GLOBALISATION’S DISCONTENTS: New survey evidence that the low skilled in rich countries and the high skilled in poor countries have most negative attitudes to multinationals

Whether you are for or against globalisation depends on your economic status – but the effects are determined both by who you are and where you live. That is the central finding of research by Philipp Harms and Jakob Schwab, to be presented at the annual congress of the European Economic Association in Geneva in August 2016. Their study analyses survey data on attitudes to multinational firms from roughly 25,000 individuals across 32 industrialised, emerging and developing economies.

The results show that those who are more likely to benefit from the presence of multinationals – skilled, well-educated, younger and richer people – are also more likely to exhibit a positive attitude towards them.

But this effect isn’t universal: on one hand, the average attitude depends on where you live – with twice as many people expressing negativity in France as in Sweden – and people living in corrupt or very unequal economies are more likely to reject globalisation. What’s more, in poor countries, low-skilled workers are more likely to welcome multinational enterprises, the opposite of the effect in rich countries.

The authors comment: ‘Our results suggest that opposition to economic globalisation need not necessarily be irrational. To ensure public support for international economic integration, policy-makers would be well advised to make sure that those who are adversely affected at the individual level also participate in the aggregate gains.’

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There appears to be an increasing social divide in the assessment of economic globalisation, both within and between countries. But public discussion remains uninformed on whether those who reject globalisation do so despite or because of the direct economic effects that globalisation exerts on them.

The researchers explain their approach: by using survey data on attitudes towards multinational enterprises, we analyse whether potential economic benefits and disadvantages shape individuals’ opinions of multinational firms as a very visible aspect of economic globalisation.

We find that the expected distributional effects associated with the activity of multinational enterprises do, indeed, determine whether people are in favour or against these firms. Those who are more likely to benefit from the presence of multinationals – skilled, well-educated, younger and richer people – are also more likely to exhibit a positive attitude towards them. Conversely, less skilled, less educated, older and poorer people are more likely to express discontent with the activity of multinational firms.

Moreover, there are large international differences in people’s average attitudes. Whereas in France, roughly 80% of respondents express a negative view on large international companies, in Sweden, this number reduces to little above 40%. These large differences cannot be explained by Sweden’s population being better educated or younger.
Instead, the macroeconomic and institutional environment in which individuals live also affects people’s perceptions: we find that in countries that suffer from corruption, high levels of economic inequality or underdeveloped capital markets, respondents are more likely to express discontent with the presence of multinational enterprises. Conversely, in rather well functioning economies, survey respondents are more likely to display a positive attitude towards multinationals.

Finally, we show that it is not only the average attitude towards multinational enterprises in a country, which depends on the economic and institutional environment, but also how personal characteristics shape individuals’ attitudes: in rich countries, economically better-off people – firm owners and higher skilled workers – endorse the presence of large international companies. In poor countries, by contrast, low-skilled workers are more likely to welcome multinational enterprises, whereas skilled workers and domestic firm owners perceive them as a threat.

By analysing how differences in views of multinational enterprises can be explained, our study contributes to the growing research literature on the determinants of attitudes towards economic globalisation. Using survey data on these attitudes from roughly 25,000 individuals across 32 industrialised, emerging and developing economies, we can answer the question who opposes this form of economic globalisation, and for what reason. We thereby identify patterns of disapproval both within and between countries.

Our results suggest that expected distributional effects significantly determine whether individuals express disagreement with the activity of international corporations. This shows that opposition to economic globalisation need not necessarily be irrational. It also shows that in order to ensure public support for international economic integration, policy-makers are well advised to make sure that those who are adversely affected at the individual level also participate in the aggregate gains from economic globalisation.

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