

# The European Trust Crisis and the Rise of Populism

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## *Cultural backlash or economic insecurity? What drives voters towards populists?*

*This paper finds:*

- ▶ Strong relationship between increases in unemployment and rise in populist vote
- ▶ Increased unemployment also correlated with reduced trust in national and European political institutions
- ▶ Little or no effects of unemployment on interpersonal trust
- ▶ Muted correlation between unemployment and attitudes towards immigrants (esp. their cultural impact)

*This is good news: as Europe's economy recovers, the populist appeal should diminish – recent electoral outcomes in Holland, France and some German states seem to confirm this*

## *Road map for this discussion*

- ▶ Contribution of the paper
- ▶ Is the identification robust?
- ▶ Some additional considerations
- ▶ An experiment: addressing the question using Google Searches during two recent German refugees-related episodes

## Answers from the literature are mixed

- ▶ Other recent papers also based on cross-country analyses
  - ▶ Inglehart et al (2016)
    - ▶ rise of populism is driven by cultural rather than economic factors
  - ▶ Dustmann et al (2017)
    - ▶ adverse macroeconomic conditions explain the drop in trust towards national parliaments, but only a small fraction of rise in anti-EU vote
  - ▶ Guiso et al (2017), following Rodrik (2017), distinguish between the demand for and supply of populism
    - ▶ demand for populism  $\leftarrow$  economic variables
    - ▶ supply of populism  $\leftarrow$  prolonged economic crisis caused the entry of populist parties, who took advantage of the drop of trust in traditional politics and institutions

## Answers from the literature (cont.)

- ▶ These cross-country papers only investigate correlations
- ▶ Single-country studies often do try to identify causal effects of the crisis on voting for populists
  - ▶ Marco Tabellini (2017, MIT JMP) studying the Age of Mass Migration in the US (1910-30) shows that political opposition to immigration can arise even when immigrants bring significant economic prosperity
    - ▶ immigrants location decisions are instrumented with a leave-out version of Card's (2001) shift share instrument
  - ▶ using a similar instrument Barone et al (2014) study the impact of immigration on voting using Italian municipality data
    - ▶ immigration generates a sizable causal increase in votes for the centre-right coalition, with political platform less favorable to immigrants.

## This paper's empirical choices

- ▶ national vs European elections
  - ▶ here: national elections ✓
- ▶ actual votes vs self-reported votes
  - ▶ here: actual votes ✓
- ▶ individual insecurity vs region-level data
  - ▶ here: regional economic data ✓
- ▶ voter turnout: uncorrelated with votes or jointly determined, recognizing that shifts in turnout are crucial to populists success
  - ▶ here: turnout is exogenous ⇓
- ▶ attempt to address causality ✓

## Identification concerns

- ▶ To estimate the causal effects of the economic crisis on voting, the paper uses the pre-crisis share of construction in regional value added
- ▶ For this instrument to be valid, the pre-crisis shares must be orthogonal to pre-crisis trends in the outcome variable (I focus on the vote for populist parties)
- ▶ An indirect way to test this orthogonality assumption is to check that pre-crisis trends in the support for populist parties do not predict subsequent changes in the instrument
- ▶ See Goldsmith et al (2017) for a discussion of Bartik instruments and on the conditions under which they are valid

## Identification concerns (cont.)

- ▶ Why might pre-crisis construction shares be correlated with populist voting?
  - ▶ construction could pull in natives with certain ideology, providing fertile ground for a populist platform to emerge, OR
  - ▶ pre-crisis construction sector could employ lots of immigrants, predicting larger increases in populist votes, either b/c there's a lag in the inflow of immigrants and changes in political preferences, or b/c previous immigrants "pull" new immigrants, and this triggers populist sentiments
- ▶ Supply vs Demand sides of populism may be helpful here.
  - ▶ Construction share is weakly associated with *voter turnout*, not a helpful instrument to address that endogeneity — but warrants more careful attention



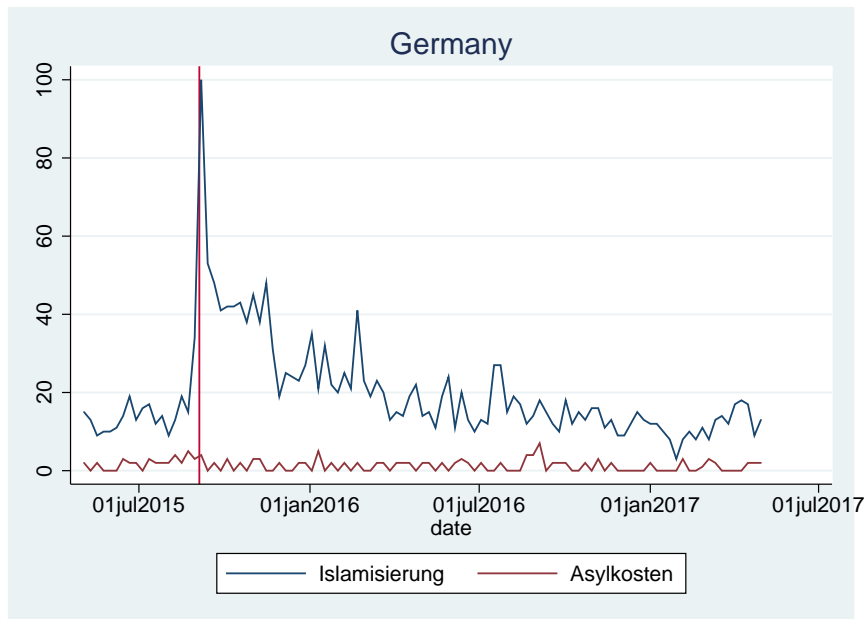
## Some Additional Considerations

- ▶ **Trust-Populism Linkages:** *The interactions between these variables may be complex, with direct and indirect links to economic insecurity and other variables.*
- ▶ **Aging:** *Find stronger impact of unemployment on Trust for 60+ than for < 30 - Implications ? (See Table 18 and Dustmann et al)*
- ▶ **Recent Within vs Across Country** *variations & trends for populism & trust: crisis has stopped cultural convergence (see p. 8 vs Alesina et al findings for 1980-2007)*

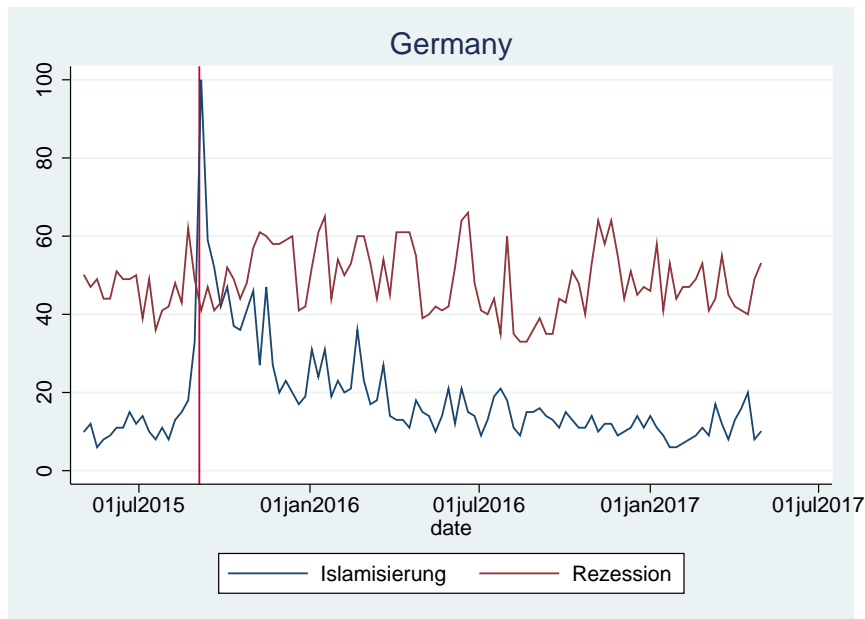
## An experiment: using “Google Trends”

- ▶ Google Trends produces charts showing the time series of specific searches and their geographic distribution. The indices produced measure the fraction of searches that include the term you are interested in (in the chosen location at a particular time) relative to the total number of such searches at that time. The maximum value of the index is set to 100
- ▶ I retrieved all searches over a two-year period (May 2015 - May 2017) concerning the words noted below. For each, we retrieved all searches originating from all of Germany and from 4 specific German States which differ for their economic conditions (e.g. intensity of unemployment).
- ▶ I have looked for searches associated with
  - ▶ concern for the economic situation. Specific word searched: *Recession, Unemployment*
  - ▶ concerns for the cost of integrating refugees. Specific words searched: *Asylkosten*
  - ▶ political views: *Merkel must Go*
- ▶ I look for searches around a specific refugee-related event: Merkel's September 4, 2015 decision to open the German borders to Syrian refugees

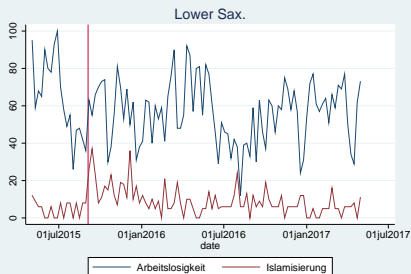
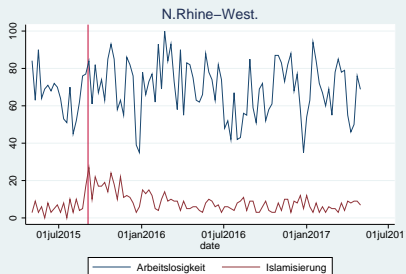
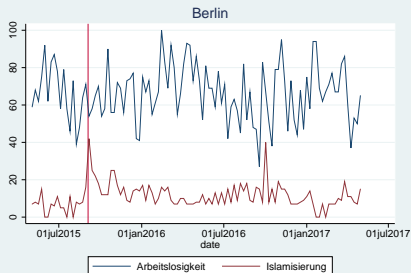
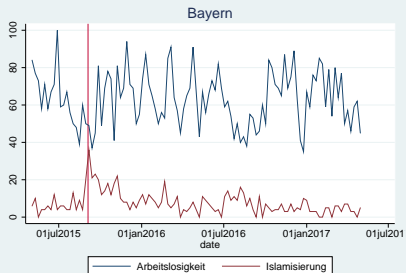
# Words searched: "Islamification" and "Cost of Refugees"



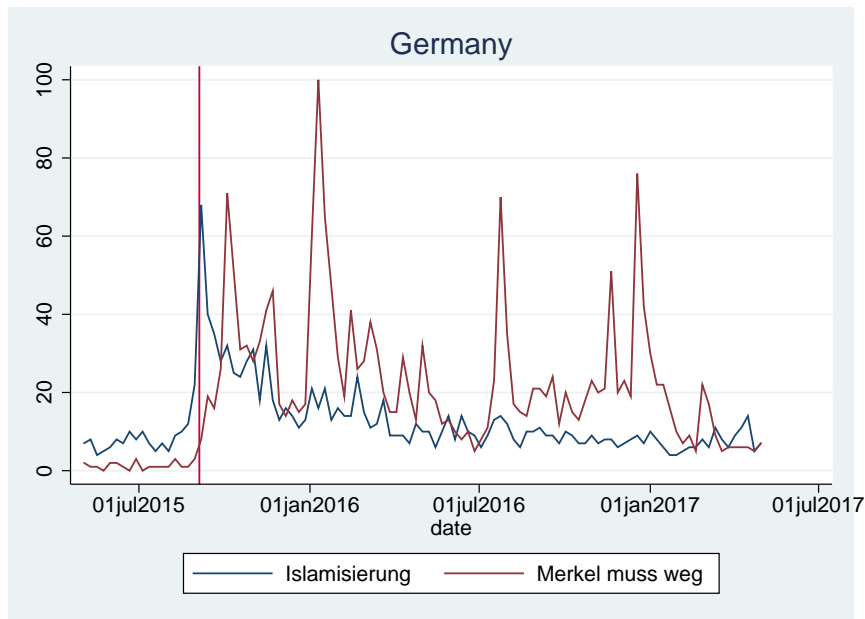
# Words searched: "Islamification" and "Recession"



# Words searched: "Islamification" and "Unemployment" by States



# Words searched: "Islamification" and "Merkel must Go"



# Concluding Remarks

- ▶ **Interesting paper on important timely topic**
  - ▶ Large existing literature has mixed findings
  - ▶ Findings here linking populism (& trust) to economic insecurity would be good news – given recovery
- ▶ **Strengths here include:**
  - ▶ data selection (national elections, actual votes, large sample)
  - ▶ focus on causality
- ▶ **However:**
  - ▶ 2SLS is not fully convincing. Turnout also likely to be endogenous
  - ▶ Suggests exploring complex links b/w trust & voting; Aging
- ▶ Other data (Google searches) suggest cultural factors relevant as well