

*The rhetoric of
economic nationalism
is counterproductive.*

Bad Trade Talk

BY SIMON LESTER

Much of the trade policy debate revolves around economics, politics, and international relations. Common issues for debate are: Is multilateral or regional free trade preferable? Do we have the votes this year for Trade Promotion Authority or the Trans Pacific Partnership? Which trading partners should we be negotiating with?

While these questions are important, they overlook a more fundamental determinant of the trade agenda: psychology. People's attitudes about trade are ultimately the main driver of what governments are able to accomplish.

Attitudes are formed based on many factors, but one key element is what people hear from politicians. When political leaders espouse economic nationalism, these ideas seep in to the average person's worldview.

But instead of stoking fears of the "other" with nationalist rhetoric, as they often do, politicians should change the way they talk about trade, to promote the idea of economic internationalism and integration. Changing the rhetoric would be a good way to reduce protectionist sentiment, and, in the long run, get the trade agenda back on track.

RECENT STUDIES ON THE SOURCES OF ECONOMIC NATIONALISM

In two recent papers, political scientists Edward Mansfield and Diana Mutz of the University of Pennsylvania studied Americans' attitudes towards free trade in general, and outsourcing in particular.

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With regard to free trade, the authors considered explanations for free trade skepticism that are rooted in an individual's income level or in working in an import-competing industry. However, they found limited support for either explanation in the survey data. By contrast, they found that "non-economic influences," including ethnocentrism, nationalism, and isolationism, helped explained trade skepticism. In this regard, they found that "there is little support for free trade among people who believe the United States is superior to other countries, hold isolationist views, and exhibit evidence of prejudice toward groups unlike themselves." The effects of isolationist attitudes and ethnocentrism are "statistically significant" and "relatively large." They conclude:

Activist foreign policy attitudes, a positive attitude toward out-groups, and a preference for open trade, however, all reflect a sense of cosmopolitanism and inclusion. Isolationism, a negative attitude toward out-groups, and antipathy toward open trade all reflect a sense of insularity and separatism. In short, trade preferences are driven less by economic considerations and more by an individual's psychological worldview.

The authors returned to this same issue several years later in the specific context of outsourcing. Here, too, they found that people's views were shaped more by general "ethnocentrism and anti-foreign sentiment" than by political economy considerations and material self-interest. As they put it: "Individuals who believe the United States should take an isolationist stance on international affairs more generally, who feel a sense of national superiority, or who feel that members of other ethnic and racial groups are less praiseworthy than their own racial or ethnic group tend to have particularly hostile reactions to outsourcing." This suggests, they argue, that attitudes "are shaped less by the economic consequences of this phenomenon than by what offshoring implies about heightened interaction with and dependence on outgroups, foreign firms, and foreign people." Opposition to outsourcing is "part of a broader worldview that defines people as 'us' or 'them,' as ingroup or outgroup."

According to Mansfield and Mutz, there are important implications policymakers should draw from this research. If they want to obtain public support for outsourcing (and free trade generally), they need to emphasize the importance of engaging with other countries and of resisting nationalist and isolationist urges. They also need to recognize that "some of the hostility toward outsourcing stems from concerns that U.S. workers are at risk of losing jobs to 'others,' not just that they are vulnerable

to job loss." Because outsourcing requires people to divide the world into insiders and outsiders, "those prone to mak[ing] such distinctions are especially likely to oppose outsourcing, regardless of how they might be affected economically." For policymakers, then, the key is to de-emphasize the "us" and "them" distinctions.

THE TRADE RHETORIC OF POLITICIANS

Unfortunately, that is not what we see from our political leaders, even those who ostensibly support free trade. President Obama's speeches on trade have been filled with nationalist rhetoric. He tells us how "[g]lobal competition sent a lot of jobs overseas"; how China's rise means a "competition for jobs"; and how we are falling behind foreign competitors, saying "South Korean homes now have greater Internet access than we do. Countries in Europe and Russia invest more in their roads and railways than we do. China is building faster trains and newer airports."

It's an economic war, and we are losing! But Obama is ready to fight: "We need to continue to provide incentives and support to make sure the next generation of manufacturing takes root not in China or in Europe, but right here in the United States—because it's not enough to invent things here; our workers should also be building the products that are stamped with three proud words: Made in America."

It is not clear exactly what President Obama has in mind when he talks this way. Is he trying to motivate

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Americans to study and work harder? Is he trying to generate support for more interventionist economic policies? Whatever his intent, one impact is to reinforce the idea of "us" versus "them." This kind of rhetoric encourages people to take a nationalist approach to economics, and to reject free trade.

CHANGING ECONOMIC NATIONALIST ATTITUDES

So what can be done going forward? How can we change people's entrenched economic nationalist attitudes?

To answer this question, it is useful first to understand the current state of nationality in the world. A "one

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world government” is not coming any time soon. Distinct nationalities will remain, and there is nothing wrong with this.

To some degree, most people identify themselves mainly with a particular nationality. For example, culturally, I feel American for the most part. My sports, music, and movie tastes interests are mostly American. That’s not to say I don’t occasionally get taken in by other cultures or activities (such as Norwegian curling), but for the most part I feel very American.

I suspect that most other cultures experience something similar, although the degree may vary. The reality is that national cultures and identities do exist, and will continue to exist. And there is nothing wrong with appreciating the culture you have grown up in, or that you otherwise feel comfortable with.

An important general principle here is that we can be part of small groups and large groups simultaneously. We can be from Virginia, from the United States, from North America, and from the world, all at the same time. These are not mutually exclusive.

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We do not have to worry if, on occasion, we buy from someone other than an American. Inevitably, a significant portion of our goods and services will come from fellow citizens. Geographic proximity makes this almost certain. Buying some portion from non-Americans is perfectly fine. In fact, economic internationalism of this sort is a good thing. It is good economics, as noted, but it is also good international politics, as it helps moderate some of the ill will that exists between people of different nations.

National prejudices are, to an extent, unavoidable. We share many things with each other that we don’t share with

others. That makes an “us” and a “them.” The problem arises when you combine a positive feeling for “yours” with negative feelings for “theirs.” And this is what political leaders must address. As noted, the real battle is not over economic theory, but over a mentality that takes cultural affinity and turns it into negative nationalistic impulses. It treats different nationalities as an “other” to be feared. By doing so, the debate shifts away from economics, and moves towards group affiliation. There, emotion takes over. People feel compelled to support the policy that defines “us” against “them.”

A good illustration of this issue can be seen in Buy America procurement policies. As a matter of economics, these policies make no sense. Goods and services cost more as a result; and our trading partners often retaliate with protectionism of their own. Clearly more is lost than gained, on balance. And yet the nationalistic marketing of such policies is hard to defeat. Any real American would want to buy from Americans, right?

How can free traders respond to this challenge? One part of the answer is that we need new rhetoric from our political leaders, in particular those who purport to be for free trade. Protectionists will always oppose trade, of course, but when politicians who support trade agreements undermine their case with the rhetoric of economic nationalism, there is a serious problem. Speeches about trade should emphasize the benefits of engagement with others, not set trade up as a winner takes all competition between rival nationalities. Trade talk should not be exclusively about how exports lead to more American jobs, but rather about how trading with other nations is good for the people of both nations. Imports from China are good because they provide goods and services to Americans, and jobs for Chinese people. And exports to China are good because they provide goods and services to Chinese people, and jobs for Americans. There are mutual benefits here. Trade is a partnership, not a rivalry.

In addition, improving trust might help undermine the “us” versus “them” dynamic. A competitive nationalistic mentality can be checked by mutual promises to behave fairly. Specifically, this means international agreements to keep protectionism within limits. Such constraints can prevent nationalist feelings from becoming too strong, if people believe that other countries will play by clearly defined rules.

Finally, as economic integration and globalization continue, we may see further progress in this regard outside of any concerted government action. With integrated supply chains and global corporations, it becomes harder to identify the “us” and the “them.” Is the BMW made in South Carolina an “American” car? How about the Ford made in Romania? It is hard to tell these days, and that is good news. The inability to determine national origins of goods and services means people will focus less on nationality.

We have already seen this with Japanese companies and products, which used to provoke fears but are now a trusted source of investment in the United States; hopefully, the same evolution will take place with Chinese investment.

In the debate over free trade and protectionism, supporters of free trade may be making a mistake when they focus exclusively on economics. There is a temptation to argue based on economic principles and “win” the debate by employing superior reasoning and analytic skills. The problem with this approach is that much of the support for protectionism does not come from economics, but from psychology. The flawed economics put forward by protectionists is actually just window-dressing to disguise a deeper “us” versus “them” mentality. It is no doubt true that a few people believe in the protectionist economic views of Friedrich List, Ross Perot, and the like, but recent studies show that for many people, such views are really just an

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extension of a feeling of national identity. This insight can help inform the approach to convincing people that economic integration is better than economic isolation.

While people’s attitudes toward free trade arise from internal feelings about non-trade matters, these feelings do not exist in a vacuum. They are shaped by surrounding culture, the attitudes of friends and neighbors, and what people hear from opinion leaders. Unfortunately, many politicians contribute to the psychology of economic nationalism. Rather than bring people of different nations together, politicians are pushing them apart. Until that changes, support for free trade is likely to face serious resistance. Proposals for trade agreements with the Pacific Rim economies or with Europe are nice, but unless the President and others make the argument that trade with other countries is good, and is not something to be feared, the results of these negotiations may be disappointing. Rather than adopting trade rhetoric that gives credence to the fear of the “other,” politicians could help promote economic integration by emphasizing the reality of trading relationships, which is that we are all in this together. Demonizing China may get you a few more votes in the short run, but in the long run it detracts from the important task of making the world safer and more prosperous through increased trade and economic engagement. ◆