

The International Economy and Presidential Approval

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American presidents are constitutionally unable to command obedience from important congressional and bureaucratic actors in the federal government and depend, among other things, on public opinion to win support for their initiatives in the legislative and international arenas. The importance of being popular, therefore, is that it is a resource for presidents in their efforts to slant the distribution of power and influence in Washington to their own advantage.¹ Economists and political scientists have long accepted that the state of the national economy is an important determinant of this presidential resource. Reflecting this conventional wisdom, Norpoth (1985, 180), for example, states: “There can be little doubt that the economy matters for presidential popularity.” To this point, however, the economy that has uniformly been taken to matter for how presidents stand in public opinion is entirely domestic, whether it be measured in terms of objective performance measures like inflation, unemployment and per capita income or of subjective, aggregated perceptions of personal and business conditions that are measured both retrospectively and prospectively (Lewis-Beck and Stegmaier 2000).

Our argument is that this preoccupation with the domestic economy promotes a limited and incomplete understanding of the dynamics of presidential popularity in the 1990s at least.² The domestic economy matters, but so too does America’s international economic performance. Specifically, in light of the country’s heightened integration into the global economy, exemplified by Clinton’s signing of the

1 Although this is the conventional wisdom (Kernell 1997; Neustadt 1960), the empirical evidence for it is usually, but not always, supportive (Bond and Fleisher 1990; Edwards 1989, 1998; Rivers and Rose 1985). The important point for presidents, however, is that they and other important political actors believe that approval ratings improve their chances of political success (Edwards 1998).

2 Our analysis is restricted to the Clinton presidency stretching from 1993 to 2000. Unfortunately, we cannot extend it backwards since our measures of the U.S.’s international economic performance are not always available in monthly form prior to 1992. To be specific, the import price index is available in monthly form for total U.S. imports only from January 1991, and for different countries and world regions only from September 1992. For further details, see the Bureau of Labor Statistics website <<http://data.bls.gov/cgi-bin/surveymost?ei>>. A benefit of confining the analysis to a single president is that the methodological issues that arise when the presidency changes hands are not an issue.

North American Free Trade Agreement during his first year as president, we venture two related hypotheses about the international economy's effect on the chief executive's approval ratings. The more straightforward of them is that the country's trading relations, measured by the size of its trade balance (the difference between the dollar volume of goods exported and imported) and by the rate of inflation in the cost of imported goods, helped to shape Americans' evaluation of their president's performance in office during this period. Second, just as Hibbs (1977) argued for systematic variation in the economy-popularity relationship and showed the standing of left- and right-wing governments to be sensitive to different combinations of inflation and unemployment, we hypothesize that not all trading partners are the same in the eyes of the American public. More specifically, we take two large partners with which the United States had trade disputes during the Clinton presidency – Canada and Japan – and show that the president's popularity is adversely affected only when trade patterns with Japan are to America's disadvantage. Further, this effect is exaggerated by, but not dependent upon, media coverage of Japan-specific trade issues. The explanation of this difference is not obvious, but we attribute it to Japan's consistently and publicly being taken to task over the course of the 1980s and 1990s for its failure to remove allegedly unfair and restrictive barriers to the importation of U.S. goods and services (Long 1990; Schoppa 1997).

Our argument is developed in several stages. First, we briefly chronicle America's ever-closer integration into the international economy as a means of justifying our expectation that this economy mattered for Americans in the 1990s. We then proceed to describe and justify our measures of domestic and international economic performance before focusing on the question of why our trade deficit and import price inflation variables can be expected to influence presidential popularity. To

validate the independent effect of the international economy, this analysis is presented controlling for objective and subjective measures of the domestic economy separately. The next stage involves applying this same analytical strategy to Canada and Japan separately to demonstrate the differential importance for presidential popularity of adverse trading relations with the two partners. The article concludes with a summary and discussion of the larger implications of our findings.

The International Economy and Presidential Approval

The 1980s and 1990s were a period of accelerated economic globalization, defined as the liberalization of trade in goods, services, and capital (Held et al. 1999). In common with most other countries in the world, the United States under both Republican and Democratic presidents became ever more deeply integrated into an international economy operating largely on market, or *laissez-faire*, principles. A simple indicator of the U.S.'s heightened economic integration into the global economy is the country's rate of growth in its volume of trade relative to its gross domestic product (GDP). Between 1980 and 2000, GDP increased by a hefty 353 percent (from \$2.8 trillion to \$9.9 trillion). Over the same period, the rate of increase in exports was 395 percent (from \$279 billion to \$1.1 trillion) and in imports it was 499 percent (from \$294 billion to \$1.5 trillion).³

It is not new to observe that global economic integration has had consequences for the domestic politics of democratic states. Indeed, several analytical foci can be found in the globalization literature, albeit that not all have received equal treatment. One of them debates whether heightened economic interdependence has eroded governments' economic and political autonomy, with domestic policies and outcomes coming to be more heavily influenced by decisions taken in far-off capital cities, in global

³ These figures come from the Bureau of Economic Analysis' website:

corporations, or in the world's capital markets. Garrett and Lange (1991, 539), for example, ask whether "in an era of greater economic interdependence, there is little scope for partisan governments to pursue distinctive and independent economic policies, even if these are desirable from the standpoint of domestic political competition." The result has been a large literature exploring how globalization's effect on governments' social welfare provision in particular is mediated by domestic institutional structures, state strategies and the country's location in the global hierarchy (Garrett 1998; Keohane and Milner 1996).

A second analytical focus looks at how globalization has shaped the broad contours of public policy rather than at its content in specific policy areas. More specifically, it asks how international economic forces shape and reshape the policy preferences of domestic political actors on the one hand and their political influence and power on the other. A well-known relative price model, for example, holds that economic globalization raises the relative price of some goods with the result that the returns on these goods change. Their owners, in turn, may alter their broad policy preferences to maximize the returns they receive on them. Changes in the price of goods can thereby lead to a restructuring of the coalitions that compete for political influence and power, and even of the institutional structure within which this competition takes place (Frieden and Rogowski 1996; Rogowski 1989).

A third, and relatively neglected, globalization focus concerns its direct effects on the citizens whose political behaviors and opinions influence the structure of party systems, help shape the national political agenda, and elect governments. The public can be expected to have become sensitized to the international economy because, in the post-Cold War "New World Order," international economic

issues figured prominently and consistently on the national political agenda. Among them were the growing national trade deficit, discontent with the allegedly unfair practices of trading partners, Congress' refusal in 1997 to renew President Clinton's "fast-track" authority to negotiate trade deals, annual debate over the granting of most-favored nation trading status to China, and rioting and violence on the streets of Seattle at decade's close (Beinhart 1997).

A prominent example of globalization's influence on domestic political agendas is the claim of office-seeking, populist politicians that the lives of "ordinary people" had suffered under the new international economic regime. Free trade, which lies at the heart of the economic globalization process, is their favorite *bête noire*. In Ross Perot's bid for the presidency in 1996, for example, an economic issue that persuaded some Americans to vote for him rather than one of the major party candidates (or abstaining altogether) was job insecurity, popularly depicted as "that giant sucking sound to the south" (Perot 1993, 133-43; see also Buchanan 1998). For Perot, the problem with free trade was that "(t)hese foreign trade deals export our good-paying jobs to countries that exploit low wage workers and employ child and prison labor... (We) stand for intelligent international trade. We are against stupid, one-sided trade deals that ship our jobs overseas. We are dedicated to creating good-paying jobs here in the United States" (quoted in Mughan And Lacy forthcoming).⁴

Our focus on the dynamics of presidential approval in the 1990s belongs squarely in this third approach to the study of the internationalization of domestic politics. Our basic hypothesis is that the President Clinton's standing with the public was influenced by international economic variables during his occupancy of the White House. It is important to bear in mind that our argument is not necessarily that the "internationalization" of presidential evaluation began with Mr. Clinton's assumption of the office

⁴ See also Mughan et al. (2001) and Scheve and Slaughter (2000) and, on the disruptive effects of globalization more

in January 1993.⁵ Rather, we are obliged to limit our attention to the last eight years of the 1990s for the simple reason that the international economic performance measures that we suspect to be important for President Clinton's public standing are not available for previous presidents (see footnote 2). We now turn to a specification and theoretical justification of these measures.

Model and Measures

We offer a familiar reward-punishment popularity model, with presidential approval being contingent on the performance of the international as well as the domestic economy.⁶ Since we focus on the Clinton presidency, the data run from January 1993 to December 2000, for a total of 96 monthly observations. For comparability, all the variables used in our analysis are measured monthly. Sources of the data can be found in the Appendix; the means and ranges of all the variables may be found in Table A1.

Presidential approval is defined as the percentage of Americans responding positively to the standard Gallup question, "Do you approve or disapprove of the way Bill Clinton is handling his job as president?" Following convention, these percentages are averaged within months when more than one poll is conducted. All told, our dataset drew on more than 200 Gallup polls (more than two per month on average) over the course of the eight-year Clinton presidency.

Domestic economic performance is measured in two ways, objectively and subjectively. The

generally, Gray (1998) and Greider (1997).

⁵ Indeed, the international economy, particularly as it relates to Japan, was probably more salient under George H.W. Bush than under Bill Clinton. Our content analysis of stories in the *New York Times* and *USA Today*, described in more detail later in the paper, indicates that media coverage of trade issues fell from the late 1980s to late 1990s. Stories on trade were less common from 1993 to 2000 than they were from 1989 to 1992.

⁶ Though we analyze aggregate change over time, future work should consider a more nuanced set of effects that may vary across subpopulations. Skilled and unskilled workers, for example, are likely to view globalization's effects differently (Gabel 1998; Scheve and Slaughter 2001). Moreover, our analysis focuses on consumers though the effects of such things as lowering import prices will affect producers quite differently. The results in our models

subjective domestic economy measures are drawn from University of Michigan surveys used to compute the well-known Index of Consumer Sentiment (ICS), which, historically, has moved in close tandem with presidential approval ratings. MacKuen, Erikson, and Stimson (1992) have decomposed the ICS into its constituent elements to argue that prospective rather than retrospective evaluations, and national (i.e., business) rather than personal evaluations, are more important determinants of presidential approval. Our task here is not to enter into the debate about whether Americans are mostly egocentric or sociotropic when evaluating politicians, but we do find it necessary to at least separate the ICS into retrospective and prospective evaluations to do some justice to the complexity of the domestic economy's effect on presidential approval ratings.⁷ We thus include the two-item current (i.e., retrospective) and expected (i.e., prospective) economic evaluations indices as separate independent variables. Each of the retrospective and prospective measures combines the egocentric (personal) and sociotropic (business conditions) items from the ICS and is normalized around 100 as a neutral point. While this strategy does not allow us to determine whether it is the egocentric or the sociotropic that carries the more weight in shaping approval ratings, to separate economic evaluations into their retrospective and sociotropic components avoids the risk of artificially null results that might jeopardize the reliable estimation of other parts of the model.⁸

In addition to these survey-based, subjective assessments of the state of the domestic economy,

should thus be taken as average effects across the population.

⁷ For recent research on this debate, see Clarke and Stewart (1994), Erikson, MacKuen, and Stimson (2000), MacKuen, Erikson, and Stimson (1992, 1996), and Norporth (1996), among others.

⁸ An alternative strategy would include each of the four items – personal retrospections, business retrospections, personal expectations, and business expectations – as separate variables in the model. Or one might group the variables into egocentric versus sociotropic measures rather than retrospective versus prospective. Our approach minimizes the degrees of freedom lost to explanatory variables while tapping the dominant dimension of conflict in the recent literature on presidential approval. Indeed, the authors listed in the previous footnote are largely in agreement that American citizens are sociotropic rather than egocentric, so the debates have focused on whether

we include objective measures of macroeconomic performance drawn from government statistics. More specifically, the measures used are standard in the literature on presidential approval: per capita gross domestic product, inflation, and unemployment.⁹ The latter two are combined into a “misery index.” Controlling for both types of domestic economic measure helps to ensure that approval effects attributed to the international economy are not in reality an artifact of failure to take full account of the potential effects of the domestic economy in the estimation of our models. Though one might take issue with any one measure used to assess the domestic economy, the combination of two subjective measures and two objective measures as control variables should at least dispel concerns about our having omitted important baseline variables.

With rare exceptions like Bernhard and Leblang’s (2001) study of the effects of exchange rates on government popularity in Britain, political scientists have largely neglected the implications of international economic performance for the popularity of governmental actors. We remedy this neglect by exploring the influence of two specific performance measures in this study.

The first is an Import Price Index (IPI), which is a measure of the average change in the import price of a fixed market basket of goods standardized to November 1995 figures. For free trade advocates like Bill Clinton, a much-vaunted advantage of the global economic liberalization they champion is that goods become cheaper when they can be manufactured more competitively overseas and imported without being subject to domestic quotas and tariffs. Thus sensitized to import prices, it stands to reason that just as people react negatively to increases in domestic prices, as reflected in change in the rate of inflation, they will react similarly to price increases for imported goods, whether

people are mostly retrospective or prospective (e.g., Lewis -Beck and Stegmaier 2000; Nadeau and Lewis -Beck 2001).
9 The per capita income data come from Table 2.9 Personal Income and Its Disposition at

they be Canadian lumber, European cars, or Japanese television sets. The IPI allows us to track month by month increases in the real price of imported goods.¹⁰

Our second measure of international economic performance is the trade balance, defined as the dollar volume of exports minus the dollar volume of imports. A positive value indicates a trade surplus while a negative one indicates a deficit.¹¹ The balance of trade is a measure of national indebtedness and, as such, should resonate with even those citizens who have no more than a rudimentary understanding of economics, not least because, especially when in deficit, it is a statistic that is commonly reported in the media.

These performance measures have two advantages. First, citizens can reasonably be expected to be aware of both of them since most would have felt import price inflation in their own pocket and would have regularly been confronted with the news of a steadily growing trade deficit throughout the 1990s. Second, the two measures are available for U.S. bilateral trade with individual countries like Canada and Japan, as well as with the rest of the world as a whole. This gives us the ability to distinguish between general international economic effects and the country-specific ones that we expect to be more variable, and more telling for presidential popularity. Import prices and the trade balance are of course linked since, for example, a change in the cost of foreign goods, will affect both. Yet the

<<http://www.bea.doc.gov/bea/dn/nipaweb/index.asp>>.

10 The Labor Department's Bureau of Labor Statistics (BLS) has been producing import price indices in some form since the 1970s. Monthly data, either in the aggregate or broken down by trading partner, has only been available for about a decade, however (see <www.bls.gov/opub/hom/homch15_a.htm>). The recent availability of these data might help to explain why the study of the electoral effects of the international economy is only now making its way into political science research.

11 The trade balance figures come from <http://www.census.gov/foreign_trade/balance> We use trade in goods only since trade in services is available for the national figures, but not for bilateral trading patterns with individual countries. It is worth noting, however, that experimentation with the national figures indicates that using goods and services as our trade balance measure leads to the same substantive conclusions as using goods alone.

price index is a more general indicator that also captures other influences, namely exchange rates.¹²

Following convention, our approval model was tested with a range of dummy variables designed to tap the idiosyncratic effects of events such as conflicts with Congress, scandals, public disorder, and overseas military involvement. These experiments reflect less our substantive interest in the potential effects of these idiosyncratic events and more our desire to specify the model as fully as possible, thereby increasing our confidence in the inferences drawn from it. Put more technically, their inclusion increases the accuracy of the model's intercept, or baseline level of Clinton's approval. We settled on two indicators: one for the presence of divided government (January 1995 to December 2000) and another for the two government shutdowns that resulted from budget stalemates (December 1995 and January 1996).¹³ In contrast to the others that we considered, both of these dummies had consistently significant effects on approval regardless of the precise specification of the model.

Trade and Approval: The World

Our estimation strategy is simple but reasonable. Even the most cursory glance at the complex presidential popularity literature attests to there being many ways in which approval has been modeled, with much of the variation being explained by the authors' data set and their purpose at hand (Beck 1991; Lewis-Beck and Stegmaier 2000). Most obviously, various advanced statistical techniques have been employed to take account of the quirks of time series data, especially serially correlated errors.

12 The well-known Marshall-Lerner condition suggests that exchange rates, which are a component of the import price index, and trade balances are linked when the elasticities of demand exceed one. In our dataset, the relationship between the price indexes and trade balances are moderate at best even when lags are used, so it seems that here the variables are measuring distinct phenomena.

13 Among the other event dummies we considered but discarded represented the Monica Lewinsky affair, the release of independent counsel Kenneth Starr's Whitewater report, the Senate impeachment trial, both midterm elections, the 1996 reelection, and a simple first/second term indicator. Since none of them proved to be statistically significant with any consistency, we preferred to eliminate them from the analysis in order to save degrees of freedom in a data set containing only 96 observations.

Our potential for methodological sophistication, however, is limited by having a dataset containing less than 100 observations. Fortunately, it contains no missing data, but it is still the case that the loss of degrees of freedom to explanatory variables means that the asymptotic properties required by the most sophisticated techniques are unlikely to be met. Our strategy, therefore, is to estimate approval models using two different analytical techniques in the hope that their generation of similar results will enhance the credibility of our findings and strengthen confidence in their reliability. The estimation technique for the first of these models is intuitive ordinary least squares (OLS) regression analysis, with the dependent variable lagged one month on the right hand side of the equation. The second model is estimated using the iterative Cochrane-Orcutt regression method, which estimates an autocorrelation parameter in place of accounting for it with a lagged dependent variable.¹⁴

Table 1 represents our first take on the international economy's effect on presidential approval, controlling for the domestic economy. Its scope is the country's total trade balance on the one hand and import price index on the other. Put differently, the trade balance and import price index values are calculated over all the countries with which the United States has trading relations. In addition, the effects of these international economic variables are modeled under objective and subjective definitions of the domestic economy to allow for the possibility that Americans do not differentiate between the domestic and international economies in evaluating the president, perhaps because the former, being more salient to them, overshadows the latter. Finally, for reasons described in the preceding paragraph, the equations are estimated using different statistical techniques, OLS regression and Cochrane-Orcutt regression to demonstrate the robustness of our findings. This conservative approach produces four

¹⁴ Simple ARIMA models yielded results similar to the OLS and Cochrane-Orcutt methods presented here. This is reassuring since many analysts have assumed the approval series to be a low-degree autoregressive process, which

models that, together, indicate that neither the estimation technique nor the choice of measures of the domestic economy detract from the finding that the international economy matters for presidential popularity.

Table 1 about here

The results are encouraging. Most generally, their reliability is indicated by the pattern of results being very similar across both estimation techniques. The event variables, divided government and government shutdown, enjoy much the same levels of statistical significance whether the estimation technique used is OLS or Cochrane-Orcutt. While Republican control of Congress may have caused President Clinton policy coordination problems and denied him the legislative success he undoubtedly would have liked, it also bolstered his standing in public opinion. In contrast, the government shutdowns that were the product of his conflictual relations with congressional Republicans cost him several approval points.

More substantively important, though, is that both the domestic and international economies matter for presidential popularity, with the subjective domestic economy (models 1b and 2b) having a more consistent impact than its objective counterpart (models 1a and 2a). The subjective economy probably fares better because its measure “combine(s) and weigh(s) all the objective macroeconomic measures” (Lewis-Beck and Stegmaier (2000, 186). During the Clinton years, the inflation and unemployment making up the misery index in Table 1 slowly decreased over much of the period, while per capita GDP steadily increased.¹⁵ These trends mean, statistically speaking, that the objective

all of these techniques can capture.

¹⁵ More specifically, per capita GDP correlates with time at a remarkable .98. The misery index likewise has a strong relationship with time of -.83. These tight relationships of objective measures of the economy with time and each other creates substantial collinearity and thus further explains their lack of statistical significance.

macroeconomic measures have no more than a limited ability to vary systematically with presidential popularity ratings that fluctuated up and down between 1993 and 2000. This statistical artifact peculiar to the 1990s probably helps to explain why satisfaction with President Clinton's economic record at home, namely declining inflation and unemployment and rising per capita income, is better caught by the subjective assessments of the performance of the domestic economy.

This confidence that the economy was doing well might also help to explain the variation in the findings for the international economic variables. In essence, the balance of trade is unrelated to the president's popularity, while rising import prices appear to have hurt his public standing.¹⁶ It could be that Americans, with the encouragement of a Clinton administration vaunting its economic achievements, were able to discount bad news about the trade deficit precisely because all the indications were that the economy overall was performing strongly. They would seem to have been less willing, however, to discount their own far less abstract experience of rising prices for imported goods and to have reacted by punishing the president for this inflation.

In other words, economic effects would seem to be contingent; by priming the public, usually through the media coverage they receive, to focus its attention on some aspects of performance rather than others, politicians can shape public perceptions of what is to be rewarded and what is to be punished in national and international economic (and military) performance (Hetherington 1996; Iyengar 1991; Krosnick and Kinder 1990). This being the case, the economic determinants of presidential popularity are best not seen as a constant. In the specific context of the international economy, in other words, the political context woven around relations with individual trading partners could well affect

¹⁶ The significant effect for trade balance in model 1a probably best ignored for being some kind of statistical artifact. For one thing, it is relatively weak compared to the other economic impacts in the table.

whether or not presidents suffer in public opinion when those relations are to America's disadvantage.

A rigorous test of this hypothesis is to determine whether the trade balance and import price variables have similar effects for a specific nation with which the United States had harmonious trading relations in the 1990s and one with which it had a conflictual relationship. We test this hypothesis by comparing the effects on presidential approval of trading patterns with Canada on the one hand and Japan on the other. First, however, we describe briefly the U.S.'s recent trading relations with each of these countries.

Trade and Approval: Canada and Japan

In recent years, the United States has experienced very different trade relations with Canada on the one hand and Japan on the other. Neither relationship has been free of trade disputes during this period, but those disputes that did take place were much more severe and protracted with Japan than they were with Canada.

Canadian-U.S. economic relations entered a prolonged phase of harmony and mutual understanding when both countries, along with Mexico, signed the North American Free Trade Agreement in 1993. Two years into Clinton's first administration, Canada-U.S. relations were described thus:

“There has been a cyclical pattern of ups and downs. Within that historical context, the present relationship is best described as calm. There are still irritants (in the areas of trade or fisheries, for example), but they are relatively few in number and of relatively low intensity (except, of course, to those immediately involved). Across most of the bilateral agenda, the relationship is comfortable and unruffled...Internationally, the trade

agenda for both countries has moved from the bilateral arena to the multilateral (Leyton-Brown and Jockel 1994, 449-50).

Moreover, there was general agreement that “a period of enduring calm” characterized relations between the two countries afterwards. “Of course, a number of recurrent problems tend to annoy Canadian and American officials when they flare up – for example, the never-ending disputes over softwood lumber and fishing rights, or the preservation of Canada’s cultural identity – but these are of minor importance and they do not all occur at the same time, making them easier to manage” (Roussel 2000, 135). Also making them easier to manage was that the NAFTA protocol established impartial procedures for arbitrating disagreements between the signatories to the treaty (Stevenson 2000).

U.S. trade relations with Japan over the same period were very different in character. Not only were the two countries not party to a formal free trade agreement, but also, outside the relatively cumbersome World Trade Organization (and its predecessor until December 1994, the General Agreement on Tariffs and Trade) there was no institutionalized mechanism to mediate disputes between them. The result was that trade disagreements were constantly aired in public and relations between the two countries deteriorated amidst claim and counter-claim.

“Japan-bashing” did not start with President Clinton. It may have been even more prevalent under a predecessor, George Bush, whose administration had instigated a set of U.S.-Japanese negotiations known as the Structural Impediments Initiative in May 1989. In face of a large trade deficit with Japan, this initiative was intended to remove U.S.-identified structural barriers to the expansion of its exports to Japan. The outcome was limited, not total, success for the Bush administration (Schoppa 1997). As well, Bush’s highly visible trip to Japan just before the 1992 election (during which he

vomited on his hosts) was an effort to tie his military successes abroad to perceived economic failures at home. Such efforts notwithstanding, however, the trade deficit was still high when Mr. Clinton became president in 1993 and the perception persisted that continuing “unfair” Japanese trade restrictions and practices were responsible for the asymmetrical trade flows between the two countries.

Amid a fanfare of publicity, Mr. Clinton responded aggressively and remained aggressive throughout his tenure of the White House. In late March 1993, barely two months after assuming the presidency, he accused 44 countries of closing their markets to U.S. goods, and he singled out Japan for special treatment. Two weeks later, he told the Japanese prime minister that his country must open its markets to American goods. This demand was reiterated at a February 1994 trade summit in Tokyo, but this time the Japanese were told, in addition, that they should accept quotas in the percentage growth of U.S. exports to specific Japanese markets. In early March of the same year, the Clinton administration revived the Super 301 provision of the 1988 Omnibus Trade and Competitiveness Act, which allows the president to impose trade sanctions, such as punitive tariffs, against any country found to be engaging in unfair practices that keep U.S. products out of foreign markets (Norton 1994). In May 1995, he responded to continued Japanese resistance to opening up its domestic market to more U.S. autos and auto parts by imposing a dramatic 100 per cent tariff on 13 high-priced Japanese cars (Zuckerman 1995). Finally, Mr. Clinton turned up the pressure on Japan once again during the Asian economic crisis when his administration insisted that, as the region’s leading economic power, it should do more to absorb Asian exports by cutting taxes and increasing public-works spending (Landers 1998).

These incidents highlight the tense state of U.S.-Japanese trade relations throughout the Clinton

presidency. *Gaiatsu*, a Japanese word meaning “external pressure,” even found its way into the English language as a result of the tension between the two countries remaining very public and very tense over a long period of time. The “enduring calm” of the United States’ trade relationship with Canada was certainly not replicated with Japan. Nor does this difference seem to have been lost on the American public.

Table 2 shows the effects of trade relations with Canada and Japan separately, controlling for the objective and subjective domestic economy. In these models we simply replaced the aggregate IPI and trade balance variables with equivalent measures specific to Canada and Japan while keeping the baseline domestic variables the same.

Table 2 about here

As in Table 1, the subjective domestic economy had implications for President Clinton’s public standing regardless of trading partner, albeit that the primacy of prospective over retrospective economic evaluations is now less clear. International economic effects are more differentiated too. Even though the U.S. suffered a negative balance of trade with both Canada and Japan, adverse trade relations mattered, and mattered substantially, for presidential approval only in the case of Japan; the larger the trade deficit with and the greater the inflation in the price of imports from Japan, the lower Clinton’s popularity. Moreover, the presence of Japanese effects and absence of Canadian ones is remarkably stable across estimation techniques and domestic economy measures.

How is the American public’s differential reaction to adverse trade relations with the two countries to be explained? Cultural prejudice is one possible explanation. Perhaps it is prejudice that makes Americans resent trade deficits with an oriental culture, but not with a predominantly western one

like Canada. This explanation is unlikely, however. Using survey data, Herrmann, Tetlock and Diascro (2001, 198-202) have shown that Americans do not favor free trade with Japan as much as they favor it with England and India. They interpret the failure to distinguish between England and India as the absence of cultural prejudice in American attitudes towards free trade and conclude that “the evident discrimination (against Japan)” is better explained “both by possible security concerns and by possible perceptions that Japan does not abide by free-trade practices.”

A second possible explanation lies in the size of the trade deficit. It was substantially larger for Japan than for Canada throughout the Clinton years (see Table A1). Therefore, the argument might continue, the size of the deficit with Japan crossed some kind of critical threshold that made it unacceptable to the American public. Again, this is unlikely since the mean deficit figures for the two countries in Table A1 hide contradictory trends. In point of fact, the Canadian trade deficit grew at a much faster rate over the term of the Clinton presidency. In his first four years in the White House, the trade balance averaged -\$1.3 billion, roughly a third of the size of the deficit with Japan. The deficit with Japan then grew a little larger in the second half of the 1990s, but the post-NAFTA deficit with Canada accelerated and almost came to equal that with Japan by the end of the Clinton presidency (-\$6.1 billion for Japan in 2000 versus -\$5.7 billion for Canada).

If the size of the deficit were the issue for the American public, in other words, one might reasonably expect that the Canadian deficit would stimulate the same negative reaction to the president that the Japanese deficit did. But why did it not? The answer, it seems to us, is that the American public was largely unaware of the deficit with Canada because trading relations with Canada attracted much less media attention than did those with Japan. Moreover, the deficit with Canada was probably

less controversial in the minds of those who did know about it since its character was different than that with Japan. With Canada, trade has mostly been intra-industry, and often even intra-company, in such markets as automobile parts. With Japan, by contrast, trade has generally been more competitive in character, with American and Japanese firms engaged in zero-sum competition for market share in the same sectors, for example, automobiles. In short, the heavier media emphasis on trade with Japan is entirely understandable given the greater threat that Japanese imports posed to several key U.S. industries.

Taken together, two considerations suggest the plausibility of this media-based explanation of the differential reaction to trade deficits with Japan and Canada respectively. The first is that it has been established elsewhere that economic evaluations are shaped by the quantity of media coverage of the issue that the public consumes (Hetherington 1996).¹⁷ The second is that trade relations with Japan were heavily covered by the media during the Clinton presidency, whereas the same relations with Canada received relatively scant coverage (see Table A1).

One way of looking at media coverage is that it “subjectifies” objective indicators by making them known to the public. Just as perceptual evaluations of domestic economic performance have a stronger effect on presidential approval than do objective macroeconomic indicators, it is reasonable to anticipate the same heightened effect when the objective international economy is given a subjective dimension by taking simultaneous account of objective economic and media coverage measures in explaining fluctuations in presidential popularity. Thus, we hypothesize, while U.S. trade relations with Japan matter directly for the president’s public standing, they will also matter indirectly as a result of the

¹⁷ It almost goes without saying that media coverage affects presidential approval (e.g., Brody 1991).

heavy press attention paid to relations with this trading partner. Indeed, it might even be that the direct objective effects uncovered in Table 2 will disappear once their interaction with media coverage is taken into account. Objective effects, in short, can only kick in when the public is made aware of them through the media.

To test this hypothesis, we re-estimate the approval models in Table 2 models adding interaction terms that allow the influence of the two trade variables to be magnified by media coverage effects. The media coverage variables come from a content analysis of two newspapers, the *New York Times* and *USA Today*, and are simple counts of stories dealing with U.S. trade generally and with trade with Japan and Canada separately in particular.¹⁸ For the analysis, the story counts in each paper are combined for each month from January 1993 to December 2000 (see Table A1). These two national newspapers were chosen and combined because their different emphases and audiences promised a readership that is more representative of the U.S. population than either would have provided alone. Indeed, the distribution of their combined trade stories over time is of interest and relevance in itself. The average monthly number of trade stories was 37, nearly two thirds of which dealt just with Japan. Moreover, while the total number of stories was lower during Clinton's tenure of the presidency than Bush's, the *proportion* of trade stories dealing just with Japan was about six points higher under Clinton's watch. Over the whole period, stories dealing with Japan outnumbered those

18 The data source for the newspaper stories is the Lexis/Nexis newspaper archive. Three separate terms, trade surplus, trade balance and trade deficit, were at the core of the search. After identifying the newspaper (*New York Times* and *USA Today*) and the month (January 1989 through December 2000), these terms were entered one after the other and the number of "hits" each produced summed for each month and each newspaper. This procedure was then repeated except that the word Japan was also used as a search term. The third search replaced Japan with Canada. Note that results for the *New York Times*' "Information Abstracts" were not included in the total count as these were not stories in the newspaper itself, but were rather mentions in other news sources that were then cataloged by Information Abstracts (operated by The New York Times organization).

dealing with Canada by a ratio of roughly 5:1.¹⁹

Table 3 about here

Table 3 replicates Table 2 with the exception that it contains an additional two interaction variables, the monthly story count multiplied by the corresponding import price index and trade balance values for Canada and Japan, to test whether the volume of media coverage enhances the two trade variables' direct effects on presidential popularity in Table 2. A number of conclusions follow. First, earlier finding that presidential approval is affected by trade relations with Japan, but not with Canada, is confirmed even when media coverage of the two countries is taken into account. Second, trade relations with Japan matter even more the heavier the media coverage of them. This is especially so in the case of the trade deficit, which makes sense in light of the regular media coverage of the deficit on the one hand and the emotive nature of that coverage as it drew attention to Japan's "unfair" trading practices vis-à-vis the United States. Finally, in contrast to the earlier hypothesis that the direct effects of rising import prices and the negative trade balance might disappear once media coverage of them was controlled, it turns out that they remain significant predictors of approval ratings. Indeed, rather than waning in magnitude, the size of the trade balance coefficients roughly doubles from around .10 to .20. At least on the trade deficit issue, media coverage would seem to have elicited a disproportionate reaction from the American public, which again can probably be attributed to the emotive nature of this issue. The Japanese were probably commonly seen as not playing fairly, and the president suffered in public opinion for allowing them to go on getting away with it.

¹⁹ These aggregate figures hide interesting variation in media coverage of international trade. Coverage of both Canada and Japan fell over the course of the Bush presidency, but spiked again at the beginning of the Clinton presidency and then repeated the slow decline exhibited in the previous administration. Consistent with the growing Canadian trade deficit relative to the Japanese, stories on Japan dropped in number at a slightly faster rate during the

Conclusion

This analysis of the determinants of presidential popularity in the 1990s suggests three main conclusions. First, at least at the close of the twentieth century, the international arena is important for understanding fluctuations in presidential popularity. Improving models of presidential popularity, in other words, is no longer simply a function of adding data points or applying more sophisticated analytical techniques. The structure of these models has to be re-thought in the sense that they have, in principle, to incorporate the international economy and, in practice, determine which aspects of this economy matter under what circumstances for presidential popularity.

Second, in one sense, of course, to draw attention to the importance of the international is not new. From the earliest popularity studies, it has been acknowledged that U.S. military involvement overseas produces a “rally round the flag” effect that provides a short-term boost to the president’s standing in public opinion (Mueller 1973). In a larger context of economic globalization and heightened U.S. integration into the international economy, however, we are the first to draw attention to the need to take account of international, as well as continuing domestic, economic forces in studies of the political economy of presidential popularity. As a first cut, we focus on the impact of the trade balance and inflation in the cost of imported goods and find variation in their impact, both across economic forces and across bilateral trading partners. One size not fitting all, in other words, models of presidential approval should continue to be both general and particular in their specifications.

Finally, bilateral trade relations, even when adverse, do not always elicit the same reaction from the American public. Adverse trade relations with Canada proved not to help or hinder President

Clinton's approval ratings, whereas similar relations with Japan had a substantial negative impact on them. Moreover, controlling for media coverage of the trade deficit issue in particular served to enhance these negative effects in the case of Japan. We have concluded from these findings that the economy does not speak for itself entirely. The explanation of the public's contrasting reactions to the two countries lies in the different patterns of media coverage to which their trade relations with the United States were subject. In other words, media coverage serves to "subjectify" the objective economy. But does this mean that media coverage helps to explain ups and downs in presidential popularity? At a superficial level, of course, the answer is yes; the public responds to what it hears, reads and sees. In reality, however, deeper insight into the dynamics of presidential popularity is to be gained from taking media coverage for what it is, an epiphenomenal explanation. In reality, it was Presidents Bush and Clinton who, despite meeting with little success in having Japan modify or abandon them, continued time and again to raise the controversial issue of unfair trading practices. The media simply relayed messages and actions decided upon in the White House. In publicly banging his head against a brick wall, President Clinton stoked popular frustration with Japan and unabated frustration in turn lowered his standing with the public. The motto, it would seem, is that presidents mindful of their poll ratings should only conduct disputes in public if they are confident of bringing them to a timely, successful and advantageous conclusion.

Appendix

Table A1: Descriptive Statistics

Variable	Mean	Minimum	Maximum
Presidential Approval	55.1	40.7	67.0
Per Capita GDP	21881.6	20089	24096
Misery Index	7.79	5.74	10.56
Prospective Evaluations	90.4	64.7	108.6
Retrospective Evaluations	109.2	95.1	121.1
Overall Trade Balance	-19845.9	-40205	-8687
Japan Trade Balance	-5277.0	-8415.7	-3178.4
Canada Trade Balance	-1856.5	-5733.5	-453.9
Overall Import Price Index	96.8	90.4	101.9
Japan Import Price Index	93.2	87.0	102.0
Canada Import Price Index	97.2	91.2	102.5
Japan Trade Stories	21.4	1	73
Canada Trade Stories	3.9	0	18
Divided Government	.75	0	1
Government Shutdown	.02	0	1

Notes: Each variable is observed for the 96 months from January 1993 to December 2000.

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Table 1: Trade Relations and Presidential Approval: The World

	Ordinary Least Squares		Cochrane-Orcutt	
	(1a)	(1b)	(2a)	(2b)
<i>Domestic Economy</i>				
Per Capita GDP	.003** (.002)		.002 (.002)	
Misery Index	.71 (.71)		-.36 (1.05)	
Retrospective Evaluations		-.30** (.12)		-.15 (.10)
Prospective Evaluations		.19** (.06)		.28** (.07)
<i>International Economy</i>				
Import Price Index	-.16 (.15)	-.41** (.13)	-.48 (.31)	-.62** (.27)
Trade Balance	.026* (.016)	-.003 (.005)	-.005 (.016)	-.02 (.01)
<i>Event Variables</i>				
Divided Government	2.76* (1.52)	4.85** (1.19)	6.77** (2.43)	7.51** (2.22)
Government Shutdown	-3.81* (1.97)	-3.52* (1.94)	-3.72* (2.20)	-4.43** (2.05)
<i>Ancillary Parameters</i>				
Constant	-38.43 (37.39)	70.63** (19.76)	47.81 (47.12)	97.25** (29.57)
Approval Lagged	.65** (.07)	.62** (19.76)		
<i>r</i>			.71** (.07)	.73** (.07)
Durbin-Watson			2.16	2.18
Adjusted R^2	.851	.859	.285	.341

Notes: All models have a sample size of 95 monthly observations. The trade balance variables have been divided by 100 for easier interpretation. * $p < .10$, ** $p < .05$ (two-tailed t tests)

Table 2: Trade Relations and Presidential Approval: Canada and Japan

	Ordinary Least Squares		Cochrane-Orcutt	
	(1a)	(1b)	(2a)	(2b)
<i>Domestic Economy</i>				
Per Capita GDP	.001 (.001)		.002 (.002)	
Misery Index	-.45 (.63)		-.55 (.86)	
Retrospective Evaluations		-.16 (.10)		-.14 (.10)
Prospective Evaluations		.16** (.06)		.26** (.07)
<i>International Economy</i>				
Canada IPI	-.13 (.29)	-.33 (.28)	.11 (.50)	.04 (.43)
Japan IPI	-.25 (.18)	-.33** (.14)	-.74** (.35)	-.81** (.24)
Canada Trade Balance	-.04 (.07)	-.06 (.04)	.02 (.07)	-.02 (.06)
Japan Trade Balance	.11** (.04)	.09** (.04)	.11** (.04)	.10** (.04)
<i>Event Variables</i>				
Divided Government	3.05 (1.99)	5.28** (1.92)	5.49** (2.67)	6.22** (2.62)
Government Shutdown	-4.10* (2.02)	-3.31* (1.99)	-3.93* (2.20)	-4.52** (2.05)
<i>Ancillary Parameters</i>				
Constant	51.41 (42.29)	90.28** (27.41)	86.10 (50.16)	118.7** (36.82)
Approval Lagged	.58** (.08)	.54** (.08)		
<i>r</i>			.63** (.08)	.66** (.08)
Durbin-Watson			1.93	1.98
Adjusted R^2	.859	.866	.441	.466

Notes: All models have a sample size of 95 monthly observations. Trade balance variables have been divided by 100 for easier interpretation. * $p < .10$, ** $p < .05$ (two-tailed t tests)

Table 3: Trade Relations, Media Coverage and Presidential Approval: Canada and Japan

	Ordinary Least Squares		Cochrane-Orcutt	
	(1a)	(1b)	(2a)	(2b)
<i>Domestic Economy</i>				
Per Capita GDP	.002 (.002)		.002 (.002)	
Misery Index	.01 (.67)		-.24 (.86)	
Retrospective Evaluations		-.15 (.11)		-.13 (.11)
Prospective Evaluations		.15** (.06)		.25** (.07)
<i>International Economy</i>				
Canada IPI	-.09 (.28)	-.24 (.28)	.19 (.50)	.24 (.44)
Japan IPI	-.22 (.20)	-.35** (.14)	-.71** (.35)	-.85** (.24)
Canada Trade Balance	-.06 (.08)	-.09 (.06)	.01 (.08)	-.05 (.07)
Japan Trade Balance	.22** (.20)	.18** (.06)	.22** (.06)	.18** (.06)
<i>International Economy and Media Coverage Interactions</i>				
Canada IPI ×	.001 (.003)	-.001 (.001)	-.0002 (.0002)	-.0004 (.002)
Canada Trade Coverage				
Japan IPI ×	-.003** (.002)	-.003 (.002)	-.003** (.001)	-.002 (.001)
Japan Trade Coverage				
Canada Trade Balance ×	.01 (.02)	.009 (.02)	.009 (.02)	.009 (.02)
Canada Trade Coverage				
Japan Trade Balance ×	-.01** (.003)	-.005* (.003)	-.006** (.002)	-.004* (.002)
Japan Trade Coverage				
<i>Event Variables</i>				
Divided Government	2.40 (2.02)	4.43** (1.98)	4.56 (2.73)	4.98* (2.72)
Government Shutdown	-4.20** (2.00)	-3.54* (1.97)	-4.21* (2.74)	-4.73** (2.03)
<i>Ancillary Parameters</i>				
Constant	30.22 (44.87)	90.15** (29.13)	65.26 (51.91)	108.6** (38.13)
Approval Lagged	.55** (.08)	.51** (.08)		
<i>r</i>			.63** (.08)	.67** (.08)
Durbin-Watson			1.96	2.05
Adjusted R^2	.862	.869	.451	.472

Notes: All models have a sample size of 95 monthly observations. The trade balance variables have been divided by 100 for easier interpretation. * $p < .10$, ** $p < .05$ (two-tailed t tests)