



# The Electoral Effects of Chinese Import Competition in the United States

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2017 Annual Meeting of the IPES  
University of Texas, Austin  
November 18, 2017

## Outline

- **Research Questions:** Do trade issues matter for voting behavior? Do voters hold politicians accountable for the distributional effects of international trade?
- **Argument:** International trade influences voter support for the incumbent party through its impact on local labor markets. The rising import competition from low-income countries increases the likelihood that voters punish incumbent presidents and their parties.
- **Empirical Strategy:** Utilizing data on the industrial composition of employment for sub-national economies and bilateral trade data between United States and China, I measure changes in rising China trade exposure at the level of local labor markets (=Commuting Zone). Then I analyze the effects of rising import competition from China on U.S. presidential elections from 1996 through 2016 at the county-level.



## The 2016 U.S. Presidential Election



**TPP:** "It's a horrible deal."

**NAFTA:** "A terrible disaster."



**TPP:** "I'm worried about currency manipulation. ... There are still a lot of unanswered questions."

**NAFTA:** "I would like to renegotiate it. I think there were parts of it that did not work as hoped for."

## The 2016 U.S. Presidential Election

“..Our politicians have aggressively pursued a policy of globalization — moving our jobs, our wealth and our factories to Mexico and overseas...Globalization has made the financial elite who donate to politicians very, very, wealthy. I used to be one of them. Hate to say it, but I used to be one. **But it has left millions of our workers with nothing but poverty and heartache...America has lost nearly one-third of its manufacturing jobs since 1997** — even as the country has increased its population by, think of this, 50 million people. **...At the center of this catastrophe are two trade deals pushed by Bill and Hillary Clinton. First, the North American Free Trade Agreement, or the disaster called NAFTA. Second, China's entry into the World Trade Organization...**It was Bill Clinton who signed NAFTA, people don't remember, in 1993, and Hillary Clinton who supported it.”

**Trump's speech on globalization and trade during a campaign stop in Monessen, PA., on June 2016**



## Theoretical Motivation

- A large body of C/IPE literature on the relationship between trade policy and political institutions (e.g. regime types, electoral institutions, party systems, etc.)
- Institutional explanations for trade policy rely on one common assumption that representative policymakers set the levels and structure of protection in order to maximize their chances of winning office.
- But the existing models of trade policy do not tell us much about (1) how voters' different preferences are aggregated; and (2) to what extent trade issues affect voters and the voting process.



## The Electoral Effects of Trade in the U.S.

- Guisinger (2009): Low salience of trade issues in voters' knowledge and voting behavior in the 2006 Senatorial election
- Jensen, Quinn and Weymouth (2017): Voter support for incumbent presidents can be attributed to their employment profiles (e.g. tradability & skill-level).
- Margalit (2014): The effect of trade-related job losses on the anti-incumbent tendency in the 2004 presidential election
- Most recent studies focus on the impact of rising Chinese imports on legislative voting patterns on protectionist bills and/or partisan control of congressional districts (Che et al. 2016; Autor, et al. 2016; Feigenbaum and Hall 2017)



## China Shocks on U.S. Labor Markets

- Trade began to affect US local markets differently, especially since China's entry into the World Trade Organization (WTO) & U.S. granting of Permanent Normal Trade Relations (PNTR) in the early 2000s.
- Low-wage countries as a likely source of disruption to high-wage labor markets (Krugman 2008)
- Rising U.S.-China Trade Integration significantly caused a significant reduction in U.S. manufacturing employment and weak job growth (Pierce and Schott 2016; Acemoglu et al. 2016) and decreased working age population and wages (Autor, Dorn and Hanson 2013).



## Hypothesis

- H1: The incumbent party's share of the two-party vote in presidential elections will decline in regions in which voters are more exposed to Chinese import penetration.



## Empirical Strategy

- Dependent Variables – county-level outcomes for two-party vote shares in U.S. presidential elections for the period 1996-2016
  - **Incumbent Support:** Incumbent president and his party's 2pty-vote share
  - **$\Delta$ Incumbent Support:** Change in **Incumbent Support** between current and previous presidential elections
  - **$\Delta$ Democratic Support:** Change in Democratic candidate's two-party vote share between current and previous presidential elections
  - **$\Delta$ Incumbent Two-Party Vote Share:** Change in the incumbent party's two-party vote share between current and previous presidential elections (Jensen et al. 2017).



## Empirical Strategy

- Main Independent Variable
  - **Chinese Import Exposure per worker (IPW)** in a commuting zone  
Commuting zones (CZs) – “counties are building blocks of CZs, which are clusters of adjoining locations that have the commuting structure of local labor markets (Autor et al. 2016)”
  - Variation in CZ’s exposure to Chinese import competition are caused by differences in the relative importance of manufacturing industrial sectors and each industrial sector’s degree of import penetration with China
  - CBP local industry employment data 1988-2012 & UN Comtrade data on bilateral trade on industrial sectors (converted from H6 to SIC4)



## Chinese Import Competition

- Following Autor, Dorn and Hanson (2013) & Feigenbaum and Hall (2017), **Chinese Import Exposure per Worker** is computed as shown below.

$$\Delta IPW_{uit} = \sum_j \frac{L_{ijt}}{L_{ujt}} \times \frac{\Delta M_{ucjt}}{L_{it}}$$

- Here  $i$  is a commuting zone,  $j$  is a four-digit SIC industry, and  $t$  is a time period between two consecutive presidential elections.
- $L_{ijt}/L_{ujt}$  = A commuting zone  $i$ 's share of a four-digit SIC industry  $j$ 's total employment in a starting year of period  $t$
- $\Delta M_{ucht}$  = Changes in the value of US imports from China for a period  $t$
- $L_{it}$  = A commuting zone  $i$ 's total employment in a starting year of period  $t$



## Instrumental Variable for Chinese Import Competition

- As Autor et al. (2013) suggested, US industry employment demand shocks might also be under the influence of rising Chinese imports. To correct the endogeneity of US trade exposure, I use an instrumental variable strategy by considering growth in Chinese imports in eight other high-income countries

$$\Delta IPW_{oit} = \sum_j \frac{L_{ijt-1}}{L_{ujt-1}} \times \frac{\Delta M_{ocjt}}{L_{it-1}}$$

- $\Delta M_{ocjt}$  = Changes in the value of Chinese imports to eight other high-income countries (i.e. Australia, Denmark, Finland, Germany, Japan, Switzerland, Spain, and New Zealand) for the period  $t-1$ .
- $L_{ijt}$ ,  $L_{ujt}$  and  $L_{it}$  use employment levels in a starting year of the period  $t-1$ .

- H2: The anti-incumbent effect of rising imports from China however depends on

## Results

Table 1 Chinese Import Penetration and U.S. Presidential Elections Outcomes, 1996-2016: 2SLS Estimates

	Incumbent Support	$\Delta$ Incumbent Support	$\Delta$ Democratic Support	$\Delta$ Incumbent 2-PTY VS
$\Delta$ Chinese Import Penetration (GDP)	0.002**	0.005***	0.000***	0.000***

Table 2 Chinese Import Penetration and U.S. Presidential Elections Outcomes: 2SLS Estimates with other control variables

	Incumbent Support	ΔIncumbent Support	ΔDemocratic Support	ΔIncumbent 2-PTY VS
Δ Chinese import exposure per worker (IPW)	-0.023** (0.009)	-0.030** (0.013)	-0.010*** (0.003)	0.009*** (0.002)
Unemployment	0.001 (0.001)	0.024*** (0.003)	-0.000 (0.000)	-0.003*** (0.000)
ΔUnemployment	-0.016*** (0.002)	-0.003 (0.002)	-0.001 (0.001)	-0.001 (0.001)
Unemployment Volatility	-0.002 (0.004)	-0.020*** (0.004)	-0.004*** (0.001)	-0.011*** (0.001)
Previous Incumbent Support	-0.116*** (0.005)			
ΔAverage Pay	0.081 (0.058)	-0.037 (0.074)	0.017 (0.014)	0.070*** (0.016)
Female	0.687*** (0.255)	0.678* (0.391)	-0.195*** (0.067)	0.075 (0.063)
African American	1.003*** (0.149)	1.239*** (0.344)	-0.107*** (0.039)	0.034 (0.037)
Hispanic and Latino	0.304*** (0.104)	-1.070*** (0.237)	0.140*** (0.027)	-0.049* (0.029)
	2SLS first stage estimates			
Δ IPW non-US	0.024*** (0.05)	0.024*** (0.05)	0.024*** (0.05)	0.024*** (0.05)

Note. \*p < 0.1; \*\*p < 0.05; \*\*\*p < 0.01; Standard errors clustered by county are in parentheses. All models include county and year fixed effects.

## Conclusion

- Rising exposure to import competition with China increases anti-incumbent effects in U.S. presidential elections. Voters who experienced adverse effect of rising Chinese competition in local labor markets are less likely to cast votes for incumbent presidents and their parties.
- Anti-incumbent effects tend to be greater for the Democratic Party.
- The conditioning effect of domestic compensation schemes (e.g. Trade Adjustment Assistance, Social Security Disability Insurance, etc.)?

