade. But to the extent that more of the mass public believes overseas commerce is harmful than beneficial, one would still expect a net decline in support for trade from intensification of preferences.

Rising Ethnocentrism

Another account of why individuals might exhibit growing hostility to trade during a recession stems from the link between ethnocentrism and opposition to trade. Because trade involves foreign countries, ethnocentric individuals may oppose it without any apparent economic motive. For example, one cross-sectional survey found that domestic ethnocentrism (that is, how American racial/ethnic ingroups feel about outgroups) reduced support for trade, even after accounting for other factors (Mansfield and Mutz 2009). Some experimental results are also consistent with the potential for ethnocentrism to cause greater opposition to trade (Sabet 2013).

If ethnocentrism increases during times of economic hardship, it could also help explain increased public opposition to trade. This prediction is consistent with the idea that economic

³ According to Mutz (2014), when it comes to jobs in particular, over 66 percent of Americans believe that trade hurts job availability in the U.S.

downturns stimulate increases in ethnocentrism because adopting more negative attitudes toward people of other races and ethnicities is one way that people cope with the frustration of economic hardship (e.g., Dollard et al. 1939). However, this theory fell out of favor long ago due to lack of supportive evidence (cf. Hepworth and West 1988; Duckitt 1994; Green, Glaser, and Rich 1998). Moreover, some observers caution that ethnocentrism is a stable trait that is unlikely to change over short periods of time (cf., Kam and Kinder 2007; Goldman and Mutz 2014). Nonetheless, to assess this possibility, we examine whether levels of ethnocentrism increased during the downturn, and whether changing levels of ethnocentrism led to changes in trade preferences.

Turning Inward: Domestic Focus or Generalized Fear?

Yet another explanation for why economic downturns precipitate opposition to trade is that the public prefers that attention be focused on domestic affairs during hard times. According to this line of thinking, the public becomes more anti-trade during economic downturns because it becomes more opposed to international involvements of all kinds, economic and otherwise. As the Council on Foreign Relations put it, “When the economy dips, so does the public's enthusiasm for activity abroad. The public understandably wants its politicians to worry about fixing problems at home” (Lindsay 2009). In other words, domestic concerns crowd out foreign policy concerns—whether economic, political, or otherwise—during hard times. As people become less enthusiastic about overseas activity in general, they also become more anti-trade. Contrary to this explanation, however, Americans also cut back on *domestic* civic engagement and volunteerism during the Great Recession (National Conference on Citizenship 2009). Despite the obvious need to help those afflicted by hard times, the public apparently does not divert its attention toward domestic affairs.

We suspect that recessions encourage retreating behind closed doors as part of a general aversion to all kinds of involvements, whether domestic or international. Although there has been no systematic test of this theory to our knowledge, the most common phrase used to describe what happens when the economy falters is that people “turn inward” psychologically as a means of protecting themselves from negative external events (e.g., Karlgaard 2009; Stokes 2012). The image of turning inward or hunkering down in response to a sense of threat or generalized fear has been advanced in various popular media accounts of recessions (e.g., Seib 2010). Although the term “protectionism” technically implies protection from foreign competition, being protected from danger is an especially appealing idea when people feel threatened. Likewise, Johnston (2013) finds that citizens with high needs for security and certainty have stronger preferences for protectionism.

Negative stimuli automatically cause humans to pull back, as when a finger touches a hot stove. Moreover, a wide range of negative events—from economic downturns to natural disasters—can make people increasingly risk averse. When people know that times are hard, they may become anxious about their future economic well-being even if they have not personally suffered. For example, one recent study demonstrated that individual financial damage or loss of life within the family did not affect levels of risk aversion in Thailand so much as risk aversion came from simply living in a risky *environment* where things had turned out badly for others (Cassar, Healy, and Kessler 2011). Likewise, studies of the impact of the Great Depression and the Great Recession suggest that macroeconomic shocks affected financial risk-taking behavior independent of any individual-level impact (Malmendier and Nagel 2011). Increased anxiety is not simply a reaction to changes in individual economic well-being: “Risk aversion increases even among those who did not experience any loss... [because] investors

were emotionally affected by a stock market crash even if they were not *financially* affected by it” (Guiso, Sapienza, and Zingales 2013, 2; emphasis in original).

Risk aversion is known to influence support for trade (Ehrlich and Maestas 2010). Importantly, heightened concern may produce risk-averse reactions even when the source of fear or anxiety is not directly tied to the type of risk under consideration. In a compelling example, Guiso, Sapienza, and Zingales (2013) randomly assigned students to watch or not watch a fictional horror movie before tapping their levels of risk aversion. Both qualitative and quantitative measures of risk aversion rose in response to the horror movie. Because cause and effect need not be related in the public mind in order for this reaction to occur, this theory is particularly promising for purposes of explaining foreign trade aversion in response to a domestic economic crisis. Few Americans think trade was responsible for the Great Recession, but their generalized anxiety may have prompted anti-trade attitudes because people became more likely to think they themselves would be *future* victims (Cassar, Healy, and Kessler 2011).⁴ Widespread anxiety—enough to affect aggregate levels of support for trade—is only likely when something simultaneously creates a sense of threat in a large portion of the public. The Great Recession qualified as just such an event.⁵ To the extent that anxiety about trade’s future impact on individuals increased from before to after the recession *and* this increase drove changes in trade policy preferences, it is consistent with this explanation.

Finally, one might expect that membership in groups that already actively discourage support for trade might exacerbate the negative reactions directed toward these policies. Union

⁴ Interestingly, this was the case even with the earthquake/tsunami in Thailand, where it contradicts scientific logic; by relieving pressure in the earth, the earthquake actually made people in the tsunami villages *less* likely to become victims in the future. Nonetheless, they felt more at risk.

⁵ Consistent with this explanation, personality studies suggest that those who feel they do not control their own lives as much as external agents do are more protectionist (e.g., Bastounis, Leiser, and Roland-Lévy 2004).

membership, in particular, has been associated with trade opposition in cross-sectional studies, a finding that has been attributed to the anti-globalization information regularly disseminated by unions to their rank and file (Mansfield and Mutz 2009). Because union membership was highly stable during the recession, it cannot have served as an engine of opinion change at the individual level. However, to the extent that union communications capitalized on the recession to encourage members toward further opposition to international trade, union members could have experienced a greater than average decline in support for trade. For example, AFL-CIO communication campaigns during this period of time explicitly linked trade agreements to high unemployment, thus implicitly connecting the recession to trade.⁶

STUDY DESIGN

To analyze these hypotheses, we relied upon a two-wave, representative panel sample of the American workforce.⁷ Wave 1 was conducted in the summer of 2007,⁸ and Wave 2 was conducted in the summer of 2009.⁹ This unique panel perfectly straddles the Great Recession, which lasted from December 2007 through June 2009 (NBER 2010). Consequently, the panel is ideally suited to assess how the American public's attitudes changed in the face of a severe exogenous economic shock. Survey data were collected through GfK Custom Research.¹⁰ The first wave of the survey included 1,844 subjects. Two years later, we successfully re-interviewed

⁶ As one union-sponsored television ad argued, "25 million Americans are still searching for full-time jobs. Yet Congress is considering three new trade agreements ... Tell your members of Congress to stop these dangerous trade deals and start putting Americans back to work." (<http://www.aflcio.org/Press-Room/Press-Releases/AFL-CIO-Runs-Ads-Opposing-Korea-Panama-and-Colomb>)

⁷ Only those currently in the labor force (as a paid employee, self-employed, owner or partner, unemployed or laid off but looking for work) qualified.

⁸ The field period was June 29 through August 16, 2007.

⁹ The field period was June 24 through July 10, 2009.

¹⁰ GfK recruits a nationally representative probability sample of Americans using a dual frame sampling method involving random digit dialing and address-based sampling. Panel members are provided with Internet access if they lack it, and the surveys are administered online.

923 of these respondents. Respondents were not aware that they were being recontacted because of their participation in an earlier study of economic attitudes.

Measures

The dependent variable, *Trade Preferences*, was measured using five items tapping the degree to which respondents favored or opposed trade with other countries. These items and the items used to generate our independent variables are presented in Appendix A. Despite the diversity of trade-related issues covered in these five items, individuals nonetheless responded very similarly toward them. Although an economist might differentiate between support for foreign direct investment, the World Trade Organization, and government-negotiated trade agreements, the very high reliability for this index indicates that the items are all tapping the same underlying pro-trade or anti-trade construct in the public mind, with little variation from item to item (Cronbach's alpha = 0.84).

To examine whether changes in trade preferences were driven by job loss, both waves of the panel included a question about employment status, which was used to create *Personal Unemployment*, a measure of whether an individual was unemployed at the time of each survey. To test whether a respondent's trade preferences are linked to whether overseas commerce harms or helps his or her industry, we also presented respondents with a list of industries based on the U.S. Census Bureau's three-digit codes of the North American Industry Classification System (NAICS) and asked them to select the industry in which they currently work or most recently worked. We then coded each industry as *Export Dominant*, *Import Dominant*, or non-traded. To evaluate whether a respondent's skill level predicts change in his or her trade attitudes, we used the average annual wage for each individual's occupation.

To assess anxiety about being negatively affected by trade in the future, we asked respondents both before and after the recession how worried they were that they or someone in their household would lose a job due to the expansion of trade. Notably, *Concern about Effects of Trade on Family* is not intended to be an accurate measure of the extent to which people were susceptible to trade's impact, but rather to serve as an indicator of anxiety, logical or otherwise. To differentiate across-the-board aversion from logical opposition based on what one sees as in the country's economic interests, *Perceived Effects of Trade on US Economy* assessed the extent to which respondents viewed trade as helping or hurting the country as a whole before the recession began.

An index of *Active Involvement in World Affairs* was compiled using five items tapping the extent to which respondents believe the U.S. should take an activist stance in foreign affairs (Maggiotto and Wittkopf 1981; Wittkopf and Maggiotto 1983; Herrmann, Tetlock, and Diascro 2001). Importantly, these items do not ask about *economic* isolationism, but rather about more general attitudes toward U.S. intervention abroad, such as whether the U.S. should intervene to prevent human rights abuses or cooperate with foreign countries to solve global problems. High values indicated greater support for active involvement in world affairs, and the five questions were averaged into a highly reliable index (Cronbach's alpha = 0.78).

An index of *Ethnocentrism* was used to measure the "commonplace inclination to divide the world into in-groups and out-groups, the former characterized by virtuosity and talent, the later by corruption and mediocrity" (Kam and Kinder 2007: 321). As is standard practice, our ethnocentrism index was constructed by asking respondents about characteristics of domestic racial/ethnic in-groups and out-groups for the given respondent. The difference between a respondent's attitudes toward the out-groups and their in-group is indicative of the extent to

which she favors the in-group over an out-group. These measures were averaged into a reliable index (Cronbach's alpha = 0.84) in which a higher value indicated that respondents were more ethnocentric.

Analysis

Our analysis utilizes fixed effects regression. Given our focus on explaining change over time in trade preferences, fixed effects models of within-person change are ideal because they automatically account for the constant effects of all personal characteristics, both measured and unmeasured. Thus, variables such as education, income, age, party affiliation, and any unmeasured stable characteristics fall out of fixed effects models because stable variables cannot possibly account for change over time in an individual's preferences.¹¹

By including a dummy variable for *Wave* (0 for 2007, 1 for 2009), we execute still more conservative tests by capturing the average effects of all other time-varying influences. For example, to the extent that all individuals generally became more opposed to trade during this period, *Wave* will capture this change and thus it will not be attributed to changes in our independent variables. Using this technique with panel data arguably provides the most stringent causal test possible outside of an experimental setting (Allison 2009).¹²

¹¹ Fixed effects regression addresses the possibility of spuriousness far better than lagged dependent variable models, which have a variety of problems (Achen 2000; Allison 2009). Moreover, lagged dependent variable models do not assess within-person change.

¹² Although fixed effects regression eliminates the *constant* effects of individual characteristics, the impact of those characteristics could *vary* over time. We have no theoretical reason to expect the impact of individual characteristics to change over time, but we nonetheless replicated all of the fixed effects analyses with the addition of interactions between *Wave* and education, age, gender, income, race, strength of ideology, strength of party identification, and political interest, thus capturing the potentially changing impact of these characteristics. Neither the pattern nor the statistical strength of our previous findings changed.

Two kinds of predictors are included in these models. For variables that changed substantially during this two-year period, we assess the effects of change in the independent variable on change in the dependent variable. For purposes of testing hypotheses about the effects of a stable variable on the extent of change in the dependent variable over time, we use interactions between the stable variable of interest and *Wave*.

RESULTS

Our analyses focus on whether Americans became more anti-trade during the Great Recession and, if so, why. We use the four theories outlined above to organize this inquiry.

Did Trade Preferences Change during the Great Recession?

Did Americans generally become more anti-trade during the Great Recession? As shown in Figure 1, whether we compare the five survey items individually or combine them into an index, the conclusion is the same: Americans became less supportive of international trade during the recession. All of these comparisons yield a statistically significant decline in support for foreign commerce from 2007 to 2009, regardless of how the question is asked. Although the changes are not huge, they are very consistent.

[Figure 1 here]

For purposes of further analyses, the extremely high inter-correlations among these five items led us to combine them into a single, highly reliable index. This approach is preferable to repeated analyses of individual items because single items may produce idiosyncratic results (e.g., Hoyle, Harris, and Judd 2001; Liu 2004; Hiscox 2006). By combining multiple measures, extraneous content is cancelled out, thus producing a more reliable measure of the general

underlying construct of interest, as well as multivariate results that do not depend on any single framing of questions about trade preferences.

Explanations for Changes in Trade Preferences

Why did trade Americans become more protectionist during the Great Recession? Given that Americans did not consciously blame trade for the economic downturn, why did they become more hostile to trade?

In Figure 2 we examine the possibility that the recession simply intensified the public's already negative views of trade due to the obvious need for economic improvement during the recession. In order to test this hypothesis, we evaluate the impact of the recession on the trade preferences of those who believed trade was either helping or hurting the economy in 2007. Our expectation is that those who believed trade was hurting the economy should experience a disproportionate decline in support for trade once the recession occurred, and vice versa for those who believed trade was beneficial.

However, as illustrated in Figure 2, those who felt that trade was hurting the economy in 2007 were no more likely to move in the direction of greater opposition to trade over the course of the recession than were those who believed trade was helping the economy. The latter group should logically become more pro-trade in the face of economic crisis, and yet both groups grew less supportive of trade. Clearly, the increased opposition to trade did not represent a desire to improve the economy based on what these individuals believed would be good for it. Contrary to our prediction, regardless of whether one believed trade to be a help or a hindrance to the U.S. economy, trade preferences became more negative from 2007 to 2009, indicating that the rise in

protectionism was not due to the intensification of pre-existing preferences during the economic crisis.

[Figure 2 here]

Was rising unemployment the engine of trade opposition? To address this possibility, we estimated a fixed effects regression using trade preferences in 2007 and 2009 as the dependent variable, and including personal employment status in 2007 and 2009 as the predictor, along with a variable representing panel wave (that is, a dummy variable representing all other sources of change from pre-recession to post-recession) and the interaction between occupational wage in 2007 and wave. Using fixed effects regression for panel data analysis produces highly conservative standard errors, but it allows us to examine how change over time in each independent variable affects change in trade preferences, while simultaneously taking in to account the statistical dependencies among measures gathered from the same person at multiple points in time.

Among the respondents in our survey, *Personal Unemployment* increased from 3.7% in 2007 to 9.8% in 2009, an increase that was both substantively large and statistically significant ($t = 5.20, p < 0.001$). The whopping rise in unemployment among our representative sample of workers closely mirrors what occurred throughout the U.S. When the recession began in December 2007, the unemployment rate was 5.0%; when it ended in June 2009, this rate had grown to about 9.5% (U.S. Bureau of Labor Statistics 2012).

The import-dominance and export-dominance of one's industry of employment were largely stable for our sample of respondents, so they cannot, by themselves, explain change over time in trade preferences. Moreover, the overall effects of job loss could mask two divergent reactions, one toward greater support for trade in export-dominant industries, and the other

toward greater opposition in import-dominant industries. Thus, we also include the interactions between change in personal unemployment and whether respondents worked in import-dominant or export-dominant industries (where the coefficient of *Personal Unemployment* then refers to individuals working in non-traded industries).

As shown in the first column of Table 1, in the simplest possible model including change in unemployment and *Wave*, losing a job during the recession did not stimulate greater opposition to trade. However, as shown in the second column, the effects of unemployment on change in trade attitudes vary across industries. The estimated coefficient of the interaction between change in unemployment and import-dominance is negative, statistically significant, and large. It is important to interpret these results cautiously since a relatively small number of survey respondents lost their jobs during the Great Recession. Nonetheless, support for trade among people who became unemployed and worked in import-dominant industries fell by roughly 0.60 on our 4-point index of trade preferences, relative to people who worked in a non-trade industry and lost their jobs. This figure rises to almost 0.85 when comparing workers in import-dominant and export-dominant industries who lost their jobs during the recession. Thus, consistent with our extension of the political economy approach, the sharpest decline in support for trade due to job loss is registered by individuals who worked in industries that were adversely affected by open trade. In contrast, occupational wage, our proxy for the skill level of workers, had no effect on the change in trade preferences or in conditioning the impact of losing a job. For this reason, we eliminated occupational wage from all of the subsequent models.

[Table 1 here]

Next, we evaluate the hypotheses that rising trade opposition represents a shift in priorities toward domestic as opposed to international affairs, and that rising ethnocentrism

during economic hard times likewise promotes protectionist views. In order for changing attitudes toward international involvement or ethnocentrism to help account for increasing opposition to trade preferences during the recession, these indicators would need to have shifted in a direction consistent with anti-trade views. In other words, *Ethnocentrism* should increase during the recession and support for *Active Involvement in World Affairs* should decline.

Active Involvement in World Affairs was indeed significantly lower after the recession than in 2007 ($p < 0.01$). Nonetheless, it is difficult to determine the extent to which this shift was driven by the Great Recession rather than some other longer-term phenomenon. According to the Chicago Council on World Affairs (2012), support for overseas involvement has been deteriorating for many decades in the U.S., presumably for reasons other than the most recent recession.

Also as predicted, the mean level of *Ethnocentrism* in 2009 was somewhat higher than in 2007, but this change did not meet conventional levels of statistical significance ($p = 0.07$). Again, it remains difficult based on a univariate analysis to know if these levels would have increased more substantially due to the recession had it not been for other events. For example, evidence based on similar ethnocentrism measures suggests that whites' attitudes toward Blacks improved significantly during the 2008 campaign as Barack Obama defied common stereotypes of African-Americans (Goldman and Mutz 2014). Thus, it is possible that the recession increased *Ethnocentrism*, but Obama's emergence offset much of its negative impact. Regardless, in Table 2 we maintain the possibility that rising opposition to *Active Involvement in World Affairs*, and rising *Ethnocentrism* may contribute to changes in trade preferences in a multivariate analysis.

In the first column of Table 2, we re-estimate the model from Table 1 after including the change over time in both *Ethnocentrism* and support for *Active Involvement in World Affairs*. Both variables have a statistically significant influence on change in *Trade Preferences*. Increased *Ethnocentrism* and decreased public support for *Active Involvement in World Affairs* both generated heightened opposition to trade.

[Table 2 here]

Finally, we address the hypothesis that recessions, like other major disasters, increase anxiety and render people more averse to risk, thus indirectly promoting anti-trade preferences. Based on a paired *t*-test, workers were significantly more concerned about the future effects of trade after the recession than before it ($p < 0.001$). Moreover, as shown in the second column of Table 2, even after accounting for a battery of other factors, increased anxiety stimulated greater opposition to trade. In this final model, the coefficients of *Active Involvement* and *Ethnocentrism* remain largely unchanged, but *Concern about Future Effects* also has a statistically significant effect on change in *Trade Preferences*. Equally, these more fully specified models in Table 2 continue to indicate that people who lost their jobs after working in import-dominant industries expressed greater hostility to trade over the course of the recession than their counterparts who worked in non-traded and export-dominant industries. Moreover, as demonstrated by the negative and statistically significant coefficient of *Union (2007) × Wave*, union members were especially likely to decline in support for trade during the recession. As a stable characteristic of individuals, union membership by itself cannot explain individual change over time in trade preferences. However, when coupled with our knowledge that unions actively sought to connect job loss during the recession to trade through their communications, this interaction is suggestive of a successful attempt to encourage members to link job loss to foreign trade. In combination,

this set of results is consistent with the idea that both generalized anxiety and adverse personal experience drive increased protectionism during recessions.

In summary, the Great Recession prompted a rise in anti-trade sentiment. Some of the variation in individual trade preferences can be explained by growing ethnocentrism and opposition to active involvement in international affairs during this period. Heightened unemployment only prompted an increase in anti-trade preferences among those who lost jobs in those industries adversely affected by trade. Finally, the economic downturn produced a more generalized anxiety among the American population. Even though most Americans knew that trade was not responsible for the recession, increased anxiety made them more concerned about trade's future impacts and created a desire for greater protectionism.

In order to get a sense of the relative size of the effects of ethnocentrism, support for involvement in world affairs, and concern about trade's future impact, we generated predicted values for a model in which all of the continuous independent variables were held at their means and the dichotomous variables were evaluated at their modes. We then generated predicted values for the change in *Trade Preferences* based on a comparison of the maximum and minimum changes that we observed in each of the aforementioned factors. Those individuals who experienced the largest increase in ethnocentrism exhibited a 0.65 reduction in the predicted support for trade compared to those who experienced the largest decrease in ethnocentrism. People whose support for engaging in world affairs fell the most during the recession experienced a 0.47 drop in the predicted support for trade compared to people whose support for engaging in world affairs increased the most. Similarly respondents who exhibited the greatest rise in concern about the future effects of trade saw a 0.36 reduction in the predicted support for trade compared to those with the minimum change in anxiety. All of these changes are both

substantively large and statistically significant. The impact of losing a job if one worked in an import-dominant industry was also large, but because this large effect pertained to relatively few people compared to the psychological factors, the net impact on change in trade preferences was not as great.

FURTHER CONSIDERATIONS

Before exploring the implications of our findings, we briefly review the strengths and weaknesses of the evidence we bring to bear on this question. By utilizing panel data capturing change over time in both trade preferences and its potential causes, we provide insight into whether economic downturns produce rising opposition to trade even when trade is not seen as the ostensible cause of the recession. Individual level-panel data offer tremendous advantages in examining opinion change over time relative to approaches using aggregates over time or cross-sectional data. Most importantly, this approach helps exclude the possibility that spurious individual differences account for change in trade preferences. So long as characteristics of individuals are stable over time, they cannot account for change in the individuals' trade preferences. Moreover, the statistical approach we have used—fixed effects analysis—generates conservative standard errors and accounts for dependencies that occur due to multiple observations per respondent. By eliminating stable individual differences, model specification becomes far less problematic, and our findings gain credibility.

It is, of course, possible that there are other changes that we have not identified and measured that are taking place during this two year period. All other sources of change over time in trade preferences are accounted for in our analyses by the dichotomous *Wave* variable. Nonetheless, we examined a number of other possibilities that might also account for the change

we have documented. For example, changes in local economic circumstances might cause changes in trade preferences, particularly if there is local economic decline in areas marked by import dominant industries. However, using local census data matched to individual respondents, we found no evidence of such an impact.

The cross-sectional work of Scheve and Slaughter (2001) suggests that such effects may be evident among homeowners in areas heavy in comparative-disadvantage industries. However, using a measure of self-reported homeownership, we found no evidence that changes in home ownership between 2007 and 2009 drove declining support for trade. Nor did we find that those who owned homes in 2007, before the recession began, declined in support for trade at a greater rate than those who were not homeowners. Likewise, we found no evidence that declining family incomes led to decreased support for trade. Although there are certain to be other possible sources of individual change, we were unable to find evidence supporting any suggested in the past.

Conclusions that rest on panel data provide a relatively strong basis for internal validity, particularly when reverse causality is highly implausible. Instead, the problem with panels tends to be external validity. Attrition is inevitable with panel data collection. Attrition by itself is not problematic, but selective attrition threatens the generalizability of findings. Appendix B presents the demographic characteristics of our samples and compares them to the Current Population Surveys in order to evaluate both representativeness and panel attrition issues. The second wave of the panel was, on average, slightly better educated than the first, a difference that would seem to work against finding increasingly hostile views of trade. In addition, we found no major differences in the size of the estimated coefficients when we weighted the full panel to the Current Population Surveys, although the standard errors were naturally larger in the weighted

analyses. Overall, we found little reason to believe that panel attrition threatens the generalizability of these findings.

CONCLUSION

This study is the first effort to assess both whether and why hard times affect mass trade preferences. Among the many concerns raised by the Great Recession was that it would stimulate a revival of support for protectionism. Our results show that these concerns were not misplaced. On average, Americans did become more hostile to free trade between the recession's onset and its conclusion. To some extent, this rising hostility stemmed from adverse personal experiences. Unemployment promoted a sharp dip in support for trade among people working in import-dominant industries, which are adversely affected by overseas commerce. This effect was sizable for those who lost their jobs within those industries, but because they were relatively few in number, the net overall impact on the population's trade preferences was relatively small.

Evidence of the politicization of personal economic experience when forming policy preferences is especially interesting in light of the litany of studies that have failed to find such effects from job loss and economic self-interest more generally. Past studies have suggested that citizens often either do not understand the connection between a given public policy and their self-interest, or they blame lay-offs on themselves rather than on government (Sears and Funk 1990). We suspect that our evidence contradicts much of this earlier work because of the larger context in which people lost jobs during the Great Recession. If unemployment is high and it is well-known that many people share this same problem, individuals will be more likely to connect their personal experience to government policy. After all, it is highly unlikely that

everyone who lost a job during a large-scale recession was personally to blame (Mutz 1994a, 1994b). If, instead, a person loses a job when unemployment is low, we suspect that he or she would be unlikely to change policy preferences as a result, and would instead attribute responsibility to personal or more local causes. Thus, the generalizability of our findings regarding unemployment may be limited to the unique context of the Great Recession or downturns of similar magnitude.

Beyond job loss, however, a range of psychological effects of the recession further contributed to shifts in trade preferences. Heightened resentment toward racial and ethnic outgroups and increased opposition to active international involvement both stimulated rising hostility to trade. Panel-based evidence of these findings is particularly noteworthy because previous claims about these concepts have rested exclusively on cross-sectional models (e.g., Mansfield and Mutz 2009), thus making it difficult to establish solid causal claims. By using fixed effects regression, we eliminated the possibility that stable spurious individual differences are responsible for the pattern we observed; instead, change over time in these variables goes hand in hand with changes in trade preferences. Given the sudden onset of the recession, reverse causation is also highly unlikely in both of these cases. For this to be plausible, trade preferences would need to have changed for some unrelated and as-yet-undiscovered reason, and these changes would need to produce changes in ethnocentrism and support for active involvement in world affairs. There is no reason to suspect that changes in trade preferences would prompt changes in ethnocentrism. It is plausible that trade preferences might be altered simultaneously with all forms of active involvement in world affairs, but it seems implausible that people changed their minds on trade first, and this later trickled down to affect attitudes toward involvement in other aspects of international relations.

Finally, consistent with studies of the impact of recessions on risk aversion, and risk aversion on trade preferences, we find that anxiety played an important role in producing this pattern of results. Even after controlling for all other factors, increased concern about trade's possible future impact drove increased opposition to trade. The recession led people to become more anxious that they might be harmed. In addition, the recession provided a jolt that led people to pay greater attention to their industry's interests, and to adjust their trade preferences accordingly.

Burgeoning opposition to trade stemmed from anxiety about the future effects of trade policies. In this case, the shift did not occur because the policies in question were hurting those individuals personally. Instead, trade became a scapegoat for people's anxieties about the future. Although anxiety can certainly be caused by specific events, its consequences tend to be more diffuse and need not be logically connected to its cause. Even when those concerns were logical, they were based on anxiety about the future rather than past experience.

Perhaps most importantly, our results suggest that changing views of trade are not so much a conscious re-evaluation of trade's merits as they are an anxiety-based emotional reaction. As with many disasters, large-scale negative events such as the Great Recession produce anxiety in the public, and they respond by turning inward as a protective impulse. Unfortunately they do not necessarily turn inward in ways that might be deemed internally logical, that is, ways that might help them and their economy. The one exception to this generalization is our finding that Americans who lost their jobs responded differentially to the recession based on their industry of employment at the onset of the downturn. Although the Ricardo-Viner model does not make predictions about over time change in trade preferences, our extension of those ideas shows more promise in predicting change in trade attitudes than in predicting such attitudes at any particular

point in time (Scheve and Slaughter 2001; Mansfield and Mutz 2009). In contrast, we find no support for the idea that skill level drives changes in trade preferences. Moreover, because other possible indicators of skill level similarly do not change over time, they cannot be responsible for changing trade attitudes.¹³

Overall, these findings have largely undesirable implications for democratic accountability by means of public opinion. The fact that the public effectively misattributed responsibility for the Great Recession is puzzling despite the conventional wisdom that predicted it. Americans soured on trade during the recession, even though they knew trade was not the root of the problem. A mechanism of accountability is obvious when those hurt by a given policy are the ones who become more opposed to it. In this case, however, even though virtually no one blamed trade for the recession, the public nonetheless shifted its trade preferences in a negative direction.

This study also has implications for the effects of economic recessions on international trade. Opinions differ on whether mass opinion affects U.S. trade policy. Some argue that public opinion is irrelevant because trade is not sufficiently salient to the public, although increasing globalization has made it a salient issue in the context of recent U.S. elections. Others suggest that Americans simply do not know enough about trade to have opinions on this matter (Magee, Brock and Young 1989) and to discipline their leaders accordingly. At the same time, both popular accounts (e.g., *The Economist* 2001) and some academic work suggest that public opinion on trade has consequences for trade policy, at least within democratic systems of government where politicians depend on voters in order to remain in power (Kono 2008).

¹³ As with occupational wage, additional analyses demonstrated that those with low and high levels of education did not change preferences differentially.

There are many policies one could logically blame for the events leading to the Great Recession, but trade policies are not among them. Nonetheless, an increasingly anti-trade American public has made it more difficult for government officials to enact policies that might benefit American jobs by expanding export markets. Increased public opposition may help to explain why both Barack Obama and Hillary Clinton expressed opposition to NAFTA and other related free trade agreements during the 2008 Democratic primary elections, and why trade deals that the Bush Administration concluded with South Korea, Columbia, and Panama did not yield congressional approval until 2011, three years after Obama took office. Further, some have observed a proliferation of lower profile impediments to open markets cropping up with increasing frequency (The Economist 2013).

Politicians are now well aware that they can capitalize on the public's anti-trade views when courting voters. The many pro-protectionist China-bashing ads broadcast during the 2012 presidential campaigns by both Republican and Democratic candidates provide further such evidence. And, as recently noted with respect to the 2014 midterm elections, "Economic nationalism [is] an easy sell on the campaign stump: and, once pledged to that cause in November, candidates will not vote for the opposite in Congress" (The Economist 2014: 8). As a result, public pressure on elected officials may be misdirected and will constrain the government's ability to craft appropriate solutions to the economic downturn. Moreover, as one editorial writer recently opined, "The greatest risk of all is that the political momentum in America, having swung against free trade, will be hard to reverse" (The Economist 2014: 8).

Appendix A: Question Wording

Trade Preferences

As you may know, international trade has increased substantially in recent years. This increase is due to the lowering of trade barriers between countries, that is, tariffs or taxes that make it more difficult or more expensive to buy and sell things across international borders. Do you think government should try to encourage international trade or try to discourage international trade? ; Do you believe that globalization, especially the increasing connections of our economy with others around the world, is good or bad for the United States? Should foreign companies be encouraged or discouraged from investing in the United States, for example, by building one of their factories in this country?; Do you favor or oppose the federal government in Washington negotiating more free trade agreements like NAFTA? Do you have a very favorable, somewhat favorable, somewhat unfavorable or very unfavorable opinion of the WTO, the World Trade Organization? [All measured on 4-point scales]

Perceived Effect of Trade on U.S. Economy

Thinking about the increasing amount of trade between the U.S. and other countries, do you think this has helped the United States economy, hurt the United States economy, or has it not affected the U.S. economy? [5-point: Helped the economy a lot to Hurt the economy a lot]

Active Involvement in World Affairs

Next we have some questions about what role the United States should play with respect to the rest of the world. The U.S. needs to play an active role in solving conflicts around the world. The U.S. government should just try to take care of the well-being of Americans and not get involved with other nations. It is essential for the United States to work with other nations to solve problems, such as overpopulation, hunger, and pollution. It will be best for the future of the country if we stay out of world affairs. The United States has the responsibility to play the role of “world policeman,” that is, to fight violations of international law and aggression wherever they occur. [All measured on 5-point: Strongly agree to Strongly disagree scales]

Ethnocentrism

Where would you rate [blacks/whites/Hispanic-Americans] in general on this scale?
[Hardworking versus Lazy] [Efficient versus Wasteful] [Trustworthy versus Untrustworthy]

Concern about Future Effects of Trade

How worried are you, personally, that you or someone in your household could lose a job because of the increasing amount of trade? Responses ranged on a four-point scale from “not worried at all (1) to “very worried” (4).

Personal Unemployment

All respondents in the panel were currently in the labor force. Employment status was assessed as follows: “Which statement best describes your current employment status?” (LIST: I work as a paid employee, I am self-employed, I am an owner or partner in a small business, professional practice or farm, I work at least 15 hours a week without pay in a family business or farm, I am unemployed, temporarily laid off, but looking for work, I am retired, I am disabled, I am a homemaker, Other). Respondents were considered unemployed if they indicated that they were “unemployed” or “temporarily laid off, but looking for work.”

Import-Dominant and Export-Dominant

Data on exports and imports are taken from the U.S. International Trade Commission (2008). We used version 2.8.4. (Bureau of Economic Analysis, http://www.bea.gov/industry/gdpbyind_data.htm).

A sector, i , is coded as Export Dominant if $X_i > M_i$; it is coded as Import Dominant if $X_i < M_i$; and it is coded as non-tradable if $X_i = M_i = 0$, where X_i is sector i 's total exports and M_i is sector i 's total imports. These variables are derived using 2006 data.

Skill level/Average Annual Wage

We asked individuals, “In your current or most recent job, what kind of work do you do?” Each respondent’s occupation was then coded using the U.S. Department of Labor’s Standard Occupational Classification system. (For a list of the three-digit industry classifications, see the U.S. Census Bureau (2008a). Data compiled by the Department of Labor’s Bureau of Labor Statistics was used to calculate average annual wage.

Note that our sample is representative of the distribution of workers across industries in the U.S. population as a whole. We compared the distribution of respondents across industries in our sample to the distribution in the U.S. population, using data provided by the U.S. Census Bureau (2008b). For each industry, the percentage of respondents in our sample is much the same as the percentage of the U.S. workforce.

Appendix B: Demographics of Respondents in the 2007 and 2009 Current Population Survey and the 2007 and 2009 Trade Panel

	CPS 2007	2007 Trade Panel	CPS 2009	2009 Trade Panel
<u>Educational Attainment</u>				
No high school diploma	12.57%	7.2%	11.20%	4.55%
High school or equivalent	29.21%	30.1%	28.55%	26.54%
Some college, less than 4-yr degree	28.54%	25.4%	29.39%	27.74%
Bachelor's degree or higher	29.68%	37.4%	30.86%	41.17%
<u>Income</u>				
\$1 to \$4,999 or loss	1.13%	1.1%	1.16%	1.2%
No Income	0.01%	0.0%	0.00%	0.0%
\$5,000 to \$9,999	1.88%	2.9%	1.82%	0.4%
\$10,000 to \$14,999	3.02%	2.7%	2.87%	1.6%
\$15,000 to \$24,999	8.32%	8.1%	8.03%	5.1%
\$25,000 to \$34,999	9.56%	10.3%	9.11%	9.8%
\$35,000 to \$49,999	14.12%	18.3%	13.31%	10.9%
\$50,000 to \$74,999	20.25%	25.8%	19.94%	25.2%
\$75,000 and over	41.70%	30.8%	43.77%	45.7%
<u>Age</u>				
0-17	2.03%	0.0%	1.65%	0.0%
18-24	12.89%	9.1%	12.63%	5.4%
25-34	21.27%	20.3%	21.36%	19.7%
35-44	22.79%	23.8%	21.81%	20.9%
45-54	22.88%	28.1%	22.93%	29.4%
55-64	13.82%	15.6%	14.79%	20.2%
65-74	3.39%	2.6%	3.82%	3.7%
75+	0.92%	0.5%	1.01%	0.8%
<u>Gender</u>				
Male	53.07%	53.3%	52.78%	53.2%
Female	46.93%	46.7%	47.22%	46.8%
<u>Race</u>				
White alone	82.03%	85.3%	81.85%	85.4%
Black or African American alone	11.11%	6.2%	11.15%	6.6%
American Indian and Alaska Native alone	0.77%	0.5%	0.83%	0.5%
Asian alone	4.52%	2.8%	4.53%	2.5%
Native Hawaiian and Other Pacific Islander alone	0.26%	0.3%	0.29%	0.4%
Two or more races	1.31%	4.9%	1.35%	4.6%

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Table 1: The Impact of Rising Unemployment on Change in Trade Preferences

	(1)	(2)
Change in Personal Unemployment	-0.087 (0.058)	-0.016 (0.064)
Change in Personal Unemployment × Import Dominant (2007)		-0.613* (0.165)
Change in Personal Unemployment × Export Dominant (2007)		0.232 (0.245)
Occupational Wage (2007) × Wave	-0.005 (0.045)	-0.005 (0.045)
Wave	-0.126 (0.475)	-0.123 (0.472)
Constant	2.763* (0.013)	2.763* (0.013)
R ²	0.104	0.119
Panel N	922	922

Note: Fixed effects regression coefficients with standard errors in parentheses.

* $p < 0.01$.

Table 2: The Impact of Changes in Ethnocentrism, in Active Involvement in World Affairs, and in Concern about Trade's Future Impact on Change in Trade Preferences

	(1)	(2)
Change in Personal Unemployment	0.029 (0.071)	0.035 (0.071)
Change in Personal Unemployment × Import Dominant (2007)	-0.731** (0.172)	-0.728** (0.170)
Change in Personal Unemployment × Export Dominant (2007)	0.303 (0.243)	0.281 (0.241)
Change in Support for Active Involvement in World Affairs	0.083** (0.025)	0.073** (0.025)
Change in Ethnocentrism	-0.060** (0.019)	-0.064** (0.019)
Change in Concern about Future Effects of Trade		-0.060** (0.017)
Union (2007) × Wave		-0.130* (0.055)
Wave	-0.173** (0.019)	-0.149** (0.020)
Constant	2.521** (0.079)	2.663** (0.086)
R ²	0.151	0.168
Panel N	870	869

Note: Fixed effects regression coefficients with standard errors in parentheses. * $p < 0.05$, ** $p < 0.01$. The sample used to generate these estimates is somewhat smaller than is used to generate the estimates in Table 1 because some respondents refused to answer items on Ethnocentrism.

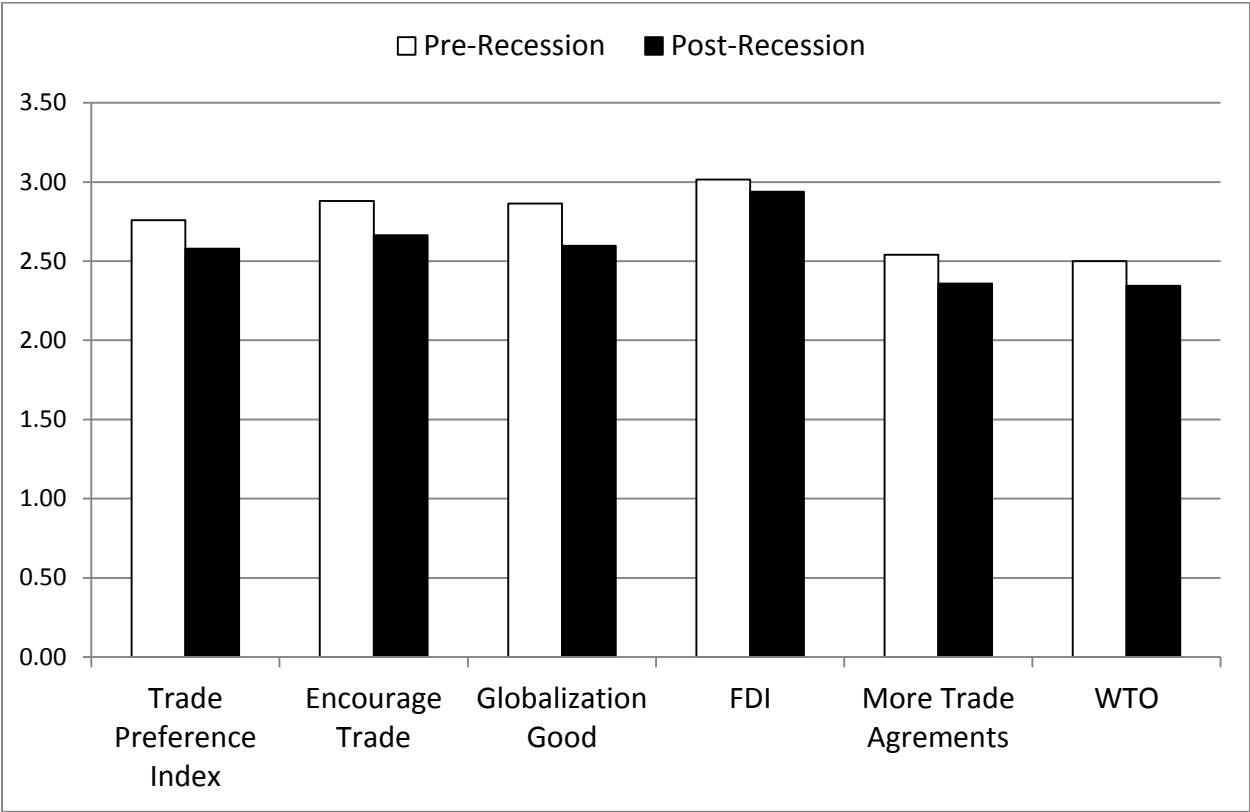


Figure 1. Pre-Recession and Post-Recession Attitudes toward International Trade

Note: All questions were measured on four-point agree-disagree scales, with higher scores associated with more support for trade. Pre-recession data were gathered in the summer of 2007 and post-recession data were gathered in the summer of 2009. Sample sizes from left to right were 921, 911, 913, 909, 898, and 887. All differences between pre-recession and post-recession means were statistically significant ($p < .01$).

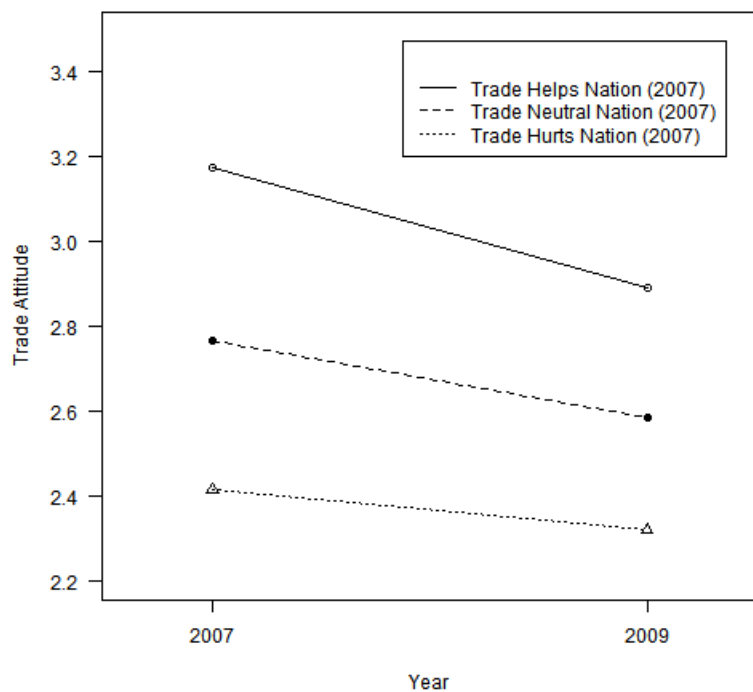


Figure 2: Change in Mean Trade Preferences, by Pre-Recession Beliefs about Whether Trade Help/Hurts the Country’s Economy

Note: In 2007, 43 percent of a representative national sample thought trade helped the nation’s economy, 52 percent thought trade hurt the nation’s economy, and 5 percent did not believe it affected the economy one way or the other. The extent of decline in trade preferences during the recession was statistically indistinguishable across these three categories.