Paying Off Populism: How Regional Policies Affect Voting Behavior

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> New Economy Shortcut 19. October 2023

Motivation



 \rightarrow Does it pay off for the EU to put up those signs?

Contribution to the literature

- Economic impacts of regional policies and public spending
 - National Policies: Criscuolo et al. (2019), Ehrlich and Seidel (2018), Siegloch et al. (2021)
 - EU policies: Becker et al. (2012), Becker et al. (2013), Becker et al. (2018)
 - → Political consequences?
- Economic causes of populism
 - Regional inequality caused by economic shocks: Funke et al. (2016), Gyöngyösi and Verner (2022), Autor et al. (2020), Dippel et al. (2022), Dustmann et al. (2019), Steinmayr (2021), Halla et al. (2017)
 - → Regional Policies as remedy?
- Do the economic impacts of regional policies translate into decreasing populist support?
 - Mirroring Fetzer (2019)
 - As in Crescenzi et al. (2020), Albanese et al. (2022)

Focus: ERDF investments and fringe voting

- Outcome: left/right-extreme vote shares in EP elections
 - Observed on NUTS3-level for 27 EU countries
 - Coded according to popu-list.org
- Main Treatment: ERDF-spending under "Objective1"
 - Aim: regional convergence
 - Eligibility defined on NUTS2-level
 - Co-financed by national governments, regional authorities, private sector



Vote-shares: Right-fringe



Vote-shares: Left-fringe



Statistical Relationship: ERDF-transfers and voting



Causal Model I: RDD



1) $objective1_{rt} = \alpha_0 + \lambda threshold_{rt} + f_x(GDP_{rt}) + X'_{irt}\alpha_1 + \phi_{ct} + \epsilon_{irt}$ 2) $voteshare_{irt} = \beta_0 + \theta objective1_{rt} + f_x(GDP_{rt}) + X'_{irt}\beta_1 + \phi_{ct} + \epsilon_{irt}$

Results Model I: RDD, Far-right vote share

	Lir	near	Quadratic		
	(1)	(2)	(3)	(4)	
Panel A: Full Range					
Objective 1	-0.049***	-0.051***	-0.054***	-0.054***	
	(0.014)	(0.013)	(0.015)	(0.013)	
Observations	3,490	3,490	3,490	3,490	
Adjusted R ²	0.883	0.893	0.886	0.895	
Kleibergen-Paap F-Stat	174.42	178.86	150.66	153.69	
Panel B: Range +/- 15					
Objective 1	-0.037**	-0.032**	-0.032***	-0.029***	
-	(0.015)	(0.013)	(0.014)	(0.013)	
Observations	1,156	1,156	1,156	1,156	
Adjusted R ²	0.911	0.917	0.912	0.917	
Kleibergen-Paap F-Stat	82.14	83.76	66.17	68.02	
Country-Election-FE	Yes	Yes	Yes	Yes	
Regional Controls		Yes		Yes	

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On average: Far-right vote share 14.6% with treatment: 14.6-2.9=11.7% reduction: 19.9% (upper bound)

Results Model I: RDD, Far-left vote share

	Lir	near	Quadratic		
	(1)	(2)	(3)	(4)	
Panel A: Full Range					
Objective 1	-0.008	-0.010	-0.005	-0.008	
	[0.212]	[0.111]	[0.384]	[0.186]	
Observations	3,490	3,490	3,490	3,490	
Adjusted R ²	0.850	0.863	0.851	0.863	
Kleibergen-Paap F-Stat	174.42	178.86	150.66	153.69	
Panel B: Range +/- 15					
Objective 1	-0.002	-0.001	0.003	0.002	
	[0.819]	[0.841]	[0.665]	[0.783]	
Observations	1,156	1,156	1,156	1,156	
Adjusted R ²	0.877	0.890	0.879	0.891	
Kleibergen-Paap F-Stat	82.14	83.76	66.17	68.02	
Country-Election-FE	Yes	Yes	Yes	Yes	
Regional Controls		Yes		Yes	

Why effects exclusively on the right fringe?



Effect Heterogeneity



Order of the Polynomial 0 1 0 2

Empirical Model II: DiD



- Blue regions dropped out of treatment status
 - Due to EU-enlargement
- Compare to red regions that remained treated

 $voteshare_{irt} = \beta_0 + \theta drop_{rt} + X'_{irt}\beta_1 + \phi_{ct} + \varepsilon_{irt}$

Results: Model II, DiD

	Δ 2004 and 1999		Δ 2009 a	and 2004	Δ 2014 a	and 2004
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A – Far Right Parties						
Lost Objective 1 Status	-0.0038	-0.0019	0.0110**	0.0109**	0.0173***	0.0180***
	(0.0060)	(0.0053)	(0.0050)	(0.0052)	(0.0043)	(0.0044)
Number of Observations	242	242	393	393	396	396
Adjusted R-Squared	0.522	0.545	0.864	0.873	0.857	0.869
Panel B – Far Left Parties						
Lost Objective 1 Status	0.0171*	0.0171^{*}	-0.0125*	-0.0124*	-0.0165	-0.0158
	(0.0094)	(0.0096)	(0.0064)	(0.0068)	(0.0146)	(0.0149)
Number of Observations	242	242	393	393	396	396
Adjusted R-Squared	0.675	0.699	0.762	0.778	0.864	0.866
Country-FE	Yes	Yes	Yes	Yes	Yes	Yes
Regional Controls		Yes		Yes		Yes

Empirical Model III: Nested Regions + Matching



"exogenously" untreated

- Rich/poor NUTS3-regions within treated/untreated NUTS2-regions
- Match control regions on observables

 $voteshare_{irt} = \beta_0 + \theta objective_{1rt} + X'_{irt}\beta_1 + \phi_{ct} + \varepsilon_{irt}$

Results: Model III, Nested Regions & Matching

	Exo. (un)	treated	Exo. unti	reated	Exo. treated		
	(No Matching)	(Matching)	(No Matching)	(Matching)	(No Matching)	(Matching)	
Panel A.							
Objective 1 Transfers	-0.014***	-0.012**	-0.021***	-0.019**	-0.008	0.002	
	(0.004)	(0.005)	(0.005)	(0.009)	(0.006)	(0.007)	
# Treated NUTS3	288	93	222	49	66	32	
# Control NUTS3	185	93	118	49	67	32	
Adjusted R -Squared	0.961	0.966	0.968	0.969	0.920	0.947	
Country-Election-FE	Yes	Yes	Yes	Yes	Yes	Yes	
Regional Controls	Yes	Yes	Yes	Yes	Yes	Yes	

Mechanisms: Eurobarometer



Figure: Neg. EU Image



Figure: Sat. w. Dem.



Figure: Sat. w. Dem. in EU



Figure: Trust in Nat. Gov

	Full 1	Range	Range	Range +/- 15		Full Range		Range +/- 15	
	Linear	Quadratic	Linear	Quadratic	Linear	Quadratic	Linear	Quadratic	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
	Pane	l A: EU is ben	eficial for C	ountry	Р	anel B: Satisj	faction with li	ife	
Objective 1	0.060***	0.053**	0.058*	0.064	0.046**	0.040*	0.062**	0.065	
	(0.019]	(0.021]	(0.032]	(0.040]	(0.019]	(0.022]	(0.030]	(0.042]	
Observations	96,840	96,840	23,179	23,179	162,425	162,425	39,010	39,010	
	-	Panel C: EU	image positiv	ve	1	Panel D: EU i	image negativ	ve	
Objective 1	0.022	0.019	0.024	0.034	-0.061***	-0.054***	-0.066***	-0.074**	
	(0.016]	(0.018]	(0.023]	(0.029]	(0.014]	(0.016]	(0.024]	(0.031]	
Observations	221,611	221,611	52,232	52,232	221,611	221,611	52,232	52,232	
	Panel E	: Satisfaction	with Democ	racy (EU)	Panel F: Satisfaction with Democracy (country)				
Objective 1	0.046**	0.040*	0.062**	0.065	0.006	0.040	-0.003	-0.025	
	(0.019]	(0.022]	(0.030]	(0.042]	(0.022]	(0.026]	(0.027]	(0.036]	
Observations	162,425	162,425	39,010	39,010	179,440	179,440	42,830	42,830	
	Pan	nel G: Trust in	EU Commi	ssion	Panel	H: Trust in N	ational Gove	rnment	
Objective 1	0.041**	0.026	0.065**	0.073*	-0.038*	-0.023	-0.037	-0.040	
	(0.016]	(0.019]	(0.027]	(0.038]	(0.020]	(0.019]	(0.034]	(0.026]	
Observations	186,786	186,786	44,985	44,985	213,958	213,958	50,971	50,971	

	Full I	Range	Range	Range +/- 15		Full Range		Range +/- 15	
	Linear	Quadratic	Linear	Quadratic	Linear	Quadratic	Linear	Quadratic	
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Observations	162,425	162,425	39,010	39,010	179,440	179,440	42,830	42,830	
	Pan	el G: Trust in	EU Commis	ssion	Panel H: Trust in National Government				
Objective 1	0.041**	0.026	0.065**	0.073*	-0.038*	-0.023	-0.037	-0.040	
	(0.016)	(0.019)	(0.027)	(0.038)	(0.020)	(0.019)	(0.034)	(0.026)	
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Observations	186,786	186,786	44,985	44,985	213,958	213,958	50,971	50,971	

- Regional policies decrease populist support
 - Exclusively on the right fringe
- ERDF-investments decrease discontent with EU
 - Increase trust in democratic institutions
- Future research
 - Which policy measures / projects have strongest impact
 - What are the mechanisms through which ERDF-investments decrease populist support?
 - Interaction with other regional policy programs
- Still don't know whether it is a good idea to put up these signs

Thank you for your attention