INTERNATIONAL TRADE INCREASES FRINGE PARTIES’ ELECTORAL SUPPORT: Evidence from Germany

Does globalisation affect voting behaviour in Western democracies? Yes, according to research on Germany by Christian Dippel, Robert Gold and Stephan Heblich, to be presented at the annual congress of the European Economic Association in Geneva in August 2016.

Focusing on the effects of increasing international trade, their study finds that globalisation increases right-fringe parties’ electoral support. Other parties’ election results are not affected. A one-standard-deviation increase in trade exposure increases right-fringe parties’ vote share by 0.12 percentage points, corresponding to 20% of their overall gains in the elections considered.

Investigating the means by which trade affects voting behaviour, the authors find that two thirds of the trade effect can be explained by labour market adjustments. But the effects of increasing international trade are twofold. While regions facing import competition from low-wage countries see an increase in right-fringe vote share, the opposite is true for regions benefitting from greater export opportunities.

More…

Previous research has shown that local labour markets in Western democracies are differentially affected by increasing international trade (Autor et al, 2013; Dauth et al, 2014). While some do benefit from increasing export opportunities, others struggle with increasing import competition.

The new study takes this line of research one step further, showing that labour market turmoil caused by trade liberalisation has political consequences. The authors look at changes in election outcomes over two periods from 1987 to 1998 and from 1998 to 2009.

Each period faced a sudden increase in international trade. In the first period, the Iron Curtain fell, opening up the East European markets. The second period saw the rise of China as international trading partner.

The researchers investigate how the local labour markets of 408 German districts were affected by these unforeseen developments, and how this in turn affected voting behaviour in the districts.

Based on regional industry structure, the study assesses exposure to increasing imports from low-wage countries, increasing exports to the same countries and a net measure of overall trade exposure. Comparing these measures reveals the two-sided effects of increasing international trade.

If a region is specialised in industries that suddenly have to compete with producers in Eastern Europe and China, this negatively affects local labour markets, raising fringe-party support as a consequence. In contrast, if a region is specialised in industries that suddenly expand their sales markets, this has stimulating effects on local labour markets and decreases fringe party support.
Looking at individual voting intentions, the authors confirm their results. Voters employed in industries struck by import competition tend to support fringe parties, while voters employed in industries that benefit from export opportunities stand back from doing so.

But workers do not need to be directly exposed to international trade themselves in order to change their voting behaviour. Most interestingly, they react more strongly to their home regions’ overall trade exposure, suggesting that voters get upset by globalisation if their home region suffers, even if their own job is not affected.

Recently, many Western democracies have seen fringe parties and candidates gaining electoral support. It has been argued that voters bothered by globalisation have been driving this development. The new results suggest that this could very well be the case.

Indeed, globalisation spurs the anti-globalisation vote in Western economies. In Germany, right-fringe parties successfully capture these votes by offering a nationalist alternative to what they call the ‘planetary spread of the capitalist economic system under the leadership of the Great Money’.

To the degree that other countries are similarly affected by international trade, one can expect similar increases in anti-globalisation votes. Whoever promises to cut back international economic relations might have good chances to capture these votes.

ENDS

‘Globalization and Its (Dis-)Content: Trade Shocks and Voting Behaviour’
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