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pro-migration?

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Non-Technical Abstract

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1 Introduction

Countries around the world have become increasingly integrated from an economic point of view in the last few decades. However, the process of liberalization has been uneven across the three dimensions of globalization: trade, international capital flows and immigration (Faini 2002, Findlay and O'Rourke 2002; Obstfeld and Taylor 2002). For example, the extraordinary increase in trade volumes in the post World War II era has not been matched by a parallel rise in labor flows. An important determinant of these patterns is domestic policies, which have displayed a clear asymmetry with respect to trade and capital movements on the one hand, and immigration on the other (Rodrik 2002). Governments have been much more willing to open up their borders to trade and capital flows than to migration. Survey data can reveal whether this variation in policy outcomes originates from differences in public opinion towards these policies. In this paper I use an individual-level survey dataset and empirically analyze attitudes towards trade and immigration, in a sample of several countries, in comparative terms. I find that, while opinions on trade and immigration are positively correlated at the individual level, respondents are on average more pro-trade than pro-immigration. The literature on labor-market determinants of preferences cannot explain the observed difference in attitudes: It shows that, over long-run horizons, preferences over the two alternative globalization strategies behave in a similar manner. In this paper, on the other hand, I focus on the short run and find evidence of one important source of this difference: the cleavage in trade preferences, absent in immigration attitudes, between individuals working in traded as opposed to non-traded sectors.

2 Data

The source of individual-level data analyzed in this paper is the National Identity module of the International Social Survey Programme (ISSP 1995) that covers more than 20,000 respondents from several countries at different stages of economic development. I use answers to the following two questions to construct measures of attitudes towards trade and immigration, respectively: "(Respondent's country) should limit the import of foreign products in order to protect its national economy: (1) agree strongly, (2) agree, (3) neither agree nor disagree, (4) disagree, (5) disagree strongly, (8) can't choose, (9) NA."; and "There are different opinions about immigrants from other countries living in (respondent's country). (By "immigrants" we mean people who come to settle in (respondent's country).) Do you think the number of immigrants to (respondent's country) nowadays should be: (1) reduced a lot, (2) reduced a little, (3) remain the same as it is, (4) increased a little, (5) increased a lot, (8) can't choose, (9) NA." For each dimension of globalization, I construct both an ordinal (*Trade Opinion* and *Immig Opinion*) and a dichotomous measure (*Pro-Trade Dummy* and *Pro-Immig Dummy*) of favorable individual preferences.¹

While it is difficult to compare the two sets of attitudes, given the different wording of the questions, the summary statistics of the four measures shed light on broad patterns in the data

¹For the precise definition of the attitudes measures, see end of Table 1. All four variables treat "can't choose" and "NA" answers as missing values. My results do not change qualitatively if I keep the "can't choose" and "NA" observations in the definition of the two dichotomous variables as answers against trade and immigration, respectively.

(Table 1). Based on *Pro-Trade Dummy* and *Pro-Immig Dummy*, 23% of respondents in the overall sample opposes limits to the import of foreign products, while only 7% would like the number of immigrants to increase. In addition, each country in the sample displays higher average values for *Pro-Trade Dummy* than for *Pro-Immig Dummy*, although there is substantial variation across nations: the Netherlands (39%) and Canada (21%) are the most pro-trade and pro-immigration, respectively, while Bulgaria (9%) and Latvia (0.4%) are the most protectionist and against migration, respectively. The values of the ordinal measures of attitudes confirm these patterns, although the difference in preferences is less pronounced: in the overall sample, *Trade Opinion* is on average equal to 2.46 while *Immig Opinion* is on average equal to 2.13. Only 4 out of the 22 countries in the sample (Austria, Ireland, Bulgaria, Spain) have higher average values for *Immig Opinion* than for *Trade Opinion*. In sum, these statistics suggest that individuals are on average more pro-trade than pro-immigration across countries, especially considering that the trade question clearly has a protectionist bias (Hiscox 2006) while the migration question is worded in neutral terms.²

The two sets of attitudes are also positively and significantly correlated at the individual level in nineteen out of the 22 countries considered, as shown in the last column of Table 1. However the correlations are not particularly high. Therefore the evidence presented so far is consistent with a situation in which a few common factors affect the two types of preferences with similar signs and magnitudes, while some of the forces at work in anti-immigration attitudes are absent or less pronounced in the case of trade in the majority of countries.

3 Long-Run Labor-Market Determinants of Attitudes

In long-run models of trade and migration, where factors are intersectorally mobile, international differences in relative factor endowments give rise to disparities across countries in terms of goods' prices and rates of return to factors. These disparities, in turn, create an incentive for countries to exchange goods and services and for factors to move across national borders. Absent international productivity differences, countries receive and give up the services of the *same* factors of production through trade and immigration, indirectly and directly, respectively. That is, trade and migration are substitutes. For example, skill-abundant countries tend to import low-skill intensive products and receive immigrants who are less skilled than natives on average. The opposite is true in the case of skill-scarce countries.³ Since the same changes in relative factor supplies take place, skilled and unskilled wages will be similarly affected by the two dimensions of globalization. As a consequence, individual preferences on trade and immigration should be positively correlated and similarly impacted by the level of individual skill. The empirical evidence in the existing literature

²Using the same dataset, Rodrik (2002) documents no significant difference across trade and immigration opinions when the same trade question and the following immigration question are analyzed: "How much do you agree or disagree with the following statement? Immigrants are generally good for (respondent's country's) economy". This result is not inconsistent with the one based on *Pro-Immig Dummy*. It is not surprising that trade and migration are more similarly perceived, when individuals are asked more specifically about the *economic* impact of immigration and on the economy as a whole. Non-economic and individual economic effects are more likely to give rise to asymmetric and more anti-immigration views.

³If there are productivity differences across countries, trade and migration patterns could be different. For example, in the case of migration, both skilled and unskilled labor tend to move to a technologically-advanced country, since both skilled and unskilled wages are likely to be higher there than in the rest of the world.

is consistent with this conclusion, as shown in columns (1) and (6), Table 2⁴ (O’Rourke and Sinnott 2001, 2006, Mayda and Rodrik 2005, Mayda 2005, Scheve and Slaughter 2001a, 2001b).

First, skilled individuals are more likely than unskilled ones to favor free trade in skill-abundant countries, and *less* likely in skill-scarce countries (regression (1)). This is consistent with the Heckscher-Ohlin model and, in particular, with the Stolper-Samuelson theorem which says that owners of a country’s abundant factors should gain from a trade liberalization while owners of scarce factors should lose. Second, skilled respondents favor immigration in countries that receive unskilled immigrants (on average, relative to the native population) and *oppose* it in countries that receive skilled immigrants (regression (6)).⁵ This is consistent with the factor-proportions-analysis and Heckscher-Ohlin models. The immigration results require that factor-price insensitivity does not hold, which is true if the country’s output mix is not sufficiently diversified – that is, there are more primary factors of production than internationally-traded goods⁶ – or if the immigration shock is large enough in size to change the country’s output mix or, finally, if the country is a large open economy.

4 Short-Run Labor-Market Determinants of Attitudes

I now consider labor-market determinants of trade and immigration preferences in a short-run sector-specific model, where factors are immobile across sectors (I assume for simplicity that there are no mobile factors in the economy). I use the sector classification adopted in Mayda and Rodrik (2005) and differentiate sectors according to whether they are comparative-advantage (CA), comparative-disadvantage (CD) or non-traded (NT) sectors. A sector is defined as a CA sector if its adjusted net imports are negative and as a CD sector if its adjusted net imports are positive (the adjustment is for aggregate trade deficits/surpluses). Finally, respondents are assigned to the NT sector category if they work in the service sector broadly defined (as, for example, doctors, jurists, teachers, workers in religion, etc.).⁷

While the type of good produced in a sector, whether traded or not, is associated with a significant cleavage in preferences over trade policy (regression (2)), the same pattern does not characterize immigration-policy attitudes (column (7)): Working in a NT sector increases the likelihood of being pro-trade by three percentage points, while it does not affect migration attitudes.

⁴The regression table reports the coefficient estimates from estimation of a probit model with the dichotomous indicator as the dependent variable. All regressions include country dummy variables, to control for unobserved additive country-specific effects: Therefore country fixed effects net out the impact of aggregate variables - such as trade and immigration policies, the business cycle, etc - which is homogeneous across fellow citizens. Standard errors are robust and clustered by country, to address heteroskedasticity and allow for correlation across individual observations within the same country.

⁵Per-capita GDP levels (PPP-adjusted) are used as a proxy for countries’ relative skill abundance – since commonly used country-level education data suffers from some clear problems where the countries in the sample are concerned (Mayda and Rodrik 2005, footnote 19) – and as a proxy for destination countries’ relative skill composition of natives to immigrants – since per-capita GDP and the skill mix of natives to immigrants are positively and significantly correlated (Mayda 2005).

⁶It does not matter whether the country produces non-traded goods, as long as the latter condition on traded ones is satisfied.

⁷Notice that some sectors in the Czech Republic, Slovenia, Russia, Latvia and the Slovak Republic can be classified as traded sectors, but there is no trade data available to determine whether they are CD or CA sectors.

The coefficient on *non-traded sector* in the trade equation remains positive and significant (at the 5% level), once I control for long-run labor-market determinants (that is, once I include both the direct and interacted effects of *education*), as shown in regression (3).⁸ Thus workers in non-traded sectors feel shielded from foreign competition working through trade but not from labor-market competition of immigrants. These results are intuitive, since immigrants can work in both traded and non-traded sectors, while trade liberalization does not *directly* affect incomes in non-traded sectors. Indirectly, if the income elasticity of demand for non-traded goods is positive, a movement towards free trade will imply an increase in the prices of non-traded goods since national income will go up. In turn, higher prices of non-traded goods will raise incomes of factors specific to the non-traded sector (Scheve and Slaughter 2001b).

Column (4) in Table 2 shows that respondents who work in CD sectors are significantly less likely to be pro-trade, compared to individuals in non-traded sectors, as already found in Mayda and Rodrik (2005). In regression (9) I find that immigration preferences too are significantly more negative if the respondent works in a CD as opposed to a non-traded sector.⁹ This result is consistent with the evidence, documented in the literature (Faini and Venturini 1994, Coppel et al. 2001), that import-competing sectors rely heavily on migrant labor. In other words immigration is more likely to increase the relative supply of factors specific to CD sectors and, therefore, decrease rates of return to these factors. The result in column (5) is also plausible from a theoretical point of view in a Ricardian framework: Immigration expands the range of goods produced by the destination country, which absorbs immigrants in sectors with low productivity that would disappear without immigration (Trefler 1998). Finally, notice that the marginal effect of *CD sector* is smaller in absolute value for immigration than it is for trade. The coefficient estimates in Table 2 imply that working in a CD sector decreases the likelihood of being pro-trade by 3.1 percentage points and of being pro-migration by 1.2 percentage points.

5 Conclusions

Restrictive migration policies in destination countries around the world coexist with more and more liberalized trade regimes. This pattern in governments' policies is consistent with public opinion, as documented in this paper using the ISSP data set.¹⁰ I find that, while preferences on immigration and trade are positively correlated, individuals are on average more pro-trade than pro-migration. This asymmetry in attitudes towards trade and immigration is interpreted as a puzzle in the literature (Faini 2001) since, in standard economic (long-run) models, trade and migration are substitutes: Those groups in the population who benefit with a trade liberalization are likely to gain thanks to immigration. The literature on labor-market determinants of preferences shows that trade and migration are indeed perceived as substitutes in the long run but, as a consequence, cannot explain the difference in attitudes. This paper, on the other hand, provides a plausible explanation

⁸In terms of variance explained, long-run labor-market determinants contribute more than *non-traded sector*.

⁹The coefficient on *CD sector* remains negative and significant (at the 10% level) in both the trade and migration regressions, once I control for long-run labor-market determinants (that is, once I include both the direct and interacted effects of *education*), as shown in regressions (5) and (10), respectively.

¹⁰Hatton (2006) doubts that differences in average attitudes between trade and migration are enough to explain the gap in policy outcomes.

of the puzzle by looking at labor-market effects taking place in the short run. The main finding of the empirical analysis is that a key source of the difference in attitudes is the cleavage in trade preferences, absent in immigration attitudes, between individuals working in traded as opposed to non-traded sectors.

Moving beyond the labor market, trade and migration differ along many dimensions, which could provide alternative explanations of the divergence in attitudes between them. Some of these dimensions have been investigated by the literature, while others should be the focus of future research. Hanson, Scheve and Slaughter (2005) draw attention to the role of public-finance concerns: While immigrants can contribute to and benefit from the welfare state, imports of goods and services can do neither of these. More in general, Hanson, Scheve and Slaughter (2005) point out that the impact of free trade on advanced countries' welfare state is likely to be minimal.¹¹ Assuming this is true, the argument in Hanson, Scheve and Slaughter (2005) is a good explanation of differences in attitudinal responses if immigrants are perceived as a net burden for the destination country's welfare state, as in the U.S.. However, this might not be true in other countries, for example if the skill composition of immigrants relative to natives is high. Facchini and Mayda (2006) find that, if the latter condition holds, individual attitudes are consistent with a perception of immigrants as net contributors to the welfare state.

Another line of research should focus on the difference in the size of the impact of non-economic factors given that the social and cultural effects of immigration are likely to be more pronounced than with trade.¹² Finally, another way to understand the preference gap is by realizing that immigrants or their children can acquire citizenship and voting rights and, therefore, affect the destination country's political balance across different groups (Ortega 2004). To the extent that natives do not favor this influence of outsiders on political life, this channel can provide another explanation of the preference gap.

To conclude, several new works in the literature point out that the gains from liberalizing international labor movements are likely to be substantial, almost surely larger than the benefits from removing existing trade barriers (Rodrik 2002). Yet it has proven difficult, from a political point of view, to realize these gains through liberal migration policies, as opposed to what has happened with trade policy. The discussion in this paper clarifies sources of differences between trade and immigration attitudes, which in turn affect policies, and provides evidence on one explanation of the preference gap.

¹¹See Rodrik (1998), and Mayda, O'Rourke and Sinnott (2006) for an alternative view.

¹²Non-economic factors are not likely to bias my results since I control for the individual's level of education in all regressions of Table 2.

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Table 1: Summary Data on Individual Attitudes towards Trade and Immigration (ISSP data set)

Country	Trade Opinion						average Trade Opinion	Pro-Trade Dummy	Immig Opinion						average Immig Opinion	Pro-Immig Dummy	Correlation between Trade Opinion and Immig Opinion
	agree strongly (1)	agree (2)	neither agree nor disagree (3)	disagree (4)	disagree strongly (5)	missing values			reduced a lot (1)	reduced a little (2)	remain the same as it is (3)	increased a little (4)	increased a lot (5)	missing values			
Germany West	15.27	24.08	18.45	27.18	9.06	5.96	2.90	0.39	46.29	23.43	17.63	2.04	0.49	10.12	1.74	0.03	0.35*
Germany East	25.98	30.39	16.99	17.32	4.74	4.58	2.42	0.23	51.63	20.26	16.83	1.14	0.65	9.48	1.66	0.02	0.37*
Great Britain	23.48	40.1	18.45	12.27	1.45	4.25	2.25	0.14	40.1	23.77	25.89	2.8	1.06	6.38	1.94	0.04	0.32*
USA	21.6	43.74	16.03	9.69	2.75	6.18	2.24	0.13	29.69	25.19	21.83	4.58	2.14	16.56	2.09	0.08	0.24*
Austria	38.04	32.39	10.6	12.51	3.83	2.62	2.09	0.17	28.36	24.72	37.74	2.93	0.81	5.45	2.19	0.04	0.26*
Hungary	45.26	25.81	15.93	6.96	2.62	3.43	1.92	0.10	55.95	24.19	13.51	0.71	0.71	4.94	1.59	0.01	0.15*
Italy	25.73	34.8	14.56	16.12	6.5	2.29	2.42	0.23	41.76	30.31	19.87	2.56	0.82	4.67	1.85	0.04	0.25*
Ireland	24.26	41.49	10.7	19.57	2.75	1.22	2.34	0.23	6.63	13.56	55.35	15.6	2.24	6.63	2.93	0.19	0.17*
Netherlands	5.2	24.04	28.36	31.81	5.49	5.1	3.09	0.39	26.37	30.99	30.79	4.42	0.68	6.75	2.16	0.05	0.28*
Norway	9.19	28.86	27.52	22.28	4.77	7.38	2.83	0.29	29.53	29.26	27.32	5.7	1.21	6.98	2.14	0.07	0.24*
Sweden	12.72	28.28	29.98	17.18	6.08	5.75	2.74	0.25	35.66	29.25	21.88	4.13	2.11	6.97	2.01	0.07	0.25*
Czech Rep.	25.29	26.65	17.8	17.25	9.58	3.43	2.58	0.28	39.75	25.75	21.14	1.9	0.27	11.2	1.84	0.02	0.16*
Slovenia	24.03	26.83	17.95	20.46	3.96	6.76	2.50	0.26	29.92	29.92	31.76	1.35	0.39	6.66	2.06	0.02	0.11*
Poland	30.06	34.82	12.71	11.77	2.63	8.02	2.15	0.16	25.92	17.53	19.91	4.13	1.82	30.68	2.11	0.09	0.16*
Bulgaria	53.57	23.8	4.98	3.26	4.52	9.86	1.68	0.09	32.58	17.19	9.77	2.17	1.54	36.74	1.78	0.06	0.07
Russia	35.57	24.56	11.65	15	6.84	6.39	2.28	0.23	16.08	22.15	22.28	3.99	1.46	34.05	2.28	0.08	0.14*
New Zealand	18	34.18	19.82	19.11	5.06	3.84	2.57	0.25	26.79	31.65	24.06	8.59	2.22	6.67	2.23	0.12	0.32*
Canada	14.26	32.28	21.45	21.52	5.65	4.84	2.71	0.29	16.48	20.58	32.89	12.17	5.99	11.9	2.67	0.21	0.28*
Philippines	12.73	53.69	16.33	15.24	0.84	1.17	2.37	0.16	31.91	27.14	25.63	7.2	3.77	4.36	2.20	0.11	0.04
Japan	14.09	16.8	29.54	14.97	19.03	5.57	3.09	0.36	13.38	21.82	35.03	10.11	2.95	16.72	2.61	0.16	0.22*
Spain	21.23	50.08	10.98	9.26	0.98	7.46	2.12	0.11	8.77	26.64	45.49	6.39	1.07	11.64	2.60	0.08	0.18*
Latvia	53.52	19.14	9.38	8.46	4.43	5.08	1.85	0.14	49.74	20.05	17.19	0.26	0.13	12.63	1.64	0.00	0.07
Slovak Rep.	26.68	28.71	16.05	16.05	8.6	3.9	2.49	0.26	30.22	24.51	24.3	1.81	0.65	18.51	2.00	0.03	0.13*
Whole Sample	23.57	31.4	17.86	16.57	5.43	5.17	2.46	0.23	29.6	24.59	26.27	4.82	1.6	13.12	2.13	0.07	0.21*
Standard Deviation							1.20	0.42							1.01	0.26	

Bold numbers correspond to highest and lowest values. The sample excludes all individuals who are not citizens of the country where they are interviewed.

Trade Opinion uses answers to the trade question ("Now we would like to ask a few questions about relations between (R's country) and other countries. How much do you agree or disagree with the following statement: (R's country) should limit the import of foreign products in order to protect its national economy.") and ranges from 1 (agree strongly) to 5 (disagree strongly). *Pro-Trade Dummy* equals one if *Trade Opinion* is equal to 4 or 5, zero if *Trade Opinion* is equal to 1, 2 or 3. *Immigration Opinion* uses answers to the immigration question ("Do you think the number of immigrants to (R's country) nowadays should be ...": reduced a lot, reduced a little, remain the same as it is, increased a little, increased a lot) and ranges from 1 (reduced a lot) to 5 (increased a lot). *Pro-Immig Dummy* equals one if *Immigration Opinion* is equal to 4 or 5, zero if *Immigration Opinion* is equal to 1, 2 or 3. All four variables (*Trade Opinion*, *Pro-Trade Dummy*, *Immig Opinion*, *Pro-Immig Dummy*) treat "can't choose" and "NA" answers as missing values.

The last column gives the correlation at the individual level between *Trade Opinion* and *Immig Opinion*. All coefficients significant at the 5% level or better are starred.

Table 2: Trade vs. Immigration Preferences (ISSP data set)

Probit with country dummy variables	1	2	3	4	5	6	7	8	9	10
Dependent variable	Pro-Trade Dummy					Pro-Immig Dummy				
age	-0.0024	-0.0022	-0.0024	-0.0016	-0.0018	-0.001	-0.0006	-0.0009	-0.0008	-0.0011
	0.0017	0.0017	0.0017	0.0016	0.0016	0.0016	0.0015	0.0016	0.0016	0.0017
male	0.2655	0.282	0.2864	0.2848	0.2895	0.0834	0.0907	0.0932	0.0918	0.0943
	0.0468**	0.0492**	0.0496**	0.0509**	0.0513**	0.0415*	0.0423*	0.0423*	0.0435*	0.0433*
parents' foreign citizenship	0.0619	0.069	0.0631	0.0722	0.0661	0.2405	0.243	0.2419	0.2161	0.2152
	0.0321+	0.0324*	0.0317*	0.0337*	0.0331*	0.0498**	0.0499**	0.0498**	0.0472**	0.0475**
education (years of education)	-0.5054	0.0679	-0.5181	0.0685	-0.5297	-0.433	0.0581	-0.4393	0.0585	-0.4446
	0.0903**	0.0117**	0.0905**	0.0114**	0.0803**	0.1304**	0.0135**	0.1315**	0.0138**	0.1316**
education*gdp	0.0608		0.0618		0.063	0.0517		0.0522		0.0527
	0.0097**		0.0097**		0.0087**	0.0147**		0.0148**		0.0148**
non-traded sector		0.1112	0.1222				0.0476	0.0596		
		0.0542*	0.0476*				0.0449	0.0469		
CA (comparative-advantage) sector				-0.0482	-0.0801				-0.0405	-0.0775
				0.0912	0.0715				0.0615	0.061
CD (comparative-disadvantage) sector				-0.1134	-0.0933				-0.1241	-0.1053
				0.0501*	0.0518+				0.0593*	0.0591+
constant	-1.5133	-1.2358	-1.5896	-1.1719	-1.5077	-3.0044	-2.7331	-3.0434	-2.6513	-2.9409
	0.1404**	0.2026**	0.1389**	0.1784**	0.1375**	0.2140**	0.1837**	0.2211**	0.1812**	0.2098**
number of obs	12429	12429	12429	11675	11675	11365	11365	11365	10707	10707
Pseudo R-squared	0.07	0.06	0.07	0.07	0.07	0.11	0.11	0.11	0.11	0.11

The sample excludes all individuals who are not citizens of the country where they are interviewed.

The table reports the coefficient estimates from estimation of a probit model. All regressions include country dummy variables. Robust standard errors clustered by country are presented under each coefficient estimate. + significant at 10%; * significant at 5%; ** significant at 1%

parents' foreign citizenship is coded as follows: 1=both parents are citizens; 2= only mother/father is citizen; 3=neither parents are citizens.

gdp is the log of per capita GDP in 1995, PPP (current international dollars).

A sector is defined as a *CA* (comparative-advantage) *sector* if its adjusted net imports are less than zero, as a *CD* (comparative-disadvantage) *sector* if its adjusted net imports are greater than zero. Finally, respondents are assigned to the NT sector category if they work in the service sector broadly defined (as, for example, doctors, jurists, teachers, workers in religion, etc.).