

The Fair Trade Challenge to Embedded Liberalism

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Abstract: The embedded liberalism thesis, a major component of the trade policy literature in political science, argues that governments can build support for free trade by compensating economically those hurt by trade, usually with welfare or education policies. This strategy depends, though, on opposition to trade being driven by economic factors, such as job or income loss because of increased competition. The current fair trade movement raises many non-economic criticisms of trade such as concerns about the environment and labor standards but the literature tends to treat these concerns as traditional protectionism in disguise. This article argues, instead, that for many these concerns are sincere and that this presents a growing challenge to the compromise of embedded liberalism. The article demonstrates this by examining survey data in the United States and showing that those who support fair trade tend to have characteristics that are opposite those who support economic protection.

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The Fair Trade Challenge to Embedded Liberalism

A major strand of the academic literatures on trade policy in both political science and economics has focused on policies that can ameliorate opposition to increased trade and, thereby, assure continued support for free trade policy. Starting with Ruggie's (1982) "compromise of embedded liberalism," these literatures have largely focused on how to compensate workers who experience income or job loss resulting from increased imports after trade is liberalized. Thus, academics have long suggested that governments can increase support for free trade by increasing unemployment insurance and job retraining programs. However, what if opponents of free trade oppose it not because of job and income effects, but instead for other reasons? The academic literature has not examined this question in large part because this literature tends to conflate all opposition to trade with economic opposition to trade.

However, in recent years, opponents of free trade have begun to advance complaints that go beyond the simple protectionist arguments of the past and instead focus on concerns about the basic fairness of the competition between companies located in different countries, often referred to as advocacy for "fair trade." Fair trade incorporates many different aspects, but in recent years the phrase has started to focus on concerns that labor or environmental standards may be lower in a country's trading partner. Fair trade advocates, therefore, call for harmonization of these standards or for limits to trade until these standards are harmonized.

Fair trade has become an increasingly important element of trade policy disputes. Opponents to NAFTA, both in Congress and out, frequently voiced concerns about

Mexico's environmental and labor standards. Similar criticisms were leveled by many of the protesters in Seattle in 1999 and by WTO protesters during the current Doha Round that WTO regulations would make environmental enforcement harder, as demonstrated in the tuna-dolphin and shrimp-turtle rulings where GATT and the WTO ruled that U.S. regulations designed to protect certain animal species (dolphins and an endangered turtle variety) violated free trade rules.

How can liberalizing policymakers respond to and minimize this opposition? The answer to this question depends on whether one believes that the fair trade critique is sincere or not. Many observers of the fair trade movement, both political and academic, argue that fair trade support is insincere and is actually just protectionism in disguise. In other words, since protectionism has been largely discredited by economists as a failed economic policy, those who desire protection because of self-interested economic reasons have found an alternative language to express these desires. Fair trade is, therefore, just "old wine in a new bottle," and should either be dismissed by policymakers just as protectionism has been or mollified with the same programs that work for those who oppose free trade for economic reasons. If the labor and environmental concerns of fair traders are sincere, though, then fair trade is *not* "old wine," and we should not expect the compensation programs of embedded liberalism to be effective in increasing the support for free trade among fair traders. If embedded liberalism has been the reason why the developed countries have converged around pro-trade policies, the growth of the fair trade movement could, therefore, lead to a backlash against globalization.

This article thus seeks to answer the question of whether support for fair trade is support for protectionism in disguise or whether it is sincere support for labor and

environmental standards. Answering this question is essential not only for understanding an increasingly prevalent criticism of free trade but for assessing the scholarly literature on how to build support for free trade. This article provides evidence that the view that fair trade is only protectionism in disguise is incorrect. If fair trade is only protectionism in disguise, then we should expect that the same factors that explain support for protection would also explain support for fair trade. Economic theory and public opinion studies have provided us with good answers to the question of who supports protection: in developed economies, for instance, protectionists are typically unskilled workers, people with low levels of education and income, members of labor unions, and people with left-wing ideologies. This article employs public opinion data on support for fair trade policy and products in the United States to demonstrate that, for the most part, fair traders are the opposite of protectionists. For instance, they are the highly skilled rather than low-skilled. This evidence suggests that the bases for support of fair trade are not the same as the bases of support for protection and, thus, indirectly suggests that the compromise of embedded liberalism may no longer be sufficient to maintain support for free trade.

In order to make this case, the rest of this article is organized as follows: First, I summarize two distinct literatures: the literature on maintaining support for free trade and the emerging literature, mostly in economics, that typically views fair trade as protectionism in disguise. Second, I summarize previous theoretical and empirical work discussing who supports protection and provide hypotheses to test if protectionists and fair traders comprise the same groups of people. Third, I introduce the survey data and the statistical methods used to test these hypotheses. Fourth, I present the results of these

tests, showing that protectionists and fair traders are, in fact, largely, though not entirely, different groups of people. Fifth, I conclude by returning to the questions raised by this research about the embedded liberalism literature and by discussing future research possibilities.

I. Embedded Liberalism and the Fair Trade Challenge

Prior to the interwar collapse of the international economy, most countries pursued a classically liberal policy of free trade and adherence to the gold standard that prioritized international economic stability over domestic economic stability.¹ After the experiences of the Great Depression and World War II, countries learned that free trade needed to be paired with domestic policies that compensated workers for the increased risks that came from openness. Ruggie (1982) termed this compromise “embedded liberalism,” in that the classical liberalism of free trade was embedded within policies designed to mitigate the negative aspects of free trade. The most important element of embedded liberalism is that policymakers are concerned with managing public support for free trade: the methods to do this have varied between countries and over time, and have included unemployment insurance, job retraining programs, and more general welfare state programs, but the underlying desire of proponents of free trade to increase support for free trade by compensating those who lose from free trade has remained the same. This concept of embedded liberalism has been used to explain why government

¹ See, for instance, Simmons (1994.)

size has increased since World War II² and public opinion studies such as Hays, Ehrlich, and Peinhardt (2005) have found that increasing unemployment and education spending can, in fact, increase support for free trade even among those most at risk to suffer the negative employment and income effects of trade.³

Since the end of World War II, there has, thus, been general consensus that free trade should be coupled with programs designed to allay the concerns of opponents to free trade. Academic debate, in political science and economics, has typically centered on the implications or preferred method for implementing this compromise or the future of the compromise to changing external conditions⁴ rather than on the existence or the political desirability of the compromise. However, the ability of embedded liberalism to

² For instance, see Rodrik (1995).

³ See, also, Ruggie (2008) for a comprehensive update of the theory of embedded liberalism with numerous extensions and empirical tests. Also see Scheve and Slaughter (2004) for a discussion of how other forms of globalization may increase or decrease insecurity of workers.

⁴ For instance, the “convergence” theory argued that capital mobility would make left-leaning economic policies, such as unemployment and welfare, harder to maintain. See Garrett (1998) for a critical assessment of this theory and Cao et al (2007) for a recent reexamination of the relationship between globalization and welfare spending. See, also, the large literatures empirically testing embedded liberalism or the effects of trade on government spending, either at the macroeconomic level or by examining legislative votes or election returns. These include Cameron (1978), Iverson and Cusack (2000), Adsera and Boix (2002), and Rickard (2008).

manage public support for trade depends crucially on the fact that opposition to trade is caused by the negative effects of trade on job or income security. If opposition to trade is driven by other factors, then the traditional policies of embedded liberalism will not be able to assuage these opponents. The rhetoric of fair trade suggests that these opponents are not concerned with domestic job loss but rather with the effects of free trade on labor and environmental standards both domestically and in foreign countries. However, many academics have suggested that this is, in fact, only rhetoric and that “fair traders” are merely masking their traditional concern for jobs and incomes with different language. If this view is correct, then the bargain of embedded liberalism should still work; if fair trade is really not about jobs and income, though, then the compromise may not hold. Thus, it becomes important to know who the fair traders are and what they want.

In general, “fair trade” means that industries in a country’s trading partners are operating under the same rules of the game under which domestic industries are forced to operate. In practice, though, “fair trade” has meant different things at different times. In the eighties, calls for “fair trade” were frequently leveled at Japan because U.S. industries believed that the Japanese market was closed to American exports even though the American market was open to Japanese imports, thus giving Japanese industries an “unfair” advantage. Similarly, anti-dumping and countervailing duties, which GATT and the WTO allow countries to place on imports when the exporting country is accused of, respectively, selling goods below market price or supporting industries with illegal export

subsidies, are sometimes referred to as “fair trade” policies as they are designed to force a country’s trading partners to eliminate “unfair” subsidies or predatory pricing practices.⁵

In the past decade, though, “fair trade” has taken on a new, though similar, meaning upon which this article focuses exclusively: concern that industries located in countries with lower environmental or labor standards have an unfair advantage over competitors that adhere to higher standards.⁶ This version still stresses the ability of domestic industries to compete fairly with foreign industries, but increasingly has also included concerns about how “fair” the trade is not just for the businesses competing but

⁵ Significant literatures exist about these previous versions of fair trade, such as Milner and Yoffie (1989), Nollen and Quinn (1994), and Gawande and Hansen (1999). This article shares with these previous literatures a similar goal of broadening the discussion of trade policy preferences beyond the simple dichotomy of free trade and protection. However, this article’s focus is on a specific variant of “fair trade” that has come to be the dominant definition of the term rather than the often broader definition employed in previous work.

⁶ Economists frequently refer to this type of fair trade as a demand for “harmonization” of standards. Much of the economics literature on fair trade is thus about the costs and benefits of different standards and of harmonizing those standards between countries. See, for instance, Bhagwati and Hudec (2006). Related literatures in political science and economics exist about whether free trade does, in fact, lead to lower standards. In addition to Bhagwati and Hudec (2006), see also Prakash and Kollman (2003), Zeng and Eastin (2007), and Mosley and Uno (2007). The evidence here is mixed, but the crucial point is fair traders might believe this to be a possibility.

for the workers producing the goods and the environment affected by production. Thus, there has been a rise in “fair trade products” which certifies that the product is produced in an environmentally safe manner and with high labor standards and that the workers have received a fair share of the profits from production. In the United States, the most common fair trade product is coffee, with Starbucks specifically marketing a product they call “Fair Trade Coffee.” In the European Union, fair trade bananas as well as tea and coffee have been much discussed products. In addition to these agricultural goods, a number of handcrafted goods have fallen under the fair trade rubric. In 2002, an international non-governmental organization called the Fair Trade Labeling Organizations International (FLO) created a fair trade label for products meeting certain standards. FLO claims that over one billion Euro worth of products carrying this label were sold in 2005.⁷

Fair trade is more than just the labeling of products, though, and also includes policy demands. For instance, there have been attempts to create domestic legislation banning or restricting trade with countries that violate domestic standards.⁸ Also, during both the abortive Millennium Round and the current Doha Round of the WTO, environmental advocates have pushed for multilateral rules that enable countries to raise tariffs on products produced in environmentally unsound ways, a policy sometimes referred to as “Eco-dumping duties,” modeled after the anti-dumping duties discussed

⁷ See FLO’s website, www.fairtrade.net, for more on the label’s standards and sales claims.

⁸ For instance, in 2000 the United States passed the Trade and Development Act which included requirements that trade partners adhere to international standards for child labor.

above. The common thread throughout these policies and activities is concern for the effect of trade on the environment, labor standards, and human rights both at home and abroad. Thus, in the rest of this article, I will use the term “fair trade” specifically to refer to supporting limits on trade in order to protect the environment or the rights of foreign workers, a definition which is in accord with the self-image of the fair traders.

Despite the claims of the fair traders themselves, many academic, policymakers, and political advocates have argued that fair trade is nothing more than the new incarnation of traditional protectionism, a term which usually refers to supporting limits on trade in order to protect the domestic economy or domestic jobs. This view is particularly common among trade economists. Rodrik (1997, p. 3) probably best summarizes, though he does not share, this economic conventional wisdom: “A common view is that the complaints of nongovernmental organizations and labor advocates represent nothing but old protectionist wine in new bottles.” For instance, Srinivasan (1995) makes this argument explicitly: “The demand for linkage between trading rights and observance of standards with respect to environment or labor would seem to arise largely from protectionist motives.”⁹

Other economists suggest only that protectionism is one of several possible motives and that a sincere desire to protect the environment and labor rights may be another motive. For instance, Bhagwati (1995, 1996) summarizes what he sees as the different possible objections to differences between national labor and environmental standards. One of these reasons is that “protectionists see great value in invoking ‘unfairness’ of trade as an argument for getting protection: it is likely to be more

⁹ See also Krugman 1997 for a similar argument and Krueger 1996 for a dissenting view.

successful than simply claiming that you cannot hack it and therefore need protection.” (Bhagwati, 1995, p. 746) Further, Bhagwati fears that if the WTO legitimizes what was referred to as eco-dumping duties—which would enable countries to put tariffs on imports to counteract any price advantage they may have accrued due to lower environmental standards—then this would “facilitate protectionism without doubt” (Bhagwati, 1995, p. 749) because protectionists would abuse these duties like they do regular anti-dumping duties.

Bhagwati suggests that there are other, more sincere reasons, to support “fair trade.” First, people might be concerned with a race to the bottom if lower standards abroad can force countries to lower their own domestic standards, though Bhagwati discounts the existence of such a race. Second, people might have “moral concerns:” they are opposed to labor and environmental abuses regardless of who suffers from them. Third, people might have moral concerns about the inherent unfairness of competition when one side has a distinct, regulatory advantage over the other. While he acknowledges the simultaneous existence of these economic, political, and moral concerns, Bhagwati does not provide any suggestions about which one will predominate under which circumstances and is highly critical of the validity of the non-protectionist reasons.¹⁰ Discussions about labor standards are similar to these discussions of environmentalism, as exemplified by Brown, Deardorff and Stern (1996) who state that “the pursuit of international labor standards has taken on a more protectionist tone. In some cases the protectionist intent is barely disguised. In fact, it is quite commonly

¹⁰ Bhagwati and Srinivasan 2006 are particularly dismissive of the value of moral arguments for fair trade even if they are sincere,

feared that countries with below-average labor standards are gaining an unfair advantage in trade.” (266)

Another view expressed in the literature, most prominently by Rodrik (1997) argues that we need to take into account individual concerns about the “procedural fairness” of different labor and environmental standards. “[B]y doing so we can start to make sense of people’s uneasiness about the consequences of international economic integration and avoid the trap of automatically branding all concerned groups as self-interested protectionists.” (5-6) Although acknowledging that there may be legitimate cases in which trade is “unfair,” Rodrik is also concerned that organized interests might abuse fairness claims. In other words, not all the new fair-trade bottles contain old protectionist wine, but some of them do.¹¹ Rather than throwing out all the bottles, as others seem to propose, Rodrik is interested in creating ways to distinguish the bottles from each other and throwing out only the protectionist ones. This view is, thus, similar to the argument advanced in this article that it is possible to sincerely support fair trade and the results presented below can be seen as a way to distinguish between the bottles.

II. Who Would Fair Traders be if they were Protectionists in Disguise?

As described above, most academic analyses conflate fair trade and protection which suggests that the compromise of embedded liberalism should still be effective in minimizing opposition to free trade. This article offers a different possibility that is

¹¹ Drezner (2006) expresses a similar argument that fair trade positions can be “hijacked” by protectionists, particularly protectionist interest groups.

sympathetic to Rodrik's view: fair trade and protectionism are distinct policies and many people will (sincerely) choose to support or oppose only one of them, which suggests that the compensatory mechanisms of embedded liberalism may not be effective in minimizing fair trade opposition to free trade. Combining these two policy dimension yields four different trade policy orientations, summarized in Figure 1, as opposed to the two orientations of free trade and protectionism typically assumed. The people in Cell I oppose both protection and fair trade and can be described as free-traders. Those in Cell III support fair trade but oppose protection and are, thus, fair traders. Those in Cell II support protection but oppose fair trade; in this article I refer to them as economic protectionists. Those in Cell IV support both protection and fair trade and are referred to here as general protectionists.

The prevailing economic view on fair trade suggests that the sincere preferences of all individuals fall in either Cells I or IV: if fair trade and protection are the same then no one should support (oppose) one without supporting (opposing) the other. On the other hand, this view suggests that the revealed preferences of individuals may be different: some people may not want to admit to being protectionist and will disguise their true preferences by admitting to being fair traders. In this view, people should fall into Cells I and III, although some people may be willing to admit their protectionist preferences, so Cell IV should also be represented. However, Cell II should be empty as there is no reason to support protection but oppose fair trade in this view.

The argument of this article—that supporting fair trade can be a sincere preference distinct from supporting protection—suggests two differences from this traditional view. First, people's sincere and revealed preferences should both fall in all

four cells as it is possible to sincerely support both fair trade and protection independent of supporting the other policy. Also, it is possible to believe in no limits on trade and thus fall in Cell I and it is possible to oppose trade so that any limits would be preferable or to oppose trade both on protectionist and fair trade grounds. No cell should be empty, therefore, as opposed to the traditional view in which one or two cells are empty.

Second, the two views provide different explanations for why people would be in the fair trade cell. The traditional view suggests that the people in this cell would be those who support economic protection (although they provide no explanation to differentiate between those who fall in this cell and those who fall in the general protection cell.) This article's view suggests that the people in this cell would be those who support environmentalism and workers' rights. The forces that tend to explain support for protectionism and environmental and labor standards vary, providing the crucial leverage needed to test the two views against each other.

If fair trade is nothing but protectionism in disguise, then we should expect the same type of people who support protection to also support fair trade, i.e. people would fall in the "Fair Trade" cell if they had attributes usually associated with support for protection. Economic theory provides numerous answers on who is helped and who is hurt by free trade and protection and recent empirical research has demonstrated that these theoretical factors (and other factors not directly derived from theory) are able to predict public opinion about trade policy and other aspects of globalization. If the traditional view is correct, these same factors should be able to predict (in the same direction) support or opposition for fair trade.

Economic theory about trade suggests that the main determinants of support for free trade or protection are a person's factor endowment, industry of employment, and the level of factor mobility in the economy. If factors are mobile, i.e. one can easily transfer one's skills or capital from one sector of the economy to another, then the Stolper-Samuelson theory predicts that support for free trade and protection should be determined by factor ownership: those holding abundant factors should support free trade since this will increase exports of products produced intensively with the abundant factor while those holding scarce factors should support protection as free trade will increase imports of products produced intensively with the scarce factor. Thus, in the United States, owners of capital and skilled labor should support free trade while unskilled labor should support protection. On the other hand, if factors are specific, then the Ricardo-Viner theory predicts that industry of employment determines trade policy preference. Those who work in export industries, regardless of capital ownership or skill level, should support free trade while those who work in import-competing industries, again regardless of capital ownership or skill level, should support protection. Most of the research on public opinion about trade policy has found that both factor-ownership and industry matter, although the results are stronger for factor-ownership.¹²

Unfortunately, the dataset used in this study does not include a variable for industry of employment, so the effect of industry on support for fair trade cannot be tested. Variables for skill are included, though, so we can test the effect of factor

¹²See, for instance, Scheve and Slaughter (2001), Mayda and Rodrik (2002), and Hays, Ehrlich, and Peinhardt (2005). Since, as Hiscox (2002) shows, factors are both partly-mobile and partly-specific, this finding should not be surprising.

endowment. Typically, skill is indirectly measured by either education level—assuming that education imparts job-related skills—or by income—assuming that increased skills increases demand for the worker and, thus, the worker’s income.¹³ Income can also be seen as a proxy for capital. According to economic theory, if fair trade is protectionism in disguise, we should expect low-skilled workers, whether measured by education or income, to support fair trade and high-skilled workers and owners of capital to oppose it.

In addition to these theoretically derived findings, the empirical literature has identified a number of other factors that influence support for protection or free trade. The studies listed above have found such factors as gender, marital status, age, unemployment status, patriotism, and ideology to be important predictors of support for free trade and protectionism. Women are consistently more supportive of protection than men, though the reason for this is still unclear.¹⁴ Older respondents and married respondents are also more likely to support protection, although the theoretical underpinnings for these findings are also not well specified. Unemployed respondents are more supportive of protection because they may blame free trade for the loss of their job or they may believe protection might lead to new jobs in their industry. Those who

¹³ Both of these measures are imperfect proxies for skill. However, previous public opinion studies have consistently found them to be strong predictors of support for free trade and protectionism.

¹⁴ See Hiscox and Burgoon (2003) for more on the topic of gender and trade policy. In particular, they argue that the reason women are more protectionist than men is that men are more likely than women to be exposed to economic theory in college and, thus, more likely to be exposed to arguments suggesting free trade is beneficial.

express strong levels of patriotism or national identity are less likely to support free trade, probably because they want to support domestic industries. Finally, conservatives tend to be more supportive of free trade and liberals more supportive of protection. This follows from the economic theory above and from the typical concerns of liberals and conservatives: in a mobile-factor world, free trade in developed countries tends to hurt those with lower levels of education and income, i.e. the already worse off, and liberals, with their greater concern for economic equality, should be more sensitive to these costs. Party identification would have a similar effect, with Democrats likely to support protection and Republicans free-trade given the nature of their economic bases. The results presented below are identical if party ID is substituted for ideology. The analyses below include variables for all of these factors except for national identity: if fair trade is the same as protectionism, then we should expect women, the old, the married, the unemployed, and the liberal to support fair trade.

If, on the other hand, support for fair trade is a sincere expression of belief in the value of environmental and labor rights, then the people who support fair trade should have the same characteristics as those who support environmental protection, high labor standards, and human rights. Support for these positions, for instance, could all be considered elements of post-materialism¹⁵ where people express greater concern for quality-of-life issues, such as environmental protection and individual freedom and self-expression, rather than economic and physical security issues, such as economic

¹⁵ See Inglehart (1977, 1997) for more on post-materialism.

growth.¹⁶ Post-materialists are expected to be young, highly educated, and wealthy and to have liberal ideologies. Also, economic security is often a pre-requisite for expressing post-materialist values; thus, the unemployed should be less likely to be post-materialist and the single should be more likely as they are less likely to have dependents to support and, thus, have a lower threshold for security. Women have also been found to be less post-materialist although, again, the reason for this is not entirely clear.¹⁷ Overall, these characteristics of post-materialists are the exact opposite of the characteristics of protectionists. In addition, union members might be expected to be more supportive of fair trade especially as collective bargaining rights are often considered a core element of labor standards. On the other hand, unionized workers often support protection as they view free trade as a threat to their jobs.

Figure 2 summarizes the expectations about which factors influence choosing protection and choosing fair trade (assuming the latter choice is sincere.) If fair trade is protectionism in disguise or the equivalent to protectionism, then the factors in the left-most columns should not only explain why respondents support protectionism, but why they support fair trade as well. Thus, Figure 2 lists the predictions of what characteristics

¹⁶ If economists are correct that fair trade policies will hurt economic growth or economic efficiency, then this further reinforces the link between fair trade and post-materialism. Post-materialists will value such things as environmental protection and industrial democracy over economic growth.

¹⁷ See Hayes, McAllister, and Studlar (2000) for more on gender and postmaterialism.

fair traders should have depending on whether they are sincere or protectionists in disguise.¹⁸

If fair trade is sincere and distinct, then there are four possible policy orientations, as shown in Figure 1. What prediction can we make about why respondents fall into any one of the four categories? Many of the predictors for why someone would support fair trade are the same as why someone would support free trade. For instance, economic theory predicts that people with higher levels of education and income should be more likely to support free trade as they will benefit from it economically. This article suggests that those with higher levels of education and income should also be more likely to support fair trade as they are more likely to be post-materialist. These two effects might cancel out, and we might expect these variables to have *no* influence when distinguishing between a free-trader and a fair-trader. However, we would expect fair-traders to be more educated and have higher incomes than protectionists (both general and economic). In other words, the factors listed in Figure 2 under sincere preferences should explain why respondents choose fair trade instead of one of the variants of protectionism. What might explain the difference between fair traders and free traders? Only two variables have different predicted effects for support for these two orientations: conservatism and union membership. We should, thus, expect fair traders to be less

¹⁸ This article does not argue that *all* fair traders are sincere. Some may be disguising their protectionism. If the average fair trader is sincere, though, then the factors listed in the right-most columns of Figure 2 should explain their choice. If the average fair trader is a protectionist in disguise, then the factors listed in the left-most columns of Figure 2 should explain their choice.

conservative and more likely to be a union member than free traders. Finally, we might expect economic protectionists to be more conservative and less likely to be a union member than general protectionists for similar reasons.

III. Research Design

To test the argument that fair trade support is sincere, we need public opinion data asking questions about fair trade support. The Cooperative Congressional Election Study of 2006 included such questions as part of a larger battery of questions asked of 1000 respondents before and after the November 2006 elections in the United States. The questions were specifically designed to test the hypotheses offered here.

Two types of questions about fair trade policy were included in the survey. The first set asked questions about the respondents' support for free and fair trade policies. The fair trade question is listed below:

(1) *How much do you agree or disagree with each of the following statements? The United States should limit the imports of foreign products made with low labor standards in order to protect the rights of foreign workers.*

<1> Strongly Agree

<2> Agree

<3> Neither agree nor disagree

<4> Disagree

<5> Strongly Disagree

The free trade question is modeled on a standard question about support for fair trade vs. protectionism included in many previous surveys and is listed below:

(2) *How much do you agree or disagree with each of the following statements? The United States should limit the imports of foreign products in order to protect the U.S. national economy.*

<1> Strongly Agree

<2> Agree

<3> Neither agree nor disagree

<4> Disagree

<5> Strongly Disagree

These two policy questions are used to construct the four policy orientations discussed above.¹⁹ If a respondent agreed (answered 1 or 2) with both questions, they are coded as general protectionists. If they agreed with only one question, they are coded as fair traders or economic protectionists, depending on the question with which they agreed. If they agreed with neither (answered 3, 4, or 5) they are coded as free traders. The coding of the 3's, those who neither agree nor disagree with the statements, is

¹⁹ These two questions are very similarly worded and they appeared simultaneously, with the free trade question listed above the fair trade question, on the respondents' computer screens. This survey methodology likely induced respondents to respond similarly to these two questions, possibly biasing the results *against* finding "fair traders" and "economic protectionists." In this way, the tests on these questions reported below are conservative tests of the hypothesis that fair traders are sincere.

arbitrary, but the results presented below are robust to coding the 3's as supporting, instead of opposing, fair trade or protection.

The second set of questions asked whether respondents would be willing to buy fair trade products if they were the same price as comparable products and if they were 10% more expensive. The wording of the second of these questions is listed below:

(3) *Some products from developing countries carry a “fair trade” label. This label guarantees that the products have been produced under fair working conditions and with respect for the environment. Would you be willing to buy the fair trade products if they were 10% more expensive than comparable products?*

<1> Yes

<2> No

<3> Not Sure

These questions are based on a similar set of questions asked in the 1997 Eurobarometer of respondents in the EU.²⁰ This variable is not intended to capture the actual consumer behavior of respondents, as we are only measuring what the *claim* they would do and not what they actually do.²¹ What this variable should capture, though, is

²⁰ Ehrlich (2007) investigates these data to determine the cross-national determinants of fair trade support. The Eurobarometer survey included no other fair trade questions nor any questions about general trade policy, limiting its utility for the more general investigation of fair trade conducted here.

²¹ See Hiscox and Smyth (2005) for an experimental investigation of actual consumer behavior. They find that putting a fair trade label on a product and increasing its price

the values of the respondent: if they are willing to claim they would spend 10% more for fair trade products, even if they would not actually do so, it must be because they think supporting fair trade products is important. The analyses below will determine if respondents who believe supporting fair trade products is important is influenced by protectionist motives or if they are sincere. The policy orientation variable and the consumer preference variable serve as the two dependent variables in the analyses below: if the results are consistent across both analyses, this should increase confidence in the findings.

The survey also included numerous demographic questions, allowing for a detailed examination of the expectations discussed above. The analyses below include the following independent variables: *Income* is a categorical variable measuring family income, ranging from 1 (less than \$10,000) to 14 (more than \$150,000). *Education* is a categorical variable measuring educational attainment, ranging from 1 (for no high school) to 6 (for post-graduate degree.) *Ideology* is a five-point scale equal to 5 if the respondent is very conservative, 3 if the respondent is moderate, and 1 if the respondent is very liberal. *Unemployment* is a dummy variable measuring whether the respondent is currently unemployed (out of a job and seeking work) or not. *Union* is equal to 1 if the respondent is a current union member and 0 if not. *Age* measures the age of the respondent in years. *Gender* equals 1 if the respondent is female and 0 if the respondent is male. *Married* equals 1 if the respondent is currently married and 0 otherwise. Table 1 provides summary statistics for these variables.

10-20% actually increases demand for that product though they do not know the characteristics of those purchasing the products.

To evaluate the expectations described above in the policy orientation analysis, we need to know what attributes influence the probability of a respondent falling into one of four unordered categories relative to each of the other categories. As such the analysis below will use multinomial probit which estimates the effect of independent variables on the probability a respondent will choose each alternative category over the baseline category. Three of the four categories will be used as the baseline in turn in order to estimate the probability of choosing every category against all of the others.²² The model estimated below is as follows:

$$\text{Policy Orientation} = \beta_0 + \beta_1 \text{ Income} + \beta_2 \text{ Education} + \beta_3 \text{ Female} + \beta_4 \text{ Married} + \beta_5 \text{ Union} + \beta_6 \text{ Unemployed} + \beta_7 \text{ Age} + \beta_8 \text{ Conservative} + \varepsilon$$

In the consumer preferences analysis, respondents simply answer yes or no if they would be willing to pay extra to purchase fair trade products, thus creating only a single dimension. The crucial question, though, is which dimension: the sincere fair trade dimension or the conventional protectionist dimension? If it is the sincere dimension, then people who have a sincere belief that the environment and foreign labor standards are important should be willing to pay extra to further these goals. Similar questions asked in previous surveys about the willingness of respondents to pay extra to “Buy American” and, therefore, protect American jobs have found those who support

²² The estimates are not sensitive to the selection of baseline categories: all predicted probabilities, for instance, for the four categories remain the same regardless of the baseline. I present multiple baselines for ease of interpretation. If only free-trade were used as a baseline, one could determine what factors explain the difference between fair traders and general protectionists, for instance, but this would be complicated.

protection also claim to be willing to pay more for American-made products. If fair trade is protectionism in disguise, we might expect protectionists to similarly answer this question. Because the question has a binary choice, simple probit can be used to determine if the independent variables affect this decision in such a way as to support the “fair trade as protectionism in disguise” story or the “fair trade as sincere preferences” story. The model for this analysis is as follows, with expected signs of the independent variables detailed in Figure 2:

$$\text{Purchase} = \beta_0 + \beta_1 \text{Income} + \beta_2 \text{Education} + \beta_3 \text{Female} + \beta_4 \text{Married} + \beta_5 \text{Union} + \beta_6 \text{Unemployed} + \beta_7 \text{Age} + \beta_8 \text{Conservative} + \varepsilon$$

IV. Results

The results of the analyses strongly confirm the basic argument of this article that a sizable portion of those supporting fair trade are expressing sincere policy positions rather than just being protectionists (in disguise or not). The first piece of evidence to support this contention is an examination of how many people fall in each of the four policy orientations. The standard economic view of fair trade as synonymous with protection would suggest that Cell II and possibly Cell III should be empty. Figure 3 reveals that this is incorrect: there are roughly equal numbers of free-traders, fair-traders, and general protectionists and a sizable (though much smaller) number of economic protectionists.

The multinomial probit results, presented in Table 2, strongly support the view that fair trade preferences are sincere expressions of support for environmental and labor

standards. Looking first at what explains why people choose the other policy orientations instead of free trade, which is listed in column 1 of the table, the first crucial point is that the factors influencing why people are protectionists (either general or economic) are mostly what trade theory and previous public opinion studies have suggested: higher income respondents are less likely to be protectionists of either flavor, with conservatives less likely and union members and women more likely to be general protectionists. The one anomalous finding here is that women are less likely to be economic protectionists than free traders, which goes against previous findings. Only one factor helps explain why respondents are fair trade rather than free trade, but this factor is in the direction expected by the sincere preferences perspective: the more conservative you are the less likely you are to support fair trade.

The fair trade orientation is the baseline in Column 2 which demonstrates that factors influencing why respondents fall into the protectionist orientations instead of fair trade are what we would expect from the sincere preferences perspective. Most importantly, the skill variables behave as expected: respondents with higher incomes and education levels are more likely to be fair traders and less likely to be protectionists of either flavor, although the education variable is insignificant for economic protectionists. In addition, as expected, conservatives are more likely to choose one of the protectionist orientations, although this is only significant for economic protectionists. Women are also more likely to be general protectionists but less likely to be economic protectionists than fair traders, continuing the inconsistent results on gender.

Finally, Column 3 lists general protectionists as the baseline and allows us to see why economic and general protectionists differ. As expected, union members are less

likely to choose economic protectionism, suggesting that union members want to protect their jobs but also care about promoting labor standards. Also as expected, conservatives are more likely to be economic protectionists than general protectionists. Unexpectedly, gender is significant, with women less likely to be economic protectionists. As found in previous studies of public opinion on trade policy, gender is consistently a significant predictor although it is not obvious why women are most likely to fall in the general protectionist category and least likely to fall in the economic protectionist category.²³

The substantive size of these effect can be seen by examining the predicted probabilities, shown in Table 3, of an individual choosing each of the four orientations varying one variable at a time while hold all the other variables at their median or, for dummy variables, their mode, with different columns for men and women. The table shows the effects of the three most important variables found above—education, income, and ideology—showing the predicted probabilities at the sample minimum, median, and maximum, as well as the values one standard deviation above and below the median. The effect of gender can best be seen by examining the differences between men and women when holding all the other variables at their median or mode (this will be the case when any of the three listed variables are held at their median): Women are 10% more

²³ All of these results are robust to different specifications that, for instance, drop all the control variables other than ideology, education, and income or that include only education or income and not both. The only major changes is that in those comparisons where income is significant and education is not, education becomes significant when income is not included. This is true for the general protectionists compared to free traders and economic protectionists compared to both free and fair traders.

likely to be general protectionists than men (36% vs. 26%) but 4.5% less likely to be economic protectionists (8% to 3.5%). Women are also slightly less likely to be fair traders (32% for women vs. 34% for men) and free traders (30% vs. 33%).

The effects of the other variables are about the same for men as for women, although they start at different baselines. Looking first at education, one can see that raising the level of education decreases the probability of choosing general protectionism while increasing the probability of choosing both fair and free trade and having very little effect on choosing economic protectionism. Men with some college education are 29% likely to choose general protectionism, 32% likely to choose fair trade, and 31% likely to choose free trade. A two standard deviation increase in the level of education—to having a four-year degree—decreases the probability of choosing general protectionism by about 5% while increasing the probability of choosing fair trade and free trade 4% and 2% respectively.

Income has a similar effect, although increasing income levels also decreases the probability of choosing economic protectionism in addition to choosing general protectionism. Moving from one standard-deviation below the median (\$30,000 to \$39,999) to one standard-deviation above the median (\$80,000 to \$99,999) decreases the probability of being either kind of protectionist by over 5% each (30% to 24% for general protectionists and 11.5% to 6% for economic protectionists.) The same change in income increases the chances of being a fair trader by about 7% (30% to 36.5%) and the chances of being a free trader by 4% (29% to 33%). These effects of both education and income highlight the point made above that economic theories of income effects are not the sole driving force for policy orientation: if they were, then increasing education and income

should not only decrease the probability of being a protectionist but should also decrease the probability of being a fair trader.

Both education and income have the same pattern of effects on both fair trade and free trade orientations. Ideology, though, strongly distinguishes between these two orientations (as it does between the two protectionist orientations.) Liberals have a 43% probability of being fair traders and a 23% probability of being free traders while this flips for conservatives, who have a 41% probability of being free traders and a 25% probability of being fair traders. In addition, liberals have a 30% probability of being general protectionists but only a 5% probability of being economic protectionists while conservatives have a 22% probability of being general protectionists and a 12% probability of being economic protectionists. Taking all of these factors together, one can simplify who falls into each policy orientation as follows: rich, educated liberals are fair traders while rich, educated conservatives are free traders; and poor, uneducated liberals are general protectionists while poor, uneducated conservatives are economic protectionists. That education and income differentiate fair traders from protectionists while only ideology distinguishes fair traders and free traders is highly consistent with the predictions of the sincere preferences view of fair trade and not consistent with conventional economic view.

The results from the analysis of fair trade product preferences, listed in Table 4, also strongly support the theory that fair traders are expressing sincere support for environmental and labor standards. The first point to note is that the sample size drops to under 600 as many respondents did not answer the question or expressed no opinion. The results are, thus, somewhat noisy and most of the coefficients are not significant. Those

that are, though, are in the direction expected by the sincere perspective. The only coefficients in the direction expected by the economic perspective are *Union*, *Age*, and *Female*, but none of these coefficients are significant. Most importantly, the three variables that are significant are all in the direction predicted by the sincere perspective: the higher the respondent's income, the more educated the respondent is, and the more liberal the respondent is, the more likely the respondent is to support purchasing fair trade products. If purchasing fair trade products is the same as supporting protection, then these factors should have the exact opposite effect. The substantive size of the effects of these three variables is also large. For instance, holding all other variables at the mean or mode, increasing education from "some college" to "4-year degree" raises the probability of purchasing fair trade products by 37 percent; increasing income from one standard deviation below the median to one standard deviation above the median, raises the probability of purchasing fair trade products by 20 percent; and changing ideology from conservative to liberal raises the probability of purchasing fair trade products by 70 percent. The results from both sets of analyses, therefore, demonstrate consistent support for the arguments advanced in this article.

V. Conclusions

The results of this article strongly support the view that fair trade is, at least partially, a reflection of sincere support for environmental protection and labor standards among the public. Other fair traders may be motivated by economic self-interest, as most

economists and political scientists have suggested, but this is by no means the dominant reason to support fair trade. What are the implications of this finding?

Most important is its implications for the compromise of embedded liberalism. If this theory is correct that the post-War free trade consensus has been maintained by increasing the size of the welfare state in order to compensate those who lose their jobs or take on increased risk because of free trade, then the above findings suggest that these compensatory policies may be increasingly less effective in maintaining public support for trade as the fair trade movement grows or increases in prominence. If new opposition to free trade is being generated by sincere concerns for environmental protection and labor standards both at home and abroad, then the standard technique of increasing unemployment insurance or job retraining programs is unlikely to be able to address these concerns and maintain support for free trade. In short, without new policy tools, the fair trade movement may pose a more serious threat to free trade than previous movements opposed to free trade. Though this is only indirectly demonstrated in this article, future research will directly examine whether fair trade support can be diminished through compensation mechanisms.

The fair trade threat to free trade is likely to be exacerbated if the sincere fair traders see their concerns hijacked by traditional protectionists. Scholars sympathetic to the moral concerns of fair trade, such as Rodrik, still fear that interest groups like labor unions may be able to use fair trade to achieve their protectionists ends. By wrapping up their calls for protection in complaints about labor rights abuses, labor unions may be able to increase the number of people who support their demands. The results presented here suggest that this strategy may be profitable: there is a large pool of people who

support fair trade who would oppose traditional protectionism. If protectionists can win over these people by marketing their protectionism as a tool to achieve fair trade, they may be able to craft a large enough constituency to get their measures enacted. The results presented here do not demonstrate one way or another whether this strategy would be successful, but it does suggest that Rodrik's fears are legitimate as the conditions exist that would make success possible. Future research is needed, though, to determine whether protectionist interest groups are willing or able to exploit this demand.

Finally, the research presented here suggests that the entire literature on trade policy in both political science and economics needs to be expanded. Models of trade policy tend to view policy options as residing on a single continuum from complete free trade to absolute protection, or autarchy. This article's research suggests that we need to move beyond free trade and protection: there is at least one other dimension to the trade policy debate that partly, but does not entirely, overlap with the free trade/protection dimension. One can oppose free trade without supporting protection and oppose protection without supporting free trade. Existing theories about trade policy are ill equipped to explain when and why this will be the case or what the results of fair trade support will be. As the fair trade movement possibly grows, these theories will become increasingly incapable of predicting and explaining trade policy outcomes. Before we can devise new theories or revise the old ones, though, we need to come to more fully understand what this new movement is, who supports it, and what their demands are, a process this article will hopefully start.

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Figure 1: Trade Policy Orientations

	Oppose Protection	Support Protection
Oppose Fair Trade	I Free Traders	II Economic Protectionists
Support Fair Trade	III Fair Traders	IV General Protectionists

Figure 2: Factors Affecting Support for Trade Policy Dimension

Support for Protection		Support for Fair Trade	
+	-	+	-
Union Unemployed Age Female Married	Income Education Conservatism	Income Education Union	Conservatism Unemployed Age Female Married

Figure 3: Supporters of Each Orientation

<p>I Free Traders</p> <p>31.4% (N=307)</p>	<p>II Economic Protectionists</p> <p>7.6% (N=74)</p>
<p>III Fair Traders</p> <p>30.3% (N=297)</p>	<p>IV General Protectionists</p> <p>30.7% (N=301)</p>

Table 1: Summary Statistics of Independent Variables

	Obs.	Mean	Standard Deviation
Income	856	8.563	3.392
Education	996	3.900	1.407
Female	1000	1.563	0.496
Married	984	0.627	0.484
Union	942	0.089	0.285
Unemployed	995	0.034	0.182
Conservative	955	3.134	0.990
Age	1000	47.768	14.914

Table 2: Multinomial Probit Results about Determinants of Trade Policy Orientation

	Free-Trade		Fair Trade		General Protectionist	
	Coefficient	S.E.	Coefficient	S.E.	Coefficient	S.E.
Free Trade						
Income	-	-	-0.013	0.025	0.052**	0.026
Education	-	-	-0.022	0.057	0.094	0.057
Female	-	-	-0.044	0.15	-0.324**	0.152
Married	-	-	0.085	0.171	-0.14	0.173
Union	-	-	-0.189	0.272	-0.594**	0.264
Unemployed	-	-	0.692	0.44	0.128	0.377
Conservative	-	-	0.432***	0.08	0.331***	0.08
Age	-	-	0.006	0.005	0.003	0.005
Fair Trade						
Income	0.013	0.025	-	-	0.065**	0.025
Education	0.022	0.057	-	-	0.116**	0.056
Female	0.044	0.15	-	-	-0.28*	0.15
Married	-0.085	0.171	-	-	-0.225	0.169
Union	0.189	0.272	-	-	-0.405	0.248
Unemployed	-0.692	0.44	-	-	-0.564	0.434
Conservative	-0.432***	0.08	-	-	-0.101	0.078
Age	-0.006	0.005	-	-	-0.003	0.005
Ec. Protection						
Income	-0.093***	0.034	-0.106***	0.034	-0.041	0.35
Education	-0.04	0.077	-0.062	0.077	0.053	0.077
Female	-0.363*	0.205	-0.406**	0.206	-0.687***	0.205
Married	-0.175	0.231	-0.09	0.231	-0.315	0.232
Union	-0.633	0.528	-0.822	0.525	-1.227**	0.519
Unemployed	-0.18	0.498	0.512	0.542	-0.052	0.493
Conservative	0.042	0.11	0.473***	0.111	0.372***	0.11
Age	-0.011	0.007	-0.005	0.007	-0.008	0.007
Gen. Protection						
Income	-0.052**	0.026	-0.065**	0.025	-	-
Education	-0.094	0.057	-0.116**	0.056	-	-
Female	0.324**	0.152	0.28*	0.15	-	-
Married	0.14	0.173	0.225	0.169	-	-
Union	0.594**	0.264	0.405	0.248	-	-
Unemployed	-0.128	0.377	0.564	0.434	-	-
Conservative	-0.331***	0.08	0.101	0.078	-	-
Age	-0.003	0.005	0.003	0.005	-	-
N	741		741		741	
Chi-Squared	96.39		96.39		96.39	
Log-Likelihood	-893.809		-893.809		-893.809	

Notes: ***p<.01; **p<.05; *p<.1; Constant not reported

Table 3: Predicted Probabilities of Trade Policy Orientations

	Male				Female				
	General Protection	Economic Proection	Fair Trade	Free Trade	General Protection	Economic Proection	Fair Trade	Free Trade	
Education					Education				
No HS (Min)	0.345	0.087	0.281	0.287	No HS (Min)	0.452	0.038	0.26	0.25
Some College	0.29	0.083	0.319	0.308	Some College	0.39	0.037	0.3	0.273
2-Year Degree (Median)	0.264	0.081	0.338	0.317	2-Year Degree (Median)	0.36	0.036	0.32	0.284
4-Year Degree	0.239	0.078	0.357	0.326	4-Year Degree	0.33	0.035	0.341	0.294
Post-Graduate (Max)	0.215	0.076	0.375	0.334	Post-Graduate (Max)	0.302	0.034	0.361	0.303
Income					Income				
<\$10,000 (Min)	0.347	0.189	0.223	0.241	<\$10,000 (Min)	0.471	0.1	0.215	0.218
\$30,000-\$39,999	0.298	0.115	0.296	0.292	\$30,000-\$39,999	0.404	0.054	0.281	0.261
\$60,000-\$69,999 (Median)	0.264	0.081	0.338	0.317	\$60,000-\$69,999 (Median)	0.36	0.036	0.32	0.284
\$80,000-\$99,999	0.241	0.063	0.365	0.332	\$80,000-\$99,999	0.33	0.027	0.346	0.297
>\$150,000 (Max)	0.206	0.041	0.404	0.35	>\$150,000 (Max)	0.285	0.017	0.384	0.314
Ideology					Ideology				
Very Liberal (Min)	0.315	0.027	0.506	0.152	Very Liberal (Min)	0.403	0.001	0.46	0.127
Liberal	0.296	0.049	0.426	0.229	Liberal	0.389	0.02	0.394	0.197
Moderate (Median)	0.264	0.081	0.338	0.317	Moderate (Median)	0.36	0.036	0.32	0.284
Conservative	0.221	0.121	0.249	0.409	Conservative	0.316	0.06	0.244	0.38
Very Cons. (Max)	0.173	0.164	0.169	0.493	Very Cons. (Max)	0.262	0.089	0.173	0.476

Table 4: Determinants of Purchasing Fair Trade Products

	Coefficient	S.E.
Income	0.041**	0.02
Education	0.187***	0.044
Female	0.126	0.114
Married	-0.162	0.131
Union	0.159	0.189
Unemployed	-0.34	0.313
Conservative	-0.353***	0.06
Age	0.003	0.004
Constant	-5.563	7.92
N	575	
Pseudo R-Squared	0.113	
Chi-Squared	87.63	

Notes: ***p<.01; **p<.05; *p<.1