

**ERASMUS UNIVERSITY ROTTERDAM**

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## **Populism Fuelled by Globalization? A Fixed Effects Approach to the European Parliament Elections**

Name student: Pim Zuiderduin

Student ID number: 557880

Supervisor: Dr. A. Erbahar

Second assessor: Dr. D. Sisak

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### **Abstract**

This paper studies the relationship between globalization and vote shares for populist parties in the European Parliament (EP) elections. Using data on populist vote shares by Zulianello and Larsen (2021) and globalization data from the KOF institute, this thesis tries to analyse the association between multiple types of globalization and votes for (left-wing and right-wing) populist parties in the EP elections over the period 1979-2019. In particular by looking at the special case of the EP as an institute where decisions are made influencing trade-and financial globalization. The main result of this paper is that globalization does not significantly increase the vote shares for right-wing nor left-wing populist parties in the European parliament elections between 1979 and 2019.

The views stated in this thesis are those of the author and not necessarily those of the supervisor, second assessor, Erasmus School of Economics or Erasmus University Rotterdam.

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# 1. Introduction

Populism started to emerge from 1980 onwards and has gained popularity ever since. In Europe, populist parties received around 10 percent of the votes in 1980, while 20 percent of the voters cast their vote for them in 2019 during national elections (Heinö, 2017). However, also in elections for European Parliament (EP), there is a large presence of populist parties. Especially in Italy (66.6%), Hungary (62.2%), Slovenia (52.1%), Poland (49.1%) and Bulgaria (45.7%) populist parties are getting large vote shares (Zulianello & Larsen, 2021).

This populist trend is concerning since it can threaten liberal democracies, to the extent that populists feel that some crucial features of liberal democracies, like checks and balances, are undermining or constricting the “general will”. Populist parties present themselves as outsiders of the traditional parties and therefore are the only real representatives of this “general will”. The presence of populist parties, especially when in government, can therefore have a negative impact on the quality of institutions (Albertazzi and Mueller, 2013; Plattner, 2010).

To take a closer look into the European Union and the specific implications for their institutions and values, Bélanger and Wunsch (2022) conducted research on the impact of right-wing populists in the European Parliament on the discourse around the enlargement of the European Union. They found that right-wing populists show increasing hostility towards the introduction of new EU-members. Furthermore, this hostility is rooted in an identity-related discourse focusing on cultural and religious aspects which contrast the fundamental values of the European Union.

Empirical research within the field of economics on the underlying causes of populism, proxying globalization by import competition from China, for example Barone and Kreuter (2021) found that trade globalization increased support for populist parties in Italy. However, globalization means more than only import competition from China. Bergh and Kärnä (2021) used the KOF Globalization Index in their analysis to find support for positive association between globalization and vote shares for populist parties in European national elections, however they concluded that they could not find evidence for this. Empirical research on the association between globalization and populism is therefore not yet conclusive.

Zulianello and Larsen (2021) provided the foundation for performing a similar analysis to Bergh and Kärnä (2021) but focusing now on the European Parliament elections, by presenting the first overview of the performance of populist parties in the European Parliament elections from 1979 until 2019. Furthermore, research on the specific case of the European

Parliament can be scientifically relevant as policies regarding economic globalization are set at the European Union level instead of the national level.

This thesis relies on the dataset on electoral results of populist parties in the European Parliament elections by Zulianello and Larsen (2021) and the KOF globalization index (Gygli et al. 2019) to analyse the association between multiple types of globalization and votes for (left-wing and right-wing) populist parties in the European Parliament elections over the period 1979-2019. Therefore, the research question of this thesis is the following.

“What is the effect of globalization on the vote shares of populist parties in the European Parliament elections?”

From previous literature and empirical research, this thesis is expected to find a positive cross-country association between globalization and votes for populist parties in the European Parliament elections. The findings of this thesis, however, do not find statistically significant evidence for a positive association between (economic) globalization and an increase in the vote shares for right-wing nor left-wing populist parties in the European parliament elections between 1979 and 2019.

The next section, Section 2, will present the literature review, where prior literature will support the underlying reasoning of this research by providing theoretical evidence. Subsequently, Section 3, will introduce the data used in the analysis, including data source description and the sample selection procedure. Thereafter, the methodology and the rationale behind it will be described in Section 4. Section 5 will discuss the main results and robustness checks of this analysis. Finally, the conclusion of this thesis will be presented in Section 6, as well as a discussion of the main implications and limitations of this research.

## 2. Literature Review

### 2.1 Populism

Over the recent years, populism has become a topic on which a lot of research has been performed. With contributions on definitions Mudde (2004), differences across types of populism (Rodrik, 2018) and its implications (Inglehart and Norris 2019; Taggart 2004). The definition that the literature is reaching a consensus on is formulated by Huber and Schimpf (2017) and consists of four characteristics central to populism: centred around the people, the idea that politics should follow the “general will” of the people as a homogenous entity, an anti-establishment orientation, and the perception to be in a permanent crisis. The underlying reason for the rise of populism is explained by Guiso et al. (2017) as a preference for short-term protection policies, based on supply and demand. The demand for populism is driven by economic insecurity and a decline in traditional parties or institutions, while on the supply side the driving force are new parties that are trying to reflect these voters’ sentiments.

These main ideas concerning populism are attached to the host-ideology which can either be inclusive, in the case of left-wing populism, or exclusive, in the case of right-wing populism. The host-ideology depends on the societal cleavages highlighted by populists, Rodrik (2018) argues. Voters are more easily mobilized along ethno-national/cultural cleavages when globalization shocks become visible through immigration or refugee streams. This story is most prominent in western-Europe and is mainly used by right-wing populist in the light of some sort of nationalism. In southern Europe the story of income/social cleavages are more dominant, since globalization shocks there make themselves felt through trade, finance, and foreign direct investments; based on the pillars of socialism.

The distinction between left-wing populism and right-wing populism is not only important because of their different “story”, but also because of their different behaviour in parliament. Otjes and Lauwerse (2015) found that the main driver of populist party behaviour, wasn’t necessarily their shared populist identity, but rather their position on the left-right spectrum. Left-wing populist vote along the same line as other left-orientated parties, while right-wing populist do the same with other right-oriented parties. Otjes and Lauwerse (2015) provide empirical support to exclude the negativity towards others, in particular immigrants, from the general definition of populism. This is more of a characteristic of (radical) right wing populism

alone. Furthermore, the topic that they vote most similar on is the transfer of sovereignty to the European Union.

Literature on the association between populism and the loss of sovereignty to the European Union (Biancotti et al. 2017; Rodrik 2018; Salgado and Stravrakakis 2019), suggests that Euroscepticism is a local manifestation of the general backlash against economic globalization. For most EU citizens, the EU stands as a symbol for globalization since it implies free movement of people, goods, services, and capital. Rodrik (2018) makes an interesting point regarding this; neither left-wing nor right-wing European populist parties have demanded trade barriers. Brexit advocates even claimed free trade to be one of the objectives of leaving the EU. European populism can therefore be characterized by targeting EU policy and institutions rather than anti-free trade sentiments.

## 2.2 Globalization and Populism

To get a good overview of why economic (or other types of) globalization would enhance populism, Margalit (2019) presents four different pathways towards populism: increased import competition, technological change, financial crisis and immigration.

The first account holds that due to the increased import competition from low wage countries, especially from China after its accession to the World Trade Organization in 2001, import competing industries had difficulties handling the effects of higher exposure to Chinese competition. Autor, Dorn and Hanson (2013) found that the more exposed local US labour market, suffered from a larger fall in the number of manufacturing employees, larger fall in the employment rate and larger fall in weekly earnings. The argument is that these negative and persistent effects increased support for various populist movements and parties, by giving the losers, as explained by the Stolper-Samuelson theorem, a voice. Which was, for example, the case with Brexit. (Colantone and Stanig, 2018).

The second argument holds that technological advances and deindustrialization contributed to a shift away from manufacturing jobs towards service-orientated jobs favouring high-skilled workers and harming the traditional blue-collar worker. This trend has driven a wedge between low-and high-skilled jobs. The depopulation of rural areas because of this, has been a fertile place for populist waves (Goos, Manning, and Salamons, 2014; Tomlinson, 2017).

The third explanation focuses on financial crises and especially the way governments handle the aftermath of those crises. The idea is that the final burden of the crisis ends up with the “ordinary men”, and must pay the price for the mistakes, the moral hazard and the corruption of the elite that is in charge (Mian, Suffi and Trebbi, 2014). Populist parties take advantage of this sentiment by presenting themselves as the voice of the discontented “ordinary men” and promising to break with the incumbent elite.

The last claim is that due to the increasing immigration societies are more exposed to cultural threats, and native workers feel like they face more competition in certain areas or industries. This is called the cultural/ethnic competition hypothesis and together with the fear of putting even more pressure on the already limited public services, are causes for concerns. Fuelling these concerns even more, especially in areas with high settlement of immigrants, works to the appeal of right-wing populists’ parties (Edo et al. 2019, Margalit, 2019).

Whatever the story is that links economic globalization and populism to each other, it mainly uses two concepts: embedded liberalism (Ruggie, 1982) and the compensation hypothesis (Rodrik, 1998). The general idea is that because of economic globalization there is an increase in economic volatility, caused by economic shocks and changes in economic structure. This creates winners and losers, according to the Stolper-Samuelson theorem. These adverse effects can be offset by the welfare state, however the welfare state in most western societies is also threatened by increasing openness. First, due to globalization, capital can move more freely, and it is harder to tax capital gains or profits, lowering the tax revenues that are intended to be used to compensate the losers of globalization. Secondly, one of the main concerns of populism against immigration is that it will undermine the social benefits of the western European welfare state (Rodrik, 2018; Swank and Betz, 2003). Populists offer nationalism and protectionism as popular solutions for above mentioned problems.

There are some problems however with the compensation hypothesis. The first premise is that more open economies are more volatile due to globalization shocks. Following economic theory, more globalized economies should promote stability, implying risk diversification. However, based on outdated data from before the financial crisis, Down (2007) and Kim (2007) found evidence that open economies are not more volatile (Bergh, 2020). It would be interesting to see if this also holds for the period after the financial crisis.

Secondly, open economies do not necessarily face less social spending. Although capital taxes have reduced because of the increased capital mobility, welfare state redistribution mainly

relies on income taxes which are less affected by globalization (Bergh & Kärnä, 2020). Empirical research (Dreher et al., 2007; Meinhard and Potrafke, 2012; Potrafke, 2015) does not find an association between globalization and reduced total tax revenues nor less government spending.

Up until now, the literature mostly looked at economic globalization as the explaining factor of populism. However, there are different types of economic globalization that could explain the rise of populism. Looking more closely into economic globalization, two different types can be identified: trade- and financial globalization. The literature is not very clear on whether trade- or financial globalization is the best explanation. However, the main attention goes out to flows (globalization de facto) rather than rules (globalization de jure) (Rodriguez and Rodrik, 2000).

It is interesting to notice that although there is more focus on trade/investment flows, rather than rules, for EU countries these flows are mostly influenced by the rules set at the European level rather than at the national level. Hence, it would be interesting to see if this would have any implications for this research. To test this, this thesis will use economic globalization de facto as its baseline, although including less aggregated indicators (trade and financial globalization) as well as de facto/de jure measures in the robustness checks. Furthermore, because the existing literature emphasized the distinction between left-wing- and right-wing populism, there will be looked at both types of populism separately when conducting the analysis.



## 3. Data

### 3.1 Description

This thesis will look at the association between globalization and votes for populist political parties in the EP elections. The data that is being used is collected from the KOF Globalization Index and the dataset on populist parties in the EP elections from Zulianello and Larsen (2021). Data on control variables are coming from various independent sources described under 3.1.3.

#### 3.1.1 Globalization

The KOF Globalization Index was originally introduced by Dreher (2006), measuring globalization for almost every country in the world from 1970 onwards, by a normalized index ranging from 1 to 100, distinguishing between different dimensions of globalization. The index is used widely in research regarding globalization and its consequences (Potrafke, 2015). The index aggregates economic, social, and political globalization by both de facto measures (such as trade and migration) and de jure measures (such as tariffs and internet access). The updated version, Gygli et al. (2019), is very useful as it allows to look at both trade globalization and financial globalization separately as determinants of economic globalization, however it also provides the opportunity to look at social and political globalization as alternative types of globalization. Thus, the KOF globalization index is used to extract data on the explanatory variable in this research. For further details regarding the KOF globalization index, see Gygli et al. (2019).

#### 3.1.2 Populism

The dataset on populist parties in the EP elections between 1979 and 2019 by Zulianello and Larsen (2021) is based on *The PopuList* developed by Rooduijn et al. (2019). *The PopuList*, initiated by The Guardian, is a collaboration of academics and journalists. Which consists of European parties that are either populist, far right, far left and/or Eurosceptic. To test the reliability on this single source, Bergh and Kärnä (2020) compared *The PopuList* with the classification by Heinö (2016) and found that the two sources largely agree on the general trends of both left-wing and right-wing populism in Europe. Because of availability reasons, the dataset of Zulianello and Larsen (2021) was chosen for this research.

Zulianello and Larsen (2021) compared *The PopuList* with various other lists available in the literature and performed literature research on all mentioned parties to classify them into their main ideational clusters, instead of only as populist parties. The dataset includes 92 populist parties that passed the 1% threshold for at least one EP election over the period 1979-2019. 61 parties are identified as right-wing populists, 15 as valence populists and 16 qualify as left-wing populists. The share of votes per party per EP election are reported, including the corresponding number of seats. All EU countries are included in the dataset except for Latvia and Malta since there were either no populist parties that passed the 1% threshold or no populist parties at all (the robustness checks will test if this influences the main outcomes). Thus, this dataset will be used for the dependent variable in the upcoming analysis. For more information on the dataset, see Zulianello and Larsen (2021).

### 3.1.3 Control variables

There are various independent sources consulted to collect data on the control variables that are being used in this research, listed below.

The first source for control variables is the Penn World Table (10.01). This database covers 183 countries over the period between 1950 and 2019 and has information on various variables regarding levels of income, output, input, and productivity. The Penn World Table (10.01) is being used to get data on real GDP per capita, reported in (millions) of US dollars. It is worth noting that there is information missing on the GDP per capita for Luxembourg in the years 1979 and 1984. For this research, the data has been transformed to log format. For more information, see Feenstra et al. (2015).

Secondly, data on demographic structure, the share of population between the age of 15 and 64, comes from the World Development Indicators (WDI) (2023). The WDI is the World Bank's primary collection of international statistics on global development. The WDI contains 1,400 time series indicators for 217 economies which go back for more than 50 years.

Furthermore, Eurostat (2023) is used to collect data on educational attainment. Although the International Educational Attainment Database, introduced by Cohen and Soto (2007) is used more widely in related research, the choice for Eurostat is mainly based on availability of reported years and countries. Eurostat reports educational attainment by the share of population between the age of 25 and 64 with tertiary education for all EU countries, from 1994 onwards. This implies that the data is not available for the whole time period and therefore, educational attainment will only be used as a robustness check.

Moreover, the Standardized World Income Inequality Database (SWIID) is used to collect data on the Gini coefficient for disposable income. The SWIID includes comparative information on Gini coefficients of disposable and market income inequality for 198 countries between 1960 and present. For more information, see Solt (2020).

Lastly, the OECD database is used to extract data on the share of population that is born in a foreign country and data on social spending as share of GDP. The caveat is, however, that not for all EP election years or countries this data is available. Data on the share of foreign population is only reported from 1999 onwards and not for all countries. Also, data on social spending as share of GDP is not reported for Bulgaria, Croatia, Cyprus, Romania, and Malta. Therefore, these two variables will only be included as a robustness check.

### 3.2 Sample selection

The selection of observations that are included in this research is based on simple criteria. As mentioned earlier, Europe is an interesting case to study the relationship between globalization and populism. The development of the European Union can be seen as a parallel trend with globalization, however populist parties have tried to oppose this development. For this analysis, the EP elections are chosen because of the interesting case that most policies that relates to economic globalization is made at the European Union level instead of the national level. Moreover, the time span that is chosen, 1979-2019, includes all EP elections until now to make use of all possible observations (among the robustness tests other time spans will be used to test the results).

Therefore, the time span and sample group chosen presents an opportunity for analysing the effect of globalization on the votes for populist parties in the EP elections. The selection of all EP elections between 1979 and 2019 and all EU countries participating in those EP elections, produce a total of 166 observations for the globalization index, the vote share for populist parties, real GDP per capita and the share of population between 15 and 64 years of age. As mentioned earlier, the variables that do not have an observation for all countries or election years will be used as a robustness check. Descriptive statistics for the total sample will be presented in section 4.2.

## 4. Methodology

### 4.1 Method

The main purpose of this work is to investigate whether there exists an (positive) association between globalization and the vote share for populist parties in the EP elections. This thesis uses data from different datasets which contains information on globalization, vote share for populist parties in the EP elections and information on different control variables. In this section, the method that is being used to analyse this relationship is discussed.

The statistical method that is most common for this kind of analysis with panel data is a fixed effects model with both time- and country fixed effects; this decision is supported by similar research on the effect of globalization on populist vote shares in Europe (Bergh and Kärnä, 2020). The fixed effects model is a variation on a linear regression model, with the advantage of controlling for all variables that differ between countries but are time-invariant. The fixed effects model uses within-individual variation to estimate the Average Treatment effect on Treated (ATT). The fixed effects model relies on panel data, where the treatment variable (globalization) changes over time for every individual (country).

A fixed effects model has the advantage over regular OLS models, that it captures and control for observed-and unobserved time-invariant differences across countries. Therefore, there is no need to control for these time-invariant characteristics. By also including time-fixed effects, all time-varying unobservables that do not differ between countries are also implicitly captured in the model. Hence, a fixed effects model with time-fixed effects can solve the omitted variable bias if those unobserved variables differ across countries but are time-invariant or if they are constant across countries but are time-varying. Therefore, omitted variables bias can only arise from this model when there are unobserved time-varying characteristics that differ between countries.

In this thesis the following regression is estimated:

$$Y_{i,t} = \alpha_i + \rho\gamma_{i,t} + \beta X_{i,t} + \delta_t + \varepsilon_{i,t}, \quad (1)$$

where  $Y_{it}$  is a measure of populism,  $\alpha_i$  is the unobserved time-invariant individual specific effect,  $\gamma_{it}$  is a measure of globalization,  $X_{it}$  is a vector of control variables,  $\delta_t$  are time fixed

effects and  $\varepsilon_{it}$  is the error term. The dependent variable  $Y_{it}$  represents the EP election results, measured in vote share percentages, for populist parties in country  $i$  at year  $t$ . Which is explained by the independent variable which is a moving average of the preceding 5-year period of globalization since voters base their decision to vote for a particular party on the whole election period. This means that for an election in year  $t$ , the moving average includes  $t-1$ ,  $t-2$ ,  $t-3$ ,  $t-4$ , and  $t-5$ . The decision to focus on a 5-year period of globalization is based on Bergh and Kärnä (2020), however Section 5.2 will analyse the outcomes with globalization measured over different time-periods.

The population share aged 15-64 (World Development Indicators) is entered to control for demographic structure, as this is a time-varying unobservable that is different across European countries. Furthermore, an indicator for EMU-membership is added since over the years many EU-countries joined the European Monetary Union, which could entail a loss of sovereignty that could have led to an increase in populism. The population share aged 15-64 and the EMU-indicator are the two variables that are not considered to be influenced by globalization, at least not in the short term. Other control variables, that are potentially affected by globalization, will be included in the robustness checks. Table 1 contains summary statistics and Table 2 contains pairwise correlations.

## 4.2 Descriptive statistics

Statistical insight into the variables that are used in the panel dataset is given in Table 1. Over the period of 40 years, between 1979 and 2019, there were nine EP elections in a total of 28 European countries. This provided 166 elections at country-level and therefore also 166 observations for this research.

The first dependent variable used in this thesis, total populism, has a mean of 13.39 and a standard deviation of 15.66. The other two dependent variables, right-wing-and left-wing populism, have considerably smaller means with 11.31 and 2.25 respectively. However, left-wing populism has a much larger standard deviation compared to the other two. All three dependent variables are measured in percentage-terms.

The first independent variable of interest is KOF Globalization Index, which is the most aggregated globalization index available. KOF Globalization Index has a mean of 74.22 and a standard deviation of 8.86. The second independent variable of interest is KOF Economic Globalization Index, which only looks at economic globalization compared to the KOF

Globalization Index. The KOF Economic Globalization Index has a mean of 66.94 and a standard deviation of 16.69.

The other independent variables are control variables. Most important to notice is that for the variables share of foreign born, social spending, Gini disposable income and share of tertiary education there are no observations for all corresponding election years or countries. Therefore, these variables will only be included into the models used as robustness-checks.

Table 1 Summary statistics for dependent and control variables

	Observations	Mean	Median	SD
Total Populism, Zulianello and Larsen (2021)	166	13.39	8.35	15.66
Right Wing Populism, Zulianello and Larsen (2021)	166	11.31	4.2	13.62
Left Wing Populism, Zulianello and Larsen (2021)	166	2.25	0	6.53
KOF Globalization Index, five-year average de facto (Cygli et al, 2019)	166	74.22	75.58	8.86
KOF Economic Globalization Index, five-year average de facto (Cygli et al, 2019)	166	66.94	71.08	16.69
Real GDP per capita (PWT10.01)	166	36020.98	33074.56	14118.11
Share of foreign born (OECD)	95	11.87	11.00	7.81
Social spending, share of GDP (OECD)	150	21.71	21.58	4.53
Share of population 15-64 years (WDI)	166	66.59	66.59	2.26
Gini, disposable income (SWIID 9.3)	164	29.15	29.15	3.73
Share of 25-64 years, with tertiary education (EuroStat)	134	26.98	26.70	9.43

Summary statistics for main variables. Observations are country-year.

Table 2 Correlation matrix

	1	2	3	4	5	6	7	8	9	10	11
Total vote share populist parties (1)	1										
Share right-wing votes (2)	0.92	1									
Share left-wing votes (3)	0.12	-0.17	1								
KOF Globalization Index, de facto (4)	0.20	0.16	0.11	1							
KOF Economic Globalization Index, de facto (5)	0.02	0.02	0.00	0.61	1						
Real GDP per capita (6)	-0.15	-0.14	-0.01	0.33	0.39	1					
Share of 25-64 years, with tertiary education (7)	-0.13	-0.13	0.13	0.45	0.52	0.33	1				
Total social spending, percent of GDP (8)	0.15	0.17	-0.01	0.32	-0.23	0.16	0.04	1			
Gini, disposable income (9)	-0.05	-0.07	0.16	-0.33	-0.22	-0.28	-0.02	-0.28	1		
Share of population between 15 and 64 years old (10)	-0.08	-0.03	-0.15	-0.42	-0.13	-0.01	-0.45	-0.38	-0.14	1	
Share of foreign born (11)	-0.18	-0.18	0.06	0.11	0.43	0.77	0.34	0.02	0.00	0.03	1

*Note:* Correlation matrix for main variables. Observations are country-year.

## 5. Results

This thesis tests whether there is evidence for a positive association between economic globalization and the vote share for (left-wing and right-wing) populist parties in the EP elections. The next section will test this relationship by using a fixed effects model with time- and country-fixed effects. The second section will focus on different time periods on which globalization is measured. The third section will validate the main results by making use of robustness checks.

### 5.1 Main results

The first regressions, as presented in Table 3, include the most aggregated measures of both populism and globalization: total populism and total globalization. Country and time fixed effects are included, as well as age structure and a dummy variable for EMU-membership. These two control variables are chosen as they are plausibly not endogenous of globalization and do not decrease the number of observations of the full sample. The results from Table 3 show no significant association between aggregate globalization de facto and the total vote share of populist parties in the EP elections.

The results from the aggregate measures are not that surprising, since it is known from the literature that economic globalization is the most probable underlying cause of populism. Considering the importance of making a distinction between left-wing- and right-wing populism, Table 4 shows the results for the regressions of left-wing and right-wing vote shares on de facto economic globalization. There is no significant relationship between de facto economic globalization and right-wing or left-wing populism. EMU- membership remains negatively related to right-wing populism, but becomes positive for left-wing populism, although remaining insignificant for both right- and left-wing populism. Age structure, the share of population between 15 and 64 years old, is negatively and strongly significant related to right-wing populist vote share, while remaining insignificant for left-wing populist vote share.

As of now, there has not been seen any evidence to conclude that (economic) globalization is positive related to left-wing nor right-wing populist party vote share in the EP elections. It can be the case that the variation is mainly explained by unobserved characteristics, captured in the time-fixed effects. Another possibility is that there can be omitted variables bias from characteristics that are not captured by the time- and country fixed effects.



Table 3 Total populism

	(1)	(2)	(3)
5-year moving average globalization, de facto	-0.42 (0.41)	-0.33 (0.41)	-0.50 (0.43)
Dummy for EMU-membership		-3.79 (3.41)	-3.04 (3.69)
Share of population between 15 and 64 years old			-1.94** (0.86)
Constant	26.81 (26.44)	20.31 (27.38)	157.02** (68.99)
Observations	166	166	166
R-squared (Overall)	0.13	0.16	0.15
Number of countries	28	28	28

Dependent variable: total populism in percentage. Observations are country-year. Country and time fixed effects are included. Robust standard errors in parentheses.

\*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$

Table 4 Right-wing and left-wing populism

	(1)	(2)	(3)	(4)	(5)	(6)
5-year moving average economic globalization, de facto	0.07 (0.19)	0.11 (0.17)	0.01 (0.15)	-0.15 (0.13)	-0.15 (0.13)	-0.16 (0.14)
Dummy for EMU- membership		-5.47* (3.03)	-5.08 (3.02)		0.69 (1.34)	0.72 (1.33)
Share of population between 15 and 64 years old			-1.25*** (0.31)			-0.08 (0.67)
Constant	-4.70 (10.03)	-7.51 (10.07)	77.86*** (18.85)	7.75 (6.13)	8.10 (6.28)	13.66 (45.91)
Observations	166	166	166	166	166	166
R-squared (Overall)	0.10	0.13	0.14	0.07	0.08	0.08
Number of countries	28	28	28	28	28	28

Dependent variable: right- and left-wing populism in percentage. Observations are country-year. Country and time fixed effects are included. Regressions 1–3 have right-wing populism as the dependent variable, 4–6 use left-wing populism as dependent variable. Robust standard errors in parentheses. \*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$ .

Until now only the EMU-indicator and the share of population between 15 and 64 years old were included as control variables, since these two possibly do not encounter endogeneity. Furthermore, as specified in the Data section, for some variables there was a lack of information for the full sample. Therefore, possible mechanisms, moderators and variables that decrease the full sample size will now also be included into the analysis separately.

Globalization could for example influence GDP per capita and the Gini-coefficient (Dreher, 2006). The idea that the negative redistribution effects of globalization could be mitigated by social spending, is examined by including total social spending, as percent of GDP, into the analysis. The cultural-ethnic hypothesis is accounted for by including the share of people born in a foreign country. This functions as a proxy for the cultural-ethnic hypothesis and it needs to be said that this doesn't account for the origin of the immigrants. Table 5 presents the results of the main regression of right-wing populism on economic globalization with the additional control variables. Table 6 presents the same regressions, but for left-wing populist parties instead of right-wing parties.

Most results stay the same when including the additional control variables and almost all control variables are insignificant. The coefficient for economic globalization remains insignificant for both right-wing and left-wing populist parties. The coefficient for EMU-membership stays insignificant for left-wing populism and with all additional control variables for right-wing populism as well, except when including educational attainment. The significant coefficient when including educational attainment for EMU-membership also gives the largest negative magnitude on right-wing populism. The sign of the EMU-dummy has always been negative for right-wing populism, however it is now found with a five percent level of significance. Membership of the EMU was expected to be a form of globalization and therefore have a positive effect of the populist vote share; however, we now find the opposite result when including educational attainment.

Lastly, we found a significant and negative coefficient for the share of people born in a foreign country on right-wing populism, which could contradict the cultural-ethnic hypothesis. However, it should be noted that reverse causality could play a role here. Countries that favour populism less in the first place, could have a more open attitude towards foreigners (the proxy does not look at the origins of the foreigners) and therefore have less strict border policies compared to other countries in the European Union. This lower vote share for populist parties could thus lead towards more people living in the country that were born outside the country.

Summarizing the main results of analysing the relationship between globalization and populism, the models so far failed to find evidence for the positive association between de facto economic globalization and the vote share for right-wing- and left-wing populist parties in the EP elections. Furthermore, there is no evidence for the positive relationship between EMU-membership and vote shares of populist parties, as might be expected from the literature.

The above-mentioned results are all obtained from the baseline method, using a 5-year moving average of globalization. Looking at the globalization measures at  $t-1$ ,  $t-2$ ,  $t-3$ ,  $t-4$ , and  $t-5$ . The results could change when measuring globalization over different periods than 5-years. Voters might find events that happened 5 years prior to the elections less important for their voting decision than similar events happening the year before the elections. Therefore, the next section will use the same baseline method as used in the main results, however looking at different time-periods over which globalization is measured.

Table 5 Main regression with additional control variables (Right-wing populism)

	(1)	(2)	(3)	(4)	(5)
5-year moving average economic globalization, de facto	0.11 (0.16)	0.01 (0.15)	-0.05 (0.16)	0.02 (0.16)	-0.02 (0.19)
Dummy for EMU-membership	-6.13** (2.83)	-5.05 (3.20)	-5.28 (3.20)	-5.31 (3.46)	-4.14 (3.79)
Share of population between 15 and 64 years old	-0.84 (0.53)	-1.25*** (0.33)	-1.45*** (0.31)	-1.29*** (0.32)	-0.92 (0.70)
Share of people with tertiary education	-0.04 (0.28)				
Real GDP per capita (log)		-0.19 (1.89)			
Gini, disposable income			-0.49 (0.47)		
Total social spending, percent of GDP				-0.05 (0.25)	
Share of foreign born					-0.73* (0.40)
Constant	57.22 (40.08)	80.32** (35.79)	107.31*** (25.41)	82.41*** (19.63)	80.54 (54.33)
Observations	134	166	164	150	95
R-squared (Overall)	0.07	0.14	0.15	0.16	0.12
Number of countries	28	28	28	23	23

Dependent variable: right-wing populism in percentage. Observations are country-year. Country and time fixed effects are included. Robust standard errors in parentheses.

\*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$

Table 6 Main regression with additional control variables (Left-wing populism)

	(1)	(2)	(3)	(4)	(5)
5-year moving average economic globalization, de facto	-0.19 (0.14)	-0.19 (0.15)	-0.17 (0.15)	-0.17 (0.15)	0.18 (0.20)
Dummy for EMU-membership	0.19 (1.40)	1.20 (1.33)	1.13 (1.36)	0.78 (1.69)	-0.50 (1.65)
Share of population between 15 and 64 years old	-0.55 (0.40)	-0.20 (0.72)	-0.08 (0.58)	-0.10 (0.72)	-0.33 (0.56)
Share of people with tertiary education	0.12 (0.14)				
Real GDP per capita (log)		-3.42 (3.43)			
Gini, disposable income			0.25 (0.44)		
Total social spending, percent of GDP				0.07 (0.09)	
Share of foreign born					0.33 (0.23)
Constant	48.51 (32.76)	57.58 (84.74)	6.35 (31.93)	14.04 (49.12)	10.21 (46.01)
Observations	134	166	164	150	95
R-squared (Overall)	0.04	0.08	0.09	0.07	0.00
Number of countries	28	28	28	23	23

Dependent variable: left-wing populism in percentage. Observations are country-year. Country and time fixed effects are included. Robust standard errors in parentheses.

\*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$

## 5.2 Different globalization periods

In the main results, a 5-year moving average is used to evaluate globalization that could possibly influence voting behaviour. This assumes that voter's behaviour in EP election year  $t$ , could possibly be influenced by globalizing events or developments in years  $t-1$ ,  $t-2$ ,  $t-3$ ,  $t-4$ , and  $t-5$ . However, one could argue whether voters include all five prior years into their decision making when it comes to EP elections or whether voters only look at more recent years before the elections.

This section analyses whether the effect of (economic) globalization on vote share for populist parties in the EP elections changes, based on the period of globalization focused on. This is done by looking at five different periods of globalization prior to the election year. The results for right-wing populism are presented in Table 7 and Table 8 presents the results for

left-wing populism. Column 1 only looks at the globalization level of year  $t$  for EP election year  $t$ . Column 2 looks at the globalization level of year  $t-1$  for EP election year  $t$ . Column 3 looks at a two-year moving average of globalization of year  $t-1$  and  $t-2$  for EP election year  $t$ . Column 4 looks at a three-year moving average of globalization of year  $t-1$ ,  $t-2$  and  $t-3$  for EP election year  $t$ . Column 5 looks at a four-year moving average of globalization of year  $t-1$ ,  $t-2$  and  $t-3$  and  $t-4$  for EP election year  $t$ .

Looking at the results in Table 7 and Table 8, differentiating between five other time periods than the five-year moving average used in the baseline analysis, does not change the main results. There are still no statistically significant associations between de facto economic globalization and both right-wing and left-wing populist vote shares in the EP elections.

Interestingly, Table 7 shows a decreasing positive magnitude for economic globalization on right-wing populist vote shares, when comparing the coefficients in Column 2, Column 3, Column 4 and Column 5. Although the coefficients are insignificant, this might imply that more recent globalizing events have more effect on right-wing populist vote shares. Contrastingly, globalization in year  $t$  has a lower (insignificant) coefficient compared to globalization at year  $t-1$ , as can be seen from Column 1 in Table 7.

Table 7 Main regression with different globalization periods (Right-wing populism)

	(1)	(2)	(3)	(4)	(5)
Moving average economic globalization, de facto	0.03 (0.17)	0.08 (0.16)	0.06 (0.15)	0.05 (0.15)	0.03 (0.15)
Dummy for EMU-membership	-5.10* (2.99)	-5.26* (3.06)	-5.22* (3.06)	-5.20 (3.05)	-5.14 (3.04)
Share of population between 15 and 64 years old	-1.22*** (0.30)	-1.17*** (0.30)	-1.19*** (0.30)	-1.20*** (0.31)	-1.22*** (0.31)
Constant	75.46*** (18.79)	69.56*** (18.77)	72.14*** (18.86)	73.37*** (18.97)	75.53*** (18.84)
Observations	166	166	166	166	166
R-squared (Overall)	0.13	0.13	0.13	0.13	0.13
Number of countries	28	28	28	28	28

Dependent variable: right-wing populism in percentage. Observations are country-year. Country and time fixed effects are included. De facto Econ. Globalization measured: (1) at year  $t$ , (2) at year  $t-1$ , (3) average year  $t-1$  and  $t-2$ , (4) average year  $t-1$ ,  $t-2$  and  $t-3$  and (5) average year  $t-1$ ,  $t-2$ ,  $t-3$  and  $t-4$ . Robust standard errors in parentheses.

\*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$

Table 8 Main regression with different globalization periods (Left-wing populism)

	(1)	(2)	(3)	(4)	(5)
Moving average economic globalization, de facto	-0.11 (0.16)	-0.16 (0.14)	-0.14 (0.13)	-0.15 (0.13)	-0.15 (0.13)
Dummy for EMU-membership	0.41 (1.46)	0.66 (1.43)	0.65 (1.40)	0.68 (1.38)	0.72 (1.37)
Share of population between 15 and 64 years old	0.00 (0.66)	-0.08 (0.66)	-0.06 (0.65)	-0.06 (0.65)	-0.08 (0.66)
Constant	6.45 (46.35)	13.65 (45.48)	11.62 (44.58)	11.93 (44.74)	12.97 (45.54)
Observations	166	166	166	166	166
R-squared (Overall)	0.07	0.08	0.08	0.08	0.08
Number of countries	28	28	28	28	28

Dependent variable: left-wing populism in percentage. Observations are country-year. Country and time fixed effects are included. De facto Econ. Globalization measured: (1) at year  $t$ , (2) at year  $t-1$ , (3) average year  $t-1$  and  $t-2$ , (4) average year  $t-1$ ,  $t-2$  and  $t-3$  and (5) average year  $t-1$ ,  $t-2$ ,  $t-3$  and  $t-4$ . Robust standard errors in parentheses.

\*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$

### 5.3 Robustness checks

Although a fixed effects model with time-and country fixed effects is the most standard approach in a panel data-setting like this, it could also be too much demanding for the hypothesis that globalization would fuel populist vote share in the EP elections. It could be the case that the time-fixed effects take up too much of the variation or that a random effects model would be more suitable (a Hausman test does not reject the random effects model for both the right-wing populists and the left-wing populists). To validate the main results, in this section there will be done some robustness checks. All robustness checks are summarized in Table 9.

The first checks include different models to estimate the association between globalization and populism then the fixed effects model used for the main results. As can be seen from the first four rows of Table 9, especially excluding time fixed effects gives different estimates. Row 1 and row 3 of Table 9 show positive and highly significant coefficients for the association between de facto economic globalization and vote shares for right-wing populist parties for both the fixed- and random effects model. A possible explanation for this different result could be that time-varying unobservables that do not differentiate between EU-countries, and therefore captured by the time-fixed effects, explain a significantly large part of the

variation. By excluding the time-fixed effects, the estimation most likely suffers from omitted variable bias and therefore ending up with a biased estimator. However, Bergh and Kärnä (2021) initially found similar results for their baseline analysis of de facto economic globalization on right-wing populism as this thesis, which stayed the same when excluding time-fixed effects.

The second checks, rows 5-6 of Table 9, include two different time periods. The whole period used for the main results, 1979-2019, is divided into two subsets. Although the magnitudes increase for right-wing populism on economic globalization, all coefficients remain insignificant and hence, the main results do not change.

Furthermore, the dataset of Zulianello and Larsen (2021) on vote shares of populist parties in the EP elections did not include Latvia, because no party got more than 1% vote share, and Malta, because there were no populist parties at all. That's why those two countries are excluded from the model to validate the results. As can be seen from row seven of Table 9, there is not much different compared to the main results.

The main results used with de facto economic globalization, the measurement for globalization, is the most aggregated measurement for economic globalization. In row 8-11 are both financial and trade globalization (de facto and de jure) chosen as less aggregated measurements for economic globalization. The most interesting result from the other types of economic globalization is that there is a significantly negatively association between EMU-membership and right-wing populist vote shares when looking at financial globalization (both de facto and de jure).

Finally, other types of globalization are used as the independent variable in our analysis. From row 12-15, that the negative association between EMU-membership and the vote share for right-wing populist parties remains significant when taking social globalization (both de facto and de jure) as independent variable. Moreover, de facto political globalization is significantly and negatively related with right-wing populist vote shares.

Table 9 Summary of robustness checks

	Glob-rw	Glob-lw	EMU-rw	EMU-lw
<i>Different models</i>				
No time FE	0.43*** (0.15)	-0.04 (0.07)	-1.25 (2.03)	0.70 (1.28)
Random effects	0.01 (0.11)	-0.12 (0.12)	-5.11* (2.93)	2.21* (1.32)
Random effects, no time FE	0.38*** (0.12)	-0.07 (0.08)	-0.85 (2.16)	1.36 (0.90)
<i>Different time periods</i>				
1979-1999	0.08 (0.25)	0.02 (0.15)	0.15 (3.03)	11.43 (8.69)
2004-2019	0.21 (0.24)	-0.16 (0.29)	-4.61 (2.82)	-2.00 (2.56)
<i>Different country sample</i>				
Excluding Lithuania and Malta	0.02 (0.15)	-0.17 (0.14)	-4.84 (3.51)	0.98 (1.69)
<i>Different types of economic globalization</i>				
Trade glob., de facto	0.02 (0.13)	-0.19 (0.16)	-5.04 (3.00)	0.25 (1.36)
Trade glob., de jure	0.07 (0.10)	-0.21 (0.15)	-5.59 (3.37)	1.82 (1.81)
Financial glob., de facto	0.01 (0.13)	-0.08 (0.08)	-5.08* (2.95)	0.70 (1.25)
Financial glob., de jure	0.14 (0.12)	-0.29 (0.17)	-5.91* (3.18)	2.02 (1.64)
<i>Other types of globalization</i>				
Social glob., de facto	0.21 (0.34)	-0.16 (0.20)	-5.17* (2.81)	0.28 (1.42)
Social glob., de jure	0.41 (0.27)	-0.23 (0.18)	-5.91* (2.88)	0.67 (1.33)
Political glob., de facto	-0.29** (0.12)	-0.16 (0.27)	-3.07 (2.84)	1.30 (2.32)
Political glob., de jure	-0.07 (0.17)	-0.35 (0.31)	-4.65 (3.12)	2.06 (2.15)

Robust standard errors in parentheses. Glob-rw: The coefficient of globalization on right-wing populist vote share. Glob-lw: The coefficient of globalization on left-wing populist vote share. EMU-rw: The coefficient of EMU membership on right-wing populist vote share. EMU-lw: The coefficient of EMU membership on left-wing populist vote share.

\*\*\*p < 0.01; \*\*p < 0.05; \* p < 0.1



## 6. Conclusion & Discussion

In this thesis the main research question was: “What is the effect of globalization on the vote shares of populist parties in the European Parliament elections?”. From previous literature and empirical research, the expectation was that there would be a positive association between (economic) globalization and the vote share for populist parties. A fixed effects model with time- and country fixed effects, was not able to provide evidence for a (positive/negative) relationship between de facto economic globalization and the vote share for (neither left-wing nor right-wing) populist vote shares in the EP elections between 1979 and 2019. The association between de facto economic globalization and the vote share of left-wing and right-wing populism is insignificant in the main analysis.

These results do not change whenever additional control variables are added, however there is an interesting result when looking at the robustness checks. When excluding time-fixed effects, there is a significant positive coefficient for de facto economic globalization on right-wing populist vote shares. Time-fixed effects take up a large part of the variation and therefore, the deviating result could be explained by the fact that excluding time-fixed effects, would lead to a biased estimator since there would be omitted variable bias.

A 5-year moving average is used in the main analysis to evaluate globalization. However, it can be argued whether voters consider all five years prior to the election into their decision making when it comes to EP elections. Testing this by using different time periods to measure globalization, there are still no statistically significant associations between de facto economic globalization and both right-wing and left-wing populist vote shares in the EP elections.

To conclude, the above findings develop the following answer to the research question: globalization does not significantly increase the vote shares for right-wing nor left-wing populist parties in the European parliament elections between 1979 and 2019. Although there is no evidence for a significant correlation across 28 EU countries, a local effect on the micro-level cannot be ruled out entirely.

There are various limitations that arise from this research and that must be considered. The most important drawback is that although a fixed effects model with time-and country- fixed effects controls for time-invariant country-specific characteristics and controls for year-specific characteristics, there remains the chance of excluding time-varying country-specific characteristics. These characteristics can be controlled for by adding these variables separately,

however besides the control variables added in this thesis, there remains a chance that there are unobserved characteristics that influence both (economic) globalization as well as populist vote shares.

Related to these control variables, another drawback is that not all control variables had observations for the full sample size. This implied that these variables reduced the already small sample size of 166 observations even further. Although there are not more than 166 country-election observations available and an appropriate methodology was used, this limited number of observations drove up the standard errors and therefore limits the study's robustness and external validity.

Even though there are numerous drawbacks to this thesis, its implications can be interesting for policymakers. The fact that most important economic policy is made at the European level, doesn't necessarily imply a higher share of votes for populist parties in the European parliament. Therefore, policy makers should not be restricted by the idea that their policy would enhance higher support for populist parties.

For further research it would be interesting to focus on less aggregated data than this thesis, by taking a similar approach as Barone and Kreuter (2021) did at the country level. By looking at less aggregated data, for example at industry- or county-level, the effect on the 'losers' of globalization according to the Stolper-Samuelson theory could be better analysed than when looking at country-level data. Furthermore, it is interesting to take a closer look into the determinants of left-wing populism, as these seem to be different than the determinants of right-wing populism. Lastly, the effect of EMU-membership on especially right-wing populist vote shares seem to behave differently than expected, by showing a weak significant negative effect on right-wing populist votes shares. Further research into that topic is warranted.

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