

Public Perception of Globalization's Impact Shapes Trade Realities

History teaches us that perception often matters much more than reality in shaping public opinion. Accordingly, perception is crucial to understanding the outcomes of globalization, from increased free trade and the breakdown of political and economic barriers to technological integration, greater capital flows and worker migration. Ideally, the public's evaluations are sound and closely reflect reality. Polling data, however, indicate this is often not the case. Misplaced perceptions may profoundly affect the course of globalization policies.

What the Polls Say

When viewed in the aggregate, surveys indicate that Americans have very mixed feelings about increasing global connectivity, or at least certain aspects of it.

An NBC poll by the Peter Hart and Bill McInturff polling organizations, taken in November 2010, asked Americans about the impact of free trade on the U.S. By a 47–23 percent margin, respondents said free trade “hurt” rather than “helped” the country.¹

Another poll, conducted for CNN by Opinion Research Corp., also in November 2010, measured the contrasting views of import-driven risk versus export-based economic growth and yielded a much narrower gap between opponents and supporters. Half of those surveyed said threats posed by imports outweigh their benefit, while 41 percent believed that trade is mostly an opportunity.² CNN, which asked the same question in each of the previous three years, found opinion shifting between threat and opportunity every year between 2007 and 2010. To further muddle the discussion,

polls asking whether trade with other nations is good for the U.S. “economy”—as opposed to the “country”—received a substantial majority of positive responses.³

One might conclude that our attitudes toward globalization are at best fickle or that the survey findings are flawed. But it may be more prudent to view the seemingly mixed results as a reflection of the complexity of the underlying issue.

A majority of Americans actually agree on several aspects of globalization. Surveys consistently indicate that most people believe free trade and related commerce agreements have cost, rather than created, domestic jobs and that domestic wages have been suppressed, rather than enhanced, by these arrangements and integration efforts.⁴ This is at odds with the professional consensus: Economists generally believe that the net effect of globalization on unemployment is minimal and that the drivers of wage differentials have been based on technology rather than trade.⁵

It is interesting to note that Americans tend to think free trade potentially poses more harm to their fellow citizens than to themselves. Some view such concern as altruism.⁶ Regardless of the cause, the contrast in beliefs regarding “self” and “other” may be one reason the average American holds a more guarded perspective on globalization's effects than economists do. Furthermore, studies indicate that the perceived disutility of job loss can be enough to override even the prospect of new and better jobs.⁷ In the context of globalization and free trade, this implies that if enough people believe their jobs will be at risk, even temporarily, they will oppose policies with a potential to expand labor demand. Thus, anxiety may further

contribute to a negative outlook on free-trade measures, even those that empirical evidence shows to be ultimately beneficial.

Digging Deeper

There's an overwhelming consensus within the U.S. that trade agreements are good for developing countries—by a 6–1 margin, according to some surveys.⁸ This raises the question of how these countries perceive globalization, specifically free trade. If the American public were correct in its assessment, we would expect largely positive responses in many developing nations. Indeed, this is the case. A March/April 2011 poll of developed and underdeveloped nations' citizens, conducted for the Pew Research Center by Princeton Survey Research Associates International, found that 84 percent of respondents from developing nations felt that their countries' trade and business ties were “very good” or “somewhat good.”⁹

Such positive responses alone do not demon-

strate whether developing countries show greater support for free trade than developed ones. In the same poll, Germany, the U.K. and France indicated approval for their own business and trade ties at similarly high rates of 95, 87 and 83 percent, respectively. The overall level of positive response for developed nations was 87.2 percent.¹⁰ The surveys were conducted primarily by phone in developed countries and exclusively through face-to-face interviews in underdeveloped nations.

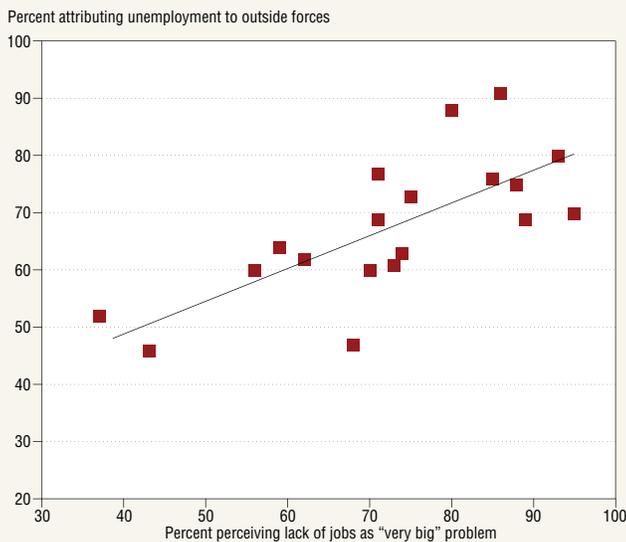
Despite receiving a substantial share of free-trade benefits—including an ever-increasing variety of inexpensive imports—Americans showed the lowest level of support for their own trade ties in the Pew poll, with a 67 percent positive response.

It's difficult to determine to what extent trade's perceived effect on jobs factored into the negative response and, thus, provided a possible explanation for Americans' lukewarm support of trade. As of March 2011, half of all American adults believed that finding a job was more difficult than in the prior year, and many attributed sluggish employment growth to free-trade effects such as outsourcing overseas.¹¹

The perceived severity of unemployment within a country appears correlated with the degree its citizens attribute the problem to “outside forces” (*Chart 1*).¹² Interestingly, the correlation between actual unemployment rates and the severity of unemployment as perceived by the public appears modest at best.¹³ These relationships suggest that an assessment of globalization depends more on perceived levels of joblessness or related factors than on actual levels. Perception, of course, is very much a function of expectation. In the U.S., expectations for employment levels are higher than in many other countries and may help explain why citizens view “outside forces” as the cause of higher-than-normal unemployment.

Similarly, in poll data two months before the U.S. recession began in December 2007, the perception of the economy appears correlated with

Chart 1
Unemployment Due to Outside Forces vs. Lack of Jobs as ‘Very Big’ Problem (2011)



NOTE: India is removed from set as outlier (reason is perhaps recognition within the country that unemployment is primarily due to demographics).

SOURCE: Pew Research Center.

support for free trade. The more favorably people view their national economies, the more likely they are to back free trade (*Chart 2*).¹⁴ The causal conclusion is that optimism in some areas begets greater optimism in others; policies, economic activities and other factors that increase approval of the economy also appear linked to the level of support for a nation's international trade ties.

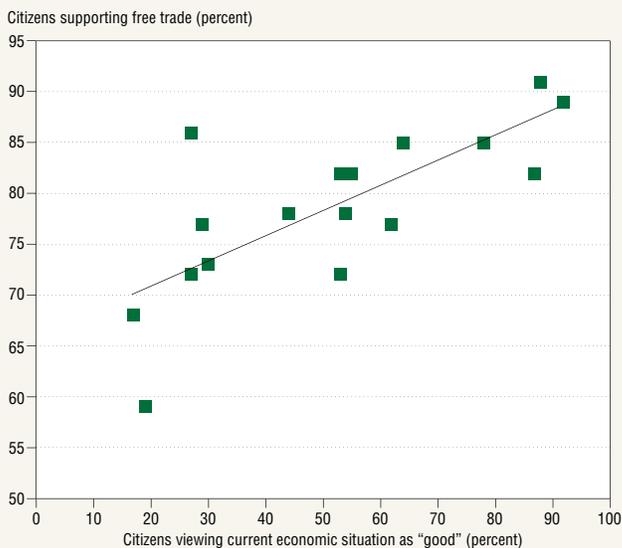
Yet in *Chart 3*, we see another relationship, one that seems counterintuitive. This scatterplot shows attitudes toward openness to trade against actual unemployment rates for a cross-section of countries in 2010 and indicates that even in countries with very high unemployment rates, support for trade can be quite high—so much, in fact, that there is even a weak positive correlation.¹⁵ This result is likely attributable to the unequal employment expectations of developed and underdeveloped countries in the survey.

This relationship lends further credence to the notion that the degree of public approval for globalization and its associated attributes is more a function of perceived rather than actual unemployment and economic prosperity. For example, developed countries may attribute current relative employment instability to trade. Americans' tendency to blame "outside forces" and reject trade ties to a greater extent than other developed nations with equal or higher unemployment rates may have more to do with the limited social safety net or comparatively unsheltered nature of the U.S. economy. It is also possible that certain underdeveloped countries with high unemployment rates view trade more favorably because they believe that trade relations will mitigate their troubles or improve current circumstances.

Complex U.S. Attitudes Toward Trade

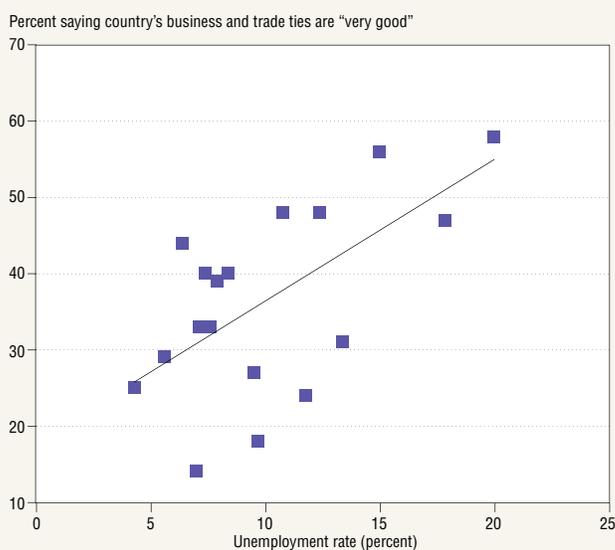
Attitudes toward trade also vary depending on the bilateral relationship of the parties involved, the surveys show. Overall public approval for free trade is more accurately described as a confluence of forces than as a single and independent variable

Chart 2
Support for Free Trade vs. Perception of Economy (2007)



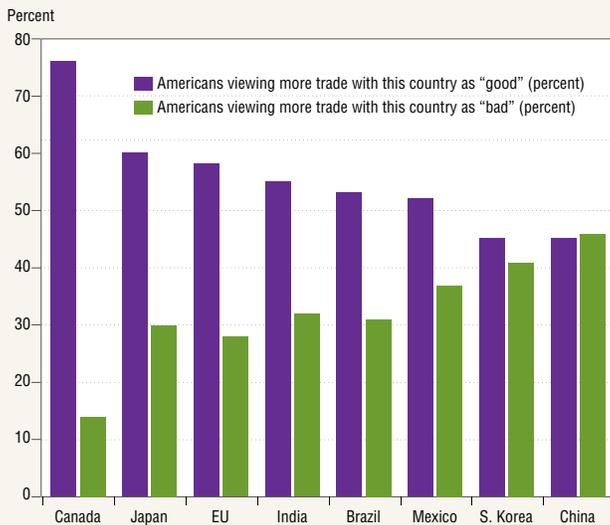
SOURCES: Ipsos; Pew Global.

Chart 3
Perception of Trade Ties (2011) vs. Unemployment Rate (2010)



SOURCES: Pew Research Center; CIA World Factbook.

Chart 4
Opinion on Extending Specific Trade Ties



SOURCE: Pew Research Center.

(*Chart 4*). The average American citizen is almost twice as likely to say that greater commerce with Canada is good as they are to say the same about China. Similarly, we are significantly more likely to support additional trade with Japan than with South Korea.¹⁶

Americans also view increasing trade with South Korea, a developed country, less favorably than extending ties with Mexico.¹⁷ This seems to erode the reasonable belief that we are primarily concerned with the actual products traded or the quality of “human capital” invested in them. Instead, cultural ties, existing relationships or even geographic proximity may play a more significant role.

Many will reject the results of polls, claiming the responses show only what people think and not reality. Dismissing these findings ignores a fundamental fact about human nature: We don’t make decisions according to some universal set of facts; we make them based on “our” facts. In this respect, perception is reality, and nowhere is this truer than in the political process, which effectively governs how globalization unfolds.

Prevailing Public Opinion

Attributing unemployment to outsourcing, regardless of the veracity of such linkage, can produce increased protectionism exactly because people vote based on perception. In turn, politicians pass laws and negotiate trade agreements based on voter sentiment. Thus, globalization, despite its positive net results, may confront setbacks in the face of prevailing negative opinion.

Futurist John Naisbitt once described globalization as a “bottom-up” phenomenon that is the totality of “all actions initiated by millions of individuals.”¹⁸ Taking this idea to heart, it becomes much easier to see public opinion for what it is: a force that both affects and is itself affected by the choices that individuals make. The process of global integration has only just begun, but it is not happening to us. Rather, it is happening because of us. This underscores the fundamental importance of disseminating accurate information about globalization’s impact. Only then can policymakers take actions that maximize prosperity and most closely reflect society’s values.

—Christian Winge

Notes

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¹ "International Trade/Global Economy," Polling Report (2011), NBC News and *Wall Street Journal* (November 2010), www.pollingreport.com/trade.htm. (Telephone survey of 1,000 respondents, with a margin of error of 3.1 percentage points.)

² "International Trade/Global Economy," Polling Report (2011), CNN/Opinion Research Corp. (November 2010), www.pollingreport.com/trade.htm. (Telephone survey of 1,014 respondents, with a margin of error of 3 percentage points.)

³ "International Trade/Global Economy," Polling Report (2011), CBS News and *New York Times* (April 2009), www.pollingreport.com/trade.htm. (Survey of 998 respondents, with a margin of error of 3 percentage points.)

⁴ "International Trade/Global Economy," Polling Report (2011), NBC News and *Wall Street Journal* (September 2010), www.pollingreport.com/trade.htm. (Survey covered 1,000 respondents, with margin of error of 3.6 percentage points). Also, "Americans Are of Two Minds on Trade," Pew Research Center, Nov. 9, 2010, www.pewresearch.org/pubs/1795/poll-free-trade-agreements-jobs-wages-economic-growth-china-japan-canada.

⁵ See "Jobs on Another Shore," by David T. Coe, *Finance and Development*, International Monetary Fund, vol. 45, no. 1, 2008, pp. 48–51, www.imf.org/external/pubs/ft/fandd/2008/03/pdf/coe.pdf, and *International Trade: Free, Fair and Open?* by Patrick Love and Ralph G. Lattimore, Paris: OECD Publishing, 2009, www.oecd-ilibrary.org/trade/international-trade_9789264060265-en.

⁶ "Free Trade: Why Are Economists and Noneconomists So Far Apart?" by William Poole, Federal Reserve Bank of St. Louis *Review*, vol. 86, no. 5, 2004, pp. 1–6, www.research.stlouisfed.org/publications/review/04/09/Poole.pdf.

⁷ See note 6.

⁸ See "Americans Are of Two Minds on Trade," note 4.

⁹ "China Seen Overtaking U.S. as Global Superpower," Pew Global Attitudes Project, Pew Research Center, July 13, 2011, www.pewglobal.org/2011/07/13/china-seen-overtaking-us-as-global-superpower/6/. (Survey respondents were queried in face-to-face and telephone interviews; the margin of error varies from 2.5 to 5 percentage points, depending on the nation where the survey was conducted. Margins of error also reflect that certain types of households, such as those without phones, were not included in the surveys of some countries.)

¹⁰ See note 9.

¹¹ "Half of Americans Report Job Hunting Is More Difficult than a Year Ago," RBC Consumer Outlook Index, Ipsos, March 31, 2011. Also see "Americans' Top Job-Creation Idea: Stop Sending Work Overseas," by Frank Newport, Gallup, March 31, 2011. Discrepancies with previous surveys are likely explained by the limited selection of answers available in this poll as well as invocation of country-specific "trade ties" as opposed to the open-ended expression "trade."

¹² See note 9.

¹³ See note 9 and *CIA World Factbook 2011*, www.cia.gov/library/publications/the-world-factbook/index.html.

¹⁴ "Ipsos Global Advisory: The Economic Pulse of the World," December 2010, and "World Publics Welcome Global Trade—But Not Immigration," Pew Research Center-Pew Global Attitudes Project, Oct. 4, 2007, www.pewglobal.org/2007/10/04/world-publics-welcome-global-trade-but-not-immigration/.

¹⁵ See note 13.

¹⁶ See "Americans Are of Two Minds on Trade," note 4.

¹⁷ See "Americans Are of Two Minds on Trade," note 4.

¹⁸ See Finest Quotes, Globalization Quotes (John Naisbitt), 2011, www.finestquotes.com/select_quote-category-globalization-page-0.htm.