

6. GLOBALIZATION AND NATIONALISM

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This chapter illustrates the results obtained in Colantone and Stanig (2018ab) on the political effects of globalization. In particular, in Colantone and Stanig (2018a) we investigate the effects of exposure to the Chinese import shock on support for nationalist and radical-right parties across fifteen western European countries, between the beginning of the 1990s and 2007. In Colantone and Stanig (2018b) we focus on the implications of the same shock on support for the Leave option in the Brexit referendum of 2016. In both cases, we find positive and significant effects of exposure to the China shock on the voting outcomes, both when working with district-level election returns, and when focusing on individual-level voting data. Overall, our results suggest that globalization is a facet of structural change that has significant political effects, tilting the electorates in a nationalist, isolationist, and radical-right direction.

6.1. INTRODUCTION

We study the effects of globalization on voting behavior in western European legislative elections and in the Brexit referendum of 2016 (Colantone and Stanig 2018ab). Much of the political science literature on globalization tended, until very recently, to focus on more macro aspects, like the relationship between trade openness and government spending or welfare state generosity, rather than on politics proper, in the sense of party competition and voting behavior (Kayser 2007). At the same time, some of the literature on the radical right in Europe had suggested that one of the possible drivers of the success of this party family was a reaction against globalization, or the manifestation of the demands of “modernization losers”. Yet the evidence provided in support of this thesis was mostly descriptive and often indirect. As Golder (2016, 483) correctly points out, “exactly who the modernization losers are in these accounts is often left vague”. Our contributions, as illustrated in this chapter, try to improve on the existing literature by providing causal estimates of the effects of one specific facet of globalization, Chinese import competition, on support for political platforms of

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economic nationalism, and for the radical-right parties that usually propose them.

A concept that recently has encountered considerable success, not only in political science but also in economics, is that of populism. The literature seems to have largely converged on Mudde's (2004, 543) definition of populism as a "thin-centered" ideology, that "considers society to be ultimately separated into two homogeneous and antagonistic groups, 'the pure people' versus 'the corrupt elite', and which argues that politics should be an expression of the *volonté générale* (general will) of the people."

Part of the phenomena we study has been analyzed under these lenses. In our work, yet, we prefer to focus on the specific ideology of economic nationalism rather than framing our analysis in terms of "populism". When we study voting in legislative elections, we also focus on the radical-right party family. Importantly, while populism is considered a defining feature of the radical right (Golder 2016), not all populist parties belong to the radical-right family, hence we focus on a subset of parties compared to other contributions that address the phenomenon of populism broadly understood.

Our stance is that populism might be a useful category to understand the rhetoric, strategies, and appeal of political parties that, in general, respond to a demand-side frustration with institutions that are perceived as technocratic or undemocratic. Yet, the heuristic value of this concept is often limited if one wants to understand what are the consequences of structural economic changes on voting. It might be possible to find common characteristics of "right-wing populist" voters across several European countries, or isolate some traits shared by "left-populist" parties, but, it seems, it is harder to find what makes voters choose "populism" broadly defined. For instance, voters of populist parties broadly defined do not seem to share much in terms of socio-demographic characteristics or political preferences (Rooduijn et al. 2017; Rooduijn 2018). In this respect, Van Kessel (2014) went as far as to suggest that the concept of populism might run the risk of being an instance of Sartori's (1991) "cat-dog": a non-existent object that attracts considerable scholarly attention but seems elusive mostly because it was improperly defined.

One additional consideration, specifically related to our own work that we summarize here, is that it is not obvious to consider the success of the Leave option in the Brexit referendum as part of a more general "populist" surge – even if some have made suggestions in this direction. On the other hand, it is uncontroversial to see the outcome of the Brexit referendum as one facet of the increasing success of nationalist and isolationist ideas and rhetoric.

Some have tried to frame the recent research on the surge of the radical right, economic nationalism, or populist parties as a debate between two camps: the

“cultural drivers” camp and the “economic drivers” camp. Our empirical focus is on the economic drivers of voting behavior: yet, our stance is that thinking of different families of explanations as alternative – or worse mutually exclusive – is not particularly useful when studying the complicated nexus of processes that are driving the realignment of political conflict in advanced democracies. As Franzese (2019) notes, not only the process is not of an either/or nature, involving instead both cultural and economic variables, but, importantly, there are potential causal relationships between economic and cultural drivers of the realignment.

In other words, we are fully aware that dramatic changes in the configuration of party competition, or momentous decisions like the majority support for Brexit, are necessarily multi-causal. Our contributions isolate structural economic changes as important drivers, and provide evidence about their effects on political competition in advanced democracies. Studying the “causes of effects” is far from a straightforward exercise, and, as Gelman and Imbens (2013) note, answers to *reverse causal questions* (“why do voters increasingly support economic nationalist policies?”) must take in any case the form of claims about the *effects of causes* (“exposure to global competition pushes voters towards parties that propose economic nationalism, like those in the radical-right family”). This entails that the answers one can provide in a principled way are always cast in terms of marginal or *ceteris paribus* effects, especially if one adopts, like we do, empirical strategies based on identification via instrumental variables and fixed effects. For instance, in our work on voting behavior in Western Europe, we estimate models with country-year (i.e., election) fixed effects, which implies that we are identifying the effect of globalization shocks only from differences across regions within a country at a given point in time.

In what follows, we first briefly introduce the concept of economic nationalism and how it is linked to the globalization backlash, and explain the general empirical strategy we adopt to measure the impact of globalization, in the form of import competition from China. We then describe, in turn, our work on globalization and voting behavior in fifteen western European countries, and our work on the Brexit vote. Finally, we draw some general implications of our findings for the study of globalization and politics.

6.2. ECONOMIC NATIONALISM AND THE RADICAL RIGHT

The surge in support of economic nationalism can be seen as a consequence of the crisis of a political and economic model, prevalent in advanced democracies after WWII, that political science has called “embedded liberalism.” (Ruggie 1982). This social contract, that underlies the success of mainstream political parties in Western democracies in the decades after World War II, was based on the promise

that liberal policies, especially in terms of international trade integration, would generate a sustained and diffused improvement in living standards for a large fraction of the population.

In general terms, the evidence we provide suggests that the realignment in the politics of advanced democracies – that also encompasses the victory of Donald Trump, running on a platform of economic nationalism and nativism quite close to those of the European radical right – is driven in a significant part by structural changes in the economy. Globalization is an important facet of such structural changes, although arguably not the only economic driver of the recent political shifts. For instance, in Anelli, Colantone and Stanig (2019) we explore the role that automation of production plays in these processes.

Embedded liberalism was, to an extent, the policy implementation of the textbook economics view of international trade. In very simple terms, free trade generates aggregate benefits but also creates “winners” and “losers”, and redistributive transfers to the losers are required to make free trade beneficial to all.

As highlighted by Rodrik (1997), compensation becomes harder to sustain as globalization progresses. Strong globalization shocks – like China’s very fast development – would demand more generous compensation. Yet, the financing capacity of governments gets increasingly under strain in a globalized world, exactly when compensation is most needed. In particular, over time capital gets increasingly mobile across countries, heading towards low-taxation settings, and constraining the ability of national governments to raise the necessary tax revenues (Burgoon 2001; Garrett and Mitchell 2001).

This leads to insufficient compensation of losers, and to an overall loss of credibility of embedded liberalism (see Hays 2009). Those sectors of public opinion more exposed to trade become more hostile to globalization (Margalit 2012; Mayda and Rodrik 2005; Scheve and Slaughter 2007). In a nutshell, the “losers” realize that effective redistribution policies are not feasible, and the demand for protection emerges as an alternative. What we call “economic nationalism” can therefore be seen as the political manifestation of this demand.

Specifically, with the expression “economic nationalism” we refer to a policy bundle that combines three main elements: a protectionist and isolationist stance in matters of trade and international relations; little attention paid to (when not outright skepticism of) redistribution and compensation policies; a nationalist rhetoric that acts as a master narrative. In the case of European Union member countries, the isolationist facet of this policy bundle, unsurprisingly, is declined also in terms of opposition to EU institutions (so-called “Euroskepticism”). Many different parties in Western Europe propose policies that can be classified as economic nationalist. Importantly, this type of policy platform is typical of radical-right parties.

6.3. MEASURING THE IMPACT OF GLOBALIZATION: THE CHINA SHOCK

In the empirical work we discuss in this chapter, our focus is specifically on the political ramifications of the emergence of China as a global player in world markets, and the ensuing crisis of manufacturing in western Europe. The empirical strategy we adopt to measure exposure to Chinese imports at the regional level owes to the seminal work of Autor et al. (2013). In particular, we measure:

$$\text{Import Shock}_{crt} = \sum_j \frac{L_{rj(\text{pre-sample})}}{L_{r(\text{pre-sample})}} * \frac{\Delta \text{IMPChina}_{cjt}}{L_{cj(\text{pre-sample})}} \quad (1)$$

where c indexes countries, r regions, j industries, and t years.

$\Delta \text{IMPChina}_{cjt}$ is the change in (real) imports from China over the past n years, in country c and industry j . This is normalized by the number of workers in the same country and industry at the beginning of the sample period, $L_{cj(\text{pre-sample})}$. In order to back out the region-specific trade shock, we take the weighted sum of the change in imports per worker across industries, where the weights capture the relative importance of each industry in a given region. Specifically, the weights are defined as the ratio of the number of workers in region r and industry j , $L_{rj(\text{pre-sample})}$, over the total number of workers in the region, $L_{r(\text{pre-sample})}$, both measured at the beginning of the sample period.

In the cross-national study of 15 countries in western Europe (Colantone and Stanig 2018a), the geographic level of disaggregation is the NUTS-2 regional level, and in the main analysis we focus on changes in Chinese imports over two years prior to an election. For the study of the Brexit referendum vote (Colantone and Stanig 2018b) we can rely on the more fine-grained NUTS-3 partition. In this case, given the necessarily cross-sectional design of a study of one single referendum, we first calculate the regional shocks for 5-year periods, from 1990 to 2007, and then average all these to obtain a region-specific import shock that accounts for the entire trajectory up to the Great Recession.

The measurement approach we adopt is based on a theoretical model developed by Autor et al. (2013) and has a very intuitive interpretation: different regions are more or less exposed to the growth in Chinese imports depending on their ex-ante industry specialization. In particular, any given change in imports at the country-industry level (i.e. $\Delta \text{IMPChina}_{cjt} / L_{cj(\text{pre-sample})}$) at a given point in time is going to affect relatively more the regions in which more workers were initially employed in that industry. Intuitively, larger import shocks are attributed to regions characterized by larger shares of workers employed in the manufacturing sector. However, given the same share of manufacturing workers, cross-regional

variation in exposure to Chinese imports will stem from differences in industry specialization within manufacturing. In particular, the shock will be stronger for regions in which relatively more workers were initially employed in those industries for which subsequent growth in imports from China has been stronger (e.g. textiles or electronic goods), and in years in which the surge in Chinese imports in those industries was sharper.

We address the possible endogeneity of the trade shock with respect to electoral outcomes by instrumenting *Import Shock* using the growth in imports from China to the United States. Our instrument is defined as:

$$\text{Instrument for Shock}_{crt} = \sum_j \frac{L_{rj(\text{pre-sample})}}{L_{r(\text{pre-sample})}} * \frac{\Delta \text{IMPChinaUSA}_{jt}}{L_{cj(\text{pre-sample})}} \quad (2)$$

With respect to the previous formula for $\text{Import Shock}_{crt}$, here we substituted $\Delta \text{IMPChinaUSA}_{jt}$ for $\Delta \text{IMPChina}_{cjt}$. Motivated by earlier literature (e.g., Autor et al. 2013), this instrument is meant to capture the variation in Chinese imports due to exogenous changes in supply conditions in China, rather than to domestic factors that could be correlated with electoral outcomes.

Endogeneity could stem from different sources. First, one could worry that some districts (“key constituencies”) are better connected to mainstream government parties in each country. In that case, policy makers could protect from import competition the industries that are more important for these districts. This could induce an upward bias in the regression estimates. Indeed, we would observe milder import shocks in the key constituencies, while at the same time voters in those districts would support more mainstream parties and less, for instance, the radical right (or the Leave option in the Brexit referendum). Mitigating these concerns, most of the countries in our sample belong to the European Union, which has exclusive competence on trade policy. Yet, national representatives could still lobby for more protection at the EU level for industries that are particularly important for their key constituencies. Our instrumental variable approach is meant to solve this type of issue.

Endogeneity may also derive from demand shocks. For instance, in the case of a positive demand shock in a given country, voters would be more likely to vote for incumbent government parties, and less likely to choose opposition forces or radical-right parties. This could induce a downward bias in the regression estimates, to the extent that positive demand shocks translate also into higher imports from China. Our instrumental variable strategy is meant to address these concerns as well as other potential sources of omitted variable bias.

6.4. VOTING IN WESTERN EUROPE

In our work on the effects of globalization on voting behavior in western Europe (Colantone and Stanig 2018a) we rely on two different data sources: electoral returns at the district level, and individual-level data from the European Social Survey (ESS).

We assemble election data at the district level for each of the fifteen western European countries in our sample. Our data cover 76 general elections, over the period 1988-2007. We always focus on votes for the lower house of the legislature. Official election results are sourced from the Constituency-Level Election Archive (CLEA, Kollman et al., 2016), the Global Election Database (GED, Brancati, 2016), and a number of national sources. We define p_{ldt} as the vote share for party l , in district d , at time (election) t .

In order to assess the ideological leaning of a district in an election, we need to link the election results with ideology scores for each party in each election. The Comparative Manifesto Project (Volkens et al. 2016) data provide human coding of the manifesto of each party, along several policy dimensions, and allow us to calculate ideology scores that are party-election specific, and constant across all the districts within a country.

We calculate scores for party l , in country c and year (election) t following the method proposed by Lowe et al. (2011):

$$\text{Score}_{lct} = \log(.5 + z_{lct}^+) - \log(.5 + z_{lct}^-)$$

where z_{lct}^+ is the number of claims in a positive (e.g., nationalist) direction, and z_{lct}^- is the number of claims in a negative (e.g., anti-nationalist) direction.

We calculate three main scores, aggregating different items in the CMP:

- ♦ a basic score of *Nationalism* based on claims about the national way of life, traditional morality, law and order, and multiculturalism;
- ♦ a specific score of *Net Autarky*, which includes claims about protectionism, internationalism, and the European Union, following Burgoon (2009);
- ♦ a more comprehensive score of *Nationalist Autarchy*, also following Burgoon (2009), which, on top of the items that enter our Nationalism score and those included in Net Autarky, also includes the items about human rights, democracy, and constitutionalism.

We also calculate a score of *Economic Conservatism*, based on the items about the welfare state, free market economy, regulation, planning, Keynesian demand management, and incentives.

Once we have the ideology scores for political parties, we combine them with district-level election results to obtain time-varying district-level summaries of ideological orientation. In particular, we calculate the center of gravity of the district on a given ideological dimension, and the median voter score in the district, which is the (weighted) median of the party positions, where the vote shares are used as weights. The center of gravity measure is sensitive also to differences in the ideological positions of extreme parties, while the median voter score aims at capturing the position of the “centrist” voter in the district.

Formally, the center of gravity in district d and in election t is calculated as

$$\text{COG}_{dt} = \frac{\sum_{l=1}^n p_{ldt} \text{Score}_{lt}}{\sum_{l=1}^n p_{ldt}}$$

where l indexes parties. Score_{lt} can be one of the nationalism scores, or the left-right positioning score. We also calculate the cumulative vote share for radical-right parties, classified according to the conventional wisdom in political science, in each district.

Once we have calculated ideological summaries for each district in each election, we attribute to each district-election the China shock of the region in which it is located. We can then estimate models of the form:

$$\text{Electoral Outcome}_{cdt} = \alpha_{ct} + \beta_1 \text{Import Shock}_{cr(d)t} + \varepsilon_{cdt} \quad (3)$$

where c indexes countries, d districts, t years (elections), and ε_{cdt} is an error term. $\text{Electoral Outcome}_{cdt}$ is one of the district-level summaries defined above. The function $r(\cdot)$ maps district d to its NUTS-2 region r . α_{ct} are country-year, i.e., election fixed effects.

Often, a question that is raised has to do with the role played by left parties, both mainstream and radical, in channeling political demands coming from globalization losers. In order to directly address this issue, we place parties, based on their ideology scores, in four quadrants defined by their stances on the two dimensions (economic conservatism and isolationism) that according to the political science literature characterize contemporary political conflict in advanced democracies. Hence we can isolate the anti-globalization right (that coincides to a large extent with the radical right), the isolationist left (that to some extent coincides with the “populist left” in other taxonomies), a pro-globalization right (e.g., traditional mainstream Liberal, Conservative, and Christian-Democratic parties), and a pro-globalization left (e.g., Social-Democratic parties). We can then estimate the

effects of the China shock on support for parties within each of these four families.

For the individual-level analysis, we attribute to each respondent the ideological score of the party she voted in the last election, and an indicator variable for voters of the radical-right family (again defined following the conventional wisdom in political science). We attribute to each respondent the China shock of the region of residence, and in addition we include in the model also basic pre-treatment covariates: age, gender, and level of education (treated as categorical and turned into an exhaustive set of indicator variables). All the individual-level models, like the district-level ones, include country-year fixed effects, hence the identification comes only from variation across voters within a given election. Specifically, we estimate models of the form:

$$\text{Electoral Outcome}_{icrt} = \alpha_{ct} + \beta_1 \text{Import Shock}_{cr(i)t} + \mathbf{Z}_{it}\gamma' + \varepsilon_{icrt} \quad (4)$$

where i indexes individuals, c countries, r regions, t years (elections), \mathbf{Z}_{it} is a vector of individual controls, and ε_{icrt} is an error term.

6.4.1. Results

Table 1 reports the results of the instrumental-variable district-level analysis. The dependent variable is indicated on top of each column. The coefficients on the import shock are always positive and statistically distinguishable from zero. The overall message is straightforward: within a given country in a given election, districts more exposed to Chinese import competition are leaning more in a nationalist direction, and witness a higher share of votes for the radical right. The first-stage coefficient is positive and significant, and the F statistic is around 19, suggesting that we do not face issues of weak instruments.

The most intuitive way to assess practical significance is by considering the result for the radical right, given that the outcome variable is a vote share. According to the estimate reported in the last column, a one standard deviation increase in import shock leads, *ceteris paribus*, to higher support for radical-right parties by around 1.7 percentage points – not a negligible impact, considering that the average radical-right vote share in the sample is 5%, with a standard deviation of 7%.

Table 1: Vote in Western Europe: District-Level Estimates

Dep. Var.:	Nationalism		Nationalist Autarchy		Radical Right
	Median	COG	Median	COG	Share
Import Shock	1.310*** [0.466]	0.753*** [0.223]	1.304*** [0.470]	0.895*** [0.246]	0.132*** [0.051]
Estimator	2SLS	2SLS	2SLS	2SLS	2SLS
Country-Year Effects	yes	yes	yes	yes	yes
Obs.	7,782	7,782	7,782	7,782	7,782
R2	0,43	0,81	0,36	0,68	0,62
First-stage results					
US imports from China	0.039*** [0.009]	0.039*** [0.009]	0.039*** [0.009]	0.039*** [0.009]	0.039*** [0.009]
Kleibergen-Paap F-Statistic	19,2	19,2	19,2	19,2	19,2

Standard errors clustered by region-year in brackets.

*** p<0.01, ** p<0.05

Table 2: Vote in Western Europe: Party Families

Dep. Var.:	Protectionist	Protectionist	Liberal	Pro-Trade
	Left	Right	Right	Left
Import Shock	-0.052 [0.047]	0.278*** [0.094]	-0.017 [0.075]	-0.134** [0.054]
Estimator	2SLS	2SLS	2SLS	2SLS
Country-Year Effects	yes	yes	yes	yes
Obs.	7,782	7,782	7,782	7,782
R2	0,72	0,77	0,90	0,88

Standard errors clustered by region-year in brackets.

*** p<0.01, ** p<0.05

As for the four party families defined based on the two-dimensional policy space, the results in Table 2 tell us that districts in regions more exposed to Chinese competition tend to display significantly higher support for parties of the protectionist right, and significantly lower support for parties of the pro-trade left. At the same time, we cannot detect with statistical confidence any effect on support for the other two party families. This evidence is in line with explanations of the decline of European social-democracy as a consequence of a “globalization backlash”, and the defection of blue-collar constituencies – traditionally supporters of social-democratic parties – towards nationalist and radical-right forces.

Table 3 reports the results of the individual-level analysis. Consistent with the district-level findings, voters residing in more exposed regions vote for more nationalist and isolationist parties, and are more likely to support the radical right.

One question that naturally arises, and that can be addressed with individual-level data, has to do with how the economic distress caused by import competition affects different groups in society. For instance, the disappearance of jobs in a given industry due to global competition affects directly the workers employed in firms operating in that industry. At the same time, industrial blight has consequences on the entire economy of an area, as it affects also other economic aspects, like demand for services and, importantly, the value of housing property, and ultimately also local revenues and therefore public services (Frieden 2018). Hence, many more individuals might be indirectly economically affected by an import shock than just manufacturing workers.

Table 3: Vote in Western Europe: Individual-Level Estimates

Dep. Var.:	Nationalism Score	Nationalist Autarchy	Radical Right
Import Shock	0.202*** [0.033]	0.541*** [0.032]	0.043*** [0.007]
Female	-0.045*** [0.009]	-0.052*** [0.008]	-0.013*** [0.002]
Age	0.005*** [0.000]	0.004*** [0.000]	-0.0003*** [0.000]
Estimator	2SLS	2SLS	2SLS
Education Dummies	Yes	yes	yes
Country-Year Effects	Yes	yes	yes
Obs.	60.360	60.360	60.360
R2	0,27	0,18	0,12
First-stage results			
US imports from China	0.092*** [0.002]	0.092*** [0.002]	0.092*** [0.002]
Kleibergen-Paap F-Statistic	2402	2402	2402

*** $p < 0.01$, ** $p < 0.05$

In addition, even if a specific individual is unaffected (directly or indirectly) in economic terms, local decline might still be consequential for her voting behavior. Political science thinks about these direct and indirect effects of economic conditions on voting behavior through the distinction between sociotropic and egotropic considerations. In the case of egotropic (or “pocketbook”) considerations, a voter might decide, for instance, to support a challenger party because her

personal economic conditions have deteriorated. In the case of sociotropic considerations, voters react not to their own economic fortunes, but to the growth rate or the unemployment rate in their social context (that in principle can extend all the way to the national growth rate or unemployment rate).

We wanted to ask the data what we can learn about this, and in particular how one type of sociotropic consideration, namely the economic conditions of the area in which a voter lives (dubbed “geotropic” by Reeves and Gimpel 2012) influence voting behavior. To explore the presence of geotropic effects, in unreported regressions we augment the models by interacting the import shock with a set of dummies denoting different groups defined by labor force status and occupation category. Specifically, we use interactions with indicators for the retired, students, the unemployed, the self-employed, service workers, and public sector workers. It is worth keeping in mind that the labor force status and occupation of a respondent is endogenous to the economic trajectory of the region, and therefore to globalization itself. Hence this exercise is more of a descriptive nature.

In line with previous findings (Ansola-behere, Meredith, and Snowberg 2014; Mansfield and Mutz 2009), our evidence suggests that the effect of import competition is not confined to specific groups – such as the unemployed or manufacturing workers – which might be more directly affected by Chinese imports. To the contrary, there is evidence of a significant effect even for service workers and public-sector employees, who are in principle more sheltered from foreign competition in manufacturing activities. As globalization threatens the success and survival of entire industrial districts, discontent spreads even across groups that are not necessarily directly affected, and still increase their support for nationalist and radical-right parties in reaction to depressed local conditions.

6.5. THE BREXIT VOTE

In our work on the Brexit referendum (Colantone and Stanig 2018b) we rely on two different data sources: official referendum outcomes, that we aggregate at the NUTS3 level, and individual data from the British Election Study (BES) online panel.

The district-level evidence is based on regressions of Leave vote share at the NUTS-3 level on the China shock for that same NUTS-3 region, accounting for macro-region (NUTS-1) fixed effects that, in practice, restrict the identification to comparisons between different areas within a macro-region (e.g., “West Midlands”). Importantly, given that Scotland is a NUTS-1, as are Wales and Greater London, possible cultural differences (e.g., between England and Scotland, or between London and the rest of the country) are partialled out: our

identification does not rely on this source of variation. In addition we also control for the share of foreign-born residents out of the total population of the region in 2015, and for the inflow of immigrant workers, based on registrations to National Insurance, divided by the total working-age population of the region in 2015. By including these two variables we aim to control both for the stock of immigrants, which reflects immigration dynamics in the region over the past decades, and for the most recent influx, to which voters may be particularly sensitive.

The individual-level evidence is based on both the vote intention stated just before the referendum, and the self-reported vote behavior just after the referendum. The results that are reported here are based on the vote intention data, but we get equivalent results when we use the self-reported vote in the post-referendum BES wave. We estimate probit, hierarchical linear, and instrumental variable probit models. Here we report and discuss only the results based on IV probit; the other estimation approaches yield equivalent results, and we refer the reader to the paper for full results.

Also in the individual analysis we include fixed effects for NUTS-1 macro-regions and the immigration variables based on stock and inflows in the area of residence of the respondent. In addition, we include controls for age, gender, and education, treated as a categorical variable and turned into a set of indicator variables.

6.5.1. Results

The main IV results of the data analysis on the Brexit vote are reported in Table 4. The first two columns report the estimates from the regional analysis, the second two the estimates of the individual analysis. In the second and fourth column we display the results when also controlling for two variables that capture historical immigration levels in an area and recent arrivals of immigrants.

Table 4: Brexit Vote: Regional and Individual Results

Dep.Var.	Leave Share	Leave Share	Leave Vote	Leave Vote
Import Shock	12.965*** [4.543]	12.299*** [3.726]	0.228** [0.107]	0.213** [0.109]
Immigrant Share		-0.491*** [0.154]		-0.010* [0.006]
Immigrant Arrivals		-0.058 [0.691]		0.01 [0.029]
Age			0.011*** [0.001]	0.011*** [0.001]
Gender			-0.011 [0.024]	-0.013 [0.024]

Table 4: Brexit Vote: Regional and Individual Results (*continued*)

Dep.Var.	Leave Share	Leave Share	Leave Vote	Leave Vote
ED1			-0.159** [0.070]	-0.160** [0.070]
ED2			-0.138*** [0.046]	-0.141*** [0.046]
ED3			-0.459*** [0.050]	-0.464*** [0.050]
ED4			-0.737*** [0.050]	-0.739*** [0.051]
ED5			-1.030*** [0.059]	-1.029*** [0.059]
Model	IV	IV	IV Probit	IV Probit
NUTS-1 Fixed effects	yes	yes	yes	yes
Observations	167	167	15,923	15,923
Kleibergen-Paap F statistic	662.7	614	798.9	815.4

Standard errors clustered by NUTS-2 area in columns 1 and 2, by NUTS-3 area in columns 3 and 4.
 *** p<0.01, ** p<0.05, * p<0.1

The regional-level evidence, in the first two columns, shows that the Leave vote share is significantly higher in areas more affected by Chinese import competition. Importantly, the results are not sensitive to the inclusion of the controls for the stock and the inflow of immigrants in the area.

To assess the practical significance of the results, one has to keep in mind that the models include macro-region (i.e., NUTS-1) fixed effects, hence we are comparing otherwise similar areas located within the same macro-region. Specifically, if we compare two regions – within the same NUTS-1 macro-region – that differ by one standard deviation in terms of strength of the import shock, these are expected to differ by almost 2 percentage points in support for Leave. If we compare a region at the 10th percentile of import shock (0.15 –Cardiff and Vale of Glamorgan) with a region at the 90th percentile (0.51 –Gwent Valleys), both located in the same NUTS-1 macroregion (Wales), these are expected to differ by 4.5 percentage points.

We can also perform some back-of-the-envelope calculations, to assess whether the outcome of the referendum would have been different under a different configuration of the import shock. In particular, we calculate the expected vote share for Leave if all regions had received an import shock at some point in its distribution. We find that if all the regions had received the shock of a region at the first quartile (0.22 like Wirral, in Merseyside) the national vote share for Leave would have been around 48.5%, reversing the referendum outcome. This

conservative calculation assigns to one quarter of the regions a shock stronger than the one they experienced. Notably, among the regions in the first quartile are populous areas in Merseyside and Greater London, not to mention most areas of Scotland. Leaving all the regions below the first quartile untouched, and assigning the first quartile import shock to all the others, the predicted vote share for Leave is around 47.7%. This suggests that, although we cannot point to a (potentially elusive) “real cause of Brexit”, the drivers we isolate play a role that, counterfactually, would have led to a different outcome in terms of a victory of Remain.

The individual-level analysis, reported in the second two columns, confirms that voters otherwise similar in terms of age, gender and education, but residing in areas more exposed to import competition (within the same macro-region) are more likely to support Leave. In particular, compare two individuals of the same age, gender, and education, who live in the same NUTS-1 region but in two different NUTS-3 regions. Suppose that one NUTS-3 region gets a weak import shock (at the 10th percentile) and the other gets a strong shock (at the 90th percentile). Then, the individual living in the region facing the stronger shock is 3 percentage points more likely to support Leave than the other individual.

Importantly, there is one difference between the regional and the individual-level evidence: the latter estimates the effect of the China shock net of education, age, and gender, while the former does not attempt to control for educational or age composition of the region. If we estimate the individual models without the background covariates of individual respondents, we obtain basically the same marginal effects in the regional- and in the individual-level analysis.

In the paper, we also provide evidence that the import shock is an important determinant of heterogeneity in regional performance: UK regions witnessing larger shocks experience a decline over time in terms of GDP per capita relative to the median region. In particular, for each NUTS-3 region we compute the Change in Relative Income (CRI) between 1997 (the earliest year for which we have data) and 2015, using data on gross value added (GVA) from official government statistics. We take the ratio between income per capita in each region and income per capita in the median region, in 1997 and in 2015, and we calculate CRI as the percentage difference between these two relative figures. If we regress CRI on the import shock— instrumented using U.S. imports from China — we find that a one-standard-deviation increase in the strength of the shock leads to a decrease in CRI by a quarter of a standard deviation. This points to an important potential transmission channel from the economic shock to voting.

One further question one might want to ask in the context of a referendum vote concerns heterogeneity across historical supporters of one or the other main party in the British arena. In other words, did the China shock sway more individuals who usually supported Labour, or the Conservatives, or unaffiliated voters? To

explore this issue, in unreported regressions we interact the import shock with dummies for party identification. We find that the import shock has a particularly strong effect on voters who think of themselves as Labour supporters, and on non-identified voters (those who do not feel particularly close to any specific political party). This means that while Labour voters were in general more in favor of Remain, Labour supporters in areas more exposed to Chinese import competition were indeed more likely to support Leave. This pattern can help one rationalize why, in the years following the referendum and up until the official exit of the UK from the European Union in 2020, the Labour party refused to take a clear stance against Brexit or in favor of a second referendum, and avoided to recast itself as the main pro-Remain political force, which could have been a potential strategy to increase its electoral support. Many of its supporters in decaying industrial districts were indeed pro-Brexit.

As in the study of voting across western Europe, we address the issue of geotropic effects in the Brexit vote. Also in this case, the evidence suggests that the impact of import competition is not restricted to a specific category of voters, for example, the unemployed, who might be most directly affected by the shock. Rather, the effect is not statistically different from the average even for service workers, whose jobs are not directly affected by manufacturing imports from China. By and large, this evidence is consistent with a sociotropic reaction of voters to the globalization shock, rather than a purely pocketbook one. In other words, individuals seem to respond broadly to the general economic situation of their region, regardless of their specific condition.

6.6. THE ECONOMY/CULTURE NEXUS

In the work on Brexit we exploit the availability of a large individual-level survey to explore, for what it is possible, how economic distress is also related to cultural orientations, in particular opposition to immigration. Importantly, indeed, the self-reported reasons for supporting Leave, as well as the often virulent campaign messages of the Leave camp, centered on the opposition to immigration from EU countries, and were tinged with nativism. To understand a bit better how the economic drivers we identify and the anti-immigration rhetoric of the campaign might be reconciled, we leverage the BES data. In particular, BES respondents are asked about four issues related to immigration: the perceived effect of immigration on the economy and on culture, the preferences for immigration policy, and the perceived rate of arrivals of immigrants. In these models, we include, on top of the individual background covariates, the measure of the China shock and the measures of immigration stock and inflow.

Table 5: Determinants of Attitudes Towards Immigration

Dep.Var.:	Immigration Economy	Immigration Culture	Immigration Change	Immigration Policy
Import Shock	-0.454*** [0.140]	-0.471*** [0.152]	0.125** [0.064]	-0.435* [0.234]
Immigrant Share	-0.005 [0.006]	-0.004 [0.006]	0.008*** [0.003]	-0.018* [0.010]
Immigrant Arrivals	0.093*** [0.031]	0.089*** [0.033]	-0.055*** [0.014]	0.211*** [0.051]
Age	-0.014*** [0.001]	-0.019*** [0.001]	0.012*** [0.000]	-0.031*** [0.001]
Gender	-0.216*** [0.024]	0.051* [0.026]	0.055*** [0.012]	-0.072* [0.038]
ED1	0.201*** [0.068]	0.184** [0.074]	-0.055* [0.033]	0.154 [0.107]
ED2	0.390*** [0.049]	0.322*** [0.053]	-0.069*** [0.024]	0.326*** [0.077]
ED3	0.962*** [0.051]	0.868*** [0.055]	-0.284*** [0.025]	1.204*** [0.080]
ED4	1.499*** [0.048]	1.458*** [0.052]	-0.473*** [0.023]	2.056*** [0.075]
ED5	1.985*** [0.057]	1.904*** [0.062]	-0.648*** [0.028]	2.856*** [0.090]
Model	Hierarchical	Hierarchical	Hierarchical	Hierarchical
NUTS-1 Fixed effects	yes	yes	yes	yes
NUTS-3 Random intercepts	yes	yes	yes	yes
Observations	20,299	20,467	20,623	19,339
Number of groups	167	167	167	167

*** p<0.01, ** p<0.05, * p<0.1

In all the regressions, reported in Table 5, we find that individuals in NUTS-3 areas that have witnessed a stronger import shock tend to have more negative attitudes and perceptions with respect to immigration. The stock and inflow of immigrants in the area in which the respondent resides have a somewhat counter-intuitive association with attitudes and beliefs about immigration. In particular, the measure of the inflow of immigrants is statistically significantly associated with more favorable views of immigrants, and also with a smaller perceived trend in immigration. The stock of immigrants is instead significantly and positively associated with a perceived stronger trend in immigration.

While this is far from being a comprehensive exploration of immigration attitudes in Great Britain, the evidence suggests that attitudes and beliefs about immigra-

tion are not necessarily directly related to the incidence of the immigration phenomenon in a given region, while there is a role played by economic distress, in this case import competition, in the formation of anti-immigrant attitudes.

We have also looked at the link between broad orientations and the China shock with data from cross-national surveys. In Colantone and Stanig (2018c) we provide evidence, based on two survey collections, that respondents who reside in areas more affected by the Chinese import shock display more nativist and authoritarian orientations, and are more skeptical of liberal democracy. These systematic patterns are robust to controlling for the initial level of authoritarianism or nativism in the region, calculated based on the oldest year available in the survey collection. We can therefore mitigate the concern that these systematic differences in attitudes and orientations between areas differently affected by globalization are simply the consequence of stable cross-sectional differences across regions. This would be the case, for instance, if manufacturing regions – more exposed to Chinese import competition – were persistently characterized by cultural traits along the lines of Lipset’s (1959) “working-class authoritarianism.”

In line with other work that detects direct links between the China shock and authoritarian attitudes (Ballard-Rosa et al. 2018, 2019), we contribute to show that cultural traits that are often proposed as *alternative* explanations for the success of radical-right parties or nationalist platforms are, at least to some extent, post-treatment with respect to globalization-induced structural economic changes. Therefore, they would be “bad controls” in regressions where voting behavior is the outcome and a measure of economic distress is the explanatory factor. For this reason, we argue against empirical strategies that purport to adjudicate the relative role of economic distress and cultural orientations by estimating “horse-race” regression models of voting on economic and cultural variables. As we said, we believe that understanding the economy/ culture nexus is key; we also think that the requirements to throw light on the whole causal structure of this process are very demanding – albeit not insurmountable – in terms of research design.

6.7. CONCLUSION

Our work tries to link the success of populist radical-right parties in Western Europe, and of economic nationalist options like Brexit, to structural changes in the economy. In particular, we provide causal evidence of the role of competition with Chinese imports on support for nationalist and radical-right parties in western Europe, and on Leave vote in the 2016 Brexit referendum. The evidence

is based both on election returns disaggregated at the sub-national level, and on individual data from surveys.

From the political science perspective, it is important to notice that in order to be *politically* sustainable, free trade requires some amount of compensation of losers. European welfare states and the European model of the “social market economy” buffered the adjustment costs of open trade, and made sure that the efficiency gains were equitably spread across society. In turn, this created also sufficiently broad support for open trade. The parties of the center-left and center-right that promoted the European integration project, in particular, enjoyed widespread electoral support. This model entered in crisis for various reasons: on the one hand, the sheer volume of global trade increased very rapidly, and the shocks to be compensated became increasingly large; at the same time, due to the liberalization of capital movements, it also became increasingly hard for governments to collect sufficient revenues to finance more generous redistribution. The Great Recession, and the sovereign debt crisis that followed, exacerbated this tension.

It is then unsurprising that relevant sectors of society felt the appeal of the promise of protectionism. In the absence of compensation, it is, in a sense, a no-brainer that losers from globalization would start opposing free trade. The prediction that marginalized low-skilled workers in advanced economies could eventually drive a protectionist backlash was already made, decades ago, by Rogowski (1989).

Nostalgia for a mythical (recent) past has played a significant role in the specific form that the globalization backlash has taken. Promising to “Take Back Control” from global impersonal forces, and to “Make [insert country] Great Again” by putting “[insert nationality] First!” resonated well with relevant parts of the electorate, especially with blue-collar constituencies that have been experiencing a decline of status (Gidron and Hall 2017), on top of worsened conditions in terms of income and job security, for decades. What is troubling, though, is that this nostalgia for better times is associated with platforms and rhetorics that, although superficially hyper-democratic (in the sense of appealing to an unconstrained “Will of the People”), are also uncomfortable with some of the defining traits of liberal democracy, like separation of powers, pluralism, and the recognition of the rights of minorities. In addition, in their promise of renewed national greatness, they often end up resorting to nativist and racially-tinged appeals that are disturbingly similar to those that accompanied the end of the first wave of globalization after WWI (Franzese 2019).

Without appropriately generous compensation schemes, fast-paced globalization of trade almost inevitably generates a backlash that imperils globalization itself, but, as it turns out, also the otherwise sufficiently well-functioning institutions of

liberal democracy. We are then tempted to ask what exactly – political myopia; incorrectly-set electoral incentives (as argued by Hayes 2009); biases in the marketplace of ideas – induced political and economic elites to overlook this fact.

To sum up, a crucial policy implication of our work is that globalization is not sustainable in the long run if the welfare gains that trade brings are not fairly shared within society. In addition, the forces unleashed by the globalization backlash might endanger liberal democracy itself. Appropriate redistribution policies are needed in order to compensate those categories of people, and those local communities, that have been facing most of the adjustment costs in developed countries.

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