

# **Punishing Presidents at the polls could be on the increase with 'off-shoring' of US jobs set to rise**

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The loss of American jobs can cost incumbent presidents dearly at the ballot box – particularly if these jobs are shifted overseas.

With up to 38 million US jobs estimated to be under threat of being moved overseas in the next two decades, new research indicates that the 'off-shoring' of American jobs may become an increasing headache for Presidents, and could also lead to a rise in new forms of protectionist trade policies.

These are just some of the conclusions from research carried out by Yotam Margalit, an Assistant Professor at Columbia University. Margalit's ground-breaking research found that a tangible effect of burgeoning globalization is that Americans punished successive incumbent presidents at election time for the loss of local jobs due to foreign competition, and this was particularly notable in those areas where jobs were lost as a result of off-shoring.

In a new article in the latest issue of the *American Political Science Review*, published on behalf of the American Political Science Association by Cambridge University Press, Margalit asks: "Does globalization's impact on the labor market affect how people vote?" He finds that the off-shoring phenomenon cost President George W. Bush between 0.2 and 4 percentage point drops in support in the 2004 elections in counties affected by jobs going overseas.

This equated to 180,000 votes withheld from Bush or one vote for every 7.1 jobs lost to foreign competition, although Margalit notes that considering that half the electorate were already opposed to Bush in 2000, that the true electoral cost of the job losses was actually closer to one vote withheld for every 3.5 jobs lost overseas. And the punishment phenomenon was not limited to Bush: Margalit also found a similar effect in the previous election cycle when Clinton was the incumbent.

Given that globalization is here to stay, Margalit argues that the punishment of presidents at the polls is likely to increase in light of the staggering number of jobs estimated to be under threat as off-shoring accelerates over the next two decades. According to a recent study by Princeton economist Alan Blinder, up to 38 million American jobs could be dislocated by off-shoring in the coming years, compared with the 1.3 million jobs which Margalit's analysis suggests were harmed by foreign competition during the first four years of Bush's presidency.

Margalit also argues that the off-shoring trend could see a growth in ever-more inventive protectionist trade policies: "Increasing forms of trade protectionism are likely. As an example, to curtail the off-shoring of American call center jobs, a recent bill requires U.S. companies to disclose to customers when their calls are being transferred outside the country and also imposes a fee for each call transferred. This type of legislation may be a sign of things to come."

Margalit examined every application made over an 8-year period (1996–2004) to the U.S. Department of Labor requesting compensation for workers affected by trade-related competition. He then matched this data with job layoffs and voting patterns in every US county (3111 in total), apart from Alaska (where electoral wards do not match county boundaries). He found that in the eight years preceding the 2004 elections a total of 22,287 applications for compensation were made, representing 2,110,310 employees from businesses based in just over

half of all U.S. counties (50.2 per cent).

The applications for government compensation came from 340 different industries, with the electronic components and accessories industry most affected.

Notably, the study finds that the subsequent punishment of presidents at the polls was allayed in cases where compensation claims were successful, providing the affected workers with a ‘trade readjustment allowance’, including a two-year wage insurance, support for the costs of re-training and tax credits for health care costs. Where such compensations were offered, Margalit found a smaller ‘anti-incumbent effect’ when these workers went to the ballot box.

The research also found that voters were much more likely to wield their votes against a President when their [jobs](#) were being taken by foreign workers. Losing out to home-grown competition did not have the same effect:

“These findings are consistent with the notion that voter sensitivity to job losses caused by off-shoring is greater because these are often clearly associated with a recognized “villain” in the form of a foreign country.” Margalit said.

Margalit predicts that future Presidents will have to pay much more attention to the off-shoring debate, which looks set to be increasingly exploited by opposition parties to stoke anxiety and discontentment among the broad voting public. Even if the issue does not wreck a re-election bid, it could reduce a [president](#)’s Congress majority to a point where it is very difficult to get trade policies through.

Provided by Cambridge University

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