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What Drives Populist Votes? Recent Insights and Open Questions

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October 9, 2019

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This paper provides an overview on current research on the rise of populism in Europe. The focus is on economic developments that foster voting for populist parties and candidates. The paper argues that the simultaneity of macro-economic shocks from the financial crisis, globalization, and technological change increased inequality between skill and income groups. This increased the demand for populist policies amongst those on the losing side of economic development. Perceived distributional conflict was exacerbated by immigration and austerity policies. Economics alone, however, is not sufficient for explaining the large increases in electoral support of populists. While culture also plays a role, it is the individual voter who eventually decides whom to vote for. And populist parties are particularly successful in developing strategies to attract voters that feel anxious about current and future economic developments.

Keywords: populism, protest voting, globalization, European Union

JEL Classifications: D72, F5, F6, H3, H5

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1 Introduction

Populism is all around, it seems – and always has been. Political campaigning necessarily involves an element of simplifying complex problems to understandable solutions, of positioning oneself against ‘the others’, and of addressing peoples needs and convictions in a comprehensive way. However, what has always been just part of the political debate – apart from information, reasoning, and striving for compromise – seems to have become the standard. Indeed, it is a relatively new development that parties and candidates manage to win elections on the basis of a populist platform only, deteriorating the distinction between the left and the right end of the ideologically defined political spectrum. What used to be a fringe phenomenon has made it into the political mainstream, challenging incumbent parties and thus changing politics.

From an economics perspective, this political development is challenging for two reasons. First, economic models usually assume that in a democratic country, its government will enact policies that increase the economy’s welfare. It may act selfish and it may serve special interests preferentially, but it will not deliberately harm the economy since it strives to be re-elected. Second, models in political economy usually assume that voters will elect representatives that cater to their interests. If a party or candidate proposes a policy that will harm a specific group of people, it should not get those people’s support. Apparently, both assumptions are related, and both are violated by ‘populists in power’, as Donald Trump’s promise to abandon ‘Obamacare’ or the handling of ‘Brexit’ reveals. At first glance, voters thus seem to behave irrationally. Why do beneficiaries of ‘Obamacare’ vote for its abolishment, and why do regions largely dependent on EU structural funds support leaving the EU? From many voters’ individual perspective, however, supporting populist policies may well be reasonable, as the research discussed in this paper shows. Overall positive economic developments tend to unequally benefit different societal groups, and those who feel left behind may have good reasons to support policies that promise care for their needs and concerns. This mismatch between welfare increasing policies in the aggregate – e.g. furthering international

economic exchange – and populist policies addressing selective demands – e.g. by putting one’s own country first, no matter what – also explains the economic field’s interest in the rise of populism.

As a matter of fact, populist parties have gained significant ground all across Europe. This political development spurred an intense research effort on the determinants of populist voting. The literature is still evolving, and it is expanding quickly. Still, this paper aims at giving an overview on recent insights into the factors underlying the rise of populism, with a focus on the academic literature on voting for populist parties in Europe. The paper concentrates not only on recent papers, but on papers looking into recent developments over the last decades. Naturally, this overview is by no means exhaustive, and does not account for all potential influences on populist voting and all their potential interrelations. For different reasons (e.g. data restrictions), research is centered on just a subset of European countries. Moreover, it tends to look more closely into right-wing populism than into left-wing populism, which can mainly be explained by right-wing populism just being dominant in Europe (Rodrik, 2018).¹ We generalize on selected findings by linking them to some stylized facts on the relationship between socio-economic developments and election outcomes in Europe.

While studies from political science or sociology tend to be rather strict on their definition of populism, economic studies tend to be somewhat more flexible in this respect. We are not going to delve into this issue, but some studies focus on extremist parties, others more broadly regard parties at the fringes of the political spectrum, others again select populist parties according to a specific definition. Since we want to compare studies for different countries (were party landscapes differ) and for different years (were different parties participate in elections), we just broadly refer to right-wing and left-wing populists.² Although we

¹Although differences between right-wing and left-wing populism are certainly meaningful, we are not going to discuss those differences in great detail. We just want to point out that those studies that do look into differential effects on voting for both right-wing populists and left wing populists tend to find more influence factors explaining right-wing than left-wing populist voting. This certainly asks for more research on this issue.

²Indeed, many parties that are classified as being populist today were considered at some point fringe- or sometimes even as extremist parties.

are convinced that differences between populist parties, extremist parties and other fringe parties are meaningful, we believe that the economic reasons for voting any of these fringe parties are indeed comparable.

We will focus our discussion on influence factors that potentially affect all European countries alike. Country-level analyses are insightful in so far as they bring into relief country-level differences, but we will only discuss these differences when they are meaningful in the context of an overview. In summary, recent research shows that economic factors are relevant in explaining rising support of populist parties – especially, as we argue from a *demand side* view, i.e. looking at voters' response to economic developments. Yet, the relationship is not always straightforward. In general, economic shocks like the global financial crisis increase populist support. This is closely linked to labor market downturns, but also to increasing economic insecurity. Despite overall rising living standards, many economic developments also contribute to growing inequalities with some people benefiting much more from economic change than others. Depending on both its welfare effects and its distributional consequences, economic development may thus simultaneously increase *and* decrease populist support in a given country. That is to say that different groups of voters react differently to economic shocks.

Of course, economic change does not happen in isolation, and voting decisions are not based on economics only. Cultural factors do play a role, as do normative convictions and specific interests. This becomes most obvious with respect to the one single issue that has recently dominated populist campaigning in the rich world, i.e. migration. Our understanding of the literature is that the direct economic impacts of migration are just too small to explain increasing populist support in themselves. More relevant seem to be peoples' attitudes towards migration and migrants, specifically their fears and anxieties. Apparently, perceptions matter. However, it makes a difference whether migration increases in economic upturns, or in times of economic crisis. In the latter case, perceived distributional conflict should be stronger than in the former (c.f. [Guiso et al., 2018](#)). Still, perception would be more important than hard economic facts, but the reason for

that would nevertheless be economic. Indeed, we still know relatively little about how different drivers of populist voting interact; and it is important to point out that economic factors affecting populist voting do not rule out other factors' influences. But whatever drives an individual's voting decision in detail, many factors increasing the support of populist parties turn out to be fundamentally economic, as we will show.

These economic factors, however, just present a necessary condition for populists success, but they are by no means sufficient. Studies show that the *supply side* plays a significant role as well. In this respect, populist parties turn out to be very effective in mobilizing support by combining ideological aspects with rational reasoning and selective interpretation of facts. They strategically adjust their agenda to voters policy demands, successfully employ (relatively) new communication channels for doing so, and seem to be less constraint in swiftly adjusting to changing circumstances as compared to established political parties. Indeed, the populist way of political campaigning poses one of the biggest challenges – if not the biggest – for established parties in responding to their new competitors.

The paper is organized as follows: Section 2 gives an overview on the rise of populism in Europe, and presents stylized facts on the economic factors underlying this development. Section 3 discusses research results on the economic causes of populism in detail. Section 4 addresses the politics of populist supply. Section 5 concludes.

2 The rise of populism: As it happened

Populist parties have seen steady electoral gains across Western democracies in recent years. The election of Donald Trump as President of the U.S. and the British public's vote of the to Leave the European Union, both in 2016, can be seen as turning points that suddenly increased the interest in the determinants of populist voting – as it increased the propensity of referencing fringe parties as being 'populist'. A google trends search reveals that the interest in 'populism' rised steeply around these events, see figure 1. However, parties now considered or

called populist have been active for years across Europe, with varying success. But it is only after the financial crisis of 2008 that there seems to be a European-wide trend of increasing support of populist parties and politicians. We first present some stylized facts around the rise of populism in Europe before shedding some light on the economic context in which the rise of populism seems to fall.

2.1 Populist Voting Across Europe

The recent rise of populism in Europe has come as a surprise to many, if not in the very occurrence of the phenomenon itself, then in its magnitude. In eleven out of thirty European countries, populist parties currently participate in the government.³ In seven of these countries, populist parties lead the government. However, there are substantial differences in the timing of events, i.e. when populist parties started gaining ground, and in the dynamics, i.e. how much support populists could eventually win. Figure 2 illustrates these differences in populist parties' election results in the national elections of 17 European countries.⁴

But as a matter of fact, there have been secular trends that seem to have benefited populist parties throughout Europe, if not worldwide. These trends can also be seen in Figure 2, but they come out clearer when looking at elections to the European Parliament as in Figure 3. Both figures show that voting support of populist parties from the left rather follows country-specific trends: there is not much of a general pattern, and certainly no increasing support across Europe. Conversely, right-populist support has converged to an European trend, and this trend is upward-sloping. It has started well before Donald Trump's election, as Figures 2 and 3 reveal. Right-wing populist parties have been gaining ground from the 1990s on, with more and more populist parties entering the political arena. Almost all European countries nowadays have populist parties on the ballots in national elections. But it is just over the recent five years that increasing right-populist support has truly become an European trend. The "rise of populism" indeed seems to be a rise of right-wing populism, first and foremost. We thus focus our subsequent

³The countries considered are the EU-28 plus Switzerland plus Norway.

⁴The selection of countries was driven by data availability.

discussion on right-wing populism.

2.2 The Economic Context of Populism – Some Stylized Facts

The rising support of populist parties and politicians in Europe takes place against the background of economic developments that affect all industrialized countries alike. Most importantly, structural change has led to a steady decline of labor's share in national income over the past decades. As figure 4 shows, the share of national income earned by labor has declined from around 54% in 1970 to just about 50% right now. Nevertheless, absolute living standards increased over time. It is just that labor income grew at a slower rate compared to national income, which automatically implies that income from other sources must have grown faster. The reasons for this development are manifold. Internationalization shifted production of labor-intensive goods to low-wage countries, exerting pressure on labor income in industrialized countries. Technological change facilitated substituting labor with capital. Returns to capital investments increased due to the globalization of the financial markets. In line with economic theory, all these developments contributed to increasing consumer surplus, thus rising the living standards in industrialized countries.⁵ Also in line with theory, earners of labor income benefited less from this development than others.

Despite the overall trend, European countries were differently affected by the macro-economic development, which translates into differences in the degree to which labor shares declined.⁶ These level differences are depicted in Figure 6. While income inequality between labor-owners and capital-owners seem to have increased across all industrialized countries, the socio-economic consequences may still differ between economies. This is relevant, since welfare systems may help to address the adjustment costs to structural change by redistributing profits from its main beneficiaries to those who benefit less. But given the differences in the magnitude of the change, national welfare systems may be differentially well equipped

⁵Just imagine what a smartphone would cost without international trade, if there was such a thing as a smartphone at all without technological change and global investments.

⁶For instance, Italy records a drop in labor's share of income of almost 10 percentage points compared to Germany's decrease of just around 5 percentage points.

to cope with its consequences.⁷

Along with the declining labor share came another development that is well documented in the economic literature: the growing polarization of labor markets along the skill divide (Card and DiNardo, 2002; Lemieux, 2006; Goos et al., 2014). Figure 7 suggests that over the past 20 years, labor markets saw a significant growth in the employment shares of high-skill and low-skill occupations. This employment growth in the tails of the skill distribution was complemented by a significant contraction of the employment share of middle-skill occupations. Across the European Union, the employment share of middle skill occupations has decreased by around 12 percentage points. This was offset by a growth in the low-skill and high-skill employment shares of around 5 and 7 percentage points respectively. Hence, the decline of the share of labor income in national income coincides with a significant restructuring of labor markets, characterized by a hollowing out of jobs most commonly associated with the middle class. Table 1, taken from Goos et al. (2014), confirms this finding.⁸ Most obviously, jobs commonly associated with mid-level skills have become, in relative terms, more rare, while high- and low-skill jobs saw significant increases. The magnitude of change again differs between countries, but the trend is general: The economic development of industrialized countries did not only increase inequality between income groups, but also between skill groups.

This increasing income inequality in wealthy nations is evidenced in Figure 8. It shows how deviations in labor income shares relative to country-specific means (on the horizontal axis) are associated with changes in inequality as measured by the Gini index, again, relative to the country-specific mean (on the vertical axis). As most advanced economies saw, on average, a decline in the labor income share over time, the figure suggests – not surprisingly – that inequality has also increased. Much of this increase in inequality may be mechanic and just reflect the unequal distribution of asset ownership and the capital stock. Yet, the growth

⁷As we will discuss later, monetary redistribution via transfers alone is insufficient to fully address inequality anyhow.

⁸Table 1 uses a slightly different classification of jobs by skill types as Figure 7.

in inequality is further fuelled by the dynamics of labor markets which not only saw increasing employment shares of high- and low-skill jobs, but also diverging trends in terms of labor income: high-skill labor incomes have been growing at a much faster rate compared to low-skill individual incomes.

Within national economies, there is an additional layer of inequality related. Since industries tend to cluster in different regions, and the skill distribution is uneven across regions, regions are very differently affected by the economic developments that increase inequality. Indeed, some regions – particularly urban regions – tend to benefit from structural change in its many dimensions. Those regions also attract high skilled high-income earners. Other regions find themselves on the losing side, not only in terms of jobs, but also due to (selective) out-migration. Such regional patterns are mirrored in populist voting. Figure 5 shows voting results of parties ‘strongly’ (left panel) or ‘somewhat’ (right panel) opposed to EU integration in the last national election before 2018.⁹ We will argue that these regional inequalities in support of populist parties can to a substantial part be explained by regional inequalities in exposure to economic shocks as discussed above.

It is important to stress that the structural economic features discussed here have emerged well before the 2008/2009 financial crisis and predate much of the current populist backlash. Yet, as we will show subsequently, much of the economics literature suggests that these structural features contributing to both the decline in labor share of income and the growing labor market polarization are also underlying the success of populist political campaigning. Eventually, the economic backdrop to the growing success of populists is the ensuing rise in inequality. In summary, the economic context for the rise of populism in Europe can be characterized by: a) a steady gradual decline in labor’s share of national income, b) the hollowing out of middle skill jobs and growing low- and high-skill employment and c) the increasingly unequal distribution of incomes as a consequence. Each of these components have distinct implications at the national- and sub national

⁹A similar picture emerges when looking at the results of the last European election 2019.

level, with regional and individual inequalities being further compounded.

2.3 UK Brexit: A Point in Case

The Brexit referendum in the UK provides an excellent case study to point out the economics underlying populism along the lines discussed above. Remarkably enough, ‘leaving the EU’, a topic that has long lived on the political fringes of both the extreme left and right, has gradually entered the political mainstream. This has resulted in politicians from the established parties lending their name to a largely populist campaign around the 2016 referendum – the result threatening to break up the integrity of the United Kingdom. UK-specific institutional features, such as its first-past-the-post electoral system along with long-standing regional imbalances and the persistent class system, may have further compounded underlying economic divisions that lead to the referendum result. Yet, the economic factors underlying the Brexit vote can be generalized to populist voting in Europe.

Over 40 years, labor’s share in the UK’s national income has declined by around 5.6 percentage points, from averaging around 56.4% over the 1960-1979 period to 50.8% in the 2000’s (IMF, 2017). At the same time, the UK has seen significant shifts within its labor market: the employment share of mid-skill occupations has decreased by nearly -10.94 percentage points. This contrasts with the share of low-skill employment increasing by 4.17 percentage points and the share of high-skill occupations increasing by 6.77 (see Table 1). The increase in inequality, as measured by the Gini coefficient, is particularly strong in the UK, increasing from an average of 28.9 over the 1960-1979 window to an average of 37.1 over the 2000s. In consequence, the relationship between decreasing labor income and increasing inequality income is particularly pronounced in the UK (see Figure 8).

What can explain the relatively strong increase in inequality in the UK? To some extent, this could be masking high degrees of inequality in asset ownership, exacerbating income inequality as measured by the Gini coefficient. Yet, Figure 9, drawn from Fetzer (2018), provides a further explanation. The figure is constructed using large scale individual-level panel data and traces out the relative

evolution of incomes for low- and high-skilled individuals over time.¹⁰ It suggests that low-skilled individuals (without formal qualification) saw a steady relative decline in their labor income compared to the rest of the UK's population over the last 15 years. Starting out in the early 2000s with incomes *above the average*, low-skilled workers saw their relative labor income drop by around GBP 500 per month between 2000 and 2015. On the contrary, individuals with high educational attainment started out at similar levels, but experienced a steady *growth* of their income by around GBP 350 per month. These do not represent absolute numbers as they trace out trends relative to the omitted population of individuals with some professional qualifications. But Figure 9 suggest that polarization in labor markets and the growing low- and high-skill employment shares have exacerbated income inequality in the UK, with the growth of high-skill wages outpacing growth of low-skilled wages.

The parts of the UK that have been most affected by this economic development are naturally those where the resident population has not been participating in the educational expansion. These include the manufacturing sector heartlands and many coastal towns. This became quite evident in the 2016 EU referendum. Figure 10 highlights the close correlation between a district's human capital endowment and the support for Leave in 2016: places with a higher proportion of less-educated saw much higher support for Leave. The observation that support for populist policies is much more pronounced among the less-educated is very common across countries and contexts. This is also the group that is much more affected by the economic developments outlined above. If we take the Leave vote as an example for voting for populist policies – particularly such that favor nationalist solutions to international problems – supporting Leave clearly reflects a vote from the “left-behind”.

¹⁰The figures solely exploit within-individual trends by removing individual-level fixed effects. The results are thus not conflating time-invariant unobservable differences between individuals. Further, the construction of the figure also accounts in a very flexible fashion for regional economic divergence by removing district by year non-linear time trends.

3 Economic Causes of Populist Voting: the demand-side view

Industrialized countries have been subject to continuous macro-economic changes that do have distributional consequences and thus may lay the ground for populist voting by increasing inequalities, as we lined out above. An ever-ongoing technological change makes it easier and profitable to substitute human labor by capital, i.e. machines and technology. International trade integration requires specialization in sectors where industrialized countries do have a comparable advantage, typically sectors that are more capital- than labor-intensive. With globalization, international migration has increased as well, which could increase pressure on the labor markets and the welfare systems. Perhaps more importantly, migration may increase distributional conflicts, at least in the perception of people. Adjustments to economic change necessarily create frictions that may be exacerbated by sudden shocks like the ‘financial crisis’ or the ‘refugee crisis’. Classically, mitigating the distributional consequences of economic developments is seen as the realm of politics. All these issues have been investigated by economic research as potential drivers of populist voting, but usually in isolation. It is just recently that research has started investigating how economic drivers of populist voting interrelate.

A conceptual guideline to understand the economic causes of populism in Europe might read as follows: Globalization has led to a decrease in manufacturing jobs and an increase in service jobs, benefiting high-skilled workers more than others. The increase in high-skilled labor in general, and of high-skilled service jobs in particular, is further fueled by technological change. While these developments are welfare-increasing in the aggregate, they are major drivers of increasing income inequality. Nevertheless, European welfare systems have been assumed to be capable of redistributing gains of structural change from ‘winners’ to ‘losers’. But first, welfare systems turned out not to be fully capable of mitigating distributional conflict and second, the labor market frictions caused by adjustments to change have socio-economic impacts beyond just shifting incomes between factors

and skill groups. It is thus that increasing migration in times of economic adjustments exacerbate the perception of distributional conflict.¹¹ Even more important is it for governments to address inequalities by policy measures beyond transfer payments.

Economic studies tend to be focused on identifying causal effects, i.e. on assessing whether a given economic development is indeed responsible for increasing support of populist parties and politicians, independent of other developments that occurred simultaneously. For analytical reasons, this often requires focusing on voting behavior in a specific context, mostly by looking at the effects of a well-defined economic shock in a given country. One can thus not straightforwardly generalize on each and every research result. However, there is evidence for general patterns. [Becker et al. \(2017\)](#), for instance, show that an empirical model estimated with UK data capturing the regional support for Leave in the 2016 EU referendum does a fairly good job in predicting regional patterns of support for Le Pen in the French Presidential election in 2017. More generally, the observation that populists seem to thrive in parts of countries that have been “left-behind” has been documented in many different contexts (see [Becker et al., 2017](#); [Goodwin and Heath, 2016](#) for the UK, [Hobolt, 2016](#) across the EU, [Garmann and Potrafke, 2018](#) for Germany and [Rodríguez-Pose, 2018](#) for the US and Europe). With this conjecture in the back of our minds, we now turn to discussing selected research results on the economic drivers of populism.

3.1 Trade integration

International trade has continuously been expanding since the 1950’s. While this process was first led by the industrial countries in the framework of the General Agreement on Tariffs and Trade (GATT) and later the World Trade Organization (WTO), international trade further intensified due to the breakdown of the Soviet Union, and the rise of China to become a global player. While it is ex-

¹¹[Alesina et al. \(1999\)](#) provide a conceptual framework where natives as ‘insiders’ compete with migrants as ‘outsiders’ for the provision of public goods. The more distinct outsiders are from insiders, the lower is the insiders’ willingness to pay for the provision of a public good that benefits both groups.

traordinarily difficult to causally assess the economic and political consequences of a steady process like trade internationalization, sudden changes in the trading environment can be empirically exploited to thoroughly identify the impacts of trade. A seminal paper by [Autor et al. \(2013\)](#) does indeed that to assess international trade's labor market consequences. Exploiting the fact that local U.S. labor markets were differently affected by China's accession to the WTO, it shows that import competition lead to a decline in manufacturing jobs, with remarkable differences in the degree to which local labor markets were affected. [Dauth et al. \(2017\)](#) replicate this study for the case of Germany, additionally taking the fall of the Iron Curtain into account. They show that the average German region benefits from increasing international trade with Eastern Europe and China in terms of increasing employment.¹² Nevertheless, they show that these benefits are unevenly distributed across German regions, and that quite some regions even lose jobs, specifically in the manufacturing sector. [Malgouyres \(2017a\)](#) reports similar labor market reactions to trade for France.¹³

The paper by [Autor et al. \(2013\)](#) was so influential not least because it revealed unexpectedly high regional inequalities in the labor market responses to international trade. It had been known that trade must have distributional consequences, but they were assumed to be mitigated by sectoral and regional mobility. Instead, trade persistently caused a polarization between winning and losing regions, and thus of people living therein. So can international trade explain populism? A burgeoning empirical literature has looked into the political consequences of increasing international trade. These studies find that the voting response to globalization is similar to the labor market response. Specifically, voting for right-wing populist parties is associated to a regions exposure to international trade in France ([Malgouyres, 2017b](#)), where the Front National wins with increasing imports from Asian low-wage countries, and Germany ([Dippel et al., 2015](#)), where right fringe par-

¹²Overall, they estimate that the German economy has gained almost 450,000 jobs from the sudden increase in international trade.

¹³The distributional effects of international trade have been widely acknowledged in a broader literature, for example by [Reventa, 1992](#); [Grossman and Rossi-Hansberg, 2008](#); [Scheve and Slaughter, 2001](#).

ties benefit from increasing trade with Eastern Europe and China. [Colantone and Stanig \(2018b\)](#) confirm that trade with China has increased right-wing populist votes in a sample of 15 Western European countries. In a similar vein, [Feigenbaum and Hall \(2015\)](#) and [Autor et al. \(2016\)](#) report increasing support for candidates with politically extreme stances in the US in reaction to trade internationalization. All these studies cannot explain the increasing support of populist parties in general. But they hint at an important regional disparity, where regions negatively affected by international trade turn to supporting populist parties.

[Dippel et al. \(2017\)](#) explicitly link the voting response to trade to international trade's labor market effects. Again, this is a study on regional inequalities. Some German regions benefit from international trade and see a job increase, which leads to a decrease in populist voting. Other regions are negatively affected by international trade. They see a decrease in jobs, which leads to an increase in populist voting. Indeed, [Dippel et al. \(2017\)](#) show for the case of Germany that the voting response to trade can entirely be explained by its labor market effects. Along that line, they show that primarily low-skilled individuals employed in the manufacturing sector change their voting intentions in reaction to trade, i.e. those most likely to suffer from low-wage competition from foreign countries.

The very fact that voting responses to globalization have only been reported for right-wing populist so far may well result from the selection of countries studied.¹⁴ Moreover, international trade cannot directly explain the large increase in populist support throughout Europe, since many European countries are beneficiaries of globalization. But the evidence presented here sheds light on the very fact that regional differences in populist support can be explained by the international trade's differential labor market effects, and the inequalities that generates.

¹⁴Intuitively, one could expect import competition to increase the demand for redistribution, which would rather speak for increasing left-wing support. Such an effect might be present in countries not yet studied. However, the nationalist agendas brought forward by right populists provide the more clear-cut and thus more credible solution to globalization, as [Sommer \(2008\)](#) argues.

3.2 Skill-biased technological change

The erosion of labor's share of national income, together with the increasing labor-market polarization, may be further attributed to skill-biased technological change more broadly.¹⁵ Automation is a specific form of skill-biased technological change that has the advantage of being observable in empirical data. [Graetz and Michaels \(2015\)](#) study the labor market consequences of automation. Using industry-level data from 17 countries from 1993-2007, they find that industrial robots increased both labor productivity and value added. On aggregate, their findings suggest that automation had no significant effect on total hours worked. Yet, there is evidence suggesting that the adoption of industrial robots is associated with reduced demand for low-skilled and middle-skilled labor. This highlights that automation could be another factor explaining both, the hollowing out of jobs commonly associated with the middle class and the increasingly unequal distribution of labor income. One could thus assume that it affects voting behavior similar to trade.

[Acemoglu and Restrepo \(2017\)](#) investigate differences in the degree to which industrial robots have been employed in U.S. regions. They find that automation has led to a decrease in employment, with pronounced regional differences. Again, [Dauth et al. \(2017\)](#) replicate this study for the case of Germany. Interestingly, they find no employment effect of increasing use of robots on employment in general. However, they show that automation has decreased manufacturing employment, which was offset by an increasing number of jobs in the services sector. Altogether, the labor market effects of automation closely resemble the labor market effects of trade. Nevertheless, [Rodrik \(2017\)](#) raises doubts whether technological change has similar political consequences as international trade, despite the similarities in its labor market effects. His argument is that competition with foreign workers, as it is underlying international trade, is perceived as being unfair, while structural

¹⁵Technological change is said to be skill-biased if a technological innovation is complementary to workers with specific sets of skills. As a result, the returns to skilled labor are more likely to increase with technological change, resulting in growing wage differences. See [Acemoglu \(1998\)](#); [Autor et al. \(2003\)](#).

and technological change occurring in one's own country is not. The main reason for opposing trade but not technology would thus be rooted in a feeling of powerlessness, that could ask for a strong leader with national focus.

Ultimately, whether technological change does contribute to populist voting is an empirical question. There is yet only very limited work on the extent to which automation may have impacted political outcomes. Just as a sideline, [Dippel et al. \(2015\)](#) look into whether regions with a high share of easy-to-automate routine tasks are more likely to vote for populist parties conditional on trade effects, but do not find evidence for that. One of the few papers focused on the topic, [Anelli et al. \(2018\)](#), suggests that adoption of industrial robots may be associated with increasing far right support in Western Europe – yet, the evidence is far from conclusive. Automation certainly has the potential to increase labor market uncertainty, which seems to be one driver of populist voting. Further, electronic commerce is changing the retail-sectors, which typically absorb sizable shares of a country's labor force.¹⁶ However, the political consequences of these developments are not well understood yet. Thus, more research on the political consequences of automation and digitalization is needed.

3.3 Migration

Migration may contribute to growing polarization of labor markets. Yet, the existing literature in economics suggests that these effects are vastly exaggerated. Specifically, migration's labor market consequences just to not seem to be large enough to be immediately and directly felt by native voters.¹⁷ In the context of the US, [Ottaviano and Peri \(2012\)](#) suggest that migration may afford weak negative effects at the lower end of the wage distribution. Similar small effects have been documented for the UK ([Becker and Fetzer, 2018](#); [Dustmann et al., 2013](#)). [Becker](#)

¹⁶The decline in classic retail sector employment may be producing direct economic grievances. Yet, they also have indirect effects on communities, as the closure of shops and the “death of the high street”, which may help produce a sentiment that deepens the perceptions of economic decline and status threats. Moreover, there is increasing precarious (self-)employment fostered through digital platforms such as Uber and Deliveroo.

¹⁷An exemption may be low-skilled workers, which tend to face stronger competition from newly-arriving migrants.

and Fetzer (2018) show that although the UK has seen significant immigration from Eastern European countries following their EU accession, this had only very limited effects on natives wages. Rather, immigrants tend to enter the labor market performing jobs for which there is limited domestic supply, allowing natives to move into jobs with higher socio-economic status. Overall, the net fiscal contribution of immigrants is found to be vastly positive in the case of the UK (Migration Advisory Committee, 2018). If at all, migration may contribute to wage dumping in only a few occupations, locations and concentrated sectors.

Despite the lack of evidence for adverse labor market effects of migration, the topic features prominently in populist rhetoric and throws up a host of conundrums: those who are least exposed to migration tend to oppose migration the most – and yet, populist politicians cater to fears and anxieties associated with immigration, even though the figures suggest these fears are exaggerated. Most obviously, the migration issue gained ground in the context of the “refugee crisis”, i.e. the inflow of refugees mainly from Syria, Afghanistan, and Sub-Saharan countries, that largely increased in 2015. Papers centered on this event find a significant positive effect of exposure to refugees on support of right-wing populism (Harmon, 2017; Dustmann et al., 2018 for Denmark; Dinas et al., 2018 for Greece) which cannot be explained by direct labor market effects.

One reason for the voting response to migration could be Xenophobia in its literal sense, i.e. fear of foreigners without really knowing why, or even more generally: fear of whatever is alien to oneself. This has given rise to the “contact hypothesis” (Allport, 1954), arguing that contact to migrants helps to overcome some prejudices Xenophobia is based on.¹⁸ At first glance, research results showing that exposure to migrants increased support of right-wing populist parties seems to contradict this argument (Halla et al., 2017 for Austria; Otto and Steinhart, 2014 for Hamburg in Germany, Barone et al., 2016 for Italy; Edo et al., 2017 for France). Why, for instance, does support for the FPÖ in Austria increase in

¹⁸Prejudices may over- and understate the negative consequences of migration. Eventually, the contact hypothesis is based on informational updating. Contact with migrants provides information that may confirm some prejudices but proof others wrong.

municipalities that are exposed to refugees, as [Halla et al. \(2017\)](#) show, if it was just about irrational Xenophobia? Shouldnt people update their prejudices¹⁹ once they encounter migrants?

To a certain degree, immigration to regions where few migrants live can foster populism, if prejudices become true. In the Austrian case, refugee tracks inevitably produced some negative externalities such as increased trash and noise, which could fuel anti-refugee sentiments. In line with that, [Steinmayr \(2016\)](#) finds the nexus between exposure to refugees and voting for the FPÖ to be centered on municipalities on the "Balkan Route". Like in [Halla et al. \(2017\)](#), FPÖ support increases in municipalities that are crossed by refugees on their way to Germany. But in the same study, [Steinmayr \(2016\)](#) also shows that FPÖ-support decreases in municipalities that received refugees somewhat accidental just because shelters were available by chance. He interprets this in the light of the contact hypothesis: where refugees settle to live there for longer, the native population decreases its support for populists. Where refugees just pass through, populist support increases. Anyhow, these different reactions to suddenly encountering refugees underline the relevance of contextual factors, i.e. the circumstances under which individual voters experience migration and other socio-economic developments.

Apart from contextual factors, the populist parties strategies play a role as well. Again, this can be nicely exemplified for the case of Austria, the FPÖ, and the partys stance on migration. The FPÖ has been very effective in channeling deeply-rooted xenophobic sentiments, as research by [Ochsner and Roesel \(2017\)](#) shows. The FPÖ saw particularly strong increases in voting support from Austrian municipalities that were pillaged by Ottoman troops in the 16th and 17th century, when the Ottoman army passed through Austria on its way to the sieges of Vienna. Most interestingly, this effect only set in after 2005, when Heinz Christian Strache took over party leadership and introduced a distinct anti-Muslim campaign. With a rhetoric literally referring to the sieges of Vienna, the FPÖ was able to activate the deeply rooted fears of a "Muslim invasion", and turn it into political capital.

¹⁹It seems to be safe to assume that usually, negative prejudices towards migrants prevail over positive prejudices.

Such supply-side effects will be discussed in more detail in Section 4.

Altogether, it seems that migration, specifically migration of asylum seekers in the heydays of the "refugee crisis", has contributed a lot to increasing populism (Dustmann et al., 2018). However, more research is needed to better understand the underlying channels, specifically when it comes to migration's negative effects on right-wing populists support.²⁰ Moreover, there is good reason to believe that migration has a particularly strong impact on populist voting when it interacts with economic shocks. This is not to say that migration would not impact voting behavior without economics. But seemingly, populists find it easier to mobilize voters by referring to migration issues if voters are in economic distress.

3.4 Government's Share

The previously discussed channels have been investigated quite thoroughly in the applied economics literature. Each are important factors contributing to the economic backdrop against which the populist success has occurred. The role the welfare state plays in mediating this link is highlighted by Findlay and O'Rourke (2007), who argue that globalisation is difficult to maintain unless domestic institutions develop and adapt accordingly. This typically involves an active role for the state, for instance through the provision of education, training and welfare programs. It appears that many governments, especially in the wake of the global financial crisis, have not fully succeeded in this respect. Accordingly, Rodrik (2017) argues that at the heart of the populist backlash may be a political failure, as politics could not ensure that the benefits of globalization are widely shared. The forces of globalization – in particular institutions fostering an asymmetry between mobility of capital and goods as opposed to labor – may have undermined governments' ability to raise the money for public spending required to redistribute benefits. This could exacerbate the distributional conflict resulting from globaliza-

²⁰Currently, there is a major interest in understanding rising support of populism. But many studies discussed here find linear effects that can work in either direction, increase or decrease populist support, depending on the circumstances. Looking more closely into the conditions under which populist support decreases in reaction to economic developments may help to guide policies to address populism and its economic roots.

tion and structural change.²¹

A functioning welfare state can cushion or even out the distributional impacts of international trade, migration and structural transformation by paying transfers to those losing out (Antras et al., 2016). Accordingly, welfare cuts may do the opposite. Spending cuts may exacerbate the already existing grievances that have built up over decades, as we discussed for the UK example. Fetzer (2018) documents that the rise of the populist UKIP party, and the subsequent Brexit vote, were fuelled by the UK's government austerity measures. These have implied steep cuts to the UK's welfare state since 2010. It turns out that austerity helped producing the political backlash represented by the Leave vote. The study shows that support for Leave in the 2016 EU referendum could have been up to 10 percentage points lower, had it not been for the austerity-induced welfare cuts. Many of these welfare cuts were hitting exactly those parts of the UK disproportionately that had experienced rapid structural transformation in the previous decades, e.g. due to trade-integration (see Colantone and Stanig, 2018a). Similar in spirit, Bó et al. (2018) trace the economic origins of the rising support of the populist Swedish Democrats to welfare reforms which exacerbated grievances between labor market "outsiders" and "insiders", c.f. Alesina et al. (1999).²² Bó et al. (2018) conclude that economic pressures may make people more receptive toward messages emphasizing the fiscal costs of immigration.²³ This all highlights that government policies may further exacerbate the distributional conflict of economic change, as it could mitigate it.²⁴

As suggested, austerity – which in many cases exacerbated the already existing economic inequalities – may play an important role in understanding the populist

²¹Hassler et al. (2003) even suggests that increasing inequality due to skill-biased technical change may contribute to the emergence of a plurality in favor of abolishing the welfare state at all.

²²In line with that and also looking at the Swedish case, Dehdari (2017) finds that economic distress increases support of right-wing parties.

²³This effect may be an indirect one, as growth in anti-immigration attitudes turns out to be less pronounced than the overall growth of distrust among the economic distressed.

²⁴In line with that, Galofré-Vilà et al. (2017), suggest that the rise of the Nazi Party in the 1930s may have been caused by austerity in the wake of the 1920's crash.

backlash. Yet, much of the recent austerity episodes may be seen as a direct consequence of the global financial crisis of 2008/2009. [Algan et al. \(2017\)](#) suggest that European regions and individuals more negatively affected by the financial crisis are both more likely to distrust political institutions and to support populist parties. The political implications of crises in general have long been studied. [Giuliano and Spilimbergo \(2013\)](#) show that experiencing economic recessions significantly increases the demand for redistribution. For the case of the U.S., this significantly increases left-wing voting. Conversely, looking at 20 developed economies (mostly in Europe) over 144 years, [Funke et al. \(2016\)](#) find that populist parties from the right gain support in the aftermath of economic crises. Interestingly, the voting response to financial crises turns out to be much more pronounced than that to other economic shocks. At the same time, political fragmentation as well as social unrest increases, thus creating a climate of uncertainty.²⁵

Indeed, the global financial crisis revealed the difficulties national governments have to manage social- and economic adjustment processes in a globalized world. This may foster the perception of a loss of control due to “globalization”, and may contribute to a yearning towards “taking back control” at the national-level. Even though, this yearning for “control” may turn out to be just an illusion of the same, as the proceedings after the UK’s decision to Leave the EU implies. Weakening or abandoning international institutions or organizations in favor of national sovereignty may paradoxically lead to less control over globalization processes. Due to international capital mobility, supra-national institutions are required to constraint globalization. Weakening global governance through unilateral action may, in fact, make financial crises more likely, which in turn can limit national governments’ ability to mitigating distributional frictions even further.

²⁵[Gyongyosi and Verner \(2018\)](#) study the political consequences of the financial crisis for the case of Hungary, and confirm that right-wing populists have benefited from this economic shock. Interestingly, in Hungary the political consequences of the financial crisis turn out to be largely unrelated to labor market developments or immigration, but can mainly be explained by households increasing debt burden due to a depreciation of the Hungarian currency.

4 The Politics of Populism: the supply-side view

In the previous section, we have discussed literature that can broadly be thought of as capturing demand-side factors. Economic grievances, coupled with governments inappropriate reactions, produces degrees of political dissatisfaction. This again increases voters' demand for populist policies that offer easy solutions. Yet, the recent decades also saw dramatic changes in the social, cultural and technological environment in which political discourse happens. These developments also affected the political "supply side", i.e. the party landscape and the very way in which parties compete for voters, making it easier for populists to tap into the voting potential provided by economic shocks.

4.1 Cultural and psychological factors

Much of economics research has focused on studying the importance of economic developments for political decisions. The very relevance of economic factors driving populism has been contested by prominent work in political science. This work, including [Fukuyama \(2018\)](#), [Mutz \(2018\)](#) and [Norris and Inglehart \(2019\)](#), argues that economic factors are of secondary importance but trace the origins of the populist wave to a latent cultural drift within Western societies. However, while most people will agree that culture plays a role in the rise of populism, it is difficult to precisely detect which specific role that actually is – and through what mechanisms it operates.²⁶ Nevertheless, it is safe to assume that programmatic differences between populist parties across Europe - as well as the dominance of either left-wing or right-wing populists in specific countries - in the one way or the other relates to a country's culture ([Guiso et al., 2018](#)). This is particularly relevant when it comes to dealing with the economic developments described above. Different economic shocks, even if they have positive effects on average, increase uncertainty about future economic developments. And culture has a significant impact on individuals' approach to dealing with uncertainty ([Hofstede, 2001](#)).

²⁶Unfortunately, "culture" is a comparatively fuzzy concept, that often serves as a placeholder for socio-economic influences that cannot directly be observed.

The case of Germany is an excellent example in this respect, given persisting cultural differences between East and West Germany in an otherwise similar economic setting ([Alesina and Fuchs-Schündeln, 2007](#)). Culture seems to be much more persistent than economic conditions. Thus, albeit the economic conditions having converged over the last 30 years, East German culture is still affected by the socialist experience. Amongst other things, this influences individuals' political preferences, and it may well explain part of the differences in the levels of populist support between East and West Germany. This refers to the significantly higher vote shares of the AfD in East Germany, as well as the party's much more nationalist profile – and personnel – as compared to West Germany.

Culture can also explain differences in the reactions to immigration and thus the ability of populists to capitalize on that matter. Indeed, Xenophobia tends to be strongest towards foreigners from very distant cultures, while foreigners from similar cultures can usually be integrated comparatively easily ([Collier and Hoeffler, 2018](#)). Again, the very perception of cultural differences is relevant here, as [Colussi et al. \(2017\)](#) show. They investigate voting behavior in relation to the presence of mosques in German municipalities. Usually, a polling site's distance to the next mosque has no specific effect on voting behavior. Only when Ramadan takes place close before an election, i.e. when Muslims are obviously present in the public space, this has a polarizing effect. Support of both right-fringe and left-fringe parties increases closely after Ramadan, but not otherwise. Moreover, people are more likely to express anti-muslim attitudes around Ramadan, and to over-estimate the share of migrants living in their municipality. This implies that cultural differences can lead to social tensions, but only if they are being made obvious, e.g. through political campaigning. This highlights the role that communication and information play – an industry that has been dramatically disrupted with the emergence of Social Media and the Internet, allowing for novel communication strategies in which populist parties and politicians have been most prolific.

4.2 Online Media and Fake News

Populist parties have been much more effective in their political communication online compared to most established parties. In the context of Germany, it is very telling that the AfD reaches an audience on Facebook that is 16% bigger compared to the Christian Democratic Party, despite the Christian Democrats having nearly 13 times the number of members compared to the AfD. The changing media environment brought about by digitization has been studied as early as in the 2000s, with [Gentzkow and Shapiro \(2011\)](#) suggesting that online media facilitate the emergence of echo chambers, which can contribute to growing polarization of ‘users’. The established media, by catering to a broader pool of consumers, produces more moderate views catering to the ideological stances of an average readership. In online environments, users can self-select into echo chambers which may produce and reinforce selective perceptions of reality. [Guriev et al. \(2019\)](#) find that 3G roll-out is associated with lower levels of confidence in the government.

Online media can thus facilitate the dissemination of fake news. In an experimental online study for the case of France, [Barrera et al. \(2017\)](#) provide evidence on how easy it is to convince individuals of selected untrue statements by Marine Le Pen, and how difficult it is to convince them of the true facts again, even if one provides the individuals with all the relevant information. For the early days of the Internet, [Falck et al. \(2014\)](#) show that the introduction of broadband Internet did not benefit specific parties in Germany, but caused a decrease in turnout. They provide evidence that the demobilizing Internet effect relates to an informational effect. The average Internet user is less likely to consume TV-news, but spends more time on entertainment consumption. Although many individual users significantly increase their level of information online, the average Internet user tends to be less informed about political issues, and thus less likely to participate in elections. These results have been confirmed for the case of the UK ([Gavazza et al., 2018](#)) and Italy ([Campante et al., 2018](#)).

While [Falck et al. \(2014\)](#) focus on the introductory phase of the Internet, [Campante et al. \(2018\)](#) observe a longer time span. Most interestingly, they find a

reversion of the demobilizing Internet-effect after 2008. The authors relate this increase in turnout to the emergence of Beppe Grillos populist five star movement, which heavily invested into Social Media communication and seems to have managed to mobilized voters via online-channels. Similarly, [Schaub and Morisi \(2018\)](#) suggest that broadband roll-out in Italy and Germany may have had a positive effect on support for populist parties in recent elections. Indeed, populist parties are not only very successful in mobilizing former absentee voters, they also seem to be comparatively effective in using online communication channels.

For the U.S., [Allcott and Gentzkow \(2017\)](#) study the impact of Social media on the 2016 presidential election. While they find only a moderate effect of Social media on news consumption in general, Social Media turn out to be the main channel for distributing "fake news", with fake news favoring the winning candidate more than his opponent. In the context of the "Brexit"-referendum, [Gorodnichenko et al. \(2016\)](#) report extensive twitter-activity in the leave- as well as in the remain-camp. Their analysis focuses on the relevance of bots. They find that a large share of tweets on the referendum were circulated by bots, and that these tweets seem to have had a stronger impact on leave-votes then on remain-votes. Research on social media effects on individuals information, their communication and formation of opinions is still at a very early stage. Evidence so far suggests that information has a significant impact on voting decisions, information is affected by media use, and that populist parties extensively use Social Media for campaigning issues.

How successful online-campaigning really is, and which target group this actually reaches, is subject to ongoing research. Anyhow, Social Media seem to be an effective tool for organizing fringe opinions and interests. With face-to-face interactions only, communication partners instantly get a good intuition about how far their own opinion diverges from the mainstream, i.e. how fringe their convictions actually are. With network-based communication devices, it has become very easy to group minority-opinions together. Minority-opinions get a feeling of "not being alone", and might even conclude that they were the majority. This is not to say that Social Media caused populism. Indeed, we are convinced that Social Media can

be an effective means to provide unbiased information and to counter fake news. However, it seems that currently, populists have understood Social Media quite well and use them effectively to spread tendentious information and to mobilize support.

4.3 Perception of Distributional conflict

Anti immigration messages form a central element in populist rhetoric. In line with that, the study by [Halla et al. \(2017\)](#) discussed above provides evidence that distributional conflicts are one reason of the increasing support for the Austrian FPÖ in reaction to the "refugee crisis". At first glance, this is puzzling, given migration's moderate economic impacts. How do populist campaigns manage to actively stoke fears over distributional conflicts resulting from immigration (c.f. [Dahlberg et al., 2012](#)), if the economic figures suggest that there is no good reason for such conflict? Here, the populist supply-side interacts with the demand-side. On the one hand, the perceived distributional conflict seems to more intense than the real conflict indicated by the figures. Accordingly, the study by [Colussi et al. \(2017\)](#) discussed above clearly shows that individuals attitudes to migration are not driven by rational motives only. On the other hand, populist parties actively fuel the perception of conflict by political campaigning on- and offline, providing narratives for rationalizing fears and anxieties along that line. They may even contribute to creating a perception of conflict, as the study by [Ochsner and Roesel \(2017\)](#) discussed above shows. Against this background, [Cavaille and Ferwerda \(2016\)](#) point to a specific strategy of political messaging used by populists around the topic of distributional conflict – the emergence of "welfare chauvinism." The study looks into populist party platforms which aim to restrict immigrants' access to welfare benefits. It argues that citizens who perceive their access to social benefits being threatened by immigrants will be more likely to vote for the far-right parties. Accordingly, the paper finds that support for the right-wing parties sharply increased in Austrian municipalities and neighborhoods where natives faced the prospect of competing with immigrants for public housing.

More generally, politics plays an important role in tackling distributional con-

flicts, be it real substantive conflicts or the perception of it. The more economic shocks a country, a region or a group of individuals experience, the more likely it is that distributional conflicts materialize. Policy may further exacerbate such developments. Ponticelli and Voth (2017) show that policies of budget cuts have systematically lead to social unrest in Europe. Fetzer (2018)'s finding on austerity suggest that UKIP's and Vote Leave's anti-immigration platform was particularly successful among voters and in regions most exposed to austerity – which implied significant cuts to schools, health care, local public goods and welfare more broadly. Populist parties tap into this potential by strengthening the perception of distributional, social and also cultural conflict. They do so by using facts, e.g. on increasing unemployment, that by themselves might convince rational voters who solely rely on this specific issue. They provide anecdotal underpinning for this conflict according to their ideology, e.g. by blaming migrants, the rich, or generally "the establishment". But most importantly, they mix facts with untruths and with interpretations that are geared towards exaggerating conflicts to its extremes. Indeed, much of populist parties' success seems to rest on populists' ability to convincingly claim correlations between economic hardship and other socio-economic developments, irrespective of the true causal relationships.

5 Conclusion

Recent economic developments like the financial crisis, globalization and digitalization have lead to inequalities between those who benefit from such developments, and those who lose. Those who loose may indeed have good reasons to support populist parties and candidates, at least from their personal point of view. But even those who win can decide to support populists because they feel uncertainty and anxiety about the future. This development is amplified by migration and increasing distributional conflicts, which may be amplified again by austerity policies. Populist parties exploit such unrest from socio-economic developments to sell their agenda.

This development asks for a paradigmatic shift in economic policy. The old

paradigm was to perform policies that increase aggregate welfare, and to then compensate "losers" from the resulting gains. This paradigm, although logically compelling, fails in three ways. First: it is focused on monetary gains and losses, and disregards the anxieties induced by economic change. Second: Even if an average individual benefits from economic developments, it might perceive itself on the losing side due to misinformation, or might fear to be on the losing side in the future. Third: For compensating "losers", policy has too strongly relied on transfer payments, thus disregarding the non-pecuniary losses from labor market distress, lack of perspectives, and living in deprived regions.

The new paradigm must take inequalities resulting from economic developments seriously, even if welfare increases in the aggregate. Policy must react by a) providing more, comprehensive and credible information on costs and benefits of economic developments and by b) not compensating losers by transfer payments only, but by enabling them to participate in the changing society. With that, policy can counter populism. However, it must bring its message across to the voter in increasingly polarized political debates. It is important to stress that many people do support populists not primarily for ideological but for pragmatic reasons, which may well be reasonable from their individual point of view. The question is how sound the informational basis of this reasoning is. Countering fake news with facts and providing reliable information is thus a central responsibility for everyone involved in the public debate.

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Tables and Figures for Main Text

Figure 1: Google Searches for "Populism"

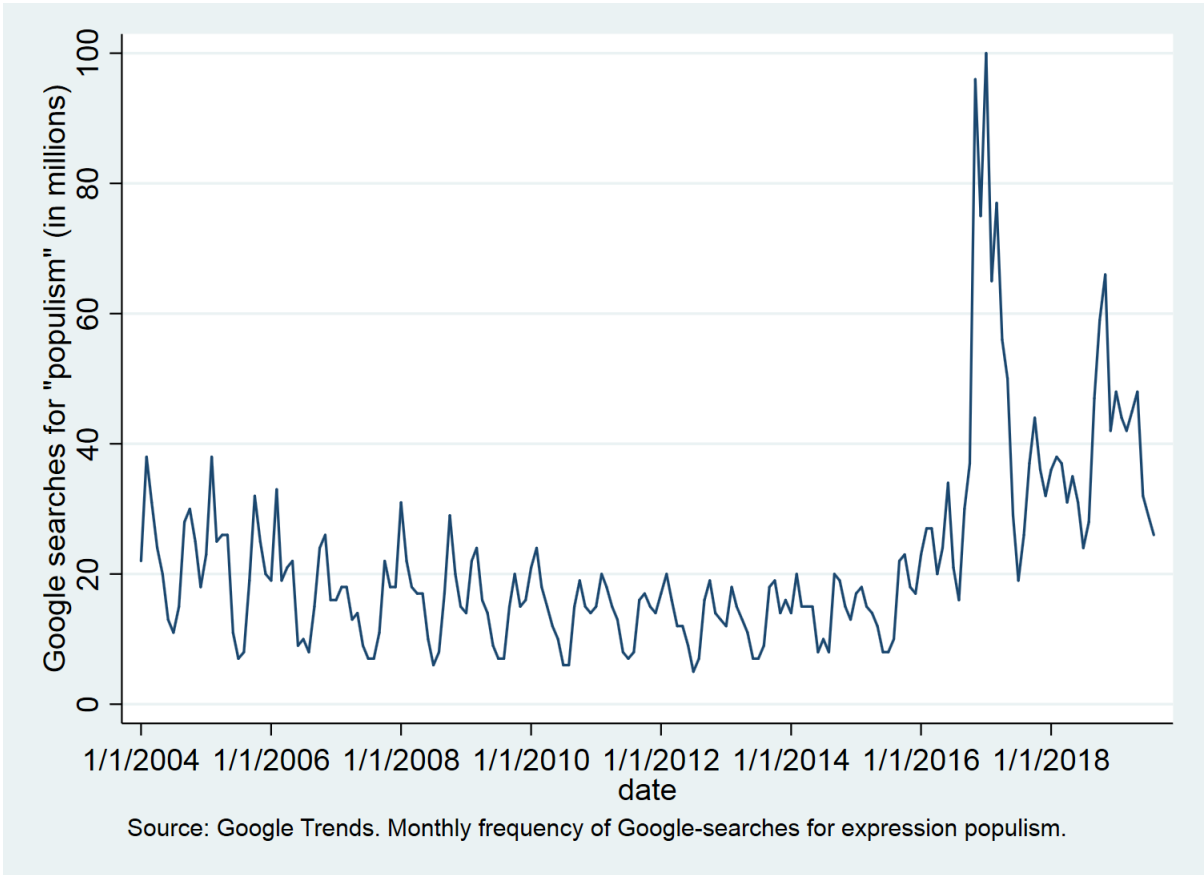


Figure 2: Populist Parties' Results in National Elections

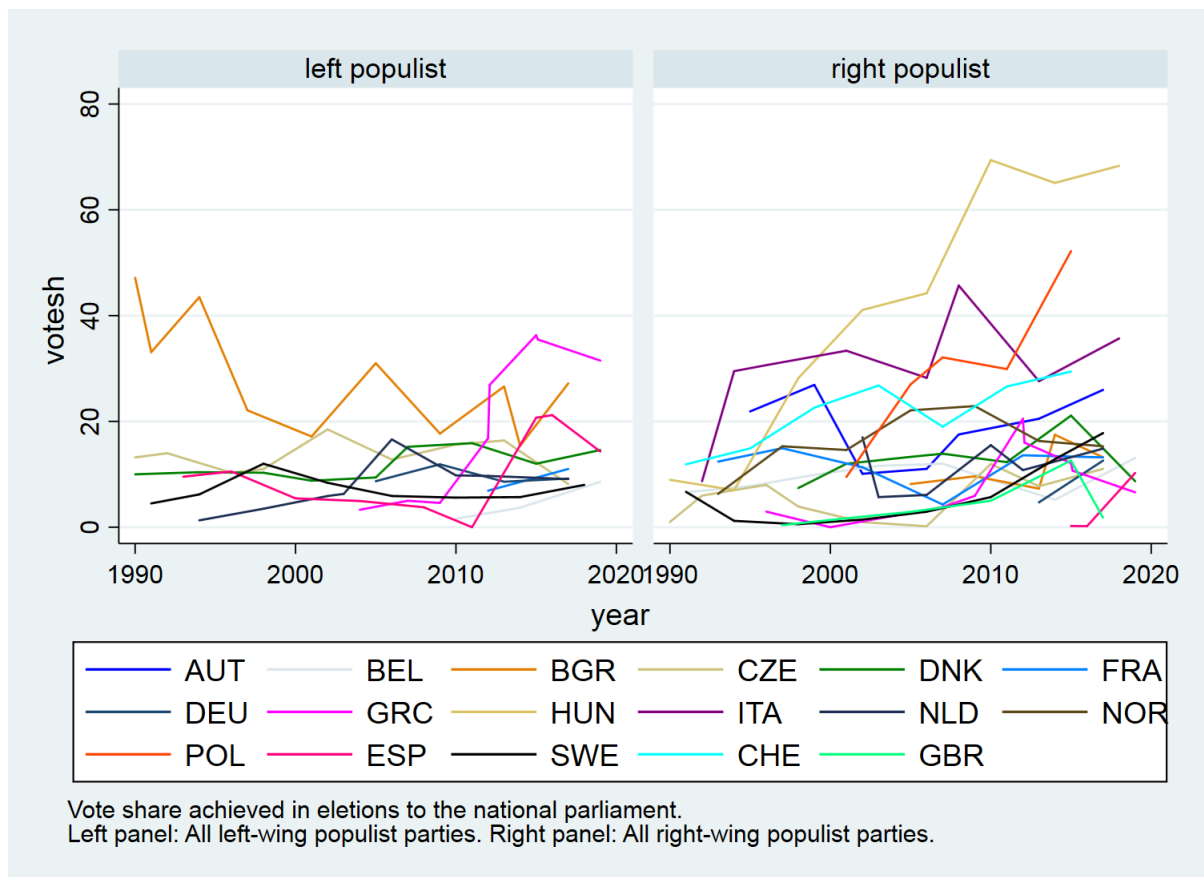


Figure 3: Populist Parties' Results in European Elections

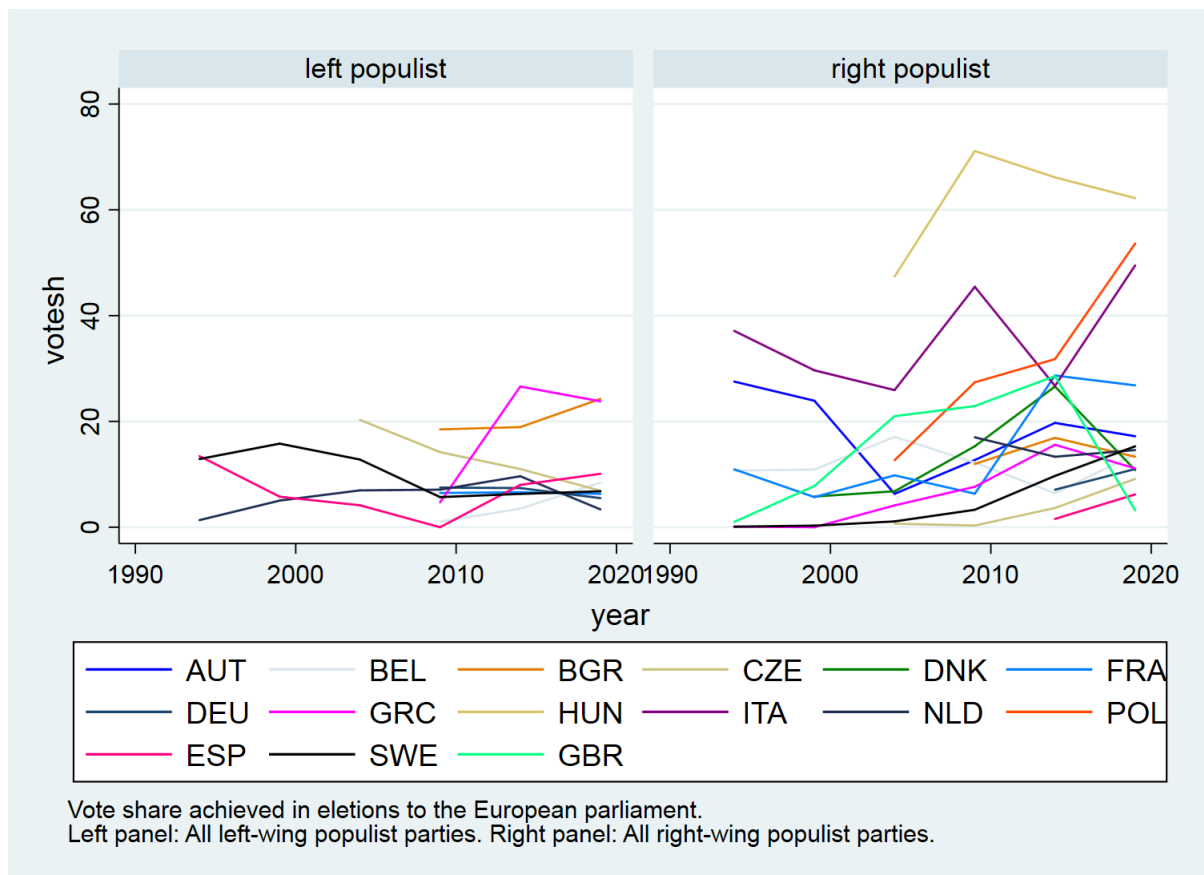
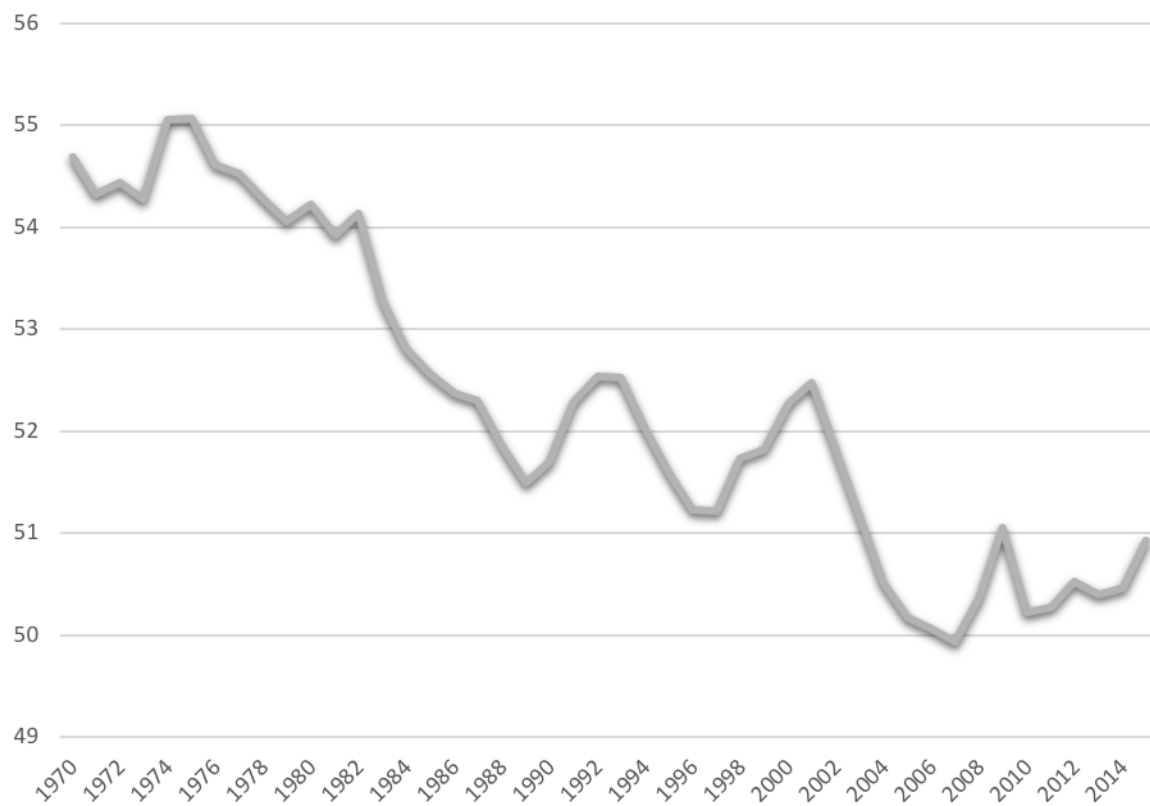
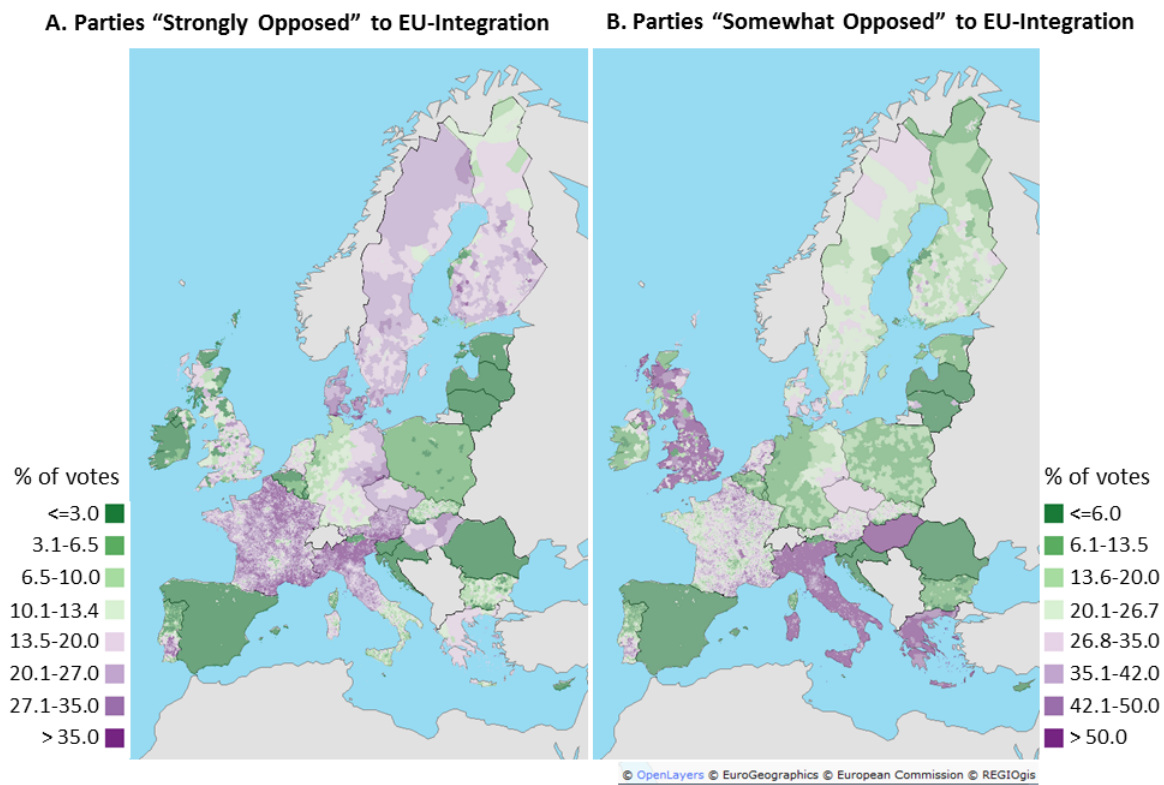


Figure 4: Declining Labor Share Across Economies



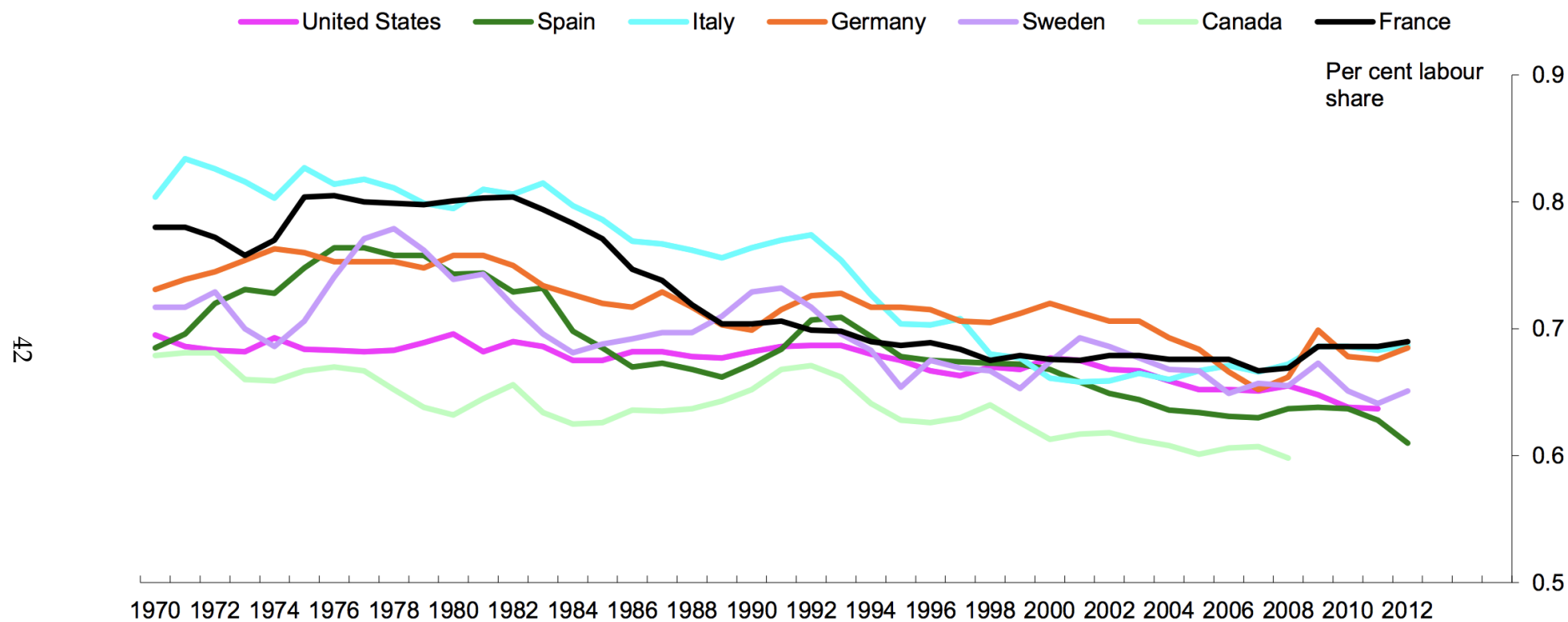
Notes: The figure plots out the share of labor income in overall GDP across advanced economies (left axis) and for the US (right axis). Data is drawn from the IMF (2017) World Economic Outlook, chapter 3.

Figure 5: Regional Disparities in Populist Support



Source: https://ec.europa.eu/regional_policy/mapapps/elections/EUdiscontent.html

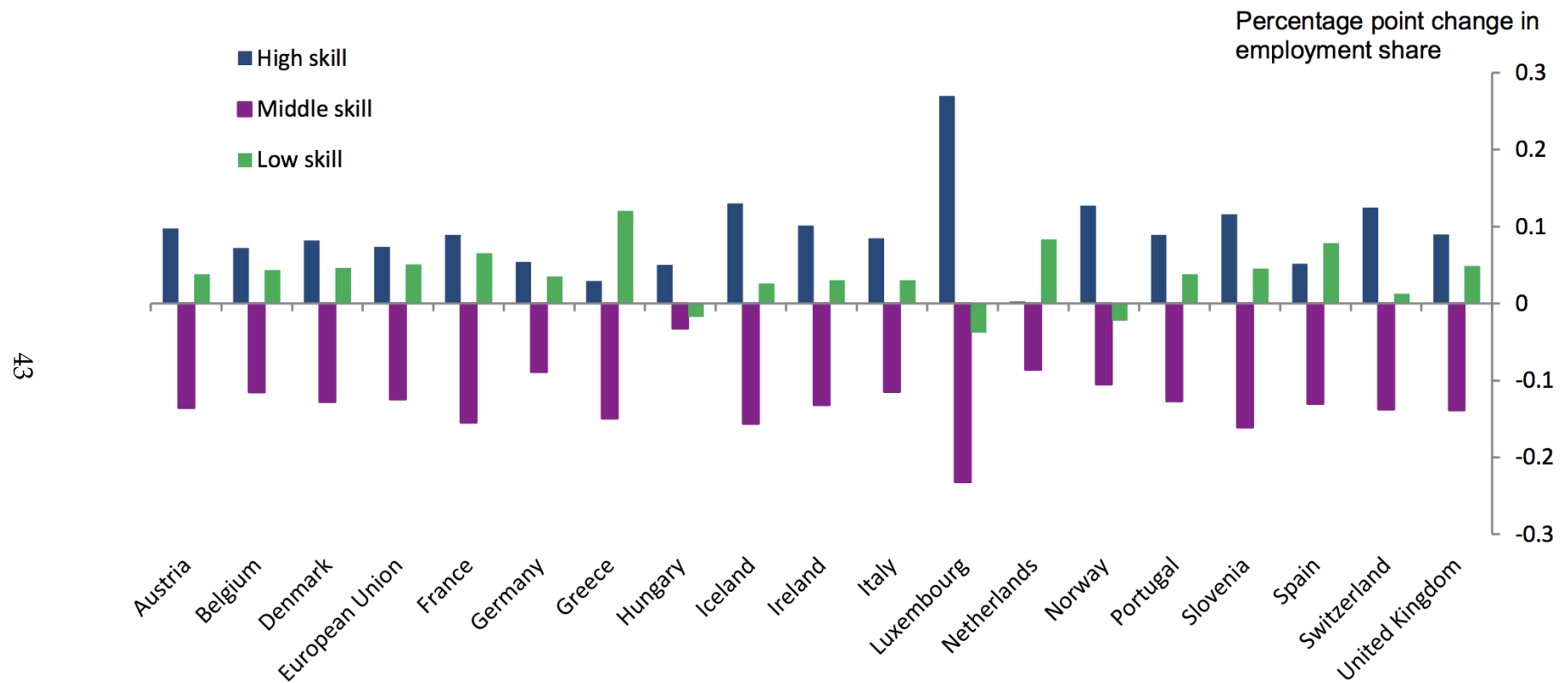
Figure 6: Declining Labor Share Across A Set of Advanced Economies



Source: OECD

Notes: The figure plots out the trends in the share of labor income in overall GDP across a set of countries. The figure is constructed using data from the OECD.

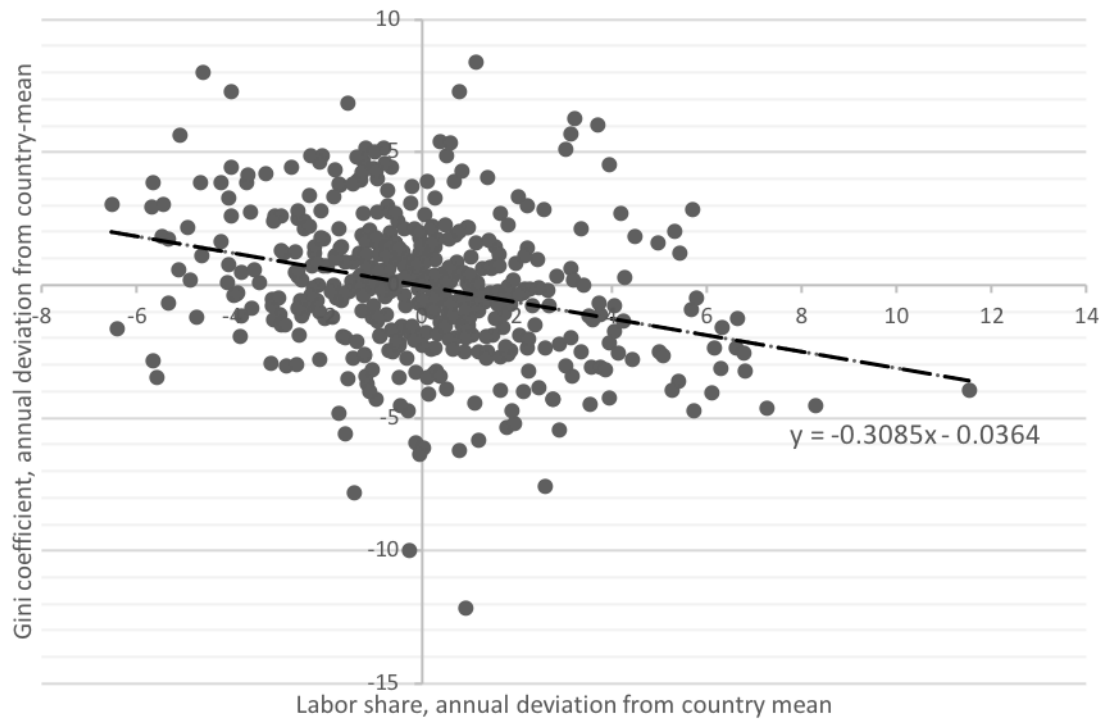
Figure 7: Evolution of employment shares by skill level over time across countries between 1996-2014



Source: Eurostat

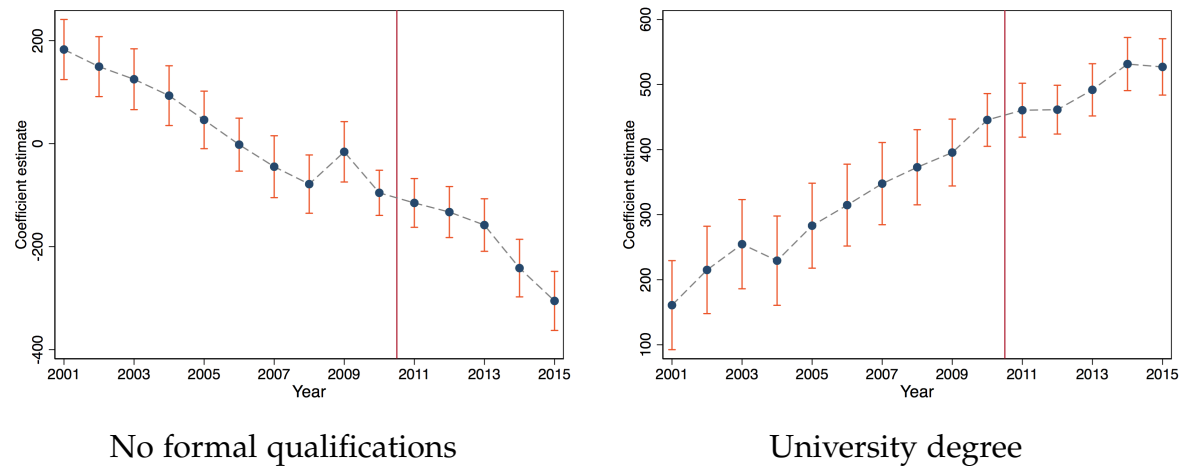
Notes: The figure plots out the trends in the share of labor income in overall GDP across a set of countries. The figure is constructed using data from the OECD.

Figure 8: Inequality is increasing more strongly in countries experiencing stronger declines in the labor share



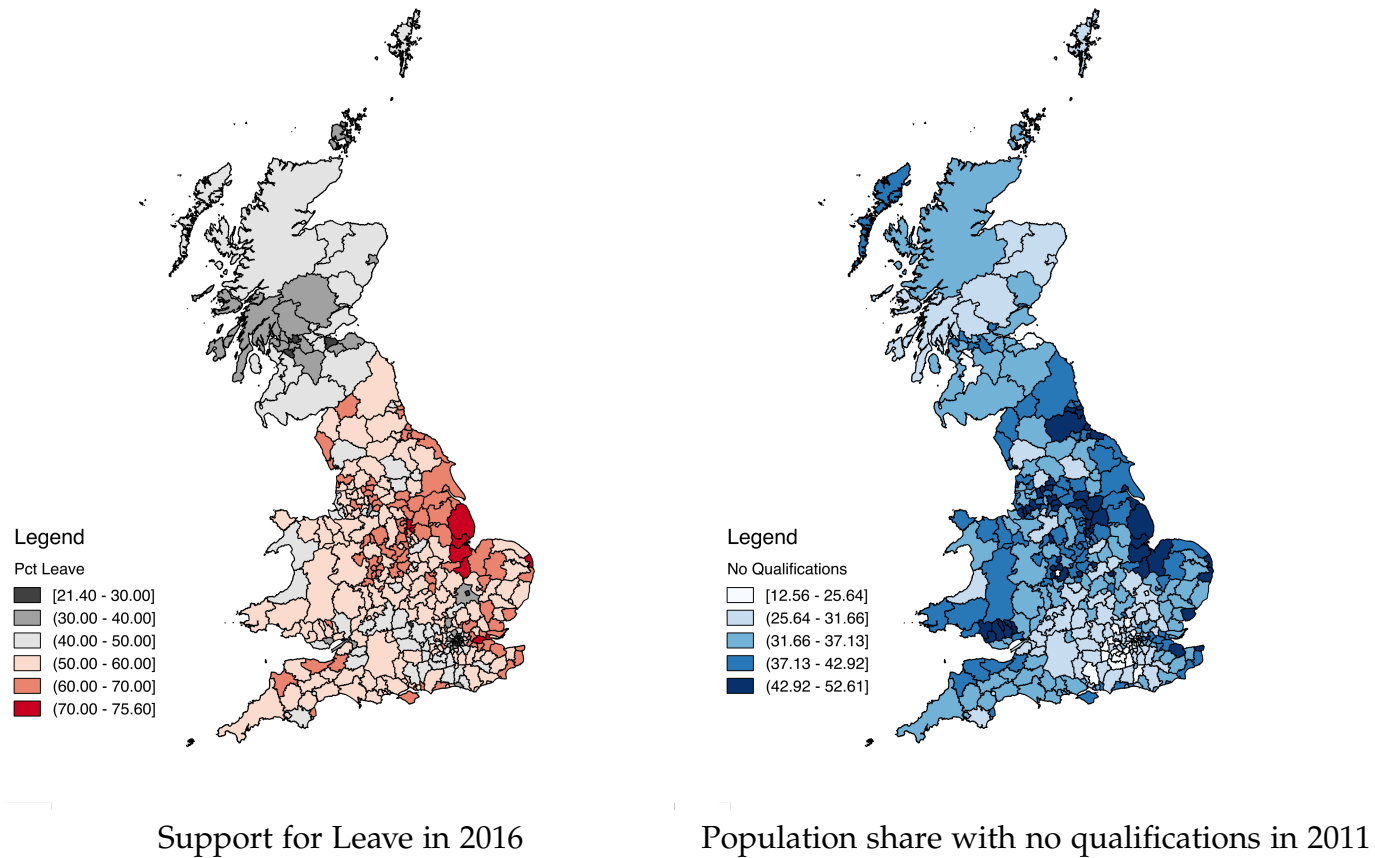
Notes: The figure plots out the changes in the Gini coefficient of income relative to a country-specific mean on the vertical axis against the labor share of income relative to the country mean. Over time, as labor share has decreased, lower labor share is associated with more inequality.

Figure 9: Labor Market Polarization in the UK: Evolution of labor income *within-individuals* over time for respondents with low- and high levels of educational attainment



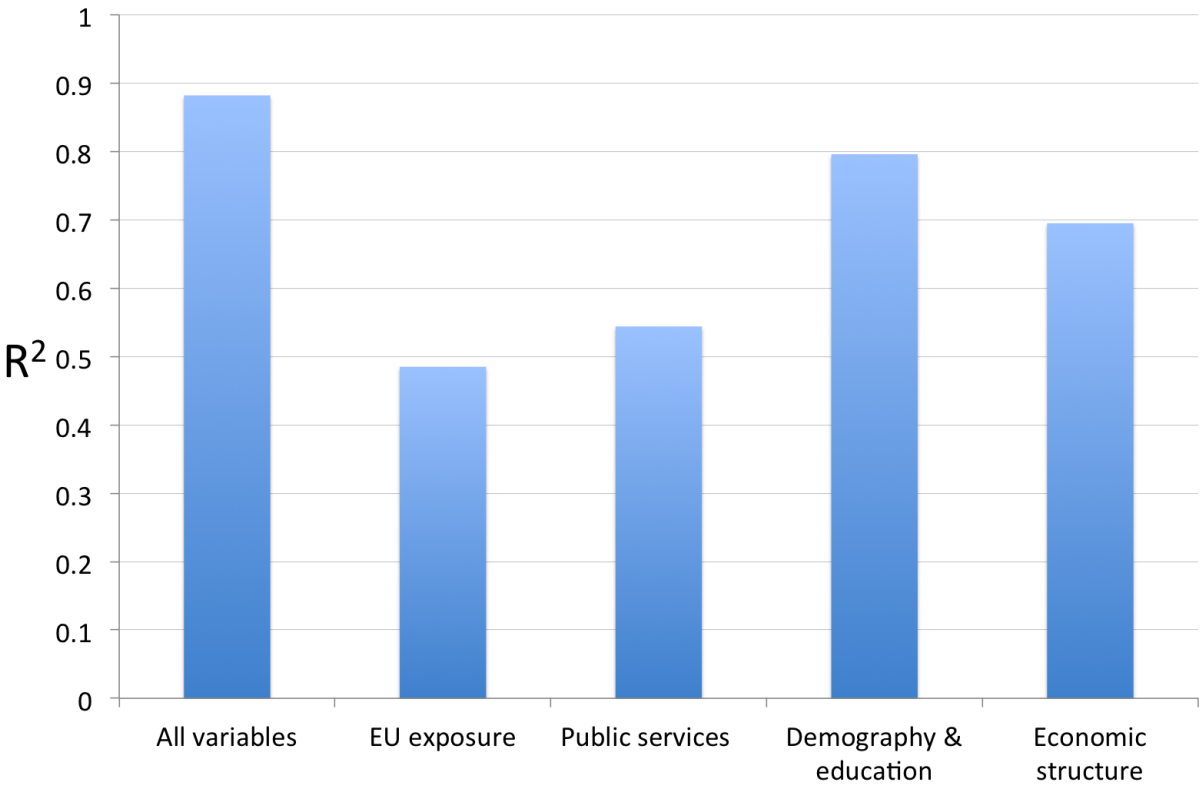
Notes: Figure from [Fetzer \(2018\)](#) plotting out the relative trends in labor income across individuals with different educational attainment. The empirical analysis partials out non-linear time-trends specific to regions and individual level fixed effects.

Figure 10: Vote Leave in 2016 and Human Capital Across the UK: Areas with high resident population shares with low skills much more supportive of Leave



Notes: Figure from [Alabrese and Fetzer \(2018\)](#).

Figure 11: Decomposing variation in support for Leave versus Remain in 2016:
Economic fundamentals matter



Notes: Figure from [Becker et al. \(2017\)](#). The figure plots out measures of goodness of fit obtained from constructing models based on groups of variables measuring different district-level features.

Table 1: Increasing Labor Market Polarization: Initial shares of hours worked and percentage changes over 1993-2010 by country Across Occupational Groups

	4 lowest paying occupations		9 middling occupations		8 highest paying occupations	
	Employment share in 1993 (in percent)	Percentage point change 1993-2010	Employment share in 1993 (in percent)	Percentage point change 1993-2010	Employment share in 1993 (in percent)	Percentage point change 1993-2010
Austria	21.82	6.36	51.61	-10.44	26.57	4.08
Belgium	17.49	3.00	48.50	-12.07	34.01	9.08
Denmark	24.09	1.73	39.70	-10.30	36.21	8.56
Finland	20.24	-1.50	39.69	-10.60	40.06	12.10
France	19.92	4.19	46.69	-8.60	33.39	4.41
Germany	20.71	2.37	48.03	-6.74	31.26	4.37
Greece	21.66	4.81	47.81	-10.65	30.54	5.84
Ireland	21.13	3.68	48.21	-14.85	30.66	11.17
Italy	27.01	6.06	51.04	-10.59	21.94	4.53
Luxembourg	21.70	-2.38	49.91	-10.76	28.40	13.15
Netherlands	16.78	1.99	37.90	-7.56	45.33	5.57
Norway	22.85	4.73	38.82	-8.47	38.34	3.74
Portugal	25.75	0.73	47.46	-4.86	26.78	4.13
Spain	28.02	1.01	48.67	-11.95	23.30	10.93
Sweden	21.82	1.52	41.98	-9.55	36.20	8.03
UK	16.88	4.17	43.64	-10.94	39.49	6.77

Notes: Table is from [Goos et al. \(2014\)](#) and reports a long difference from 1993-2010. Occupational employment pooled within each country. Occupations are grouped according to the mean European occupational wage.