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Published in:
 Politics and Governance

DOI:
[10.17645/pag.v10i3.5284](https://doi.org/10.17645/pag.v10i3.5284)

IMPORTANT NOTE: You are advised to consult the publisher's version (publisher's PDF) if you wish to cite from it. Please check the document version below.

Document Version
 Publisher's PDF, also known as Version of record

Publication date:
 2022

[Link to publication in University of Groningen/UMCG research database](#)

Citation for published version (APA):

Linsi, L. (2022). Economic Narratives and the Legitimacy of Foreign Direct Investments. *Politics and Governance*, 10(3), 98-109. <https://doi.org/10.17645/pag.v10i3.5284>

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Article

Economic Narratives and the Legitimacy of Foreign Direct Investments

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Submitted: 20 January 2022 | Accepted: 18 May 2022 | Published: 23 August 2022

Abstract

In the 1990s, the primary focus of the international investment regime shifted from the restriction and regulation towards the promotion and attraction of foreign companies. Dominant accounts in the international political economy literature emphasize the role of interests and institutions in explaining this policy shift but pay little attention to their legitimation. This article argues that transformations in dominant economic discourses—and in particular the rise of the competitiveness narrative—played an important role in granting legitimacy to this U-turn in international economic affairs. To test the argument, the article focuses on the impact of the differential changes in the portrayal of greenfield and mergers and acquisitions (M&A) inward foreign direct investments (IFDI) in economic discourses in the UK before and after the rise of the competitiveness narrative. In line with the theoretical argument, findings indicate that individuals who passed their early adulthood in a period in which the narrative of economic statism was still prevalent hold notably more skeptical views of M&A IFDI even though they are otherwise not more opposed to investments from abroad. A causal mediation analysis lends further empirical support to the argument.

Keywords

economic discourses; foreign direct investments; globalization; legitimacy; narratives; public opinion; socialization

Issue

This article is part of the issue “Legitimacy and Global Economic Ties” edited by Nienke de Deugd (University of Groningen) and Gerda van Roozendaal (University of Groningen).

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1. Introduction

Policies shaping the structure of the international investment regime have shifted considerably over the past decades. Restrictions on foreign direct investments (e.g., screening mechanisms, equity restrictions, and other conditionalities imposed on inward investments) were commonplace in the decades following World War II, in the Global South as well as in advanced industrial economies. By the late 20th century, the regulatory approach had been overturned, as the global policy regime's primary purpose had moved from *restricting* and *regulating* investments by foreign companies to actively *promoting* and *attracting* them (Danzman & Slaski, 2021; Elkins et al., 2006; Jandhyala et al., 2011; Jensen et al., 2014; Linsi, 2016; Poulsen, 2015; Wellhausen, 2021). Existing literature in international political economy explains this shift by transformations

such as the empowerment of labor classes through global democratization (Pandya, 2014; Pinto, 2013), demands by local businesses in response to banking reforms (Danzman, 2019), or policy diffusion (Elkins et al., 2006). While these factors undoubtedly did play a role in the global opening up of the international investment regime in the 1990s and 2000s, they tend to downplay the role of contemporaneous discursive and normative developments. Institutional changes are socially and normatively embedded, as the literature on legitimacy has shown for a broad variety of policy issues and organizations (Beetham, 1991; Burgoon & Fransen, 2017; Dingwerth et al., 2019; Seabrooke, 2006; Tallberg & Zürn, 2019). The politically powerful cannot adapt rules as they please. Institutional changes such as those observed in the international investment regime require justification by reference to beliefs shared by dominant and subordinate groups alike (Beetham, 1991;

de Deugd & van Roozendaal, 2022). Economic ideas and discourses mobilized by ruling classes can play an important role in this context in legitimizing institutional changes (Carstensen & Schmidt, 2016).

The thrust of the argument pursued in this article is that the implementation of pro-liberalizing reforms in the international investment regime was accompanied and made possible by shifts in economic narratives that recast widely held beliefs about the *desirability* of inward foreign direct investment (IFDI). Building on previous work on the role of ideas and imaginaries in political economy (e.g., Abdelal et al., 2010; Cameron & Palan, 2004; De Ville & Siles-Brügge, 2018; Schmidt, 2001; Shiller, 2019; Stanley, 2014; Sum & Jessop, 2013), the article suggests that economic narratives circulated in public discourses can play an important role in the construction of individual preferences towards economic globalization. As previous literature has suggested (e.g., Blyth, 2002; Chwieroth, 2007; Linsi, 2020; Metinsoy, 2021), economic narratives are oftentimes rooted in academic work but get disseminated by think tanks, international organizations, politicians, and the news media who simplify and popularize certain theoretical concepts and ideas among a wider public. Narratives provide readily available scripts and causal expectations that can function as cognitive shortcuts, but also respond to (and make sense of) individuals' economic hopes and anxieties. By doing so, they can influence how the public "sees" the material consequences of economic integration for themselves and the in-groups they care about and, as a result, how they define their stance towards economic globalization and the legitimacy of certain policy decisions (Carstensen & Schmidt, 2016; Chwieroth & Sinclair, 2013; Fuller, 2021).

To test this argument empirically, the article examines mass attitudes towards IFDI in the UK. Two considerations make it a suitable case for that purpose: First, as will be shown, in the late 1980s and early 1990s the framing of the costs and benefits of IFDI in British public economic discourses changed sharply in a matter of a few years (developments that were mirrored in many other countries subsequently). Second, the phenomenon of IFDI consists of two distinct types of transactions, greenfield and mergers and acquisitions (M&A) IFDI, which have similar material consequences according to economic research but were portrayed very differently in public economic discourses. In short, while greenfield IFDI was perceived favorably throughout the period, in the 1950s–1980s, political groups from left and right repeatedly rang alarm bells about foreign takeovers of British firms (M&A IFDI), which were described as a threat risking to undermine the nation's long-term development prospects. From the early 1990s onwards, when a narrative of globalization and competitiveness took a hold of British public economic discourses (Watson & Hay, 2004), debates started to change. Rather than as a problem, foreign takeovers were increasingly framed as an inevitable and on the whole economically bene-

ficial phenomenon, which some even started to interpret as an indicator of the success of the UK economy (Linsi, 2020).

To evaluate whether and to what extent this change in discourse affected mass attitudes towards IFDI, I leverage a well-established finding from previous research on socialization, which has found the likelihood of individuals to absorb and internalize political-economic information and value judgments to be greatest during late adolescence and early adulthood and rapidly decreasing thereafter (Grasso et al., 2017; Inglehart, 1989; Mannheim, 1970). Accordingly, I hypothesize that individuals who passed their prime period of political-economic socialization at a time in which the discourse of economic statism was prevalent will express more skeptical views of M&A IFDI than their peers who came of age at a time in which the economic narrative of globalization was prominent, independently from their material position in economic structures and the broader cultural and political-ideological beliefs that they hold.

Using the results of one of the most fine-grained surveys of IFDI attitudes conducted to date and taking other age-related factors that can potentially influence IFDI attitudes into account, I find strong empirical support for this hypothesis. While earlier studies and public commentary have also observed higher levels of globalization skepticism among older respondents, this article forwards a novel and more specific explanation which emphasizes the social contingency of such patterns. Consistent with the hypothesis of socialization and contrary to notions of a "natural" age-dependent trend towards conservatism, I find older cohorts in the UK to be more skeptical only of M&A and not of investments from abroad in general. Furthermore, while other unobserved age-related dynamics may simultaneously be at play, I am able to establish through a causal mediation analysis (CMA) that about half of the sizable cohort effect can be explained by differences in the degree to which individuals of each cohort (dis)agree with the ideology of economic statism (which is measured separately in the survey).

As a whole, the article encourages scholars studying economic attitudes and preferences to pay closer attention to how individual interests are being constructed, and the role that narratives and other interpretive frameworks can play in legitimating changes in the rules that govern the global economy. As the findings show, taking legitimacy seriously can lead to a more complete account of the remarkable transformation in the international investment policy regime over the past decades. At the same time, it promises to help us better understand the return of investment restrictions in most recent years (Babić & Dixon, 2022; Danzman & Meunier, 2021; Gertz, 2021; Linsi, 2021), which has gone hand in hand with an anti-globalist movement in which discursive strategies tapping into themes of earlier economic statist narratives have played a prominent role. The remainder of the article is organized as follows: The argument is briefly

situated in the literature, followed by an elaboration of the empirical strategy and the presentation of key findings. The last section concludes.

2. The Formation of Individual Preferences Towards Economic Globalization and Inward Foreign Direct Investments

Early studies of mass attitudes towards economic globalization have primarily focused on individuals' positioning within economic structures. Building on variants of Heckscher and Ohlin's factor-endowment theory, they uncovered evidence that individuals who possess the necessary skill set to take advantage of the opportunities that further economic integration can bring about are more likely to support the liberalization of regimes regulating cross-border flows of trade, capital, and migration, while those at risk to incur a net income loss from greater factor mobility are opposed to it (Mayda & Rodrik, 2005; Scheve & Slaughter, 2001). The few existing studies of IFDI attitudes closely mirror these arguments and emphasize the association of higher (lower) levels of skills, income, or education with more (less) favorable views of foreign companies (Pandya, 2010; Scheve & Slaughter, 2004). While these arguments can provide convincing explanations of variation in attitudes across social groups, they face some limitations in making sense of shifts in attitudes over time.

Furthermore, individuals' self-interests in the world economy are not self-evident (Abdelal et al., 2010; Rho & Tomz, 2017). Whether or not the attraction of foreign companies is in one's personal interest can be very difficult to tell. The material reality of the world economic system as such is too vast and complex to be readily "seen." Arguably people's knowledge and opinions about economic policies are therefore not primarily based on observations of the economy itself but rather on economic *imaginaries* that depict the latter in certain ways (Cameron & Palan, 2004; Campbell-Verduyn, 2021; Fuller, 2021; Lobo-Guerrero et al., 2019; Sum & Jessop, 2013).

In this perspective, economic narratives become important objects of analysis because they are what shapes shared imaginaries about the economy: They provide deliberately simplifying accounts of socio-economic macro-structures surrounding us in order to allow us to make (some) sense of our position and activity within highly complex systems (Krebs, 2015). As such, they are a relational concept that mediates structure and agency, enabling individuals to "(re)construct visions of the world that allow them to (re)situate themselves in the world" (Schmidt, 2008, p. 306). Or as Krebs (2015, p. 16) has formulated it: "It is through narrative that human beings order disordered experience and impart meaning to themselves and their world."

In other words, economic narratives are socially constructed and intersubjectively shared stories that provide plausible and commonsensical accounts of how the economy works, which can serve as useful cogni-

tive frames in helping individuals to make sense of their surroundings. But economic narratives are not neutral reflections of reality; by necessity, they emphasize certain aspects of economic phenomena at the expense of others. What they emphasize and what they downplay, in turn, can shape how individuals perceive economic realities, what they consider as "problems" and "solutions" and how they define their interests (Narlikar, 2020; Schmidt, 2001; Stanley & Jackson, 2016). By the same token, at the societal level, changes in narratives over time have the potential to shift the positioning of average opinion over time.

Against this background, the remainder of this article evaluates the impact of over-time shifts in dominant economic narratives on mass attitudes towards inward investments from multinational corporations.

3. Empirical Strategy

To evaluate the impact of shifts in economic narratives on individual preferences, the research design focuses on an empirical case in which the description of an economic phenomenon in dominant discourses has shifted abruptly at a roughly identifiable point in time, and leverages insights from socialization research to identify heterogeneities in the extent to which this discursive change is expected to affect the economic belief systems of different social groups. The following paragraph briefly synthesizes the discursive shift in the portrayal of IFDI in the UK; the subsequent section introduces the age-dependency of socialization processes.

3.1. A Blessing or a Curse? Inward Foreign Direct Investments in Public Economic Discourses in the UK

Economic discourses in the aftermath of World War II were dominated by narratives of economic statism, in the UK and elsewhere (Linsi, 2016). The world economy was described as a system consisting of a set of partly autonomous national economic units exchanging (relatively modest amounts of) goods and capital with each other. The principal drivers of economic growth and development were perceived to be located at the national level. National firms were portrayed as all-important actors determining a nation's economic success or failure in the long run. In line with this reasoning, foreign acquisitions of domestic firms were mostly seen as economic problems. From the 1950s well into the 1980s, governments from both the Conservative and the Labour Party emphasized the economic importance of national industry, actively devised various programs to strengthen nationally owned companies, and warned about the dangers of foreign takeovers of domestic firms (Hall, 1986; Linsi, 2020).

Yet, the discourse of economic statism in Britain was not just opposed to international economic integration *per se* or the presence of foreign economic actors in general. The worries focused to a large extent on

the phenomenon of M&A IFDI, which had been singled out as the most problematic aspect of economic internationalization. There was comparatively little discursive opposition to free trade in British economic discourses at the time, which was portrayed in much more favorable terms. Also, greenfield IFDI—that is, the FDI that does not involve the direct takeover of domestic companies—were considered in a much more positive light. Developing an implicit theory of “good” (greenfield) and “bad” (M&A) IFDI, Prime Minister Harold Wilson, for instance, suggested:

[We must] distinguish between those forms of foreign investment which are and have always been welcomed, which...lead to the creation of new industries or new factories...for our people on the one hand, and, on the other, those which involve a partial or complete take-over of existing British firms which are already very well run. (Hodges, 1974, p. 175)

Survey evidence from British policy elites, collected independently by Fayerweather (1972) and Hodges (1974) in the late 1960s and early 1970s, strongly mirrors such views: While greenfield IFDI were primarily seen as a source of technology and valuable addition to the country’s distressed balance of payments, M&A IFDI were widely considered to be a problem.

The rise of Thatcherism somewhat softened the opposition to M&As, but it was only in the early 1990s that those concerns began to dissipate visibly when a new discourse of globalization and national competitiveness started to gain a hold of public economic debates (Schmidt, 2001; Watson & Hay, 2004). Drawing from

the highly influential work by Porter (1998) and others, the narrative was first promoted in Britain by the Conservative Party and then enthusiastically embraced by the “New” Labour Party under the leadership of Tony Blair and Gordon Brown. The competitiveness narrative suggested that, in a globalizing economy, the nationality of companies was increasingly irrelevant. In this view, the long-term success of a national economy depends not so much on the strength of nationally owned industries, but primarily on a country’s ability to attract the economic activities of globally mobile companies of any (or no) nationality (Fougner, 2006; Jaakkola et al., 2022; Linsi, 2020; Puehringer et al., 2021). This change in thinking prepared the ground for a broader reorientation of British industrial strategy that gradually shifted from the strengthening of domestic industry across the country towards fomenting the development of an international financial industry hub around the City of London (Augar, 2000). Accompanying this change in strategy, takeovers and foreign ownership of domestic companies came to be described as normal parts of economic life—or even symbols of economic strength demonstrating the UK’s success in attracting globally mobile companies—rather than a problem. As a result, despite unprecedented increases in M&A IFDI in the UK in the 1990s and 2000s, the phenomenon of foreign takeovers lost political salience. As indicated in Figure 1, which reproduces the findings of an analysis of parliamentary speeches presented in Callaghan (2015), political debates about M&A IFDI almost entirely disappeared from parliamentary discussions in the 1990s, with the word “takeover” barely even being mentioned any longer. In short, inward FDI had become a political non-issue.

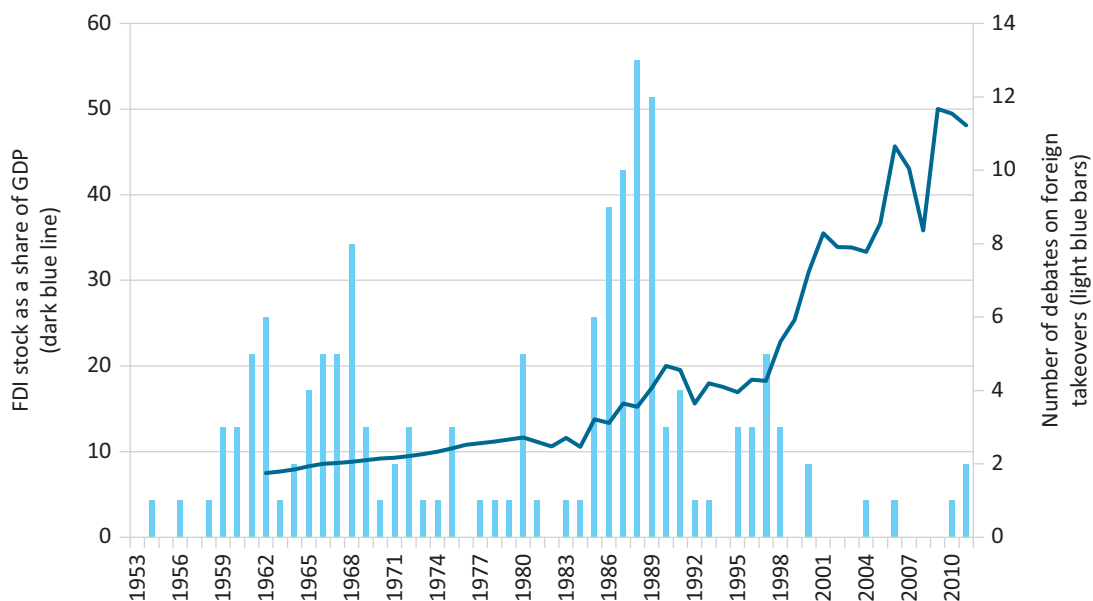


Figure 1. The number of debates on takeovers in the UK Parliament and the UK FDI stock over time. Note: Dark grey bars indicate the number of debates in the House of Commons and House of Lords that contained the term “takeover” or “take-over” at least five times. Sources: Number of debates from Callaghan (2015); FDI stock data from UNCTAD (2022).

3.2. Age-Dependent Processes of Economic Socialization

As empirical research on socialization has shown, social attitudes are primarily shaped during adolescence and become less likely to change fundamentally after early adulthood. This pattern has been observed in a variety of issue areas, such as partisan attachment and political ideologies (Dinas, 2014; Grasso et al., 2017), religious beliefs (Sherkat, 1998), or redistribution preferences (Giuliano & Spilimbergo, 2014).

Krosnick and Alwin (1989) ascribe this dynamic to a combination of three mechanisms: a neurobiologically driven process of cognitive transformations that makes the absorption of new information more difficult for older people; individuals’ reliance on previous experiences as anchors that create psychological stability, which naturally decreases the proportional impact of new information as the total number of previous experiences grows; and the tendency of individuals to center their social networks around peers from the same age group, which reduces individuals’ exposure to different norms and beliefs popular among other cohorts.

3.3. Predictions

Applied to the case of changing narratives about M&A IFDI, this suggests the predictions summarized in Table 1. Individuals who passed their late adolescence and early adulthood in a time period in which the statist

economic discourse was prominent are likely to view M&A IFDI more skeptically than younger peers who grew up in a context in which the globalization narrative shaped public economic debates; at the same time, no such difference is to be expected for the case of greenfield IFDI where no similar change in framing has occurred.

4. Empirical Analyses

To evaluate these propositions, the study leverages an original in-depth survey of public attitudes towards IFDI with a sample of 700 respondents from the UK conducted through Survey Sampling International in October 2016. The questionnaire included a variety of questions eliciting respondents’ views of different types of IFDI and the perceived positive and negative aspects thereof. More details about the questionnaire are provided in the Supplementary File accompanying this article.

Most importantly, the survey aims to distinguish between mass attitudes towards the two main types of FDI: greenfield and M&A. Respondents were asked separately about their opinion about the “presence of foreign companies” in the UK economy in general, their view of foreign companies “building new companies” (greenfield IFDI) and their attitudes towards foreign companies “buying existing companies” (M&A IFDI). The distribution of responses is shown in Figure 2.

Table 1. Stylistic overview of predicted outcomes.

		Relative skepticism towards...	
		Greenfield IFDI	M&A IFDI
Time period of prime socialization	1990s–2000s	Low	Low
	1960s–1980s	Low	High

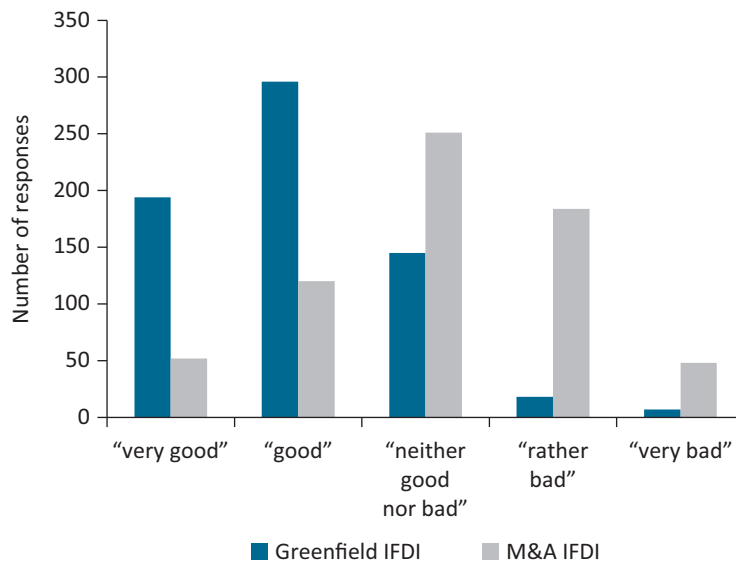


Figure 2. Attitudes towards greenfield and M&A IFDI.

4.1. Greenfield vs. M&A IFDI

To evaluate the role of economic socialization, survey respondents are classified into various birth cohorts according to the historical time period in which they passed their prime period of socialization. Following previous studies, the prime period of socialization is defined as the age span between roughly 15 and 30 years. Assuming that the shift away from the narrative of economic statism occurred in the early 1990s, respondents are divided into three groups: individuals born after 1975 (who turned 15 after 1990 and were thus presumably not strongly exposed to the narrative of economic statism during their formative years), individuals born between 1960 and 1975 (who were likely exposed to both narratives), and individuals born before 1960 (who had turned 30 before 1990 and were presumably only exposed to the economic statism narrative during their prime period of economic socialization).

The main concern for identification is that the three specified cohorts may differ in their views of M&A IFDI for other reasons than economic socialization, such as differences in their labor market status or the strength of broader cultural (rather than strictly economic) nationalist sentiments. These concerns are taken into account in three ways: First, the inclusion of a battery of control variables proxying for individuals' labor market status and cultural and political-ideological beliefs. Second, the simultaneous comparison of greenfield and M&A IFDI attitudes (with the socialization hypothesis predicting a difference in cohort attitudes only for M&A but not greenfield IFDI, while distributional or cultural considerations should in principle be similarly relevant for both types of IFDI). Third, I perform a CMA in order to estimate the part of the cohort differences that is systematically related to differences in economic beliefs.

4.1.1. Empirical Model and Main Results

Respondents' views of greenfield and M&A IFDI, as illustrated in Figure 2 above, are the two dependent variables. Given the nature of the dependent variables, the models are specified as ordered probit models.

The main independent variable is the categorical variable dividing respondents into the three socialization cohorts. To take theoretical arguments related to the distributive consequences of IFDI into account, information about respondents' level of education, household income, the skill intensity of their current job, as well as a dummy variable indicating whether they are employed by a foreign multinational corporation is included. To account for alternative cultural or ideological drivers of IFDI attitudes, information about respondents' national identity ("British" vs. "English," "Scottish" or "Welsh"), partisan preferences, their stance on Brexit, and the salience of nationalist views unrelated to economic issues are also included. Furthermore, a dummy variable controls for respondents' gender.

The regression results are presented in Table 2. Models 1 and 2 assess the determinants of public skepticism towards greenfield and models 3 and 4 attitudes towards M&A IFDI. Models 1 and 3 include only those control variables, which are unlikely to be directly affected by the outcome variable; models 2 and 4 are the full set of controls. In line with the expectation that those more likely to benefit from economic globalization hold more favorable views of inward FDI, higher levels of household income and skills are associated negatively with individuals' skepticism towards greenfield as well as M&A IFDI. Interestingly for our purposes, respondents with higher levels of education tend to have slightly more favorable views of greenfield IFDI, but more negative views of M&A IFDI. The female gender dummy is associated with less favorable views of greenfield as well as M&A IFDI, with the relationship being stronger for the former than the latter. The inclusion of alternative variables proxying to cultural and ideological beliefs substantively improves model fit: More centrist voters express somewhat more favorable views, while respondents with subnational identities and supporters of Brexit express significantly more skeptical views of IFDI. The expected positive association of the nationalism index is weaker than expected for greenfield and even negative for M&A IFDI when all other controls are included.

The main results are consistent with the predictions of the socialization hypothesis: There is no statistically significant cohort difference in greenfield IFDI attitudes, but cohorts born before 1960 express substantially more skeptical views of M&A IFDI than cohorts born after 1975, while the attitudes of the "buffer" cohort of respondents born between 1960 and 1975 lie in between the preferences of these two groups. Calculations of the marginal effect suggest that, holding all else constant, individuals born before 1960 are about 9% more likely to see M&A IFDI as "rather bad" and 6% more likely to see them as "very bad" compared to respondents born after 1990. The size and significance of this effect are barely affected by the simultaneous inclusion of the variables controlling for respondents' broader political-ideological beliefs in various ways (Model 4 vs. Model 3), which—in conjunction with the observation that cohorts born before 1960 are only more opposed to M&A IFDI but not greenfield IFDI—supports the claim that the observed intergenerational differences are not merely driven by a natural trend towards conservatism or nationalism among older age groups.

4.2. Causal Mediation Analysis

Finally, to disentangle the effect of economic narratives from potential other impactful cognitive experiences shared by the members of a specific birth cohort (such as the end of the Cold War), I perform a CMA.

CMA methods offer ways to go beyond merely testing the theoretical consistency of patterns of association

Table 2. Main results.

	Skepticism towards greenfield IFDI		Skepticism towards M&A IFDI	
	(1)	(2)	(3)	(4)
<i>Socialization</i>				
Post-1975 cohorts	Reference	Reference	Reference	Reference
1960–1975 cohorts	0.16 (0.13)	0.25* (0.14)	0.14 (0.12)	0.03 (0.14)
Pre-1960 cohorts	-0.08 (0.12)	-0.05 (0.14)	0.44*** (0.11)	0.41*** (0.14)
<i>Education</i>				
GCSE	Reference	Reference	Reference	Reference
A-levels	-0.18 (0.13)	-0.08 (0.14)	0.03 (0.12)	0.05 (0.13)
Undergraduate	-0.22 (0.12)	-0.02 (0.14)	0.05 (0.13)	0.16 (0.14)
Postgraduate	-0.32 (0.17)	-0.16 (0.19)	0.11 (0.15)	0.23 (0.19)
<i>Household income</i>				
<15k	Reference	Reference	Reference	Reference
15–25k	-0.24 (0.16)	-0.09 (0.18)	-0.19 (0.16)	0.02 (0.17)
25–35k	-0.32** (0.17)	-0.16 (0.19)	-0.27* (0.17)	-0.12 (0.18)
35–45k	-0.46*** (0.17)	-0.29 (0.18)	-0.26 (0.16)	-0.08 (0.18)
45–65k	-0.48** (0.20)	-0.42* (0.22)	-0.23 (0.19)	-0.11 (0.21)
65–85k	-0.15 (0.21)	0.04 (0.24)	-0.51*** (0.19)	-0.29 (0.21)
<85k	-0.51** (0.26)	-0.48 (0.31)	-0.24 (0.24)	-0.009 (0.29)
<i>Skills</i>				
Low	Reference	Reference	Reference	Reference
Medium	-0.02 (0.12)	-0.05 (0.13)	-0.13 (0.12)	-0.23* (0.13)
High	0.13 (0.13)	0.12 (0.14)	-0.19 (0.12)	-0.31** (0.13)
Multinational corporation employee		-0.14 (0.13)		-0.07 (0.13)
<i>Political ideology</i>				
Left		Reference		Reference
Centre-left		-0.25 (0.18)		-0.12 (0.20)
Centre-right		-0.40* (0.23)		-0.33 (0.24)
Right		-0.31* (0.17)		-0.07 (0.20)
Populist right		0.03 (0.23)		0.06 (0.24)
Brexit support		0.17 (0.12)		0.40*** (0.12)
Local identity		0.24** (0.11)		0.18* (0.10)
Nationalism index		0.002 (0.02)		-0.06*** (0.02)
Female	0.39*** (0.10)	0.38*** (0.11)	0.19** (0.09)	0.12 (0.11)
Pseudo-log-likelihood	-653.6	-529.7	-793.0	-645.9
Observations	567	471	559	469

Notes: Probit coefficients displayed; robust standard errors in parentheses; constant omitted; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

between a proximate cause x and an outcome variable y by explicitly modeling the intermediate step M intervening in the hypothesized causal chain. They propose a set of techniques that aim to decompose a causal effect into its *indirect* and *direct* components, where the former relates to the proportion of the total effect that is medi-

ated through the specific hypothesized causal mechanism and the latter to the part of the effect absorbed by all other mechanisms linking x and y .

In the case at hand, the aim is to distinguish the (indirect) effect of socialization from other uncontrolled mechanisms through which being born before 1960

may affect individuals' skepticism towards M&A IFDI. To operationalize the hypothesized mediating variable, I employ three survey questions, which asked respondents about their agreement with different statements that together aim to capture the main principles of the discourse of economic statism. Specifically, the questions asked respondents to indicate on a five-point scale how strongly they (dis-)agreed with the following suggestions:

- "To guarantee the long-term prosperity of our nation, we cannot just rely on the international economy. Our government has to think in national terms and defend our economic sovereignty."
- "For the good of the national economy, it is essential to have strong domestic companies that are owned by UK nationals."
- "Foreign companies cannot be trusted to act in our national interest."

Based on the answers to these questions, an "economic statism index" is created, which aggregates individual responses on a scale from 1 (respondent strongly dis-

agrees with all three statements) to 13 (respondent strongly agrees with all three statements).

To evaluate the extent to which the M&A IFDI skepticism of pre-1960 cohorts is mediated by statist economic beliefs, I rely on the work by Imai et al. (2011) which integrates the CMA logic in the potential outcomes framework and makes it possible to estimate average causal mediation effects (ACME) in nonlinear settings. The results are presented in Table 3 and Figure 3 below.

In the first step (Model 5 in Table 3), the strength of the correlation between the binary dummy variable identifying cohorts born before 1960 (x) and respondents' agreement with statist economic beliefs (M) is assessed in a linear regression. In the second step (Model 6 in Table 3), I run an ordered probit model as before but now include the economic statism index as the main independent variable. The economic statism index is strongly significant while the substantive and statistical significance effect of the pre-1960 dummy is much reduced, which is a clear sign of mediation.

Finally, to estimate the substantive effect of mediation, I run the algorithm provided by Tingley et al. (2014). The results are presented graphically in Figure 3 where

Table 3. Results of the CMA.

	OLS predicting economic statism index (M)		Ordered probit predicting M&A IFDI skepticism	
	(5)		(6)	
	(=DV)			
Economic statism index			0.21***	(0.02)
Pre-1960 cohorts	0.82***	(0.19)	0.23*	(0.10)
<i>Education</i>				
GCSE	Reference		Reference	
A-levels	-0.32	(0.23)	0.08	(0.12)
Undergraduate	-0.41*	(0.24)	0.14	(0.12)
Postgraduate	-0.23	(0.30)	0.13	(0.16)
<i>Household income</i>				
<15k	Reference		Reference	
15–25k	-0.60**	(0.31)	-0.08	(0.16)
25–35k	-0.72**	(0.31)	-0.14	(0.17)
35–45k	-0.85***	(0.31)	-0.10	(0.17)
45–65k	-0.49	(0.36)	-0.18	(0.19)
65–85k	-1.05**	(0.40)	-0.36*	(0.21)
>85k	-0.36	(0.43)	-0.17	(0.23)
<i>Skills</i>				
Low	Reference		Reference	
Medium	0.51**	(0.22)	-0.22*	(0.12)
High	-0.12	(0.25)	-0.17	(0.13)
Female	-0.09	(0.18)	0.23**	(0.10)
Model fit	$R^2 = 0.09$		AIC = 1,525.1	
Observations	555		555	

Notes: Probit coefficients displayed; robust standard errors in parentheses; constant omitted; DV = dependent variable; AIC = Akaike information criterion; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

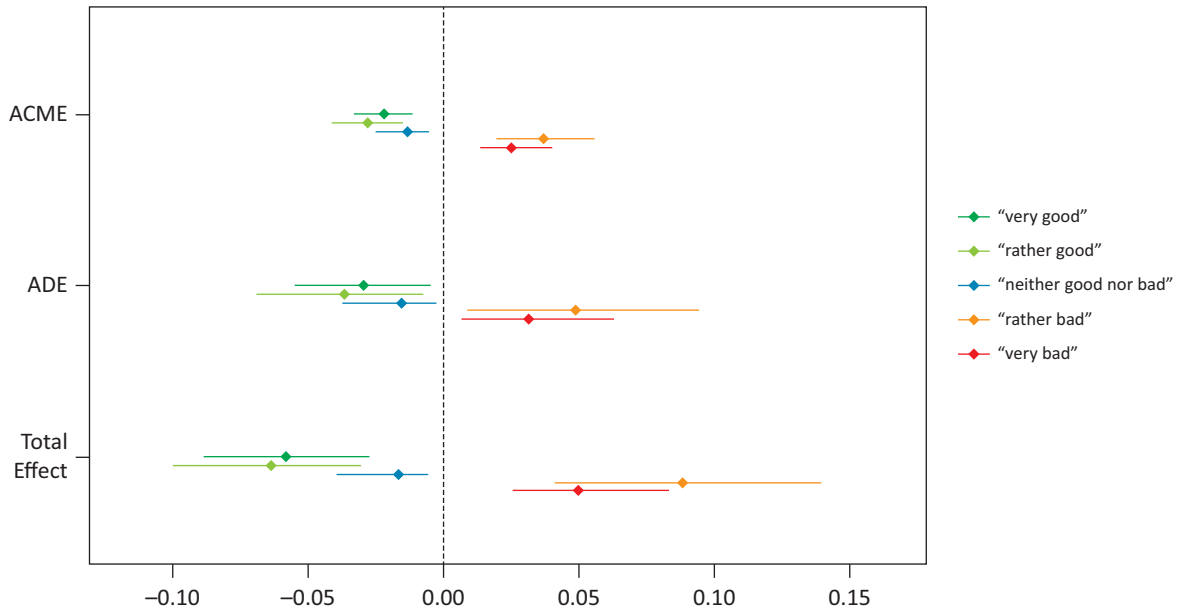


Figure 3. Estimation of the mediation of the pre-1960 cohort effect on M&A IFDI skepticism through economic statist beliefs (ACME).

“Total Effect” indicates the size of the effect of the pre-1960 cohort dummy as a whole, “ACME” the part of the effect that is mediated through economic statist beliefs, and “ADE” the remaining part of the effect that can be explained by other mechanisms. The estimations suggest that close to half of the total effect of the cohort variable is due to differences in agreement with economic statist beliefs.

5. Conclusions

Dominant approaches in international political economy emphasize the role of individuals’ self-interest as the main driver of mass attitudes towards foreign direct investments, neglecting the role of ideational factors. Against this background, this article argues that what individuals *believe* to be in their interest depends not only on their material position in the economy but also on the perceived legitimacy of certain economic actors and transactions. Economic narratives can play an important role in determining how individuals perceive the economy and thereby shape individuals’ policy preferences. The empirical results presented are consistent with this claim.

The bigger theoretical take-away is that studies of globalization attitudes could benefit from paying greater attention to the social sources of the legitimacy of transnational economic actors and events, and how they can shape the formation of individual preferences. The material reality of the world economy is too complex to be “seen.” It thus has to be told. In some sense, to paraphrase Wendt (1992), the economy, therefore, is what narratives make of it. Story-telling frames matter for the politics of globalization.

Empirically, the study in the first instance contributes to understanding the ideational foundations of the hyper-globalization period of the 1990s and 2000s. Whereas much has been written about the interests and institutional factors behind the drive to liberalize the world economy in the late 20th century, the sources of the social support of (or lack of more active resistance towards) this project remain less well understood. The findings from this study indicate that the successful propagation of globalization-friendly narratives played an important—yet frequently overlooked—role in making the opening up of national economies to global competition acceptable to the public.

At the same time, the results can also help our understanding of the unfolding backlash against unfettered globalization in present-day politics (Campbell-Verduyn et al., 2021; Lavery & Schmid, 2021; Meunier & Nicolaidis, 2019; Schmitz & Seidl, 2022; Trubowitz & Burgoon, 2020; Weinhardt & ten Brink, 2020). Many studies have attributed the rise of anti-globalist forces to the growing threats to local cultures brought about by technological advances and immigration, or economic grievances suffered in the aftermath of the North Atlantic financial crisis. The findings from this research suggest that it may not have been these structural trends alone which triggered the growing resistance to the primacy of global markets, but also the ability of anti-globalist discourses to make sense of these developments in people’s minds (cf. Walter, 2021). Just as economic narratives played a role in legitimizing the liberalization of the world economy in the 1990s and 2000s, we need to take them seriously to understand the erosion of the consensus behind the liberal international order in an era of resurging geopolitical rivalries.

Acknowledgments

An earlier version of the article was presented at the virtual 2022 BizGov research workshop. Useful feedback from workshop participants, the thematic issue editors, and two anonymous reviewers is gratefully acknowledged. Usual disclaimers apply.

Conflict of Interests

The author declares no conflict of interests.

Supplementary Material

Supplementary material for this article is available online in the format provided by the author (unedited). Replication files are available on the Harvard Dataverse: <https://doi.org/10.7910/DVN/GBFGF9>

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