Chapter 4 Economic Freedom, Social Protections, and Electoral Support for Anti-Immigrant Populist Parties in 27 Industrial Democracies

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1 Introduction

Electoral support for nationalist, nativist, xenophobic parties running on anti-immigrant platforms has increased across many industrialized democracies (Gvosdev, 2012; van der Waal, de Koster, and van Oorschot, 2013; Kitschelt, 2007).[1] Several industrial democracies now have nativist populist parties that have gained strength over traditional parties of both the Left and Right (Inglehart and Norris, 2016; Art, 2011; Dancygier, 2010; Eatwell and Mudde, 2003; Halla, Wagner, and Zweimuller, 2012). The popularity of "Brexit" in the United Kingdom apparently grew among the "losers" from globalization, who blamed "unrestricted" immigration and inadequate social protections for natives. Similar sentiments are present among the voters who elected Donald Trump in the United States and among

1 A study published by the Combating Terrorism Center at West Point of domestic terrorism in the United States between 2007 and 2011 shows a 400% increase in nativist violence (Perliger, 2012).

Citation Krishna Chaitanya Vadlamannati and Indra de Soysa (2017). Economic Freedom, Social Protections, and Electoral Support for Anti-Immigrant Populist Parties in 27 Industrial Democracies. In James Gwartney, Robert Lawson, and Joshua Hall, *Economic Freedom of the World: 2017 Annual Report* (Fraser Institute): 213–243.

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Acknowledgments We thank Fred McMahon for stimulating discussion on this topic. We also thank Axel Dreher, Kai Gehring, Diego Hernandez, Jo Jakobsen, Jonathon Mosses, Ola Listhuag, Espen Moe, Artur Tamazian, Jan-Egbert Sturm, Chris Kilby, Martin Gassebner, Christian Bjørnskov, Samuel Brayzs, Jos Elkink, Graham Finley, and Eva Wagner and participants at the BBQ conference (Heidelberg), VIP seminar series (Trondheim), SPIRe seminar series (Dublin) for helpful comments. The usual caveat applies. The data and do files for replication can be obtained directly from the authors.

those that supported Marine Le Pen in the 2017 elections in France.[2] Indeed, these parties that were once called right-wing populist parties that wanted to end social welfare (Kitschelt, 1995) now advocate anti-globalization, anti-free-trade policies, restrictions on immigration, and increased social protections for natives. As some suggest, anti-cosmopolitan cultural factors seem more important than purely economic insecurities for explaining support for populistic parties, and the distinction between Left and Right populism is highly blurred (Inglehart and Norris, 2016: 8; Ivarsflaten, 2008). This chapter primarily investigates two, key interrelated propositions. First, some claim that the growth of nativist, populist, xenophobic parties is a reaction against an elite-led openness to the forces of economic globalization, which generates social dislocations due to "a race to the bottom" in terms of wages and social standards (Apter, 1998; Rodrik, 2011; Stiglitz, 2002). They suggest greater social protections to cushion society from the disruptions of globalization. Secondly, the growth of anti-immigrant, nativist populism is attributed to "welfare chauvinism", where people already enjoying high standards of welfare, for example in Scandinavia, view immigrants as interlopers that scrounge off the taxes of natives (Andersen and Bjørklund, 1990; Oesch, 2008). These two views pose a puzzle because, if globalization displaces people, then increasing social welfare is one answer—the so-called compensation thesis—but increasing compensation might also generate "welfare chauvinism" targeting immigrants, leading to exclusionary processes rather than social harmony. The question of which policies countries prefer for stemming the growth of anti-immigrant populism and xenophobia is not just academic, but one pregnant with moral and practical implications for the future of multicultural, cosmopolitan, and liberal democracy.

Using panel data on 27 OECD countries for the period from 1990 to 2014 (25 years), we find no evidence to suggest that a larger immigrant population *per se* is associated directly with a rise in support for anti-immigrant, populist parties. Instead, we find that the positive effect of immigration on support for populism is conditional upon higher levels of national welfare and social protection, which supports arguments about "welfare chauvinism" and cultural backlash rather than economic backlash. Moreover, we find that a high immigrant share lowers support for anti-immigrant populist parties where the degree of economic freedom is greater and in cases where greater economic freedom and lower social protection coincide. In other words, our findings do not support arguments about how greater economic liberalism drives a "race to the bottom", which needs to be corrected through higher social protection—at least in terms of an anti-immigrant backlash. On the contrary, there is lower electoral support for nativist populist parties where economic freedom is higher. A barrage of robustness checks substantiates our main conclusions.

2 We use the terms "populism" and "nativist nationalism" to mean parties that are anti-immigrant and populist parties primarily. In other words, the parties must have openly xenophobic and anti-immigrant platforms. These parties display very similar attitudes towards non-white immigrants, espouse xenophobic and racist ideas, and, generally, protectionist politics. These parties are protest parties because they stand in stark contrast to the traditional Left and Right parties on immigration and cosmopolitan values (Inglehart and Norris 2016; Art, 2011; Wright and Eatwell, 1999). We are fully aware that some of these populistic, nativist, xenophobic parties may espouse mixtures of right- and left-wing political elements but in terms of our data they have to be firmly anti-immigrant in their main message (see detailed definition and sources on page 217).

2 Immigration and support of nativist-populist parties—theory

While it is often assumed that rising immigration, particularly after the end of the Cold War, accounts for the rise of anti-immigrant parties, a direct connection between the two is not that clear cut (see Art, 2011 for discussion). The large-N, cross-national, empirical literature does not find a robust connection between levels and rates of immigration and support for extremist parties (Norris, 2005; Kitschelt, 2007). As many suggest, while immigration is a necessary factor, it is certainly not sufficient to explain the rise of nativist populism (Art, 2011), and neither are economic factors such as crises and levels of unemployment on their own crucial factors for explaining support for anti-immigrant parties (Knigge, 1998; Arzheimer and Carter, 2006). What seems to matter most is that there is a persistent demand for nativist populist parties in Europe, and the appeal of these parties become accentuated for a variety of reasons, including the charisma and strategies of their leaders (Art, 2011).

Some also claim that economic factors do not seem to matter relative to sociological factors, such as xenophobia, racism, nationalism, and the emotive issues surrounding immigration (Collier 2013; Ivarsflaten, 2008). In fact, in his study on Austria, Belgium, France, Norway, and Switzerland, Oesch (2008) finds that the electoral success of nativist populist parties, at least among the working class, has more to do with questions of community and identity, such as cultural protectionism (defending national identity against outsiders) and discontent with democratic institutions and traditional political parties. As a result, the inconclusiveness of the aggregate cross-national studies suggests that immigration might be conditioned by other factors. We are interested in exploring here under what macro-economic conditions, namely more liberal economic policy conditions relative to more social protection, that immigration becomes an emotive issue, increasing the popularity of nativist populist parties. We look at some basic theoretical expectations around economic policy, immigration, and the rise of anti-immigrant, populistic parties given that there is heavy emphasis on how openness to globalization drives government policies of "social neglect" that fuels anti-establishment sentiment.

2.1 Liberal theory

Heterogeneous liberal theory expects that the free flow of capital, goods, and labor serve the interests of economic growth, development, and social harmony (Balaam and Dillman, 2011). Open, liberal market conditions allow immigrants to thrive as entrepreneurs and workers in industry. Immigrants can contribute to their new homeland with the heterogeneity of talents and skills they may bring with them, while businesses gain a pool of labor and diverse talents to allocate rationally within different sectors of the economy, increasing an economy´s competitiveness. Indeed, low birth rates in many industrialized Western countries require immigration to bolster workforces and generate taxes. Economic liberalism will also help to bring in new investments and create economic growth so that unemployment, which many attribute as the root cause of many social ills, can be reduced. Indeed, immigrants can help to lower the costs of services, such as health care. In the ideal open society, people will respect each other, regardless of class, creed, linguistic group, or race, recognizing people for their worth as citizens and tax payers. While petty and superfluous stereotyping can exist in these societies,

very serious us-against-them situations of polarization, mutual recrimination, and the creation of out-groups are avoided. In fact, the strong application of the rule of law protects every citizen including new immigrants, who find dignity and justice through the law (Ackerman, 1980; Baubock, 2011).

Economists such as Gary Becker and Milton Friedman argue that racism does not pay in a capitalist, free-market society because preference for whites, or natives, will raise the demand for white (native) employees and hence the cost of production. A business that hires a black, or immigrant, thus stands to gain, and the market will punish the racists (Stilwell, 2006). Such libertarian ideals are often celebrated through the American, Canadian, and Australian stories as "lands of opportunity" created by "nations of immigrants" who found their talents rewarded by the market (Block, 1998). Hence, the liberal position would be that, to build social harmony under conditions of immigration, markets should be able to operate freely with little government intervention in providing social protection and welfare, which would only distort incentives for social order (Berger, 1993; Hayek, 1944). Liberals prefer redistribution to take place through the free functioning of markets rather than through politics, where state power and agents are not trusted to make the best decisions. Indeed, many liberals argue that it is free-market globalization, not protectionist state socialism that would facilitate cosmopolitanism best (Appiah, 2006).

2.2 Neo-Marxism and the "race to the bottom"

Neo-Marxist, critical theorists, and other anti-globalization positions primarily aligned with the political Left, see the rise of anti-immigrant, nativist parties as resulting from the growth of neoliberalism coupled with economic globalization. Such conditions apparently challenge welfare states, raise economic insecurity, particularly for unskilled labor, and erode the ideology of welfarism for the protection of the weak and vulnerable (Balaam and Dillman, 2011; Rodrik, 2011). They often attribute high solidarity between ethnic groups to leftist ideology and see creeping free-market ideology as a threat to communal harmony. There is a substantial debate on the social effects of economic globalization, however (Held and McGrew, 2000). Drawing on Heckscher-Ohlin/Ricardo-Viner type models of trade, critics suggest that economic openness hurts unskilled labor in wealthy countries (Wood, 1994). Focusing on the factor-endowment model, Mayda and Rodrik (2005) find that workers in developed countries with higher education and skills are more likely to support free trade. Thus, critical theorists suggest that global economic integration challenges communal integration domestically, while at the same time encouraging cross-border migration (Rodrik, 1997; Swank and Betz, 2003). Under these conditions, many expect labor unrest, particularly among unskilled labor, which now needs to contend with competition from immigrants. This pool of disaffected voters could potentially form a large support base for extremist, anti-establishment parties, something we have certainly seen occurring in the past decades. In other words, the rise of nativist populist parties is viewed as part and parcel of the "race to the bottom" of social standards, in which the capitalist classes increase immigration to push wages down for the sake of profits. According to the British Socialist Party's (2012) congress, the rise of xenophobic, nativist parties is attributed to a conscious policy of the government, in which immigration is encouraged, while at the same time promoting stricter immigration policies. The Socialist party congress states: "In order to maximize

their profits, the capitalist class seeks to push wages down to their lowest possible level by increasing the competition between workers for jobs" (Socialist Party [UK], 2012).

The explanation for the rise of nativist populism is based on the idea of "embedded liberalism", which relates to the way in which social protection increased in Western Europe to insulate populations from the vagaries of global market integration after World War II (Rodrik, 1997; Swank and Betz, 2003). Their answer to stemming the rise of extremist parties is to increase social protection for smoothing the social frictions emanating from free markets. The answer is that social protection compensates for job loss and other pressures brought on by increased economic integration. Notice that these arguments suggest that the rise of nativist populism and anti-immigrant sentiments might be curtailed by more, not less, welfare and social protection, which will help build communitarian values for marginalizing extremist parties.

2.3 Neo-mercantilism, constructivism, and "welfare chauvinism"

By contrast, neo-mercantilists simply see immigration as another attack on the national economy and national welfare because immigration threatens domestic economic and political security (Balaam and Dillman, 2011). Since globalization increases competition for trade, investment, and other economic goods, protecting markets and protecting borders from immigrants are two sides of the same coin. In that sense, the fear associated with economic uncertainty emanating from globalization is exploited by nationalistic and anti-immigrant parties on protectionist sympathies. Nationalist parties seek votes by raising fears about job-loss to natives as a result of open borders. In Britain, for example, the anti-immigrant National Front espouses an anti-capitalist platform, as do various nativist radicals including neo-Nazi groups in Germany (Art, 2011). France's National Front has continuously accused successive French governments about their policies of international openness, and promised to fight what they deem to be "unfair competition" (Le Pen, 1995). Similar rhetoric also visible among the anti-immigrant parties in Austria, Italy, and the Netherlands. However, the nativist parties in Scandinavia stand on more capitalist platforms, contrasting themselves with the established parties wedded to the welfare state, except that they call for closed borders for immigration and espouse greater welfare and protection *only* for the native-born population (van der Waal, de Koster and van Oorschot, 2013). These parties have come to be called "welfare chauvinist" parties because they do not reject the welfare state but they stand for exclusionary policies. Interestingly, many of these parties have strong protectionist tendencies and are clearly distinguished by their bias against immigrants, particularly non-Western immigrants, raising fears about the cultural and economic consequences of immigration (Art, 2011).

Thus, the politics of exclusion espoused by chauvinist parties bridge the rational economic factors associated with arguments about globalization and social protection and more culturally determined (emotive) factors based on feelings of solidarity, fears, and other socially based factors, such as racism and xenophobia. Thus, anti-immigrant backlashes are based on the view among natives that immigrants are interlopers that "steal" their national inheritance by free riding on the welfare system (Andersen and Bjørklund, 1990). Here, traditional xenophobia and racism can become instrumentalized in the political process in which immigrants, whether rightly or wrongly, are scapegoated for free riding on the

system. Immigrants come to be viewed as interlopers who do not deserve the generosity of the native population. Instead of viewing immigrants as contributors to the national pot, they become seen as a group that disproportionately benefits from social protection and welfare. Indeed, beliefs about the social ills brought about by immigrants become widespread, thereby leading to greater support for nativist populist ideas and autocratic solutions. Indeed, Milton Friedman was apprehensive about welfare and the future of immigration when he argued that "you cannot simultaneously have free immigration and a welfare state" (cited in Griswold, 2012: 159). Any level of social protection, thus, in the context of immigration, might be instrumentalized in the political process. Pre-existing ethnic differences, for example, are generally blamed for lower welfare and government spending on public goods because of ethnic antagonisms due to diverse preferences, and perhaps also due to simple racism (Alesina, Baqir, and Easterly, 1999).

There is strong evidence to suggest that immigration does increase the fiscal burden of states and erodes support for welfare among the native population (Eger, 2010; Gaston and Rajaguru, 2013; Nannestad, 2004; O'Rourke and Sinnott, 2006). Soroka, Banting, and Johnston (2006) find that an increase in immigration reduces the rate of growth in social spending in developed countries, while Razin and Wahba (2011) find that the generosity of the welfare state attracts unskilled immigrants. Interestingly, Borjas and Trejo (1991) compare the average cost of welfare for a native compared to an immigrant family in the United States, and find that an immigrant family may roughly cost almost twice that of a native family. Likewise, Blume and Verner (2007) find that immigrants in Denmark receive over 18% of total social benefits in 1999 while their population share was just 3%. Hansen and Lofstrom (2003) reach similar conclusions when examining Swedish municipalities, where, on average, immigrants use more social welfare benefits than natives. In fact, in survey-based evidence on public support for welfare spending in the typical welfare state of Sweden, Eger (2008), using multilevel models, finds that immigration at the county level has significant negative effects on public support for the welfare state.[3] The evidence from these studies is echoed in Kitschelt, who writes: "An encompassing welfare state may attract immigrants and heighten anxieties of the indigenous population, fearing that the new arrivals claim undue entitlements. It may not be the immigrant population by itself, but the generosity of the welfare state that primes the immigration issue and helps to boost radical right-wing party support" (2007: 1,199).

Interestingly, O'Rourke and Sinnott (2006) find that anti-immigrant attitudes are more pronounced in more equal societies than where inequality is higher, suggesting that social protections that promote greater egalitarian outcomes might not mitigate anti-immigrant feelings. Therefore, we might expect to see greater support for anti-immigrant, nativist populist parties where levels of welfare are higher. This idea of "welfare chauvinism" seriously contradicts the neo-Marxist, anti-globalization position, which advocates greater social protections for stemming the rise of nativist populist parties and avoiding social dislocation. In many ways, not only will high social protection distort markets and lead to perverse economic incentives but in this case may also distort socio-political factors, and increase bias against immigrants, raise ethnic tensions, and even kindle the rise of anti-democratic forces.

3 For a detailed survey of empirical studies examining the impact of immigration on the fiscal burden and welfare spending in particular, see Kerr and Kerr, 2011.

3 Data and methods

To explore our theoretical arguments, we identify populist, anti-immigrant parties as those that primarily appeal to the fears and frustrations of the public on various socio-economic issues. We use the categorization of parties classified as populist and anti-immigrant according to their political orientation as constructed by the database of Parties and Elections in Europe (Nordsieck, 2017). This data is compiled by a non-profit organization founded by Wolfram Nordsieck in 1997, which forms a comprehensive database on all parliamentary elections in European countries. The database contains information from national elections, subnational elections, information on various political parties, their leaders, the ideology of these parties, and the composition of governments dating back to 1945. The data defines populist nativist parties in the following manner:

> Right-wing[4] populist parties are protest parties that appeal to the "common man". They appeared first in the early 1970s. This [sic] parties combine national stances with an anti-elitist rhetoric and a radical critique of the political institutions. They usually prefer strict law-and-order and anti-immigration polices.
> ...
> Far-right parties are ultra-nationalist parties that adhere to a pure form of the nation defined by ethnicity. They believe that a nation state requires a collective identity and a strong leadership. These parties challenge the equality of all humans. They tend to forms of authoritarianism, xenophobia, racism, anti-Semitism and corporatism. Normally, they are hostile to the present democratic systems and their values. (Nordsieck, 2017)

Exhibit 4.1 displays all the populist right parties by country of origin as listed by Parties and Elections in Europe. The extent of extremism of these parties across countries vary based on local circumstances, but their vote share vis-à-vis existing parties is what interests us here.

For our purposes, we use the vote share, defined as the number of votes received by populist-right parties (that is, both extreme and nativist populist parties) as a share of the total number of votes polled in a country's national election. With the exception of a few, almost all the countries in our sample have at least one active populist-right party. Australia, Switzerland, and Greece have approximately five such parties that did contest national elections during the period under study, and it should be noted that some of these parties have enjoyed considerable electoral success in countries such as Austria, Belgium, Denmark, Greece, Finland, Netherlands, Norway, Switzerland, and Turkey. The extent of support for these parties can be quantified by using the number of votes these parties received in the national elections. Figure 4.1 captures the average vote share of populist-right parties in national elections during the period from 1990 to 2014. As seen there, Austria, Norway and Switzerland registered greater support on average for these parties compared with the others. The mean of the sample is approximately 6%, with the maximum reaching 30.1%.

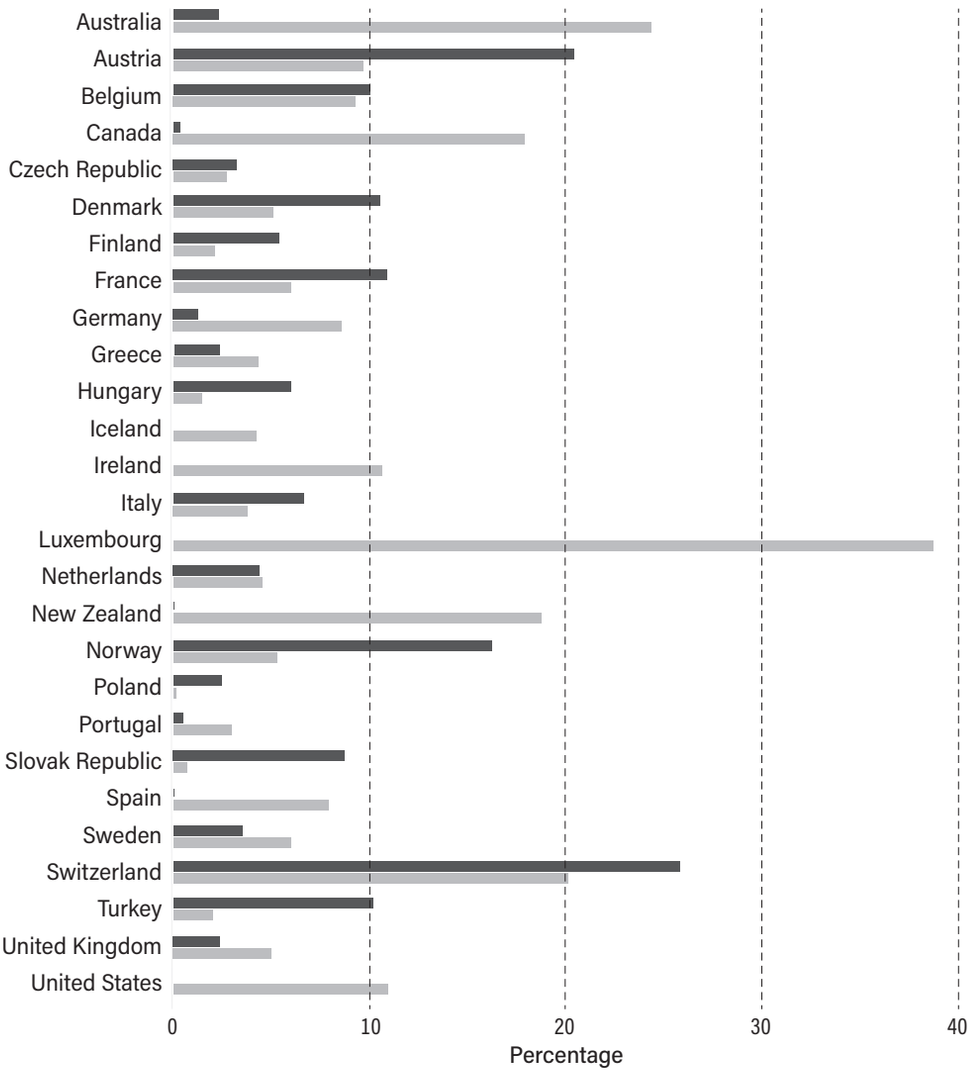
4 While Nordsiek uses the term "right wing" to describe these nativist, nationalistic parties, we remind you that it is well recognized that these parties do not conform to liberal economic policies advocated by traditional (conventional) liberal parties on the right (Nordsieck, 2017).

Exhibit 4.1: List of anti-immigrant and nativist populist parties

Australia	Christian Democratic Party
	One Nation
	Australia First Party
	Australian League of Rights
	New Country Party
Austria	Freedom Party of Austria
	Alliance for the Future of Austria
Belgium	National Front
	Flemish Interest
Canada	Christian Heritage Party of Canada
	Northern Alliance
Czechoslovakia	Republicans Miroslav Sladek
Denmark	Danish People's Party
	FRP: Progress Party
Finland	True Finns
France	National Front
Germany	National Democratic Party of Germany
	Alternative für Deutschland (AfD)
Greece	National Political Union, EPEN
	Hellenism Party
	Front Line
	Popular Orthodox Rally
	Popular Union - Golden Dawn
Hungary	Movement for a Better Hungary
	Hungarian Justice and Life Party
Ireland	The Immigration Control Platform
	American National Socialist Party
	(National Socialist Irish Workers Party)
Italy	Southern Action League
	League North
Netherlands	Reformed Political Party (Staatkundig Gereformeerde Partij) PVV: Freedom Party
New Zeland	National Front
	National Socialist Party
	Patriot Party
Norway	Progress Party
Portugal	National Renovator Party
	New Democracy Party
	People's Monarchist Party
Poland	League of Polish Families
Slovak	Slovak National Party
	Slovenská Národná Strana (SNS)
	Real Slovak National Party (PSNS)
Spain	National Democracy (DN)
Sweden	New Democracy (NyD)
	Sweden Democrats (SD)
Switzerland	Swiss People's Party
	League of Ticinesians (LdT)
	Geneva Citizens' Movement
	Freedom Party of Switzerland (FPS)
	Swiss Democrats
Turkey	National Movement Party
	Milliyetçi Hareket Partisi (MHP)
United Kingdom	British National Party (BNP)
	UK Independence Party (UKIP)
	Democratic Unionist Party (DUP)

Source: Nordsieck, 2017.

Figure 4.1: Vote share (mean, %) of populist-right parties ■ and immigration stock (mean, %), ■ 1990–2014

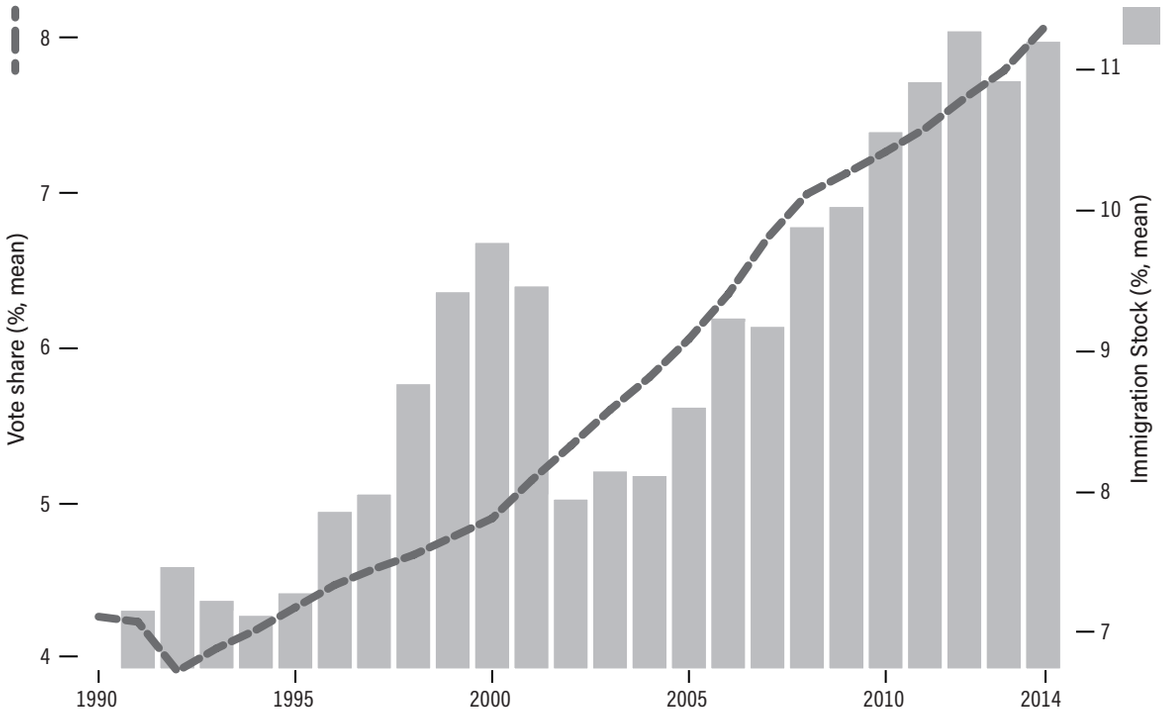


Sources: Nordsieck, 2017; authors' calculations.

To capture the effect of immigration, we use the size of the immigrant population stock, which is sourced from the OECD International Migration Statistics (OECD, 2012b). The immigration stock variable in country *i* in year *t* is a share of the total population of country *i*. According to the OECD International Migration division, immigrant stock is a count of persons who have migrated from their country of birth to their current country of residence and their second and third generations born in the country of residence but who have retained the nationality of their country of origin.[5] We believe that immigration stock is better than

5 The difference across countries between the size of the foreign-born population and that of the foreign population depends on the rules and regulations related to citizenship. According to the OECD International Migration Division, in some countries children born in the country automatically acquire the citizenship of their country of birth, while in other countries they retain the nationality of their parents. The ease with which these foreign nationals can acquire citizenship in the host country is the primary explanation behind the difference between these data series (OECD, 2016).

Figure 4.2: Vote share (mean, %) of populist-right parties and immigration stock (mean, %), 1990–2014



Sources: Nordsieck, 2017; OECD, 2012b; authors' calculations.

flow since stock captures the number of total foreign-born population rather than just the newcomers into the country. The mean of immigration stock is approximately 9%, with 46.5% as the maximum value in our sample. Figure 4.1 also captures the mean immigration stock during the period from 1990 to 2014 across the 27 OECD countries. Luxembourg has the highest immigrant stock at approximately 34% of the population. Excluding Luxembourg, the immigration stock is high in Australia, Switzerland, New Zealand, and Canada. Figure 4.2 captures the trends in mean of vote share of populist-right parties and immigration stock during the period from 1990 to 2014. As seen, there is some evidence that there is an increasing trend in both variables. Although there is some decline in vote share of the populist-right in the mid-2000s, the vote share increases during the post-2007 period.

To determine the degree of national welfare, we use two measures. First, we use social welfare spending of the government as a share of GDP. Social welfare spending includes both public and private benefits with a social purpose in the following policy areas: health, family, active labor-market programs, unemployment, housing, old age, survivors, incapacity-related benefits, and other social policy areas.[6] We believe that this variable is a perfect measure for capturing social protection as it encompasses access to a range of welfare benefits provided by the state. On average, the OECD countries spend roughly 22% of their GDP on social welfare, with a maximum value of roughly 35%. Second, we include spending on unemployment benefits as a share of GDP. Unemployment benefits include cash

6 For specific details on the methodology used to define social sector spending, see Adema, Fron, and Ladaique, 2011.

benefits or allowances paid to the unemployed for a certain period of time (which varies from country to country), and it also covers government guarantees for receiving wages (outstanding) when employers declare bankruptcy. Government spending on unemployment benefits includes spending on items such as unemployment insurance and allowances, job-search allowances, short-term work compensation, industrial restructuring compensation, mature-age allowances, work-sharing benefits, early-retirement allowances, independent youth benefit, and other income support.[7] On average, an OECD country spends approximately 7% of its GDP on unemployment benefits, with a maximum value of 27%. The data on both social welfare and unemployment benefits spending are sourced from the OECD's Social Expenditure Database (OECD, 2012c).

3.1 Model specification

We analyze time-series cross-section data containing 27 OECD countries[8] that cover 25 years between 1990 and 2014. The baseline specification estimates the support for populist right parties in country i in year t, which is a function of a set of exogenous variables Z_{it} and our main variable of interest, immigration:

$$VS^{EPR}{}_{it} = \varphi_1 + \psi_2 VS^{EPR}{}_{it-1} + \psi_3 im_{it} + \psi_4 Z_{it} + u_t + v_i + \omega_{it} \quad (1)$$

where v_i and u_t are the country- and year-specific fixed effects, and ω_{it} is the error term. The dependent variable VS^{EPR} is the vote share of populist-right parties in country i in year t, and our main variable of interest is immigrant stock (im_{it}). Following others, we also include vote share in the preceding elections ($VS^{EPR}{}_{it-1}$), which is akin to a lagged dependent variable to capture any autocorrelation likely to be present. Moreover, the vote share of the populist-right in the previous election is likely to affect the vote share in the current election. However, according to Achen (2001), including a lagged dependent variable can drastically reduce the explanatory power of the independent variables. Also, in a panel of fixed-effects specifications, the inclusion of a lagged dependent variable could result in a downward bias for the coefficient, known as the "Nickell bias" (Nickell, 1981). Hence, we estimate all our models with and without inclusion of a variable capturing the vote share of the populist-right party in the immediately preceding election.

To examine our main arguments on welfare chauvinism, we estimate an interaction-effect model in which we introduce interaction between the share of the immigrant stock and the degree of national welfare as being under:

$$VS^{EPR}{}_{it} = \varphi_1 + \psi_2 VS^{EPR}{}_{it-1} + \psi_3 im_{it} + \psi_4 im_{it} \times ent_{it} + \psi_5 ent_{it} + \psi_6 Z_{it} + u_t + v_i + \omega_{it} \quad (2)$$

where $im_{it} \times ent_{it}$ is the interaction term between immigrant stock and the two measures capturing the degree of national welfare discussed in the previous

7 Note that these various types of allowances vary systematically from country to country. For more details, see country-specific notes on unemployment benefits under the social sector expenditure in OECD statistics (OECD, 2016).

8 Countries studied are: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States of America. We exclude Mexico and other countries that have only recently gained OECD membership.

section. Note that we estimate all our interaction effects with and without the inclusion of a lagged dependent variable, and we control for both country and time fixed effects.

Next, we examine the liberal argument that immigration under an open market economic system is associated with a less support for populist right parties. In order to test these arguments, we introduce another conditional effects model:

$$VS^{EPR}_{it} = \varphi_1 + \psi_2 VS^{EPR}_{it-1} + \psi_3 im_{it} + \psi_4 im_{it} \times efi_{it} + \psi_5 efi_{it} + \psi_6 Z_{it} + u_t + v_i + \omega_{it} \quad (3)$$

where $im_{it} \times efi_{it}$ is the interaction term between immigrant stock and our measure of the degree of economic freedom in country i in year t.

Note that we include two variants of economic freedom. First, following Dreher, Lamla, Lein, and Somogyi (2009), we consider the Fraser Institute's Economic Freedom Index (EFI hereafter) constructed by Gwartney and Lawson (2008) as a proxy for a free-market economy. The EFI is a comprehensive measure comprising five sub-indexes that capture: expenditure and tax reforms, property rights and legal reforms, trade reforms, reforms related to access to sound money, as well as labor, business, and credit reforms. These five sub-indexes are made up of 42 distinct variables as objective indicators, and the final index is ranked on a scale of 0 (not free of state regulations) to 10 (totally free or highly competitive market economy). Hence, a higher value implies a higher degree of market conformity. Exhibit 4.2 provides a detailed description of the components of the EFI.

Secondly, we also include the year-to-year change in EFI, which is our measure for economic policy reforms for country i at year t (Dreher, Sturm and Vreeland, 2009). A positive value indicates a movement towards more free market policies and a negative value would be a move towards more state regulation and *dirigisme*. In other words, the year-to-year change in the EFI variable captures the new policy decisions taken by the state in the short run and not necessarily the accumulation of reforms over the years resulting in economic freedom (i.e., EFI) in the long run, which we also use in our analysis. If the liberal argument is true, then we expect immigrant stock to increase the support for populist-right parties when the change in EFI is negative and decrease the support when the change is positive.

A distinguishing feature of our dependent variable (i.e., vote share data) is that it has some zero values, which is the lower bound, and roughly 15% of the total observations are zeros. The clustering of zero observations is a result of the fact that in some OECD countries, the vote share of populist-right parties either does not exist, or these parties do not contest elections. Estimating such models with an Ordinary Least Squares (OLS) estimator would violate several assumptions, such as a zero mean for the OLS errors among others, thereby resulting in biased estimates (see Neumayer, 2002, 2003 for details), which requires a nonlinear method of estimation. We adopt a fixed-effects Tobit maximum-likelihood procedure with heteroskedasticity-consistent robust standard errors (Beck and Katz, 1995):

$$\begin{aligned} &y_{it} = \max(0, x_{it}\beta + \delta_{it} + \mu_{it}) \\ &\mu_{it} \mid x_{it}, \delta_{it} \approx Normal\ (0, \sigma^2_{\mu}) \\ &\delta_{it} \mid x_{it} \approx Normal\ (0, \sigma^2_{\delta}) \end{aligned} \quad (4)$$

Exhibit 4.2: Areas, components, and sub-components of the EFI (2008)

1 Size of Government: Expenditures, Taxes, and Enterprises

- A General government consumption spending as a percentage of total consumption
- B Transfers and subsidies as a percentage of GDP
- C Government enterprises and investment
- D Top marginal tax rate
  - i Top marginal income tax rate
  - ii Top marginal income and payroll tax rates

2 Legal Structure and Security of Property Rights

- A Judicial independence (GCR)
- B Impartial courts (GCR)
- C Protection of property rights (GCR)
- D Military interference in rule of law and the political process (ICRG)
- E Integrity of the legal system (ICRG)
- F Legal enforcement of contracts (DB)
- G Regulatory restrictions on the sale of real property (DB)

3 Access to Sound Money

- A Money growth
- B Standard deviation of inflation
- C Inflation: Most recent year
- D Freedom to own foreign currency bank accounts

4 Freedom to Trade Internationally

- A Taxes on international trade
  - i Revenues from trade taxes (% of trade sector)
  - ii Mean tariff rate
  - iii Standard deviation of tariff rates
- B Regulatory trade barriers
  - i Non-tariff trade barriers (GCR)
  - ii Compliance cost of importing & exporting (DB)
- C Size of trade sector relative to expected
- D Black-market exchange rates
- E International capital market controls
  - i Foreign ownership / investment restrictions (GCR)
  - ii Capital controls

5 Regulation of Credit, Labor, and Business

- A Credit market regulations
  - i Ownership of banks
  - ii Foreign bank competition
  - iii Private sector credit
  - iv Interest rate controls/negative real interest rates
- B Labor market regulations
  - i Minimum wage (DB)
  - ii Hiring and firing regulations (GCR)
  - iii Centralized collective bargaining (GCR)
  - iv Mandated cost of hiring (DB)
  - v Mandated cost of worker dismissal (DB)
  - vi Conscription
- C Business regulations
  - i Price controls
  - ii Administrative requirements (GCR)
  - iii Bureaucracy costs (GCR)
  - iv Starting a business (DB)
  - v Extra payments / bribes (GCR)
  - vi Licensing restrictions (DB)
  - vii Cost of tax compliance (DB)

Note: GCR = Global Competiveness Report; ICRG = International Country Risk Guide; DB = Doing Business.
Source: Gwartney and Lawson, 2008.

The dependent variable y_{it} is the vote share of populist-right parties in country i in year t and x_{it} that refers to the determinants of support for these parties; δ_{it} is the time- and country-specific fixed effects, while μ_{it} is an independently distributed error term assumed to be normal with a zero mean and constant variance σ^2. Note that the β coefficient cannot be interpreted directly in the nonlinear Tobit model, thus we compute the marginal effects of the explanatory variables on either max $P\,(y_{it} > \mid x_{it})$, $E\,(y_{it} \mid x_{it}, y_{it} > 0)$, or $E\,(y_{it} \mid x_{it})$. We compute the marginal effects at the mean of the respective covariates. Note that we report the values of coefficients in the regression tables, but use marginal effects for the substantive interpretations of the results.

3.2 Control variables

The vector of control variables (Z_{it}) includes other potential determinants of support for the populist-right parties, which we obtain from the extant literature on the subject. Moreover, we follow the pioneering studies of Falk, Kuhn and Zweimuller (2011), Arzheimer (2009), Golder (2004, 2003) and Knigge (1998), as well as other comprehensive evaluations of studies on the determinants of support for the populist-right parties (Swank and Betz, 2003). The list of potential control variables is long, but we are aware of the trap of "garbage-can models" or "kitchen-sink models" in which various variables are dumped onto the right-hand side of the equation, making interpretation of results difficult (Achen, 2005). We adopt the conservative strategy of accounting only for three key factors that affect the vote share of the populist-right parties, adding several more only in robustness checks. Accordingly, we control for macroeconomic conditions, which determine voting behavior (see Whitten and Palmer, 1999). It is important to distinguish macro-economic factors from purely immigration-related factors; hence we include the rate of growth of GDP (Jackman and Volpert, 1996; Knigge, 1998). Likewise, we also include a measure of inflation, which is the year-on-year change in the Consumer Price Index (Swank and Betz, 2003). Following others, we also include the unemployment rate, which is a major explanation provided in many of the previous studies on support for populist-right sentiments (Fischer and Modigliani, 1978). There is considerable empirical research supporting these claims (see Frey and Weck, 1981; Falk, Kuhn, and Zweimuller, 2011), and these three variables are sourced from the OECD statistical portal. Finally, we include a dummy measure sourced from the Database on Political Institutions developed by Beck, Clarke, Groff, Keefer, and Walsh (2001), which captures whether the traditional center-right parties are in power: 1, if so, and 0, if not.[9] The electoral system may have a bearing on the electoral fortunes of anti-immigrant parties (see Norris, 2005; Art, 2011),[10] as small extremist parties form more easily in Proportional Representation (PR) systems rather than in first-past-the-post (SMP) systems. We test for an electoral-system effect by putting in a

9 Note that using Bjørnskov (2005) and Potrafke's (2010, 2009a, 2009b) alternative measures of political ideology of the ruling government does not alter our main results.

10 Electoral systems do not vary over time within a country, and are therefore picked up anyway by the fixed effects. Indeed, in our sample of 27 OECD countries during our study period, only New Zealand witnessed a change in the electoral system, in which they moved from first past the post system towards a mixed proportional representation system. Nevertheless, we perform a robustness check by including the electoral system dummy and estimations using the Tobit Random effects estimator.

dummy that takes the value 1 if a country has a PR electoral system in robustness tests of the basic models. The descriptive statistics are in Appendix 1 and details on definitions and data are provided in Appendix 2.

3.3 Endogeneity

We address the question of whether causality runs from immigrant stock to vote share of populist right parties or the other way around. Arguably, a greater support for these parties may affect how open a country is to immigrants. Ignoring potential endogeneity would induce bias in our estimates on the effect of the immigrant stock on support for populist right parties. To determine the direction of causality, we use a dynamic model of Granger Causality (Granger, 1969). Accordingly, once the past influence of y has been accounted for, the variable x is said to "Granger cause" a variable y if the past values of x help explain y (Engle and Granger, 1987). Furthermore, we follow Dreher et al. (2012) to account for Granger Causality in a panel setting as:

$$y_{it} = \sum_{j=1}^{\rho} \psi_j y_{i,\,t-j} + \sum_{j=1}^{\rho} \xi_j x_{i,\,t-j} + \delta_i + \zeta_t + \omega_{it} \tag{5}$$

where the parameters are denoted as ψ_{it} and ξ_{it} for country i during the year t, and the maximum lag length is represented by ρ. Variable δ_i denotes unobserved individual effects; ζ_t, unobserved time effects; and ω_{it}, the error term. Under the null hypothesis, the variable x is assumed not to Granger-cause y, while the alternative hypotheses allow for x to Granger-cause y after controlling for past influence of the variable y. Note that the joint F-statistic is used to gauge the joint significance of the vote share of the populist-right parties on the immigrant stock.

4 Empirical results

Tables 4.1, 4.2, and 4.3 present our main results. Table 4.1 shows results of immigrant stock and the interaction between immigrant stock, welfare spending, and unemployment benefits. Table 4.2 displays results on the conditional effects between immigrant stock and economic freedom, while table 4.3 provides the results of our Granger causality tests.

Table 4.1 reports the impact of the level of immigration on support for populist-right parties in OECD countries controlling for other factors. As seen in column 1, the effect of the share of immigrants on the vote share of populist-right parties is negative and statistically significant at the 10% level. The marginal effects suggest that holding all control variables constant at their mean values, a standard deviation increase in the share of immigrant stock is associated with a decline of roughly 2.64 points in the vote share of populist-right parties in the 27 OECD countries during the period under study. Notice that these results remain robust when we include the lagged vote share of these parties in column 2. In fact, both the substantive effects as well as the levels of statistical significance increases. These results suggest that the extent of immigration alone does not explain the rise in support for populist-right parties in OECD countries. Next, we introduce the conditional term between immigrant stock and social-welfare spending as a share of GDP among OECD countries in columns 3 and 4. As seen there, the interaction terms is positive and statistically significant, which means that a higher share

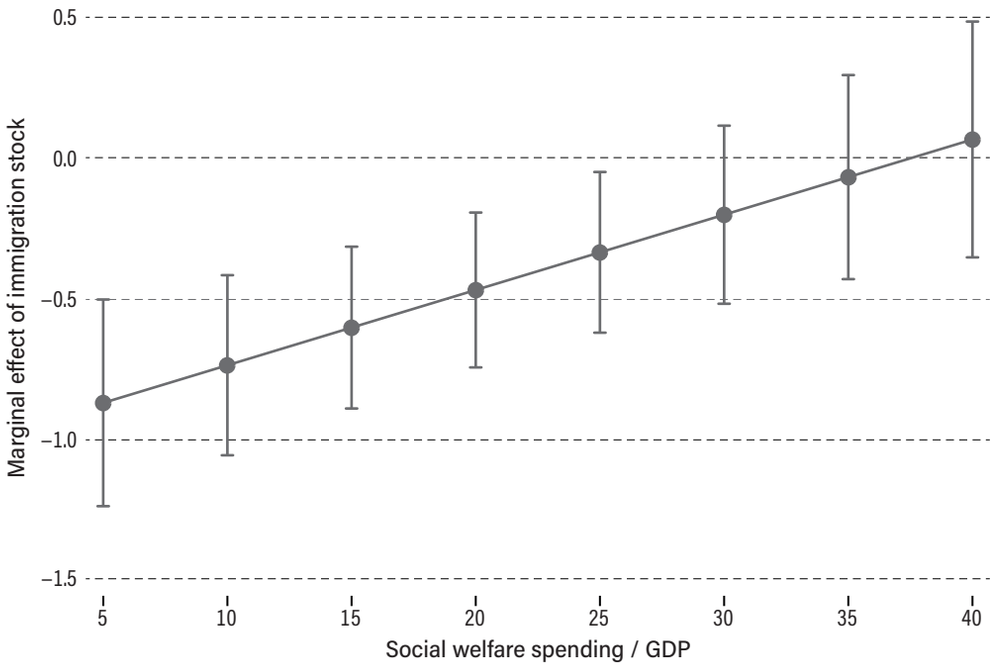
Table 4.1: Immigration, total welfare spending, unemployment benefits spending and support for populist-right parties, 1990–2014

	(1)	(2)	(3)	(4)	(5)	(6)
	Vote Share	Vote Share	Vote Share	Vote Share	Vote Share	Vote Share
	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE
Immigration Stock	−0.301*	−0.349**	−1.107***	−1.006***	−0.0923	−0.111
	(0.163)	(0.158)	(0.248)	(0.258)	(0.132)	(0.129)
Immigration Stock × Social Welfare Spending/GDP			0.0324***	0.0268***		
			(0.00884)	(0.00972)		
Immigration Stock × Unemployment Benefits/GDP					0.0935**	0.0901***
					(0.0362)	(0.0345)
Social Welfare Spending/GDP			−0.0682	−0.0551		
			(0.103)	(0.102)		
Unemployment Benefits/GDP					−1.482***	−1.483***
					(0.338)	(0.326)
GDP Growth Rate	−0.310***	−0.303***	−0.321***	−0.313***	−0.321***	−0.315***
	(0.0780)	(0.0769)	(0.0778)	(0.0771)	(0.0764)	(0.0754)
Inflation Rate	−14.22***	−10.49**	−14.42***	−11.40**	−14.33***	−10.98**
	(4.040)	(4.421)	(4.162)	(4.582)	(4.162)	(4.474)
Economic Freedom Index	−1.470**	−1.178*	−1.326**	−1.118*	−1.336**	−1.053*
	(0.603)	(0.630)	(0.596)	(0.624)	(0.594)	(0.619)
Unemployment Rate	−0.0229	−0.0155	−0.0615	−0.0494	0.0192	0.0288
	(0.0671)	(0.0670)	(0.0802)	(0.0809)	(0.0677)	(0.0680)
Center-Right Government	0.744*	0.600	0.729*	0.615	0.551	0.425
	(0.399)	(0.390)	(0.400)	(0.391)	(0.373)	(0.365)
Lagged Vote Share		0.140**		0.112*		0.130**
		(0.0591)		(0.0632)		(0.0585)
Constant	18.23***	17.06***	23.92***	22.00***	12.16**	10.45*
	(6.063)	(6.032)	(6.174)	(6.372)	(5.575)	(5.648)
Pseudo R^2	0.3229	0.3258	0.3229	0.326	0.3374	0.34
Country Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Time Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes
Number of Countries	27	27	27	27	27	27
Total Observations	636	636	636	636	636	636

Notes: (a) robust standard errors in parentheses, *** p < 0.01, ** p < 0.05, * p < 0.1; (b) reports coefficients of all explanatory variables.

of immigrants increases support for populist-right parties when welfare spending increases. It is noteworthy that the interaction results remain robust when a lagged dependent variable in introduced in column 4. The statistical significance is stronger (at the 1% level). It is important to note that the interpretation of the interaction term in non-linear models, such as Tobit fixed effects, is not the same as interpreting the results of linear models using OLS. Consequently, a simple t-test on the coefficient of the interaction term is not sufficient to see whether the interaction is statistically significant (Ai and Norton, 2003; Golder, 2003). We rely on the marginal plot as shown in figure 4.3, which depicts the magnitude of the interaction effect.

Figure 4.3: Marginal effect on populist-right parties of immigration stock (mean, %) and welfare spending as a share (%) of GDP, 1990–2014

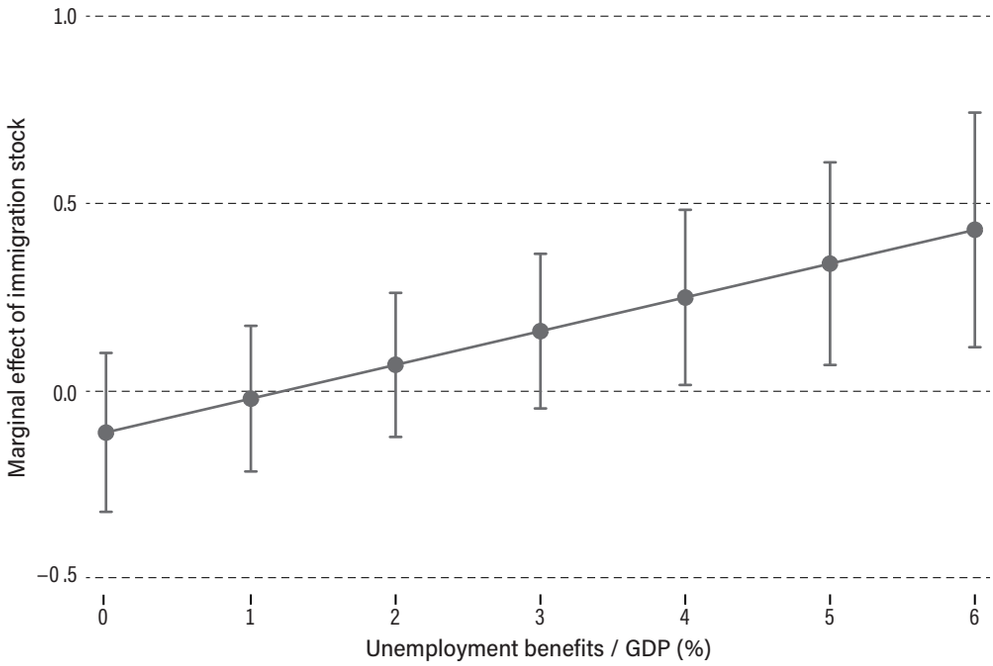


Sources: authors' calculations based on regression estimates.

To calculate the marginal effect of an additional increase in the immigrant stock, we account for both the conditioning variable (welfare spending as a share of GDP) and the interaction term, and show the total marginal effect conditional on welfare spending graphically. The y-axis of figure 4.3 displays the marginal effect of an additional unit of immigrant stock, and on the x-axis the level of welfare spending as a share of GDP at which the marginal effect is evaluated. In addition, we include the 90% confidence interval in the figure. As seen there, and in line with our results of the Tobit fixed-effects estimation, an additional unit increase in the immigrant stock would decrease the vote share of the populist-right parties (at the 90% confidence level) when social welfare spending is lower than 30% of GDP. Figure 4.3 also shows that the immigrant stock has no effect on the vote share of the populist-right parties when social welfare spending is above 30% of GDP. In other words, the coefficients are not significant when the lower bound of the confidence interval is below zero. Note that the effects are almost similar (approximately 30% of welfare spending in GDP) when estimating the marginal plot graphically when we exclude lagged vote share of the populist right. These results lend support to the "welfare chauvinism" hypothesis, which suggests that citizens of countries with high welfare spending are more likely to see immigrants as interlopers and a threat to their welfare inheritance, sentiments pushed by the populist-right and radical nativist parties.

In columns 5 and 6, we replicate the interactions, but replace social welfare spending with unemployment benefits as a share of GDP. As seen in columns 5 and 6, the immigrant stock is positive and significantly different from zero at 5% and 1% levels, respectively, conditional upon increasing levels of higher unemployment benefits. Once again, we resort to the marginal plot to provide a graphical interpretation of the magnitude of the interaction effect. On the y-axis of figure 4.4, the marginal effect of an additional increase in a unit of the immigrant stock is displayed, while on

Figure 4.4: Marginal effect on populist-right parties of immigration stock (mean, %) and unemployment benefits as a share (%) of GDP, 1990–2014



Sources: authors' calculations based on regression estimates.

the x-axis the level of unemployment benefits spending as a share of GDP at which the marginal effect is evaluated is displayed. As before, we include the 90% confidence interval in figure 4.4, which reveals that an additional unit of the immigrant stock increases support for populist-right parties (at the 90% confidence level) if unemployment benefits are greater than 3% of GDP. This also means that the coefficients are not significant when the lower bound of the confidence interval is below zero and the upper bound is marginally above it. For instance, a one-point increase in the immigrant stock is associated with a 0.34-point increase in the vote share of populist-right parties if unemployment benefits are 5% of GDP, which is significantly different from zero at the 5% level. Again, these effects are similar (approximately 3% of unemployment benefits spending in GDP) when estimating the marginal plot graphically by excluding the lagged values of populist right vote share.

In table 4.2, we focus on the results of the interactions between economic freedom, change in economic freedom, and the immigrant stock as they effect support for nativist populist parties. In columns 1 and 2, we introduce the interaction between the Economic Freedom Index (EFI) and immigration. Though negative, the interaction between economic freedom and the immigrant stock remains statistically insignificant. The interaction effects are captured in the margins plotted in figure 4.5, which shows that immigrant stock explains the decrease in the vote share of the populist-right parties when a country's EFI is above 6 (on a scale of 1 to 10). For instance, an additional unit of the share of the immigrant population decreases the vote share of populist-right parties by 0.63 point when the EFI is 7, which is significantly different from zero at the 10% level. Note that the marginal effects are not significant when the upper bound of the confidence interval is below the zero line. In other words, the estimated causal effect of economic freedom is indistinguishable from zero at this point, and the coefficients are only significant

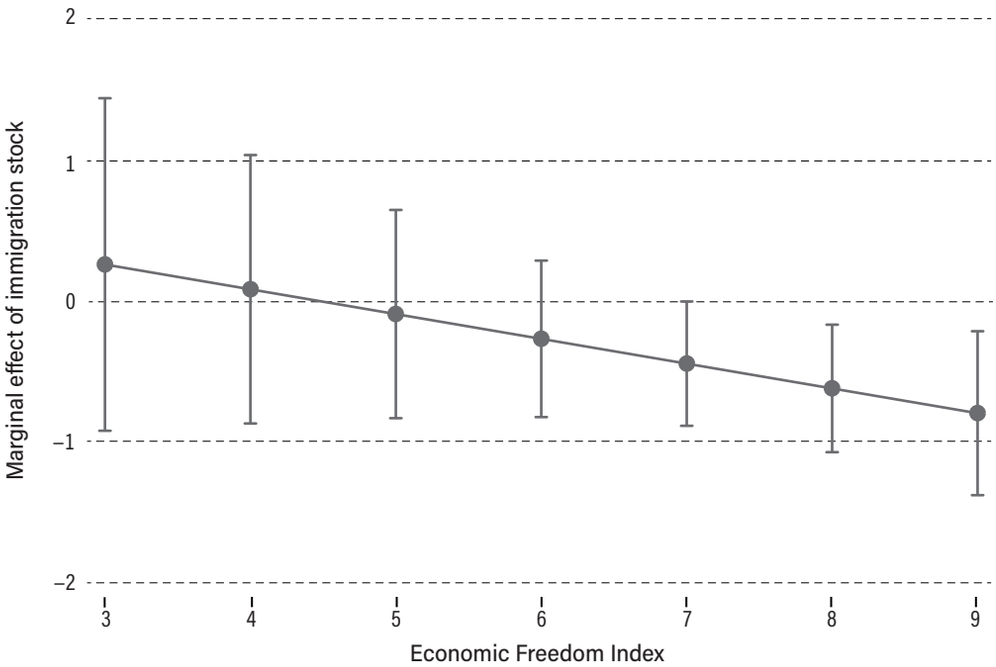
Table 4.2: Economic freedom and support for populist-right parties, 1990–2014

	(1)	(2)	(3)	(4)
	Vote Share	Vote Share	Vote Share	Vote Share
	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE
Immigration Stock	0.711	0.787	−0.0924***	−0.0728**
	(1.166)	(1.150)	(0.0305)	(0.0305)
Immigration Stock × Economic Freedom Index	−0.157	−0.176		
	(0.154)	(0.151)		
Economic Freedom index	−2.490***	−2.229**		
	(0.835)	(0.869)		
Immigration Stock × Change in Economic Freedom Index			−0.0150	−0.0301
			(0.0349)	(0.0324)
Change in Economic Freedom Index			−0.414	−0.264
			(0.384)	(0.372)
GDP Growth Rate	−0.395***	−0.388***	−0.0152	−0.0150
	(0.110)	(0.109)	(0.0150)	(0.0155)
Inflation Rate	−16.46***	−13.88**	1.010	1.264
	(5.299)	(5.579)	(1.037)	(1.003)
Unemployment Rate	0.118	0.122	0.0347***	0.0484***
	(0.0991)	(0.0983)	(0.0107)	(0.0130)
Center-Right Government	1.228**	1.144*	0.304***	0.141**
	(0.592)	(0.585)	(0.0680)	(0.0651)
Lagged Vote Share		0.0937		0.184***
		(0.0685)		(0.0297)
Constant	29.54***	29.21***	3.016***	2.286***
	(9.592)	(9.463)	(0.820)	(0.849)
Pseudo R^2	0.3234	0.3267	0.3245	0.3278
Country Fixed Effect	Yes	Yes	Yes	Yes
Time Fixed Effect	Yes	Yes	Yes	Yes
Number of Countries	27	27	27	27
Total Observations	636	636	612	612

Notes: (a) Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1; (b) Reports coefficients of all explanatory variables.

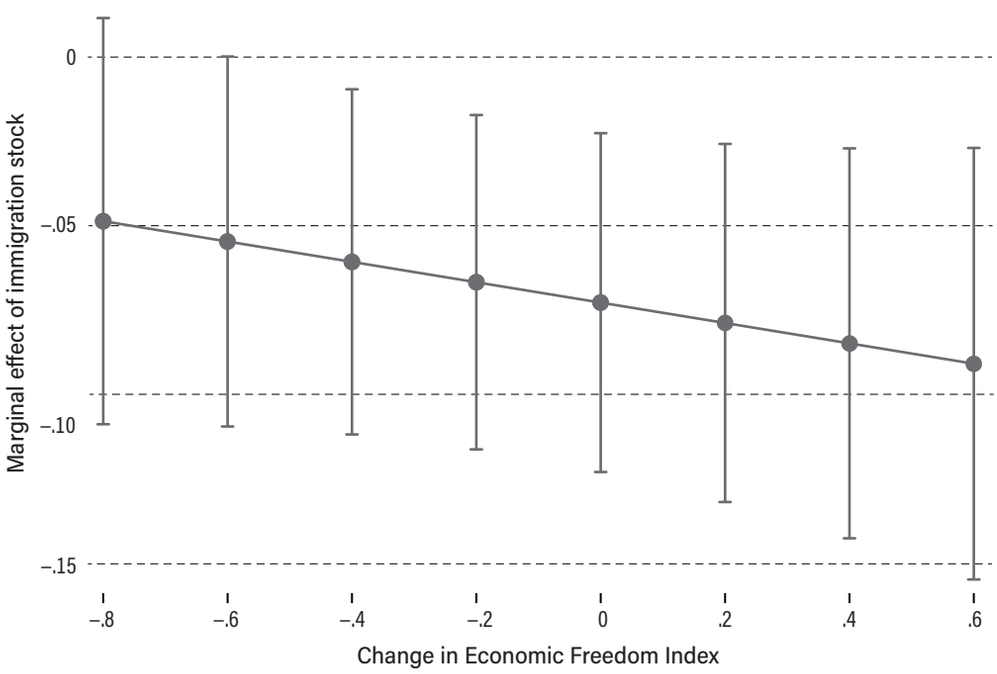
when the lower bound is above the zero line. In columns 3 and 4, we capture the interaction between the change in the EFI, a proxy for liberal economic reforms, and the share of the immigrant population. As seen, though negative, the interaction results remain statistically insignificant. Once again, we rely on the conditional plot as shown in Figure 4.6, which suggests that the immigrant stock explains the decrease in the vote share of the populist-right parties when a country's change in the EFI is above −0.4% (on a scale of −0.80% to 0.65%). For instance, an additional unit of the size of the immigrant stock reduces the vote share of populist-right parties by 0.10 points when the change in the EFI is +0.65%, which is significantly different from zero at the 5% level. The results of both interactions are robust to the exclusion of the lagged vote share of populist-right parties. These results support the arguments of liberals who see the growth of greater cosmopolitanism, not parochialism, under conditions of greater free-market conditions, results that contradict the view of those who expect increasing free-market conditions to increase social disruptions that generate support for the populist-right parties.

Figure 4.5: Marginal effect on populist-right parties of immigration stock (mean, %) and economic freedom (EFI), 1990–2014



Sources: Gwartney and Lawson, 2008; authors' calculations based on regression estimates.

Figure 4.6: Marginal effect on populist-right parties of immigration stock (mean, %) and change in economic freedom (EFI), 1990–2014



Sources: Gwartney and Lawson, 2008; authors' calculations based on regression estimates.

The results on control variables are as expected. We find that an increase in the rate of growth of GDP is associated with a decline in support for the populist-right parties, which is significantly different from zero at the 1% level across all the models (see tables 4.1 and 4.2). Likewise, higher inflation and the unemployment rate increase the vote share of populist-right parties, which support the findings of others (Golder, 2003; Knigge, 1998). Thus, in so far as higher economic freedom reduces inflation and unemployment, economic freedom likely has indirect effects on reducing support for extremist parties. Established center-right parties in power increase support for populist-right parties. Freer market economies are associated with lower support for populist-right parties, a result that is significantly different from zero at conventional levels of significance across all models. The substantive effects suggest that a standard deviation increase in economic freedom is associated with a 1.05-point decline in the vote share of populist-right parties (column 1, table 4.1), which is 14% of the standard deviation of the vote share of the populist-right parties. Thus, if economic freedom generates economic growth and reduces unemployment and other economic maladies, then a more liberal economy potentially benefits social harmony both directly and indirectly, regardless of the size of the immigrant population. These results support others that report greater social and ethnic peace under free-market economic conditions (de Soysa and Fjelde, 2010; de Soysa and Vadlamannati, 2012; Steinberg and Saideman, 2008).

Finally, we capture the results of panel Granger causality tests in table 4.3 to address the issue of endogeneity. Notice that there are two sets of results in table 4.3. Set 1 captures the results estimating the impact of immigrant stock on the vote share of the populist-right parties after controlling for the lagged values of the vote share. Likewise, in set 2, we examine whether the vote shares for populist-right parties in turn Granger-causes higher shares of immigrant populations. As seen from both sets, we do not find any evidence of causality flowing from either direction. In set 1, we do not find any statistically significant effects of immigration on the vote shares of the populist-right parties, which is also in line with the panel data results shown in table 4.1.[11] The joint F-statistics show that none of the lags in the immigrant stock explains the level of support for populist-right parties. In set 2, we again do not find any significant effect of the vote shares explaining an increase or decrease in the immigrant stock. To test whether vote shares Granger-cause immigration in set 2, we ran a joint F-test and report the corresponding F-statistics and p-values at the end of table 4.3. Note that the null hypothesis of this test is that x does not Granger cause y, and that the joint F-statistics in set 2 fail to reject the null hypothesis. Hence, our results reveal no significant reverse causality flowing from support for populist-right parties to the level of immigration.

4 Checks for robustness

We examine the robustness of our main findings in several ways. First, we estimate all models with OLS fixed effects. The results, particularly on interaction effects, remain robust to using an OLS fixed-effects estimator, and these results are upheld when including a lagged dependent variable. Second, we drop countries where there are no populist-right parties, namely Iceland, Ireland, Luxembourg, New Zealand, and the United States, and estimate the baseline models without these

11 It should be noted that our results using Tobit do not change much when we use OLS.

Table 4.3: Panel Granger causality tests on immigrant share of the population and vote share of populist-right parties

Set 1	(1)	(2)	(3)
	Vote Share	Vote Share	Vote Share
Vote Share (t–1)	0.796***	0.869***	0.859***
	(0.0272)	(0.0435)	(0.0442)
Vote Share (t–2)		–0.0887**	0.0348
		(0.0442)	(0.0590)
Vote Share (t–3)			0.0222
			(0.410)
Immigration Stock rate (t–1)	–0.117**	–0.255	–0.348
	(0.0545)	(0.347)	(0.712)
Immigration Stock rate (t–2)		0.131	–0.157***
		(0.345)	(0.0466)
Immigration Stock rate (t–3)			0.202
			(0.422)
Joint F-statistics	4.63**	2.37*	1.52
Country Fixed Effect	Yes	Yes	Yes
Time Fixed Effect	Yes	Yes	Yes
Number of Countries	27	27	27
Total Observations	619	593	567

Set 2	(1)	(2)	(3)
	Immigration Stock	Immigration Stock	Immigration Stock
Immigration Stock (t–1)	0.979***	1.482***	1.436***
	(0.00685)	(0.0374)	(0.0447)
Immigration Stock (t–2)		–0.508***	–0.403***
		(0.0371)	(0.0776)
Immigration Stock (t–3)			1.40e-05
			(0.00481)
Vote Share (t–1)	0.00456	–0.000720	–0.000147
	(0.00342)	(0.00468)	(0.00643)
Vote Share (t–2)		0.00406	–0.0630
		(0.00475)	(0.0460)
Vote Share (t–3)			0.00436
			(0.00508)
Joint F-statistics	1.78	0.66	0.66
Country Fixed Effect	Yes	Yes	Yes
Time Fixed Effect	Yes	Yes	Yes
Number of Countries	27	27	27
Total Observations	619	593	567

Note: Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1.

five countries. The results are only marginally changed. Third, to examine whether our basic results are driven by outliers, we drop Norway and Switzerland (one by one and then both together) and re-estimate the interaction effects by including a lagged dependent variable. The new results are broadly in accordance with our baseline results reported in tables 4.1 and 4.2. Fourth, we test Tobit estimations with Random effects since the Random effects estimator is preferred over fixed effects in nonlinear models (Greene, 2002). The other advantage of using Tobit with Random effects is that it allows us to control for time-invariant variables, such as the electoral system. Using Tobit with Random effects did not change our results, particularly the interaction models reported in tables 4.1 and 4.2. Fifth, we control for the electoral system to examine whether the disproportionality of the electoral system alters our main findings. The permissiveness of the electoral systems is considered a crucial explanatory variable in the study of the rise of extremist parties (Arzheimer and Carter, 2006). We use a dummy variable from the Database of Political Institutions constructed by Beck, Clarke, Groff, Keefer, and Walsh (2001), which takes the value of 1 if the country has "first-past-the-post system" and 0 otherwise. After controlling for the electoral systems of countries and estimating the models with Tobit with a Random effects estimator, we find no reason to change earlier conclusions.

Finally, we use tax revenues sourced from income and capital, with payroll and social security contributions taken together as a share of GDP as an alternative measure of the degree of national welfare. Therefore, replacing our welfare measures with tax revenues should yield identical results. Our new results based on the interactions between immigration stock percent and tax revenues to GDP show a positive and significant effect on support for anti-immigrant parties when immigration is higher. The results from the conditional plot shows that, if tax revenues are 27% of GDP, an additional unit increase in the immigrant stock increases the vote share of the populist-right parties at a 90% confidence level. Contrarily, the size of the immigrant population has no effect on the vote share of populist-right parties when tax revenues are below 27% of GDP. These findings suggest that our results are robust not only to the size of the sample and alternative data, but also to alternative estimation techniques. Our results contradict the view that anti-immigrant backlashes are due to free-market economic conditions driving reductions in social protection. On the contrary, the rise of anti-immigrant, nativist populism seems to be stronger where people already enjoy higher levels of social protection, most likely occurring through the mechanism of "welfare chauvinism" as convincingly argued by others (Andersen and Bjørklund, 1990).

5 Conclusion

Questions surrounding the rise of nativist populist parties in industrial democracies have received much academic and policy attention. Immigration has received a particularly strong focus as a driving force behind the rise of anti-immigrant and nativist populism (Art, 2011). This study contrasts liberal expectations about free markets and social harmony with anti-globalization perspectives, which suggests that neoliberalization drives an anti-immigrant backlash due to increased competition and the "race to the bottom" in social standards that destroy communitarian values. These observers prescribe more social welfare to cushion society from

the disruptions of the market. Contrarily, others argue that it is not free market conditions but a backlash against high taxes and nationalistic and xenophobic fears about immigrants as interlopers who burden current welfare of natives. This neo-mercantilist, constructivist position results in "welfare chauvinism" whereby native populations blame immigrants for threatening their welfare systems.

To test these arguments, we used panel data on 27 OECD countries during the period from 1990 to 2014, and estimate Tobit fixed-effects specifications. Our results do not find any direct effect of the size of the immigrant population for explaining support for populist-right parties. However, the conditional models suggest that the positive effect of immigration on support for populist-right parties is conditional upon higher degrees of national welfare, namely higher social welfare spending as a share of GDP and the share of unemployment benefits in GDP. For example, our models find that immigrant stock increases the probability of the vote share of the populist-right parties if social welfare spending is greater than 30% of GDP. We also find that the size of the immigrant population is also associated with an increase in support for populist-right parties when economic freedom is lower. Our results are robust to alternative data, sample, and estimation techniques. Overall, our results confirm the liberal argument that, in less economically open societies with higher levels of social protection through high taxes, an increase of immigrants fuels "welfare chauvinism". Despite a massive discussion on globalization, most of the focus has been on poor countries, but our results also allow us to be more optimistic about globalization's effects on the rich countries. It does not seem that the rise of anti-immigrant sentiments are associated with economic policies favorable to globalization, but traditional racism, xenophobia, and "welfare chauvinism" all seem to continue to hamper the building of cosmopolitan society. Future research might look more closely at the ways in which economic structures and the media interact to construct anti-immigrant biases that then influence the rise in support for anti-immigrant and populist parties through the politics of fear (Wodak, 2015). Nevertheless, as we have shown, liberals may be right in arguing that free-market economic conditions mitigate anti-immigrant backlashes by reducing the politicization of issues related to the redistribution of societal goods, such as spending on welfare and other measures of social protection.

Appendix 4.1—Descriptive statistics

Variables	Mean	Standard Deviation	Minimum	Maximum	Observations
Vote share of anti-immigrant parties	5.897	7.359	0.000	30.100	650
Immigration stock %	8.671	8.780	0.084	46.477	670
GDP growth rate	2.269	2.984	–14.570	11.114	675
Inflation	0.042	0.074	–0.047	0.850	675
Unemployment rate	7.886	4.143	0.500	27.500	667
Centre-right party	0.418	0.494	0.000	1.000	675
Welfare spending/GDP	21.451	4.886	5.526	34.649	670
Unemployment benefits/GDP	1.211	0.957	0.001	5.351	668
Economic Freedom Index	7.496	0.720	3.550	8.840	665
Change in Economic Freedom Index	0.025	0.132	–0.808	0.645	638

Appendix 4.2—Data sources and definitions

Variables	Definitions and sources
Vote share of anti-immigrant parties	Total number of votes received by both anti-immigrant and populist political parties contesting national elections in country i in year t as a share of total votes polled.
Immigration stock%	Inward "stock" of immigrants into country i in year t as a share of total population as on year t (OECD, 2016).
GDP growth rate	Rate of growth of GDP (OECD, 2016).
Inflation	Rate of growth of Consumer Price Index (CPI) (OECD, 2016).
Economic Freedom Index	Comprises five sub-indices capturing: expenditure and tax reforms; property rights and legal reforms; trade reforms; reforms related to access to sound money; labor, business, and credit reforms. These five sub-indices are made up of 42 distinct variables as objective indicators, and the final index is ranked on a scale of 0 (not free of state regulations) to 10 (totally free or highly competitive market economy) (Gwartney and Lawson, 2008).
Change in Economic Freedom Index	Year on year change in Economic Freedom Index.
Unemployment rate	Total unemployment rate (across all age groups) (OECD, 2016).
Centre-right party	Dummy coding the value of 1 if the government is run by the center-right party and 0 otherwise sourced from DPI (Beck, Clarke, Groff, Keefer, and Walsh, 2001).
Welfare spending/GDP	Total social sector spending as a share of GDP (OECD, 2016).
Unemployment benefits/GDP	Total unemployment benefits spending as a share of GDP (OECD, 2016).
Tax Revenues/GDP	Total tax revenues from: income and capital, payroll, social security contribution taken as a share of GDP (OECD, 2016).

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