

Comments on “Do Trade-originated
Income Shocks Mobilize Higher
Backlash Against Free Trade?” by
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Background and Questions

- Background:
- Rising protectionism, Backlash against free trade
- Questions:
- Q1: What are the sources of backlash against free trade?
- Q2: Why is it that domestic compensation cannot substitute for protectionism ?

Methodology

- Methodology:
- Survey experiments in the US and Japan
- 3 x 2 factorial design
- Three alternative sources of an adverse income shock (trade policy, natural disaster, unspecified source)
- Two sectors that suffer from the losses (agriculture and manufacturing)
- Sample: US (2,000), Japan (3,793)
- Period: US (2012 after the Presidential Election), Japan (January 2012)
- Apply linear probability model to examine the significance of explanatory variables in explaining respondents views on protection and domestic compensation

Treatments and Control Groups

- Treatments
- Trade treatment (manufacturing): When manufacturing companies suffer large financial losses due to a trade agreement, the government should use taxpayer dollars to help them out
- Disaster treatment (manufacturing): When manufacturing companies suffer large financial losses due to a natural disaster, the government should use taxpayer dollars to help them out
- Control group (manufacturing): When manufacturing companies suffer large financial losses, the government should use taxpayer dollars to help them out
- Respondents choose from: Agree, Somewhat agree, Can't say one or the other, Somewhat disagree, Disagree, Don't Know, Skipped
- Agree, somewhat agree: 1
- Otherwise: 0 (Don't know, Skipped: missing)

Findings

- Q1. What are the sources of backlash against free trade?
- Trade treatments produce backlash against free trade
- (In Conclusion) Information about economic hardship induced by a trade agreement translates into lower support for TPP. When voters assign blame of the hardship to the government trade policy, this information about hardship translates into lower support for free trade. → (My interpretation) Source of protectionism is government failure in explaining the causes of the hardship. In other words, politicians obtain support of the voters with protectionist views by providing information that trade policy is a reason for the voters' hardship.

- Q2: Why is it that domestic compensation cannot substitute for protectionism ?
- (In Conclusion) Compensation resentment underlies this backlash: sources of this backlash are low-income citizens in Japan and partisan polarization in the US

- Interesting findings about the characteristics of people (respondents) who support free trade (TPP)
- US: Democrats, true? (Figs. 4a/4b/5a/5b) what about Republicans (should report the results for all explanatory variables)
- Japan: DPJ, true? (Figs. 7a/7b/8a/ab) LDP?, College
- Who are against free trade (TPP)?
- US: Female
- Japan: Female

- Who resents compensation in Japan?
- Fig. 12: Those who think farmers are rich/rice are expensive resent compensation to farmers (?) are against compensation and support free trade
- In order to increase support for free trade, give the voters information about income of the farmers and price of rice, which overstate the reality (for the voters, no compensation and free trade are complements in that no compensation means free trade)

Evaluation

- Conduct a very interesting study on very important subjects: identify the sources of growing protection, and examine the possibility of substitutability between domestic compensation and protection
- Interpret the results by considering important economic and policy environment in the US and Japan

Questions

- Question 1: Implementation of experiments
- Randomly assign information about different sources of income losses. Needs clearer/more detailed explanation. Suppose you are assigned to Trade treatment, are you supposed to support the view explained in page 6 (i.e. the government should use taxpayer dollars to help them out)
- How does one interpret the results of treatments (disaster treatment and trade treatment) on questions such as support for compensation and TPP? On the results in Figures 4a/4b and 5a/5b “When voters assign blame of the hardship to the government trade policy, this information about hardship translates into lower support for free trade (p. 24)”. What is explanatory variable in this case? Other explanatory variables such as Female, College, etc. are self-explanatory

- Question 2: Alternative approach?
- Can one ask the following questions and run multiple regressions to identify the determinants of domestic compensation and protection (support or not support) with explanatory variables being characteristics of respondents such as gender, opinion about rich farmers, high rice prices etc. ?
- Survey question 1: Do you support import protection of manufacturing sector if trade causes hardship for manufacturing sector?
- Survey question 2: Do you support domestic compensation for manufacturing sector if trade causes hardship for manufacturing sector?

- Question 3: Estimation method
- Simple linear probability model
- Omitted variables problem? Biased estimates
- Better to estimate multiple linear probability model by including various explanatory variables

- Question 4: Is substitutability between protection and compensation an appropriate question/issue to be examined?
- For many people, protection seems to impose lighter burden than compensation, as compensation requires government spending or tax payers' money. As such, protection is preferred.

- Question 5: Policy Implications
- What is needed for people to support free trade?
- Change the view of voters by explaining the benefits/need of free trade for achieving economic growth/improving living standard
- It would be interesting to conduct experiment before and after giving explanation of the benefits and costs of free trade and see if/how respondents' opinions change or not change about free trade