



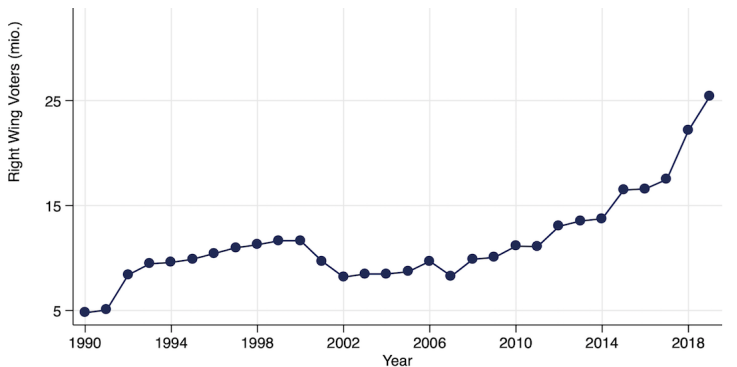
GLOBALIZATION,
THE RISE OF RIGHT-WING PARTIES
AND
THE FALL OF SOCIAL DEMOCRACY

Josef Zweimüller
University of Zurich

CERGE-EI Prague, November 5, 2019

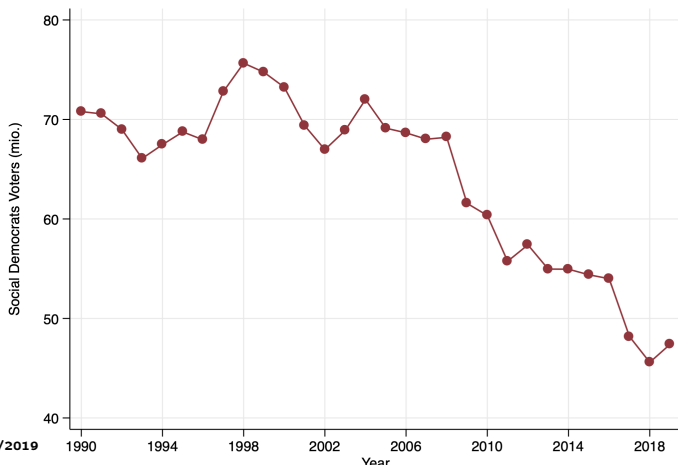
RIGHT-WING POPULISM in Western Europe ...

Number of voters (in millions)



... and *SOCIAL DEMOCRACY* about to collapse

Number of voters (in millions)





Tectonic shifts in the political landscape of Western Europe: Two main perspectives

1. **Traditional values and identity:** Elites have pushed liberal rights too far (gender equality, gay rights, ethnic diversity, environmental protection, etc.). This is against the will of ordinary people.
2. **Economics:** The globalization process has produced winners and losers. There is an increasing divide between those who benefit and those left behind. The number of people who fear to be left behind is growing.

Both views are important and relevant.

This lecture sheds light on the economic perspective.

"Do you think globalization is a threat?"

August 2016 survey in EU-28, n=14,936 respondents

EU 28	<i>all voters</i>	45%
--------------	-------------------	-----

Germany	<i>all voters</i>	45%	AfD voters	78%
----------------	-------------------	-----	-------------------	-----

Italy	<i>all voters</i>	61%	Lega Nord voters	66%
--------------	-------------------	-----	-------------------------	-----

France	<i>all voters</i>	54%	FN voters	76%
---------------	-------------------	-----	------------------	-----

Austria	<i>all voters</i>	55%	FPÖ voters	69%
----------------	-------------------	-----	-------------------	-----

Source: DeVries and Hoffmann (2016),

Fear not Values, Bertelsmann Stiftung.

“Economic situation / future outlook deteriorated?”

August 2016 survey in EU-28, n=14,936 respondents

EU 28 *all voters* 35%

Germany all voters 34% **AfD voters** 49%

Italy all voters 45% **Lega Nord voters** 54%

France all voters 51% **FN voters** 67%

Austria all voters 37% **FPÖ voters** 52%

Source: DeVries and Hoffmann (2016),

Fear not Values, Bertelsmann Stiftung.

Survey evidence

- Suggests that many voters – in several countries even the majority – consider **globalization** a **threat** associated with **economic anxiety**

- Feelings of anxiety and threat are more prevalent among
 - **the less educated**
 - **blue collar workers**
 - **older individuals**
 - **males**

This lecture: How does globalization affect voting?

- **Economic theory:** globalization generates winners and losers.
- Focus on two important aspects of the globalization process that might be responsible for the political backlash
 - **Immigration**
 - **International Trade**
- Outline of the talk
 1. **Review** of the evidence of previous **literature**
 2. **Preliminary evidence** from an own **ongoing project**



ECONOMIC EFFECTS
OF
GLOBALIZATION

A simple model of “winners” and “losers”

- **High-skilled** and **low-skilled workers**
- When **immigrants** are on average less skilled than natives
 - ⇒ *relative SUPPLY of low-skilled labor INCREASES.*
 - ⇒ low-skilled native workers face higher labor market competition.
- When **imports from low-income countries** have a low skill-content
 - ⇒ *relative DEMAND for low-skilled labor FALLS.*
 - ⇒ domestic firms face fierce competition, low-skilled jobs destroyed, *manufacturing employment declines.*

Winners and losers: The evidence

- Increasing wage inequality (“skill premium”)
Persistently higher unemployment/non-employment of the low skilled
- **Immigration:** no strong evidence of a negative effect on the low-skilled (Card, Borjas,)
 - NOTE: for voting behavior, individual perceptions and beliefs matter (not the empirical results produced by economists)
- **Imports from low-income countries** have a detrimental impact on low-skilled workers (“China shock”: Autor et al. 2013)



DID IMMIGRATION CAUSE THE RISE OF RIGHT-WING PARTIES?



Demand for anti-immigration policies/platforms

- Voting behavior is not only driven by labor market considerations. Preferences, values/beliefs and perceptions matter as well.
- **Political Science, Sociology**
 - Immigrants may be perceived a **collective threat** challenging native's economic, social and cultural dominance (Key 1949; Blalock 1967).
 - Rising ethnic diversity may undermine **social cohesion** (Putnam 2007).
 - **Contact hypothesis** suggests that intergroup interaction may reduce prejudice between majority and minority groups (Allport 1954).
- Let's look at the empirical **evidence**.



Immigration and the rise of the Austrian FPÖ

er Islam
gehört zu
sterreich.

05/11/2019

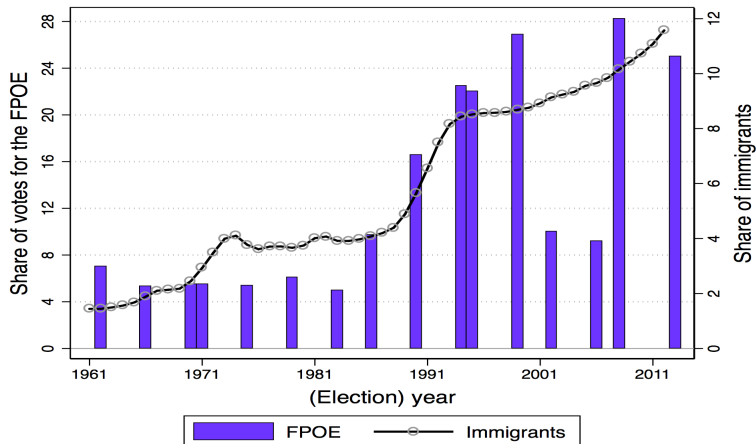
**Die
Islamisierung
gehört
gestoppt.**

FPÖ DIE SOZIALE
HEIMATPARTEI

Österreicher verdienen
FAIRNESS

14 / 61

Immigration and the rise of the FPÖ





Immigration and the rise of the FPÖ

- **Halla, Wagner, Zweimüller (2017)**
Do high-immigration locations vote more for the FPÖ?
- **Immigrant share** varies strongly across Austrian municipalities.
2011 census: **mean** = 11.2 %, **standard deviation** = 7.7 p.p.
- **7 national elections** over the period 1980-2011
2,300 municipalities and 100 political districts

Census data for 1981, 1991, 2001, 2011: Municipality characteristics,
characteristics of the local electorate

Immigration and the rise of the FPÖ

- **Halla et al. (2017)** find that local immigration significantly affects local FPÖ votes, but the effect is not very large.
- *1 percentage-point* increase in local immigration
⇒ **0.16 percentage-point** increase in FPÖ votes
explains 10 % of the regional variation in FPÖ support
- Effects consistent with voters worrying about adverse labor market effects, but also about neighborhood quality
- Effect not contaminated by location choices of immigrants and natives

ITALY: Immigration and CASA delle LIBERTÀ



Immigration and voting for CASA delle LIBERTÀ

- Barone, D'Ignazio, de Blasio, Naticchioni (2016) study
Casa delle Libertà = Forza Italia + Alleanza Nazionale + Lega Nord
- Similar approach: 8,000 municipalities, 3 elections 2001, 2006, 2008
- Find a stronger effect: *1 percentage point* increase in immigrant share
⇒ **0.86 p.p. increase in CdL votes**
- Effect is large in small municipalities and non-existent in big cities, stronger when immigration is culturally more different.

Switzerland: Referenda on anti-immigration policies



Switzerland: Referenda on anti-immigration policies

- **Brunner and Kuhn (2019)** look at community-level outcomes of 27 votes about immigration issues in Switzerland
- *1 percentage point* increase in immigrant share \Rightarrow **0.46 p.p. increase in yes-votes in anti-immigration referenda**
- The effect is entirely driven by the presence of **culturally different immigrants**. Culturally **similar immigrants** do not affect natives' voting behavior.
- The vote share of the populist **Swiss People's Party** in national elections strongly reacts to to the share of culturally different immigrants.

Immigration and Voting for Right-Wing Populist Parties

An incomplete list of recent single-country studies

<i>Authors</i>	<i>Country</i>	<i>Effect</i>	<i>Party</i>
Otto and Steinhard (2014)	City of Hamburg	+	Republikaner
Harmon (2018)	Denmark	+	PP, DPP
Dustmann et al. (2018)	Denmark	+ / 0	PP, DPP
Edo et al. (2019)	FN, France	+	FN
Mayda et al (2019)	US	+	Republicans
Becker and Fetzer (2016)	UK	+	UKIP
Dinas et al (2017)	Greece	0	Golden Dawn
Brunner and Kuhn (2018)	Switzerland	+	Anti-Imm Ref'da
Steinmayr (2019)	Upper Austria	-	FPÖ
Vertier and Viscanic (2018)	France	-	FN
....			

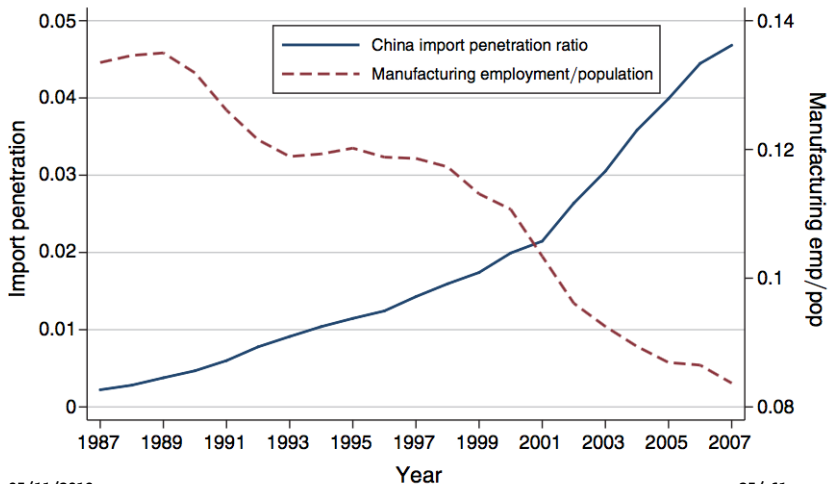
Immigration and voting: A growing literature

- Majority of (though not all) studies find that **immigration increases support for right-wing** populist parties.
- **Effects differ** by (i) urban/rural area, (ii) ethnicity and (iii) skill-level of immigrants, (iv) asylum seekers versus economic migrants, ...
- **Comparability** of studies is **limited**: different time periods, data sources, methodology, levels of aggregation, etc.
- Need comparable cross-country studies, compare country experiences, evaluate effects of integration policies.



DID EXPOSURE TO IMPORT COMPETITION
CHANGE POLITICAL PREFERENCES?

China imports rise \Rightarrow US manufacturing declines



China imports rise \Rightarrow US manufacturing declines

- **Autor, Dorn and Hanson (2013):** “China shock”

How did rising China imports affect US local labor markets?

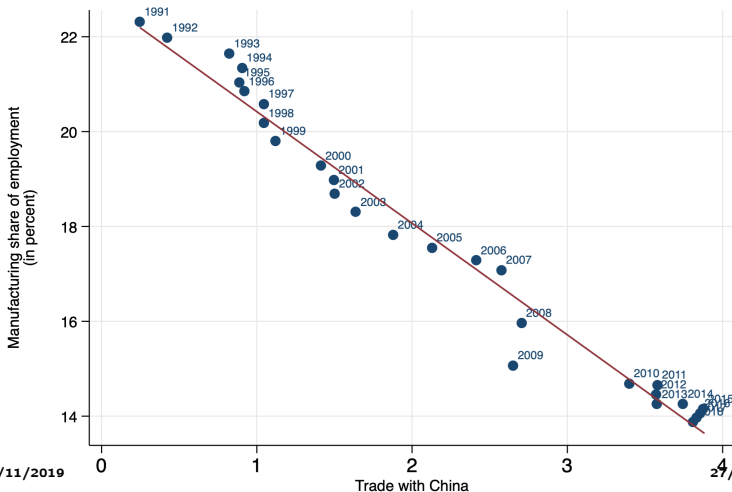
Local labor market differentially affected due to industry specialization.

1990-2007 increase in China import penetration explains 1/4 (!) of the decline in US manufacturing employment.

- **Western Europe:** Increase in China imports closely associated with manufacturing decline (see below).

China imports rise \Rightarrow Manufacturing declines ...

... also in *WESTERN EUROPE*



VOTING and import exposure: US evidence

- **Autor, Dorn, Hanson, Majlesi (2016)** study how votes shares for the Republican party are affected by the increase in China imports.
- County-level vote share changes 2000-2016 across 3,700 US counties, import changes 2002-2014 across 700 US commuting zones.
- 50 percent lower China import penetration in swing states
 - ⇒ MI, WI, and PE had elected Democrat not Republican candidate.
 - ⇒ Hillary Clinton, not Donald Trump, would be US president today.
- Also other US evidence suggests a link between exposure to international trade and voting outcomes.

VOTING and import exposure: EUROPE

- **Colantone and Stanig (2018)** look at 198 Western European regions (NUTS2) and 76 general elections over the period 1988-2007.
- China imports increase vote shares for nationalist, isolationist and radical-right parties.
- Increase in regional China import penetration by one std-dev (133 Euros/employee) increases votes for the radical right by 1.7 p.p.
- **Single-country studies** also find a significant effect, see Dippel et al. (2015) for Germany and Malgouyres (2014) for France.

Import competition and voting: Summary

- Clear evidence that **import competition** shifts voter preferences towards **right-wing** populist parties.
- Cross-country evidence on impact of international trade (China imports) at **high aggregation level** (NUTS 2 regions)
- Existing evidence focuses on right-wing populist parties. The recent fall of **social democracy is understudied**.
- We lack cross-country evidence on combined effect of **immigration + import exposure** on voting outcomes.



GLOBALIZATION AND VOTING IN WESTERN EUROPE

DAVID DORN and JOSEF ZWEIMÜLLER

University of Zurich

WORK IN PROGRESS

Globalization and voting in Western Europe

- Main idea of the project

New data set at **finer regional level** (NUTS3) than previous studies

Focus on the fall of **social democracy** – which was dramatic since the mid 2000s

Look **simultaneously at immigration and trade** (not only China but also Eastern Europe, ...) and their interaction.

- !! Results on the following slides are preliminary !!



Globalization and voting in Western Europe

- **16 Countries:** EU15 (except Greece) + Norway and Switzerland
- **1038 Regions:** Essentially NUTS3 (with some adjustments)
- **118 Elections:** All elections over the period 1990-2018

I will provide descriptive evidence from this data set, in three steps

1. Evidence on **Western Europe as a whole**
2. **Country-level** evidence
3. **Regional-level** evidence



GLOBALIZATION AND VOTING

A look at Western Europe as a whole

WORK IN PROGRESS

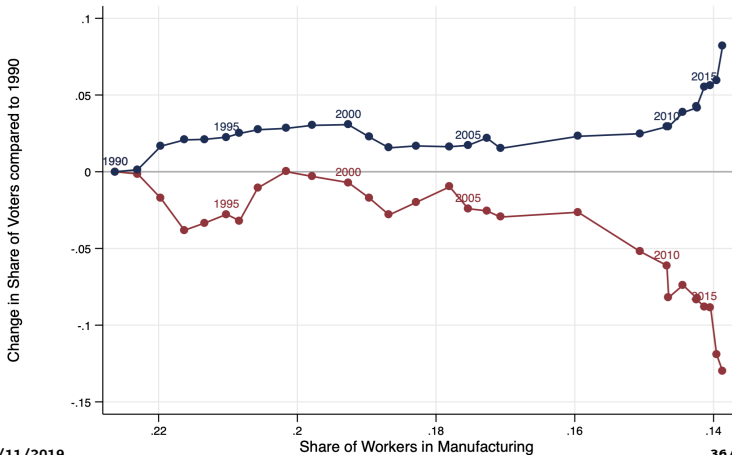
Vote gains and losses, 1990-2018

Social Democrats (=SD), Right-Wing Populist Parties (=RW)

- Let's look at Western Europe as if it were a single country.
- **Social democrats** down from 35 % in 1990 to 22 % in 2018
- **Right-wing populist parties** up from 2.5 % in 1990 to 10.5 % in 2018
- Recent SD-losses are larger than RW gains. Changes happened mostly after 2004.
- Check, how closely these voting trends are linked to the
 - **decline of manufacturing** employment
 - **increase in immigration**

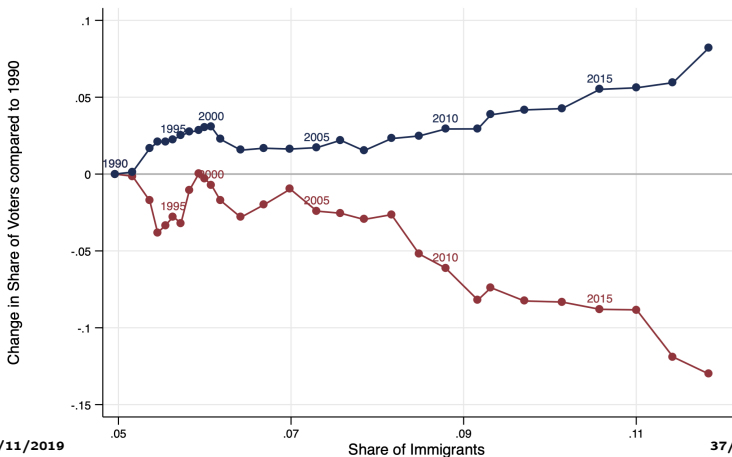
MANUFACTURING DECLINE and ...

... SD vote losses and RW vote gains – since 1990



IMMIGRATION and ...

... SD vote losses and RW vote gains – since 1990





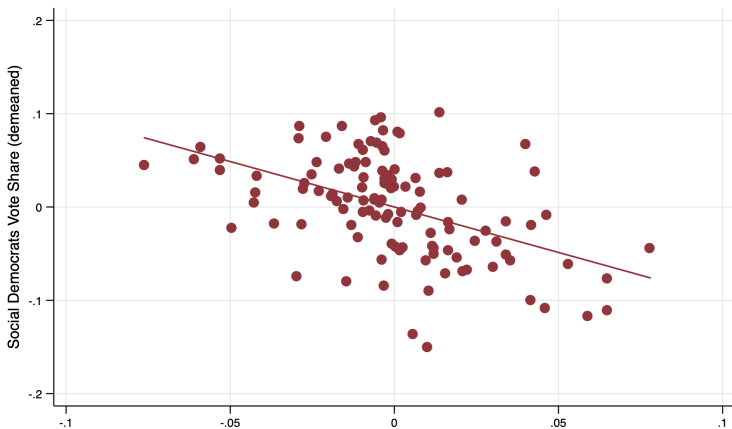
GLOBALIZATION AND VOTING

*Voting Behavior Across 16 Countries:
118 Elections, 1990-2018*

WORK IN PROGRESS

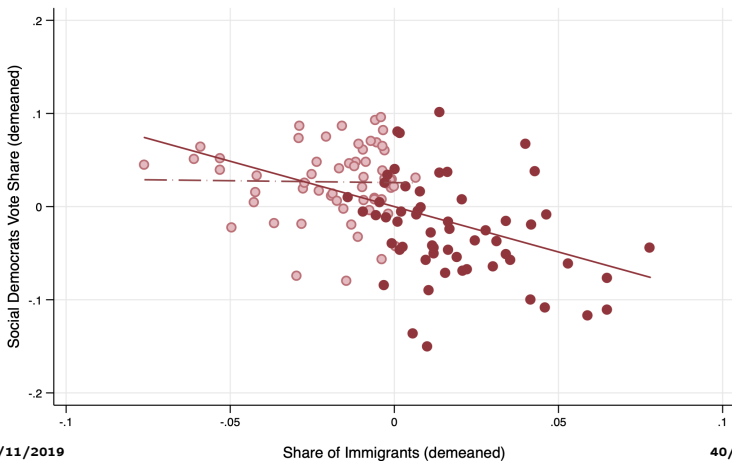
Immigration vs voting for Social Democrats

Within-country variation: 16 countries and 118 elections



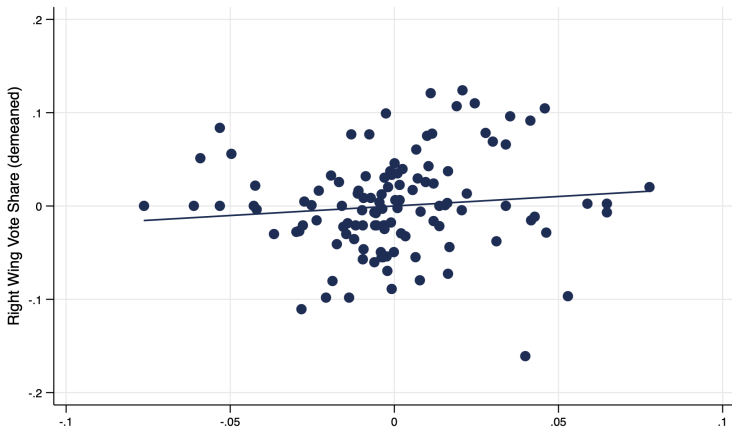
Immigration vs voting for Social Democrats

No such correlation *before* 2004



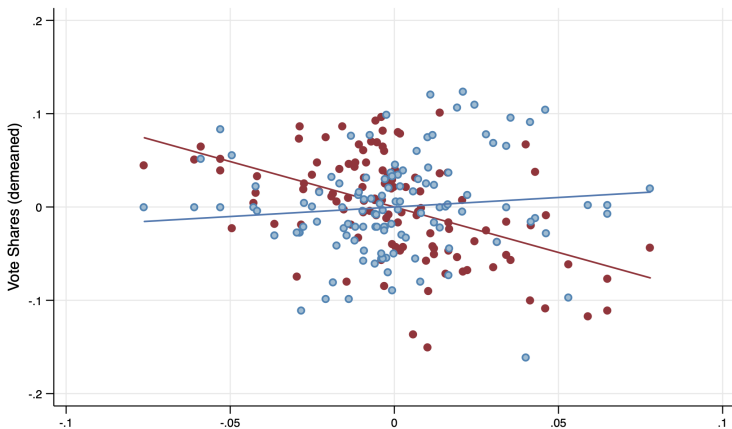
Immigration vs voting for Right-Wing parties

As expected: Immigration \uparrow & RW \uparrow



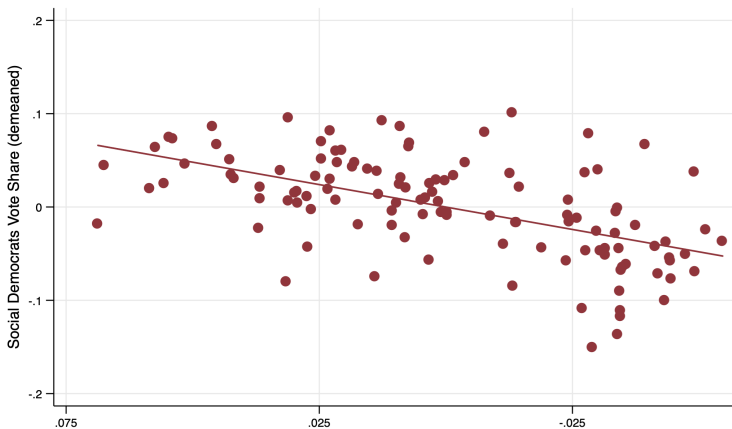
Immigration vs voting for SD and RW

Correlation *stronger* for SD than for RW



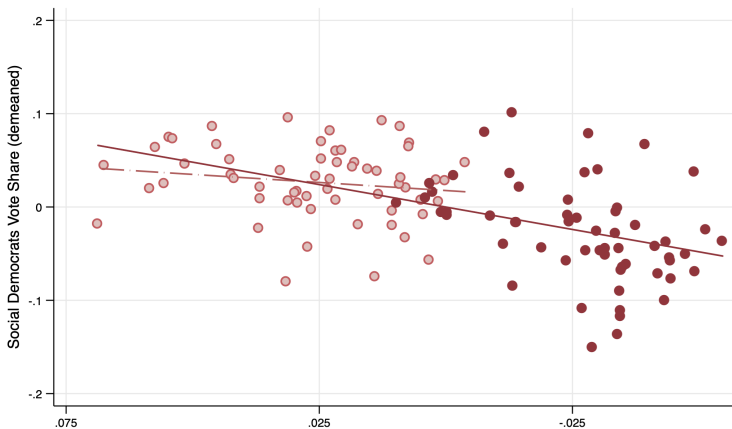
Manufacturing decline vs voting for SDs

Within-country variation, 16 countries, 118 elections



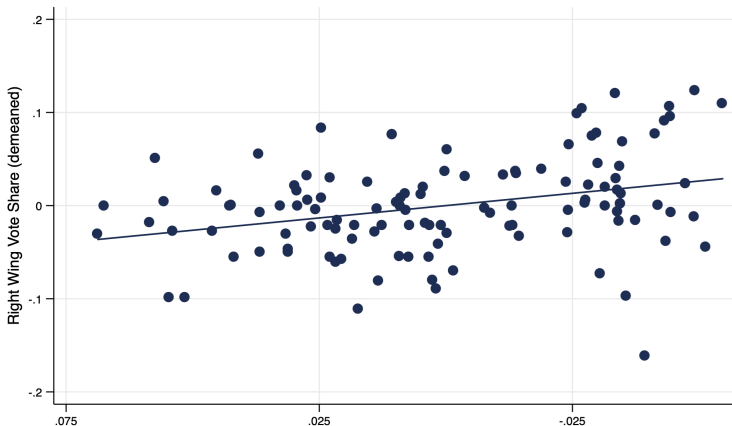
Manufacturing decline vs voting for SDs

Only weak correlation before 2004



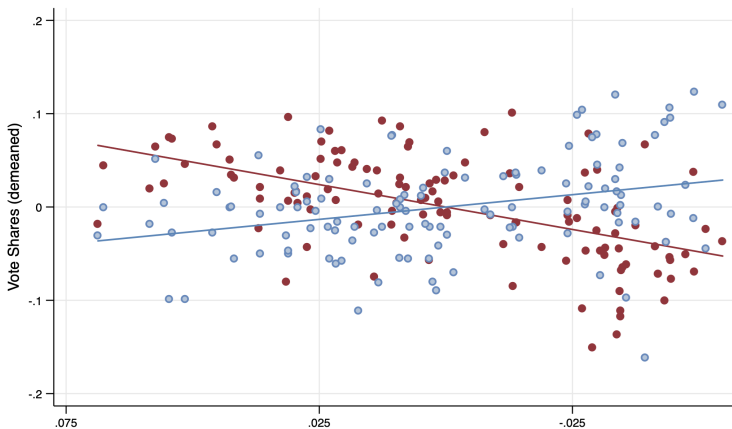
Manufacturing decline vs voting for RWs

Positive association also with RW votes



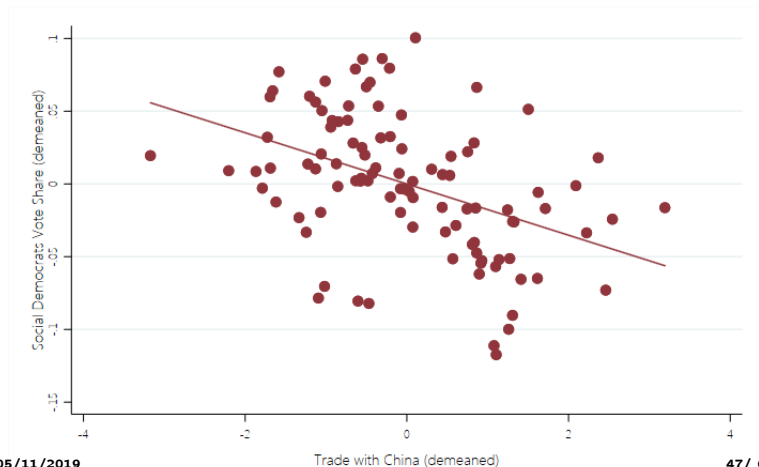
Manufacturing decline vs voting for SDs and RWs

Correlation *stronger for SDs* than for RWs



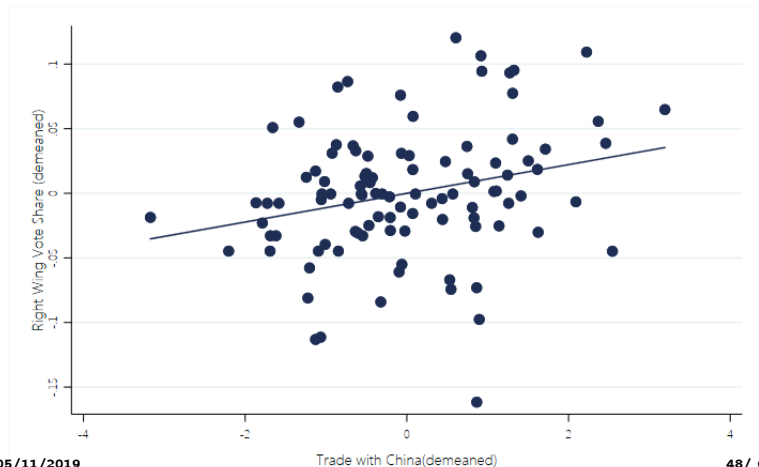
CHINA trade vs voting for Social Democrats

CHINA trade \uparrow votes for SDs \downarrow



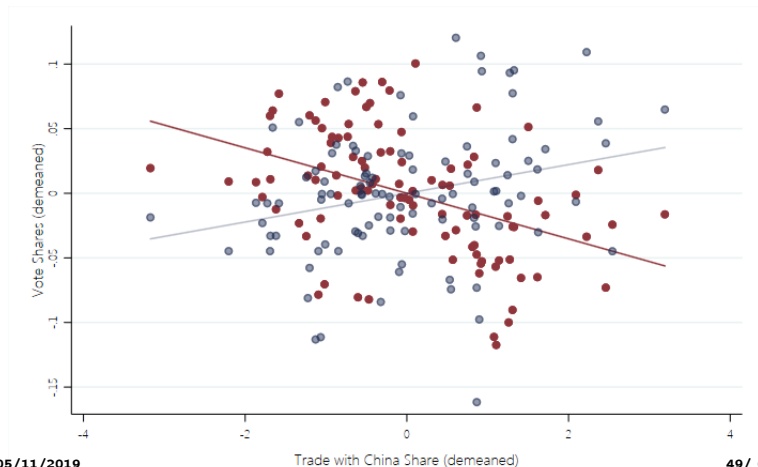
CHINA trade vs voting for RW parties

CHINA trade \uparrow votes for RWs \uparrow



CHINA trade vs voting for SDs and RWs

Correlation *slightly stronger for SDs* than for RWs.



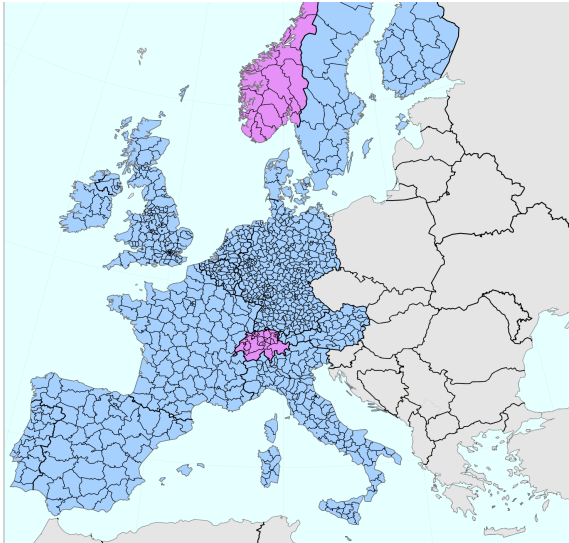


GLOBALIZATION AND VOTING

Voting Behavior Across 1038 NUTS3 Regions
118 elections, 1990-2018

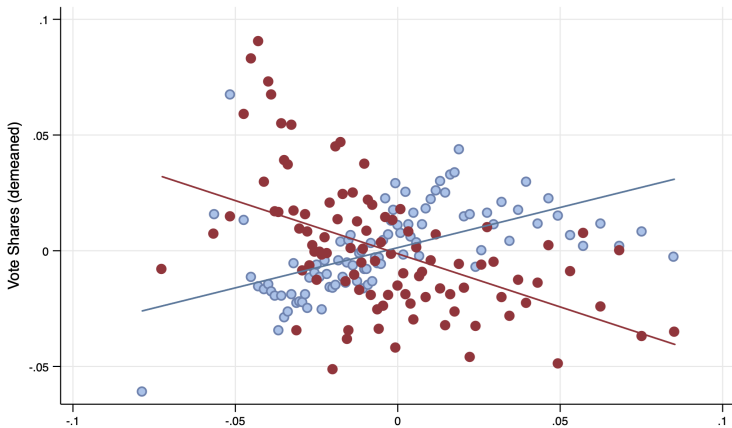
WORK IN PROGRESS

Granularity of the data: NUTS3 regions



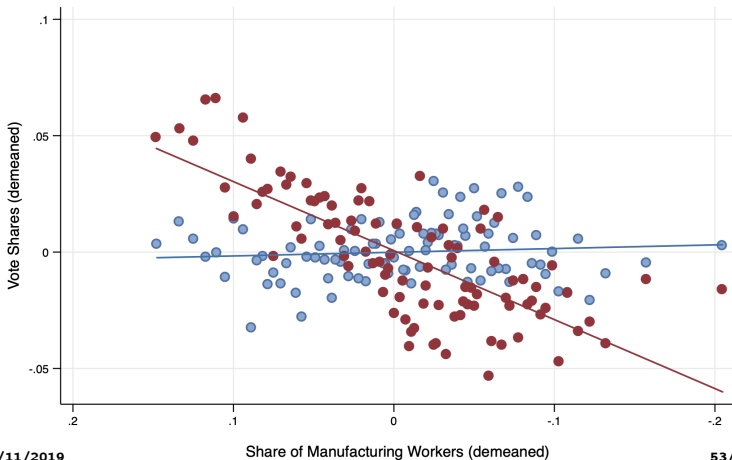
NUTS3: Immigration vs SD- and RW-votes

Both correlations strong, though *stronger for SDs*



NUTS3: Manufacturing decline vs SD votes

Correlation *strong/negative* for SDs, *weak/positive* for RWs



CONCLUSIONS

- Western Europe since 2004: Social Democrats **lost 25 mio** voters, right-wing populist parties **gained 17 mio** voters.
- Significant association of globalization – **immigration and import competition** – with voting behavior.
- Globalization indicators are **more strongly correlated to SD losses** than to RW gains.
- This holds true **at all levels of aggregation**
 - over time in Western Europe as a whole
 - across and within 16 countries over time
 - within NUT3 regions over time



CONCLUSIONS

- **Important to understand conditions** under which voting outcomes are affected (political backlash = dissatisfaction with status quo).
- Which integration policies reduce support **for anti-immigration sentiment and platforms?**
- Which **redistributive policies** are needed to address problems arising from globalization?

CONCLUSIONS

- **Why are Social Democrats' losses** so closely associated with globalization?
 - No clear stance how to cope with globalization (immigration...)
 - Traditional voter pool erodes (blue collar workers in manufacturing)
 - SDs are increasingly supported by educational elite (Piketty 2018, ...)



THANK YOU !

... THANKS TO RESEARCH ASSISTANTS

Simona Sartor, Valentin Udriot and Fabian Schnell



Right-wing populist parties

Country	Name	in Parliament since
Austria	Freedom Party of Austria	1956 - present
Belgium	People's Party & Flemish Interest	1991 - present
Switzerland	Swiss Peoples's Party (SVP)	1919 - present
Germany	Alternative for Germany (AfD)	2017 - present
Denmark	Danish People's Party (DF)	2014 - present
Spain	VOX	2019 - present
France	National Rally (RN)	2017 - present
Finland	Finns Party (PS)	1999 - present
Ireland	Fianna Fáil (FF)	1932 - present
Luxembourg	Alternative Democratic Reform Party (ADR)	2009 - present
Netherlands	Party for Freedom (PVV)	2006 - present
Norway	Centre Party (SP)	1921 - present
Portugal	People's Party (CDS-PP)	1975 - present
Sweden	Sweden Democrats (SD)	2010 - present
UK	UK Independence Party (UKIP)	2015 - 2017
Italy	Lega Nord	1992 - present



Social democratic parties

Country	Name
Austria	Social Democratic Party of Austria
Belgium	Flemish Socialist Party (SP.A) & Socialist Party (PS)
Switzerland	Socialist Party (SP)
Germany	German Socialist Party (SPD)
Denmark	Denish Socialist Party (A)
Spain	Spanish Socialist Workers Party (PSOE)
France	Socialist Party (SP)
Finland	Social Democratic Party of Finland (SDP)
Ireland	The Labour Party (LAB)
Luxembourg	Luxembourg Socialist Worker's Party (LSAP)
Netherlands	Labour Party (PvdA)
Norway	Labour Party (DAN)
Portugal	Socialist Party (PS)
Sweden	Swedish Social Democratic Party (SAP)
UK	Social Democratic and Labour Party (SDLP)

Appendix

Variation Level	Manufacturing Decline		Immigration	
	Social Democrats	Right Wing	Social Democrats	Right Wing
Western Europe	-0.988*** (0.136)	0.410*** (0.078)	-1.618*** (0.133)	0.702*** (0.088)
across Countries over Time	-0.692*** (0.157)	0.276 (0.183)	-0.319*** (0.088)	0.247** (0.098)
within Countries over Time	-0.961*** (0.133)	0.529*** (0.146)	-0.974*** (0.165)	0.204 (0.180)
within Regions over Time	-0.207*** (0.017)	0.013 (0.011)	-0.307*** (0.040)	0.159*** (0.024)

Notes: (i) Standard Errors in Parentheses. (ii) * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$