

Paying Off Populism: How Regional Policies Affect Voting Behavior

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New Economy Shortcut
19. October 2023

Motivation



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

Contribution to the literature

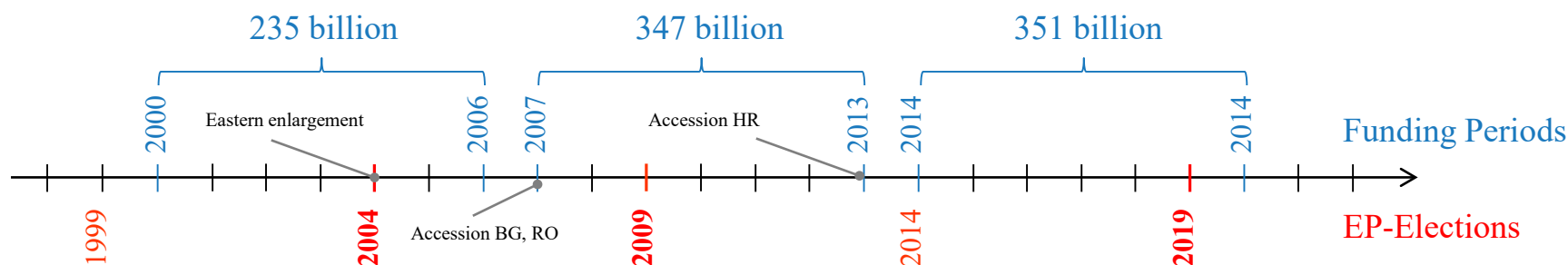
- Economic impacts of regional policies and public spending
 - National Policies: Criscuolo et al. (2019), Ehrlich and Seidel (2018), Siegloch et al. (2021)
 - EU policies: Becker et al. (2012), Becker et al. (2013), Becker et al. (2018)

→ 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 Fetzner (2019)
 - As in Crescenzi et al. (2020), Albanese et al. (2022)

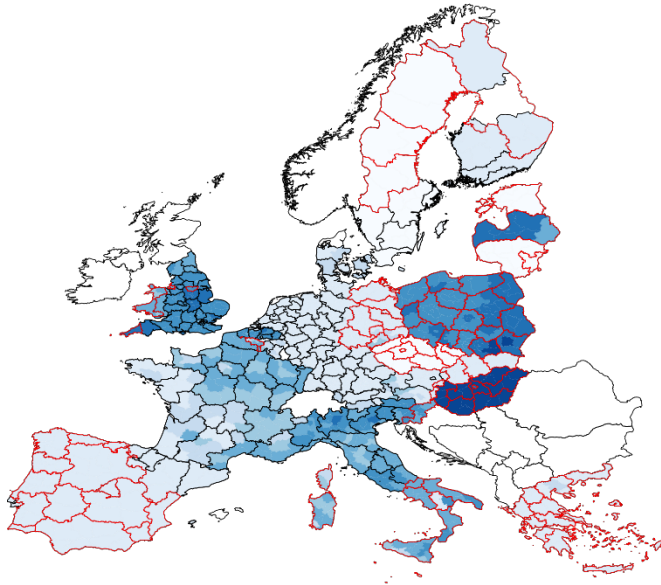
Focus: ERDF investments and fringe voting

- 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

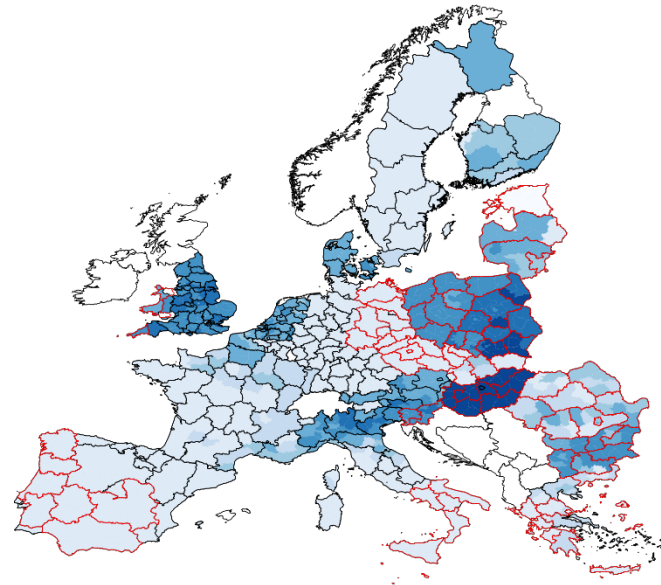


Vote-shares: Right-fringe

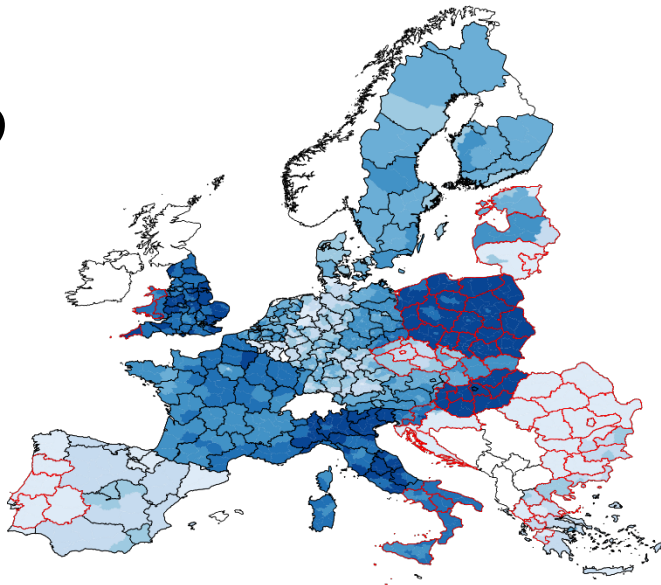
2004



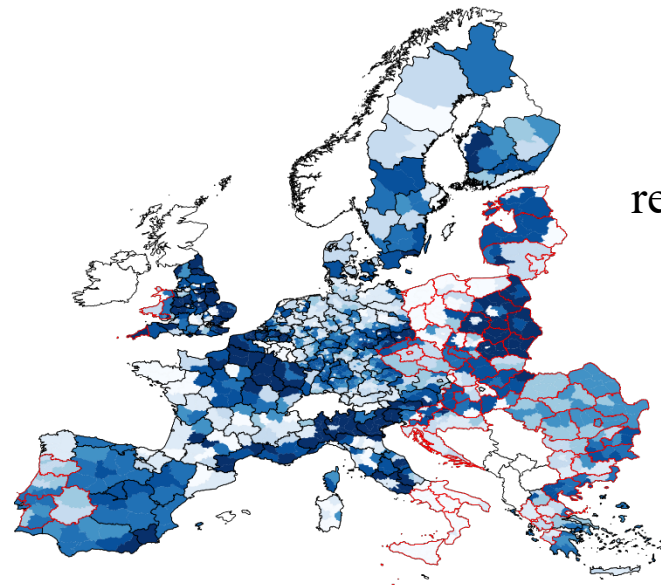
2009



2019

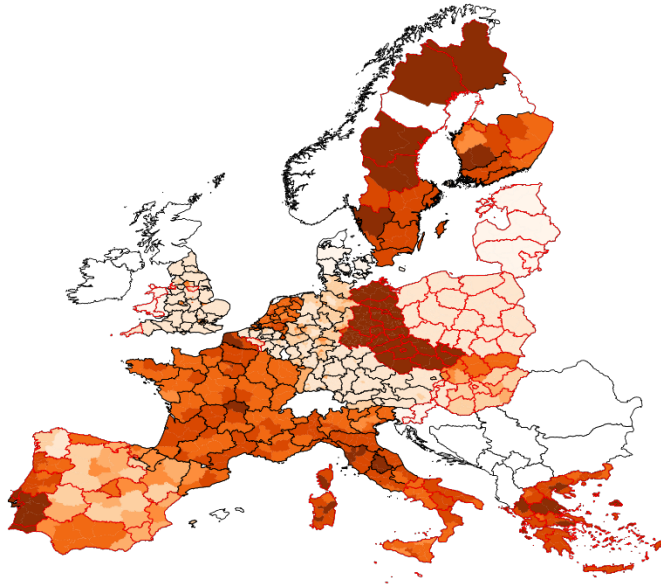


2019
residualized

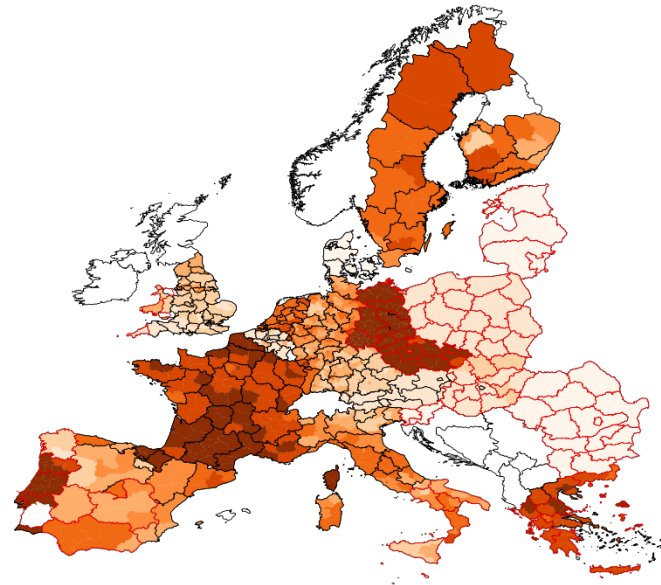


Vote-shares: Left-fringe

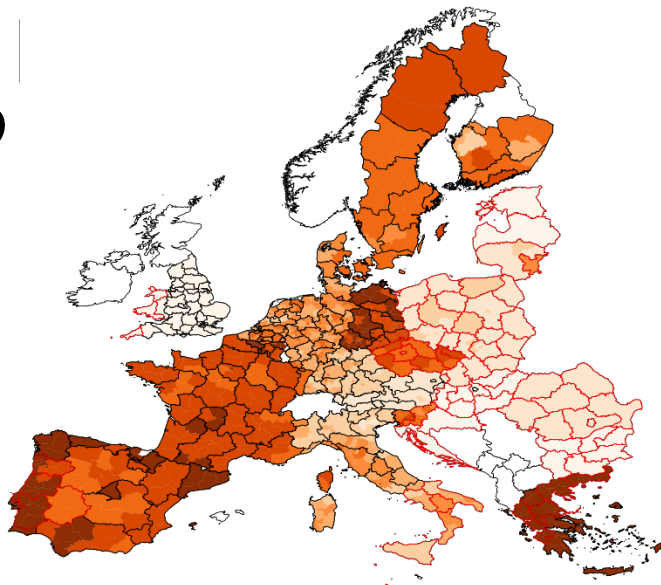
2004



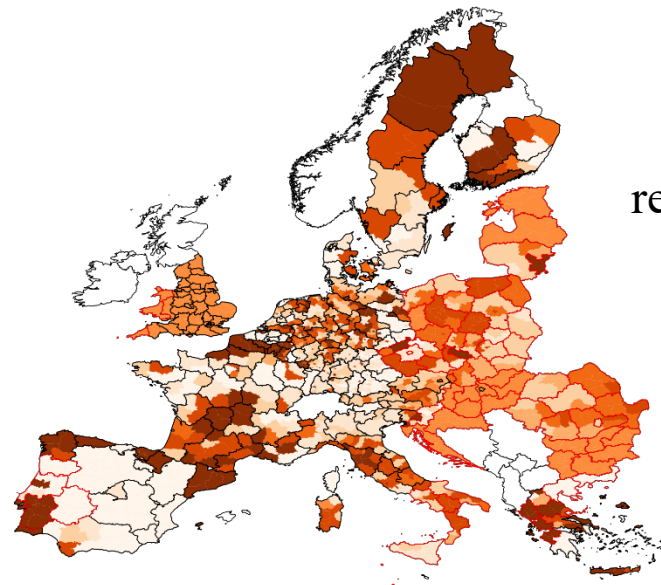
2009



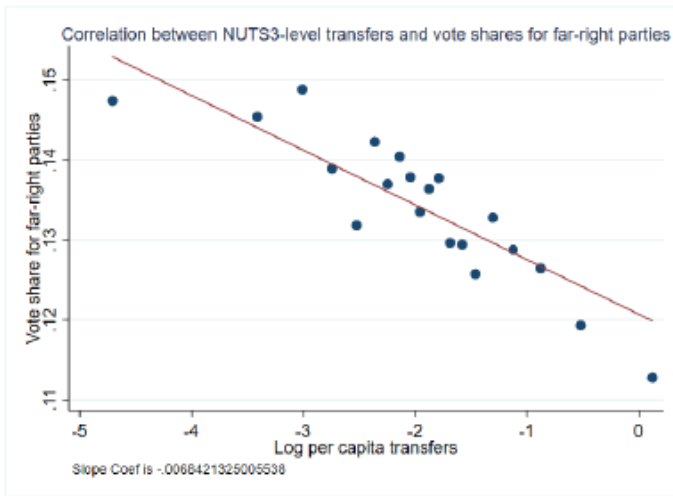
2019



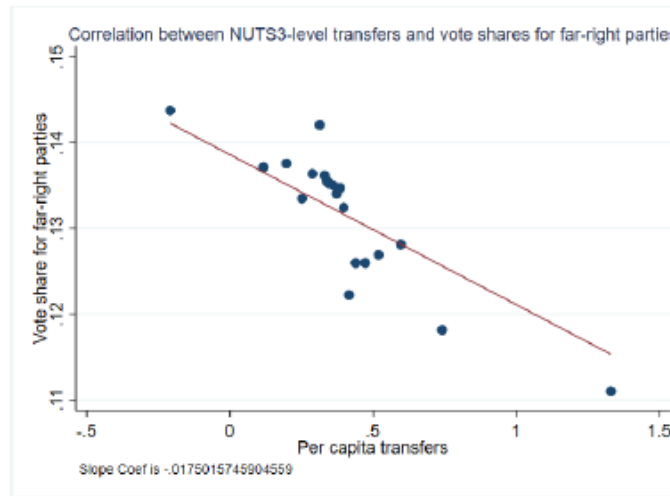
2019
residualized



Statistical Relationship: ERDF-transfers and voting

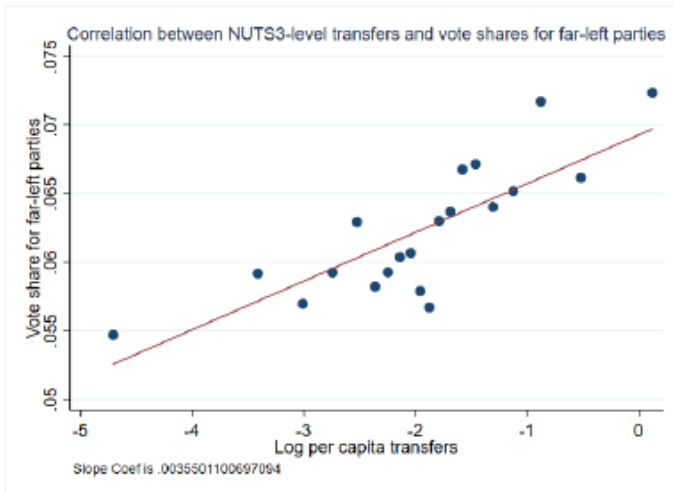


(a) Far right - log(transfers p.c.)

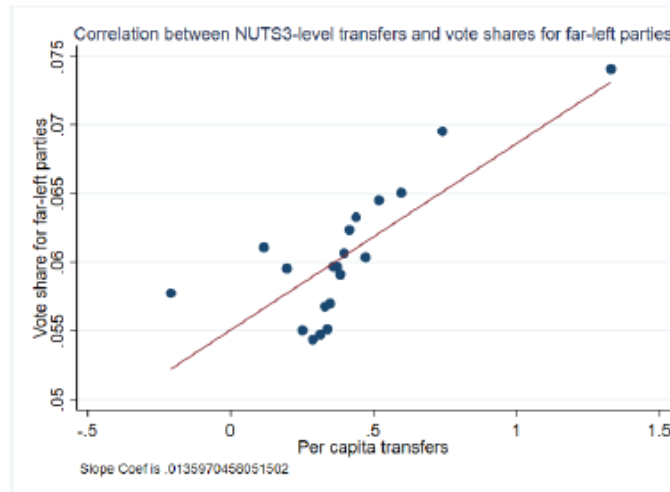


(b) Far right - transfers p.c.

→ negative for right-wing



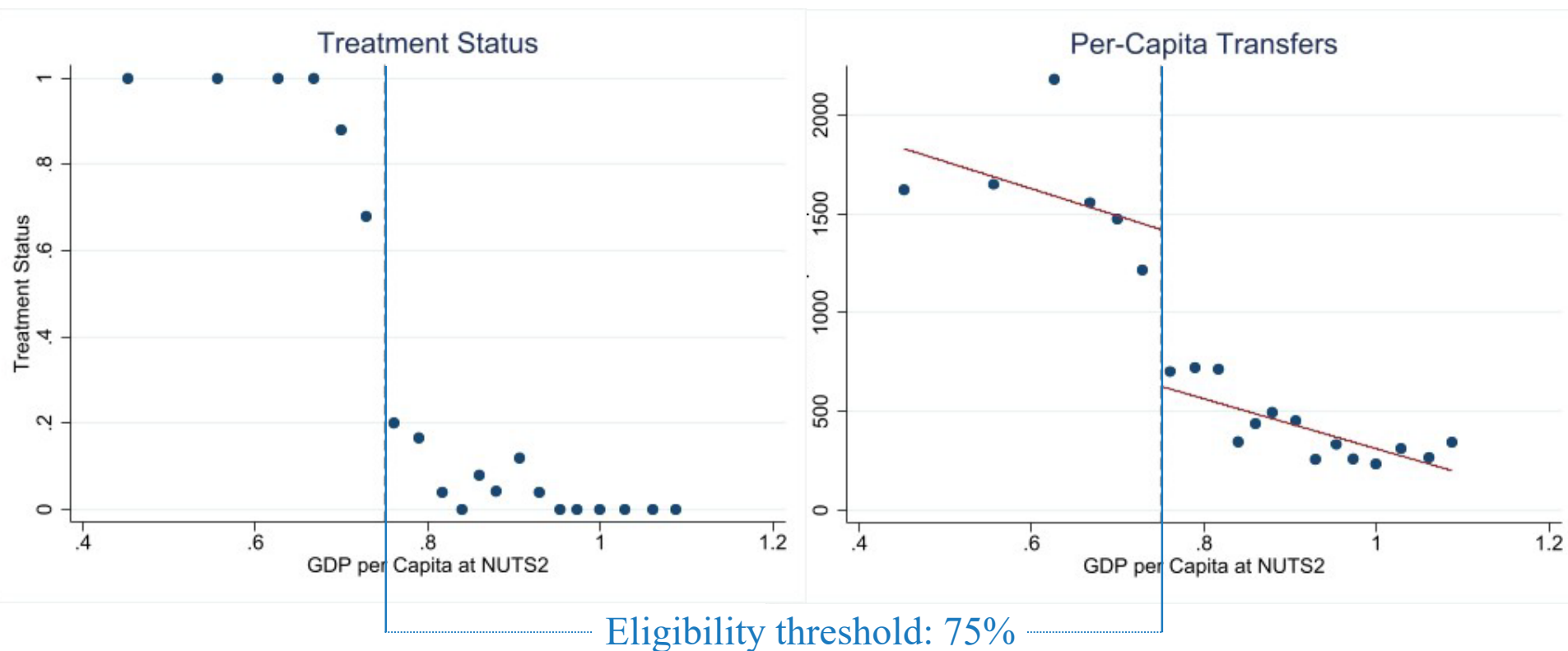
(c) Far left - log(transfers p.c.)



(d) Far left - transfers p.c.

→ positive for left-wing

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

	Linear		Quadratic	
	(1)	(2)	(3)	(4)
<i>Panel A: Full Range</i>				
Objective 1	-0.049*** (0.014)	-0.051*** (0.013)	-0.054*** (0.015)	-0.054*** (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
<i>Panel B: Range +/- 15</i>				
Objective 1	-0.037** (0.015)	-0.032** (0.013)	-0.032*** (0.014)	-0.029*** (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

Results Model I: RDD, Far-right vote share

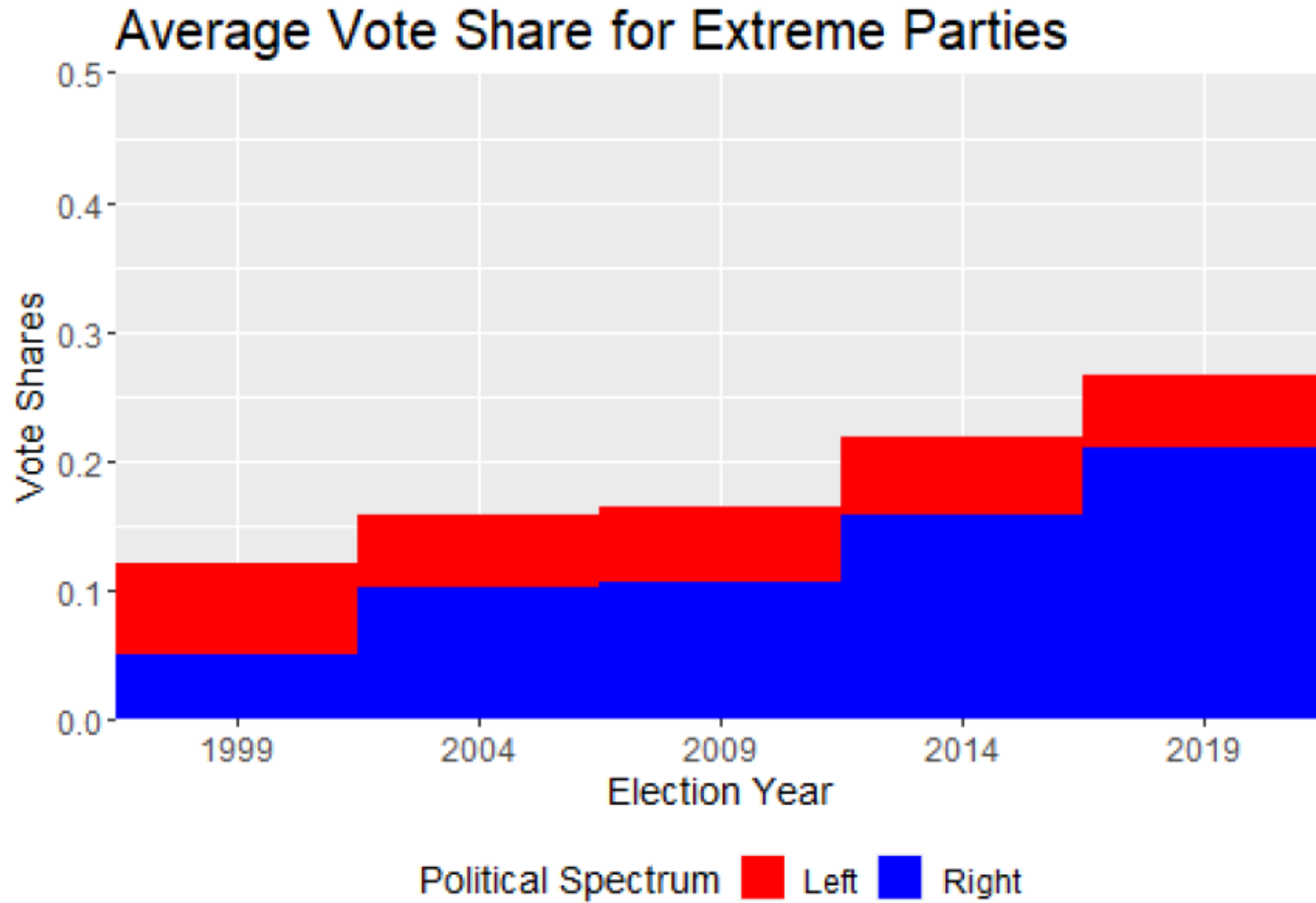
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Regional Controls		Yes		Yes

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

	Linear		Quadratic	
	(1)	(2)	(3)	(4)
<i>Panel A: Full Range</i>				
Objective 1	-0.008 [0.212]	-0.010 [0.111]	-0.005 [0.384]	-0.008 [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
<i>Panel B: Range +/- 15</i>				
Objective 1	-0.002 [0.819]	-0.001 [0.841]	0.003 [0.665]	0.002 [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

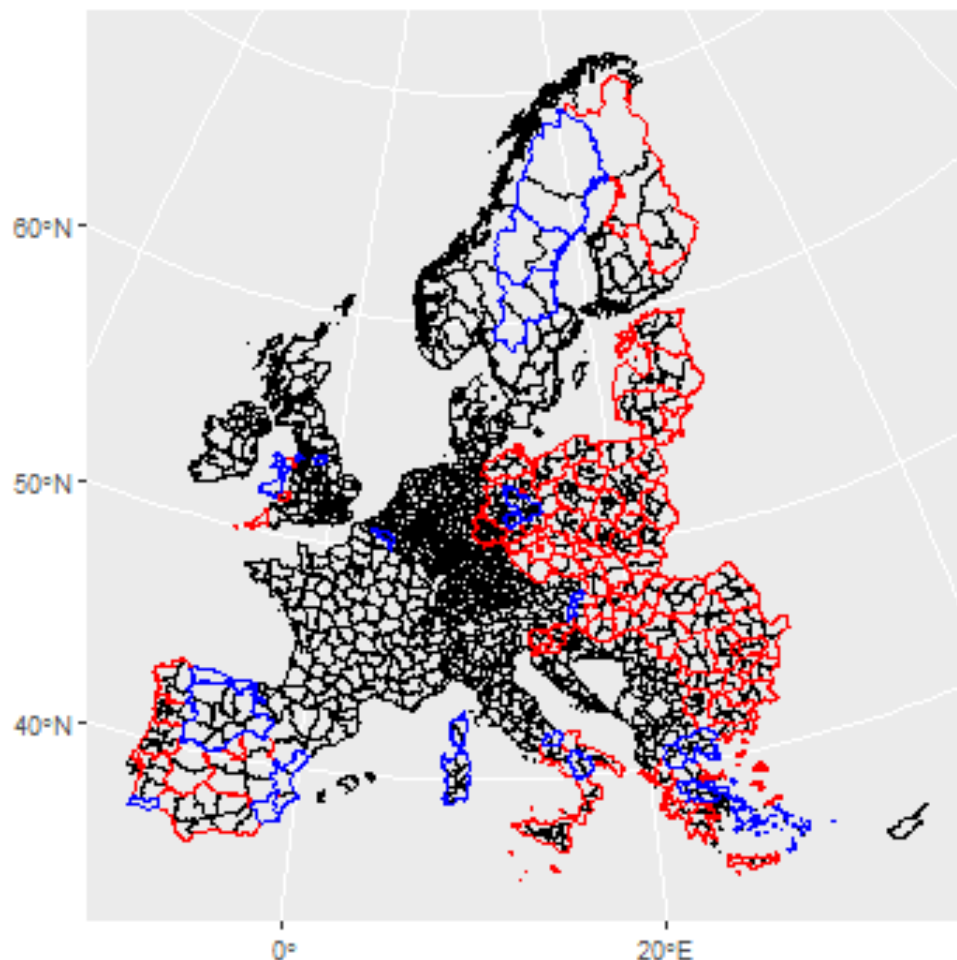
Why effects exclusively on the right fringe?



Effect Heterogeneity



Empirical Model II: DiD



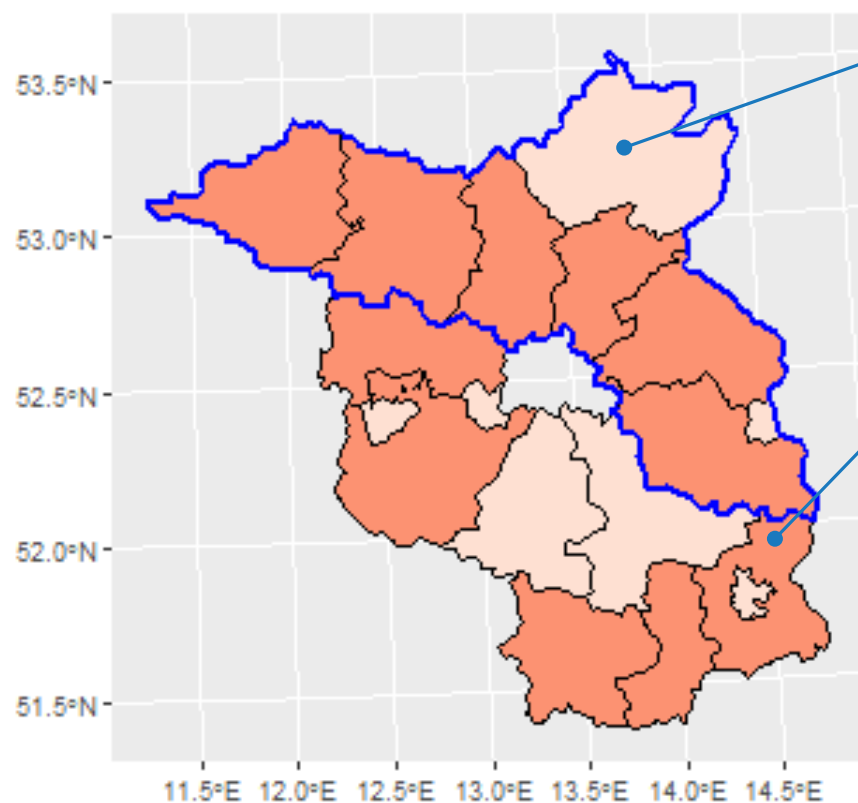
- Blue regions dropped out of treatment status
 - Due to EU-enlargement
- Compare to red regions that remained treated

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

Results: Model II, DiD

	Δ 2004 and 1999		Δ 2009 and 2004		Δ 2014 and 2004	
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A – Far Right Parties						
Lost Objective 1 Status	-0.0038 (0.0060)	-0.0019 (0.0053)	0.0110** (0.0050)	0.0109** (0.0052)	0.0173*** (0.0043)	0.0180*** (0.0044)
Number of Observations	242	242	393	393	396	396
Adjusted <i>R</i> -Squared	0.522	0.545	0.864	0.873	0.857	0.869
Panel B – Far Left Parties						
Lost Objective 1 Status	0.0171* (0.0094)	0.0171* (0.0096)	-0.0125* (0.0064)	-0.0124* (0.0068)	-0.0165 (0.0146)	-0.0158 (0.0149)
Number of Observations	242	242	393	393	396	396
Adjusted <i>R</i> -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“ treated

„exogenously“ untreated

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

$$\text{voteshare}_{irt} = \beta_0 + \theta \text{objective}1_{rt} + X'_{irt}\beta_1 + \phi_{ct} + \varepsilon_{irt}$$

Results: Model III, Nested Regions & Matching

	Exo. (un)treated		Exo. untreated		Exo. treated	
	(No Matching)	(Matching)	(No Matching)	(Matching)	(No Matching)	(Matching)
Panel A.						
Objective 1 Transfers	-0.014*** (0.004)	-0.012** (0.005)	-0.021*** (0.005)	-0.019** (0.009)	-0.008 (0.006)	0.002 (0.007)
# Treated NUTS3	288	93	222	49	66	32
# Control NUTS3	185	93	118	49	67	32
Adjusted <i>R</i> -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

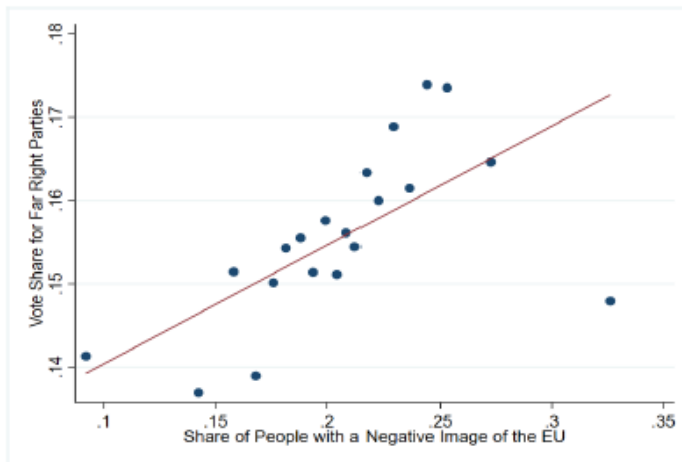


Figure: Neg. EU Image

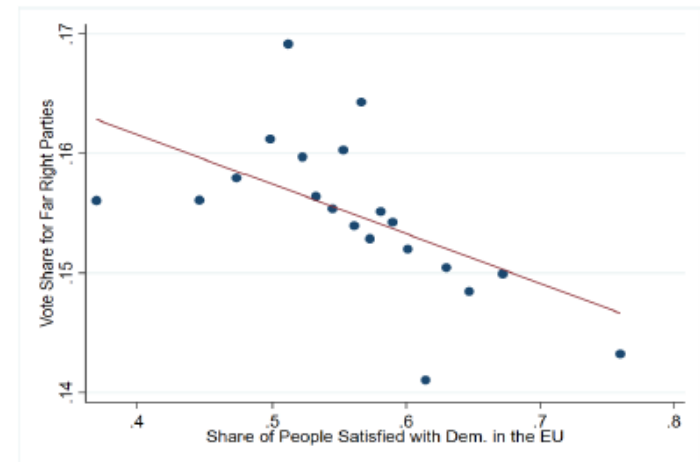


Figure: Sat. w. Dem. in EU

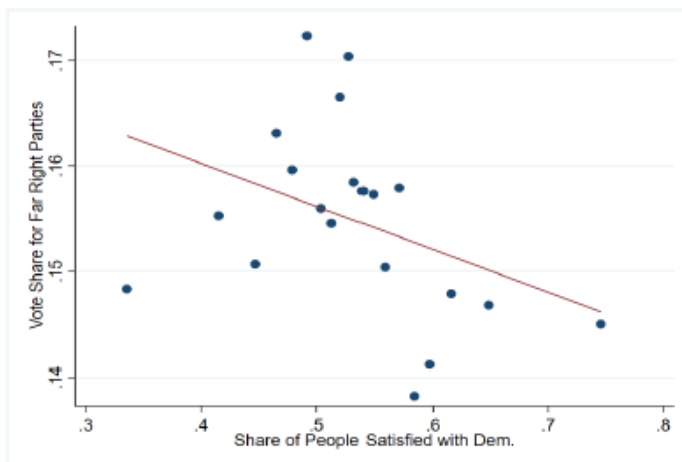


Figure: Sat. w. Dem.

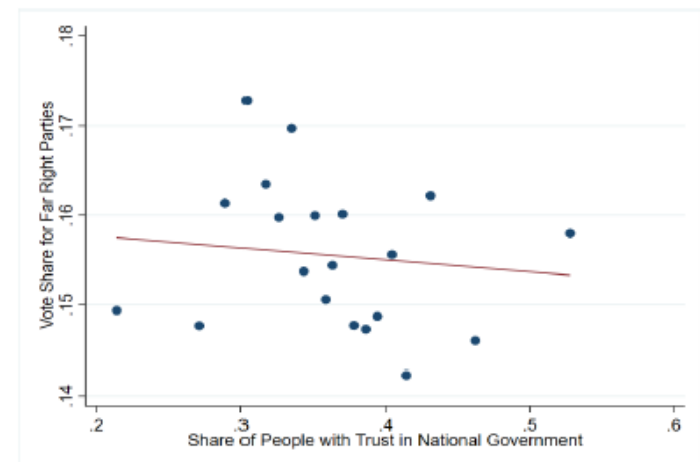


Figure: Trust in Nat. Gov

RDD Eurobarometer

	Full Range		Range +/- 15		Full Range		Range +/- 15	
	Linear (1)	Quadratic (2)	Linear (3)	Quadratic (4)	Linear (5)	Quadratic (6)	Linear (7)	Quadratic (8)
	Panel A: EU is beneficial for Country				Panel B: Satisfaction with life			
Objective 1	0.060*** (0.019]	0.053** (0.021]	0.058* (0.032]	0.064 (0.040]	0.046** (0.019]	0.040* (0.022]	0.062** (0.030]	0.065 (0.042]
Observations	96,840	96,840	23,179	23,179	162,425	162,425	39,010	39,010
	Panel C: EU image positive				Panel D: EU image negative			
Objective 1	0.022 (0.016]	0.019 (0.018]	0.024 (0.023]	0.034 (0.029]	-0.061*** (0.014]	-0.054*** (0.016]	-0.066*** (0.024]	-0.074** (0.031]
Observations	221,611	221,611	52,232	52,232	221,611	221,611	52,232	52,232
	Panel E: Satisfaction with Democracy (EU)				Panel F: Satisfaction with Democracy (country)			
Objective 1	0.046** (0.019]	0.040* (0.022]	0.062** (0.030]	0.065 (0.042]	0.006 (0.022]	0.040 (0.026]	-0.003 (0.027]	-0.025 (0.036]
Observations	162,425	162,425	39,010	39,010	179,440	179,440	42,830	42,830
	Panel G: Trust in EU Commission				Panel H: Trust in National Government			
Objective 1	0.041** (0.016]	0.026 (0.019]	0.065** (0.027]	0.073* (0.038]	-0.038* (0.020]	-0.023 (0.019]	-0.037 (0.034]	-0.040 (0.026]
Observations	186,786	186,786	44,985	44,985	213,958	213,958	50,971	50,971

RDD Eurobarometer

	Full Range		Range +/- 15		Full Range		Range +/- 15	
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Conclusion

- 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
