

“Learning to Love Globalization”: A Review

Jens Hainmueller and Michael J. Hiscox’s article, “Learning to Love Globalization,” uses survey data from individuals in the U.S. and other Western nations to expose a more nuanced take on the Stolper-Samuelson theorem based on higher education’s ideational and cultural effects. Ironically, the authors’ dogged assertion of their own research, even in the context of poorer nations such as the Czech Republic, exposes its weaknesses in broader application. Despite the fact that Hainmueller and Hiscox’s research cannot be as universally applied as the Stolper-Samuelson theorem, the authors should be commended for placing the value of individual education, experience, and circumstances into abstract economic theory.

Hainmueller and Hiscox’s review of the literature identified two major studies about education and opinion on trade policy. The first study, published by Scheve and Slaughter in 2001, used American National Election Survey (NES) data to show that lower-skilled individuals supported import restrictions more than those with higher levels of education (Hainmueller and Hiscox, 471). In other words, Scheve and Slaughter found an inverse relationship between “human capital,” measured in years of education, and support for protectionist trade policy. Mayda and Rodrik’s 2005 study with data from the 1995 International Social Survey Program (ISSP) affirmed Scheve and Slaughter’s results across a number of developed nations (471). Both Mayda and Rodrik and Scheve and Slaughter established a quantifiable link between education and opinion on trade.

Both research teams assert that their studies support the validity of the Stolper-Samuelson theorem. The Stolper-Samuelson theorem can be summarized in this way: in the state of free trade, a country’s abundant factors benefit from trade, while a country’s scarce domestic factors suffer as they must fend off competition from cheaper international imports (Oatley, 72). When applied to these two studies — which survey, almost exclusively, trade opinion in the U.S. and other Western nations — the theorem stipulates that the abundant factor is high-skilled labor with access to large amounts of capital, and the

scarce factor is unskilled and low-skilled labor (Hainmueller and Hiscox, 472). Highly-educated individuals enjoy access to good wages and jobs in the free trade system, while less-educated individuals in lower-skilled jobs fear that free trade will push their high wage costs out of competitive international markets. For this reason, less-educated individuals prefer protectionist policy.

Hainmueller and Hiscox agree with the quantitative results of these studies, but they believe that interpretations through the lens of the Stolper-Samuelson theorem oversimplify the analysis. Beyond an argument about self-interested winners and losers in the free trade system, Hainmueller and Hiscox suspect that opinion on trade policy “is a manifestation of broader differences in ideas and/or values among surveyed individuals” (474), and that education instills these differing ideas and values in the respondents. Hainmueller and Hiscox hypothesize that education may change opinion on trade through two mechanisms. The first, called the “ideational mechanism,” teaches individuals about counterintuitive principles of economics, including comparative advantage and gains from trade (472). The second, called the “cultural mechanism,” asserts that the diverse environment of the classroom teaches tolerance and dissuades nationalist tendencies in general (473). Both mechanisms are aspects of education which may encourage more educated individuals to see free trade in a positive light.

To test their hypotheses against the pure claims of the Stolper-Samuelson theorem, Hainmueller and Hiscox use the very data upon which Scheve and Slaughter and Mayda and Rodrik drew their conclusions. Hainmueller and Hiscox construct two tests of the theorem. First, if individuals were concerned solely with their personal well-being in the free trade system, then there would be a striking difference in opinion between those in the workforce and those not in the workforce (477). In essence, employed workers or those seeking employment would think about trade policy along educational lines, while the retired and others out of the workforce would feel indifferent about trade. Second, if education existed solely to gain access to higher-skilled labor, then there would be a negative linear

relationship between education and support for protectionist policy (475). Every added year of education would correlate with incrementally less support for protectionism.

Neither of these hypothetical claims hold under quantitative scrutiny. Hainmueller and Hiscox analyze NES data from both 1992 and 1996 and find that individuals not in the workforce hold opinions on trade policy parallel to those individuals in the workforce, provided that they fall in the same educational category (478). Furthermore, support for protectionism does not fall in a linear fashion. Hainmueller and Hiscox show a striking “plateau effect” in which college education dramatically increases pro-trade sentiment (480). Their results are similar using ISSP data from 1995. Following the stark differences of college-educated individuals from the other educational categories, Hainmueller and Hiscox focus their attention on the ideational and cultural mechanisms that make university-level education unique. According to the authors, these ideational and cultural factors fill the chasm in opinion between the college-educated and the rest of the respondents.

Their results, however, seem to break down as the GDP per capita of the countries under study decreases. Hainmueller and Hiscox show this discrepancy in their comparison of Germany and the Czech Republic. When education increases from zero to twenty years in each country, support for free trade increases by 0.49 in Germany but only by 0.27 in the Czech Republic, where German GDP per capita is roughly twice that of the Czech Republic (487). This supports the Stolper-Samuelson theorem: if one assumes that countries with lower GDP per capita are more likely to have an abundance of lower-skilled and unskilled labor, then more education in these countries pushes individuals into scarce-factor, higher-skilled labor where potential gains are less certain. The authors insist their results still hold in countries with lower GDP per capita — that economics education must be of poorer quality or more protectionist, and that the intellectual culture must be less democratic or more intolerant — but it seems the authors are merely grasping at straws with an argument that applies solely to rich Western nations.

Consider an analysis of support for free trade in Uganda and Bangladesh. Uganda and

Bangladesh, with per capita GDP of \$1,900 and \$3,400 in 2014, respectively, boast strikingly high free trade preferences. A 2014 Pew Global Attitudes and Trends survey shows that 82 percent of individuals in Uganda and 75 percent of individuals in Bangladesh believe that trade would lead to job creation; furthermore, 79 percent of individuals in Uganda and 78 percent of individuals in Bangladesh believe that trade would lead to higher wages (Pew Research Center, 2014). In this situation, the Stolper-Samuelson theorem would place these nations on the opposite side of the developed nations; Uganda and Bangladesh boast relatively abundant prospects for unskilled and low-skilled labor alongside relatively scarce prospects for high-skilled labor. Would increased education create similarly ambivalent opinions toward trade openness among educated respondents? This result seems unlikely, since the vast majority of individuals in Uganda and Bangladesh would gain from investment by MNCs and foreign nations. This includes vast numbers of low-skilled and unskilled jobs alongside jobs in upper management for the well-educated. In considering the examples of Uganda and Bangladesh, it is clear that Hainmueller and Hiscox establish a useful caveat in the study of trade preferences in rich, developed nations, but that the usefulness of their study fades in broader application.

Thomas Oatley's discussion of the factor model reveals both why developing nations such as Uganda and Bangladesh staunchly support free trade and why Hainmueller and Hiscox's study applies primarily to advanced Western economies. Oatley's hypothetical model of trade between the U.S. and China assumes full employment and complete factor mobility within each country (Oatley, 72). These assumptions simplify the economic theory but are untrue in practice. Contrary to the assumption of full employment, many individuals in countries such as Uganda and Bangladesh currently work in the informal sector. Investment by MNCs and other power players of the trade system would empower hundreds of thousands of individuals to join the workforce for the very first time. Yet in accordance with the theory, many of these jobs would exhibit a high degree of factor mobility since they would be predominantly unskilled and low-skilled positions. Both of

these realities reveal why people in Uganda and Bangladesh view trade in a favorable light. Meanwhile, the developed Western nations studied by Hainmueller and Hiscox function much nearer the mark of full employment. Free trade offers the promise of capital and high-skilled jobs at the expense of unskilled and low-skilled positions. And unlike the cosmopolitan, college-educated free trade supporters who appear to view the benefits of trade liberalization in the aggregate, workers in low-skilled and unskilled labor experience rapidly shrinking mobility. Just as they claim in their study, Hainmueller and Hiscox expose the need to scratch beyond the surface of the Stolper-Samuelson theorem.

Finally, a closer analysis of the opinions of individuals in Uganda, Bangladesh, the U.S., and a number of other Western nations, along with the potential impacts of trade liberalization on these individuals, reveals why the demands of some interest groups seem misinformed at best and disingenuous at worst. Some advocates claim that the U.S. and other Western nations must not trade with developing countries unless they guarantee “fair wages” and make other political concessions. It is a humanitarian necessity that all individuals everywhere earn decent wages under safe working conditions, but no individual can earn a wage at all if he or she lives in a country where job opportunities and foreign investment are barred by such special interests. Workers in developing nations face a situation akin to a team of mountaineers, ready and waiting to climb Mount Everest, but forced to wait at base camp because the journey is dangerous. All the while, the first teams to reach the summit bask in the glorious view, attempting to delay their inevitable descent.

References

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