Why Mercantilism?

Preferences for Trade Surplus and Mercantilist Policies

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Rising Mercantilism and Pursuit of Trade Surplus

Mercantilism is a form of economic system and nationalist economic policy that is designed to maximize the exports and minimize the imports of an economy

> *Philipp Wilhelm von Hornick, a German mercantilist, encapsulated mercantilism: "5. That all imports of foreign goods be discouraged as much as possible ... 8. That opportunities be constantly sought for selling a country's surplus manufactures to foreigners, so far as necessary, for gold and silver (Ekelund and Hébert, 2014)."*

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$$\text{reciprocal tariff} = -\frac{1}{2} \times \left(\frac{\text{exports} - \text{imports}}{\text{imports}} \right)$$

Figure: Liberation Day tariffs

Research Questions

- What is the public preference for mercantilism and trade surplus?
- Why is trade surplus so popular?
- How do we interpret the obsession with trade surplus in both deficit and surplus countries?

Overview

1. Theoretical Framework
2. Research Design
3. Empirical Results

Theoretical Framework

- Many great studies on trade preferences: Egotropic (Scheve and Slaughter, 2001), sociotropic (Mansfield and Mutz, 2009), non-material (Inglehart and Norris, 2016), etc.

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$\longrightarrow$ Trade

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Oppose Support

$\longrightarrow$ Trade

- However, the pursuit of trade surplus has distinguished attitudes toward imports and exports

Theoretical Framework

- A two-dimensional framework:
  - Support for Export $>$ Import $\Rightarrow$ Mercantilist
  - Support for Import $>$ Export $\Rightarrow$ Conservationist
  - High Support for Export $=$ Import $\Rightarrow$ Globalist
  - Low Support for Export $=$ Import $\Rightarrow$ Isolationist

Q: Why do people support or oppose trade/imports?

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Q: Why do people support or oppose trade/imports? $\Rightarrow$ Why do people prefer exports over imports?

Theory and Hypotheses

- **Top-down channel**: Issue framing, household-level analogies, and different meanings of imports and exports (Ardanaz et al., 2013; Bansak et al., 2021; Brutger and Rathbun, 2021; Hiscox, 2006)

Theory and Hypotheses

- **Top-down channel**: Issue framing, household-level analogies, and different meanings of imports and exports (Ardanaz et al., 2013; Bansak et al., 2021; Brutger and Rathbun, 2021; Hiscox, 2006)

  President Trump (2025): "We pay hundreds of Billions of Dollars to SUBSIDIZE Canada. Why? There is no reason. We don't need anything they have."

Hypotheses on Issue Framing

Support for running a trade surplus increases if:

- Framing it as a way to increase national wealth. "Surplus = Earning money" (Polyak, 2023)
- Framing it as a way to create jobs. "Surplus = More Domestic Production" (Spater, 2024)
- Framing it as a way to increase national security. "Surplus = Less Reliance on Foreigners" (Navarro, 2017)
- Framing it as a way to increase national prestige. "Surplus = Winning International Competition" (Brutger and Rathbun, 2021)

Hypotheses on Personal Predispositions

- **Bottom-up channel**: Personal Predispositions

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- Financial conditions: People who face financial insecurity and are employed in import-or export-competitive sectors (Redeker and Walter, 2020; Spater, 2024)
- Concern over national security: People who perceive greater international risk
- In/out-group division: People who feel a strong attachment to the country, hold zero-sum beliefs, and view an unfair trade system (Brutger and Rathbun, 2021; Stantcheva, 2022)

Research Design

Vignette experiment $\Rightarrow$ Effects of issue framing and personal predispositions

- Trade surplus = increased national wealth, job creation, national security, and national prestige
- Example (National Wealth frame): "because they believe it represents an increasing national wealth as my country sells more than it buys and earns money in the international market."
- Outcomes variables
  - Trade balance: The ideal trade condition our country should have
  - Import level: What should be done to the country's current level of imports?
  - Export level: What should be done to the country's current level of exports?

Research Design

A comprehensive examination should also include the preferences for concrete policies (Bansak et al., 2021)

Q: When people claim they prefer a trade surplus (deficit) in general, do they support concrete trade policies in practice?

Research Design

Conjoint experiment ⇒ Attitudes toward concrete trade policies

- Policies: (a) Export subsidy, (b) currency depreciation, (c) tariff, (d) quantitative limit of imports (i.e., quota), (e) voluntary export restraint, (f) IO lawsuit, and (g) import paperwork
- Attribute: 0, 40, 80%
- Example: "Limiting the quantity of imported goods, reducing imports by 40 %"
- Outcome: Choice between two proposals

Research Design

Implementation

- U.S. and China
- About 3500 participants (2500 for the vignette and 1000 for the conjoint) per country
- Mid 2025

Empirical Results

Statistics on General Preferences

Q: What is the public preference for mercantilism and trade surplus?

- Favorability of imports (pre-treatment, two experiments)
- Favorability of exports (pre-treatment, two experiments)

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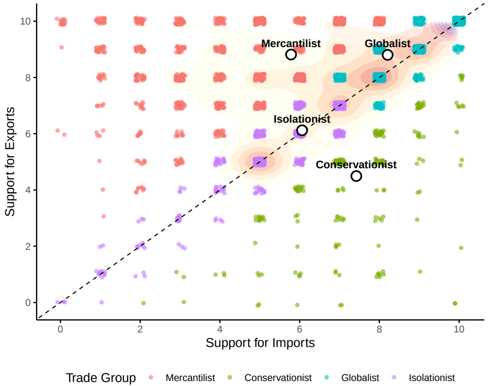
Table: Distribution of Trade Groups

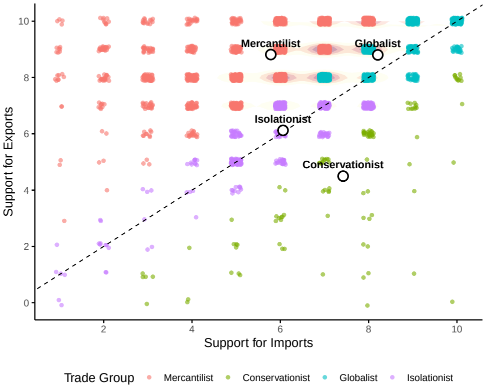
	United States		China	
Trade Group	N	%	N	%
Mercantilist	1172	35%	1944	54%
Conservationist	193	6%	109	3%
Globalist	1244	38%	1058	29%
Isolationist	706	21%	476	13%

Categorization

Statistics on General Preferences

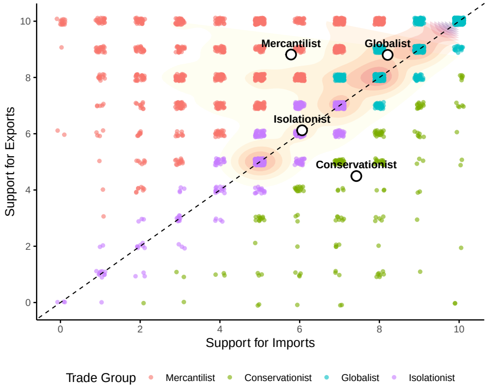


(a) United States

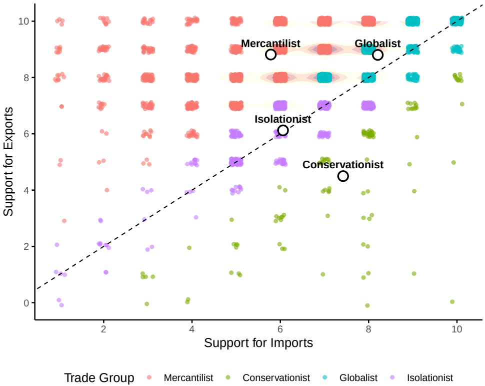


(b) China

Statistics on General Preferences



(a) United States



(b) China

Takeaway: A large group of mercantilists, especially in China

Results of Vignette Experiment

Q: Why is trade surplus so popular when it is not necessarily beneficial to the economy?

- Effects of issue framing

	United States			China		
	Trade Balance	Import Level	Export Level	Trade Balance	Import Level	Export Level
T: Wealth	0.03	0.03	0.20**	0.01	0.00	0.03
	(0.06)	(0.06)	(0.06)	(0.05)	(0.06)	(0.05)
T: Employment	0.01	0.04	0.14*	0.03	−0.01	0.08
	(0.06)	(0.06)	(0.06)	(0.05)	(0.06)	(0.05)
T: Security	−0.02	0.01	0.08	0.04	−0.05	0.04
	(0.06)	(0.06)	(0.06)	(0.05)	(0.06)	(0.05)
T: Prestige	0.02	0.01	0.16*	0.02	0.08	0.04
	(0.06)	(0.06)	(0.06)	(0.05)	(0.06)	(0.05)

Notes: $^{***}p < 0.001$; $^{**}p < 0.01$; $^{*}p < 0.05$; $^{\dagger}p < 0.1$.

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Takeaway: Limited effects of issue framing, mercantilist statements could lead to "pro-trade" changes

Results of Vignette Experiment

- Effects of financial conditions

	United States			China		
	Trade Balance	Import Level	Export Level	Trade Balance	Import Level	Export Level
Poverty Risk	-0.02	$0.03^{\dagger}$	-0.02	0.01	-0.01	-0.00
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Industry:						
Primary Sector	$0.36^{\dagger}$	-0.10	0.02	-0.06	-0.06	-0.34^{**}
	(0.19)	(0.18)	(0.20)	(0.12)	(0.15)	(0.13)
Tertiary Sector	0.07	0.03	-0.02	0.00	0.03	0.02
	(0.06)	(0.06)	(0.07)	(0.03)	(0.04)	(0.04)

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Results of Vignette Experiment

- Effects of non-material factors

	United States			China		
	Trade Balance	Import Level	Export Level	Trade Balance	Import Level	Export Level
External Risk	0.05^{*}	-0.03	0.03	0.02	$0.04^{\dagger}$	0.02
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Nationalism	0.06^{***}	-0.03^{**}	0.04^{**}	0.05^{***}	-0.08^{***}	0.04^{*}
	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)
Social Dominance	0.00	-0.00	-0.02	-0.04^{**}	0.00	$-0.02^{\dagger}$
	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)
International Influence	0.12^{***}	-0.13^{***}	0.06^{**}	0.09^{***}	0.03	0.07^{**}
	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)
Zero-sum Belief	-0.01	0.01	-0.04^{***}	0.02^{**}	-0.01	-0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
System Fairness	-0.04^{*}	0.11^{***}	-0.05^{*}	-0.03	0.08^{***}	-0.05^{**}
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)

Notes: $^{***}p < 0.001$; $^{**}p < 0.01$; $^{*}p < 0.05$; $^{\dagger}p < 0.1$.

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Zero-sum Belief	-0.01	0.01	-0.04^{***}	0.02^{**}	-0.01	-0.01
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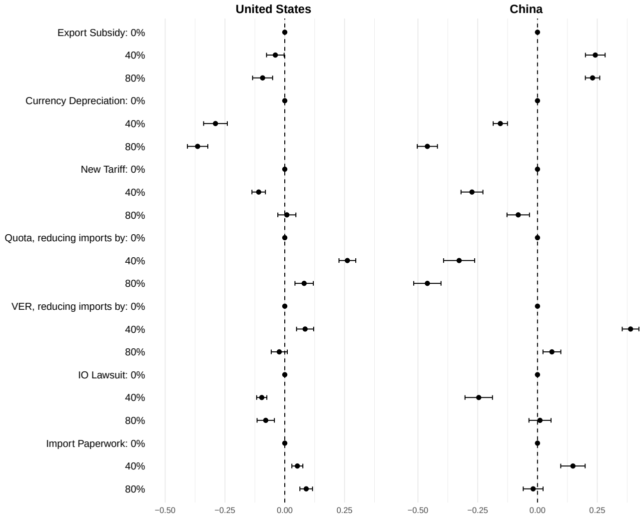
Notes: $^{***}p < 0.001$; $^{**}p < 0.01$; $^{*}p < 0.05$; $^{\dagger}p < 0.1$.

Takeaway: Importance of non-material factors and the bottom-up channel

Results of Conjoint Experiment

Q: How do we interpret the obsession with trade surplus in both deficit and surplus countries?



Results of Conjoint Experiment

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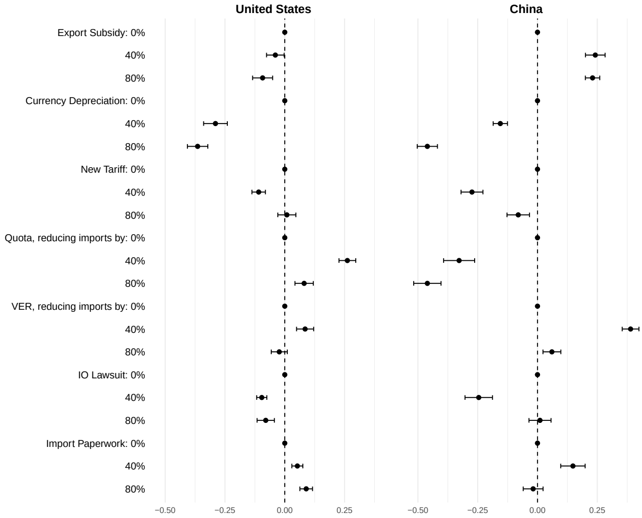
Takeaway:

- Pro-surplus policy position
- Cross-national differences: U.S. opposes imports; China supports exports



Summary

- What is the public preference for mercantilism and trade surplus?
  - A large group of mercantilists, and the size varies across countries
- Why is trade surplus so popular?
  - Less caused by issue framing and more related to personal predispositions
- How do we interpret the obsession with trade surplus in both deficit and surplus countries?
  - American focus more on import restrictions, while the Chinese promote exports

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Thank You

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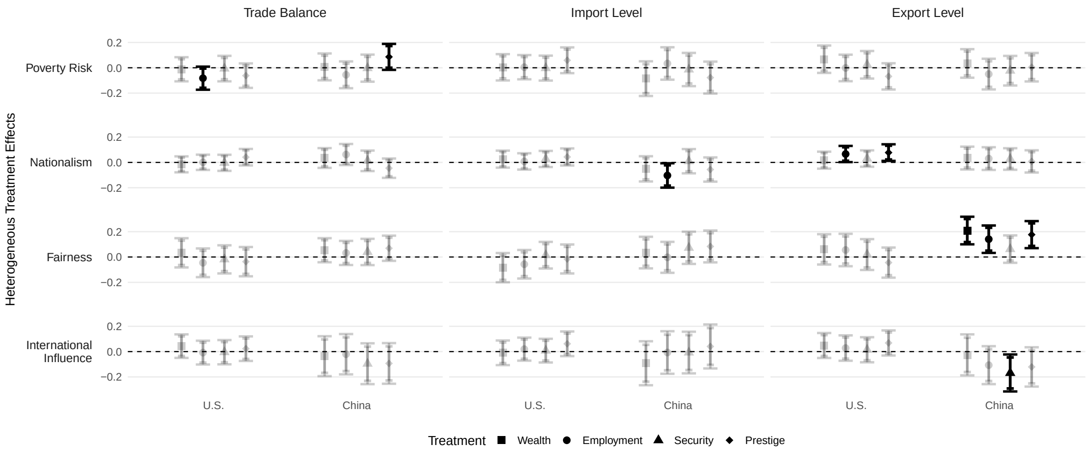
Categorization of Trade Groups

- $d = E - I$
- $tol = 1$
- Standardized scores: z_I and z_E

- Mercantilist: $d > tol$
- Conservationist: $d < -tol$
- If $|d| \leq tol$:
  - Globalist: $z_I \geq 0$ & $z_E \geq 0$
  - Isolationist: $z_I < 0$ & $z_E < 0$
  - If one z-score ≥ 0 and the other < 0, label by the average standardized score: if $(z_I + z_E)/2 \geq 0 \Rightarrow$ globalist, otherwise isolationist.

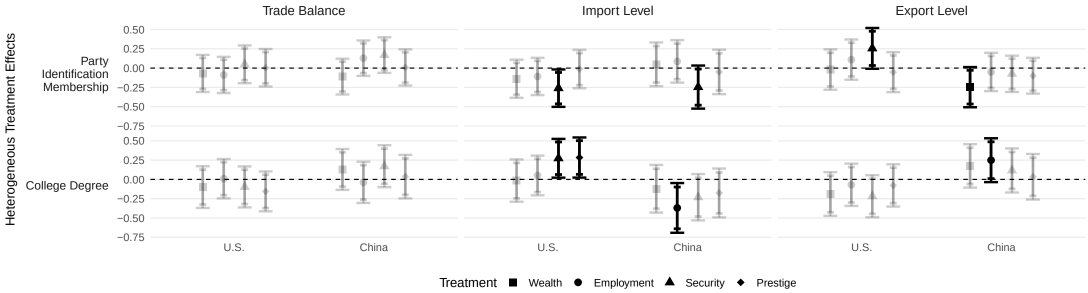
Distribution

Heterogeneous Effects of Issue Framing



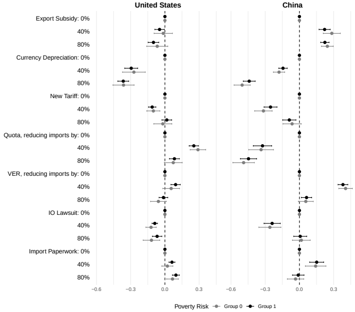
(a) Panel 1

Heterogeneous Effects of Issue Framing

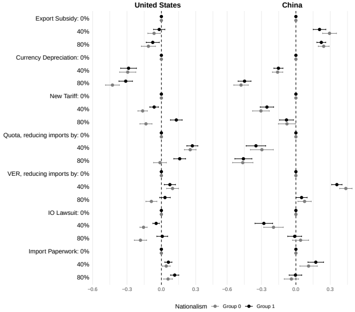


(a) Panel 2

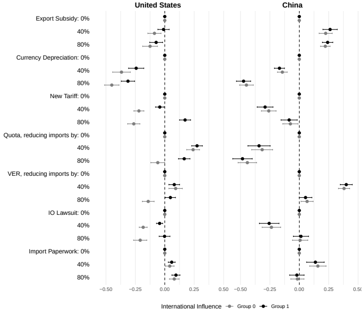
Effects of Trade Policies on Public Support, by Subgroups



(a) Poverty Risk



(b) Nationalism



(c) International Influence

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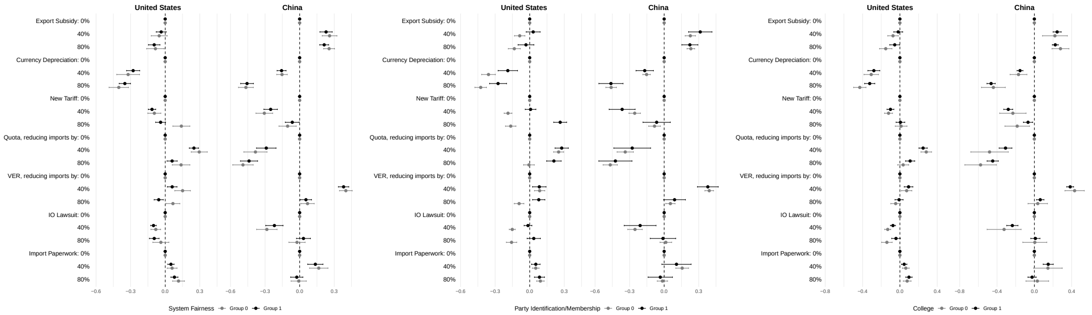

(a) System Fairness (b) Party Identification/Membership (c) College Degree