The Strange Politics of Compensation:
Individual Attitudes on Trade Adjustment Assistance in the United States

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Abstract:
This paper investigates the politics of trade adjustment assistance – income, training and relocation assistance for workers losing their jobs due to trade openness. We develop and test the argument that such assistance might have a politics distinct from those of the welfare and trade policies with which it overlaps. First, we argue that imperfect substitutability between trade adjustment assistance and trade protection, combined with the political linkage between such assistance and liberalization, encourages strategic position-taking among voters as well as policymakers. The result is that opposition to trade liberalization tends to weaken support for trade adjustment assistance among individuals who, owing to their economic circumstances, stand to gain the most from such assistance. Second, we argue that left (liberal) self-identification and partisanship reflect normative values and causal beliefs that are partly independent of economic self-interest and are strong predictors of individual support for trade adjustment assistance. These arguments find empirical support in the history of lobbying and legislative bargaining over the U.S.Trade Adjustment Assistance program since 1962, and in more extensive analysis of data on individual attitudes towards trade adjustment assistance among American voters.

Facing substantial, and in many places rising, opposition to globalization, governments have explored various ways to compensate those adversely affected by globalization in order to mitigate fears among voters and humanize globalization. Perhaps the most direct and appealing instrument for doing so is adjustment assistance for those workers who lose their jobs due to trade liberalization. While assistance is often provided as part of broader re-training and relocation programs aimed at helping all unemployed workers to find new jobs, a number of countries have adopted dedicated forms of trade adjustment assistance. The United States created its Trade Adjustment Assistance program in 1962, providing various forms of targeted trade assistance ever since. France, Canada, Austria and other industrialized countries have also experimented with similarly targeted assistance programs. And in 2007 the European Union introduced its own targeted assistance program, the Globalization Adjustment Fund.

Discussion among economists about trade adjustment assistance has focused on its potential welfare and efficiency implications, and a variety of studies have examined the effectiveness of existing adjustment programs.[1] We know far less, however, about the political underpinnings of adjustment assistance, not much more than that it tends to be popular in theory (among voters as well as among scholars), but difficult to establish and maintain in practice. To better understand those underpinnings, it is important to recognize how trade adjustment assistance lies at the intersection of welfare and trade policy. It is a form of welfare that is not based purely on need but is instead targeted specifically at helping those hurt by the removal of trade barriers that they would have preferred to keep in place. And trade adjustment assistance is typically, at least in the US context, created or reformed as part of political campaigns to mitigate concerns about trade reform. The result is that the

[1] See, for example, Richardson 1982; Aho and Bayard 1984; OTA 1987; Brander and Spencer 1994; Schoepfle 2000.

politics of trade adjustment assistance are related to, and yet quite distinct from, the politics of welfare and trade policies which it overlaps.

This paper develops and tests some simple arguments about how this is so, focused on explaining voter support for trade adjustment assistance. The main argument is that support for adjustment assistance may be less strongly associated with economic characteristics of individuals and the direct material stakes they have in assistance (or trade protection) than with left (liberal) ideology and partisanship. First, voter attitudes on trade adjustment assistance reflect strategic considerations. Those individuals who are in more economically vulnerable situations might benefit the most in direct ways from adjustment assistance, but they also stand to lose the most from trade liberalization, and their anticipation that assistance will be used as a political bargaining chip to accelerate globalization weakens their support for assistance. The converse holds for those in more secure economic circumstances for whom adjustment assistance represents an additional tax burden but who can also see its political attractions as a means to facilitate greater trade liberalization. As long as adjustment assistance is not a perfect substitute for trade protection the economic lines of division become blurred by strategic position-taking.

Second, left (liberal) commitments and partisanship reflect normative values and causal beliefs that are invoked in very direct ways by discussions of trade adjustment assistance. These values and beliefs concern the appropriateness and effectiveness of government interventions in markets. Values will be particularly important to the extent that the trade adjustment assistance is framed in terms of fairness or equity, ensuring some form of compensation for those who are injured by government decisions to remove trade barriers in the interest of society as a whole. Though partly endogenous to individual economic circumstances and considerations of self-interest, to the extent that these values and beliefs are exogenous, they should be strong predictors of support for adjustment assistance.

To explore these claims we examine data from a 2003 survey data measuring individual attitudes towards trade adjustment assistance among American voters. Among survey respondents support for such assistance – defined as government financial assistance for those losing their jobs due to trade to retrain and find new jobs – is only weakly related to standard indicators of economic circumstances and vulnerability (including education, income, and industry of employment). If anything, measures of personal economic security from risks posed by globalization tend to be positively rather than negatively related to support for adjustment assistance. Furthermore, individual support for trade liberalization is strongly associated with support for trade adjustment assistance. Meanwhile, even after controlling for economic circumstances, among the strongest and most stable predictors of support for trade adjustment assistance are liberal values and identification with the Democratic Party.

The paper develops these claims in four steps. The first briefly reviews the existing literature on trade adjustment assistance, highlighting our meager state of knowledge of the politics of assistance. The second step develops the expectations that adjustment assistance has a distinct politics in which the importance of standard economic divisions is outweighed by ideological and partisan effects. The third step introduces our data and estimation strategy, and the fourth lays out and discusses their results.

1. The Contested Value and Uncertain Origins of Trade Adjustment Assistance

Increasing international economic openness and technological innovation have profound distributional consequences for different sets of workers and firms within national economies. The changing division of labor mandated by global economic interdependence provides aggregate benefits for each economy but imposes selective costs upon certain

groups, regions and sectors. Many political economists champion adjustment assistance as a policy tool to reconcile these general and particularistic interests. The ostensible value of adjustment assistance lies partly in its role as compensation for those bearing the adjustment costs of globalization, thereby allowing globalization to be Pareto improving.[2] But the promise of adjustment assistance goes beyond mere compensation because it can actively encourage the kinds of economic change that makes openness and innovation beneficial in the aggregate, accelerating the re-allocation of resources towards more efficient activities.

The actual experience with trade adjustment assistance is less edifying than the theoretical discussions might lead one to expect. Not all countries provide programs that target assistance to workers who lose their jobs due to trade liberalization specifically, the main exceptions being the United States, Australia, Austria, France, Canada, and the European Union.[3] All industrialized countries have non-targeted programs to assist workers who have lost jobs, but even including these programs, assistance available to trade-impacted workers has tended to be modest – particularly if one focuses on active assistance (training, job relocation, employment subsidies) rather than passive assistance (income supplements and unemployment insurance). Across OECD countries in 2005, for instance, spending on active labor market policies averaged only .67 percent of Gross Domestic Product, ranging from .13 percent in the United States and Korea to 1.74 percent in Demark.[4]

The United States has had a targeted program in place since the 1962 creation of the Trade Adjustment Assistance (TAA) program. That program was initially focused, with strict eligibility criteria, on providing income supplements, re-training and job-relocation services to trade-impacted workers. In the decades since, the program has waxed and waned as funding has been expanded or cut, eligibility criteria loosened or tightened, and the range and

[2] See, for example, Coase 1960; Feenstra and Lewis 1994; Fung and Staiger 1994; Schoepfle 2000; Lawrence and Litan 1986; Rosen 2008.
[3] OECD 2005.
[4] OECD 2007.

generosity of benefits varied. Figure One summarizes the U.S. TAA program's evolution between 1962 and 2007, charting the total number of workers certified (for training, relocation or income supplements), and the number actually receiving training. Shown also are the program's key legislative changes, most coinciding with trade-focused and/or trade-related omnibus legislation (e.g., 1988 Omnibus Budget and Reconciliation Act). The program appeared still-born under very tight eligibility criteria, but expanded when those criteria were relaxed in 1974 and reached a peak in 1980 (with 688,923 certified workers, costing roughly $1.6 billion). The program was slashed in the early Reagan years, but was revived when passage of the NAFTA agreement included special NAFTA-TAA provisions loosening eligibility and increasing benefits. Since 2002, the program covers not only workers in directly trade-impacted enterprises but also those in upstream and downstream enterprises, providing workers not only training and income supplements but also health insurance, some wage insurance, and pension supplements. In 2007 the program covered roughly 150,000 workers (with 50,000 in re-training programs), costing roughly $260 million. Current proposals making their way through Congress would substantially expand program benefits and reach, covering workers in trade-impacted service industries.

[Figure One about here]

This wide-ranging experience between and within countries, including the United States, has inspired a substantial scholarly literature investigating the practice of trade adjustment assistance. Most of this literature is normative and prescriptive in nature, focused on designing and evaluating different types of adjustment assistance. Swedish and Danish active labor market policies have been widely credited with cementing commitments to economic openness, facilitating swift adjustment to economic shocks, and providing years of

near-full employment, low inflation, labor peace, and economic growth.[5] However, the U.S. TAA program has been widely debated for possibly giving preference to victims of globalization rather than those hurt by other sources of dislocation[6]; not promoting enough adjustment[7]; not reaching enough trade-impacted workers[8]; not providing enough aid to the workers it does reach[9]; and insufficiently promoting trade liberalization.[10]

Far less attention has been focused on the politics of trade adjustment assistance. Scholars have noted disconnect between promise and reality of adjustment assistance, and have suggested reasons for the under-provision of assistance. Dixit and Norman, Oye and others have emphasized information costs associated with accurately targeting side payments that facilitate trade liberalization.[11] Dixit and Londregan, among others, emphasize time-inconsistency problems complicating attempts by providers of compensation to credibly commit to declining sectors to exchange political support for long-run adjustment assistance.[12]

While offering plausible accounts for under-provision of assistance, particularly of adjustment-oriented assistance, these contributions say little about why adjustment assistance varies over time and space. The studies to have said the most about the politics underlying adjustment assistance are those addressing the development of particular programs such as TAA as part of legislative or political histories of US trade policy, where adjustment assistance is a time- and place-contingent policy emerging from decentralized American trade politics.[13] Lacking are studies that develop systematic propositions focused on various

[5] See, for example, Scharpf 1991; Moene and Wallerstein 1995; Kuttner 2008.
[6] See, for example, Rosen 2006, 2008; Banks and Tumlir 1986; Trebilcock et.al.1990; Frank 1977.
[7] See Corson et.al.1979, 1993; Aho and Bayard 1984; Decker and Corson 1995; and Marcal 2001; GAO 2004.
[8] Scheve and Slaughter 2008; Jacobson 1991; AFL-CIO 2002.
[9] For different perspectives on this, compare GAO 2007; Marcal 2001; Bhagwati 1989; Lalond 2007.
[10] Compare, for instance, Magee 2001, 2003; Rosen 2006; Davidson et al. 2007.
[11] Dixit and Norman 1986; Oye 1992.
[12] Dixit and Londregan 1995. See also Iversen 2005.
[13] See, for instance, Zeiler 1992; Destler 1992; Goldstein 1993; Kapstein 1998. An important recent exception, Rickard 2007, identifies a less historically-contingent process of how US legislators voting for trade tend also to disproportionately vote for adjustment assistance.

economic or political conditions thought to influence the waxing and waning of trade adjustment assistance.

This is even true of the most basic, "micro," level of the politics of trade adjustment assistance, that of individual attitudes towards such assistance. No scholarly analysis has, to our knowledge, investigated the determinants of such. A series of polls by PIPA and the Chicago Council on Foreign Relations between 1999 and 2004 have revealed that majorities favored "free trade" while believing it "necessary for the government to have programs to help workers who lose their jobs"; 60 percent preferred this over two other options, uncompensated free trade (13 percent) or protectionism (22 percent).[14] In 1999 and 2004 PIPA polls, respondents agreed by a two-to-one margins that existing government efforts to retrain workers hurt by international trade are inadequate.[15] Existing survey research, hence, describes how large majorities prefer trade to be accompanied by adjustment assistance while seeing current assistance as inadequate. This tells us little, of course, about the determinants of individual-level support for assistance.

To unearth such determinants, obvious places to begin are the large literatures on individual and group support for trade protection[16] or on welfare state compensation.[17] Based upon the findings in these studies, one might expect that trade adjustment assistance ought to be supported most heartily by those most hurt by trade and those most helped by other forms of welfare. For instance, studies of support for trade protection have consistently revealed such support to be negatively associated with income, education and other measures of skill, and employment in export-oriented (vs. import-competing) industries. Studies of support for welfare policies have also shown such support to be strongly negatively related to income,

[14] Kull 2005. A year later, the numbers were 55 percent for compensated liberalization, 22 percent for protectionism, and 11 percent for uncompensated liberalization.
[15] Kull 2000, 2004.
[16] See, for instance, Scheve and Slaughter 2001; O'Rourke and Sinnott 2002; Mayda and Rodrik 2005; Frieden and Rogowski 1996.
[17] See, for instance, Janoski 1990; Weir 1993; Rueda 2002; Blekesaune et.al.2003; Iversen 2005.

education, and employment (vs. unemployment). Following these insights, one might expect individual support for trade adjustment assistance to reflect basic indicators of economic circumstances and vulnerability in similar ways. Whether this is so, however, remains to be seen, not only empirically but also theoretically – given how trade adjustment assistance might plausibly have a politics distinct from the trade and welfare policy realms it intersects.

2. Interests and ideology in individual attitudes towards trade adjustment assistance.

We argue that strategic calculations surrounding trade adjustment assistance mean that voter support for trade adjustment assistance is only weakly connected to individual economic circumstances and vulnerabilities that predict support for trade protection and welfare assistance more generally. Instead, we argue, strategic calculations should make support for freer trade directly associated with support for adjustment assistance. Equally important, left (liberal) ideological orientation and partisan identification should be directly and strongly associated with support for adjustment assistance, because consideration of such assistance invokes values and beliefs about fairness and the appropriateness of government intervention to addressing individual risks in markets. Although we discuss these claims informally in the main text, Appendix Two grounds them in a formal model of trade and compensation.

2.1. Economic interests, policy substitutability, and strategic position-taking. One might reasonably expect trade adjustment assistance to be supported most enthusiastically by the individuals most likely to be hurt by trade liberalization (and most likely to need other forms of welfare too). Indeed, if trade protection and trade adjustment assistance are perfect policy substitutes – that is, if they are regarded as perfectly exchangeable by voters – one should expect that factors that predict support for trade protection (e.g., income, education, and employment in export-oriented industries) would predict support for adjustment

assistance in identical fashion. But adjustment assistance is not trade protection under another name. The costs of protection are higher in the aggregate than the costs of assistance – this is the efficiency case for assistance – and more concentrated on those export-oriented industries. The benefits of protection for those in import-competing industries are more certain than the benefits they might obtain from adjustment assistance programs, with the effectiveness and credibility of such programs often in doubt.

To the extent that trade protection and trade adjustment assistance are imperfect substitutes, individual voters may want to trade-off their support for one to get more of another. The political linkage between trade adjustment assistance and trade liberalization, evident in policy debates and legislation, makes these kinds of trade-offs likely. The political linkage has been especially clear in development of the U.S. TAA program: the creation of that TAA program as part of the 1962 Trade Expansion Act; the major expansion of TAA as part of the 1974 Trade Reform Act; further expansion of TAA benefits and eligibility in the 1988 Omnibus Trade and Budget Reconciliation Act; creation of special NAFTA-TAA as part of the 1994 NAFTA ratification; and the most recent expansion of TAA benefits in the 2002 Trade Promotion Authority legislation.

Imperfect substitutability between trade adjustment assistance and trade protection, combined with the political linkage between the policies, encourages strategic position-taking. Since trade protection has more concentrated costs and more certain benefits, it tends to generate more intense opposition and support among voters who evaluate trade adjustment assistance for how it could be used as a political lever for trade liberalization. The result is that opposition to trade liberalization may weaken support for trade adjustment assistance among individuals who, owing to their economic circumstances and vulnerability to import competition, stand to gain the most from such assistance. Meanwhile, support for trade liberalization may tend to strengthen support for assistance among individuals upon whom

assistance imposes a tax burden but who benefit most from trade openness.

The history of political fighting over the U.S. TAA program harbors illustrations of such strategic position-taking. For instance, many of the most vocal supporters of TAA have been those least likely to benefit directly from the welfare benefits it contains but most likely to benefit indirectly from the trade liberalization it is thought to make possible. The creation of the TAA program, coupled to passage of the Trade Expansion Act in 1962, was supported explicitly in testimony given by pro-trade business groups, including the Committee for a National Trade Policy and of the American Banker's Association. More recently, the senior Republican on the Senate Finance Committee, Charles Grassley (R-Iowa), who has consistently voted against welfare legislation, has expressed clear – and more transparently strategic – sponsorship of TAA: "Frankly, TAA is a very integral part of our efforts to reduce barriers and expand trade . . . and my view is they ought to go together."[18] This is both an indicator of strategic support for TAA and of how such support tends to seek explicit, formal legislative linkage to votes on trade liberalization.

Equally illustrative are expressions of opposition to TAA from those clearly supportive of welfare assistance but with trade protection on their minds. The 1962 creation of TAA was supported by most labor unions, but a number of the unions representing workers in industries most shaken by import competition and for many years consistent protectionist voices – the Textile Workers Union of America (TWUA), the Hats and Millinery workers, and the Glass Workers Protective League – were explicitly opposed to TAA and the Trade Expansion Act that it helped facilitate.[19] Mildred Homko, Secretary of the Glass Workers

[18] See *Washington Post* 23 July 2007, A01. Strategic support for TAA may, of course, be packaged in more general terms. For instance, on March 25, 2008, the President of the U.S. Chamber of Commerce – no big friend of the welfare state – argued that "Most workers and consumers benefit from trade….But we must recognize another reality; some workers are dislocated….That's why Congress should reauthorize the Trade Adjustment Assistance program so that America's workers impacted by trade have access to the education and job training tools they need to return to work quickly" (Donahue 2008). We see it as no coincidence that most of Donahue's opinion piece was about benefits of globalization and economic openness.

[19] The average net export share (exports minus imports as a share of production) for all manufacturing was roughly .05, and for textiles -.08, for hats and millinery products -.05, and for glass, ceramic and stoneware -.09.

Protective League, lamented that passage of the 1962 Act and its TAA provisions would mean "we shall have the best trained, most highly skilled unemployment lines in the world."[20] More recently, other segments of the labor movement have turned critical of TAA on similar grounds. AFL-CIO President George Meany's famous 1973 quip that TAA was nothing more than "burial insurance" partly reflected disappointment with the program's then-tight eligibility requirements and meager benefits, but may also have been driven by fear that TAA was an apologia for the blood-letting he clearly associated with trade liberalization.[21]

In recent testimony before the Senate Finance Committee, Jane Pines of the AFL-CIO pointed out that "While programs such as Trade Adjustment Assistance (TAA) are important, it must be emphasized that they are no substitute for good trade policies that create and retain good jobs in the United States. This is why the conversation about improving these programs should be separate from the debate over Trade Promotion Authority and trade agreements…."[22] This is a clear indicator of how those opposed to the trade liberalization which adjustment assistance might facilitate tend to moderate their support for assistance, if not actually oppose it, and would actually prefer to de-link the issues as much as possible – the direct mirror of their pro-trade counterparts.[23]

We thus have a plausible basis for two general hypotheses about the determinants of individual-level support for trade adjustment assistance. The first is about how economic and demographic conditions found to be so important in shaping support for trade and welfare policies will tend to have off-setting and hence more muted implications for support for trade adjustment assistance:

> Hypothesis One: *Education, income, employment status, and employment in import-competing (vs. export-oriented) industries have off-setting, and hence weak or*

The workers in thee industries stood, thus, disproportionately to gain from the TAA (though more to lose from further the TEA's Kennedy Round trade liberalization) (data from Feenstra 2004).

[20] US House Hearings 1962.

[21] House Ways and Means, May 17, 1973.

[22] Senate Finance Committee, June 6, 2007.

[23] See also AFL-CIO 2002.

nonexistent, effects on support for trade adjustment assistance among individual voters.

The expectation, here, is that the predictive power of any condition affecting the direct material stakes that individuals have in TAA will be weakened by strategic position-taking in light of how assistance might facilitate trade liberalization. Of course, other kinds of strategic position-taking may similarly distort positions on adjustment assistance – such as opposition to TAA out of concern that it might be a safety-valve for demands for broader welfare expansion. But the particularly strong historical and substantive link to liberalization and adjustment assistance can be expected to be particularly important in dampening direct effects of material-economic position.

If the economic lines of division that are central to the politics of welfare and trade tend to become blurred by strategic position-taking on adjustment assistance, what can then be expected to be the simplest predictor of support for such assistance? The answer may be the strategic linkage itself. That, in any event, is a second hypothesis worth testing: that strategic position-taking may mean that those individuals most supportive of trade liberalization are the same ones most supportive of trade adjustment assistance, even controlling for economic circumstances and characteristics:

Hypothesis Two: *Support for trade liberalization is associated with support for trade adjustment assistance among voters, all else equal.*

This is perhaps too simple to capture strategic position-taking, which is presumably also related to or conditional upon individual characteristics like cognitive ability or political knowledge, both of which might increase ability to recognize the political linkage between the policies. We investigate this possibility by considering whether education and trade-specific knowledge might increase capacities to think strategically and hence increase how much support for trade liberalization spurs support for trade adjustment assistance. But the direct association between support for trade liberalization and support for adjustment assistance, all

else equal, is the simplest and most direct way to see if the politics of assistance is marked by strategic position-taking. And we expect that after controlling for support for trade liberalization, material economic conditions ought to perform more in line with studies of welfare and trade protection.

2.2. Partisanship and Left ideology. Distinct from such strategic position-taking, we also expect the politics of trade adjustment assistance to be strongly influenced by left ideology and partisanship. In particular, we expect that Democratic as opposed to Republican partisanship and left as opposed to right orientation – or, in the American context, "liberal" as opposed to "conservative" orientation – ought to increase support for trade adjustment assistance. Partisanship and ideological commitments among voters do, of course, reflect in part individual economic circumstances and considerations of self-interest. Lower-income and less educated Americans tend to self-identify as more "liberal" and to vote Democrat. But both partisanship and liberal self-identification may also capture other dynamics relevant to attitudes towards trade adjustment assistance.

Democratic partisanship ought also to be associated with support for trade adjustment assistance for two broad reasons. First, such partisanship can entail use of informational short-cuts and exposure to cuing and priming by a party that is in both word and deed very friendly to trade adjustment assistance. That an individual's partisanship captures how voters are prone to priming, cuing or informational short-cuts by party programs or representatives is well-supported in the voting literature.[24] At least since the New Deal, the Democratic party has distinguished itself from the Republican party as more likely to champion government intervention to serve social goals in markets, including social policy interventions, or expressed less friendly to be the party of "tax and spend." Showing up consistently in the party platforms and in the positions and speeches of many Democratic representatives, we

[24] See, for example, Downs 1957; Bartels 2000; Achen 2002; Green et.al. 2002; Lupia and McCubbins 1998.

should expect voters who self-identify as Democrats to be more supportive than Republicans with trade adjustment assistance as a particular face of welfare assistance. To the extent that such partisanship captures cuing or informational-short-cuts, Democratic partisanship should be strongly associated with the trade adjustment assistance, plausibly more than other social policies, given the history of the TAA program as a program conceived and consistently championed by the Democrats since the early 1960s.

Second, party self-identification may also capture a clustering of normative values and causal beliefs that are partly independent and separable from both material interests and cuing dynamics. There is plenty of evidence suggesting that partisan identification among American voters strongly reflects such ideological distinctions, independent from socioeconomic characteristics.[25] Most relevant to the politics of trade adjustment assistance, Democrat party-identification plausibly captures normative beliefs about the appropriateness of, and causal beliefs about the efficacy and necessity of, government interventions in markets to help individuals at risk and promote fairness and equity. Either via such beliefs or via cuing dynamics, we have the basis for the following hypothesis:

Hypothesis Three: *Left partisanship (Democratic partisanship) is associated with support for trade adjustment assistance, all else equal.*

Net of partisanship, we might also expect that liberal or left self-identification will spur support for trade adjustment assistance. Such ideological self-identification is, again, partly an artifact of economic conditions, and perhaps also of partisan cuing. But liberal identification also plausibly captures or reflects normative and causal beliefs about government intervention to pursue social goals, such as to address unfairness or inequalities of markets. In the American context, the notion that liberal-conservative self-identification has meaningful ideological content goes against some studies suggesting that such self-

[25] Compare, for example, Abramowitz and Saunders 2006; and Green et.al. 2002.

identification has little durable meaning in terms of policy content.[26] But the notion finds clear support in recent survey studies of the nature, origins, and implications of liberal-conservative self-identification among elites and citizens.[27] One broad survey study finds that large majorities of Americans correctly place the Democratic party to the left of the Republican party on a liberal-conservative scale, and also reports strong ideological coherence among citizens' policy preferences in terms of self-identification on that liberal-conservative scale – using policy preferences on a range of issues, including government responsibility for jobs and living standards, government health insurance, and government services and spending.[28]

To the extent that left (liberal) self-identification does have meaningful policy content and cannot be simply reduced to underlying economic interests, those self-identifying as more liberal to be more supportive of adjustment assistance. Such is to be expected not because of the economic interests that such ideological attachments might partly reflect and that above we have argued ought to have offsetting and weak effects on support for trade adjustment assistance. It is also not to be expected mainly or only because of any partisan cuing or information short-cuts liberal identification might capture. Instead, it is to be expected because of the content of values and beliefs about the appropriateness and effectiveness of government assistance to help victims of economic globalization. Since political (and scholarly) discourse routinely frames trade adjustment assistance in terms of principles of fairness or equity, as a way of ensuring that individuals hurt by government decisions that benefit society as a whole receive some form of compensation, the connection is very plausible. In any event, we have the basis for our last hypothesis:

> Hypothesis Four: *Self-identification as liberal (as opposed to conservative) is associated with support for trade adjustment assistance among voters, all else equal.*

[26] See Converse 1964; Conover and Feldman 1981.
[27] See, for example, Poole and Rosenthal 1991; Nie et.al. 1979; Jacoby 1995; Abramowitz and Saunders 2006.
[28] Abramowitz and Saunders 2006, 179.

Both these hypothesized effects of Democratic partisanship and liberal self-identification may oversimplify matters. As with strategic position-taking, it is plausible that education or trade-specific knowledge might alter the effects of either partisanship or liberal identification. For instance, studies of partisanship in US voting have found that education and directly-measured political knowledge may actually increase the effects of partisan on voting and position-taking on particular issues, including taxing and spending issues.[29] It is plausible, hence, that education and trade-specific knowledge may increase how much Democratic partisanship and liberal self-identification spur support for trade adjustment assistance. But our main expectations are that the direct effects of liberal and Democratic identification ought to significantly increase support for such assistance.

The history of the U.S. TAA program illustrates these basic ideological and partisan effects, just as it illustrates strategic position-taking. Most obvious is that the TAA program has been, from the beginning, a partisan affair: the overwhelming majority of Congressional support has always come from members of the Democratic Party. This was true in the founding legislation for the TAA as part of the Trade Expansion Act in 1962, and it has been true for most Congressional votes on the program – often in the context of either amendments to broader trade, budget bills or the less-common stand-alone legislation, such as the 2007 Trade and Globalization Act.

Beyond voting patterns in Congress, the ideological quality of the politics of trade adjustment assistance is also visible in testimony of supporters and opponents. In the initial debates about TAA in 1962, for instance, one of that era's most intrepid protectionists O.R. Strackbein (of the Nation-wide Committee on Import-Export Policy) denounced the program because it stood in the way of protection and because it was "another form of socialism."[30] The National Association of Manufacturers, for their part, argued at the time that "Adjustment

[29] Lupia and McCubbins 1998; Lupia et.al. 2007.
[30] CQ Almanac 1962, 268.

assistance seems to imply that there is something wrong with the operation of the free market …. All experience warns that programs of this type inevitably expand and proliferate."[31] More recent discussions of TAA often reveal a similar liberal-versus-conservative divide, seen in the publications of its Economic Policy Institute and Brookings supporters and its Cato Institute and Heritage Foundation opponents, statements by pro- and anti-TAA statements by labor and business groups, and speeches by Democrats and Republicans.[32]

We expect, thus, that the politics of trade adjustment assistance ought to intersect with but also diverge from trade and welfare politics. Strategic linking between trade adjustment assistance and trade liberalization, we suspect, ought to blur economic lines of division underlying support for trade adjustment assistance and to make supporters of liberalization supporters of assistance. We also expect liberal and left partisan self-identification to be strong drivers of support for trade adjustment assistance even after allowing for differences in economic characteristics and circumstances among voters. We find hints of these dynamics in organized lobbying and in legislative debates and votes, but they ought also to be apparent in the most basic of building blocks of democratic politics – the attitudes of voters.

3. Data

We analyze data from a survey administered to 1,610 American adults by telephone in July and August 2003 by the Center for Survey Research at Indiana University. The questions asking about their attitudes toward international trade, about adjustment assistance and about their current employment status and prospects, were part of surveys sponsored by the Time-

[31] Senate Foreign Relations Hearings 1962, 1630-1, quoted in Mitchell 1976, 34.
[32] Compare, for example, Dorn 1982; Markheim and Sherk 2007, and James 2007.

Sharing Experiments for the Social Sciences (TESS) program.[33]

3.1. Dependent variable: Support for Trade Adjustment Assistance. Respondents were asked about their support for or opposition to "increasing trade with other nations," framed in a variety of ways, and then were asked about trade adjustment assistance:

> *"The government can provide financial assistance to workers who lose their jobs because of increased trade with other nations so that workers can get new training and find new jobs. Do you favor or oppose this type of assistance?"*

Answers were coded as either "favor", "oppose", "don't know."[34] Depending on the answer, the interviewer then asked: *Is that strongly favor (oppose) or somewhat favor (oppose)?* Answers to these questions provide the basis of our preferred, categorical measure of *Support TAA*: 1=strongly oppose adjustment assistance; 2=somewhat oppose assistance; 3=somewhat favor assistance; and 4=strongly favor assistance. We also consider binary measures of support, including *Support binary* (1=strongly or somewhat favor; 0=strongly or somewhat oppose) and *Strongly-support binary* (1=strongly favor; 0= strongly or somewhat oppose or somewhat favor). This question on support for assistance does not directly or implicitly presume or invite a particular position on trade liberalization, but it does ask about assistance without mentioning a tax or other constraints. In any event, consistent with other broad surveys, most respondents favor providing assistance, with the sample mean for *Support TAA* being 3.37 (standard deviation .83), where 86 percent of respondents either strongly favor (55 percent) or somewhat favor (31 percent) TAA, while only 14 percent oppose TAA either strongly (4.8 percent) or somewhat (8.8 percent).[35] But the data also reveal substantial variation in degrees of support for and opposition to assistance, and so provide a basis for investigating its politics.

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[33] *Time-Sharing Experiments for the Social Sciences*, NSF Grant 0094964, Diana C. Mutz and Arthur Lupia, Principal Investigators. For a full description of the TESS/CSR survey process (along with the complete dataset) see: http://www.experimentcentral.org

[34] Less than 2% of all respondents answered "Don't know." These observations were excluded from all the analysis reported here

[35] Appendix One provides summary statistics for this and all other variables in the analysis.

3.2. Economic position and trade position. To test Hypothesis One, we consider a range of socioeconomic characteristics related to the direct economic stakes that individuals are likely to have in trade adjustment assistance. *Education* we measure in four categories: 1=0-11 years; 2=12 years; 3= some college; 4=college degree or higher.[36] *Income* we measure in terms of household income, in six categories: from 1=0-$15 thousand per year to 6=$75 thousand or more per year. *Employment* is a dummy for whether respondents are full or part-time employed. For broad sector position of employment, we also include dummies for *Agriculture*, *Mining*, *Manufacturing*, and *Services,* with public administration the excluded category. Finally, we also consider a direct measure of job mobility: *New job difficult,* based on each respondent's self-perception of whether it would be difficult to find a new job if they lost their current one (1=difficult; 0=not very difficult).

We are also interested in allowing for the industry-specific effects of trade on the job security of survey respondents. We do this in two ways. The first is to judge *net export shares* based on respondent answers to a standard question about the type of business in which they are employed. We coded these individual descriptions with the 3-digit NAIC industry classifications and then concorded these classifications with ITIC measures of imports, exports and product shipments to calculate *Net export shares:* (exports minus imports)/shipments.[37] The weaknesses with this approach, however, are three-fold: first, accurately coding respondents by industry of employment is extremely difficult, as respondents typically give vague answers to questions about the business in which they work;[38] second, industry measures of import penetration and export dependence may offer more information about policy outcomes of extant protectionism than policy preferences; and third, the measures obscure variation in positions taken by firms in sub-categories within each

[36] The results are not at all sensitive to other measures, for instance education in years, and in various binary categorizations, such as 1=some college or more; 0=less.
[37] Feenstra 2004.
[38] When the staff at the Panel Study of Income Dynamics checked a random sample of surveys, for instance, they found that industry codes differed across coders in 14% of cases (see PSID 1999).

broad industry grouping. We thus also consider a second measure of industry-specific trade effects that avoids these problems. The TESS survey asked respondents a very direct question about the likely impact of trade on the security of their particular job: "Do you think that increased trade with other nations makes your own job more secure, less secure, or does it have no clear effect?" We used responses to this question to construct *Trade-Job security,* a three-point categorical measure: 1=less secure; 2=no clear effect; 3=more secure.[39]

To judge the possibility of strategic position-taking on trade adjustment assistance, our most direct measure is attitude about trade liberalization. Our measure is *Support trade,* based on respondent answers to the question of whether they (somewhat or strongly) favor or oppose "increasing trade with other nations", answers recoded as a 1-4 categorical measure of support for increasing trade (1=strongly oppose; 2=somewhat oppose; 3=somewhat favor; 4=strongly favor).

3.3. Liberal ideology and Partisanship. We measure left (liberal) ideology using questions about respondents' political orientation. Respondents were first asked if they considered themselves to be "liberal" or "conservative" or "neither" or "refused." Those self-identifying as either liberal or conservative were then asked whether that was "strong liberal" ("strong conservative") or "not a very strong liberal" ("not a very strong conservative"). Those who did not self-identify in the initial question as either liberal or conservative were then asked if they then considered themselves "more like a liberal," "more like a conservative," or "neither." Based on these answers we construct three measures of left ideology. The first, preferred measure because it captures the most nuanced range is a categorical measure, *Liberal ideology* ranging from 1-7, from most conservative to most liberal: 1=strongly conservative; 2=not very strong conservative; 3=more like a conservative;

[39] This question was posed several questions *after* respondents had already stated whether they favored or opposed increasing trade. Some 17 percent of respondents felt that increased trade made their own job more secure, while 10 percent felt it made their job less secure. The results are not sensitive to the use of alternative binary versions of the variable.

4=neither; 5=more like a liberal; 6=not a very strong liberal; 7=strongly liberal.[40] Party affiliation we measure with dummy variables based on a question about which party respondents identified with: *Democrat* (1=Democratic; 0=Republican, independent, or other) and *Republican* (1=Republican; 0=Democratic, independent, or other).

3.4. Demographic and other controls. Finally, we consider demographic and other characteristics relevant as control variables. These characteristics have been shown in previous studies to affect support for welfare provisions and trade protection, and for ideological and partisan identification. *Age* is the raw age of respondents based on birth-date; *Female* is a dummy for female respondents; *Married* is a dummy for respondents who are currently married; and for home-region we consider dummies for *Northeast, South, Midwest*, with *West* as the excluded category. We also take account possible effects of race and consider binary indicators for *Black, Hispanic,* and *Asian* ethnicity, with *White* the excluded category. We consider religious orientation too, including dummy variables for *Christian, Jewish,* and *Other religion,* with *No religion* as the excluded category.[41] We also control for the role of knowledge of events in U.S. trade policy, with *NAFTA knowledge:* a 0-3 categorical variable for how many of the three signatories of the North American Free Trade Agreement (NAFTA) respondents could name.[42]

4. Estimation and discussion

To test the four Hypotheses on support for trade adjustment assistance, our presentation focuses on a range of ordered probit models. We consider this estimator preferable to simpler probits or logit models because ordered probit can take account of the

[40] Robustness tests using binary dummies for liberal or conservative reveal virtually identical results to those reported below.
[41] Of the 1603 respondents to answer the religion question, 1,211 self-identified as Christian, 44 as Jewish, 210 as non-religious, and the remaining 138 as other religion.
[42] This might also help gauge capacity for strategic position-taking.

full variation in the data, for instance distinguishing between those strongly or weakly supportive of assistance. But we replicate the main results using alternative estimators, such as simple probits of dichotomous measures of TAA support, and instrumental approaches and multinomial logit of the categorical TAA measure.

Table One summarizes the results from estimations aimed at testing for the importance of economic divisions and strategic position-taking for attitudes towards trade adjustment assistance (Hypotheses One and Two). Model 1 is a baseline model including not only employed respondents but also non-working, retired and unemployed respondents. Very few of the independent variables, including those frequently found to be important for attitudes towards welfare and trade protection, are significant predictors of support for assistance. Gender, age, race, and marital status have no significant effect. Christian identification does tend to modestly decrease the likelihood of supporting assistance (relative to non-religious). Respondents living in the East are significantly more likely than those living in the West to support trade adjustment assistance. This might, of course, partly reflect the older industrial base in the East compared to the West. Most importantly, the basic economic characteristics that are predictors of attitudes toward welfare and trade appear to have little impact on attitudes toward adjustment assistance (consistent with Hypothesis One). Income is negatively signed but insignificant; employment is actually positively signed though insignificant. Most interestingly, while education is weakly significant it is actually positively signed (more educated respondents, who are less likely to need adjustment assistance themselves than counterparts with less education, appear more likely to support it).

[Table One here]

Models 2 paints a broadly similar picture, but now restricting the sample to employed respondents and taking into account industry of employment. Here, education is still positively signed but no longer significant, and again income does not appear to have any significant effect. Broad industry categories tend not to be significant jointly, but those respondents tied to agriculture do tend to be less supportive than those tied to the excluded category, public administration. A stronger hint that broad economic divisions may be important is that living either in the East or (for Model 2) the South (both relative to living in the West) significantly increases the likelihood of supporting assistance.[43]

Models 3 through 5 consider explicit measures of industry or job-specific trade exposure, yielding results that are interesting and consistent with Hypotheses One and Two. Model 3 allows for the impact of the *net export share* of a respondent's sector of employment (without industry dummies, with which it is quite highly correlated). Interestingly, the coefficient is positive (it would be negative if assistance simply substituted for trade protection) and not statistically significant. Model 4 reveals a significant but again positive relationship between support for assistance and a respondent's judgment of whether trade increases his or her own job security. These patterns suggest the power of strategic position-taking inasmuch as judgment that trade is good for one's job security predicts more, not less, support for adjustment assistance. Model 5 also takes into account subjective judgments of how difficult it would be for respondents to find a new job should they lose their current one. More than objective measures of general job risk, this variable has a positive, significant association with support for assistance, and does not diminish how much subjective trade risk spurs support for assistance.

Models 6 through 8, finally, consider explicitly how attitudes about trade liberalization affect positions on trade adjustment assistance, showing more focused support for Hypothesis

[43] Excluding regional dummies from any of Table One's models does not change the non-results for education, income, and employment.

Two. Model 6 shows that support for trade liberalization significantly increases the likelihood of supporting adjustment assistance (consistent with Hypothesis Two). This suggests strategic position-taking, with respondents viewing assistance as a means to politically facilitate trade liberalization. This effect, we emphasize, is apparent while controlling for the usual factors found to affect individual support for trade. The magnitude of the effect is also quite substantial, as captured by Figure Two. The Figure is based on counterfactual estimation (using model 6) of the predicted probabilities of "strongly supporting" TAA, given the four values of *Support Trade,* holding all other variables at their medians. The numbers in the Figure are mean predicted values, and brackets above and below these numbers delimit the upper and lower 95-percent confidence interval. As the Figure shows, the probability of strongly supporting TAA increases substantially as respondents are more supportive of increasing trade with other nations. When respondents identify themselves as "strongly opposed" to such (1 on the scale, roughly the 10^{th} percentile of the sample distribution), the probability of strongly supporting trade adjustment assistance is .39 (between .29 and .48), while respondents "strongly in favor" of increasing trade (4 on the scale, at or above the sample's 75^{th} percentile) have a probability of strongly supporting assistance of .52 (between .42 and .62).

[Figure Two about here]

Model 7 also includes the measure of knowledge about NAFTA signatories. Including or excluding it has little impact on the relationship between support for trade and support for trade adjustment assistance – even though it is strongly correlated with education (correlation coefficient of .37) – but the estimated parameter for this variable is in itself interesting in that it shows how those able to name more of the signatories are significantly more likely to

support adjustment assistance. Why this is so is unclear, of course, but is consistent with the possibility that those better understanding trade policy and the costs and benefits of trade liberalization are drawn to favor adjustment assistance.

Model 8, finally, considers whether strategic position-taking is sensitive to education or knowledge. It does so by considering the interaction between education and support for trade liberalization in shaping support for adjustment assistance. The result suggests a strong interaction, where education strongly positively affects how much support for liberalization spurs support for adjustment assistance. This is immediately visible by the significantly positive coefficient for the interaction term. Post-estimation simulation varying education and support for liberalization (and their interaction) while holding all other parameters at their median or mean shows that among least educated respondents (for instance those not completing high school), support for trade liberalization does not significantly increase probability of supporting trade adjustment assistance. But among college-educated respondents, those strongly opposed to trade liberalization (*Support Trade* = 1) are have between a 29 and 51 percent chance (mean 40 percent) of strongly supporting TAA, while those strongly supportive of liberalization (*Support Trade* = 4) have between a 47 and 73 percent chance (mean 60 percent) of strongly supporting TAA (with 95 percent confidence). Interacting with *NAFTA knowledge* yields a collinearity problem (variance inflation factors above 12, for instance), but does not in any event significantly interact with support for trade liberalization. Thus, we cannot rule out the possibility that the interaction with education is chance, but the broad pattern does suggest that education and knowledge may well increase strategic position-taking on TAA.

Table Two summarizes the results for estimations aimed at testing Hypotheses Three and Four about the impact of, respectively, left partisanship and left (liberal) ideology on attitudes towards adjustment assistance. The first five models focus on partisanship alone, and

the last three on liberal self-identification with partisan alignment. The various controls perform similarly here as in the estimations reported in Table One, though industry position and difficulty of finding a job tend to have smaller and less significant effects, regional dummies stronger effects.

[Table Two here]

All eight models reveal Democratic partisanship to be significantly positively related to support for trade adjustment assistance, consistent with Hypothesis Three. Models 1 and 2 show that self-identified Democrats are more likely to support trade adjustment assistance than non-Democrats (i.e. Republicans, Independents, or others), whether one considers all polled voters or employed voters, controlling for the standard battery of economic controls. Model 3 shows that relative to independent or other voters, Democrats are still more likely and Republicans, even more, less likely to support trade adjustment assistance. Figure Three, summarizing counterfactuals based on Model 3, shows that these partisan effects are quite substantial. Democrats are an expected 7 percentage-points more likely to strongly support TAA than are non-Democrats, and that Republicans are an expected 9 percentage-points *less* likely to strongly support assistance than non-Republicans. Democrats are on average 16 percentage points more likely to strongly support adjustment assistance than are Republicans.

[Figure Three here]

Models 4 and 5 suggest that these partisan effects are sensitive to education and trade-related knowledge. Education levels and ability to name NAFTA signatories significantly increase the degree to which Democratic partisanship spurs support for adjustment assistance.

At low levels of either education or knowledge, in fact, partisan effects are not statistically significant. For instance, among respondents with no more than a high-school education, Democrats are no more likely to support TAA than are non-Democrats (Republicans or independents), but among college-educated respondents Democrats are between 12 and 19 percentage points more likely to support assistance. The mediating effects of NAFTA knowledge are substantively more modest, but also significant and in the same direction, where among those unable to name a NAFTA signatory Democrats are no more likely than Republicans or Independents to support TAA. These results hold up to other specifications, for instance interacting Republican partisanship with education and knowledge measures (yielding, in this case, significant negative interaction), or interacting partisanship measures with composite measures of knowledge (NAFTA knowledge and ability to name the Secretary of States) (results not shown). Consistent with recent studies of partisan ideology, hence, more information and education tends to sharpen rather than dampen the cuing or ideological effects of partisanship.

Models 6 through 8, finally, reveal liberal self-identification to be among the strongest and most stable predictors of support for TAA. Liberal identification has strong effects, net of partisanship indicators and net of all controls considered in Table One. The effect is strongest for the broadest dataset (model 6, including non-employed respondents), but the coefficients and significance do not decline appreciably even after controlling for sector of employment, exposure to trade competition, subjective difficulty of finding a new job, and support for trade and NAFTA knowledge. Figure Four indicates the magnitudes of these effects, based on counterfactual estimation using Model 7 of the predicted probabilities of strongly supporting TAA, given varying values of *Liberal ideology* while holding all other variables at their medians. When respondents identify themselves as "strongly conservative" (1 on the Liberal ideology scale) the probability of strongly supporting trade adjustment assistance is .35

(between .25 and .44), while respondents identifying themselves as "strongly liberal" (7 on the Liberal ideology scale) have a .59 probability of strongly supporting assistance (between .49 and .70). The degree to which liberalism increases the probability of strongly supporting assistance is only very slightly stronger at higher ends of the liberal identification scale. And the effects of liberal ideology, in any event, appear to be quite large: based on the same sort of counterfactual analysis as above, liberal self-identification is more strongly associated with support for TAA than any parameter in any of the models in Table Two – and more than the effect of support for increased trade and more so than partisanship. We have, thus, significant support for Hypothesis Four.

[Figure Four here]

As with partisanship, however, liberal self-identification has effects that are mediated by education and knowledge. Model 8 makes this point, showing how education significantly increases how much liberal identification spurs support for adjustment assistance. Among respondents with only a high-school education, for instance, moving from very conservative to very liberal predicts no statistically significant increase in support for assistance. But among college-educated respondents the same shift in liberal self-identification predicts more than a 22 percent increase in chance of strongly supporting assistance – an effect appreciably stronger than that summarized in Figure Four above.

Table Three considers robustness and sensitivity tests of the above results. Model 1 illustrates how the main results are robust to inclusion of 83 industry dummies (the 3-digit level of the NAIC code). Not surprisingly, the coefficients for both liberal ideology and partisanship are smaller, but they and trade-support remain statistically significant. Models 2-3 consider alternative measures of support for TAA: binary measures for those who strongly

or somewhat support assistance (0=those strongly or somewhat opposing) in Model 2, or for those who strongly support assistance (0=those somewhat supporting or opposing). As both models show, support for trade and liberal ideology significantly increase probability of supporting assistance so measured. Republican partisanship, net of liberal self-identification, correlates negatively with support for TAA, but retains significance only in affecting strong support for TAA. If run alone, however, both dummies for Republican and for Democrat partisanship are significant and signed as expected (results not shown).

Columns 4 and 5 investigate the possibility that attitudes towards trade are not exogenous but rather determined by the same forces as support for trade adjustment assistance. This possibility is particularly strong since our argument in Hypotheses One and Two is that strategic position-taking or conflation of the issues ought to make positions on TAA conditioned by positions on trade liberalization. The two columns show results of seemingly unrelated bivariate ordered-probit regression explaining attitudes towards both trade protection and trade adjustment assistance. This procedure estimates two regressions with the same explanatory variables as in full models from Table Two, but allowing the disturbance terms in both regressions to be correlated with each other. The degree of correlation is given by the reported rho-coefficient (the null being independence).[44] The dependent variables are (for column 4) Support TAA (as in Tables One and Two), and for Column 5 Support for Trade Protection (-1 times *Support Trade*). The rho is weakly significant, suggesting some correlation between the two equations' disturbances. But this is marginal, and appears weaker in bivariate probit estimations of the same, leaving this issue of independence ambiguous. In any event, the main results shown in Tables One and Two clearly emerge: education, income, gender, and trade-impact all remain insignificant predictors of support for TAA, in clear contrast to how education and trade-on-job-security

[44] Greene 2000.

strongly *negatively* and gender strongly positively predict support for trade protection; and both partisanship and liberal self-identification significantly influence support for TAA, again in contrast to the non-effects of these conditions on trade protection.

Models 6-8, finally, are instrumental variable (IV) models of *Support TAA* that take account of possible endogeneity of *trade position (as the bivariate models suggest might, indeed, be present),* of *Republican* partisanship, and of *Liberal* self-identification. Shown are two-stage IV models, where the predicted values generated after regressing possible endogenous parameter on base controls plus instruments are substituted for that parameter in the second-stage ordered probits of *Support TAA*, with bootstrapping to recalculate standard errors (using 100 replications).[45] All instruments satisfy the requirement that, in the second-stage, excluded instruments be independent of the disturbance term (see Hansen J-statistics). Model 6 instruments for *Support Trade* with how trade affects job security and extent to which respondents follow news, yielding positive though less statistically significant coefficients for (instrumented) trade support than Table One's results. Models 7 and 8 calculate instrumented effects of partisanship and for liberal self-identification, using as instruments gender and ethnic background. Model 7 yields similarly negative coefficients for instrumented Republican partisanship, and Model 8 yields similarly positive coefficients for instrumented Liberal self-identification to the results reported in Table Two.

[Table Three about here]

In addition to the specifications shown, we considered a range of other robustness and specification tests: (1) varying combinations of controls, via stepwise inclusion; (2) alternative specifications for education (in years, dummies for different thresholds such as

[45] See Mooney 1996.

"some college"), income (individual income in categories and dummies for high income), support for trade openness (dummy rather than a categorical measure), and liberal ideology (e.g. dummy for "strongly liberal" rather than "strongly or somewhat liberal"); (3) alternative specifications of instruments for Republican, trade support, and liberal self-identification; and (4) alternative estimators, such as multinomial logit, ordered logit, bivariate probit and alternative calculations of standard errors (e.g. robust clustering on zip code; broader and narrower industry specification; education). Across these specifications, the broad material-position of respondents (especially education), and their trade support, partisanship and ideology, all perform consistently with results in Tables One through Three.

5. Conclusion

This paper has investigated the politics of trade adjustment assistance and has argued that such assistance might have a politics quite distinct from the politics of welfare and trade policies it intersects. We argue that imperfect substitutability between trade protection and adjustment assistance, and the political linkage between the two policy dimensions, generates strategic position-taking. This tends to diminish the effects of education, income, employment, and trade exposure in predicting individual support for trade adjustment assistance, blurring the simple economic lines of division and making supporters of liberalization supporters of TAA. We also argue that left (liberal) commitment and partisanship, embodying normative values and causal beliefs partly independent of economic circumstances and calculations of self-interest, are strongly associated with support for TAA. Our main findings are based on analysis of survey data, but they clearly comport with evidence from the lobbying campaigns and legislative debates shaping the U.S. TAA program.

Hence, at least in the American context, the politics of trade adjustment assistance is distinct by being influenced more by the partisanship and ideological content than by the standard economic cleavages associated with trade and welfare. Adjustment assistance appears to attract no extra support from those individuals most likely to benefit directly from it, while attracting no less opposition form those least likely to benefit from it. The simple economic divisions are blurred by strategic position-taking. Instead, the issue provokes a heated ideological and partisan contestation.

The analysis could be deepened if future surveys of attitudes towards trade adjustment assistance include questions about budget constraints and other forms of welfare provision, and ask respondents to directly consider (or set aside) the potential political linkages between adjustment assistance and trade liberalization . And American attitudes towards adjustment assistance could be compared with attitudes in other countries, particularly those places where targeted forms of assistance are also in place.

Most importantly, our focus on individual attitudes should be connected and extended to the level of lobbying by social actors like unions and business associations, and to legislative wrangling over trade adjustment assistance. Our discussion above touched on anecdotes of seemingly-strategic and ideological position-taking in legislative debates over trade adjustment assistance. But we could use more systematic analysis of the downstream politics of adjustment assistance. Our own analysis of roll-call data on a recent House of Representatives vote on TAA (in November 2007) suggests that a representative's Democratic partisanship and ratings as social liberal – controlling for unemployment, growth, industry-composition, and other features of that representative's district – are significantly and positively correlated with support for that legislation (results not shown but available from authors). More developed quantitative analysis of this type, and more extensive case

analysis of bargaining on TAA-related legislation, and on trade and welfare politics generally, would deepen our understanding of the political dynamics at work here.

In the meantime, our study has important implications for how we view the politics of trade adjustment assistance. First, and rather surprising, an element of strategic calculation appears to inform the position-taking on TAA among voters, and not just among political elites. Second, as a result of such calculation the cleavages of political support for and opposition to trade adjustment assistance can be expected to swing broadly free of economic dislocations and developments – even though the policy is so clearly tied to such and is so obviously distributional in nature. Third, instead of such materially-based politics driving the development of trade adjustment assistance, assistance is likely driven mainly by the legislative and executive strength of particular parties, or a polity's ideological movements or fashions with respect to activist government. In the American context, for instance, the above analysis helps us better understand how and why it is that the U.S. TAA program's fortunes have been so clearly tied to the political fortunes of Democrats since the 1960s, even while trade policy itself has not had such clear partisan swings.

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Table One:
Economic Interests and Support for Trade Adjustment Assistance

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Income	-0.0171	0.00422	-0.0205	0.000	0.0183	0.00520	-0.00610	-0.00445
	(0.0188)	(0.0384)	(0.0440)	(0.0383)	(0.0405)	(0.0409)	(0.0418)	(0.0425)
Education	0.0822*	0.0152	0.0283	0.0129	0.0113	-0.00143	-0.0260	-0.0231
	(0.0427)	(0.0525)	(0.0590)	(0.0534)	(0.0525)	(0.0553)	(0.0529)	(0.0523)
Employed	0.00437							
	(0.0580)							
Net export share			0.266					
			(0.229)					
Trade helps own job security				0.124*	0.127*	0.0724	0.0590	0.0594
				(0.0657)	(0.0653)	(0.0680)	(0.0670)	(0.0662)
New job difficult to find					0.102**	0.0987**	0.0932**	0.0950**
					(0.0446)	(0.0471)	(0.0475)	(0.0478)
Support Trade						0.109***	0.0988***	0.0543
						(0.0373)	(0.0374)	(0.0468)
Support Trade x Education								0.0277**
								(0.0127)
NAFTA Knowledge							0.0907**	
							(0.0361)	
Agriculture		-0.267*		-0.285*	-0.277*	-0.256*	-0.266*	-0.250
		(0.151)		(0.152)	(0.157)	(0.154)	(0.158)	(0.154)
Mining		-0.196		-0.181	-0.210	-0.245*	-0.199	-0.207
		(0.132)		(0.132)	(0.134)	(0.138)	(0.151)	(0.147)
Manufacturing		0.0599		0.0470	0.0303	0.0242	0.0248	0.0289
		(0.143)		(0.145)	(0.147)	(0.155)	(0.160)	(0.157)
Services		0.0229		0.0138	0.0315	0.0167	0.0228	0.0254
		(0.123)		(0.124)	(0.119)	(0.123)	(0.125)	(0.123)
Female	0.0173	0.0639	0.104	0.0706	0.0669	0.104	0.170**	0.161*
	(0.0573)	(0.0772)	(0.0868)	(0.0774)	(0.0774)	(0.0782)	(0.0816)	(0.0828)
Age	-0.000612	0.000801	-0.000489	0.000794	0.0000648	0.000604	-0.000327	-0.000298
	(0.00142)	(0.00366)	(0.00414)	(0.00363)	(0.00362)	(0.00358)	(0.00362)	(0.00366)
Married	-0.00274	-0.120	-0.0861	-0.121	-0.126	-0.138	-0.129	-0.131
	(0.0797)	(0.0925)	(0.109)	(0.0914)	(0.0925)	(0.0933)	(0.0937)	(0.0938)

Black	0.125	0.0797	0.0987	0.100	0.0769	0.0616	0.129	0.117
	(0.0780)	(0.141)	(0.161)	(0.145)	(0.144)	(0.140)	(0.133)	(0.131)
Latino	0.0520	0.112	0.156	0.102	0.117	0.0564	0.118	0.112
	(0.108)	(0.160)	(0.197)	(0.158)	(0.153)	(0.142)	(0.147)	(0.147)
Asian	0.166	0.172	0.325	0.164	0.158	0.116	0.161	0.166
	(0.140)	(0.218)	(0.229)	(0.218)	(0.212)	(0.215)	(0.221)	(0.224)
Christian	-0.154*	-0.107	-0.0749	-0.102	-0.0841	-0.0839	-0.0879	-0.0780
	(0.0832)	(0.119)	(0.134)	(0.119)	(0.121)	(0.121)	(0.124)	(0.123)
Jewish	0.0219	0.0690	0.129	0.0150	0.0659	0.181	0.161	0.174
	(0.168)	(0.347)	(0.409)	(0.345)	(0.339)	(0.341)	(0.333)	(0.331)
Other Religion	-0.210	0.0192	0.0483	0.0157	0.0439	0.0522	0.0861	0.0840
	(0.144)	(0.188)	(0.229)	(0.187)	(0.181)	(0.184)	(0.189)	(0.190)
East	0.213**	0.273**	0.284*	0.278**	0.261**	0.251**	0.278**	0.277**
	(0.0879)	(0.124)	(0.148)	(0.124)	(0.132)	(0.128)	(0.129)	(0.129)
South	0.0679	0.171*	0.182	0.161	0.165	0.178*	0.188*	0.186*
	(0.0881)	(0.103)	(0.116)	(0.104)	(0.105)	(0.105)	(0.107)	(0.107)
Midwest	0.135	0.179	0.241**	0.176	0.177	0.173	0.198*	0.198*
	(0.0893)	(0.117)	(0.119)	(0.118)	(0.120)	(0.117)	(0.118)	(0.118)
Observations	1524	897	737	895	892	880	880	880
Log pseudo-likelihood	-1579.57	-928.59	-752.09	-925.38	-920.45	-903.64	-900.62	-901.15
Pseudo-R-square	0.006	0.007	0.008	0.008	0.011	0.014	0.017	0.017

Dependent variable: *Support for Trade Adjustment Assistance* (1=strongly oppose; 4=strongly favor)
Ordered probit with robust standard errors (clustered over sectors). *** p<0.01, ** p<0.05, * p<0.1

Table Two:
Partisanship, Liberal Ideology, and Support for Trade Adjustment Assistance

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Democrat	0.237***	0.296***	0.193*	-0.292	0.0380	0.127**	0.196*	0.167*
	(0.0498)	(0.0966)	(0.115)	(0.262)	(0.140)	(0.0556)	(0.104)	(0.102)
Republican			-0.227**					
			(0.104)					
Democrat x Education				0.203**				
				(0.0794)				
Democrat x NAFTA knowledge					0.154***			
					(0.0562)			
Liberal ideology (1-7)						0.114***	0.104***	-0.0410
						(0.0161)	(0.0255)	(0.0818)
Liberal ideology x Education								0.0487**
								(0.0241)
Education	0.0839**	-0.0237	-0.0175	-0.0901	-0.0204	0.0680*	-0.0316	-0.205**
	(0.0413)	(0.0504)	(0.0488)	(0.0601)	(0.0491)	(0.0375)	(0.0501)	(0.0998)
NAFTA Knowledge		0.0953**	0.0993***	0.0964***	0.0440		0.102***	0.103***
		(0.0374)	(0.0373)	(0.0374)	(0.0398)		(0.0366)	(0.0370)
Income	-0.0132	-0.00753	-0.00553	-0.0103	-0.00686	-0.00691	-0.00952	-0.0115
	(0.0185)	(0.0418)	(0.0414)	(0.0412)	(0.0405)	(0.0184)	(0.0418)	(0.0420)
Employed	-0.0121					-0.0449		
	(0.0548)					(0.0565)		
New job difficult to find		0.0887*	0.0797	0.0944*	0.0811*		0.0787	0.0755
		(0.0485)	(0.0505)	(0.0490)	(0.0475)		(0.0506)	(0.0508)
Trade helps own job security		0.0615	0.0585	0.0735	0.0724		0.0520	0.0533
		(0.0666)	(0.0673)	(0.0674)	(0.0687)		(0.0702)	(0.0710)
Support Trade		0.0978***	0.0966**	0.0990***	0.0934**		0.0926**	0.0898**
		(0.0379)	(0.0387)	(0.0383)	(0.0374)		(0.0366)	(0.0368)
Agriculture		-0.192	-0.150	-0.211	-0.204		-0.173	-0.158
		(0.171)	(0.166)	(0.168)	(0.167)		(0.153)	(0.160)
Mining		-0.196	-0.217	-0.162	-0.175		-0.183	-0.178
		(0.162)	(0.151)	(0.151)	(0.158)		(0.153)	(0.155)
Manufacturing		0.0573	0.0681	0.0723	0.0621		0.0612	0.0708
		(0.169)	(0.170)	(0.168)	(0.170)		(0.180)	(0.185)

Services		0.0370	0.0524	0.0478	0.0378		0.0198	0.0303
		(0.129)	(0.131)	(0.126)	(0.131)		(0.132)	(0.134)
Female	-0.00691	0.137*	0.121	0.130	0.133*	-0.0692	0.0930	0.0898
	(0.0533)	(0.0811)	(0.0806)	(0.0822)	(0.0801)	(0.0616)	(0.0848)	(0.0846)
Age	-0.00124	-0.00143	-0.00129	-0.00116	-0.001	0.001	0.0004	-0.0004
	(0.00146)	(0.00373)	(0.00370)	(0.00365)	(0.00367)	(0.00137)	(0.00357)	(0.00355)
Married	-0.0001	-0.120	-0.109	-0.0964	-0.100	0.0521	-0.0679	-0.0638
	(0.0790)	(0.0945)	(0.0942)	(0.0933)	(0.0968)	(0.0799)	(0.0967)	(0.0952)
Black	0.0298	0.0125	-0.0135	0.0191	0.0495	0.0581	0.0215	0.00715
	(0.0816)	(0.139)	(0.142)	(0.136)	(0.143)	(0.0864)	(0.137)	(0.137)
Latino	0.0277	0.0664	0.0654	0.0552	0.0742	0.0715	0.0927	0.0958
	(0.102)	(0.145)	(0.147)	(0.146)	(0.151)	(0.104)	(0.149)	(0.149)
Asian	0.121	0.140	0.101	0.162	0.140	0.0576	0.0693	0.0435
	(0.145)	(0.220)	(0.225)	(0.227)	(0.227)	(0.154)	(0.242)	(0.253)
Christian	-0.131	-0.0534	-0.0215	-0.0423	-0.0484	-0.0159	0.0470	0.0566
	(0.0856)	(0.122)	(0.126)	(0.125)	(0.123)	(0.0844)	(0.128)	(0.130)
Jewish	-0.0629	0.0395	0.0648	-0.0552	-0.0203	-0.0943	0.0218	-0.0397
	(0.172)	(0.348)	(0.353)	(0.345)	(0.343)	(0.169)	(0.346)	(0.351)
Other Religion	-0.196	0.112	0.125	0.138	0.130	-0.112	0.187	0.182
	(0.149)	(0.193)	(0.196)	(0.192)	(0.194)	(0.148)	(0.188)	(0.191)
East	0.224***	0.282**	0.267**	0.276**	0.277**	0.214***	0.268**	0.260**
	(0.0840)	(0.125)	(0.124)	(0.124)	(0.123)	(0.0823)	(0.125)	(0.124)
South	0.0720	0.200*	0.223**	0.202*	0.203*	0.105	0.233**	0.234**
	(0.0882)	(0.108)	(0.112)	(0.106)	(0.106)	(0.0887)	(0.110)	(0.110)
Midwest	0.143*	0.209*	0.220**	0.196*	0.201*	0.155*	0.226**	0.210*
	(0.0872)	(0.111)	(0.110)	(0.108)	(0.110)	(0.0857)	(0.109)	(0.110)
Observations	1524	880	880	880	880	1513	878	878
Log pseudo-likelihood	-1573.31	-895.20	-892.67	-892.70	-892.60	-1540.29	-884.41	-882.46
Pseudo-R-square	0.01	0.02	0.03	0.03	0.03	0.02	0.03	0.04

Dependent variable: *Support for Trade Adjustment Assistance* (1=strongly oppose; 4=strongly favor)
Independent variables: See text
Coefficients are ordered probit with robust standard errors (clustered over sectors). Cuts not shown.
*** p<0.01, ** p<0.05, * p<0.1

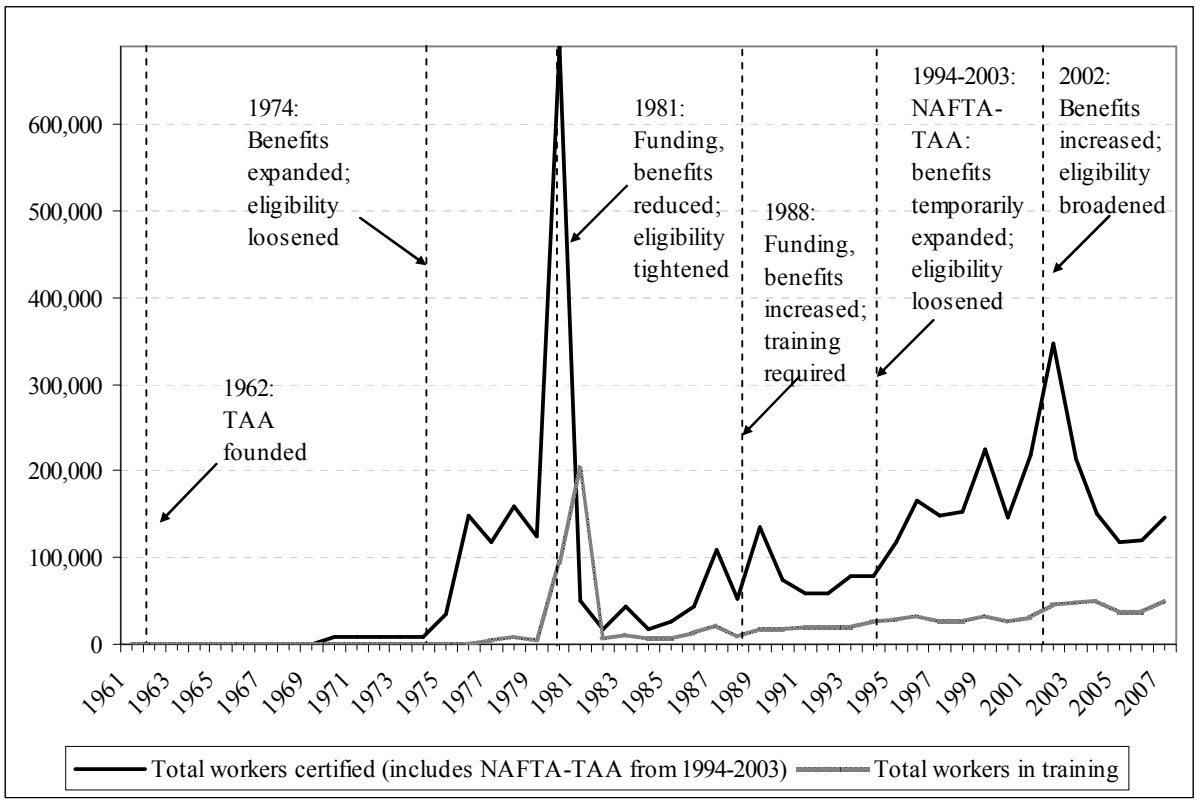
Table Three:
Alternative specifications

	(1) Support TAA	(2) Support TAA (binary)	(3) Strongly Support TAA (binary)	(4) Support TAA	(5) Support Limiting Trade	(6) Support TAA (IV Support trade)	(7) Support TAA (IV Republican)	(8) Support TAA (IV Liberal)
Support Trade	0.102**	0.126**	0.0781*			0.761*	0.0805*	0.0959*
	(0.0404)	(0.0577)	(0.0472)			(0.430)	(0.0416)	(0.0501)
Republican	-0.186*	-0.113	-0.217**	-0.173*	0.0235	-0.278**	-0.929**	
	(0.106)	(0.134)	(0.109)	(0.0975)	(0.0969)	(0.109)	(0.427)	
Liberal ideology (1-7)	0.103***	0.126***	0.0881***	0.0996***	-0.00825			0.274*
	(0.0302)	(0.0373)	(0.0285)	(0.0272)	(0.0262)			(0.151)
NAFTA Knowledge	0.0973**	0.109**	0.116***	0.112***	-0.101***		0.107**	0.0850**
	(0.0471)	(0.0479)	(0.0418)	(0.0363)	(0.0356)		(0.0447)	(0.0345)
Income	-0.0332	0.00143	-0.00116	-0.00941	0.0192	0.0194	0.00426	-0.00809
	(0.0468)	(0.0478)	(0.0393)	(0.0349)	(0.0334)	(0.0357)	(0.0310)	(0.0361)
Education	-0.0621	0.0567	-0.0811	-0.0125	-0.183***	-0.0481	-0.000753	-0.0500
	(0.0772)	(0.0658)	(0.0535)	(0.0486)	(0.0445)	(0.0672)	(0.0486)	(0.0519)
New job difficult to find	0.0327	0.0774	0.0831*	0.0643	0.130***	0.107**	0.0467	0.0698
	(0.0619)	(0.0587)	(0.0477)	(0.0448)	(0.0420)	(0.0531)	(0.0531)	(0.0450)
Trade helps own job security	0.113	0.00681	0.0744	0.0840	-0.473***		0.0567	0.0612
	(0.0898)	(0.118)	(0.0858)	(0.0810)	(0.0780)		(0.0853)	(0.0906)
Agriculture		0.201	-0.520	-0.178	0.0137	-0.147	-0.0529	-0.490
		(0.494)	(0.422)	(0.318)	(0.319)	(0.316)	(0.808)	(0.337)
Mining		0.200	-0.376	-0.161	-0.499	-0.324	-0.261	-0.173
		(0.473)	(0.430)	(0.383)	(0.369)	(0.411)	(0.401)	(0.974)
Manufacturing		0.361	-0.0883	0.0646	-0.147	0.122	0.117	0.0320
		(0.235)	(0.198)	(0.192)	(0.161)	(0.193)	(0.208)	(0.210)
Services		0.300*	-0.131	0.0386	-0.189*	0.0945	0.112	-0.0212
		(0.176)	(0.158)	(0.156)	(0.113)	(0.168)	(0.161)	(0.157)
Age	-0.00182	-0.00153	0.00259	0.000727	0.000573	0.000506	-0.000520	0.00329
	(0.00454)	(0.00458)	(0.00379)	(0.00336)	(0.00327)	(0.00356)	(0.00322)	(0.00409)
Married	-0.0585	0.0606	-0.123	-0.0625	-0.0332	-0.122	-0.0670	0.00252
	(0.115)	(0.124)	(0.0983)	(0.0915)	(0.0836)	(0.0896)	(0.109)	(0.127)
Female	0.147	0.0972	0.0856	0.0776	0.270***	0.0979		
	(0.118)	(0.120)	(0.0996)	(0.0866)	(0.0856)	(0.102)		

Black	-0.0957	-0.0686	0.137	0.0608	-0.127	-0.0330			
	(0.163)	(0.210)	(0.172)	(0.173)	(0.137)	(0.188)			
Latino	0.117	0.266	0.0657	0.130	-0.255	0.0570			
	(0.191)	(0.245)	(0.181)	(0.158)	(0.157)	(0.167)			
Asian	0.241	-0.236	0.112	0.0895	-0.459*	-0.0113			
	(0.254)	(0.381)	(0.323)	(0.299)	(0.251)	(0.324)			
Christian	0.113	0.336**	-0.0973	0.0547	-0.0234	-0.0375	0.0958	0.236	
	(0.174)	(0.169)	(0.136)	(0.134)	(0.122)	(0.147)	(0.158)	(0.228)	
Jewish	0.169	0.338	0.0692	0.105	-0.143	-0.0436	0.0809	0.0489	
	(0.423)	(0.536)	(0.378)	(0.368)	(0.358)	(0.883)	(0.354)	(0.441)	
Other Religion	0.177	0.282	0.155	0.181	0.0277	0.0713	0.179	0.348	
	(0.258)	(0.240)	(0.198)	(0.201)	(0.172)	(0.208)	(0.220)	(0.249)	
East	0.246	0.0609	0.357**	0.245*	0.121	0.294**	0.226	0.201*	
	(0.158)	(0.181)	(0.147)	(0.133)	(0.130)	(0.131)	(0.140)	(0.121)	
South	0.185	0.153	0.317**	0.218*	0.327***	0.283**	0.254**	0.262***	
	(0.147)	(0.159)	(0.128)	(0.113)	(0.109)	(0.116)	(0.110)	(0.102)	
Midwest	0.196	0.144	0.281**	0.223*	0.0999	0.222*	0.233**	0.186*	
	(0.135)	(0.163)	(0.130)	(0.114)	(0.110)	(0.118)	(0.115)	(0.113)	
Constant		-0.897*	-0.818**						
		(0.480)	(0.413)						
Observations	771	878	878	878	878	892	880	880	
ρ					-0.095*				
					(0.048)				
Hansen J-statistic (P-value)						1.04(0.31)	0.56(0.76)	0.84(0.66)	
Log pseudo-likelihood	-721.99	-326.9	-569.2	-1962.65		-914.8	-900.3	-901.3	
Pseudo-R-square	0.094	0.06	0.05			0.02	0.02	0.02	

(1) DV is *Support TAA (categorical)* (1=strongly oppose; 4=strongly favor); ordered-probit coefficients with robust standard errors clustered by sector.
(2) DV is *Support TAA (binary)* (1=strongly or somewhat support; 0=strongly or somewhat oppose); probit coefficients with robust standard errors clustered by sector.
(3) DV is *Strongly Support TAA (binary)* (1=strongly support; 0=somewhat support, or strongly or somewhat oppose); probit coefficients with robust standard errors clustered by sector.
(4-5) DVs are *Support TAA(categorical) and Support Trade (categorical);* Bivariate-ordered-probit coefficients with robust standard errors clustered by sector.
(6-8) DV is *Support TAA (categorical);* two-stage IV with ordered probit coefficients and bootstrapped standard errors (100 replications) in second stage.
Cuts for 1 and 4-8 not shown.
*** p<0.01, ** p<0.05, * p<0.1

Figure One:
Trade Adjustment Assistance 1962-2007: Total Workers Certified and Total in Training



Sources: US Department of Labor 2008; own calculations.

Figure Two:
Support for increasing trade and predicted probability of strongly supporting TAA

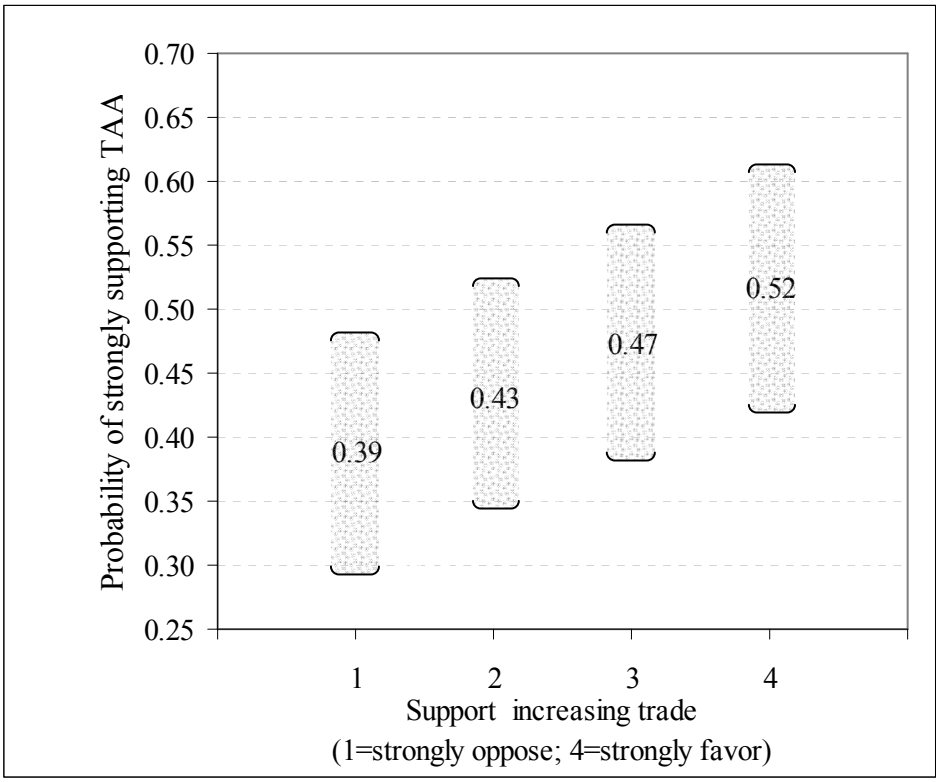


Figure Three:
Partisan alignment and predicted probability of strongly supporting TAA

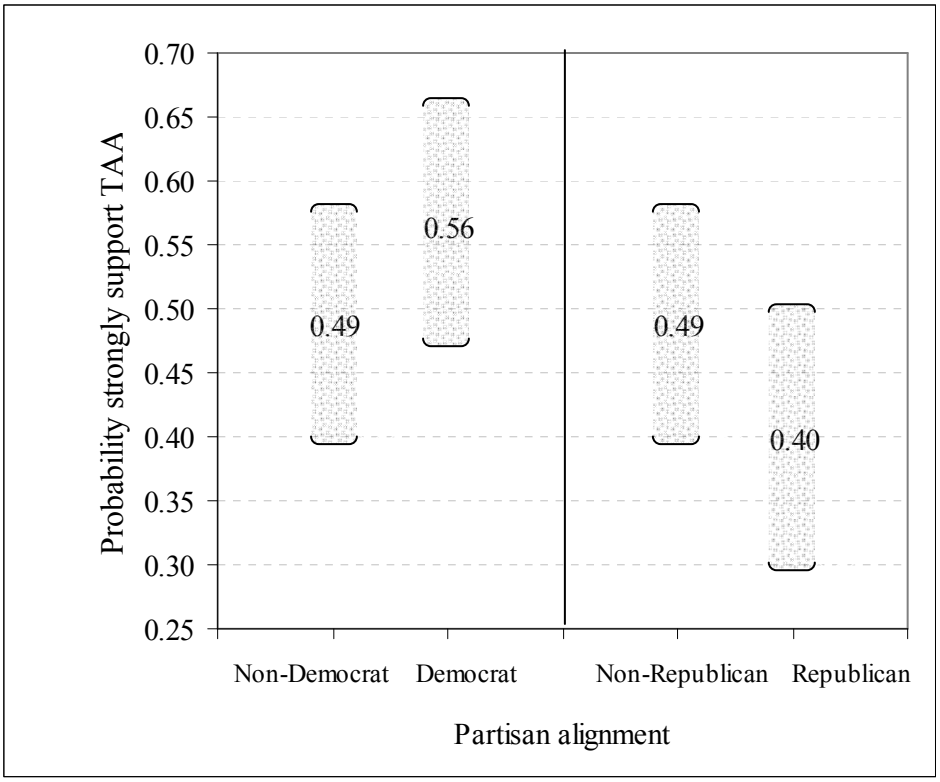
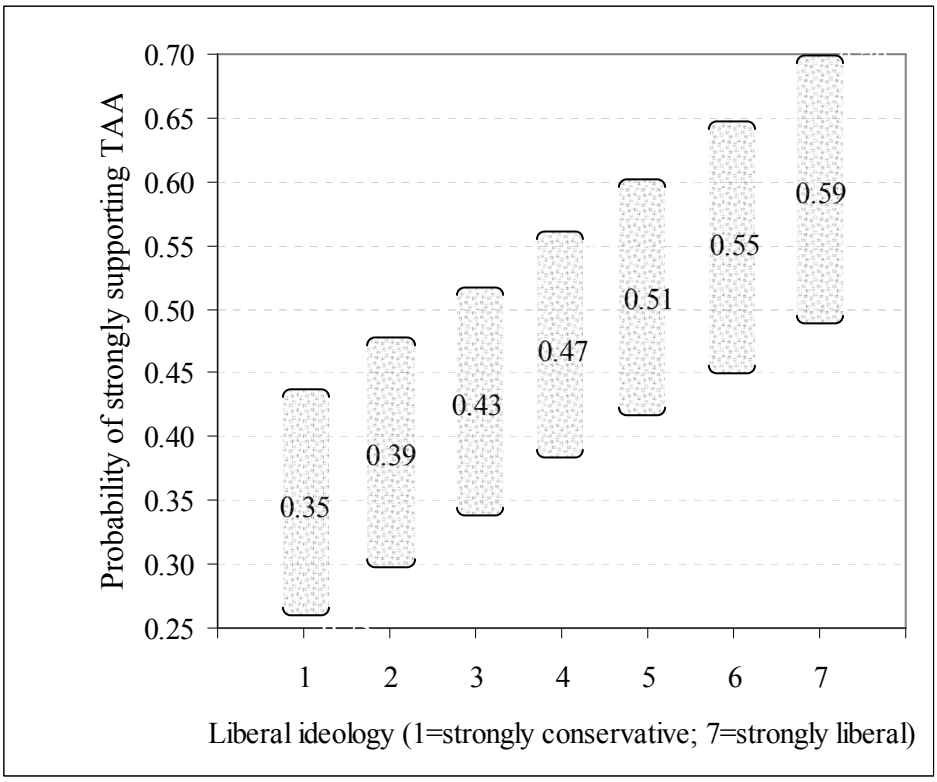


Figure Four:
Liberal ideology and predicted probability of strongly supporting TAA



Appendix One: Summary statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Support TAA	1600	3.368125	0.832492	1	4
Liberal ideology	1591	3.672533	1.79559	1	7
Republican	1610	0.31677	0.465362	0	1
Democrat	1610	0.346584	0.47603	0	1
Income	1546	4.036869	1.60801	1	6
Education	1605	2.826168	0.981913	1	4
Employed	1610	0.604348	0.489142	0	1
Net export share	765	-0.0096	0.076324	-0.70786	0.172034
Trade-Job security	946	2.078224	0.530759	1	3
Support Trade	1578	2.801014	1.021493	1	4
NAFTA-knowledge	1610	1.636646	1.306017	0	3
Agriculture	930	0.012903	0.112918	0	1
Mining	930	0.011828	0.10817	0	1
Manufacturing	930	0.125807	0.33181	0	1
Service	930	0.763441	0.425198	0	1
New job difficult	945	2.474074	0.977292	1	4
Female	1610	0.581367	0.493488	0	1
Age	1598	48.18586	17.11371	18	94
Married	1609	0.524549	0.499552	0	1
Black	1610	0.097516	0.296751	0	1
Latino	1610	0.060248	0.238021	0	1
Asian	1610	0.019876	0.139617	0	1
Christian	1610	0.752174	0.431884	0	1
Jewish	1610	0.027329	0.163092	0	1
Other religion	1610	0.090062	0.28636	0	1
East	1610	0.181988	0.385954	0	1
South	1610	0.347826	0.476429	0	1
Midwest	1610	0.291304	0.454505	0	1

Appendix Two:

A Model of preferences for Trade Assistance as substitute for protectionism

Consider an economy in which two commodities, X_1 and X_2, are produced with constant returns to scale, using two types of factors of production that are specific or quasi-specific to each (ith) industry: labor L_i and capital K_i. Markets are perfectly competitive, and the economy is assumed to be small, in the sense that the volume of domestic production of each good has a negligible effect on world prices. Equilibrium is described by full employment of each factor (1) and competitive profits (2):

$$\begin{aligned} a_{L1}X_1 &= L_1 \\ a_{L2}X_2 &= L_2 \\ a_{K1}X_1 &= K_1 \\ a_{K2}X_2 &= K_2 \end{aligned} \qquad (1)$$

$$\begin{aligned} a_{L1}w_1 + a_{K1}r_1 &= 1 \\ a_{L2}w_2 + a_{K2}r_2 &= p \end{aligned} \qquad (2)$$

Where a_{Li} and a_{Ki} are the quantities of L and K required per unit output of X_i, w_i and r_i are returns to labor and capital in industry i in terms of the first commodity (chosen as the *numeraire* for the analysis), and p is the relative price of the second commodity in terms of the first. After first solving (1) for X_1 and X_2, given cost-minimizing choices of a_{Li} and a_{Ki}, total differentiation yields the following solutions expressing percent changes in factor returns as a function of percent changes in p:

$$\hat{w}_1 = -\frac{\theta_{K1}}{\sigma_1}\left(\hat{L}_1 - \hat{K}_1\right) \qquad (3)$$

$$\hat{w}_2 = \hat{p} - \frac{\theta_{K2}}{\sigma_2}\left(\hat{L}_2 - \hat{K}_2\right) \qquad (4)$$

$$\hat{r}_1 = \frac{\theta_{L1}}{\sigma_1}\left(\hat{L}_1 - \hat{K}_1\right) \qquad (5)$$

$$\hat{r}_2 = \hat{p} + \frac{\theta_{L2}}{\sigma_2}\left(\hat{L}_2 - \hat{K}_2\right) \qquad (6)$$

where θ_{Li} and θ_{Ki} are the distributive shares of L and K in the value of output of industry i, and σ_i is the elasticity of substitution between labor and capital in industry i.

To analyze the effects of adjustment assistance for workers moving from one industry to another, now allow that the specific types of labor used in each industry are themselves outputs of productive processes whereby L_2 can be converted into L_1 (and vice versa) at increasing opportunity costs. The population is made up of $N = L_1 + L_2$ individual workers each owning one unit of labor (either specific to industry 1 or 2) and an endowment e^n of the *numeraire* good (where n indexes the population) Workers can move from one industry to another, converting their labor for use in the other industry, but each faces a cost c^n for doing so. For simplicity, assume that workers are distributed by type uniformly across an interval of costs ranging from a minimum of 0 to a maximum of M. Thus the proportion of workers with moving costs of c^* or lower is c^*/M.

Now consider the impact of trade liberalization that causes a reduction in the price of commodity 2 over time (e.g., as a tariff on imports of that commodity is removed). In response to the change in relative prices workers may move from industry 2 (where real wages decline) to industry 1 (where real wages rise). We allow that the government provides adjustment assistance in the form of a lump-sum subsidy payment, *s*, to each moving worker that offsets all or part of an individual's moving cost ($0 \leq s < M$). In response to the exogenous shift in relative prices and wages, workers with lower moving costs will be the first to move from industry 2 to industry 1. The marginal moving worker (denoted as type c_m) will equate the cost of moving with the expected benefit:

$$c_m - s = (w_1 + dw_1) - (w_2 + dw_2) \qquad (7)$$

Assuming for simplicity that wages are initially equivalent in each industry, the number of workers who will move from industry 2 to industry 1 is given by:

$$L_2 \frac{(w_1\hat{w}_1 - w_2\hat{w}_2 + s)}{M} \qquad (8)$$

We can now derive the full expressions for the changes in equilibrium wages allowing for this movement of workers between industries. Substituting from (8) into (3) and (4) and solving:

$$\hat{w}_1 = \frac{1}{\Delta}\left(\hat{p} - \frac{s}{w_1}\right) \qquad (9)$$

$$\hat{w}_2 = \frac{1}{\Delta}\left((1+\Pi)\hat{p} + Z\frac{s}{w_1}\right) \qquad (10)$$

where $\Pi = \dfrac{\sigma_1 L_1 M}{\theta_{K1} L_2 w_1}$, $\quad Z = \dfrac{\theta_{K2}\sigma_1 L_1}{\theta_{K1}\sigma_2 L_2}$, $\quad \Delta = 1 + \Pi + Z$

In the absence of any adjustment assistance (with $s = 0$), trade liberalization that reduces the relative price of commodity 2 ($\hat{p} < 0$) generates a larger reduction in the wage rate for workers in industry 2 than those in industry 1, as long as there are some costs to workers moving ($M > 0$). That is, $\hat{p} < \hat{w}_2 < \hat{w}_1 < 0$, and real earnings of workers in industry 2 are more likely to be reduced than real earnings of workers in industry 1. At the extreme, as costs of movement become prohibitively large ($M \rightarrow \infty$), the solutions collapse into those for a world with completely specific factors, with workers in 2 experiencing certain real losses and workers in 1 making certain real gains. At the other extreme, as the costs of moving between industries shrink ($M \rightarrow 0$), the solutions collapse to the classic Ricardo-Viner solutions (from the Jones 3-factor model), and workers in each industry are affected in identical fashion.

Most importantly, for our purposes here, it is clear that any adjustment assistance ($s > 0$), by helping to re-allocate more labor from industry 2 to industry 1 in response to the price change, will worsen the wage effect for workers in industry 1 and improve the wage effect workers in industry 2. In terms of wage effects alone, workers in industry 1 should oppose such assistance and workers in industry 2 should support it.

Government spending is financed by a proportional income tax, set at rate τ, so that the government budget constraint is:

$$\tau\left(w_1 L_1 + w_2 L_2 + E\right) = sL_2 \frac{\left(w_1 \hat{w}_1 - w_2 \hat{w}_2 + s\right)}{M} \qquad (11)$$

where $E = \sum e^n$. Substituting from (9) and (10), we can define the equilibrium tax rate that balances the budget:

$$\tau^* = \frac{s\lambda_{L2}\Pi}{M\Delta}\left(\frac{s}{w_1} - \hat{p}\right) \qquad (12)$$

where λ_{L2} is the distributive share of L_2 in total income, and by definition here we have constrained $\hat{p} < 0$ for $s > 0$ (and $s = 0$ for $\hat{p} = 0$), so that $\tau^* \geq 0$. Note that τ^* is increasing in the amount of assistance provided to each moving worker (s), and decreasing in the costliness of moving for workers in general (M).

The after-tax income of the nth individual is:

$$I_i^n = \left(1 - \tau\right)\left(w_i + e^n\right) \qquad (13)$$

Totally differentiating and simplifying, assuming that initially taxes are zero, yields the proportional change in the after-tax income of the nth individual as a result of trade liberalization:

$$\hat{I}_i^n = \frac{\left(w_i \hat{w}_i - \tau^* G_i^n\right)}{I_i^n} \qquad (14)$$

where gross (before tax) income $G_i^n = w_i + e^n$. Clearly, setting aside the industry wage effects, any increase in s will be more costly for individuals with higher gross incomes. That is: $\partial \hat{I}_i^n / \partial \tau^* < 0$ and is decreasing in G_i^n . Higher-income individuals should be more opposed to adjustment assistance than low-income counterparts, all else equal.

The overall impact of trade liberalization (with adjustment assistance) on the net income of individual n, in industry i, will depend on the combination of wage and tax effects.
The necessary condition for an individual in industry i to favor trade liberalization is:

$$\frac{\left(w_i \hat{w}_i - \tau^* G_i^n\right)}{I_i^n} > \hat{p} \qquad (15)$$

where $\hat{w}_i$ and τ^* are defined by (9), (10), and (12) above. Since $\hat{w}_2 < \hat{w}_1$ this is more likely for workers in industry 1 than for workers in industry too, and the industry split between workers grows sharper if movement between industries is more costly.

What if trade liberalization is partly or wholly conditional upon adjustment assistance? If some amount of assistance, s, is politically necessary for passage of trade liberalization, (15) becomes the condition necessary for an individual in industry i to favor assistance. More generally, if the probability of passage of trade liberalization, P_{Lib}, is an increasing function of

adjustment assistance, the necessary condition for an individual in industry *i* to favor trade liberalization is that the expected change in real after-tax income when adjustment assistance is adopted must exceed the expected change without adjustment assistance:

$$P_{Lib}^{s}\left(\frac{\left(w_i\hat{w}_i^{s}-\tau^{*}G_i^{n}\right)}{I_i^{n}}-\hat{p}\right)>P_{Lib}^{0}\left(\frac{w_i\hat{w}_i^{0}}{I_i^{n}}-\hat{p}\right) \qquad (16)$$

where superscripts *s* and *0* indicate probabilities and wage effects with and without the adoption of adjustment assistance, and $P_{Lib}^{s}>P_{Lib}^{0}$.

To put this in simpler terms, consider workers in industry 1 who favor trade liberalization but for whom adjustment assistance is clearly costly since it imposes a tax cost and reduces their real wage gains from liberalization by encouraging workers from industry 2 to move into industry 1. These workers will nevertheless *support* adjustment assistance if they believe that such assistance significantly raises the likelihood that trade liberalization will be passed. Specifically, the necessary condition for them to support assistance is:

$$\frac{P_{Lib}^{s}}{P_{Lib}^{0}}>\left(\frac{w_1\hat{w}_1^{0}-\hat{p}I_1^{n}}{\left(w_1\hat{w}_1^{s}-\tau^{*}G_1^{n}\right)-\hat{p}I_1^{n}}\right) \qquad (17)$$

Now consider workers in industry 2 who oppose trade liberalization but for whom adjustment assistance (while imposing a tax cost) improves the wage outcomes from liberalization by allowing some proportion of them to move into industry 1. These workers will nevertheless *oppose* adjustment assistance if they believe that such assistance significantly raises the likelihood that trade liberalization will be passed. Specifically, the necessary condition for them to oppose assistance is:

$$\frac{P_{Lib}^{s}}{P_{Lib}^{0}}>\left(\frac{w_2\hat{w}_2^{0}-\hat{p}I_2^{n}}{\left(w_2\hat{w}_2^{s}-\tau^{*}G_2^{n}\right)-\hat{p}I_2^{n}}\right) \qquad (18)$$