Bidenism as Trumpism 2.0: Explaining America's Bipartisan Embrace of Neo-Mercantilist Policies

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ABSTRACT: A hefty dose of economic nationalism infuses Build Back Better, President Joe Biden's economic policy priorities. Echoing Trump's Make America Great Again promises, it embraces a zero-sum logic regarding economic relations with China, and is centered on trade protectionism, restrictions on capital and technological flows, and an industrial strategy that subsidizes American suppliers. This continuation of economic policy is remarkable – especially given Biden's haste to undo other Trump-era policies. What explains it? In this paper, we rule out that the reason behind recent American protectionism is political expedience: there is simply no evidence that increased trade exposure explains support for Trumpist style populism. Instead, China's ability to narrow the GDP and technology gap with the United States may be the reason.

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With some exceptions, a bipartisan consensus that free trade is good emerged in the U.S. after World War II (Helleiner 2019).[1] Putting aside global trade's political and geostrategic benefits, it promotes competition between firms, innovation, and economic development. By allowing countries to position themselves at the optimal location on their production possibilities frontier, international trade engenders static efficiency: specialization along the lines of comparative advantage reduces the costs of producing the goods and services exchanged between trading partners, therefore lowering their prices. By helping countries acquire new ideas, technology, and business processes from abroad, free trade also shifts out demand and supply curves for goods and services—sometimes shifting out countries' entire production possibility frontiers in the process—and promotes the dynamic efficiency associated with increased productivity and reductions in quality adjusted prices.

This consensus underpinned a U.S. led rules-based system, starting with the 1948 General Agreement on Tariffs and Trade (GATT), and capstoned by the 1995 World Trade Organization's (WTO) binding dispute settlement system.[2] The result? A huge expansion in the volume of global trade and an increase in the sophistication of manufacturing. Consider that:

> Between 1990 and 2017 the trade-weighted average global tariff applied under WTO rules fell by 4.2 percentage points. The drop was greatest in poorer countries: in the same period China's tariffs fell by 28 points, India's by 51 and Brazil's by 10. It also prompted a push for bilateral and regional trade deals, which expanded from around 50 in the early 1990s to as many as 300 in 2019. These have cut trade weighted applied tariffs by a further 2.3 percentage points. This system supported an explosion of global trade as a share of gross output, from around 30% in the early 1970s to 60% in the early 2010s. Over the same period complex global supply chains grew from around 37% to 50% of total trade (The Economist 2021: 3).

In practical terms, rules-based trade based on reduced tariffs and the concomitant protection of intellectual property (IP) has underwritten the creation of products such as

[1] See Irwin 2018 for those exceptions; his argument is that the U.S. has used tariffs and the threat of tariffs since the 1934 Reciprocal Trade Agreements Act to ply, if not threaten, foreign governments into reciprocal trade liberalization.

[2] This is not to say that the U.S. has not used gaining access to its huge market in the past as leverage: coaxing developing countries to better protect American Multinationals' (MNCs) IP in exchange for tariff reductions; indeed, it has done just that, beginning with Section 301 of the Trade and Tariff Act of 1984, and continuing with the Trump Administration's executive actions. While there are strong efficiency grounds for promoting strong IP (Haber 2016), the distributional aspect has been paramount in these cases: American MNCs gain rents from stronger IP, as they would otherwise transact with firms located in developing countries on worse grounds, in which they would obtain a smaller share of the producer surplus (see Menaldo and Wittstock 2021).

relatively cheap handheld devices that have, in turn, nurtured an app-based economy centered on digital platforms, big data, and Artificial Intelligence (AI). American and Chinese companies have jointly created the most sophisticated and valuable vertically disintegrated supply chains the world has ever known across a wide array of high-technology industries. For example, U.S. fabless companies such as Qualcomm design high performance semiconductors, and rent them out to Taiwanese chip foundries and device makers, such as Apple, which outsource the manufacture of their electronic devices to China.[3]

Despite all of this, or perhaps because of it, America's once steadfast commitment to free trade and globalization has waned (Swanson 2021). The Trump presidency opened up the protectionist floodgates by erecting a host of tariffs and non-tariff barriers, but Biden's nominee for U.S. Trade Representative Katherine Tai, as well as Secretary of State Anthony Blinken, have affirmed that protectionism and economic nationalism are the new normal in the wake of Biden's protraction of these policies (Blinken 2021; Swanson 2021). Simultaneously, support for populism—antipathy towards established parties, institutions, and ideas, as well as cosmopolitanism and experts—has grown, epitomized by the Trump presidency and, especially, the surprising political geography of his electoral coalition. An erstwhile bastion of Democratic Party support, America's Rust Belt, particularly the so-called Blue Wall states of Michigan, Pennsylvania, and Wisconsin, helped launch Trump into the Oval Office in 2016 (see Figure 1 and McQuarrie 2017; Clark 2017). It made him competitive in 2020 (Williams 2020).

Does international trade exposure help explain the Trump phenomenon? Despite remaining the world's industrial powerhouse in both absolute and value-added terms, the U.S. witnessed a major reallocation from manufacturing jobs to service jobs in the wake of increased globalization during the 1990s and 2000s, consistent with the evidence and stylized facts about "deindustrialization" in the United States (Dinlersoz and Wolf. 2018).[4] Acemoglu et al (2016)

[3] During this time period, several countries that integrated themselves with the global economy through international trade and investment achieved relatively high levels of economic prosperity at warp speed. This includes countries that recovered from World War II after allying with the U.S. and converged with it economically, including West Germany, Italy, and Japan; the Asian Tigers (Taiwan, South Korea, Singapore), which experienced 20+ fold increases in living standards since the 1960s/70s; and several Eastern European countries since the fall of the Berlin Wall. In Poland, Hungary, and the Czech Republic, improvements in average living standards have been five-fold, six-fold and eight-fold, respectively.

[4] U.S. manufacturing sectors are larger and more valuable than ever but require fewer workers due to labor-replacing technologies that have driven productivity gains. While offshoring has certainly contributed to job losses in U.S. manufacturing sectors (see Acemoglu et al 2016), they have been

estimate that increased import-competition associated with China's accession to the WTO in 2001 led to the loss of between 2.0 to 2.4 million jobs in U.S. manufacturing sectors between 1999 and 2011. Autor, Dorn, and Hanson (2013) note these effects are geographically concentrated in locations often referred to as the Rust Belt. Autor, Dorn, and Hanson (2016) stress that labor market adjustments to trade shocks have been very slow in the last decade.

Enter Donald Trump. During the 2016 campaign and once in office he espoused muscular economic nationalism. He spoke directly to blue-collar workers exposed to so-called trade shocks such as the North American Trade Agreement (NAFTA), signed into law in 1994, and China's entry into the WTO in 2001 (The Economist, 2017). Trump's own unfiltered words underscore this point: "We can't continue to allow China to rape our country, and that's what they're doing…" (Candidate Donald Trump during the 2016 Presidential campaign, referring to China's large export surplus with the U.S.).[5]

Indeed, the idea that Trump rode to office in a wave of anti-globalization, and especially trade protectionist sentiment, has become so widely repeated it has obtained gospel like status (see Frieden 2018; Jacoby 2018; Ferguson 2016). Inspired by this narrative, politicians on both the left and right have embraced opposition to anti-globalization and called for the re-shoring of manufacturing jobs (Biden 2020; also see Lighthizer 2020; Dezenski and Austin 2021). In fact, numerous researchers and pundits have suggested that President Biden has echoed Trump's protectionism to directly appeal to blue collar workers hurt by international trade in the Rust Belt and thus to secure the support of critical swing voters in Pennsylvania, Michigan, and Wisconsin (Barret 2020; Hull 2020). Indeed, some scholars argue that voters who switched from Obama to Trump in these key states are what explain the latter's 2016 win (McQuarrie 2017; Clark 2017 Grimmer and Marble 2019; Farley 2019). Biden, therefore, was simply trying to win these pivotal voters back when he declared that "we can revitalize our industrial base at the heart of the American middle class."[6]

And win them back he did. Unlike Hilary Clinton, Biden was victorious in Wisconsin, Michigan, and Pennsylvania. To do so, he banked on the votes of white working-class men who had gone for Trump in 2016. In other words, Rust Belt voters (see Williams 2020).

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primarily driven by technological change. Whether workers in those sectors—or even politicians—recognize this distinction is an altogether different issue, however.

[5] Diamond 2016.

[6] See Williams 2020.

Is this the right theory of the case? Did Americans who were exposed to international trade and potentially hurt by it because they lost their jobs or saw their income decline throw their lot behind Trump in 2016, therefore costing Clinton the election that year? Was this especially the case across the so-called Blue Wall states in the former industrial heartland? Did voters in Michigan, Pennsylvania, and Wisconsin heed Trump's protectionist message, which promised to bring back economic opportunity to areas that had been adversely impacted by trade liberalization for decades? Was President Biden therefore politically justified in protracting Trump's protectionism, centered on stiff tariffs on Chinese imports, in order to appeal to these up-for-grabs, anti-trade constituents?

In this paper, we question whether globalization explains support for former President Trump and his brand of populism. We empirically evaluate the connection between trade exposure and support for Trump during 2016. To do so, we use county-level, objective data that measures the electoral support for Trump's unique brand of populism—namely, his vote share in relation to the 2012 vote for Mitt Romney (the Republican nominee during that year's presidential election). We adduce robust evidence that the conventional wisdom about Trump's victory is wrong: Trade was not a relevant factor.

Once we hold other factors constant, especially state fixed effects, the magnitude of exposure to international trade has no statistical impact whatsoever on Trump's 2016 vote share. This result is robust to the inclusion of different covariates, how we measure trade exposure—we experiment with ten different measures—and how we address spatial correlation. Nor does the functional form of the relationship between trade exposure and Trumpism matter. There is no evidence that increased exposure to trade improved Trump's vote share in counties that were, in his words, "more poorly educated", nor in counties that were whiter, nor in counties where both the level of educational attainment was relatively lower and the population was relatively whiter. This non-result is also robust to looking at the relationship between trade and support for Trump in key individual states—rather than the counties pooled in a single dataset—including the Rust Belt states that were pivotal to Trump's victory. Rather, citizens' level of education, no matter how we measure it, emerges as the most important determinant of the difference between electoral support for Trump versus Romney.[7]

[7] This result corroborates findings from polls conducted by David Shor that increased educational polarization explains Republicans' ascendant electoral support from non-college educated voters. See

We surmise that many of Trump's supporters backed him in 2016 *not because of protectionism, but despite it*. Or, at the very least, exposure to free trade was not their motivation for getting behind Trump. Our findings therefore call into question whether protectionism will pay political dividends for Biden and the Democrats: despite the current president's embrace of Trump's restrictionist trade and FDI policies, our analysis suggests that voters in Pennsylvania, Michigan, and Wisconsin who went for Trump the first time around may just do so again in 2024.

This raises a puzzle: why is trade protectionism on the rise in the U.S. and is now apparently championed by both parties? If Trump was not elected by voters skeptical of free trade and attracted to Trump's muscular protectionist rhetoric, but instead because of something related to them lacking a college education, then why has Biden protracted Trump's tariffs and some of his anti-globalization rhetoric?

Suppose that prominent American politicians are aware of the crux of our findings. In other words, they may know that Trump's populism has appealed to many voters not because of their deep-rooted opposition to globalization, but for some other reason proxied for by their level of education. Nonetheless, American policymakers may have concluded that China benefits much more than the U.S. from their economic interdependence. And this may be what has motivated increasingly bipartisan efforts to engage in strategic, rather than political, protectionism, irrespective of why Trump won in 2016. That may explain why the tide has turned against free trade and why President Biden has not rescinded Trump's tariffs.

As predicted by many analysts, however, American workers and consumers are paying protectionism's price. Tariffs on Chinese imports have cost the U.S. economy over 300,000 jobs (Zandi, Rogers, and Cosma 2019). They have also cost the average household anywhere from $600 to $800 a year (see, for example, Bown 2021).[8] There is little that skin deep tariffs on Chinese imports imposed in an arbitrary manner can do to change that Americans finance, design, and market the goods that Chinese manufacture and sell back to American consumers.

Klein 2021. It also corroborates survey-based work by Gethin, Martínez-Toledano, and Piketty 2021 that uncovers similar patterns: voters with less education drive support for rightwing populism worldwide.

[8] These were not the only costs. Beijing also imposed tit-for-tat tariffs on U.S. exports and increased regulation of American firms doing business in China; for example, Chinese antitrust authorities' decision to nix the attempt by Qualcomm to merge with Dutch chipmaker NXP.

In this chain, American firms add the most value and reap the highest share of the profits, allowing the U.S. to import far more from China than it exports (Menaldo and Wittstock 2021). Global supply chains in semiconductors, batteries, computer chips, and pharmaceuticals have been battered by Trump-era trade restrictions and associated uncertainties, and COVID-19 disruptions have exacerbated shortages. One datapoint among many: due to the serious microprocessor shortfall, General Motors and Ford have shut down several of their U.S. factories.

Besides showing that exposure to free trade does not explain support for Trump in 2016, this paper also rejects the logic of and evidence behind the argument that international trade has harmed the United States: permanently increased joblessness, depressed wages, and increased inequality and engendered other economic woes. We argue that American businesses, consumers, and workers benefit from Sino-U.S. interdependence. Exploiting county level data, we demonstrate that counties with greater exposure to trade are not poorer nor more unequal.

Finally, we address the issue of relative versus absolute gains in Sino-U.S. economic relations. We conclude that China's increased economic convergence with the U.S. may help explain America's neo-mercantilism.[9] It may not matter therefore if Trump was not elected on the back of anti-globalization in 2016, which suggests that increased opposition to free trade may continue into the foreseeable future.

THE AMERICA FIRST PARADIGM

The recent strand of American protectionism is relatively new (Helleiner 2019). In the run up to his shocking election in 2016, candidate Trump promised to curtail immigration, bring back blue-collar jobs, and to renegotiate trade deals—especially with China. In his campaign manifesto, he pledged to "cut a better deal with China that helps American businesses and workers compete."[10] The premise was that China's cheap labor steals jobs away from American workers and that China floods the U.S. market with cheap goods—putting American firms at a disadvantage.[11]

[9] Classical mercantilism, as practiced by the Spanish and Portuguese Empires, for example, was centered on hoarding precious metals and running up trade surpluses. It accompanied government efforts to regulate commerce in general in ways that awarded monopoly rights over long distance trade in exchange for government revenues. For example, by imposing flag taxes on merchandise delivered by unlicensed vessels and the outright banning of imported goods. Neo-mercantilism is about protectionism, industrial policy and reshoring manufacturing jobs, rather than maximizing government revenues through tariffs.

[10] See, for example, BBC 2016.

[11] These grievances went beyond trade. Besides grousing about China's supposed currency manipulation and its subsidies of state-owned enterprises, The Trump Administration also accused China of several

As president, he famously imposed steep tariffs on Chinese goods—to the tune of 25 percent of their 2017 value. The Trump tariffs were equivalent to taxing $370 billion worth of Chinese imports. He also imposed stringent restrictions on FDI from China and curtailed semiconductor exports to China. Trump claimed this crusade would reduce the U.S. trade deficit and improve welfare overall (also see Brown and Kolb 2021).

What's more: Individual Republican politicians like Josh Hawley and Marco Rubio have explicitly championed industrial policy and growing numbers of Republicans are warming towards federal spending funneled towards the American semiconductor industry. This is a drastic change in the GOPs once strong support for free trade and investment flows, as well as its reluctance to intervene in markets and pick winners.

Biden has continued Trump's protectionism. The aforementioned tariffs on Chinese goods remain in place under President Joe Biden, despite a Phase One trade deal signed between the U.S. and China in January 2020. While President Biden and Trade Representative Katherine Tai have not yet laid out a clear blueprint of the US-China trade strategy yet, public declarations and extant policy indicate a continued effort to rebalance the US-China trade relationship with the declared goal of protecting American workers from unfair trade practices. A U.S. Trade Representative spokesperson was quoted saying that the U.S. would seek to impose more targeted levies on specific industries, likely including steel, solar panels, batteries, semiconductors, and other technology. National Security advisor Jake Sullivan has suggested that Biden's administration will increase tariffs on steel and solar panels while relaxing those on other products (Bade 2021). Despite the relaxation of some steel tariffs, tariffs on a host of European goods are still a reality.

Biden has so far sustained restrictions on international capital and technology flows to China too. Biden's agenda reiterates Trump's concerns over allegedly coercive technology transfer and other Chinese "transgressions".[12] Biden has also flirted with industrial policy: announcing federal infrastructure spending on "Buy American" purchases, including tax incentives for clean energy technologies and electric vehicles intended to boost U.S. competitiveness in this area. A

transgressions around IP: engaging in widespread industrial espionage; compelling American firms of enter into joint ventures that divulge trade secrets in exchange for access to the Chinese market; and conducting onerous security reviews and testing requirements, as well as deploying billions of dollars to acquire U.S. companies operating in high-tech industries, to achieve similar ends. See Menaldo and Wittstock 2021 for the logic and evidence behind these complaints.

[12] United States Trade Representative 2021.

new office in the Commerce Department is intended to pick industries that will be specially aided by federal investment.

Further, export bans and controls on China remain in place, affecting especially high-tech companies like Intel, Google, and Qualcomm (Kaplan and Rappeport 2021). In June 2021, President Biden added several companies to a blacklist outlawing American investment in Chinse companies that have connection to the military (Sanger and McCabe, 2021). Also, in June 2021, the Senate passed the Innovation and Competition Act intended to invest more than $250 billion into the US semiconductor industry, the National Science Foundation, regional technology hubs and 5G innovation – explicitly seeking to solidify American leadership in key industries (The White House 2021). In October 2021, the Federal Communications Commission (FCC) revoked China Telecom America's authority to provide telecommunications services in the United States (FCC 2021).

This set of recent actions by the Biden administration suggest a clear attempt to boost domestic capacity in key industries while seeking to decouple form Chinese supply chains and disrupt China's further ascent in high-tech industries. In turn, this is indicative of a sustained change in U.S. trade and investment policy—especially since Biden reversed so many of his predecessor's other policies upon gaining office.[13]

What explains America's Turn Towards Protectionism?

In many analyses, it is either implicit or even explicitly stated that globalization's negative economic effects on key constituents "caused" Trump's electoral victory (see Cox 2017; Frieden 2018). Hence, pundits often justify protectionism by proposing a connection between free trade and the centrifugal forces renting contemporary American politics asunder today (see Pisany-Ferry 2021).

The evidence for these claims is mixed. On the one hand, job losses associated with increased U.S.-Sino trade reported by Autor, Dorn, and Hanson (2013) are geographically concentrated. And some of the areas that were most adversely affected are in Rust Belt states that went for Trump in 2016 and put him over the edge: allowed him to accumulate the electoral college votes he needed to beat Clinton. Yet, upon further reflection, Trump's opposition to freer trade and investment are linked to a nationalist, zero-sum view of the world and American self-determination (Finley and Esposito 2020). Tariffs on Chinese imports tend to be construed as a

[13] This includes environmental policies, immigration, foreign policy, taxation, and socio-cultural issues.

show of force against China, which many Trump supporters consider an enemy (Noland 2020). This suggests that opposition to free trade, as such, did not necessarily drive electoral support for Trump.

Indeed, survey evidence instead suggest that hardcore supporters of Trump in both 2016 and 2020 favored him because of his opposition to (i) immigration, (ii) liberal cultural values (iii) disdain for political correctness (iv) mockery of experts and the media (Tucker et al 2019; Sherman 2018; Major, Blodorn and Blascovich 2018). Opposition to trade ranks near the bottom of support by hardcore supporters. And his hardcore supporters in the Rust Belt voice similar reasons why they like him to those voiced elsewhere.

Moreover, many researchers have found that among an important contingent of Trump supporters/voters, the most salient political issue is a backlash against immigration and multiculturalism (Major, Blodorn, and Blascovich 2018). Other studies similarly suggest that outright racism and nativism fueled Trump's rise and continued political success (Hooghe and Dassonneville 2018; Noland 2020; Sides, Tesler, and Vavreck 2017; Skocpol and Tervo 2020; and Towler and Parker 2018). This may not only be true about Trump in particular, but political support for populism more broadly: while industrial decline may have helped tilt voters to favor populists around the globe, as pointed out by Margalit (2019), as well as Norris and Inglehart (2019), economic factors are highly limited in fully accounting for populists' electoral success in general.

Of course, it is not altogether irrational for voters who have suffered employment losses directly due to the offshoring of their jobs to seek redress. This may include the desire to place tariffs on competing imports, which are in turn passed on to consumers as higher prices for domestically manufactured products. Nevertheless, if targeted correctly, tariffs ensure that they remain cheaper than foreign made ones.

But it might equally be the case that voters affected by international trade realize that protectionism is a feckless political response and they might not condition their vote on neo-mercantilist platforms. First, their jobs may be automated away anyway, no matter the level of trade protectionism: domestic workers in developed countries remain relatively expensive and the costs of automation keep dropping like a stone. Second, it might be more advantageous for workers exposed to trade to favor policies that reform education, create vocational training, and promote lifelong on-the-job training in coordination with employers complaining about skill gaps and mismatches. Also, investments in new industries may be more effective in creating lasting

economic opportunities than futile attempts to force the reshoring of inefficient steel manufacturing, for example.

This might help explain why Trump did not do as well in 2020 as he would have hoped, especially in the Rust Belt. The former president lost to President Joe Biden in Pennsylvania, Wisconsin, and Michigan. While Trump won in Ohio, and overwhelmingly won rural districts across the Midwest, it is not clear that these districts are representative of the country's former manufacturing hubs. In fact, Biden won with strong support in the major cities across these states, including Ohio. It is these cities that perhaps best represent former manufacturing centers and include Detroit, Michigan, Milwaukee, Wisconsin, and Akron, Ohio. Moreover, if we consider the rustbelt to include cities such as Chicago, Illinois, Buffalo, New York, Corning, NY, Rochester, NY, and Utica, NY, and East Lansing, Michigan, and Flint, MI, Joe Biden also beat Trump in those places.

What's more: an election postmortem report authored by Republican pollsters affiliated with the Trump campaign in the aftermath of the 2020 presidential race evinces that the former president bled support in the Rust Belt (Fabrizio, Lee & Associates 2020). These pollsters conducted an analysis of exit polling in several battleground states, many of them located in America's industrial heartland. They include Michigan, Wisconsin, Ohio, and Pennsylvania. The report concludes that Trump suffered great losses among demographics overrepresented in the low skilled subgroup; he experienced sizable erosion in support among white men across every age group, including males of prime working age and those entering retirement age, two groups usually associated with unskilled workers. In the five states in which Biden beat Trump in 2020 after Trump won in 2016, Trump's most dramatic loss of support among these voters was in the 18 to 29 age group and the 65 and older group.

An Empirical Analysis of Trump's 2016 Election

Perhaps 2020 is a weak case that biases in favor of concluding that exposure to international trade does not really help explain the Trump phenomenon? His electoral support in 2016 may represent a more favorable way to test the thesis that exposure to trade helps explain why voters—many of them Democrats and Independents—responded positively to Trumpism. After all, it was easier and more credible for Trump to present himself as an outsider who would "drain the swamp", reverse globalism, and faithfully represent the interests of America's "forgotten men and women."

He certainly talked tough in the run up to 2016. Trump promised to withdraw the U.S. from NAFTA, walk away from the Trans Pacific Partnership Agreement[14], and slap steep tariffs on Chinese imports. He also threatened tariffs on European imports – criticizing Germany's large trade surplus and specifically stigmatizing the abundance of German-made cars on American streets (Jacoby 2020; Taylor and Rinke 2017). The express intent of these protectionist measures was to revitalize American manufacturing and create jobs; he often targeted these anti-globalization appeals to the Rust Belt (see Davidson 2016; Pacewicz 2016).

Before we address the question of whether trade exposure explains votes for Trump in 2016, however, it is necessary to strip out factors that explain support for Republicans in general from support for Trump in particular. There are Republicans who always vote Republican, no matter who's at the top of the ticket, whether it be McCain, Romney or Trump, and thus are not necessarily big fans of the former president in particular. Conversely, we seek to capture what drove populism (those voters who switched from voting for Obama to Trump and those who turned out in 2016 and voted for Trump but did not vote in 2012) instead of conservatism.

Therefore, we seek to measure the unique "Trumpist" element of the 2016 Republican vote share by comparing the vote share gained at the county level by Mitt Romney in 2012 and that gained by Trump in 2016. Specifically, we create *Trumpism* as a county-level measure of the difference between the Republican vote shares of the 2012 and 2016 Presidential elections. First, we subtract Romney's vote share in 2012 from Trump's vote share in 2016. Second, we divide this value by Romney's vote share in 2012. Finally, we multiply that value by 100. The source of our county level election results data is the CQ Voting and Elections Collection.[15]

Figure 1, below, maps electoral support for Trumpism in the 2016 election.[16] What Figure 1 shows is what we would expect after stripping out support for conservatism per se from our Trumpism measure. In 2016, states that voted firmly Republican in aggregate cannot adequately be termed "Trumpist". In fact, many counties in states like Texas, Florida, and Arizona swung firmly against Trump relative to Romney—that is, Trump received fewer votes

[14] The TPP is a free trade pact agreed to by Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

[15] https://library.cqpress.com/elections/static.php?page=sources-and-definitions&type=public#Election%20Returns%20Scope

[16] A histogram of the distribution of the electoral support for Trumpism during the 2016 election, juxtaposed a normal distribution (not shown), reveals that the data resembles a bell curve. This is attested to by the fact that the mean and median are essentially identical: 7.1 and 6.73, respectively (see Table 1).

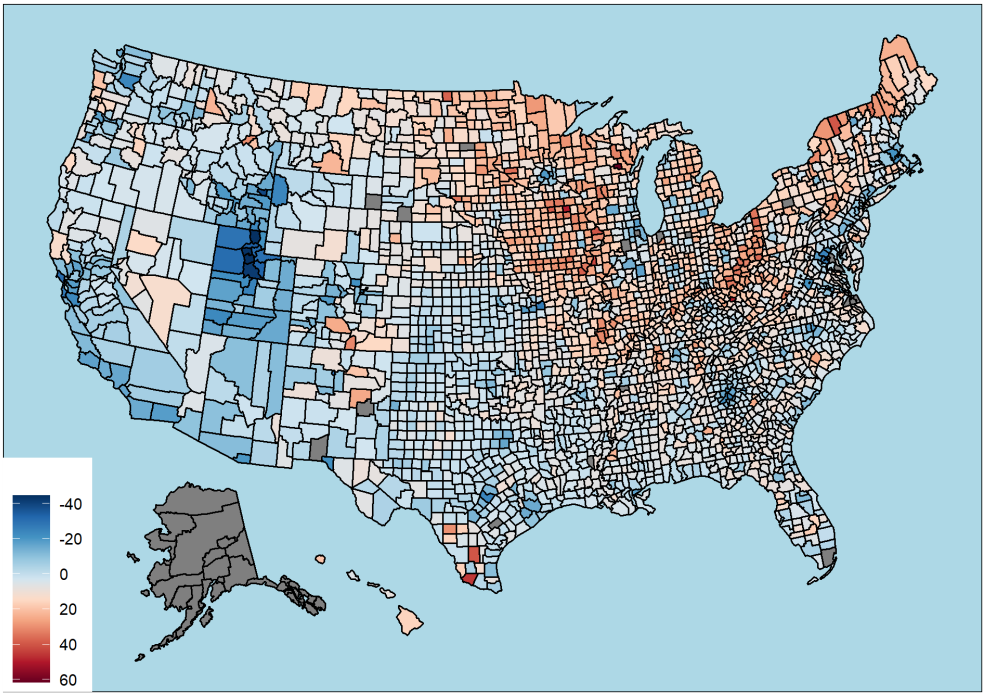
than Romney. The most extreme example here is Utah, which swung dramatically against Trump across the board compared to Romney. While this swing was not big enough to hand the state's electoral college votes to the Democratic party, which lost at the state level, it suggests that we should avoid conflating Trumpism with Vanilla conservativism.

The most dramatic swings of support towards Trump (again, large net gains of votes for Trump in 2016 relative to Romney in 2012) are concentrated in the Rust Belt and Great Lakes region. Michigan, Wisconsin, Iowa, Pennsylvania, and Ohio are key states that Trump "flipped" in 2016: that is, that Romney lost in 2012. This suggests that, at least prima facie, perhaps exposure to trade did drive support for Trump's populism during the 2016 Presidential Election.

Indeed, a simple scatterplot that regresses Trumpism against Trade Exposure corroborates this notion (Figure 2). To measure the extent to which a U.S. county experienced increased trade competition as a result of globalization on the eve of the 2016 Presidential Election, we use data from Autor, Dorn, and Hanson (2013). They measure the effect of rising Chinese import competition between 1990 and 2007 on local U.S. labor markets by exploiting the fact that these markets differ in terms of their employment in manufacturing versus nonmanufacturing activities and their specialization in import-intensive industries. The change in Chinese import exposure per worker in 2000 (*10-year change in IPW 2000*) captures the extent to which local labor markets were faced with competition from Chinese imports, given the local economy's employment structure[17]. Autor, Dorn, and Hanson's (2013) measurements are aggregated at the commuting zone level, a geographical unit generated to approximate local labor markets. We transform these commuter zone measurements into the political geographical unit our dependent variable is measured at—U.S. counties.

[17] Specifically, Autor, Dorn, and Hanson (2013) estimate the change in ad valorem U.S. imports from China within a given region in 2007 real dollars (deflated using the Personal Consumption Expenditure deflator) and divide this value by the number of workers in each region. They use trade data from the UN Comtrade dataset, which has information on the dollar value of net imports across different industries. They aggregate industry imports up to the regional level according to industries' regional share of national employment. They then divide by the total workers in a region, which they estimate by aggregating up industrywide data on employment to the regional level. Thereby, the authors generate a measure of the change in import exposure that varies across regions based on the industry employment structure of the region. It is measured in thousands of dollars per worker.

Figure 1. Geographical Support for Trumpism in 2016



Note: We code Trumpism by (1) subtracting Romney's vote share in 2012 from Trump's vote share in 2016 (2) dividing this value by Romney's vote share in 2012 and (3) multiplying that value by 100. We exclude Alaska, which does not publish county-level election data.
Source: CQ Voting and Elections Collection.

Figure 2 evinces a positive relationship: as a county's exposure to international trade increases, Trump's vote share vis-à-vis Romney increases. Moreover, the 95 percent confidence intervals that flank the predicted line—which we obtained via an Ordinary Least Squares (OLS) regression—on either side are relatively tight.

However, visually inspecting the data is not enough; nor is a simple bivariate regression. We may have omitted important confounders from a simple equation that explains Trumpism as a function solely of Trade Exposure, therefore rendering any relationship between these two variables spurious. It therefore behooves us to look at the relationship between exposure to international trade and support for Trump in a way that better satisfies the demands of statistical and causal inference.

Figure 2. The bivariate Relationship between Trade Exposure and Trumpism

Notes: We code Trumpism by (1) subtracting Romney's vote share in 2012 from Trump's vote share in 2016 (2) dividing this value by Romney's vote share in 2012 and (3) multiplying that value by 100. We code Trade Exposure as the change in Chinese import exposure per worker in 2000 (10-year change in IPW 2000), which captures the extent to which local labor markets were faced with competition from Chinese imports given the local economy's employment structure. Sources: Trumpism is CQ Voting and Elections Collection; Trade Exposure is from Autor, Dorn, and Hanson (2013).

MULTIVARIATE ANALYSIS

Trumpist voters, as opposed to voters who always support Republican candidates, no matter who is at the top of the ticket, are systematically different from other voters. They are more likely to be white (Morgan and Lee 2018) and lack a college education (Smith and Hanley 2018; Griffin and Teixeira 2017). They may also be more likely to be unemployed and tend to be older (Morgan and Lee 2018). Simultaneously, voters with these characteristics may be more likely to be exposed to international trade.

Therefore, to separate the effects of trade on electoral support for Trump in 2016 from these other factors we control for the following county-level variables: 1) the percentage of White Americans within the county in 2013 (*Percent White*) from the American Census Bureau, the average percentage of people with a BA degree or higher between 2011 and 2015 (*Percent*

College or Graduate School) from the USDA Economic Research Service, the unemployment rate (*Percent Unemployed*) from the USDA Economic Research Service, and the median age in 2013 (*Median Age*) from the American Community Survey. We note that the results are robust to using versions of these variables of different vintages—namely, measured at both earlier and later intervals such as 2012 and 2016.

To address the potential that still other confounders may render our results spurious, we also control for several additional variables. These variables are correlated with both trade exposure and support for Trump in 2016. First, the county's (logged) population in 2013 (*Population*), from the American Census Bureau.[18] While its correlation with the change in Chinese import exposure per worker in 2000 is -.02, its correlation with Trumpism is -.29. Second, the county's (logged) per capita income in 2013, adjusted for inflation (*Per Capita Income*), from the American Community Survey. While its correlation with the change in Chinese import exposure per worker in 2000 is -.13, its correlation with Trumpism is -.35. Third, the county's level of income inequality, the 2013 Gini Coefficient (*Inequality*), from the American Community Survey. While its correlation with the change in Chinese import exposure per worker in 2000 is .02, its correlation with Trumpism is -.15. Fourth, how rural the country is, which we measure using the Index of Relative Rurality in 2010 (*Rurality*) from Waldorf and Kim (2015). While its correlation with the change in Chinese import exposure per worker in 2000 is -.09, its correlation with Trumpism is .33.[19]

Finally, in our fully loaded specifications we control for state fixed effects. This addresses the possibility that state level omitted variables that jointly determine both support for trade exposure and Trumpism may induce a spurious relationship between these two variables. For example, unobserved geographical features such as access to navigable waterways that might make a state's counties more likely to be exposed to international trade and also make voters more open to cultural appeals that are not fully captured by our demographic covariates.

Table 1, below, provides summary statistics for these main variables of interest, including Trumpism, the dependent variable, the 10-year change in IPW in 2000, our main measure of exposure to international trade (Trade Exposure), and the control variables outlined above.

[18] https://www.census.gov/programs-surveys/acs/technical-documentation/table-and-geography-changes/2016/5-year.html

[19] As before, the results are robust to using different vintages (years) to measure these variables.

Table 1. Descriptive Statistics

	N	Mean	Median	SD	Min	Max
Trumpism	3,055	7.09	6.73	10.27	-44.34	61.79
Trade Exposure	3,108	2.81	2.18	2.75	-0.63	43.08
Rurality	3,139	0.5	0.52	0.1	0.04	0.89
Population	3,141	100,395.78	25,703	322,150.32	89	9,992,484
Percent White	3,141	0.84	0.9	0.17	0.04	1
Percent Unemployed	3,140	0.05	0.05	0.02	0.02	0.24
Percent College or Graduate School	3,141	20.4	18.2	9	1.9	78.8
Per Capita Income	3,141	$23,621.95	$22,906.00	$5,581.67	$8,768.00	$62,498.00
Median Age	3,141	40.54	40.6	5.15	21.6	63.8
Income Inequality	3,141	0.44	0.44	0.03	0.33	0.6

Notes: Percentage variables are expressed as decimals; Population and Per Capita Income are unlogged even though we calculate the natural log when introducing it into the regressions depicted in Table 2 and the other regressions that include these variables across other tables.
Sources: see text above.

Stepwise Regression Analysis

Table 2 presents the results of a series of OLS models where Trumpism is the dependent variable and Trade Exposure is the independent variable of interest. We introduce each of the control variables outlined above in a stepwise fashion. To address any arbitrary degree of spatial correlation between counties within the same state, we cluster the standard errors by each state.

Column 1 serves as the baseline regression; it reflects the scatterplot displayed in Figure 2, as it represents a bivariate model that only includes Trade Exposure on the righthand side of the equation. In line with its companion scatterplot, the Column 1 result indicates a moderately positive effect whereby increases in Chinese import exposure map onto increases in Trumpism (significant at the 99 percent level): increasing Trade Exposure by 1 standard deviation leads to an increase in electoral support for Trump vis-à-vis Romney of one tenth of a standard deviation. The model's r-squared is .01.

However, the magnitude of this estimated effect is cut in half when we add *Percent College or Graduate School* in Column 2, rendering it statistically insignificant at conventional confidence levels (p-value = .10). Conversely, the proportion of the county population with college and graduate degrees is negatively associated with *Trumpism* at the highest level of statistical significance ($p < 0.001$) and increases the model's r-squared to .32. Substantively speaking, increasing the county's population that has earned a college or graduate degree by 1 percentage point decreases the electoral support for Trumpism by .65 percentage points.

In Column 3 we add *Percent White*. The results are materially identical. The coefficients on both *Trade Exposure* and *Percent College or Graduate School* remain unchanged. Meanwhile, *Percent White* is strongly associated with *Trumpism* in both substantive and statistical terms. Increasing the percentage of the county's white population by 1 percentage point increases the electoral support for *Trumpism* by 13.8 percentage points (p-value < .001).

In Column 4 we add *Median Age*. Because it is negatively correlated with both *Trade Exposure* and *Percent College or Graduate School* (-0.17), the main results are affected by its inclusion. Specifically, while *Trade Exposure* is now statistically significant at the 5 percent level, *Percent College or Graduate School* improves slightly in terms of its substantive effect. As expected, *Median Age* is strongly associated with *Trumpism* (p-value < .001).

Column 5 includes *Percent Unemployed*. *Percent Unemployed* is positive, but not statistically significant at conventional levels. The *Trade Exposure* coefficient remains essentially identical. The coefficients of the remaining variables remain materially unchanged.[20]

Column 6 adds *Rurality*. It is negatively associated with *Trumpism*. However, it is not statistically significant at conventional levels. *Trade Exposure* somewhat weakens.

What might explain why, contrary to conventional wisdom, there is no relationship between how rural a county's population is and its electoral support for Trumpism? It turns out that while *Rurality* is positively associated with Trumpism at the 99 percent level in a bivariate regression (not reported), once we add *Percent College or Graduate School*, its coefficient is no longer statistically significant at conventional levels. Adding *Percent White* further weakens the relationship between *Rurality* and *Trumpism*. And including *Median Age* flips the coefficient from positive to negative—albeit, it does not reach conventional levels of statistical significance.

The rest of the regression results behind Table 2 are as follows. In Column 7 we include *Population*. It is not statistically significant. The coefficient on *Trade Exposure* remains materially identical. Column 8 adds *Per Capita Income*. It is not statistically significant either. *Trade*

[20] One may worry that adding Percent Unemployed biases the model, as unemployment is conceivably a mediator variable between Trade Exposure and Trumpism. If Trade Exposure increases unemployment and this, in turn, increases support for populism, including Percent Unemployed in the model may reduce the statistical association between Trade Exposure and Trumpism. However, there is no meaningful correlation between Trade Exposure and Unemployment at the county level and a regression in which Unemployment is the dependent variable and Trade Exposure is the independent variable confirms this. Also, note that the coefficient estimate for Trade Exposure does not change between Model 4 and 5.

Exposure is unaltered. In Column 9 we include *Inequality*. While it is negatively associated with *Trumpism*, this relationship is not statistically significant. *Trade Exposure* remains the same.

Finally, Column 10 adds state fixed effects. That means when calculating point estimates and their confidence intervals we are relegating attention to the variation within states, which allows us to neutralize state specific unobserved confounders. The coefficient on *Trade Exposure* plummets and is not statistically significant (increasing Trade Exposure by one standard deviation increases support for Trumpism by 1.7 percent of a standard deviation; p-value = .20). *Percent College or Graduate School* remains negative and highly significant, both substantively and statistically (increasing the percent of county residents with higher education by one standard deviation decreases support for *Trumpism* by 46 percent of a standard deviation; p-value < .001). *Median Age* remains positive and highly significant. Both *Percent Unemployed* and *Rurality* are now positive and highly significant. *Per Capita Income* is negative and highly significant.

Might the results we reported so far be driven by the manner in which we have addressed spatial correlation? If rather than clustering the standard errors by state we instead undertake our stepwise approach employing a spatial error model approach, the results are almost identical. The same is true if we estimate spatial autoregressive models. We omit these analyses to conserve space; the results are available upon request.

The bottom line is that Table 2 suggests that there is no credible evidence that, once we take causal and statistical inference seriously, there is a positive relationship between international trade exposure and electoral support for Trumpism. At least not in the United States' 2016 Presidential Election. Yes, there is a correlation between these variables, but that correlation fades and becomes essentially non-existent once we start holding constant other county attributes such as its average education level and other demographic, structural, and economic factors. This is especially the case when we control for state fixed effects.

Robustness to Measure of Trade Exposure

Might the non-findings reported in Table 2 be driven by the measure of trade exposure we used, the 10-year change in Chinese import exposure per worker in 2000? To find out, in Table 3 we now report the results of experiments where we use alternative measures of trade exposure. Across all specifications, we estimate the fully unrestricted regression represented by Column 10 in Table 2 (all controls are included). We return to clustering the standard errors by state.

Table 2. Multivariate Analysis of Support for Trumpism

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Trade Exposure	0.39	0.22	0.22	0.25	0.25	0.230	0.23	0.25	0.25	0.06
	[0.14]	[0.13]	[0.12]	[0.12]	[0.12]	[0.11]	[0.10]	[0.09]	[0.09]	[0.05]
Percent College or Graduate School		-0.65	-0.65	-0.61	-0.59	-0.621	-0.62	-0.65	-0.64	-0.54
		[0.05]	[0.04]	[0.04]	[0.06]	[0.07]	[0.06]	[0.09]	[0.09]	[0.04]
Percent White			13.88	8.71	9.44	9.79	10.33	9.79	8.77	1.39
			[3.09]	[3.57]	[3.44]	[3.57]	[3.57]	[3.71]	[3.49]	[1.99]
Median Age				0.42	0.42	0.44	0.42	0.38	0.40	0.22
				[0.12]	[0.12]	[0.13]	[0.13]	[0.13]	[0.13]	[0.06]
Percent Unemployed					18.86	14.93	19.43	24.91	30.68	54.59
					[38.74]	[36.72]	[34.58]	[34.68]	[35.05]	[26.78]
Rurality						-4.73	-15.16	-14.27	-14.72	17.15
						[7.16]	[11.09]	[11.2] 6	[11.38]	[5.15]
log(Population)							-0.78	-0.79	-0.82	0.32
							[0.66]	[0.66]	[0.66]	[0.29]
log(Income Per Capita)								2.43	2.07	-3.31
								[3.84]	[3.90]	[1.54]
Income Inequality									-14.49	0.27
									[10.93]	[5.31]
State FE	N	N	N	N	N	N	N	N	N	Y
Num.Obs.	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051
R2	0.01	0.32	0.36	0.39	0.4	0.4	0.4	0.4	0.41	0.73

Notes: Dependent Variable is Trumpism, which we code by (1) subtracting Romney's vote share in 2012 from Trump's vote share in 2016 (2) dividing this value by Romney's vote share in 2012 and (3) multiplying that value by 100. We code Trade Exposure as the change in Chinese import exposure per worker in 2000 (10-year change in IPW 2000), which captures the extent to which local labor markets were faced with competition from Chinese imports given the local economy's employment structure. Standard errors clustered by state in brackets.

Table 3. Multivariate Analysis of Support for Trumpism, Robustness to Trade Exposure Measure

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Trade Exposure Measure	*Level of IPW in 1990*	*Level of IPW in 2000*	*IPW 10-year Change in 1990*	*Avg. Local Tariff in 1990*	*Avg. Local Tariff in 1990 excl. Agriculture*	*Change in avg. local tariff 1990-2000*	*Change in avg. local tariff 1990-2000, excl Agric.*	*Local employment weighted change in Mexican imports share*	*Local employment weighted change in Mexican imports share, excl. Agric.*
Trade Exposure	0.15	0.13	0.12	6.36	32.32	3.62	-21.69	85.44	112.53
	[0.29]	[0.08]	[0.12]	[44.43]	[52.97]	[45.36]	[54.82]	[88.57]	[81.30]
Percent College or Graduate School	-0.54	-0.54	-0.54	-0.54	-0.54	-0.54	-0.54	-0.53	-0.53
	[0.04]	[0.04]	[0.04]	[0.04]	[0.04]	[0.04]	[0.04]	[0.04]	[0.04]
Percent White	-1.46	1.38	1.39	1.49	1.36	1.52	1.43	1.34	1.25
	[2.01]	[1.97]	[2.01]	[2.05]	-2.03	[2.03]	[1.99]	[1.90]	[1.89]
Median Age	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22
	[0.06]	[0.06]	[0.06]	[0.06]	[0.06]	[0.06]	[0.06]	[0.06]	[0.06]
Percent Unemployed	53.85	54.64	54.31	53.84	54.45	53.54	54.20	55.84	57.55
	[26.72]	[26.87]	[26.67]	[26.61]	[26.39]	[26.73]	[26.54]	[26.69]	[26.71]
Rurality	17.17	17.11	17.14	17.20	17.38	17.23	17.34	17.81	17.62
	[5.17]	[5.15]	[5.16]	[5.16]	[5.00]	[5.17]	[5.01]	[4.90]	[4.96]
log[Population]	0.34	0.33	0.33	0.34	0.33	0.34	0.34	0.32	0.32
	[0.29]	[0.29]	[0.29]	[0.29]	[0.29]	[0.29]	[0.29]	[0.29]	[0.29]
log[Income Per Capita]	-3.38	-3.28	-3.34	-3.43	-3.33	-3.46	-3.38	-3.32	-3.25
	[1.58]	[1.52]	[1.57]	[1.62]	[1.610]	[1.60]	[1.59]	[1.57]	[1.58]
Income Inequality	0.13	0.11	0.12	0.18	-0.05	0.32	0.08	0.01	-0.16
	[5.40]	[5.28]	[5.38]	[5.58]	[5.50]	[5.51]	[5.41]	[5.29]	[5.29]
State FE	Y	Y	Y	Y	Y	Y	Y	Y	Y
Observations	3,051	3,051	3,051	3,054	3,054	3,054	3,054	3,054	3,054
R2	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73

Notes: Dependent Variable is Trumpism, which we code by (1) subtracting Romney's vote share in 2012 from Trump's vote share in 2016 (2) dividing this value by Romney's vote share in 2012 and (3) multiplying that value by 100. See text for different measures of trade exposure. Standard errors clustered by state in brackets.

Table 4. Multivariate Analysis of Support for Trumpism, Robustness to Education Measures

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Education Measure	*BA+ 2011-2015*	*BA+ in 2000*	*BA+ in 1990*	*Pct. some college 2011-2015*	*Pct. some college in 2000*	*Pct. some college in 1990*	*Pct. w/Highschool only 2011-2015*	*Pct. w/Highschool only 2000*	*Pct. with less than Highschool 2011-2015*	*Pct. with less than Highschool 2000*
Trade Exposure	0.06	0.07	0.07	0.06	0.05	0.05	0.05	0.07	0.05	0.05
	[0.05]	[0.047]	[0.043]	[0.05]	[0.05]	[0.05]	[0.05]	[0.05]	[0.05]	[0.05]
Education	-0.54	-0.58	-0.62	0.35	0.00	0.00	0.00	-0.58	0.00	0.07
	[0.04]	[0.04]	[0.043]	[.05]	[0.00]	[0.00]	[0.00]	[0.04]	[0.00]	[0.05]
Percent White	1.39	0.30	0.52	2.92	2.65	2.61	2.81	0.30	2.70	2.42
	[1.99]	[1.91]	[1.87]	[1.81]	[1.95]	[1.95]	[1.96]	[1.91]	[1.94]	[1.95]
Median Age	0.22	0.20	0.19	0.37	0.41	0.41	0.40	0.20	0.41	0.41
	[0.06]	[0.06]	[0.06]	[0.06]	[0.06]	[0.06]	[0.06]	[0.06]	[0.06]	[0.06]
Percent Unemployed	54.59	57.85	60.49	76.30	75.44	75.22	76.40	57.85	75.74	71.42
	[26.78]	[26.80]	[27.37]	[29.93]	[29.65]	[29.66]	[29.69]	[26.80]	[29.74]	[28.81]
Rurality	17.15	18.49	19.38	23.06	27.91	27.63	29.38	18.49	28.31	28.93
	[5.15]	[4.90]	[4.98]	[6.62]	[6.16]	[6.22]	[6.06]	[4.90]	[6.24]	[6.09]
log(Population)	0.32	0.32	0.36	0.05	0.47	0.47	0.46	0.32	0.47	0.55
	[0.29]	[0.29]	[0.29]	[0.35]	[0.31]	[0.31]	[0.31]	[0.29]	[0.31]	[0.32]
log(Income Per Capita)	-3.31	-4.80	-7.57	-19.59	-18.47	-18.48	-18.37	-4.80	-18.44	-16.89
	[1.54]	[1.47]	[1.62]	[2.19]	[2.46]	[2.46]	[2.43]	[1.47]	[2.45]	[2.56]
Income Inequality	0.27	0.17	0.87	-10.09	-18.34	-18.24	-18.65	0.17	-18.45	-20.29
	[5.31]	[5.29]	[5.64]	[6.67]	[7.29]	[7.29]	[7.33]	[5.29]	[7.32]	[6.95]
State FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Observations	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051
R2	0.73	0.72	0.72	0.69	0.67	0.67	0.67	0.71	0.67	0.67

Notes: Dependent Variable is Trumpism, which we code by (1) subtracting Romney's vote share in 2012 from Trump's vote share in 2016 (2) dividing this value by Romney's vote share in 2012 and (3) multiplying that value by 100. See text for different measures of education. Standard errors clustered by state in brackets.

In Column 1, Trade Exposure is measured as the level (rather than the change) of Chinese import exposure measured in 1990. In Column 2, it is the level of Chinese import exposure in 2000. In Column 3, it is the change in Chinese import exposure, this time measured in 1990. All these variables are also derived from Autor, Dorn, and Hanson's (2013) commuting zone level dataset. In Column 4, Trade Exposure is the local average tariff in 1990 (higher tariffs connote reduced trade exposure). In Column 5, it is the local average tariff in 1990, excluding agricultural goods. In Column 6, it is the change in the local average tariff between 1990 and 2000. In Column 7, it is the change in the local average tariff between 1990 and 2000, excluding agricultural goods. In Column 8, it is the local employment weighted change in the share of Mexican imports during the same time interval. In Column 9, it is the local employment weighted change in Mexican imports share, excluding agriculture, during the same time interval. Each of these measures of trade exposure are from Hakobyan and MacLaren (2016). These authors measure their variables at the Consistent Public Use Microdata Areas-level, which we convert to county-level information.

The results reported in Table 3 ratify the main conclusions from Table 2. Trade Exposure, no matter how we measure it, is not systematically associated with electoral support for Trumpism once we hold constant factors whose omission may induce a spurious correlation between these variables. While the coefficients on Trade Exposure are positive with the exception of Column 7, where greater trade exposure is negatively associated with Trumpism, they are far from statistically significant. A county's educational level remains the most consistent predictor of electoral support for Trumpism, exhibiting a strong negative relationship that is statistically significant at the .001 level. As in Table 2, Column 10, *Median Age* and *Rurality* are strongly associated with *Trumpism* and *Percent Unemployed* and *Per Capita Income* are weakly associated with it.

Robustness to Measure of Education

Are the results robust to the measure or education that we employ? In Table 4 we experiment with different ways of operationalizing this variable. We duplicate the strategy employed in Table 3: swapping different measures of education into the unrestricted specification that has all of the control variables, including state fixed effects, with the standard errors again clustered by state. We now return to measuring Trade Exposure as the 10-year change in IPW in 2000. Each of these alternative education measures are from the USDA Economic Research Service.

Column 1 serves as the benchmark specification: as before, education is the percent of the county population with a college or graduate degree from 2011 to 2015; therefore, it is identical to Table 2, Column 10. Column 2 is instead the percent of the population with a college or graduate degree in 2000. Column 3 is the percent of the population with only a college degree from 2011 to 2015. Column 4 is the percent of the population with some college education from 2011 to 2015. Column 5 is the percent of the population with some college education in 2000. Column 6 is the percent of the population with some college in 2000. Column 7 is the percent of the population with only a high school degree from 2011 to 2015. Column 8 is the percent of the population with only a high school degree in 2000. Column 9 is the percent of the population with less than a high school degree from 2011 to 2015. Column 10 is the percent of the population with less than a high school degree in 2000.

The Table 3 results confirm what we learned about the relationship between education and Trumpism in Table 2. County populations with a higher degree of educational attainment are negatively associated with Trumpism, everything else equal. Surprisingly, there is no statistical relationship between counties with a higher proportion of denizens with only some high school and Trumpism, however (Columns 9 and 10). More important, for our purposes, there remains no statistically significant relationship between Trade Exposure and Trumpism.

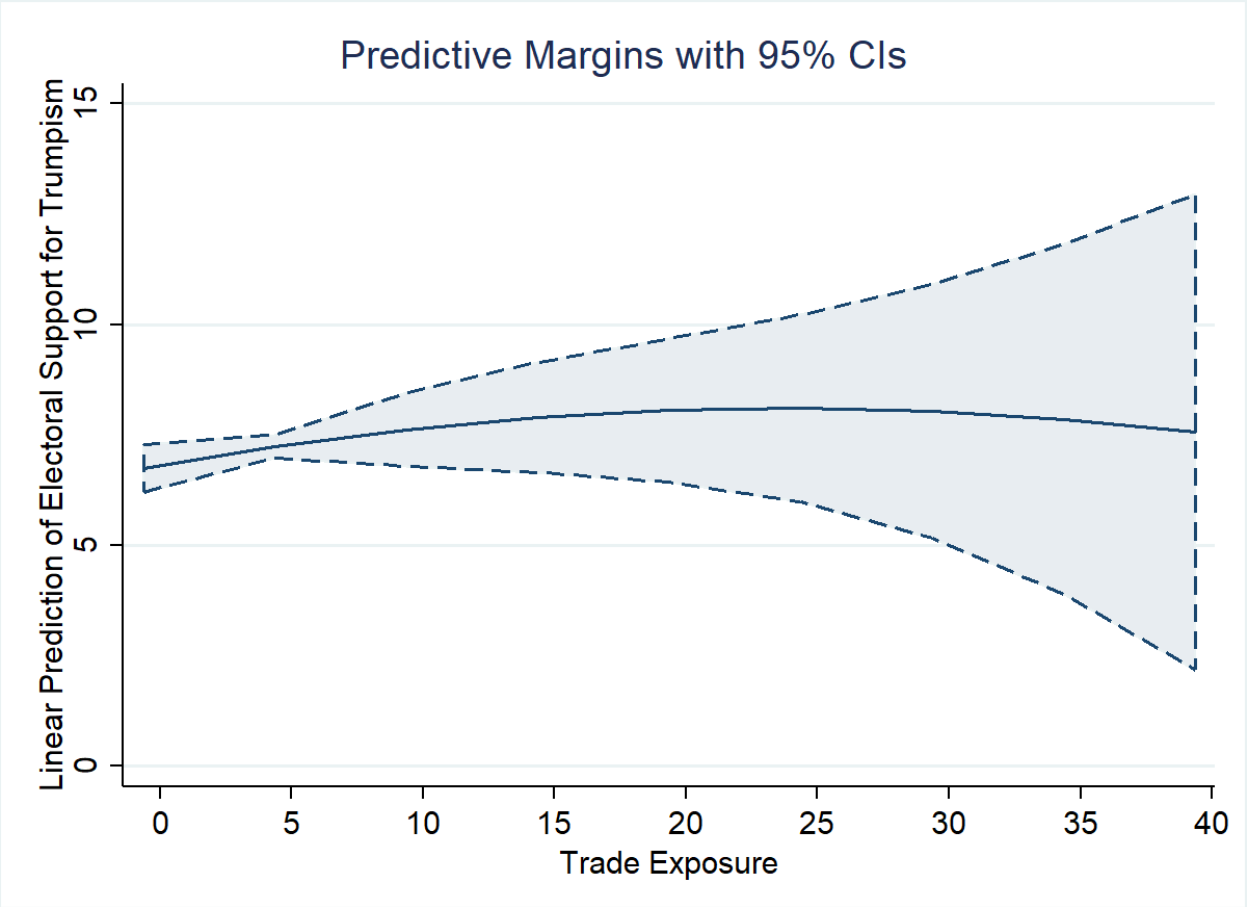
Robustness to Functional Form

Might there be a non-linear relationship between exposure to international trade and the electoral support for Trump in 2016? As a first step in assessing this hypothesis, we estimate a model identical to the one represented in Table 2, Column 10 (the unrestricted model), except that we introduce both linear and quadratic terms for Trade Exposure (we do not report the results, but instead graph and discuss the main ones below). That means we again measure Trade Exposure as the 10-year change in IPW in 2000 and we return to measuring educational level as *Percent College and Graduate School*. The model returns a linear term that is positive, but not statistically significant (p-value = .23), and a quadratic term that is negative, but not significant (p-value = .47). Neither are they jointly significant (the F-test returns a chi-square of .88 with a p-value of .42).

Figure 5 provides a graphical representation. Several things stand out. First, the predicted level of support for Trumpism at the lowest level of Trade Exposure is only slightly lower than the predicted level for Trumpism at the highest level of Trade Exposure (.07 versus .075).

Second, the turning point where the relationship between Trade Exposure and electoral support for Trumpism turns negative is when Trade Exposure reaches 23.95, which coincides with a widening of the 95 percent confidence intervals. Third, across the entire range of the Trade Exposure data, the 95 percent confidence interval's lower flank is well below the 7 percentage point estimate for Trumpism associated with the lowest value of Trade Exposure (-.63). In short, again we confirm no systematic relationship between exposure to trade and Trumpism across US counties during the 2016 presidential election.

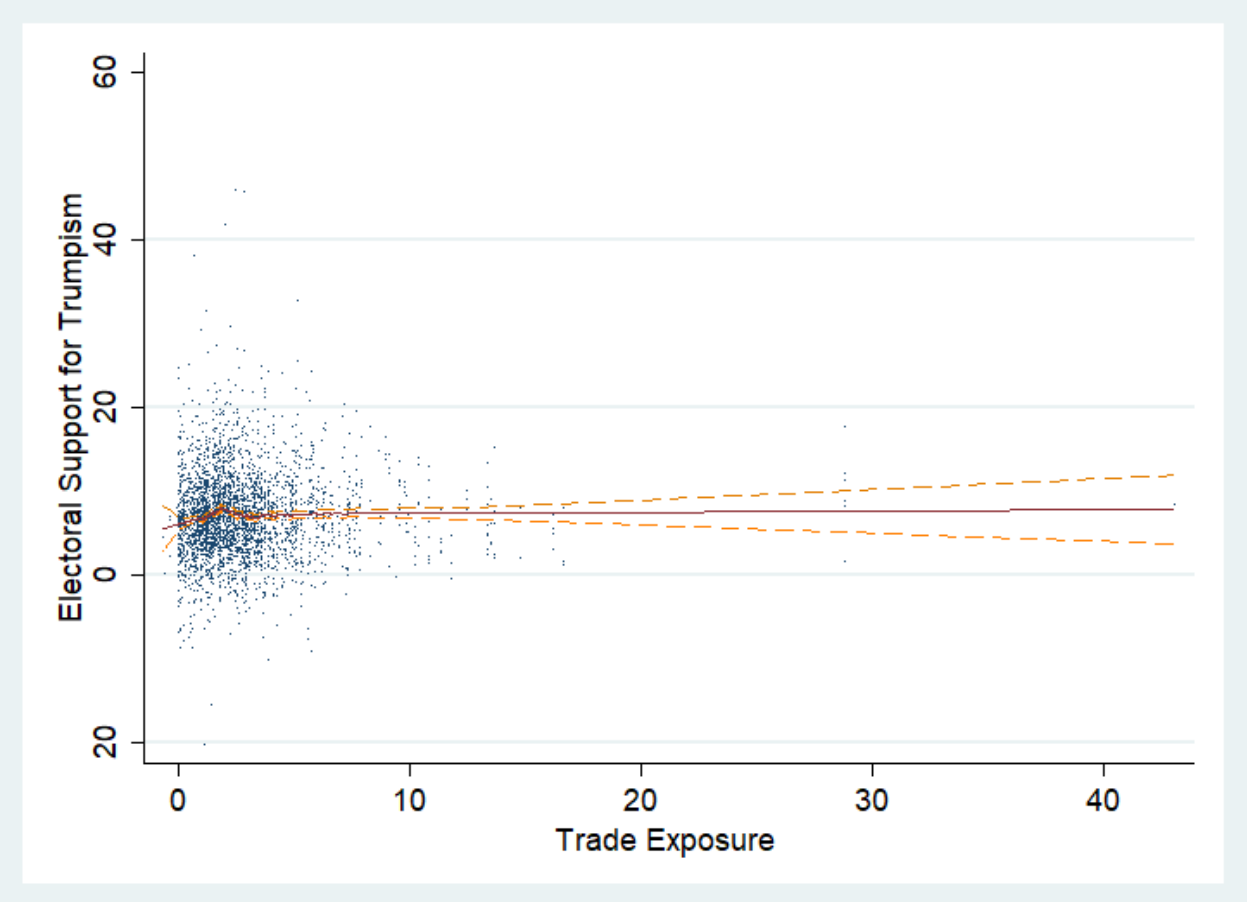
Figure 5. The Quadratic Relationship between Trade Exposure and Trumpism



Notes: Dependent Variable is Trumpism, which we code by (1) subtracting Romney's vote share in 2012 from Trump's vote share in 2016 (2) dividing this value by Romney's vote share in 2012 and (3) multiplying that value by 100. We code Trade Exposure as the change in Chinese import exposure per worker in 2000 (10-year change in IPW 2000), which captures the extent to which local labor markets were faced with competition from Chinese imports given the local economy's employment structure. The regression used to calculate these predicted values is the same as Table 2, Column 10, except that the equation also contains a quadratic term for Trade Exposure. Standard errors clustered by state in brackets.

As a second step in assessing the hypothesis that there is a non-linear relationship between Trade Exposure and electoral support for Trumpism, we draw on Breiman and Friedman (1985) and estimate a multivariate running line smoother, which is akin to a Loess non-parametric regression for models with only one predictor. We estimate each smooth by employing a backfitting algorithm and a running-line smoother for each independent variable. The smoother is a linear function of the independent variables for each observation. We calculated standard errors for each smooth of partial residuals on a given value of Trade Exposure. Figure 6 graphs the results of an unrestricted regression that includes all of the covariates represented by Table 2, Column 10, including state fixed effects. As is clear from the figure, there once again does not appear to be any systematic relationship between Trade Exposure and Trumpism: the slope of the predicted line is, for all intents and purposes, flat across the range of Trade Exposure.

Figure 6. Using a Running Line Smoother to Explore Non-linearity in Trade Exposure



Notes: Dependent Variable is Trumpism, which we code by (1) subtracting Romney's vote share in 2012 from Trump's vote share in 2016 (2) dividing this value by Romney's vote share in 2012 and (3)

multiplying that value by 100. We code Trade Exposure as the change in Chinese import exposure per worker in 2000 (10-year change in IPW 2000), which captures the extent to which local labor markets were faced with competition from Chinese imports given the local economy's employment structure. The regression used to calculate these predicted values is the same as Table 2, Column 10, except that instead of using OLS we estimate a multivariate running-line smoother.

Is the Effect of Trade Exposure Conditional on other Factors?

So far, we have only looked at the average effect of Trade Exposure on electoral support for Trumpism. And we have not found a systematic relationship, neither linear or non-linear, once we hold constant basic things such as a county's average education or demographics. Might it be the case, however, that the positive effect of exposure to trade on Trumpism expected in the literature will show up once we condition on some of these factors? For example, some scholars have hypothesized that it is individuals both with a high school education only *and* exposed to trade who voted for Trump in 2016 (Tucker et al 2019; also, see Di Tella and Rodrik 2020). Others speculate that it is individuals both who are white *and* exposed to trade who did so; voters of other ethnicities exposed to trade instead went for Clinton, or Stein, or did not vote at all (Green and McElwee 2018). Finally, there is the idea that the effect of trade exposure on electoral support for Trump might be conditioned on both education level and ethnicity: the 2016 presidential election turned on white voters without college degrees exposed to trade (see Tucker et al 2019).

We now review the results of a series of regressions that test these hypotheses. Rather than report the results in a table, we discuss them and provide some visuals that depict the main results. We estimate regressions akin to the unrestricted model depicted in Table 2, Column 10, which means that Trade Exposure is again measured as the 10-year change in IPW in 2000 and the model controls for all other relevant factors, including state fixed effects (the standard errors are clustered by state). However, to ease the interpretation of results, we now operationalize a county's average level of education as the percent of the population with a high school degree only, and note that the results are robust to using the percent of the population with less than a high school degree too.

Figure 7 shows the marginal effect of Trade Exposure on Trumpism when conditioned by education. It therefore represents a model with an interaction term between Trade Exposure and Percent Highschool Degree. What we learn from the graph is that, while the predicted effect of Trade Exposure on electoral support for Trumpism slightly increases across the range of a

county's proportion of high school degree holders, this conditional relationship is never statistically significant; in fact, the 95 percent confidence interval's lower flank is consistently below zero.

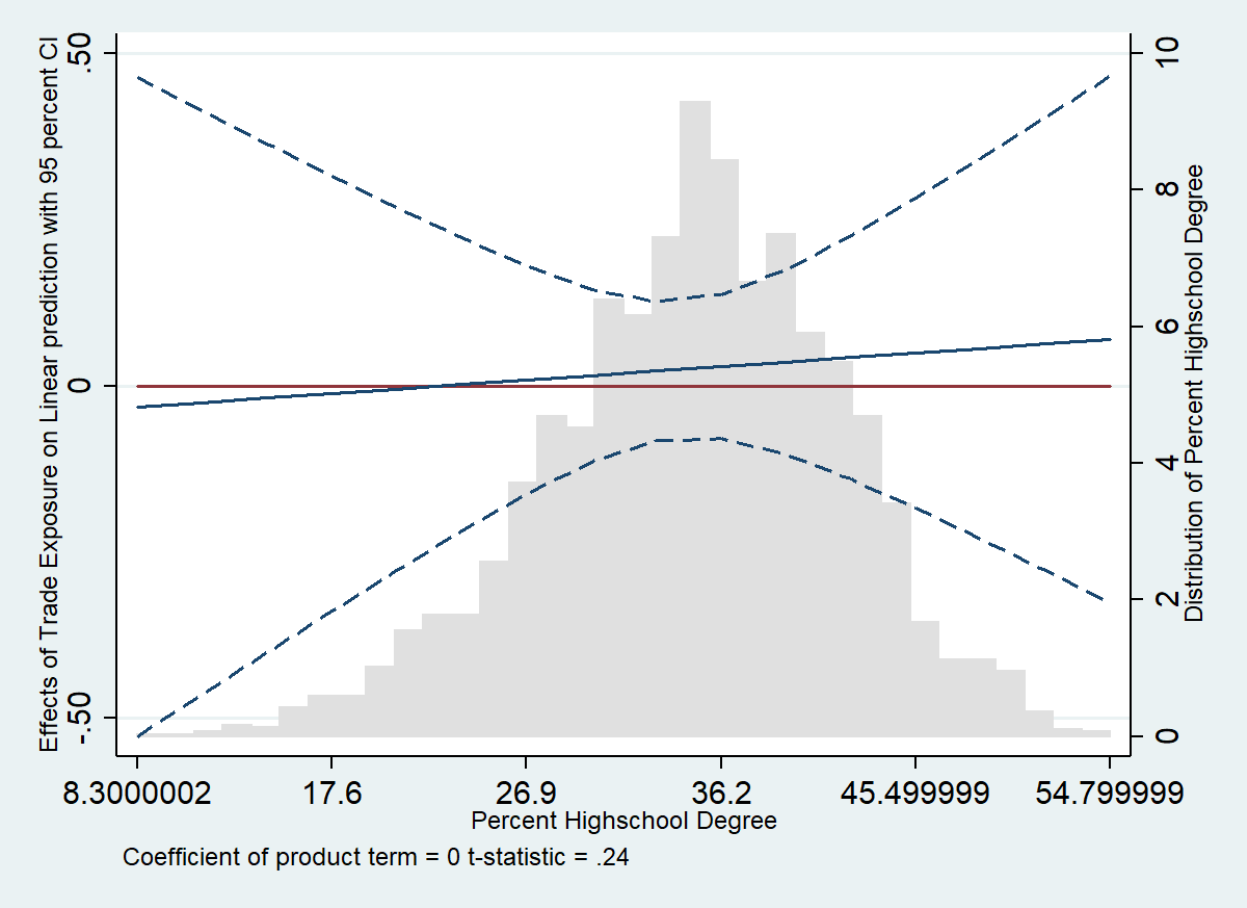
Figure 8 shows the marginal effect of Trade Exposure on Trumpism when conditioned by Percent White. It therefore represents a model with an interaction term between Trade Exposure and the percent of the county's population that is white. The results of this experiment are very similar to those represented by Figure 7. The slope of the predicted effect of Trade Exposure on Trumpism again rises modestly as a function of the increased proportion of the county population that is white. However, once again this conditional relationship never achieves statistical significance; the 95 percent confidence interval's lower flank is below zero across the range of the education data.

Is electoral support for Trumpism conditional on the interaction of exposure to trade, educational levels, and demographics? If we estimate a regression that interacts Trade Exposure, Percent Highschool Degree and Percent White, we learn that this is not the case. The triple interaction term is positive but far from statistically significant (p-value = .94). There is no combination of values for Trade Exposure, Percent Highschool Degree, and Percent White that yields a point estimate of Trumpism that is both positive and statistically significant.

Does Trade Exposure Have Purchase in the Rust Belt?

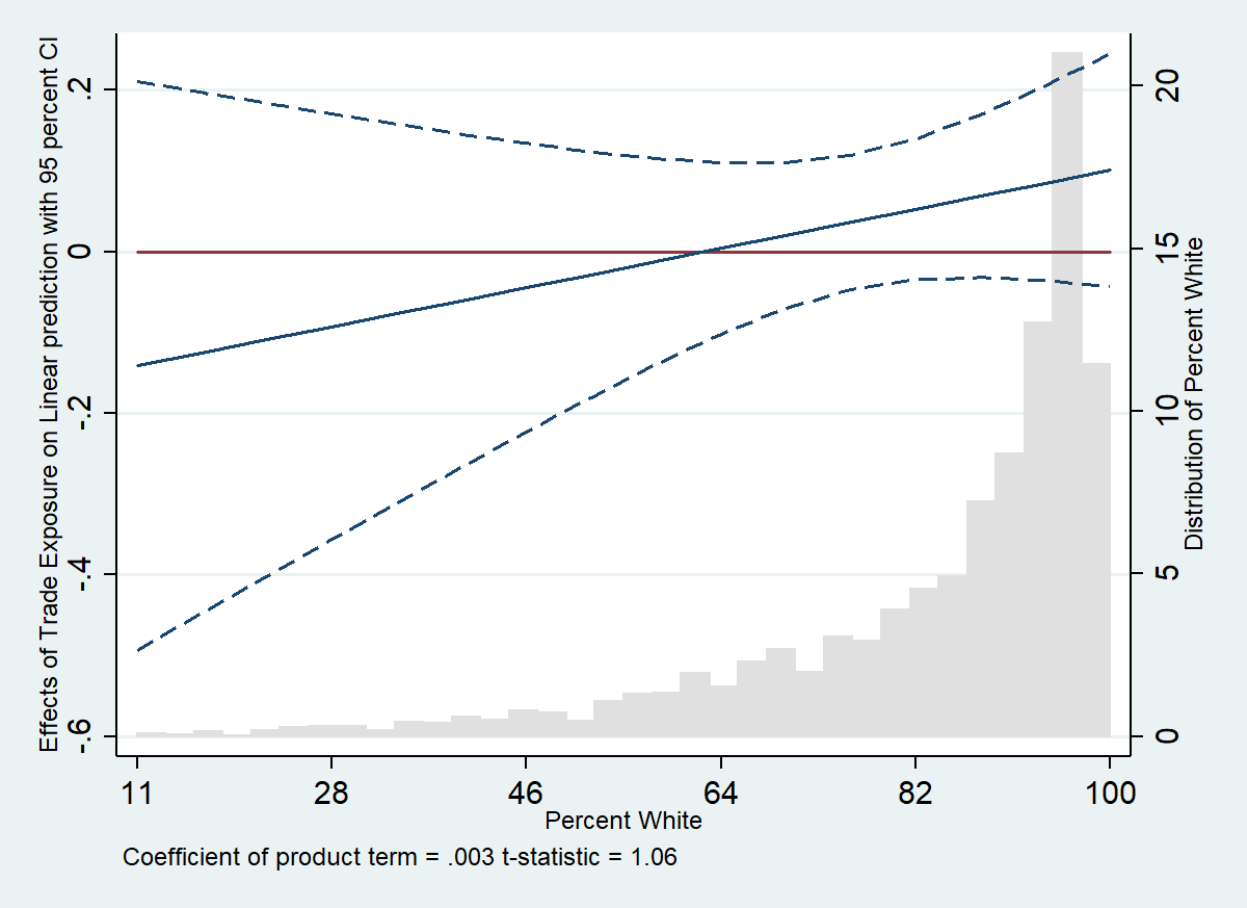
What about the relationship between trade and Trumpism in the Rust Belt? As we outlined above when discussing the patterns revealed by Figure 1, Trump won several states in 2016 that Romney lost in 2012. These were Wisconsin, Michigan, Iowa, Ohio, Pennsylvania, and Florida. Even if trade exposure did not lead to a significant gain in votes for Trump's anti-globalist message on average (across all counties), it might still be the case that anti-trade sentiment buoyed Trump if trade exposure in a few key states influenced voters to shift their support towards him. To figure this out, we ran an OLS analysis similar to the ones reported in Table 2, Column 10 on a censored sample composed only of Wisconsin, Michigan, Iowa, Ohio, Pennsylvania, and Florida. The relevant question is whether counties with greater trade exposure in those states exclusively are associated with higher degrees of electoral support for Trumpism after holding other things constant. Therefore, we again control for College or Graduate School, Percent White, Median Age, Percent Unemployed, Rurality, Population, Per Capita Income, and Inequality. We also include state fixed effects and cluster the standard errors by county.

Figure 7. Marginal Effect of Trade Exposure as a Function of Percent Highschool Degree



Notes: Dependent Variable is Trumpism, which we code by (1) subtracting Romney's vote share in 2012 from Trump's vote share in 2016 (2) dividing this value by Romney's vote share in 2012 and (3) multiplying that value by 100. We code Trade Exposure as the change in Chinese import exposure per worker in 2000 (10-year change in IPW 2000). The regression used to calculate these predicted values is the same as Table 2, Column 10, except that we include an interaction term between Trade Exposure and Percent Highschool. Standard errors clustered by state.

Figure 8. Marginal Effect of Trade Exposure as a Function of Percent White



Notes: Dependent Variable is Trumpism, which we code by (1) subtracting Romney's vote share in 2012 from Trump's vote share in 2016 (2) dividing this value by Romney's vote share in 2012 and (3) multiplying that value by 100. We code Trade Exposure as the change in Chinese import exposure per worker in 2000 (10-year change in IPW 2000). The regression used to calculate these predicted values is the same as Table 2, Column 10, except that we include an interaction term between Trade Exposure and Percent White. Standard errors clustered by state.

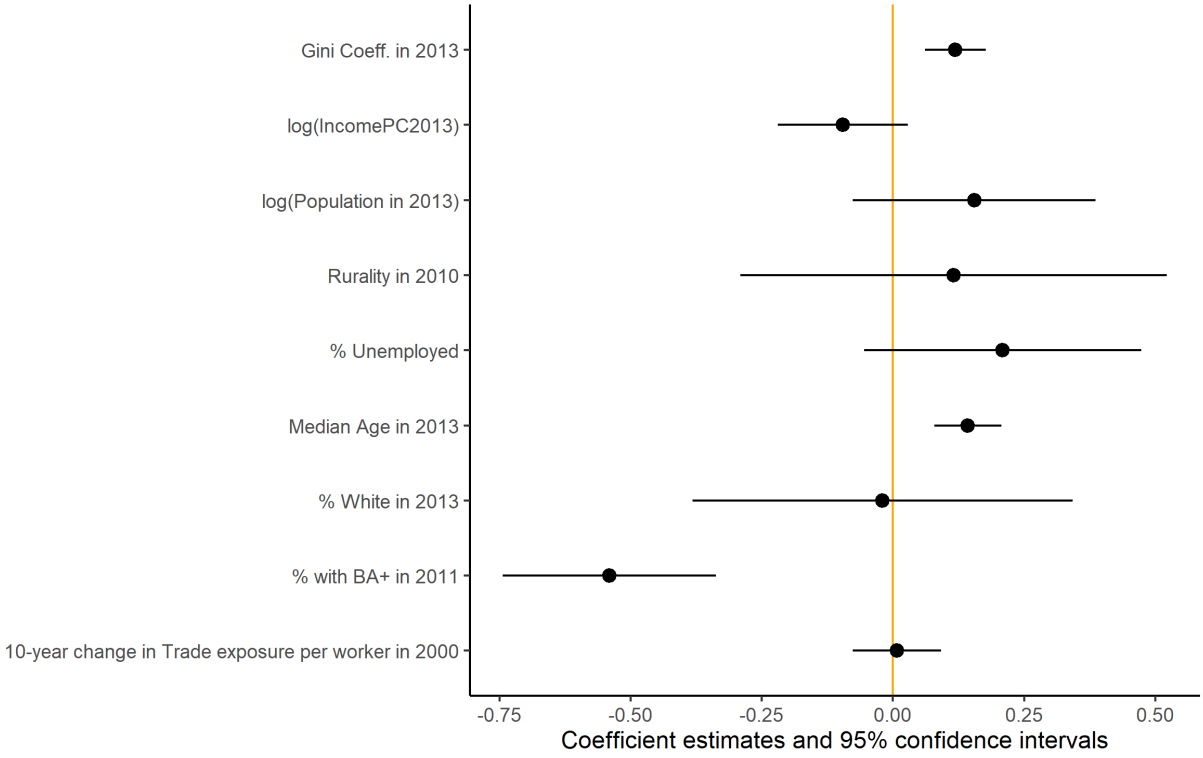
Figure 4 summarizes the model's standardized beta coefficients. As is readily apparent, the estimated effect of 10-year change in IPW 2000 on Trumpism at the county level in these states is even weaker than in the full sample: the point estimate is essentially zero and the leftmost 95% confidence interval crosses far into negative territory. The strong negative impact of the percentage of people with a higher education on Trumpism persists.

What if we relegate attention only to Michigan, Ohio, Pennsylvania, and Wisconsin? If we rerun the model on a sample consisting only of these states' counties, we obtain a positive coefficient on Trade Exposure (not reported). However, the coefficient is not statistically significant at conventional levels (p-value = .19), and its substantive significance is minimal:

increasing Trade Exposure by 1 standard deviation increases the electoral support for Trumpism by only 5 percent of a standard deviation. The county's educational level is again the most important predictor of Trumpism, both in magnitude and statistical significance (p-value = .04).

We surmise that in the key Rust Belt states that put Trump over the top, trade exposure did not factor into his electoral support. Rather, as elsewhere in the country, counties in those states populated by residents who have lower levels of education helped secure his victory.

Figure 4. Multivariate Model on Censored, "Rust Belt" Sample



Notes: Point Estimates are standardized Beta Coefficients. Sample consists of counties in Wisconsin, Michigan, Iowa, Ohio, Pennsylvania, and Florida. State fixed effects also included in the OLS model and standard errors clustered by state. The dependent variable is Trumpism, which we code by (1) subtracting Romney's vote share in 2012 from Trump's vote share in 2016 (2) dividing this value by Romney's vote share in 2012 and (3) multiplying that value by 100.

EXPLORING ALTERNATIVE EXPLANATIONS FOR NEO-MERCANTILISM

Perhaps American Politicians are Thinking of the Common Good?

If increased trade exposure in the American heartland does not explain increased support for Trumpist populism, does that entail politicians of all strips may have begun to turn their back on globalization for reasons other than political expedience? Perhaps politicians on both sides of the aisle may have realized that free trade and economic interdependence with China has gone

too far and hurts the American economy and workers, even if the latter are not conditioning their vote on that issue—or, at the very least, did not elect Trump in 2016 because of his animosity towards trade. Perhaps these politicians are acting on behalf of the common good and looking after voters who may not themselves be voting according to their material interests.

It is not clear that globalization is actually harming America's economy or its workers in general, however. First, after adjustments for taxes and transfers, median incomes and those below the median have actually risen substantially, not stagnated, over the past few decades (see Auten and Splinter 2019).[21] Second, the cost of goods and services typically consumed by Americans at and below the median of the income distribution have fallen more than those consumed by Americans above that threshold. Third, it is not clear that protectionism-cum-industrial policy actually creates jobs for Americans—in fact, it is more likely to simply redistribute jobs from some sectors to others. Fourth, globalization and increased economic interdependence with China has led to increased job creation, even if there have been losers concentrated in some sectors and geographies. Finally, the U.S. productivity slowdown responsible for stagnant wages began in 1972, preceding China's entry into the WTO in 2000 by almost two decades; additionally, a pause in this slowdown, albeit one of short duration—lasting from 1996 to 2004—coincided with increased economic interconnection between the U.S. and China (see Gordon 2016).

When scarce raw materials, goods, services, and capital can flow with fewer impediments across international borders, they can be allocated to their more efficient use. What that means is that international market prices—exchange ratios between goods—improve economic coordination, ensuring that scarce resources (raw materials, capital, labor, goods, and services) are directed to where their opportunity costs are lowest (in other words, according to comparative advantage) and they are most valued.

Capital will tend to flow to poorer countries, and they can use it to make up for any shortcomings in domestic savings to invest in both physical (plants, equipment, machinery) and human capital (education, training).[22] Also, just as capital flows to the global South, so does technology, including not only physical technology, such as hardware and software transferred to

[21] A thirty percent improvement is a lower bound estimate. Of course, this is not the same as pre-tax and transfer wages. If wages earned on the market are more important to laborers at and below the median of the pre-tax and transfer income distribution than disposable income generated after redistribution, then this fact may simply not matter politically.

[22] There are important exceptions due to poor countries' "excessively" high savings rate. See Gross 2013.

developing countries, but tacit knowledge that is difficult to codify too.[23] Crucially, this raises the rate of return earned by developed world capital, which should help grow the pie at home. It also creates new export markets for developed world process innovations, goods, and services, which should also help grow the pie. To give just one example: China is the biggest consumer of semiconductors produced by American companies such as Intel, purchasing 25% of all microprocessors ($300 billion dollars).

More important for purposes of this paper: As more expensive labor in the developed world is potentially replaced with cheaper labor in the developing world, this leads to a bigger pie over the longer term in the developed world for a variety of reasons. As firms specialize in higher value-added endeavors in vertically disintegrated supply chains, this may allow them to reach economies of scale, reduce costs, and become more innovative. For example, consider an American company like Qualcomm, which focuses exclusively on designing computer chips and companies in Taiwan that focus exclusively on fabricating them; Qualcomm can dedicate itself entirely to what it does cheapest (with fewest opportunity costs), designing chips, implying its costs will decrease, its profits will increase, its R&D budgets will swell, and its products will improve and become cheaper (in quality adjusted prices). And, because Taiwanese firms are now manufacturing chips, they are paying workers who may, in turn, now have a demand not only for the smartphones that use Qualcomm chips, creating a potentially larger market for the chips in Taiwan and other developing countries, but for other developed world goods and services.

This not only benefits Qualcomm, but also Apple and Motorola, not to mention Google (Android) and app developers, if not American digital platforms such as Facebook. It potentially benefits Coca Cola, Nike, and Disney. Taken together, these investment and consumption reactions grow the pie in the developed country – in this case, the U.S.

Also, as globalization allows capital and technology to flow from the developing world to the developed world, efficiency also improves dynamically. Focusing on the U.S. again, it is a big recipient of FDI from China, India, and even Mexico. To take the latter country: billions of Mexican pesos flow yearly into American sectors that include food and beverages, auto

[23] This technology transfer through international trade and investment has allowed several countries to adopt and adjust innovations from technology frontiers, supercharging growth and reducing disease, hunger, and poverty in the process (see Abramovitz 1993; Romer 1993; Menaldo and Wittstock 2021).

components, plastics, and business services. This creates American jobs and increases American savings and consumption.

Have absolute living standards improved?

As capital flows to poorer countries, it raises the rate of return earned by developed world capital. This means higher income for savers in those countries, with the disposable portion of that "delta" fueling greater demand for domestically produced goods and services, which in turn means potentially more jobs for workers in developed world countries and improved incomes.

Of course, freer trade creates new export markets for developed countries' goods and services, which should not only help grow the pie in the global North, but also means more jobs and higher incomes for developed world workers too. This is true for both the export sectors and non-export sectors. First, domestic suppliers will crop up and expand to help feed demand for developed country exports to the developing world (think: engine manufacturers for Boeing 787s made in Ohio by GE, with those aircraft purchased by Chinese airlines). Second, increased jobs and income in export sectors will generate "derived demand" for domestically produced goods and services. For example, Boeing workers will spend money on purchasing homes and American made appliances and services, such as haircuts and restaurant meals.

Plus, more net jobs will be created in developed countries to service a potentially more sophisticated market in the global South for developed world technology, which will happen as technology transfers to poorer countries on the back of globalization. Returning to the microchip example: as U.S. semiconductors are purchased by developing country consumers (in China, Indonesia, and Brazil, for example) who buy things like iPhones, jobs for American software engineers, app developers, and even hardware manufacturers, including the makers of complementary products such as headsets (not all of them are made in China, some are made in Colorado), will blossom. In turn, U.S. workers' incomes will increase.

When firms specialize in higher value-added endeavors in vertically disintegrated supply chains innovation increases. This is the case for the technologies associated with mobile computers and internet telecommunications in general. Consider what we wrote above about Qualcomm, which focuses exclusively on designing computer chips and allows companies in Taiwan to fabricate them. This allows its R&D budgets to grow and leads to innovation that not only grows the pie but makes workers better off too, because they will pay less for improved products, which frees up income to purchase other things.

Similarly, as technology flows from the developing world to the developed world, innovation flourishes, creating not only a larger pie, but more jobs and higher incomes for workers. Consider the flow of technology from Japan to the United States after World War II, including electronics and cars, and subsuming both product and process innovations. This led to a bigger pie in the global North and benefited its workers: over time, more jobs were created, and incomes for workers increased. The likes of Toyota, Nintendo, and Sony embody this story.

Make no mistake, China has gained from receiving American investment, primarily as FDI, and the transfer of technology that goes along with that. It has benefited in direct ways (more capital to invest, more jobs, higher paying jobs), and indirect ways (access to technology, knowledge, and knowhow). China has also benefited in terms of the U.S. becoming a major destination for its outbound FDI, for example, Huawei's investments in basic research in the US in partnership with American universities. In terms of trade, China has benefited from the United States as the primary destination for its exports. This has led to the creation of jobs and higher profits for Chinese companies and higher incomes for Chinese workers. It has also led to higher revenues for its local, regional, and national governments (Whiting 2001).

Of course, the United States has also gained enormously from greater economic integration with China. American companies and private investors have made big profits from their access to Chinese labor, factories, and markets. China has become a top export market for companies such as Boeing, General Motors, Coca Cola, Nike, Microsoft, Apple, and a host of other companies. This includes their suppliers too. Indeed, a larger and sophisticated market for American semiconductors has been a godsend to American companies such as Intel, Sun, and Qualcomm.

Importantly, especially in the high-tech sector, globalization has allowed firms to specialize in higher value-added endeavors in vertically disintegrated supply chains. For example, Qualcomm focuses exclusively on designing computer chips, which means that its costs are lower, its profits higher, its R&D budgets bigger, and its products (contained in the vast majority of the world's smartphones) are of higher quality and available to consumers at reduced prices. In turn, this is also good for Apple and Motorola, not to mention Google (Android) and app developers, if not American digital platforms such as Facebook.

And if measured strictly in consumer surplus, the U.S. may be doing *relatively much better than China*. Consider just one example: Past buying behavior and surveys of U.S. consumers reveal that they are willing to pay thousands and thousands of dollars for a smartphone but typically

only pay a fraction of that price. The reason? A globally disintegrated supply chain centered on respect for American firms' IP rights that relies on China's skilled and unskilled labor to produce supercomputers that fit in consumers' pockets and can be purchased for as low as $30 dollars. We know that consumers bought 1G phones for $10,500 in today's money. Taking that as a lower bound estimate on their willingness to pay for 2021 smartphones, the consumer surplus runs into the trillions of dollars.

Finally, the U.S. benefits when FDI from China enters its shores. Speaking macroeconomically, it allows the U.S. to consume more Chinese made products and thus compensates for its trade deficit with China, while also reducing interest rates on American sovereign debt, which in turn decreases its borrowing costs and tamps down on inflation. More directly, as billions of Chinese Yuans flow into US sectors that include food and beverages, auto components, plastics, and business services, this fuels American jobs and increases American savings and consumption. Accompanying this FDI and imports of Chinese goods and services is technology travelling from China to American shores. Consider Huawei wireless equipment, for example, which helped the US consolidate its 4G network.

We can also say that specific U.S. locations that are more trade dependent do not suffer economically at the expense of the rest of the country. If we evaluate the relationship between Trade Exposure (see above for how we coded our main measure) and Per Capita Income (logged and inflation adjusted) in 2013 at the county level in an OLS specification that also includes county fixed effects with the standard errors clustered by state, we obtain no systematic relationship (the coefficient is -.003, with a p-value = .25).

What about inequality?

But does developed world labor benefit in relative terms from globalization? Here, the theory and evidence are, at best, mixed (O'Rourke 2002; Celik and Basdas 2010; Bergh and Nilsson 2010). One theory is that in a capital-rich but labor-scarce economy such as the U.S. labor should be relatively worse off under globalization. Rents earned by labor will be dissipated by the fact that the overall supply of labor will increase, in that a previously scarce labor supply will now compete with a more abundant pool of labor (located abroad and producing manufactured goods imported by the developed country). Meanwhile, returns to capital should increase because capital is scarce abroad. Therefore, the gap between these factors should increase (measured as the capital to labor income ratio, for example).

While this may be true in static terms, it is not necessarily true dynamically. That is because the demand curve for labor may shift out over time, leading to an upward sloping demand for labor over the long run. The reason for this is that as the society gets richer, there will be increased demand for goods and services (the demand curves will keep shifting out), and, in turn, increased demand for the labor who make these goods and services, including domestic workers. In other words, employers will have an increased willingness to pay laborers—especially because innovation will make them more productive. While the scholars who model these dynamic effects focus on skilled (educated) labor to explain why the returns to college degrees have increased, even though the pool of college educated workers has increased steadily over time (e.g., Goldin and Katz 2006, Acemoglu 2009), conceivably the same process may apply to unskilled labor too.[24]

What about the empirical evidence? Some studies consider globalization the culprit behind increased asset and income inequality in developed economies, and others find no systematic relationship (O'Rourke 2002, Celik and Basdas 2010, Bergh and Nilsson 2010). One reason for this is that there are a lot of time-varying confounders that have evolved in parallel to trade and capital liberalization, and that could instead account for the increased inequality between capital and labor observed in the developed world since the 1970s. These alternative explanations include increased immigration flows and automation.[25]

Also, these studies are at a relatively high altitude, studying overall inequality, instead of how workers at the very bottom of the distribution fare, so the question about globalization's implications for unskilled labor remain unclear. While Bergh and Nielsson (2010) suggest that stronger trade liberalization increases income inequality in some developed countries, the most powerful explanation for inequality in the U.S. is skilled biased technological change: citizens with more education are able to exploit innovations associated with IT investment and other technologies that are complemented by white collar labor (e.g., Acemoglu 2002).

We can also say that specific U.S. locations that are more trade dependent do not suffer greater income inequality than those that are less trade dependent. If we evaluate the relationship between Trade Exposure and Inequality (the Income Gini Coefficient) in 2013 at the county level

[24] This depends on whether technology is biased towards skills or not. More on this shortly below.
[25] They also include agglomeration effects. A big part of the wealth inequality observed by Piketty (2014) is driven by the increase in value of residential property. See Fuller, Johnston, and Regan (2020). It is unclear how that is related to globalization. Cities have become more important centers of economic activity and restrictive zoning laws have made construction of new rental properties more difficult.

via an OLS specification that also includes county fixed effects with the standard errors clustered by state, we do not find a systematic relationship (the coefficient is -.0002 with a p-value = .42).

Does labor in the Rust Belt benefit from globalization?

While some critics of globalization may concede that neo-mercantilist policies can be economically inefficient, they may defend them by arguing that worker fare much better when domestic industries are protected from imports, thus enjoying more stable employment. Let us assume that labor in the Rust Belt refers to unskilled labor living in places that were once involved or continue to be involved in heavy industry, including steelmaking and the manufacturing of automobiles, appliances, machinery, and chemicals. If savers in these places have more money to spend due to unrestricted capital flows that yield higher returns on their investments, they will spend more on leisure activities, eat out more often, and go to the movies.

This includes blue collar workers with 401K retirement plans who lack college degrees—in other words, unskilled labor, both working in the export sector (either helping to manufacture jet engines on planes shipped to China or working as janitors at companies making the apps downloaded by Uber users in Saudi Arabia) and the workers who service their new demands (e.g., cooks, waiters, barbers). The latter will themselves have new demands that need to be serviced domestically by unskilled workers.

Of course, there could be a major reallocation from manufacturing jobs to service jobs in the wake of increased globalization, which is consistent with the evidence and stylized facts about "de-industrialization" in the United States. While the U.S. remains the world's preeminent manufacturing powerhouse, the use of labor per capita in manufacturing has diminished significantly, due partially to trade but most directly to increased automation, while services have grown exponentially (Dinlersoz and Wolf. 2018). [26] And many of the new service jobs do not pay as well as the manufacturing jobs they have replaced.

Consider the following evidence. While Freeman (1995) suggests that the expansion of global trade has modestly reduced employment and wages among U.S. low-skilled workers, Acemoglu et al (2016) estimate that increased import-competition associated with China's accession to the World Trade Organization in 2001 created losses of between 2.0 to 2.4 million

[26] U.S. manufacturing sectors are larger than ever but require fewer workers due to labor-replacing technologies that have driven productivity gains. While offshoring has certainly contributed to job losses in the U.S. manufacturing sector (see Acemoglu et al 2016), the latter are primarily driven by technological change.

jobs in the U.S. manufacturing sector between 1999 and 2011. Autor, Dorn, and Hanson (2013) note that these effects are geographically concentrated in areas previously focused on manufacturing. Autor, Dorn, and Hanson (2016) stress that labor market adjustments to trade shocks have been remarkably slow in the last decade. As a result, American workers exposed to increased trade competition experience greater employment insecurity and persistent reductions in income, especially unskilled workers.

Among low skilled workers, however, the effects of increased trade with China and other developing countries have been heterogeneous: while trade exposure has created job losses in some sectors, such as toys, furniture, and textiles, it has created employment and raised wages in others, such as agriculture, machinery, and vehicle parts.

In terms of the dynamic benefits from globalization for skilled workers, there are reasons for optimism.[27] While the slow creation of new economic opportunities for those displaced by U.S.-China trade effects is puzzling, the demand for *skilled* workers in U.S. manufacturing continues apace. In fact, one of the biggest problems faced by American industry is a shortage of skilled workers, especially as craftspeople and workers in precision manufacturing retire. This has led to higher wages for those types of workers and is inducing low skilled laborers to "upskill" and seek these higher paying jobs. They face some barriers, however: inadequate education and vocational training (many of these jobs require a high school degree and technical skills), a mismatch between the location of these jobs and where unemployed workers live, chronic drug use problems (e.g., the opiate epidemic), and rampant absenteeism.

Thus, while economic nationalist policies might succeed in creating desired domestic industries and jobs for workers in the relative short-term, the economic distortions created by such policies can result in inefficient capital allocation, industries that fail to find customers, resist innovation to defend their legally protected rents, and ultimately, protracted fiscal crises followed by painful economic reforms.

If we repeat the experiments outlined above regarding the relationship between Trade Exposure and Per Capita Income and Trade Exposure and Inequality on a sample of counties in Ohio, Michigan, Pennsylvania, and Wisconsin we obtain materially similar results to those

[27] Similarly, contrary to the anti-Globalist message, immigration does not create a zero-sum struggle for resources that pits immigrants against the native population. Blau and Mackie (2016) find that the impact made by unauthorized immigrants on wages for U.S. born workers is insignificant and fleeting, while their fiscal contribution to the federal government is positive.

reported above: no systematic relationship between exposure to international trade and average living standards, nor one between exposure to trade and income inequality, at the county level.

The Relative Gains Hypothesis

Then why is neo-mercantilism on the rise? Perhaps it is because China is converging economically and technologically with the United States. In turn, populist politicians may exploit those facts to stoke fear in American voters about America's national security and its own economic fortunes.

There are historical parallels to the fears voiced by U.S. policymakers regarding China's economic and technological rise. The British were worried about the rise of the Netherlands in the 17th Century on the back of financial innovations such as liquid securities markets, which birthed the Dutch East India Company and the growth of a global trading Empire that encroached upon the British sphere of geopolitical influence, including in North America. This fueled the crown to engage in mercantilist policies such as the so-called Navigation Acts, which were aimed at bolstering British traders at the expense of their Dutch counterparts. It also triggered several Anglo-Dutch wars. Britain was also worried about the rise of the U.S. in the late 19th Century. However, in this case, the passing of the torch from the former to the latter was peaceful and gradual. While the U.S. had eclipsed Britain in economic terms by the early 20th Century, due in large part to the Second Industrial Revolution (electricity, the internal combustion engine, chemicals, aeronautics, and radio), the former surpassed the latter in geopolitical and military terms only after World War II.

Similarly, the United States was worried about the rise of Japan in the 1980s. But these worries faded after Tokyo's 1990 stock market crash, its subsequent economic collapse, and failure to return to its former economic glory after thirty years of stagnation.

We now evaluate the idea that fear of China's relative economic position vis-à-vis the U.S., and its potential narrowing of the technological and military gap, explains the unraveling of bipartisan support for increased globalization in the U.S. since 2016.

First, consider the growth rate of China's economy since the late 1970s. Breakneck growth rates have sometimes approached 10 percent annually in real terms. While economic growth has slowed since 2014, and China's economy was initially hit hard by Covid-19, decelerating below 3% annualized growth, it quickly recovered (clocking 2.3% GDP growth), and is expected by most

forecasters to continue to grow at a healthy clip in 2021 and beyond. Indeed, in the first quarter of 2021 its growth rate was almost 20% on an annualized basis.

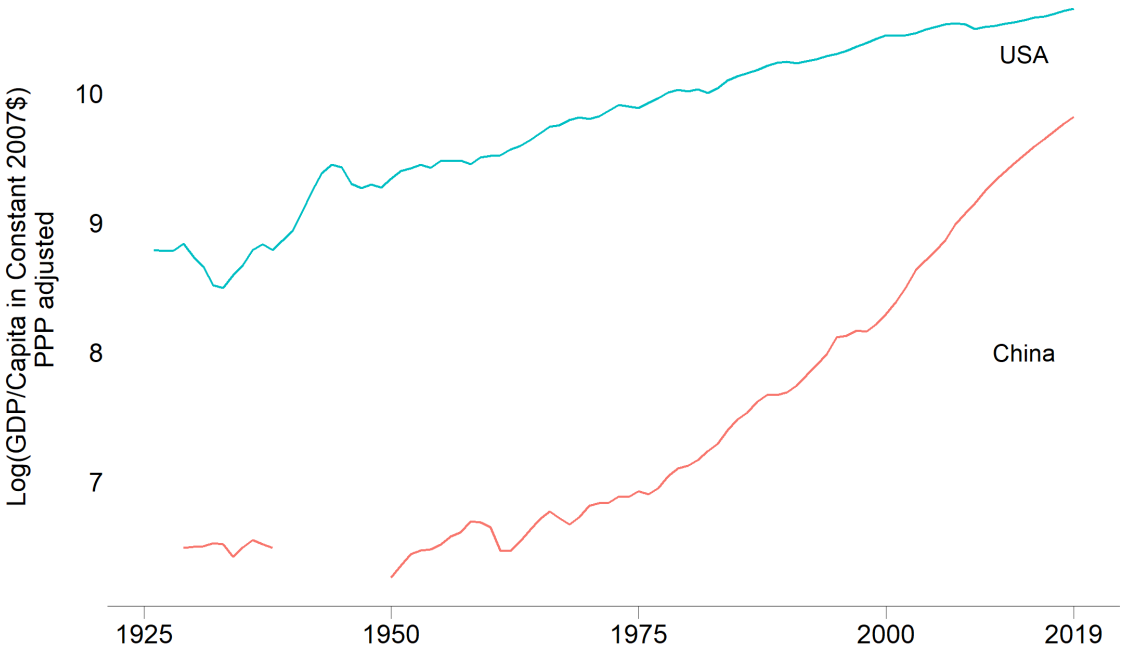
Because the United States was much wealthier than China going into this period, its GDP growth experienced a more muted rise: at most, it increased 3% per year. And, after the 2008 Financial Crisis, America's average rate of growth has been closer to 2%. The jury is still out on how strongly the pandemic will hurt the U.S. economy (its GDP suffered a contraction of 2.3% in 2020). While the latest Congressional Budget Office projections are quite bullish, projecting 3.7% growth in GDP in 2021, this is unlikely to change its relative position all that much. The Chinese economy is projected to eclipse America's in terms of size in 2028 (Congressional Budget Report 2021).

Now consider absolute gains in living standards. Between 1990 and 2008, China's workforce increased by 145 million people as peasants migrated from the countryside to work in megacities such as Beijing and Shanghai; labor productivity improved by more than 9% per year during that period, as did Total Factor Productivity. This allowed Chinese real living standards to double three times between 1979 and 2020. Forecasters expect continued improvements ahead.

In Figure 5, below, we show the appreciable narrowing of the gap in per capita income between China and the US between 1979 and 2020. Obviously, because China's population is so much larger than that of the United States, the gap in GDP has narrowed to an even larger extent during this period (GDP Per Capita means dividing the size of the pie by the population and China has over 1 billion people while the US population is smaller than 340 million). China's share of global GDP has grown steadily, irrespective of any change in living standards, and is projected to continue to do so. Conversely, America's share of world GDP is projected by most forecasters to continue a steady decline.

Similarly, many U.S. policymakers are worried that the flow of technology to China might translate into military and geostrategic gains that will displace the U.S. from its global leadership perch. They have expressed concern about China's growing technological capacity in areas such as AI, robotics, electric vehicles, the Internet of Things, semiconductors, and quantum computing. Chinese companies such as Baidu, Alibaba, Tencent, and, of course, Huawei, which earned over $107 billion dollars in revenues in 2018, now bestride the commanding heights of the digital economy and operate some of the most valuable tech platforms in the world.

Figure 5. Convergence in the Standard of Living between China and the U.S.



Notes: In 2007 real dollars adjusted for Purchasing Power Parity.
Source: Haber and Menaldo (2011) and World Bank (2021).

The Chinese state is accused by U.S. critics on both sides of the aisle of unfairly taking advantage of American firms and hurting American economic interests. In the words of FBI Director Christopher Ray: "Put plainly, China seems determined to steal its way up the economic ladder at our expense" (cited in The Economist 2019). Several individuals who served in the Obama Administration have also welcomed Washington's harder stance on China (Rhode 2019). To "better compete against China", American politicians such as Senator Marco Rubio have urged America to embrace an overt industrial strategy centered on tax breaks and export controls to strengthen American manufacturing. Some proposals have called for the nationalization of critical infrastructure like the nascent 5G wireless network. New tariffs, sanctions, and outright export bans directed towards the Chinese government and Chinese firms continue to proliferate out of Washington.

Of course, Huawei is not just any firm. Perhaps it is not just about predominance in manufacturing or design of specific products that American politicians fear, but the soft power that comes from designing the very infrastructure upon which the data-driven economy is built. For

example, Huawei has attempted to amass several of the Standard Essential Patents that are likely to play an outsized role in structuring the supply chain around the 5G network (Menaldo and Wittstock 2021). This could potentially allow China to push its own legal, economic, and social preferences more forcefully.

Beyond the professed motives of politicians, Realist international relations theory suggests that these criticisms of China-U.S. relations may be a rational, if not prudent, response to the narrowing gap in relative power between the U.S. and China. Hence, the U.S. might wisely press its fading advantage now and slow China's rise while it still can.

Washington and Beijing may be caught in the "Thucydides' Trap": a rising power like China is doomed to frighten the incumbent power, the U.S., especially when its ascendance is rapid. The latter will, in turn, inevitably pick a fight, such as when Athens warred against Sparta during the Peloponnesian War and Germany fought against Britain in World War I. Indeed, a fading power may strategically challenge a rising power at a critical inflection point, right before the latter's strength surpasses its own. That might explain U.S. policymakers' concerns over the distribution of relative power between both countries and, by extension, their worries that the distribution of gains from greater economic integration might be skewed in China's favor.

Chinese leadership is aware of this possibility. Xi Jinping himself stated in 2015: "There is no such thing as the so-called Thucydides' Trap in the world. But should major countries time and again make the mistakes of strategic miscalculation, they might create such traps for themselves." This alludes to another fundamental IR tenet: the security dilemma—when a nation mistakenly believes its rival's defensive capabilities are offensive moves.

CONCLUSION

Context matters for making sense of why Washington's power brokers are so nervous and bandying ideas about tariffs, bans, and American self-sufficiency: China managed to close the economic gap with the West by adopting—and sometimes perfecting—its technology. Much of it because of investment and trade flows from the U.S. to China. Defying stereotypes, it was this, more than its huge and low paid labor force, that helped China's factories produce bicycles, clothes, and toys at large scales and sell them to Western markets so cheaply. Eventually, Chinese firms grew in sophistication and moved up the value chain, producing more technologically complex products, such as routers for wireless telecommunications, and providing services such as digital platforms and cloud computing.

But both sides have benefited. American and Chinese companies have jointly created the most sophisticated and valuable vertically disintegrated supply chains the world has ever known across a wide array of high-technology industries. This has generated trillions of dollars in economic value shared among all the parties involved. Increased interdependence with China has also created millions of jobs in both countries. Genuine national security concerns related to specific technologies or industries notwithstanding (see Menaldo and Wittstock 2021), economic concerns do not seem to warrant decoupling from China. Further research should try to more systematically evaluate whether the fear of a rising China is what helped elect Trump in 2016 and explains increased populism and protectionism in the U.S. by both political parties.

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