The Costs of Right-Wing Populism: Variation on Huber and Schimpf

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Abstract

In this paper, I assess the effect of populism on stock indices. With regards to the recent trend towards populism, this paper can shed light on the actual financial implication this trend implicates. Data on populism is borrowed from Huber and Schimpf (2016). The implications of populism on volatility and returns are measured using OLS regressions, taking in account lagged effects and potential spill-over effects of large economies. I conclude that populism has a mixed effect on financial markets which is country dependent, although there is a tendency that states that right wing populism in the opposition causes lower returns. There might be another factor that explains the non-universal reactions on populism.

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Introduction

It is a weekly issue in 'The Economist': populist movements and their impact on the world. It is therefore useful to analyze in depth whether there is really an effect of this movement. Although there might very well be many side issues apart from economical, such as its effect on democracy (Huber & Schimpf, 2016), this paper focusses on the economical aspect. This paper excavates the direct relation between right-wing populism and European financial markets. It does so by asking the question *"Do financial markets react on populism?"*

Should the election of Donald Trump, the victory of the UKIP with regards to the Brexit, and the popularity of the populist radical-right parties in other European countries[2] serve as a wake-up call for more moderate parties? I intend to find out, by delivering more insight in the effect of populism on the internal stock markets.

This paper derives multiple definitions and the data from the paper of Huber and Schimpf (2016). This is mainly due to their recent work on measuring populism in European countries. However, whilst they measure the degree of democracy, this paper will focus on the returns and volatility of the main indices of the included European countries[3]. Recently, more work has been done on the relation between political uncertainty and economic variables by notable researchers such as Pastor, Veronesi & Kelly (Pástor & Veronesi, 2013; Kelly, Pástor, & Veronesi, 2016).

Populism is also related with, and often confused with political risk, as stocks stand a lot to gain or lose on basis of populist election. It is different in the fact that not per se peripheral countries are more susceptible for this risk, contrary to other forms of political risks, which mostly include reigns of terror, expropriation, and consequently losing foreign direct investment potential (Busse & Hefeker, 2007). This is why populism, rather than ordinary political risk, is an interesting phenomenon to identify in Europe.

This paper is outlined as follows. In the next paragraph, a specification on the used terminology with regards to populism is given. This is followed by section II, discussing the theoretical underpinnings and the ensuing hypotheses. Section III describes the used data, followed by the methodology in section IV. The fifth section shows and explains the results and section VI discusses these results and concludes.

Populism

In this paper, populism is defined in accordance with Mudde (2004) and Huber & Schimpf (2016). Mudde, in collaboration with Jan Jagers, defines populism as: "*an 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.*" This stream of thought antagonizes the elite whilst being in favor of the "normal people". Practically always this is also a voice against the establishment. Populism can be easily combined with other ideologies, such as the currently uprising combination with nationalism.

[2] Examples: PVV had become the frontrunner in the polls in the Netherlands, the Freedom Party barely lost in Austria, Front National in France was a serious threat to En Marche in the second round of the presidential election, Alternative für Deutschland is the first nationalist party in Germany with broad support since the 1950s (Bröning, 2016), Cinque Stelle under leadership of comedian Beppe Grillo, surpassed Partito Democratico in the polls in Italy now being the largest party, (Micocci, 2016). Populist movement arises with PiS in Poland and Fidesz in Hungary (Greven, 2016), Podemos in Spain(left), Syriza in Greece (left) (Ashkenas & Aisch, 2016), Vlaams Belang in Belgium (Hartleb, 2011), Perussuomalaisten in Finland

[3] The included countries are: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, and Great Britain.

Another trademark for populism that is mentioned by Mudde (2004), is that populism has a black-and-white outlook. It is 'us versus the rest' without a compromise. Charismatic populist leaders do not define populism, but it does facilitate populism: charisma is an aid, but not a necessary trait. Although the previous definition of populism is quite grim, it does not necessarily mean that its effects are always negative. As Joseph Stiglitz puts it: *"Now, if by populism one means worrying about how the bottom two-thirds of the populism fares, then populism is not a bad thing … it is of concern if these new leaders in Latin-America pretend there are no laws of economics."* (Stiglitz, 2006). In a passionate paper of Margaret Canovan (1999), with as suitable start of the title "Trust the People!", Canovan pleads that populism is not just destructive, but a catalyst for improvements for the people, which was until then withheld by archaic government structures and conservative elites. Heinisch (2003) argues the use of populist parties as an opposing force can be very useful for the politics in a country as it unites parties that normally oppose each other

On the other side Heinisch (2003) also describes the major pitfalls of populism once they hold office. The three main points he distills are the following: "(a) the inability to resolve conflicts between competing leading personalities in parties that emphasize persons over institutions, (b) the difficulty to develop a coherent programmatic agenda that can achieve broad support and yet deliver something to the disparate constituencies of such parties, and (c) the lack of experience and professionalism, which affects the ability to work effectively with a coalition partner and translate a novel (and at times even radical) agenda into public policy" (Heinisch, 2003). Above that, populism can instigate xenophobia and intolerance (Akkerman & Lange, 2012), causing more friction between different groups of people. Examples can be found in the strong anti-immigration talks of radical right-wing populist parties. There are many variations of this, but in essence populism is posed as the normal people versus the rest.

II. Theoretical Background

In a case study of Argentina, populism causes economic and political instability (Alston & Gallo, 2006). Building on Alston and Gallo, this paper *hypothesizes that populism is immediately detrimental for economic returns (H1a).* Yet, Mols & Jetten (2016) argue that populism is not necessarily connected with negative economic returns. Therefore, this hypothesis should be expanded, as economic consequences might be lagged. Consequently, this paper also compares impact in the next three months after a shift in the political playfield regarding populisms. As this avenue needs to be further investigated *one should consider a lagged effect of populism on returns (H1b).*

A second hypothesis comes forth from the short-sightedness of populism. Dornbusch and Edwards describe this as four phases: first a short period of growth, then the formation of bottlenecks of a heated economy, which cause in turn an enormous drop in real wages, and an increase in the trade deficit. In the fourth and final accord, the IMF often must step in, helping with a costly rescue and stabilization plan (Dornbusch & Edwards, 1991). This economic rollercoaster implicates that populism causes insecurity about policy and the financial markets. This effect might be strengthened by the unpredictability of the reigning populist (Münchau, 2016; Wadhams, 2016). *Following this reasoning, one could expect an initial rise in index returns, followed by a steeper decline (H2).*

Kelly, Pástor and Veronesi (2016), state that option prices during political elections and global conferences, which are indicators of great policy shifts, prices of options are higher, indicating that buying certainty in the financial markets is costlier during times of policy uncertainty. This implicates a direct and immediate effect of politics on the stock market. Therefore, it *is plausible that, volatility of the indices rise directly. (H3a*) It should be noted though that this effect may be thwarted by the UIH, or uncertain information hypothesis of Brown et al. (1988) and the election model of Harrington (1993).

Pástor & Veronesi (2013) indicate that political uncertainty has some future effects: "We interpret political uncertainty broadly as uncertainty about the government's future actions. Agents learn about political costs by observing political signals that we interpret as outcomes of various political events." As unpredictability of reigning populists is related to political and policy uncertainty, a lot of literature can be consulted, also related to financial markets. In 2012, Julio and Yook (2012) published a paper defining the relationship between political uncertainty and investment cycles. This paper assumes that firms wait with investing during economic unstable times, as an election result may be unfortunate for the firm. They do find this relationship, whilst having accounted for growth. This would mean that with a political unstable government, such as when populists are in power, less investments are made, creating a lower future growth. *It is thus possible that, volatility of the indices rises with a certain delay or lag (H3b).*

As the countries of the European union are connected, political changes in larger economies within the union might affect the smaller countries. Especially affective can be the uncertainty about the legislative changes that right-wing populists could implement once accepted as political representative. Assuming that political and policy uncertainty are related to the effects of populism, an extensive body of literature can be consulted. Pantzalis, Stangeland, and Turtle (2000) and Li and Born (2006) find abnormally high stock market returns in the weeks preceding major elections, especially for elections characterized by high degrees of uncertainty. This evidence is consistent with a positive relation between the equity premium and political uncertainty. This paper copies their method to see if there are abnormal returns in small connected countries before and after the elections where populists gained power in the larger, influential economies. *In line with Pantzalis, Stangeland*

and Turtle, we expect small positive returns of important small partners of influential European economies before and after a political shift towards right-wing populism (H4).

Brogaard and Detzel (2015) find a positive relation between the equity risk premium and their search-based measure of economic policy uncertainty in an international setting. Santa-Clara and Valkanov (2003) relate the equity risk premium to political cycles. Belo, Gala, and Li (2013) link the cross-section of stock returns to firms' exposures to the government sector, including government spending and political cycles. Bittlingmayer (1998), Voth (2002), Boutchkova, Doshi, Durnev, and Molchanov (2012) find a positive relation between political uncertainty and stock volatility in a variety of settings, it has to be noted though that Bittlingmayer as well as Voth explicitly investigate a bellum and interbellum period, not thoroughly representative for the current paper.

III. Data

Most of the data originates from two sources. First, the database of Huber & Schimpf (2016), which is in turn an adaptation on the database of Döring and Manow (2016). The second database consulted is Datastream, which contains the historical returns of the main indices of the relevant EU countries. Although having only considered the largest, main indices, quite a few countries[4] have only data that starts later than 1990.

For the regressions, monthly financial data is chosen to keep the oversight. This data is taken from Datastream. Regarding that the average cabinet period of all respective countries is 23.25 months, 23.25 return values per cabinet period are available. This should give an acceptable trend of returns per value of populism, which is determined per cabinet period. Volatility is determined by the following formulas:

$$C = \frac{Index\ value}{Index\ value(m-1)} - 1 \qquad (1)$$

$$\sigma_y = \sqrt{(\frac{1}{N}\sum_{i=1}^{12}(C_i - \bar{C})^2)} \qquad (2)$$

Where C is Change between the index value in time 0 versus time 1. By using a range of 12, yearly volatility is calculated by using a standard deviation formula. As formula (2) uses 12 previous data-points to calculate the standard deviation, the values for the first year of values are therefore not available.

When regarding the spill-over effects of the Italian and French elections with a shift in populism, the data is corresponding with the already described monthly data on returns from Datastream, and acquired using the same method. Only, to be more precise, this time is chosen for weekly data instead of monthly.

The database "Populism in Europe" of Huber and Schrimpf (2016) is used for populist measurement during regimes. The dataset from H&S contains cabinets from 1990-2012 for most European countries[5] . This dataset is unique in its size and detail, and is based loosely on "Populism in Europe and the Americas: Threat or Corrective for Democracy" (Mudde & Kaltwasser, 2012), which assesses roughly the same hypotheses. The used data of Huber and Schimf comprises two variables determining populism. Both variables are dummy variables. The difference between both variables is that one considers whether populist parties are present in the government and the other determines whether this is the case in the opposition. Both are not mutually exclusive. Both values can be 1 or 0. Huber & Schimpf exclude cabinets lasting less than 6 months or caretaker cabinets. This adaptation was suggested by Doering and Manow (2016). They do so by reasoning that democratic quality takes time to be influenced by populism. This paper deviates from this exclusion, as the independent variable is an economic market variable. This is of importance, as in contrast to democratic quality, this paper assumes that financial markets react almost directly on a change of the level of populism after an election. Therefore, the dataset this paper uses is slightly more elaborate than used by Huber and Schimpf.

Two data-specific changes have been made with regards to the content of the database. One is Lithuania, where the LNNK was left out certain years, whilst the marginal note indicated they should be classified as Right-Wing Populist. The same goes for LPF in the Netherlands, of which Mudde in the Populist Zeitgeist (2004) explicitly

[4] Countries that do not have Volatility data available from Januari 1991-> Bulgaria 2002, Croatia 1998; Cyprus 2005; Czech Republic 1995; Estonia 1997; Hungary 1992; Italy 1999; Latvia & Lithuania 2001; Luxembourg 2000; Malta 1997; Poland 1992; Portugal 1994; Romania 1998; Slovakia 1994; Slovenia 2007.

[5] Austria, Belgium, Bulgaria, Croatia Cyprus Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom.

explains that they should be classified as a RWP party. Therefore, LPF is included in the list of parties that are considered RWP between 1990 and 2014. This effectively means that the opposition variable for populism in the Netherlands (OppMNLD) takes on the value 1 between May 2002 and November 2006.

A first step is matching the monthly volatility data with the corresponding values of populism during these periods. This takes some adjustment, as it requires converting levels of populism per cabinet into monthly values. This is done by looking at the exact day the government falls and is put into power. If a government is put into power before half of the month has passed, the month's values is included with the new government. If it is after the 15th day, that month's volatility values still belong with the previous government.

Yet, as both values are dummy variables, some countries cannot be assessed that are in the database, as between 1990 and 2012 no right-wing Populist Party has been on the political spectrum of either the government or the opposition. The countries that have not been influenced by populism can be determined by looking for which countries as well the mean opposition populism, as well as the mean government populism is 0. These countries are Cyprus, Ireland Luxembourg, Portugal, Spain, Great Britain and Malta.

There are some control variables that should be considered. Firstly, it is interesting to see to what extend economic policy uncertainty correlates with right-wing populism. Therefore, it will be included in these models. This monthly policy uncertainty variable will be taken from Economic Policy Uncertainty (EPU) -a freely available database measuring economic policy uncertainty on basis of the research of Davis, Baker and Bloom (Baker, Bloom, & Davis, 2016). In line with the other used databases, we take the old measurements, as we need data tracing back to 1990. To correspond with the volatility, a couple of adaptions are made with regards to the original EPU values. As the volatility uses the last year's monthly deviations, making it essentially the volatility of a year, we create a method that makes the EPU's values also reflect the uncertainty over the last year. This is done in a comparable way with the volatility, by first taking the effective change over a month, and consequently taking the average of those changes over the past year. For the returns, the traditional EPU values are used

$$EPU_{change} = \frac{EPU\ value}{EPU\ value\,(m-1)} - 1 \qquad (3)$$

$$EPU_{ann} = \sum_{i=1}^{12}(EPU\ change) \qquad (4)$$

Like policy uncertainty, another possible factor affecting both populism and returns is consumer sentiment. To test whether effects can be ascribed to consumer sentiment instead of populism, we add consumer sentiment in the regression. These values are, like political uncertainty, monthly.

To correct for the business cycles, hereby meaning recessions and economic surges, this paper corrects with the Euribor rent, which mimics the state of the economy as it determines the supply and demand of money between banks.

Table 2 shows the correlation between the variables control variables. The control variables are checked for multicollinearity. Based on this correlation matrix, we drop out the Consumer Confidence Indicator (CCI) as it is narrowly correlated with the Industrial Confidence Indicator (ICI). We exclude de CCI as this one is more narrowly correlated with the Euribor and Unemployment variables. The monthly Euribor rate is also highly correlated with the unemployment rate in Europe, where we drop out the unemployment variable and leave in the Euribor, due to Unemployment's higher correlation with Economic Policy Uncertainty (EPU).

Table 1: Summary Statistics

	Mean	***Standard Deviation***	***Minimum***	***Maximum***
Austria Return	-0.002	0.071	-0.261	0.207
Belgium Return	0.001	0.055	-0.200	0.104
Bulgaria Return	-0.002	0.085	-0.399	0.281
Cyprus Return	-0.022	0.138	-0.409	0.515
Czech Republic Return	-0.002	0.066	-0.270	0.216
Denmark Return	0.010	0.055	-0.175	0.164
Estonia Return	0.006	0.084	-0.293	0.448
Finland Return	0.001	0.060	-0.182	0.216
France Return	0.001	0.055	-0.130	0.123
Germany Return	0.007	0.060	-0.176	0.155
Greece Return	-0.011	0.097	-0.283	0.226
Hungary Return	0.002	0.069	-0.260	0.160
Ireland Return	0.001	0.064	-0.194	0.154
Italy Return	-0.003	0.065	-0.178	0.195
Latvia Return	0.002	0.065	-0.234	0.313
Lithuania Return	0.004	0.076	-0.312	0.396
Luxembourg Return	-0.003	0.071	-0.312	0.163
Malta Return	-0.002	0.037	-0.105	0.110
Netherlands Return	0.001	0.058	-0.189	0.115
Norway Return	0.005	0.061	-0.245	0.150
Poland Return	0.002	0.062	-0.247	0.202
Portugal Return	-0.004	0.059	-0.194	0.106
Romania Return	0.003	0.085	-0.315	0.266
Slovakia Return	-0.002	0.042	-0.185	0.136
Slovenia Return	-0.001	0.060	-0.178	0.174
Spain Return	0.000	0.063	-0.174	0.181
Sweden Return	0.004	0.051	-0.155	0.124
Switzerland Return	0.002	0.042	-0.141	0.130
United Kingdom Return	0.001	0.044	-0.115	0.123

Table 2: Correlation Matrix for Potential Control Variables

	EPU	ANN. EPU	ICI	CCI	EURIBOR	UNEMPL
EPU	1					
ANN. EPU	-0.075	1				
ICI	-0.345	0.063	1			
CCI	-0.544	-0.014	0.748	1		
EURIBOR	-0.502	-0.091	0.268	0.473	1	
UNEMPL	0.638	0.037	-0.252	-0.473	-0.909	1

IV. Methodology

The financial effects of populist actions and populist popularity are not clear from an absolute value point of view when assessing case studies. The Brexit caused a downward effect which subdued quickly, whilst getting Mr. Trump in power got a more permanent upward effect for the relevant stock markets. This is a cause for confusion for people, and implies that populistically caused effects are case-dependent. Although, when looking at the populist support in general, taking in account multiple years and countries a different and unanimous effect might appear.

The regressions which will test the effects will look as follows for country specific effects (where c indicates the country):

1. $Return_c = \alpha_c + \beta_{1_c}(GovPopDV^6) + \beta_{2_c}(OppPopDV) + \beta_3(Euribor) + \beta_3(Economic\ policy\ uncertainty) + \beta_5(manufacturer\ confidence) + \varepsilon$

2. $Volatility_c = \alpha_c + \beta_{1_c}(GovPopDV) + \beta_{2_c}(OppPopDV) + \beta_3(Euribor) + \beta_4(Economic\ policy\ uncertainty) + \beta_5(manufacturer\ confidence) + \varepsilon$

Lagged values for populism will be assessed. This is to capture effects that only become visible over time. This is done by taking the t-month future value of the returns and volatilities and combining it with the current populistic dummy variables. This step can be executed for the lagged regressions. The values for t are 1,2,3 and 12. Months 1,2,3 are taken to assess the approximate 100-days afterwards period, which is a period upon which new presidents -and therefore coalitions- are judged, and 12 months as a check-up, to see what the longer term effect is.

3. $Return_{c(m+t)} = \alpha_c + \beta_{1_c}(GovPopDV_c) + \beta_{2_c}(OppPopDV_c) + \beta_3(Unemployment) + \beta_4(Euribor) + \beta_5(consumer\ confidence) + \beta_6(manufacturer\ confidence) + \beta_7(Economic\ policy\ uncertainty) + \varepsilon$

4. $Volatility_{c(m+t)} = \alpha_c + \beta_{1_c}(GovPopDV_c) + \beta_{2_c}(OppPopDV_c) + \beta_3(Unemployment)\beta_4(Euribor) + \beta_5(consumer\ confidence) + \beta_6(manufacturer\ confidence) + \beta_7(Economic\ policy\ uncertainty) + \varepsilon$

Additionally, when we look at spill-over effects and the abnormal returns around elections, we assess the election dates in France and Italy when RWP parties are on the rise, and see what the effect is on the other European countries. For Italy, these election dates are 27/03/1994; 13/05/2001; 13/04/2006 and 13/04/2008. For France, the two dates are 25/05/1997 and 10/06/2012. To assess the effects properly, the average returns for the past year are taken as a benchmark. Inspired by Pantzalis, Stangeland and Turtle (2000), we assess the two-week period before the elections, and the four weeks thereafter.

[6] Here GovPopDV and OppPopDV stand for respectively the coalition and opposition populism dummy variable.

V. Results

Country Specific Populist Information and Preliminary Results

This chapter has some additional information on countries, and briefly treats the outcomes of the regressions. The outcomes of the regressions described in this part can be found in Appendix 1.

Austria

Austria has had a history with populism since the 1990's. During cabinets of Vranitzky (1990-1997), Klima (1997-2000), Schuessel IV (2005-2007), Gusenbauer (2007-2008) and Fayemann (2008-2014) there were populist right-wing parties in the opposition. Schuessel is labeled as a right-wing populist. He even was a government party from 2000-2007. As there has been a switch in party composition, whereby a populist party was installed in the government coalition and ousted a few years later, it is possible to measures two switches. One where the populist party goes from opposition party to ruling party and one where the RWP is banned once again to the opposition side. These dates were respectively the 3rd of October in 1999, where the Freedom Party of Austria (FPÖ) took seat in the government, and October 1st, 2006, when they were voted out of parliament.

As can be seen in the time-series regressions (TSR), especially volatility has some strongly significant results. Notable is that for the significant results, the opposition value is almost opposite to the governing value. Interestingly, the same sign continues the same way for the first three months, indicating a lagged persisting effect once populistic governing changes. When populistic party is included in the government the volatility diminishes for three subsequent months, also after a year the volatility still decreases. The opposite can be said when the populistic party is in the opposition.

Belgium

As Belgium has never had a shift in right-wing populist parties (RWP) –having always had RWP opposition parties but never in the government-, one cannot determine the effect of a change in populism in the government. An effort to do so would lead immediately to a case of collinearity. The same can be said about the absence of RWP government parties in Bulgaria, Denmark, Finland, France Hungary, Lithuania, The Netherlands, Slovenia, Sweden. Reversely, populism in only the coalition is in case of Latvia, whilst there was no RWP at all in Cyprus, Germany, Ireland, Luxembourg, Malta, Portugal, Spain, Great Britain.

Bulgaria

Bulgaria has only one switch in the populistic composition, which is from the creation of the "Attack"-party in 2005. This party has not come to power since its inception (first participation is at the elections in Bulgaria on the 25th of June in 2005).

Where we can see that the regression is an apt predictor for the volatility, as the R^2 is 0.55. Yet populism does not significantly affect the Bulgarian stock volatility.

Bulgaria has had with regards to TSR, once populists arrived in the opposition, negative returns for the first three months which were still valid after a year. There was some significant reaction to be seen after three months and a year in Bulgaria regarding the volatility. In this case, just as in Austria, when there were opposition parties which were RWP, this increased the volatility, the returns are reverse to what happened in Austria. The regression conforms increasingly as the lag increases, with a R^2 of 0.73 with a 12-month lag.

Croatia

Not unlike Austria, Croatia has a more diverse populistic history. They even have two RWP's in their political spectrum. It had both parties in the government coalition from 1990 until 1991 (the Croatian Democratic Union (HDZ) and the Croatian Party of Rights (HSP)). From 2nd of August 1992 until the January 3rd 2000, the unique situation that populists both seated the coalition and the opposition seats. The HDZ had reformed their party plan for the elections of January 3rd in 2000 in such a manner that they no longer classified as populists on basis of the RWP-criteria. Meanwhile, the Croatian Party of Rights stayed true to its populistic cause. Since then HSP has never returned to power, keeping right wing populists out of office since 2000.

Croatia shows no significance on the TSR returns estimations, but is highly significant when we look at the Volatility. In Croatia, no matter whether the populists were in the opposition or coalition, populism raises the volatility of the country, where delayed effects can be denoted. Alike Austria and Bulgaria, Opposition RWP parties increase volatility, although an inverse relation is found with the governing values of Austria.

Czech Republic

The Czech Republic did not have a lot of populism according to the Huber & Schimpf dataset. Yet, it had two populistic parties that have been active since the 1990's. Among the most influential, with 18 seats in parliament (8.14% of the votes) in the 1996 elections, was the SPR-RSC of Miroslav Sladek. The other party is Public Affairs (VV). The reason that both populistic parties are not overly present in the populism dataset has to do with its inability to concur with the criteria as described in Appendix 2. Later, the VV has gained power, with a vote share of up to 10.88% in the 2010 elections. As the other political parties formed a cabinet around VV, they remained in the opposition. It should be noted that outside of the scope of this paper, which only assesses data up until 2012, populism has been revived in the Czech Republic, as there has been a new populist party in the 2013 elections called "Dawn of Direct Democracy".

Regarding TSR, Czech Republic has a highly significant negative coefficient with regards to government and opposition volatility, indicating that when a RWP party gets in the opposition or in in the government, the volatility declines, which is in contrast with the first three countries.

Denmark

As Denmark has had RWP parties in the opposition, which have never had the opportunity to become part of the coalition, there has never taken place a switch from opposing to governing. A regression on the dummies would therefore have no effect, nor would an event-based switch. The two RWP parties in opposition are the Progress Party, which has been part of the Danish political community since 1972, and The Danish People's Party.

Estonia

Estonia cannot tell us much about financial effects of populism in Europe. This has to do with the fact that the financial data and the populistic data do not match. Index data for Estonia is only available from 1996 onward, whilst the only switch in populism occurred in the 1995 elections.

Finland

For Finland, the same case arises as for Denmark, as none of the populistic parties have reigned but they have been around since the beginning of the dataset. Therefore, there has never been a switch in values making regressing on either of the two populism variables irrelevant. There is one of relevance called "True Finns (PS)", although they were called Finnish Rural Party until 1995. They have had varying degrees of success over the years. As they had fourteen seats in 1990 (out of a total of 200), some meagre years between 1995 and 2007, where they got respectively two, six and ten seats in the three elections during that period. During the 2011 elections they surged ahead though, claiming 78 seats. Although they became this big, they could not for a coalition with the other major parties, as they differed too much in opinion on immigration and EU-participation.

France

The French legislative elections for their national assembly are held every five years. A majority must be formed in order to rule, in which different parties may work together to obtain the majority. In France, one party represents the right wing populistic stream; the National Front (FN). The FN has been around since 1972, and made some impact in the 1997 elections with one seat for Jean-Marie Le Pen in the French National Assembly. Up until the 2012 legislative elections nothing is heard from the FN after which the daughter of Jean-Marie, Marine, makes a return with two seats. The FN was however shunned by the other parties, so they weren't allowed in the coalition. Although it is not in the database, in the 2017 legislative elections Marine Le Pen obtained eight seats for the Front National in the National Assembly.

Populism in the opposition seems to somewhat positively and significantly influence the returns in France.

Germany

Germany has no active right-wing populistic parties.

Greece

Greece has had one right wing-populist party between 1990 and 2012, amply named the Popular Orthodox Rally (LAOS). The inception of LAOS was in 2000, but it did not gain any legislative power until 2007. During these legislative elections LAOS won 10 of the 300 seats in the Hellenic Parliament. Growing in strength, they were even part of the coalition in the 2009 legislative elections, and obtained 15 seats. They were outed from the Hellenic assembly in the 2012 elections.

Note that left-wing populism is prevalent with SYRIZA gaining 14 seats in 2007, and 13 seats in 2009, no less than 52 seats in May 2012 and 71 in June 2012. Yet, as we focus on right-wing populism, we do not assess SYRIZA.

The only relevant significant number is that the index change is slightly negatively correlated with whether populists are in the opposition. Regarding TSR, Greece has quite some significant results. The opposition values for the first three months indicate that there are negative lagged effects on the returns when opposition parties arrive in the opposition in Greece. Another interesting effect can be found in volatility part of the table, where

as well for the government as for the opposition in two, three and 12 months forward significant values are found that RWP increases the volatility

Hungary

Hungary had one encounter with populism in 1998 where the "Hungarian Justice and Life Party" (MIEP) got 14 of the 386 seats in the parliamentary elections. After that the taste for populism of

The fact of whether populists are in opposition respectively is very significant for the volatility, where volatility is increased during the brief period that the Justice and Life party was present in the House of Representatives.

For Hungary's TSR, the opposition values are strongly positive. This indicates that opposition parties in the opposition are increasing the volatility of a country.

Ireland

In Ireland, nothing happened on the RWP-spectrum as there was no RWP party in the political spectrum of Ireland.

Italy

Italy has had two populistic right-wing parties between 1990 and 2012. One is the "Lombard League" (LL) and one is the "Northern League" (LN). The true inception of populism in Italy was during the 1992 elections when LN went from one seat in the Chamber of Deputies towards 55 seats. This was a substantial rise given that the total chamber exists of 630 seats. In the national general election of 1994, Silvio Berlusconi was the great winner; the Cristian Democrats the great losers. Mr. Berlusconi's "Forza Italia" forged a center-right alliance, including the Northern League, bringing right-wing populism into the government coalition. This was an almost necessary step, as LN grew from the already substantial 55 seats in the 1992 election towards a whopping 117 seats in the 1994 elections. This phase only lasted for a short time, as a caretaker cabinet took over eight months later. The LN was after the takeover no longer a governing party, and were set back to the opposition. In the 1996 elections the power of the LN halved to 59 seats, and characterized a further decline for the Populist Party. In 2001, LN had only 30 seats left, however they were invited again to the formations and accepted into the governing alliance seats again, once again by Mr. Berlusconi. In 2006, the left-wing alliance (called Olive Tree) won over the Berlusconi-alliance, automatically outing the far right-wing party LN from the coalition. They remained with 26 seats in the Chamber of Deputies. The government was disbanded due to a corruption scandal around one of the smaller formation parties in 2008. Early elections in the same year were held where a cooperation of LN and Berlusconi's Forza Italia became once again the frontrunners. The LN themselves gained 60 seats in the Chamber of Deputies. A new major player entered the political battlefield in 2013: Five Star Movement (M5S). They received a lot of votes from previously LN voters, reducing LN to 18 seats and the opposition. M5S was incepted too late in order to be taken into account in this database.

In this specific regression, the opposition value of populism is left out as it has a perfect negative correlation with the government value. That is not strange as the LN has had a significant influence since the 1990's and has either been in the opposition or the government (depending on whether right or left was in power). It shows

that there is a negative significant correlation between a populist government and the volatility of the Italian stock market.

Latvia

Latvia has had some time of populistic legislative influence. Between 1995 and 2002 to be exact. The cause of this RWP is the "For Fatherland and Freedom"-party (LNNK). The LNNK was already active during the first elections after the separation from Soviet Union in 1991, when they received 6 of the 100 seats in the Saeima. They only developed more RWP distinction during the 1995 elections. For this they were rewarded eight extra seats, bringing it up to a total of 14 seats. In the form of a minority coalition, LNNK received a governing position. In 1998 the LNNK got three extra seats, bringing the total up to 17 seats. Once again LNNK could legislate, this time in a majority alliance setting. The 2002 elections were interesting for the LNNK, as they once again started out as a governing party, although having lost ten seats. Yet, after two years the LNNK was malcontent and left the coalition. They have not been of any legislative influence since their leave.

The opposition values of populism were left out as the LNNK never made any legislative impression when they were in the opposition. As all dummy variables were 0, they could just as well have been excluded. Remarkable is that the changes in the index are relatively well explained, as well as significant, by the researched variables when comparing with the explanatory power of the volatility of the Latvian index, in contrast to the other countries.

Regarding the TSR, the Latvian values are highly significant for the returns, where, contrary to the initial hypothesis the returns rise when populism enters the coalition. On volatility, nothing can be said as it is insignificant. Looking at the direct effects as well returns as volatility are significantly affected by the GOV variable.

Lithuania

Like Latvia, Lithuania the first independent elections were after the fall of the USSR. These elections were in 1992. In 1990, non-communist parties were already allowed to run, but Lithuania was not yet independent. About three weeks after the Sajudis (an independence party) won the elections, Lithuania split up from the USSR. The Sajudis were very confrontational, as was visible in the direct split-up with USSR, and this has not worked in favor of Lithuania for the following two years, as there was no more fuel coming from Russia, as well as an economic slump due to the embargo put on Lithuania by Russia. There were two parties that can be defined RWP in Lithuania: "Young Lithuania"(JL) and the "Order and Justice"-party Young Lithuania got one seat in in the Seimas (out of the 141) in 1992 and in 1996. The more notable RWP party is Order and Justice, founded in 2002. In the 2004 election they received ten seats and in the 2008 elections 15 seats. Both elections they weren't considered for coalition. In 2012 that changed as they were accepted by other parties to form a coalition, contributing with 11 seats to this coalition.

Like in Italy, the correlation between the GOV and OPP variables is too strong to be neglected. Therefore, it makes sense to omit one of the two populism variables. The stock returns table (Lithuania Change) does state that there is a relationship between populism and the stock market. When assessing the volatility, it is very informational, with an R^2 of 0.598.

The TSR-results for the returns as well for the volatility are very significant for Lithuania. With the returns after a party RWP party started governing, the index returns went down in the first three months. Yet, also the volatility lessened after when a populistic party was in governing power.

Luxembourg

Luxembourg has no history of RWP parties.

Malta

Malta has no history of RWP parties.

Netherlands

The PVV has been since 2006 the main right–wing populist party. The LPF was active until 2006, but as the LPF's frontrunner, Mr. Fortuyn, was shot dead at the 2002 elections, they never could retrieve this lost glory, and were disbanded in 2006. The RWP values have been in the Dutch parliament since June 2005, as one of the representatives chose to distance himself from the Party for Freedom and Democracy (VVD) over a difference in opinion about Turkey. That is why from June 2005 onward there is already a notion of opposition populism OppMNLD in the dataset. This was also the reason that this representative, called Mr. Wilders, to start his own party. This party was called the Party for Freedom (PVV). During the next elections, in 2006, multiple Dutch voters turned out to sympathize with Mr. Wilder's views, delivering him nine seats in the House of Representatives. The 2010 elections were more fruitful for the PVV, reeling in 24 votes of the possible 150, and even making a special kind of agreement (a so-called *gedoogakkoord*) with the reigning parties. The cabinet fell in 2012, over not being able to make a majority-supported decision on how to decline the Dutch budget deficit. After a period with a caretaker cabinet, people decided to punish the PVV and the elections of 2013 showed that; the PVV ended up with 15 seats, nine less than during the previous elections. It has to be noted though, that the 2017 elections in the Netherlands once again showed more support for the PVV, with 20 seats; being an increase of five seats.

The PVV nor the LPF reigned and never officially were part of the governing alliance. Therefore, the GovMNLD variable remains empty, as there has been no switch from '0' to '1' for this variable, and therefore no effect can be deducted. It can be stated though that the PVV and the LPF have had a dampening effect on the volatility in the Netherlands.

With regards to the Dutch TSR, only one-month lag is significant for volatility, meaning that once an RWP opposition party entered the political spectrum, it had a dampening effect on the volatility for one month.

Norway

In Norway, one party is defined as populistic. This is the Progress Party (Fr), and they have been around since 1973. The Fr has always been, at least since the database's inception in 1990, a force to be reckoned with. Although they have been in opposition since the 1990's, they increased their seat presence with every election between 1993 and 2009. This peaked in 2009 with 41 seats, out of the 169 available in the Norwegian Parliament. With that number, they became the second largest party in Norway. Their number of seats fell in the subsequent election to 29. This time they were included in the governing alliance.

As there has been perfect negative correlation between the governing and the opposition value of populism in Norway, one variable had to be deleted. The values are all quite significant, especially when focusing on the

Norwegian Volatility.

In Norway, the fact that RWP parties came to be in the opposition has an unclear effect on the returns in the TSR, as they were negative in the first month, whilst positive in the second and third month, exactly opposing the hypothesis of Dornbusch. An equally unclear pattern emerges with regards to the volatility, where the volatility first rises, and then declines a bit, only to rise again. Over all time periods assessed, it can be said that the returns decline when there are populist parties in the opposition and the volatility declines when populists are in the coalition.

Poland

Poland is quite an interesting country to assess when researching right wing populism. Over the years 1990-2014, no less than three right wing political parties were present: "Movement for the Reconstruction of Poland" (1995-2012); "Law and Justice" (2001-); and "League of Polish Families" (2001-). Before 1990, the Soviets largely controlled the outcomes in Poland making it not representative. For the first few years after the fall of the Soviet Union, Poland did not encounter right-wing populism. Only in 1997 parliamentary elections, the Movement for Reconstruction of Poland (ROP) received six seats in the Sejm (the Polish second chamber consisting of 460 members). Four years later, the 2001 elections were more skewed towards RWP as the League of Polish Families (LPR) gained 38 votes and Law and Justice (PiS) got 44 votes, bringing the total up to 82 of the 460 total votes. ROP did not get into the Sejm. The RWP trend becomes clearer when we look at 2005. During the 2005 parliamentary elections, the PiS became the largest party with 155 seats. This meant that there was no way around them anymore, and they became the ruling party, together with the LPR, whom managed to obtain 34 seats in the Sejm. After a self-implemented dissolution, new elections were held only two years after the previous elections, in 2007. These elections were won by the PO, defeating the RWP PiS, pushing them back into the opposition seat. Still they were quite well represented in the Sejm with 166 seats (League of Polish Families lost all its seats)In 2011 they obtained 15 seats.

The effect on returns nor volatility seems to be significant when looking at the direct effects (t=0) on the Polish index.

In TSR, one should look at the GOV volatility value of Poland and the OPP returns value of Poland, as they are significant over time. Yet, in both cases the values were only valid significant in one out of the four times, indicating that the effect is not equal over time.

Portugal

Portugal has not had RWP parties in its political spectrum

Romania

Romania had two parties that can be defined as RWP; the "Greater Romania Party" (PRM), which incepted in 1991, and the "Romanian National Unity Party" (PUNR), a party that lived from 1990-2006. In 1992 these parties came in the picture, where PUNR got 30 seats in the chamber of Deputies and the greater Romania party 16. This brought the total up to 46 seats of the 341. This opposition position weakened a little bit in 1996, where these two parties together held a total of 37 seats after the elections. In the year 2000 things got better for RWP parties, as the PRM received 84 votes. The PUNR left the chamber of deputies, as they received zero seats. This did not change during the elections of 2004. In 2004, also the PRM took a hit, they ended up with 48 seats. The

PUNR did no longer exist during the 2008 elections, whilst the PRM did not end up with any seats either. The whole RWP spectrum has therefore vanished after these elections, nor did it change with the 2012 elections.

Here is left out the government populism dummy, because there would have been no values. This is not strange, as RWP parties have never left the opposition between 1990 and 2014. Volatility is not affected by the Romanian populist tendencies in the opposition. In TSR as well in the t=0 situation, there is a positive effect on the returns when there are populists in the opposition.

Slovakia

Slovakia has known one party that falls under the description of Right-Wing Populistic as we have described it. The party is called the "Slovak National Party" and it has had varying degrees of success throughout the years, sometimes in the coalition, sometimes in the opposition. In 1990, they were an opposition party with 22 seats out of the 150; in 1992, they became part of the coalition, but only with 15 seats. In 1994, they were in the coalition, but only with nine seats. In 1998, they gained five seats bringing the total up to 14 seats. In 2002 they had nothing, and in 2006 they had 20 seats, whilst also being part of the coalition. In 2010, they had nine seats again and were returned to being an opposition party. Between these elections the seats in the chamber of deputies did also change as sometimes members would no longer want to participate or midway the whole Slovak National Party would be outed from the coalition.

Governmental populist parties have a calming effect on the volatility, but pushes down the index returns with up to 4.7% when it concerns governmental parties, and almost 3% when opposition parties are active in the Slovakian House of Representatives.

Slovakia has some very significant values with the TSR, especially when looking at the effect of RWP in the government. The all negative values mean that the returns are negative, as hypothesized, when looking at the returns. On the other hand, it means a dimmed volatility, which is contrary to previously expected.

Slovenia

Slovenia, not unlike Slovakia, also has one party that should be assessed as RWP. This party is the Slovenian National Party (SNS, and has been existing since 1991. New on the block in the 1992 elections, they got 12 seats out of the 90. This was also their highlight as after that they only got 4 seats in the 1996 and 2000's elections. They got six seats in 2004 and five seats in 2008. During the elections of 2011 and 2014 they did no longer get any seats.

IN TSR, it is notable that only the lagged year effect is significant, indicating volatility is lessened after a year.

Spain

Although Spain has had some recent encounters with left-wing populism, right-wing populism has not been identified among the political parties in Spain between 1990 and 2014.

Sweden

Sweden has known two RWP-parties between 1990 and 2014. These are "New Democracy" (ND) and "Sweden Democrats" (SD). ND received 25 seats in Riksdag in the 1991 elections but subsequently lost them in 1994. Then it is all quiet on the RWP front until 2010, when the SD starts to rise. During these elections in 2010 SD

gained 20 seats, which is still not influential regarding the 349 seats in total. In 2014, however beyond the scope of this research, they received 49 votes, which is substantially more than the previous election. Reportedly, this had to do with the anti-immigration stance SD has taken, which worked well with a part of the Swedish voters.

It appears that the returns rise when populists are in the opposition at t=0. This trend breaks in the TSR, where the returns become negative after some time. Noted should be that most Swedish values are significant; returns for two and three months and all volatility lags. It should be noted that RWP opposition a calming effect on volatility.

Switzerland

Switzerland has been abundant RWP parties. All are quite established, as they are dating from long ago. The oldest are the Swiss Democrats (SD), which incepted in 1961. Then comes the Swiss People's Party dating back since 1971 (SVP), and lastly the Freedom party of Switzerland (FPS) which begun in 1984, but is only determined as populistic since 1994. In 1991, 33 seats went to RWP parties, among one party went to govern and two others were in the opposition. In 1995 three extra seats were given to the RWP's among which one party (FPS) remained in the coalition. In 1999, the SD and the FPS together had one seat, which is almost negligible. On the other hand, the SVP got 44 seats, and the party with the most votes, and became one of the governing parties. The SVP got even stronger in the 2003 elections, where they received 55 seats in the National Council of Switzerland, out of the 200 seats to be given away. The right-wingers narrowly lost to the left-wingers during the 2007 elections with 64 versus 65 seats, of which 62 came from the SVP. Ten months later, however, the coalition of left broke up, bringing the SVP belatedly in power. In the 2011 elections, the RWP remained in power, with the SVP as the main contributor, being entitled to 54 seats.

Here can be seen that populism in the government is a very significant contributor to the volatility of Switzerland. This is also the case in the TSR: only the volatility-regressions give significant results, and it seems that there has been an overall volatilizing effect of as well populists in the government as populists in the opposition. This is what was expected of the hypotheses.

United Kingdom

During the assessed period, the UK did not encounter right-wing populism. The UKIP did win 3.1 percent of the votes during the 2010 elections, but they did not receive a seat in The House of Commons". It should be noted though, that during the 2015 elections –which are outside the scope of evaluation of this paper- UKIP gained 12.6 percent of the total votes, substantially more than during the previous elections. Yet, they still only received one seat.

Aggregate results

To look at the effect populism has had in the future, in table 3, the lagged impact of populism has been displayed. It should be noted that the timeseries regressions are event studies, as for the fact of a change in populistic make-up of the government does not change often. Yet, if multiple countries are assessed, a pattern may appear. As to research hypotheses H1b, H2, and H3b. several things can be noticed

Looking at the composed tables, one can see that there is no simple unanimous answer to the posed research question. Right-wing populism seems to have a significant effect on the volatility and the returns, *in some cases*. The direction of the coefficient makes it tricky, as there is no coherence in the effect of populism: it can either have a positive or a negative effect, as well as it can have a volatilizing as well as a smoothing effect, dependent on the country. This observation is a cause to refute hypothesis H1a, partially H2, and H3a.

Table 3:Sign -Test; lagged effects; Across-Countries

	AUS	BUL	CRO	CZE	FRA	GRC	HUN	ITA	LAT	LIT	NLD	NOR	POL	ROM	SVK	SVN	SWE	SWI	TOT
GOV RET	+								+	-					-				2 + 2-
OPP RET		-		+		-				-		-	+	+	-		-		3 + 6 -
GOV VOL	-		+	-		+		-		-		-	-		-			+	3 + 7-
OPP VOL	+	+	+	-		+	+								-	-	-	+	6+ 4-

The filled columns indicate that there is a significant effect, whilst the sign indicates a positive or negative cumulative coefficient sign over the times t=1, t=2 t=3 and t=12. GOV RET and OPP RET indicate respectively the effect of the coalition populism coefficient of the country and the opposition populism coefficient of the country with regards to the Returns of the country, whilst GOV VOL and OPP VOL indicate the effects of the coalition populism coefficient of the country and the opposition populism coefficient of the country in the regressions where Volatility of the country is the dependent variable.

As can be seen from the signs overview, there is no clear direction for any of the populism values. All the sign tests would end up being insignificant. Yet, some things may be remarked: there is a negative tendency of opposition RWP on returns (3+; 6-), and a calming tendency of governmental RWP parties on the respective indices. (3+;7-), potentially explainable by the information uncertainty hypothesis of Brown et al. (1988).

Table 4: Sign-Test at t=0; Across Countries

	AUS	BUL	CRO	CZE	FRA	GRC	HUN	ITA	LAT	LIT	NLD	NOR	POL	ROM	SVK	SVN	SWE	SWI	TOT
GOV RET									+	-					+				1 + 2 -
OPP RET		-			+	-						+		+	-		+		4 + 3 -
GOV VOL	-		+						+	-		-			-			+	3 + 4-
OPP VOL	+		+	-			+				-						-	+	4+ 3-

The filled columns mean that there is a significant effect, whilst the sign indicates a positive or negative coefficient sign at t=0. GOV RET and OPP RET indicate respectively the effect of the coalition populism coefficient of the country and the opposition populism coefficient of the country with regards to the Returns of the country, whilst GOV VOL and OPP VOL indicate the effects of the coalition populism coefficient of the country and the opposition populism coefficient of the country in the regressions where Volatility of the country is the dependent variable.

At t=0, there is no clear general European tendency towards either higher or lower returns or volatility. This is in contrast with table 3, where there is at least some tendency, as well as with hypotheses H1ab, H2, H3. In other words, when looking at a larger scale, taking multiple case studies into account, there is not one clear overarching effect of right-wing populists on either volatility or returns from which index investors can profit.

Spill-over effects

To assess whether populist changes do not only have an influence on a country itself, but also other countries, this paper measures the effect of a right-wing populist political change in regime in the more influential countries in

Europe[7]. As right-wing populists are often in favor of a less trade integration, foreign financial markets could react on a shift towards RWP before or after the elections. As some counties are more influential than others, certain elections in Italy and France are taken when RWP was on the rise.

We assess the following: "What is the average effect over all countries around the times of elections which would be in favor of populists?". The results in table 5 should be read as follows: the amounts of negatives and positives assess the extent of the 'unity' of the average reaction. For example, in 1994, 16 out of the 17 countries had negative prior values the two weeks before the Italian election, with an average of 1.8% decline in the respective indices with regards to the returns over the past year. Yet there is no strong conclusion to be made, as when you compare between elections, there is a difference in the effect on the countries. The UIH discussed by Brown et al. (1988) was theorized to have returns to be positive as well before as after the elections due to certainty creation. Our case is a little bit different, as we estimate the effect of the Italian and French election on all European countries. Table 5 also shows the average and cumulative abnormal returns of European countries on the French and Italian elections where RWP-parties gained power. The table shows the two weeks before the elections in France and Italy (AR(-2;0)), and the four weeks after the election (AR(0,4)). Appendix 3 shows the country specific effects.

Table 5: Reaction European countries on Italian and French Elections

	#negative reaction	***#positive reaction***	***average reaction***	***cumulative reaction***		***#negative reaction***	***#positive reaction***	***average reaction***	***cumulative reaction***
	Italy 1994					*Italy 2001*			
$Average_{pastyear}$	0	17	0.0098	0.166	$Average_{pastyear}$	18	9	-0.0020	-0.054
Mean Returns(-2;0)	12	6	-0.0078	-0.140	Mean Returns(-2;0)	22	6	-0.0038	-0.108
AR(-2;0)	**16**	**1**	**-0.0180**	**-0.307**	**AR(-2;0)**	**21**	**6**	**-0.0086**	**-0.232**
Mean Returns(0;4)	15	3	-0.0140	-0.252	Mean Returns(0;4)	11	17	0.0033	0.092
AR(0;4)	**11**	**5**	**-0.0171**	**-0.274**	**AR(0;4)**	**7**	**20**	**0.0052**	**0.140**
	Italy 2006					*Italy 2008*			
$Average_{pastyear}$	1	28	0.0059	0.172	$Average_{pastyear}$	25	5	-0.0017	-0.051
Mean Returns(-2;0)	7	23	0.0061	0.184	Mean Returns(-2;0)	6	24	0.0262	0.785
AR(-2;0)	**14**	**15**	**-0.0007**	**-0.021**	**AR(-2;0)**	**5**	**25**	**0.0279**	**0.836**
Mean Returns(0;4)	8	22	0.0043	0.130	Mean Returns(0;4)	11	19	0.0022	0.065
AR(0;4)	**20**	**9**	**-0.0021**	**-0.060**	**AR(0;4)**	**11**	**19**	**0.0039**	**0.116**
	France 1997					*France 2012*			
$Average_{pastyear}$	2	19	0.0069	0.144	$Average_{pastyear}$	28	2	-0.0051	-0.153
Mean Returns(-2;0)	7	15	0.0062	0.136	Mean Returns(-2;0)	29	1	-0.0183	-0.549
AR(-2;0)	**8**	**13**	**0.0014**	**0.029**	**AR(-2;0)**	**27**	**3**	**-0.0132**	**-0.396**
Mean Returns(0;4)	3	19	0.0078	0.172	Mean Returns(0;4)	3	27	0.0153	0.458
AR(0;4)	**6**	**15**	**0.0011**	**0.024**	**AR(0;4)**	**2**	**28**	**0.0204**	**0.611**

AR indicates the abnormal returns, followed by the time in weeks with 0 as the week of the election. For example, (-2, 0) indicates the abnormal returns in the two weeks before the elections. The AR's are contrived by deducting the average returns over the last year from the average returns of the indicated period.

This table is not congruent with the theories in the cited papers (Brown, Harlow, & Tinic, 1988) and (Pantzalis, Stangeland, & Turtle, 2000). This might have to do with the fact that this table contains an aggregate all European countries, and not simply and solely Italy and France.

What is remarkable, is that for most countries the period is quite volatile. As the abnormal returns do not necessarily indicate a pattern in coefficient sign, the coefficients do tend to be quite large, indicating that the period that these influential European countries have their elections is one of greater uncertainty for the other countries. So, it can be stated with this test that Italy does not affect the returns of the indices of other countries coherently with a change

[7] In this case France and Italy, as Germany and Great Britain did not have encounters with RWP during the testes period of this paper.

in populism. A cause might be that during the 6-week period around the election other factors than the elections come into play.

To correct for this, a regression with the returns of all countries is made, including once again the Euribor, ICI and EPU as control variables, and look if the government populism variable of Italy and France are significant. It would be possible that some countries that are dependent on Italy, due to adjacency or trade interests, have a significant issue with right wing populists in office.

The regression shows that Bulgaria, Finland, Latvia, Lithuania and Slovenia are impacted by populists in the Italian coalition (Table 6).

Table 6: Effect Italian Populism on Other countries

	Bulgaria Returns	Finland Returns	Greece Returns	Latvia Returns	Lithuania Returns	Romania Returns	Slovenia Returns
GOV ITA	0.024*	-0.021+	-0.022	0.015+	0.024**	0.021	-0.028**
	(2.00)	(-1.76)	(-1.64)	(1.67)	(2.62)	(1.62)	(-2.71)
N	198	221	221	208	208	221	117
adj. R^2	0.055	0.055	0.061	0.08	0.112	0.039	0.177

*+ p<0.10 *p<0.05 **p<0.01 t-statistics in parenthesis. GOV ITA indicates the effect of the coalition populism coefficient of Italy as an independent variable. The Returns of the affected countries are the dependent variable.*

Italy is Romania's second biggest importer, and likewise for Bulgaria and Slovenia (which is also adjacent to Italy. For Greece Italy is even the largest importer of products. There is no indication why Finland, Latvia and Lithuania are so impacted by Italy's regime change. Nor is it explainable why for some countries returns increase when Italy exerts to populism. These two questions call for more research regarding this matter.

Table 7: Effect French Populism on Other countries

	Denmark Returns	France Returns	Greece Returns	Ireland Returns	Italy Returns	Malta Returns	Slovenia Returns
OPP FRA	0.012	0.014+	0.026+	0.016*	0.016+	0.015+	0.025+
	(1.62)	(1.85)	(1.77)	(2.05)	(1.70)	(1.71)	(1.79)
N	221	221	221	221	221	221	117
adj. R^2	0.148	0.121	0.066	0.126	0.106	0.082	0.156

*+ p<0.10 *p<0.05 **p<0.01 t-statistics in parenthesis. OPP FRA indicates the effect of the opposition populism coefficient of France as an independent variable. The Returns of the affected countries are the dependent variable.*

France's opposition values all have positive values, which are consistent, but counterintuitive if the hypothesis were that returns would fall if the populism (albeit in the opposition) would rise. As it is the case with France, it was either no populism or populism in the opposition, which would make it in turn the case that if the variable populism in the opposition in France would be "1", it should be classified as more populism. A line of reasoning might be that, whilst including the control variables, the adjusted R^2 is still quite low, therefore the returns are not that well explained by the regressions.

These additional tests indicates that there are potentially spillover-effects of the elections of larger European economies, but the underlying returns are inconsistent, which calls for new theories to be tested to explain these values, or more control variables to be added.

VI. Discussion & Conclusion

There are shortcomings in this research paper, there is no denying this. With the data at hand this paper did not come further than tendencies. This implies that no hard conclusions could be made, nor true effects could be stated. On a country per country level some values seemed to be strongly significant. It should be noted though, that working with the main dependent variables being dummies, one should be cautious with extrapolating too much information from these regressions. For example, one could edit this paper by not using the dummies, but using the fragment of seats possessed by RWP parties in parliament[8]. This paper did not use the seats, to remain truthful to the original methodology of Huber and Schimpf (2016). This was cause for some technical difficulties though, for both the direct-implication regressions as with the time-series regression. As there is not too often a too large a diversity in right-wing populistic opposition parties, that over time no populistic parties were present, and a party found itself in the opposition, and found itself in the coalition, and there were two parties whom were in the opposition and in the coalition. This was a cause for missing variables in the case of most countries. Also, there were not that many occasions a shift in RWP took place. Therefore, all the regressions might be seen as event studies rather than anything else. In an effort to generalize these event studies, the all the relevant countries were assessed together. With this, some tendencies could be defined.

All in all, when looking at the simplified table with the signs, the result may be distilled that the original assumptions were not even totally in the right direction. Tendencies described by looking at the general lagged effect of all countries indicated that populists in the opposition had a negative correlation with returns. This was as expected. But what was contrary to the hypotheses, was that the populists in government had a stabilizing effect on the financial markets with regards to volatility. The latter might have to do with the fact that uncertainty is diminished when an election has been and the fact that populists come in a coalition – and however paradoxical that may be- cause stability as the uncertainty of the election is cleared up. Yet, this needs to be further investigated, as well as why the EPU would not take this into account, or why this would be the case when the populist values would be lagged. All hypotheses at the beginning of the paper cannot be confirmed, as the evidence for a certain, uniform direction is not strong enough. If the tendencies would turn out to be sufficiently robust and persistent over time and cases, as could be a conclusion once these tests are enhanced by further studies, it would mean that option prices fall when RWP parties enter a coalition in a multi-partisan system, and that returns decline over the following period as RWP parties are in the opposition.

[8] This data is attainable from parlgov.org, Huber and Schimpf (upon request) and myself (upon request).

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Appendix 1: Aggregate Tables

Table 8: Populistic effect on Returns

t statistics in parentheses

Populistic effect on Returns	**Austria Returns**	**Bulgaria Returns**	**Croatia Returns**	**Czech Republic Returns**	**France Returns**	**Greece Returns**	**Hungary Returns**	**Italy Returns**	**Latvia Returns**	**Lithuania Returns**	**Netherlands Returns**	**Norway Returns**	**Poland Returns**	**Romania Returns**	**Slovakia Returns**	**Slovenia Returns**	**Sweden Returns**	**Switzerland Returns**
Populism In Government	0.019		-0.008	-0.005		-0.017		-0.008	0.032**	-0.042**			0.011		-0.047***			0.013
	(1.40)		(-0.31)	(-0.41)		(-0.48)		(-0.99)	(2.90)	(-3.02)			(0.56)		(-3.74)			(0.72)
Populism in Opposition	-0.010	-0.056**	0.019	0.008	0.014+	-0.034*	0.020				-0.003	0.025*	-0.010	0.054*	-0.029**	-0.008	-0.022+	0.004
	(-0.73)	(-3.21)	(1.25)	(0.52)	(1.85)	(-2.16)	(1.37)				(-0.32)	(2.18)	(-0.46)	(2.16)	(-2.64)	(-0.63)	(-1.80)	(0.30)
Euribor	-0.017***	-0.016**	-0.012*	-0.013**	-0.013***	-0.013**	-0.017***	-0.013***	-0.015***	-0.022***	-0.014***	-0.017***	-0.013***	-0.023**	0.006+	-0.007	-0.017***	-0.009***
	(-4.33)	(-2.96)	(-1.98)	(-2.84)	(-4.88)	(-2.87)	(-4.31)	(-4.41)	(-4.00)	(-3.88)	(-4.16)	(-4.02)	(-3.91)	(-3.03)	(1.91)	(-1.43)	(-4.32)	(-4.06)
EPU (x 10e-3)	-0.326***	-0.203*	-0.260**	-0.308***	-0.299***	-0.378**	-0.361***	-0.336***	-0.275***	-0.267**	-0.304***	-0.334***	-0.299***	-0.272*	-0.0618	-0.332**	-0.250***	-0.223***
	(-4.11)	(-2.11)	(-3.02)	(-3.81)	(-4.50)	(-2.83)	(-3.84)	(-4.10)	(-3.57)	(-2.82)	(-3.82)	(-3.78)	(-3.64)	(-2.39)	(-0.96)	(-2.87)	(-3.98)	(-4.23)
ICI (x10e-2)	0.0663	0.179	0.154	0.046	0.061	-0.058	0.022	0.043	0.122*	0.110	0.061	0.090	-0.001	0.007	0.051	0.163*	0.030	0.031
	(0.87)	(1.59)	(1.27)	(0.54)	(1.09)	(-0.68)	(0.32)	(0.54)	(2.00)	(1.27)	(0.99)	(1.29)	(-0.01)	(0.07)	(1.10)	(2.16)	(0.53)	(0.63)
Constant	0.091***	0.123***	0.063***	0.075***	0.071***	0.083**	0.093***	0.080***	0.079***	0.109***	0.079***	0.077***	0.087**	0.075**	0.026	0.075***	0.085***	0.041
	(3.64)	(4.31)	(3.66)	(4.15)	(5.45)	(3.31)	(4.93)	(5.07)	(4.41)	(4.15)	(4.58)	(4.54)	(2.85)	(3.04)	(1.68)	(3.75)	(5.69)	(1.76)
N	221	198	221	221	221	221	221	221	208	208	221	221	221	221	221	117	221	221
adj. R^2	0.145	0.114	0.053	0.064	0.121	0.068	0.096	0.097	0.107	0.124	0.109	0.132	0.070	0.048	0.077	0.136	0.105	0.103

$^{+}p<0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.00$

Table 9: Populistic effect on Volatility

Populistic effect on Volatililty	**Austria**	**Bulgaria**	**Croatia**	**Czech Republic**	**France**	**Greece**	**Hungary**	**Italy**	**Latvia**	**Lithuania**	**Netherlands**	**Norway**	**Poland**	**Romania**	**Slovakia**	**Slovenia**	**Sweden**	**Switzerland**
Govern. Pop.	-0.012***		0.065***	-0.008*		0.006		-0.003	0.012*	-0.060***		-0.016***	-0.004		-0.015**			0.058***
	(-4.24)		-8.64	(-1.98)		-1.82		(-1.14)	-2.08	(-11.01)		(-5.35)	(-1.03)		(-3.11)			-11.32
Opp. Pop.	0.019***	0.004	0.056***	-0.020***	0.005	0.003	0.048***				-0.008*		0.005	0.001	-0.003	0	-0.011**	0.049***
	-5.74	-0.85	-7.72	(-4.64)	-1.83	-0.86	-6.17				(-2.34)		-1.24	-0.07	(-0.83)	(-0.06)	(-3.06)	-10.19
Euribor	0.004***	0.009***	-0.005*	0.010***	0.001*	-0.005***	-0.001	-0.002**	0.002	-0.009***	0.002**	0.003***	0.008***	0.012***	0.004***	0.004***	0.004**	0.002***
	-6.07	-9.94	(-2.35)	-10.91	-2.58	(-6.06)	(-0.66)	(-2.62)	-1.59	(-5.45)	-3.16	-3.57	-9.48	-4.4	-4.34	-3.52	-2.99	-3.59
EPU ann.	0.031	0.102*	0.016	0.080**	0.024	0.06	0.059	0.069**	-0.053	0.102*	0.083***	0.022	0.109***	0.045	0	0.089***	0.017	0.048**
	-1.21	-2.14	-0.3	-2.71	-1.28	-1.8	-1.94	-2.79	(-1.02)	-2.5	-4.03	-1.18	-4.14	-0.78	(-0.01)	-3.46	-0.72	-2.95
ICI (x10e-2)	-0.160***	-0.275***	-0.163***	-0.163***	-0.116***	-0.108***	-0.117***	-0.125***	-0.089***	-0.117***	-0.155***	-0.135***	-0.098***	-0.160***	-0.053***	-0.120***	-0.105***	-0.084***
	(-9.00)	(-8.96)	(-6.61)	(-8.68)	(-9.16)	(-5.38)	(-7.02)	(-6.54)	(-4.88)	(-5.32)	(-11.77)	(-10.01)	(-4.71)	(-4.72)	(-4.07)	(-6.94)	(-7.02)	(-7.17)
Constant	0.028***	0.028***	0.024***	0.041***	0.038***	0.083***	0.052***	0.053***	0.045***	0.076***	0.044***	0.045***	0.032***	0.046***	0.040***	0.031***	0.042***	-0.030***
	-6.53	-5.17	-12.14	-16.11	-20.63	-35.82	-24.74	-32.78	-14.21	-13.34	-11.29	-15.67	-7.41	-14.88	-14.87	-15.86	-9.24	(-5.47)
N	221	186	221	221	221	221	221	220	196	196	221	221	221	221	221	117	221	221
adj. R^2	0.521	0.547	0.533	0.427	0.276	0.22	0.415	0.287	0.117	0.598	0.404	0.533	0.361	0.291	0.112	0.516	0.433	0.576

t statistics in parentheses

$^{+}p<0.10$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Table 10: 1-month Lagged populistic effect on Returns

Populistic effect after 1 month on Returns	**Austria Returns**	**Bulgaria Returns**	**Croatia Returns**	**Czech Republic Returns**	**France Returns**	**Greece Returns**	**Hungary Returns**	**Italy Returns**	**Latvia Returns**	**Lithuania Returns**	**Netherland Returns**	**Norway Returns**	**Poland Returns**	**Romania Returns**	**Slovakia Returns**	**Slovenia Returns**	**Sweden Returns**	**Switzerland Returns**
Populism In Government	0.019		-0.008	-0.005		-0.017		-0.008	0.032**	-0.042**		-0.025*	0.011		-0.047***			0.013
	(2.39)		(-0.04)	(0.25)		(-0.96)		(-1.29)	(2.93)	(-2.82)		(-2.01)	(4.17)		(-3.64)			(1.44)
Populism In Opposition	-0.010	-0.056**	0.019	0.008	0.014+	-0.034*	0.020				-0.003		-0.010	0.054*	-0.029**	-0.008	-0.022	0.004
	(0.09)	(-3.21)	(1.04)	(1.27)	(1.87)	(-2.88)	(1.06)				(-1.37)		(1.18)	(2.14)	(-2.53)	(-0.56)	(-2.34)	(0.16)
Euribor	-0.017***	-0.016**	-0.012+	-0.013**	-0.013***	-0.013**	-0.017***	-0.013***	-0.015***	-0.022***	-0.014***	-0.017***	-0.013***	-0.023**	0.006	-0.007	-0.017***	-0.009***
	(-3.41)	(-2.97)	(-1.78)	(-2.79)	(-3.74)	(-2.43)	(-3.23)	(-3.39)	(-3.46)	(-3.38)	(-3.51)	(-3.34)	(-2.92)	(-2.98)	(1.14)	(-2.23)	(-3.89)	(-2.55)
EPU (x10e-3)	-0.326***	-0.203*	-0.260**	-0.308***	-0.299***	-0.378**	-0.361***	-0.336***	-0.275***	-0.267**	-0.304***	-0.334***	-0.299***	-0.272*	-0.062+	-0.332**	-0.250+	-0.223***
	(-2.59)	(-2.47)	(-2.60)	(-2.91)	(-2.93)	(-2.37)	(-2.92)	(-3.00)	(-2.30)	(-2.11)	(-3.05)	(-3.09)	(-2.35)	(-2.91)	(-1.72)	(-3.38)	(-1.76)	(-2.50)
ICI(x10e-2)	0.066	0.179	0.154	0.046	0.061	-0.058	0.022	0.043	0.122*	0.110	0.061	0.090	-0.001	0.007	0.051	0.163+	0.030	0.031
	(-0.25)	(0.73)	(0.62)	(-0.45)	(0.17)	(-1.67)	(-0.72)	(-0.31)	(1.44)	(0.41)	(-0.09)	(0.31)	(-1.06)	(-1.08)	(1.00)	(1.70)	(-0.48)	(-0.02)
_cons	0.091***	0.123***	0.063***	0.075***	0.071***	0.083**	0.093***	0.080***	0.079***	0.109***	0.079***	0.102***	0.087**	0.075**	0.026	0.075***	0.085***	0.041
	(2.11)	(3.97)	(2.93)	(3.06)	(3.52)	(2.73)	(3.55)	(3.49)	(3.38)	(3.41)	(3.31)	(4.19)	(1.23)	(3.36)	(2.18)	(4.03)	(4.07)	(0.23)
N	221	198	221	221	221	221	221	221	208	208	221	221	221	221	221	117	221	221
adj. R^2	0.145	0.114	0.053	0.064	0.121	0.068	0.096	0.097	0.107	0.124	0.109	0.132	0.070	0.048	0.077	0.136	0.105	0.103

Table 11 : 2-month Lagged populistic effect on Returns

Populistic effect after 2 months on Returns	Austria Returns	Bulgaria Returns	Croatia Returns	Czech Republic Returns	France Returns	Greece Returns	Hungary Returns	Italy Returns	Latvia Returns	Lithuania Returns	Netherlands Returns	Norway Returns	Poland Returns	Romania Returns	Slovakia Returns	Slovenia Returns	Sweden Returns	Switzerland Returns
Populism In Government	0.037**		-0.001	-0.006		-0.031		-0.010	0.036**	-0.034**			0.032		-0.041***			0.023
	(2.75)		(-0.02)	(-0.45)		(-0.57)		(-1.11)	(3.11)	(-2.67)			(1.40)		(-3.40)			(1.18)
Populism In Opposition	0.004	-0.056**	0.019	0.026*	0.010	-0.050**	0.012				-0.016	0.026*	-0.009	0.054*	-0.023*	-0.005	-0.043**	-0.003
	(0.28)	(-3.21)	(1.28)	(2.00)	(1.29)	(-3.19)	(0.81)				(-1.27)	(2.18)	(-0.33)	(2.04)	(-2.13)	(-0.39)	(-3.25)	(-0.25)
Euribor	-0.011*	-0.017**	-0.010	-0.010*	-0.008*	-0.005	-0.011*	-0.006+	-0.014***	-0.018**	-0.010*	-0.012*	-0.008*	-0.020*	0.004	-0.013**	-0.014***	-0.004
	(-2.33)	(-2.69)	(-1.43)	(-2.11)	(-2.46)	(-1.01)	(-2.51)	(-1.87)	(-3.48)	(-3.27)	(-2.49)	(-2.58)	(-2.15)	(-2.35)	(1.15)	(-2.71)	(-3.35)	(-1.62)
EPU (x10e-3)	-0.028	-0.180	-0.169	-0.080	-0.041	-0.002	-0.170+	-0.042	-0.170*	-0.214*	-0.046	-0.111	-0.052	-0.179+	-0.103	-0.556***	0.060	-0.027
	(-0.35)	(-1.79)	(-1.56)	(-0.96)	(-0.66)	(-0.03)	(-1.85)	(-0.50)	(-2.28)	(-2.05)	(-0.65)	(-1.46)	(-0.63)	(-1.88)	(-1.40)	(-4.75)	(0.89)	(-0.55)
ICI(x10e-2)	-0.073	-0.013	0.013	-0.080	-0.016	-0.173*	-0.105+	-0.0548	0.035	-0.056	-0.030	-0.008	-0.137+	-0.167	0.0343	0.075	-0.034	-0.022
	(-1.07)	(-0.12)	(0.12)	(-1.00)	(-0.29)	(-2.18)	(-1.73)	(-0.71)	(0.55)	(-0.70)	(-0.57)	(-0.14)	(-1.84)	(-1.58)	(0.90)	(1.20)	(-0.64)	(-0.44)
_cons	0.012	0.109***	0.038+	0.018	0.021	0.009	0.048*	0.020	0.056**	0.083***	0.041+	0.028	0.030	0.046*	0.032	0.110***	0.040*	-0.009
	(0.46)	(3.59)	(1.70)	(1.03)	(1.46)	(0.44)	(2.49)	(1.13)	(3.13)	(3.35)	(1.78)	(1.72)	(0.89)	(2.26)	(1.90)	(5.14)	(2.47)	(-0.36)
N	219	198	219	219	219	219	219	219	208	208	219	219	219	219	219	117	219	219
adj. R^2	0.070	0.095	0.004	0.031	0.029	0.052	0.040	0.018	0.067	0.089	0.040	0.039	0.042	0.041	0.057	0.197	0.073	0.040

t statistics in parentheses
$^{+}p<0.10$ $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Table 12: 3-Month lagged populistic effect on Returns

Populistic effect after 3 months on Returns	**Austria Returns**	**Bulgaria Returns**	**Croatia Returns**	**Czech Republic Returns**	**France Returns**	**Greece Returns**	**Hungary Returns**	**Italy Returns**	**Latvia Returns**	**Lithuania Returns**	**Netherland Returns**	**Norway Returns**	**Poland Returns**	**Romania Returns**	**Slovakia Returns**	**Slovenia Returns**	**Sweden Returns**	**Switzerland Returns**
Populism In Government	0.045**		0.015	0.000		-0.021		-0.007	0.037**	-0.031*			0.024		-0.042***			0.027
	(-3.26)		(-0.54)	(0.00)		(-0.40)		(-0.74)	(-3.30)	(-2.30)			(-1.05)		(-3.44)			(-1.38)
Populism In Opposition	0.007	-0.055**	0.026+	0.028*	0.008	-0.052**	0.013				-0.013	-0.026*	-0.007	0.051+	-0.025*	-0.008	-0.043***	0.000
	(0.54)	(-3.04)	(1.69)	(2.10)	(1.09)	(-3.32)	(0.88)				(-1.02)	(-2.31)	(-0.26)	(1.91)	(-2.27)	(-0.57)	(-3.42)	(0.00)
Euribor	-0.009*	-0.013*	-0.007	-0.009*	-0.007*	-0.003	-0.009*	-0.006	-0.012**	-0.015**	-0.009*	-0.009*	-0.007*	-0.015+	0.005	-0.012*	-0.013**	-0.003
	(-2.07)	(-2.18)	(-1.16)	(-2.07)	(-2.35)	(-0.83)	(-2.22)	(-1.90)	(-3.11)	(-2.81)	(-2.35)	(-2.09)	(-2.14)	(-1.67)	(1.40)	(-2.24)	(-3.07)	(-1.26)
EPU (x10e-3)	0.069	-0.012	-0.129	-0.072	-0.030	0.012	-0.115	-0.034	-0.094	-0.115	-0.025	-0.008	-0.058	-0.006	-0.074	-0.499***	0.092	0.003
	(1.18)	(-0.13)	(-0.14)	(-1.21)	(-0.56)	(0.14)	(-1.63)	(-0.51)	(-1.23)	(-1.33)	(-0.45)	(-0.12)	(-0.84)	(-0.08)	(-1.16)	(-3.75)	(1.35)	(0.08)
ICI(x10e-2)	-0.098	-0.064	-0.012	-0.107	-0.034	-0.195*	-0.139*	-0.063	0.016	-0.088	-0.040	-0.025	-0.00145*	-0.002+	0.000360	0.000268	-0.000454	-0.000309
	(-1.42)	(-0.65)	(-0.10)	(-1.31)	(-0.63)	(-2.34)	(-2.16)	(-0.79)	(0.25)	(-0.98)	(-0.72)	(-0.46)	(-2.01)	(-1.86)	(-1.42)	(-0.65)	(-0.10)	(-1.31)
_cons	-0.013	0.073**	0.005	0.013	0.017	0.004	0.035*	0.017	0.041*	0.060**	0.033	0.033*	0.028	0.011	0.028+	0.098***	0.033*	-0.019
	(-0.59)	(2.73)	(0.25)	(0.89)	(1.38)	(0.19)	(2.19)	(1.10)	(2.47)	(2.87)	(1.57)	(2.00)	(0.91)	(0.57)	(1.86)	(4.05)	(2.01)	(-0.77)
N	218	198	218	218	218	218	218	218	208	208	218	218	218	218	218	117	218	218
adj. R^2	0.088	0.080	-0.007	0.034	0.027	0.058	0.040	0.017	0.055	0.067	0.035	0.028	0.034	0.028	0.057	0.138	0.072	0.039

t statistics in parentheses

$^{+}p<0.10$ $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Table 13: 12-month Lagged populistic effect on Returns

Populistic effect after 12 months on Returns	**Austria Returns**	**Bulgaria Returns**	**Croatia Returns**	**Czech Republic Returns**	**France Returns**	**Greece Returns**	**Hungary Returns**	**Italy Returns**	**Latvia Returns**	**Lithuania Returns**	**Netherlands Returns**	**Norway Returns**	**Poland Returns**	**Romania Returns**	**Slovakia Returns**	**Slovenia Returns**	**Sweden Returns**	**Switzerland Returns**
Populism In Government	0.016		0.020	-0.011		0.048		0.008	0.034**	-0.003			0.039		-0.033**			0.002
	(1.00)		(0.88)	(-0.73)		(1.48)		(0.87)	(2.78)	(-0.24)			(1.44)		(-2.94)			(0.07)
Populism In Opposition	-0.016	-0.043*	0.009	0.007	-0.009	-0.028	-0.006				0.018	0.015	0.077*	0.036	-0.013	-0.006	-0.006	0.011
	(-1.26)	(-2.38)	(0.61)	(0.61)	(-1.03)	(-1.40)	(-0.34)				(1.17)	(-1.43)	(2.39)	(1.28)	(-1.18)	(-0.45)	(-0.40)	(0.91)
Euribor	-0.005	-0.003	-0.003	0.000	-0.002	0.001	0.001	-0.002	-0.009+	0.000	-0.001	-0.005	0.003	-0.004	0.000	-0.002	-0.003	-0.002
	(-1.24)	(-0.57)	(-0.48)	(0.05)	(-0.73)	(0.25)	(0.20)	(-0.51)	(-1.95)	(0.03)	(-0.27)	(-1.25)	(0.74)	(-0.44)	(0.08)	(-0.46)	(-0.68)	(-0.91)
EPU (x10e-3)	0.0019	0.090	-0.104	0.019	0.070	0.113	-0.010	0.092	-0.133	0.042	0.067	-0.044	0.044	0.020	-0.128+	-0.042	0.077	0.068
	(0.02)	(0.93)	(-1.09)	(0.19)	(0.97)	(0.83)	(-0.11)	(1.02)	(-1.63)	(0.41)	(0.85)	(-0.49)	(0.50)	(0.15)	(-1.73)	(-0.26)	(0.80)	(1.25)
ICI(x10e-2)	-0.053	-0.076	-0.031	-0.078	-0.053	-0.036	-0.081	-0.048	-0.074	-0.122+	-0.058	-0.063	-0.067	-0.155*	0.007	-0.022	-0.073	-0.033
	(-1.05)	(-1.35)	(-0.56)	(-1.46)	(-1.10)	(-0.46)	(-1.44)	(-0.76)	(-1.09)	(-1.65)	(-1.21)	(-1.22)	(-1.26)	(-2.17)	(0.14)	(-0.49)	(-1.43)	(-0.97)
_cons	0.020	0.031	0.019	-0.005	-0.004	-0.021	0.005	-0.016	0.034*	-0.001	-0.023	0.025	-0.081*	-0.006	0.037**	0.012	-0.003	-0.007
	(0.88)	(1.26)	(1.10)	(-0.31)	(-0.26)	(-0.90)	(0.32)	(-0.99)	(2.05)	(-0.05)	(-1.19)	(1.34)	(-2.25)	(-0.27)	(2.65)	(0.41)	(-0.18)	(-0.23)
N	209	198	209	209	209	209	209	209	208	208	209	209	209	209	209	117	209	209
adj. R^2	0.027	0.036	-0.012	-0.005	0.016	0.016	-0.009	0.009	0.051	0.008	0.024	0.004	0.035	0.011	0.032	-0.025	0.011	0.008

t statistics in parentheses
$^{+}$ *p<0.10* * *p < 0.05,* ** *p < 0.01,* *** *p < 0.001*

Table 14: 1-month Lagged populistic effect on Volatility

Populistic effect after 1 month on Volatililty	**Austria**	**Bulgaria**	**Croatia**	**Czech Republic**	**France**	**Greece**	**Hungary**	**Italy**	**Latvia**	**Lithuania**	**Netherlands**	**Norway**	**Poland**	**Romania**	**Slovakia**	**Slovenia**	**Sweden**	**Switzerland**
Govern. Pop.	-0.012***		0.060***	-0.008*		0.010*		-0.004	0.011	-0.056***		-0.014***	-0.004		-0.018***			0.052***
	(-4.53)		-7.83	(-2.25)		-2.54		(-1.34)	-1.96	(-10.13)		(-4.64)	(-1.34)		(-4.02)			-8.38
Opp. Pop.	0.019***	0.005	0.054***	-0.021***	0.004	0.005	0.043***				-0.006		0.001	0.002	-0.006	-0.001	-0.009*	0.044***
	-6.15	-1.14	-8.02	(-4.94)	-1.41	-1.43	-5.71				(-1.77)		-0.39	-0.22	(-1.54)	(-0.20)	(-2.55)	-7.36
Euribor	0.005***	0.010***	-0.004*	0.011***	0.002***	-0.004***	0.000	-0.001	0.002*	-0.007***	0.003***	0.004***	0.008***	0.012***	0.005***	0.005***	0.004***	0.002***
	-7.28	-11.28	(-2.02)	-12.25	-3.49	(-5.90)	-0.23	(-1.95)	-2.1	(-4.30)	-4.24	-4.47	-10.09	-4.56	-5.22	-4.24	-3.94	-4.07
EPU ann.	0.012	0.094*	-0.001	0.068*	0.01	0.048	0.049	0.045	-0.07	0.082*	0.057**	0.006	0.092***	0.016	0.009	0.058*	-0.004	0.03
	-0.53	-2.34	(-0.02)	-2.52	-0.55	-1.45	-1.67	-1.89	(-1.39)	-2.07	-3.01	-0.34	-3.76	-0.29	-0.26	-2.06	(-0.17)	-1.93
ICI (x10e-2)	-0.166***	-0.284***	-0.182***	-0.172***	-0.123***	-0.112***	-0.124***	-0.139***	-0.095***	-0.134***	-0.161***	-0.140***	-0.110***	-0.172***	-0.063***	-0.121***	-0.111***	-0.093***
	(-9.55)	(-9.24)	(-7.05)	(-9.05)	(-9.94)	(-5.65)	(-7.36)	(-7.25)	(-5.16)	(-6.10)	(-12.38)	(-10.39)	(-5.21)	(-4.92)	(-5.36)	(-7.47)	(-7.82)	(-7.94)
Constant	0.027***	0.025***	0.022***	0.040***	0.037***	0.082***	0.051***	0.052***	0.045***	0.072***	0.041***	0.042***	0.035***	0.045***	0.039***	0.031***	0.040***	-0.024***
	-6.61	-4.87	-11.75	-15.96	-19.91	-35.47	-25.07	-31.94	-14.01	-12.71	-10.68	-14.8	-8.36	-14.51	-15.6	-15.99	-9.02	(-3.74)
N	220	186	220	220	220	220	220	220	196	196	220	220	220	220	220	117	220	220
adj. R^2	0.558	0.595	0.542	0.469	0.306	0.241	0.407	0.315	0.133	0.574	0.423	0.546	0.387	0.31	0.152	0.527	0.457	0.547

t statistics in parentheses

$^{+}$ *p<0.10* * *p < 0.05,* ** *p < 0.01,* *** *p < 0.001*

Table 15:2-month Lagged populistic effect on Volatility

Populistic effect after 2 months on Volatililty	**Austria**	**Bulgaria**	**Croatia**	**Czech Republic**	**France**	**Greece**	**Hungary**	**Italy**	**Latvia**	**Lithuania**	**Netherlands**	**Norway**	**Poland**	**Romania**	**Slovakia**	**Slovenia**	**Sweden**	**Switzerland**
Govern. Pop.	-0.013***		0.055***	-0.008*		0.016**		-0.004	0.01	-0.053***		-0.012***	-0.005		-0.021***			0.046***
	(-4.78)		-7.18	(-2.42)		-2.99		(-1.28)	-1.69	(-9.51)		(-3.81)	(-1.85)		(-4.97)			-6.9
Opp. Pop.	0.019***	0.006	0.051***	-0.021***	0.002	0.008*	0.039***				-0.004		-0.001	0.003	-0.008*	-0.002	-0.007*	0.039***
	-6.25	-1.49	-7.69	(-5.15)	-0.92	-2.19	-5.23				(-1.11)		(-0.38)	-0.29	(-2.07)	(-0.45)	(-2.00)	-5.99
Euribor	0.005***	0.011***	-0.003	0.011***	0.002***	-0.004***	0.001	-0.001	0.003**	-0.006***	0.004***	0.005***	0.008***	0.012***	0.006***	0.006***	0.005***	0.002***
	-8.27	-12.13	(-1.36)	-13.08	-4.48	(-5.69)	-1.27	(-1.36)	-2.66	(-3.43)	-5.41	-5.34	-10.75	-4.82	-5.86	-5.06	-5.09	-4.71
EPU ann.	-0.002	0.087**	-0.013	0.046*	-0.009	0.033	0.029	0.017	-0.058	0.056	0.032	-0.002	0.059**	-0.01	0.012	0.036	-0.024	0.011
	(-0.12)	-2.76	(-0.27)	-2.02	(-0.45)	-1.02	-1.04	-0.74	(-1.20)	-1.41	-1.72	(-0.11)	-2.64	(-0.19)	-0.45	-1.38	(-1.13)	-0.71
ICI (x10e-2)	-0.169***	-0.295***	-0.199***	-0.178***	-0.126***	-0.114***	-0.128***	-0.148***	-0.106***	-0.149***	-0.165***	-0.143***	-0.120***	-0.183***	-0.070***	-0.120***	-0.115***	-0.100***
	(-9.86)	(-9.61)	(-7.25)	(-9.01)	(-10.84)	(-6.00)	(-7.33)	(-7.97)	(-5.54)	(-6.65)	(-12.67)	(-10.33)	(-5.63)	(-5.12)	(-6.55)	(-7.65)	(-8.51)	(-8.87)
Constant	0.026***	0.022***	0.021***	0.039***	0.037***	0.081***	0.050***	0.051***	0.043***	0.068***	0.038***	0.040***	0.037***	0.044***	0.039***	0.031***	0.037***	-0.019**
	-6.49	-4.35	-10.75	-15.71	-19.47	-35.01	-25.11	-31.72	-13.31	-12.33	-10	-13.51	-9.31	-14.08	-16.54	-16.42	-8.81	(-2.74)
N	219	186	219	219	219	219	219	219	196	196	219	219	219	219	219	117	219	219
adj. R^2	0.59	0.65	0.544	0.501	0.33	0.271	0.396	0.35	0.146	0.557	0.442	0.56	0.413	0.333	0.195	0.542	0.484	0.53

t statistics in parentheses
$^{+}$ *p<0.10* * *p < 0.05,* ** *p < 0.01,* *** *p < 0.001*

Table 16: 3-month Lagged populistic effect on Volatility

Populistic effect after 3 months on Volatililty	**Austria**	**Bulgaria**	**Croatia**	**Czech Republic**	**France**	**Greece**	**Hungary**	**Italy**	**Latvia**	**Lithuania**	**Netherlands**	**Norway**	**Poland**	**Romania**	**Slovakia**	**Slovenia**	**Sweden**	**Switzerland**
Govern. Pop.	-0.013***		0.050***	-0.006*		0.023***		-0.003	0.008	-0.051***		-0.009**	-0.006		-0.022***			0.041***
	(-5.02)		-6.63	(-2.01)		-3.46		(-1.28)	-1.49	(-8.97)		(-3.00)	(-1.72)		(-5.10)			-5.89
Opp. Pop.	0.020***	0.007	0.048***	-0.020***	0.001	0.010**	0.034***				-0.002		-0.004	0.002	-0.009*	-0.002	-0.004	0.034***
	-6.72	-1.7	-7.47	(-5.33)	-0.42	-3.02	-4.78				(-0.47)		(-1.05)	-0.23	(-2.35)	(-0.73)	(-1.36)	-5.02
Euribor	0.006***	0.012***	-0.001	0.012***	0.003***	-0.004***	0.002*	0.000	0.003**	-0.005**	0.004***	0.005***	0.008***	0.013***	0.006***	0.006***	0.006***	0.003***
	-9.2	-12.92	(-0.71)	-13.74	-5.45	(-5.43)	-2.45	(-0.68)	-3.26	(-2.64)	-6.44	-6.09	-11.58	-5.2	-6.29	-5.79	-6.43	-5.66
EPU ann.	-0.009	0.068*	-0.041	0.036	-0.019	0.024	0.014	-0.001	-0.067	0.022	0.014	-0.006	0.037	-0.033	0.018	0.012	-0.040*	-0.008
	(-0.44)	-2.46	(-0.87)	-1.61	(-0.98)	-0.75	-0.5	(-0.04)	(-1.43)	-0.56	-0.79	(-0.36)	-1.64	(-0.68)	-0.65	-0.48	(-2.03)	(-0.55)
ICI (x10e-2)	-0.171***	-0.301***	-0.213***	-0.182***	-0.127***	-0.116***	-0.130***	-0.156***	-0.114***	-0.162***	-0.166***	-0.144***	-0.129***	-0.190***	-0.074***	-0.120***	-0.116***	-0.106***
	(-10.17)	(-9.94)	(-7.40)	(-9.05)	(-11.70)	(-6.53)	(-7.33)	(-8.96)	(-5.73)	(-6.87)	(-13.26)	(-10.03)	(-6.13)	(-5.28)	(-7.04)	(-7.79)	(-8.95)	(-10.38)
Constant	0.024***	0.019***	0.020***	0.037***	0.036***	0.079***	0.049***	0.050***	0.042***	0.065***	0.035***	0.037***	0.038***	0.043***	0.038***	0.031***	0.035***	-0.014*
	-6.12	-3.88	-10	-15.77	-18.96	-34.44	-24.81	-31.56	-12.69	-11.87	-9.27	-12.39	-9.35	-13.63	-16.53	-16.93	-8.61	(-2.01)
N	218	186	218	218	218	218	218	218	196	196	218	218	218	218	218	117	218	218
adj. R^2	0.62	0.694	0.546	0.534	0.347	0.308	0.39	0.385	0.166	0.545	0.462	0.574	0.452	0.355	0.211	0.574	0.51	0.522

t statistics in parentheses

$^{+}p<0.10$ $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

Table 17: 12-month Lagged populistic effect on Volatility

Populistic effect after 12 months on Volatililty	Austria	Bulgaria	Croatia	Czech Republic	France	Greece	Hungary	Italy	Latvia	Lithuania	Netherlands	Norway	Poland	Romania	Slovakia	Slovenia	Sweden	Switzerland
Govern. Pop.	-0.018***		0.021***	0		0.054***		-0.006*	-0.007	-0.014**		0.006*	-0.006*		-0.022***			-0.018***
	(-5.82)		-5.03	(-0.12)		-23.6		(-2.03)	(-1.67)	(-2.60)		-2.06	(-2.23)		(-5.56)			(-6.16)
Opp. Pop.	0.018***	0.016***	0.008	-0.016***	-0.001	0.032***	0.003				0.003		0.003	0.012	-0.014***	-0.010***	0.010***	0.002*
	-7.21	-4.04	-1.29	(-7.62)	(-0.66)	-9.53	-0.87				-0.99		-1.07	-1.45	(-3.82)	(-3.47)	-4.2	-2.15
Euribor	0.009***	0.020***	0.013***	0.014***	0.006***	-0.001	0.006***	0.004***	0.009***	0.009***	0.009***	0.010***	0.011***	0.014***	0.007***	0.011***	0.012***	0.004***
	-8.27	-18.12	-4.75	-14.58	-8.91	(-0.83)	-6.67	-4.82	-7.62	-4.63	-9.96	-9.66	-21.76	-5.31	-9.48	-15.85	-15.24	-8.02
EPU ann.	0.071***	0.113***	0.097*	0.01	-0.021	-0.042	0.016	-0.009	0.024	0.029	-0.024	0.054**	-0.033	0.065	0.109***	0.011	-0.036*	-0.050***
	-3.7	-3.48	-2.15	-0.56	(-0.81)	(-1.42)	-0.67	(-0.33)	-0.82	-0.9	(-1.12)	-2.93	(-1.87)	-1.85	-4.07	-0.46	(-2.15)	(-4.17)
ICI (x10e-2)	-0.055***	-0.127***	-0.154***	-0.096***	-0.052***	-0.032*	-0.037**	-0.121***	-0.097***	-0.203***	-0.095***	-0.047***	-0.064***	-0.130***	-0.051***	-0.050***	-0.048***	-0.053***
	(-4.42)	(-7.70)	(-4.64)	(-6.65)	(-5.26)	(-2.40)	(-2.97)	(-8.52)	(-5.57)	(-8.23)	(-7.42)	(-4.71)	(-7.61)	(-6.62)	(-4.51)	(-6.35)	(-4.30)	(-6.51)
Constant	0.022***	0.002	0.015***	0.031***	0.033***	0.071***	0.045***	0.044***	0.030***	0.024***	0.025***	0.026***	0.028***	0.032***	0.033***	0.031***	0.019***	0.045***
	-5.5	-0.44	-5.04	-18.71	-15.69	-28.33	-20.43	-19.69	-7.85	-3.93	-5.72	-9.53	-7.5	-11.33	-16.25	-16.81	-6.35	-11.9
N	209	186	209	209	209	209	209	209	196	196	209	209	209	209	209	117	209	209
adj. R^2	0.518	0.728	0.439	0.621	0.27	0.457	0.329	0.238	0.247	0.533	0.46	0.56	0.696	0.451	0.283	0.713	0.601	0.531

t statistics in parentheses
$^{+}p<0.10$ $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.0$

Appendix 2

Basis of Huber & Schimpf (2016)database: ParlGov database (Döring and Manow 2016)

Döring, Holger and Philip Manow. 2016. Parliaments and governments database (ParlGov): Information on parties, elections and cabinets in modern democracies. Experimental version

Overview

We include elections and cabinets in *established democracies*. More specifically, we include democratic national lower house elections and EP elections for *all EU and most OECD members*. For the latter, we exclude presidential systems. We record all elections and succeeding cabinets after 1945 or after full democratization according to Boix ea. (2013).

We have started to include elections and cabinets before 1945. We record information after 1900 or after the last democratic transition (Boix ea. 2013). As of today, these observations are experimental and may be incomplete.

Parties

Coding rules

We include parties winning *more than 1.0% vote share* in elections we cover

Minor additions

- winning 2 seats in an election (eg. member of an electoral alliance)
- electoral alliances with at least 2 election results
- party groups that form in parliament
  - more than 5.0% seat share (eg. ITA FLI)
  - forming in two parliamentary terms (eg. FRA GDR)
  - members of cabinet
  - providing minority support to a cabinet
- independent candidates with more than 1.0% vote share (eg. IRL Independent – Thomas (TJ) Maher)
- less than 1.0% vote share
  - winning 1 seat in 2 elections
  - 2 election results as largest party no seats (first loser)
- special categories: 'no-seat' and 'one-seat' (see election)

We avoid including minor parties or candidates that win a seat only in one election due to low threshold requirements.

Party change

New parties are recorded in 'party_change' and 'party_name_change'.

Mergers and party splits are only added as a new party if the (largest) predecessor party won less than 75% of the combined vote of all preceding parties in the last election. Otherwise the largest party is just renamed.

Details

- Splits and re-mergers are recorded in the original party (eg. JPN DP)

Party names

Party names are sentence case if no national (language) convention requires title case

- eg. party names for Germany are title case (German and English)

Party names and delimiters · *recoding to be finished*

- '–' different languages
- '/' ('+') alliances
- '|' generic names

Year added to smaller party name if identical names exist in a country (eg. SZ-92; Green Party -- 1992; Strana zelených – 1992)

Party positions

We provide aggregated party positions in four major dimensions. These positions are time-invariant unweighted mean values of information from party expert surveys on a 0 to 10 scale. All expert surveys are linked with ids from the 'party' table and original values are rescaled before calculating the mean

Missing party positions for each dimension are imputed by mean values for the respective party family. We distinguish mean and imputed values by the number of decimal places. Mean values based on external datasets have five decimal places and imputed values have one decimal place only.

Variables and sources

- left/right — Castles/Mair 1983 (*left/right*), Huber/Inglehart 1995 (*left/right*), Benoit/Laver 2006 – (*left/right*), CHES 2010 (*lrgen* 1999 and 2002 and 2006)
- state/market — Benoit/Laver 2006 (*taxes/spending*), CHES 2010 (*lrecon* 1999 and 2002 and 2006)
- liberty/authority — Benoit/Laver 2006 (*social*), CHES 2010 (*galtan* 1999 and 2002 and 2006)
- EU anti/pro — Ray 1999 (*pos96*), Benoit/Laver 2006 (*euauthority* or *eulargerstronger* or *eujoining*), CHES 2010 (*position* 1999 and 2002 and 2006)

Party families

We classify parties into families by their position in an economic (state/market) and a cultural (liberty/authority) left/right dimension.

The classification leads to eight party family categories: Communist/Socialist, Green/Ecologist, Social democracy, Liberal, Christian democracy, Agrarian, Conservative, Right-wing.

We add further information about party families in a separate table (see party_family).

Elections

Coding rules

We include election results for

1. all parties that won *1.0% vote share*

2. all parties that won *2 seats* (esp. alliance members)

Details

- a party that won *less than 1.0%* vote share and *1 seat*
  - several election results — included into the list of ParlGov parties
  - single election result — recorded as a 'one-seat' party (eg. Poland)
- a party that won *less than 1.0%* vote share but was the *largest party that won no seat* (first loser)
  - several election results — included into the list of ParlGov parties
  - single election result — recorded as a 'no-seat' party (eg. Austria)
- a party that won *less than 1.0%* vote share and *no seat* but is recorded in ParlGov through another election
  - included are only the election results with more that 1.0% vote share
- parliamentary party groups
  - party group seat compositions different to election results
  - significant changes in the composition of party groups (more than 5.0% seat share)
- electoral alliances
  - electoral alliances are recorded by linking election results (variable 'alliance_id ') of alliance members to an alliance or the strongest party in an electoral alliance
    - each electoral alliance or alliance member recorded as an individual party should include 2 elections, if feasible
    - alliances of parties that are part of a broader alliance are recorded with a 'data_json' ['alliance_alliance_id'] entry (eg. Italy 1996)
  - *votes* are coded at the level of electoral results for all alliance members [recoding to be finished]
  - *seats* are coded for alliance members, if feasible [recoding to be finished]
    - seats of an alliance that forms a parliamentary group with members running independently are recorded for alliance members and with a 'parliament_change' (eg. Germany CDU/CSU)
    - seats of alliance members are recorded if no information about the parliamentary party group status is available
    - a 'data_json' key 'seats_alliance' is added to the alliance to check data consistency
    - a 'one seat' party which is part of an electoral alliance is coded as an alliance member (eg. Hungary 2014)
- 'others'
  - only number of seats recorded

Earlier versions of ParlGov included only parties with seats in parliament and updating all countries to the 1.0% vote share rule was completed in December 2014.

Data sources

National elections
Main sources

- official data source – national statistical office – see country notes
- Nohlen — Elections: A Data Handbook – various volumes of elections around the world
- Mackie/Rose (1945–1990) — only Western democracies
- Essex elections data on Post-Communist Europe (1990–200x)
- EJPR Political Data Yearbook (1990–today)
- CEVIPOL Electoral results — Europe and Latin-America

Others

- Parline

- Rokkan/Meyriat (1920–1965) — only Western democracies
- Rose/Munro (1990–2001) — Post-Communist Europe

European parliament elections
Sorted by preference for coding selection

1. official data source – national statistical office
2. European Parliament (EP) election report (esp. 1979–1999) — based on official statistics
3. EJPR yearbook (1990–today)

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Cabinets

Cabinet definition

We record a new cabinet for these events (cf. Budge/Keman 1993: 10)

1. any change of parties with cabinet membership
2. any change of the prime minister
3. any general election

All parties with ministers in cabinet are included (Indridason/Bowler 2014: 396)

1. right to attend cabinet meetings
2. right to cast vote before cabinet (if applicable)

Details

- three month constraint
  - a continuation (caretaker) cabinet (subset of previous coalition, no new party) is coded once for any change lasting longer than three months
- any meaningful investiture procedure defines a new cabinet (eg. TUR Ciller II)
- any meaningful resignation defines a new cabinet
  - a formal resignation request (eg. Figl III)
  - a successful dissolution request under negative parliamentarism (eg. SWE Erlander VII)
  - a lost vote of confidence (or early election vote) and change to caretaker status (eg. SVK Radicova II, ISR Netanyahu II 1998)
- cabinet parties not included
  - ministers without portfolio, interim or junior ministers
  - cabinet members without party affiliation (party family 'none') are only coded if the prime minister has no party affiliation
  - parties supporting a (minority) cabinet are included in table 'cabinet support' — if information available
- country specific
  - Switzerland: changes in the identity of the President of the Swiss Confederation (Bundespräsident) do not define a new cabinet (cf. Kriesi/Trechsel 2008, 75-76)

Examples

- three month constraint
  - POL Kaczynski (2006) — coded as one cabinet
    - SRP withdraws from cabinet on 22 September 2006 (party composition change) and re-enters on 16 October
    - SRP and LPR dismissal on 13 August 2007 (party composition change) — elections take place on 19 October 2007 (within three months)
  - BEL Leterme III (2010) — coded as one cabinet (three month constraint)
    - Previous coalition collapses on 26 April 2010 (party composition change) — new elections on 13 June. Pre-election caretaker cabinets lasts for less and post-election cabinet for more than three months.
  - 'data_json' entry 'three_month_rule' in 'cabinet' table lists cabinets were the rule is applied to add (or not to add) a caretaker cabinet (experimental version)
  - further examples: AUT Gorbach II (1962), GDR Maizere (1990), NLD Balkenende V (2010)
- PM appointment without cabinet appointment — Andreotti I and Pawlak I
- party formation and dissolution — AUT Schuessel III (2003) [json: 'party_split'], IRL Cowen (2008), ROU Boc III (2010)

Damgaard (1994: 194-95) and Müller/Strom (2000: 12) provide a more comprehensive discussion of cabinet definitions.

Caretaker

Cabinets with a limited legislative mandate (cf. McDonnell/Valbruzzi 2014)

- non-partisan: cabinet members without partisan affiliation
- provisional: appointed post-transition cabinet
- technical: institutional reasons
- continuation (tree month rule): cabinet continuing in office — see above

Cabinet type

Government status (minority, minimum winning or surplus majority) is determined only by the seat share of government parties in parliament and not coded manually. Currently, the script does not take into account any changes in the composition of parliament during the legislative term.

If there is an electoral alliance with separate seat shares but one of the parties is not a cabinet member, the government will be treated as a minority government (eg. UK 1951). Similarly, if any of the governing parties can be removed and the other governing parties still hold a majority in parliament, the cabinet is considered to be a surplus majority cabinet.

Cabinet termination

Experimental version only — coding has yet to be completed

Coding rule: The same events that define a new government are used to define the termination date of a government. Cabinets may remain in office for a short period after the initial terminal event. The 'description' field should give a short description of events other than an election that led to the fall of a government and these events should be coded in the 'data_json' field.

Presidents

We include all party-affiliated heads of state. Short-term acting presidents are not included.

Data sources

For new cabinets and revisions of observations, we derive information about cabinet termination from news sources, preferably from the news agencies Reuters, AFP or the main national news agency

For West European countries we double checked our initial observations with the data in Müller/Strom (2000). For Central- and Eastern European countries we compared our information to Müller-Rommel ea. (2008).

Appendix 3: country values MAR

	Austria Return	Belgium Return	Bulgaria Return	Croatia Return	Cyprus Return	Czech Republic Return	Denmark Return	Estonia Return
average	0.006	0.004					0.006	
two week back	0.003	-0.001					-0.014	
difference (2wb-avg)	**-0.004**	**-0.005**					**-0.020**	
4 week forward	-0.005	-0.003					-0.010	
difference	**-0.018**	**-0.011**					**0.010**	
	2001italia							
average	0.001	0.000		0.004		-0.007	0.001	-0.003
two week back	-0.009	0.006	0.179	-0.008		-0.022	0.004	0.009
difference (2wb-avg)	**-0.011**	**0.006**		**-0.012**		**-0.015**	**0.003**	**0.012**
4 week forward	0.004	0.001	0.006	-0.011		0.015	0.014	0.019
difference	**0.002**	**0.001**		**-0.014**		**0.021**	**0.013**	**0.022**
	2006italia							
average	0.009	0.004	0.001	0.005	0.015	0.006	0.005	0.002
two week back	0.012	-0.005	0.001	0.014	0.018	0.000	-0.004	0.010
difference (2wb-avg)	**0.003**	**-0.009**	**0.000**	**0.009**	**0.003**	**-0.005**	**-0.009**	**0.008**
4 week forward	0.012	0.004	0.003	0.020	0.034	-0.004	0.004	0.000
difference	0.004	0.000	0.002	0.015	0.019	-0.009	0.000	-0.001
	2008Italia							
average	-0.002	-0.002	0.000	-0.002	-0.003	-0.001	-0.001	-0.006
two week back	0.059	0.033	0.002	-0.030	0.087	0.022	0.041	-0.004
difference (2wb-avg)	0.062	0.035	0.003	-0.028	0.090	0.023	0.041	0.003
4 week forward	0.021	0.005	-0.014	0.018	0.010	0.010	-0.002	-0.013
difference	0.023	0.007	-0.013	0.021	0.013	0.011	-0.002	-0.006
	1997France							
average	0.002	0.005				-0.001	0.008	0.020
two week back	0.016	-0.003		-0.037		-0.018	0.032	-0.024
difference (2wb-avg)	0.014	-0.008				-0.017	0.024	-0.044
4 week forward	0.011	0.016		0.004		0.002	0.005	0.014
difference	0.009	0.011				0.002	-0.003	-0.006
	2012France							
average	-0.006	-0.004	-0.007	-0.006	-0.027	-0.006	-0.001	-0.002
two week back	-0.015	-0.010	-0.017	-0.028	-0.100	-0.005	-0.030	-0.008
difference (2wb-avg)	-0.008	-0.006	-0.010	-0.022	-0.073	0.001	-0.029	-0.006
4 week forward	0.021	0.024	0.001	0.010	0.001	0.014	0.021	0.008
difference	0.027	0.029	0.008	0.016	0.028	0.020	0.022	0.010

Finland Return	France Return	Germany Return	Greece Return	Hungary Return	Ireland Return	Italy Return	Latvia Return	Lithuania Return	Luxembourg Return	Malta Return
0.013	0.002	0.004	0.007	0.018	0.006					
-0.020	-0.004	0.005	0.000	0.015	0.001					
-0.033	**-0.006**	**0.001**	**-0.007**	**-0.003**	**-0.005**					
-0.004	-0.005	0.011	-0.019	-0.022	-0.007					
0.051	**-0.061**	**0.012**	**-0.034**	**-0.028**	**-0.002**					
-0.007	-0.003	-0.003	-0.005	-0.004	0.002	-0.006	0.004	-0.003	-0.007	-0.006
-0.049	-0.017	-0.002	-0.029	0.016	-0.004	-0.010	-0.006	-0.014	-0.009	-0.013
-0.042	**-0.015**	**0.001**	**-0.024**	**0.020**	**-0.006**	**-0.005**	**-0.010**	**-0.011**	**-0.002**	**-0.006**
-0.010	-0.003	0.002	-0.011	0.001	0.019	0.007	0.008	-0.007	0.018	-0.008
-0.003	**0.000**	**0.006**	**-0.006**	**0.005**	**0.017**	**0.012**	**0.004**	**-0.004**	**0.026**	**-0.002**
0.007	0.005	0.006	0.008	0.006	0.005	0.002	0.006	0.006	0.008	0.011
0.002	0.003	0.008	0.023	0.019	-0.005	0.004	0.005	0.024	-0.004	-0.036
-0.005	**-0.002**	**0.001**	**0.015**	**0.013**	**-0.010**	**0.002**	**-0.002**	**0.018**	**-0.012**	**-0.048**
0.006	0.005	0.005	0.001	0.016	0.002	0.007	0.000	-0.017	0.012	-0.023
-0.001	0.000	-0.001	-0.006	0.010	-0.003	0.005	-0.006	-0.022	0.004	-0.034
0.000	-0.002	0.000	-0.001	-0.001	-0.006	-0.007	-0.004	-0.001	0.002	-0.001
0.049	0.044	0.039	0.052	0.014	0.019	-0.021	0.016	-0.019	0.054	0.002
0.049	0.046	0.039	0.054	0.015	0.025	-0.014	0.020	-0.017	0.052	0.002
-0.008	0.006	0.009	0.008	0.008	0.004	-0.052	-0.004	-0.009	0.010	-0.008
-0.009	0.008	0.009	0.009	0.009	0.010	-0.045	0.000	-0.008	0.008	-0.007
0.008	0.006	0.007	0.013	0.015	0.005					0.001
0.005	0.021	0.011	0.049	-0.002	0.012					0.001
-0.003	0.015	0.003	0.036	-0.017	0.007					0.000
0.009	0.002	0.011	-0.006	0.019	0.009					0.004
0.001	-0.004	0.004	-0.019	0.004	0.004					0.002
-0.007	-0.005	-0.003	-0.015	-0.005	0.001	0.001	-0.002	-0.003	-0.006	-0.002
-0.032	-0.012	-0.028	-0.040	-0.003	-0.002	-0.013	-0.021	-0.012	-0.018	0.011
-0.026	-0.007	-0.025	-0.025	0.002	-0.003	-0.014	-0.019	-0.008	-0.012	0.013
0.019	0.024	0.021	0.055	0.012	0.012	0.015	0.006	0.008	0.018	-0.001
0.025	0.028	0.024	0.070	0.018	0.011	0.014	0.009	0.011	0.024	0.000

Netherlands Return	Norway Return	Poland Return	Portugal Return	Romania Return	Slovakia Return	Slovenia Return	Spain Return	Sweden Return	Switzerland Return	United Kingdom Return	amount of negatives	amount of positives	**average reaction**
0.005	0.008	0.056	0.009				0.007	0.008	0.005	0.002	0	17	**0.010**
-0.010	-0.008	-0.048	0.004		0.000		-0.012	-0.015	-0.020	-0.016	12	6	**-0.008**
-0.015	**-0.016**	**-0.104**	**-0.005**				**-0.019**	**-0.022**	**-0.025**	**-0.018**	16	1	**-0.018**
0.003	-0.002	-0.129	-0.006		-0.031		-0.020	-0.004	0.006	-0.005	15	3	**-0.014**
-0.001	**0.029**	**-0.114**					**-0.076**	**0.015**	**-0.015**	**-0.030**	11	5	**-0.017**
-0.002	0.002	-0.005	-0.004	0.004	0.004		-0.003	-0.007	0.000	-0.001	18	9	**-0.002**
-0.004	-0.007	-0.033	-0.014	-0.018	0.014		-0.024	-0.014	-0.012	-0.017	22	6	**-0.004**
-0.002	**-0.008**	**-0.029**	**-0.010**	**-0.022**	**0.010**		**-0.021**	**-0.007**	**-0.012**	**-0.016**	21	6	**-0.009**
-0.001	0.004	0.005	-0.017	0.017	0.021		-0.001	-0.003	0.002	0.000	11	17	**0.003**
0.001	**0.002**	**0.010**	**-0.013**	**0.013**	**0.018**		**0.002**	**0.004**	**0.002**	**0.001**	7	20	**0.005**
0.005	0.010	0.008	0.005	0.007	-0.001		0.005	0.006	0.006	0.004	1	28	**0.006**
0.001	0.024	0.021	0.008	-0.016	0.011	0.032	-0.001	0.001	0.008	0.008	7	23	**0.006**
-0.004	**0.014**	**0.013**	**0.002**	**-0.023**	**0.012**		**-0.006**	**-0.005**	**0.002**	**0.004**	14	15	**-0.001**
0.001	0.010	0.022	-0.006	0.001	-0.011	0.018	0.005	-0.001	0.000	0.000	8	22	**0.004**
-0.004	0.000	0.014	-0.012	-0.006	-0.010		0.001	-0.007	-0.006	-0.004	20	9	**-0.002**
-0.001	0.000	-0.002	-0.001	-0.002	0.002	0.000	-0.001	-0.003	-0.003	0.000	25	5	**-0.002**
0.045	0.047	0.032	0.046	0.033	-0.003	-0.056	0.036	0.054	0.044	0.046	6	24	**0.026**
0.047	0.047	0.034	0.046	0.035	-0.005	-0.055	0.037	0.057	0.047	0.047	5	25	**0.028**
0.009	0.022	-0.007	0.001	-0.006	-0.007	0.035	0.003	0.004	0.001	0.009	11	19	**0.002**
0.010	0.022	-0.005	0.002	-0.004	-0.009	0.035	0.004	0.008	0.004	0.009	11	19	**0.004**
0.007	0.006	0.007	0.008		-0.001		0.009	0.007	0.008	0.004	2	19	**0.007**
0.009	0.010	-0.008	-0.004		0.007		0.014	0.010	0.013	0.021	7	15	**0.006**
0.002	0.004	-0.015	-0.012		0.007		0.005	0.002	0.005	0.017	8	13	**0.001**
0.017	0.012	-0.003	0.025		-0.024		0.016	0.015	0.010	0.005	3	19	**0.008**
0.010	0.007	-0.010	0.017		-0.024		0.008	0.008	0.002	0.001	6	15	**0.001**
-0.003	-0.002	-0.005	-0.009	-0.003	-0.004	-0.006	-0.009	-0.003	-0.002	-0.002	28	2	**-0.005**
-0.013	-0.027	-0.007	-0.029	-0.024	-0.008	-0.009	-0.022	-0.015	-0.009	-0.004	29	1	**-0.018**
-0.010	-0.025	-0.002	-0.020	-0.020	-0.004	-0.003	-0.013	-0.012	-0.007	-0.002	27	3	**-0.013**
0.023	0.022	0.022	0.018	0.016	-0.005	-0.017	0.034	0.020	0.017	0.018	3	27	**0.015**
0.027	0.024	0.026	0.027	0.020	-0.001	-0.011	0.043	0.023	0.019	0.020	2	28	**0.020**