‘Welfare Chauvinism’ versus ‘Race to the Bottom’: Immigration and Far-Right Populism in Industrial Democracies, 1990-2009

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Abstract: Immigration is identified as one of the major drivers of support for the far-right and populist parties in industrialized democracies. However, immigration alone is a bad predictor of the success of far-right parties. We contrast two conditioning factors that affect support for far-right and populist parties—namely, more open markets and high levels of welfare. We argue that immigration can lead to rise of the far-right where traditional welfare states are larger, regardless of the level of exposure to economic openness—the so called ‘welfare chauvinism’ argument. Contrarily, we also test whether more open economies and sympathies for far right parties are related through the so-called ‘race to the bottom’ effects. Using panel data on 27 OECD countries during 1990–2009 period (20 years), we find that the positive effect of immigration on support for the far-right parties is conditional upon higher degree of national welfare. Immigration is also associated with increase in support for the far-right parties when economic freedom is lower and the degree of national welfare is higher. The results support liberal arguments about immigration under conditions of high welfare and do not support communitarian arguments about ‘race to the bottom’ effects of increased economic integration. Our results are robust to alternative data, sample and estimation techniques.

Keywords: Immigration, welfare state, race to the bottom, economic freedom and far-right parties.

1. Introduction

Recent decades have seen an alarming rise of right-wing nationalism across Europe (Gvosdev 2012).[1] Several, formerly tolerant societies, are seeing the rise of right-wing, populist parties, which are gaining in strength over traditional parties of the left and right (Art 2011, Eatwell and Mudde 2003).[2] Nonetheless, there is a high degree of variance in the political support for such groups, both within and across countries.[3] Interestingly, the rise in support for far-right parties coincides with increasing international economic integration (Apter 1998). According to Kitschelt (2007) the far-right´s appeal grew among those who began to feel that they were losing out from international integration. Likewise, the other major explanation offered for the current trends across Europe and formerly very open countries, such as the US, Canada and Australia, is increased rates of immigration in these countries, especially in the recent past (Dancygier 2010, Halla, Wagner and Zweimuller 2012). According to Art (2011: 9),

> *Immigration has turned nation-states that were formerly homogeneous into ones with large minority populations; the rise of the radical right would have been inconceivable without this basic social transformation.*

This paper investigates two, key interrelated propositions. On the one hand, right-wing popularity is seen as a reaction to increasing neoliberalization, coupled with increased flows of immigrants. Thus, the growth of nativist/populist/right-wing parties are seen as reactions against what they perceive as an elite-led openness to the forces of economic globalization,

[1] See The Guardian. (2011) "Far Right on Rise in Europe" http://www.guardian.co.uk/world/2011/nov/06/far-right-rise-europe-report. See also The Washington Post. (2010) "Anti Muslim Feelings Propel Right Wing in Europe." http://www.washingtonpost.com/wp-dyn/content/article/2010/10/25/AR2010102505601.html.

[2] A study on domestic terrorism between the years 2007 and 2011 in the US conducted by West Point shows a 400% increase in the incidence of right-wing violence. See http://www.ctc.usma.edu/wpcontent/uploads/2013/01/ChallengersFromtheSidelines.pdf.

[3] We use the term extreme and populist right, far right, nativist and nationalist parties interchangeably because these parties espouse xenophobic and racist ideas. These parties are generally discussed in the literature as protest or extremist parties because they stand in stark contrast with the traditional left-right parties on immigration and status quo politics (Art 2011, Wright and Eatwell 1999).

which generates a 'race to the bottom' and social dislocation (Apter 1998; Rodrik 2011, Stiglitz 2002). On the other hand, some see the growth of right-wing nationalism as a reaction to immigration where social protection affected through high taxes is traditionally large and segments of the population are likely to view immigrants as interlopers that "free ride" on the taxes of the "sons of the soil"—so called 'welfare chauvinism.' In this scenario, immigration fuels far-right sympathies where traditional welfare states are larger, regardless of the level of exposure to global economic integration.

While it is commonly suggested that immigration matters for explaining the recent rise in support for far-right parties, a direct effect of immigration has been disputed in the empirical literature. While Halla, Wagner and Zweimuller (2012), Arzheimer (2009), Arzheimer and Carter (2006), Givens (2005), Golder (2003) and Knigge (1998) find a positive association between immigration and support for far-right parties (which in some instances is also conditional upon higher levels of unemployment), Norris (2005) and Lubbers et al (2002) using several different measures of immigration rates find no effect on support for far-right parties. In this study, we test two varying conditions (namely, the degree of national welfare and the degree of economic openness) under which higher rates of immigration might conditionally affect the rise of right-wing nationalism in the industrialized, democratic West. In other words, we vary the status quo conditions under which immigration matters. The question of which set of policies countries preface in order to affect extremist parties under conditions of open borders to migration is not just "academic" but one that is pregnant with moral and practical consequences.

Using panel data on 27 OECD countries during 1990–2009 period (20 years), we find no evidence to suggest that immigration *per se* is associated with rise in support for far-right parties. Rather, we find that the positive effect of immigration on support for far-right parties is actually conditional upon existing levels of national welfare. Contrarily, we find that

immigration lowers support for far-right parties where levels of economic freedom are higher and the degree of national welfare is lower. A variety of robustness checks substantiate our main findings.

The rest of the paper is organized as follows: the next section reviews the theoretical and empirical arguments on the impact of immigration on support for far-right parties and presents our theoretical arguments explaining the causal relationship between the two. Section 3 describes the research design, data and estimation methods. While section 4 presents the empirical findings, and section 5 concludes.

2. Immigration, Welfare and Support for Far-Right Parties: Theory

Heterogeneous liberal theory expects free and open markets as well as liberal immigration policies to serve the interests of economic growth, development, and social harmony (Balaam and Dillman 2011). Open markets allow immigrants to thrive as entrepreneurs and workers in industry and contribute to their new homeland with the heterogeneity of talents that new immigrants bring. Indeed, the low birth rates in many industrialized Western countries require immigration to bolster workforces and taxes. Economic liberalism will also help to bring in new investments and create economic growth so that unemployment will be reduced and social frictions diffused. In the ideal open society people will respect each other, no matter class, creed, linguistic group, or race and recognize people for their worth as citizens and tax payers. While petty and superfluous stereotyping can exist in these societies, very serious us-against-them situations of polarization, mutual recrimination, and the creation of out-groups are avoided. In fact, the strong application of the rule of law protects every citizen including new immigrants where every person finds dignity and justice through the law (Ackerman 1980, Baubock 2011). Such libertarian ideals are often celebrated through the American, Canadian, and Australian stories as the “lands of opportunity” created by “nations

of immigrants" (Block 1998). The liberal position, thus, would be that to build social harmony under conditions of immigration, markets should be able to operate freely with little government intervention in providing social protection and welfare, which would only distort incentives for social order (Berger 1993, Hayek 1944). Indeed, many liberals expect free market globalization, not protectionist state socialism to lead to cosmopolitanism (Appiah 2006).

Others, mainly aligned with the political left, such as neo-Marxists, critical theorists, and neo-mercantilists see the rise of the far-right as a result of the growth of neoliberalism emanating from the Reagan and Thatcher eras coupled with economic globalization that challenge welfare states, raise economic insecurity, particularly for unskilled labor, and erode the ideology of welfarism for the protection of the weak and vulnerable (Balaam and Dillman 2011). There is indeed substantial debate on the social effects of economic globalization (Held and McGrew 2000). Drawing on Heckscher-Ohlin/Ricardo-Viner type models of trade, critics suggest that economic openness hurts unskilled labor in rich countries (Wood 1994). Mayda and Rodrik (2005), focusing on the factor endowment model, find that in developed countries workers with higher education and skills are more likely to support free trade. Thus, critical theorists suggest that global economic integration challenges communal integration domestically, while at the same time encouraging cross-border migration (Rodrik 1997, Swank and Betz 2003). In other words, the rise of the far-right is seen as part and parcel of the 'race to the bottom' of social standards where the capitalist classes increase immigration to push wages down for the sake of profits for corporate capitalism. According to the British Socialist Party´s (2012) congress, the rise of the far-right is attributed to a conscious policy of the government, where immigration is encouraged while at the same time, promoting stricter immigration policies. The Socialist party congress states:

This highlights the hypocritical and duplicitous approach of the

> *capitalists and their government towards the whole issue of immigration, where propaganda that is highly antagonistic to immigration, asylum seekers and refugees is combined with supporting the super-exploitation of migrant workers. In order to maximise their profits, the capitalist class seeks to push wages down to their lowest possible level by increasing the competition between workers for jobs.*[4]

According to some, the explanation for the rise of the far-right is based on the idea of "embedded liberalism" which relates to the way in which social protection increased in Western Europe to insulate population from the vagaries of liberal integration, which is now under threat (Swank and Betz 2003). Their answer to stemming the rise of extremist parties is to increase social protection for smoothing the social frictions emanating from liberal market opening. The answer is that social protection compensates for job loss and other pressures brought on the losers from globalization. Notice that these arguments suggest that the rise of the far-right can be affected by more, not less, welfare and social protection, which will build communitarian values for marginalizing extremist parties.

Neo-mercantilists, on the other hand, simply see immigration as another attack on the national economy and national welfare because immigration threatens domestic economic and political security (Balaam and Dillman 2011). Since globalization increases competition for trade, investment and other economic goods, protecting markets and protecting borders from immigrants are two sides of the same coin. In that sense, fear associated with economic uncertainty emanating from globalization is exploited by nationalistic and far-right parties on protectionist sympathies. In Britain, for example, the far-right National Front espouses an anti-capitalist platform, as do the neo-Nazis in Germany (see Art 2011). France's National Front has continuously accused successive French governments on their policies of

[4] See http://www.socialistparty.org.uk/partydoc/British_Perspectives:_a_Socialist_Party_congress_2012_document/4

international openness and promised to fight what they deem to be 'unfair competition' (Le Pen 1995). Similar rhetoric is also visible among the far-right parties in Austria, Italy and the Netherlands. However, the right-wing nativist parties in Scandinavia stand on more capitalist platforms, calling for lower taxes, but they too call for closed borders for immigration and espouse welfarism only for the natives, also a form of protectionism. Many of these parties have a strong protectionist policy stance on other dimensions, such as outsourcing jobs and protecting certain industry. On the surface, therefore, there is no direct relationship between the preference for neoliberalism among far-right parties; nor a clear preference for either capitalistic policies or greater social protection. Many of these parties, however, are distinguished clearly by their bias against immigrants, particularly non-western immigrants, and they all fear the cultural and economic consequences of immigration (see Art 2011).

It is interesting that the extant, cross-national empirical literature does not find a clear connection between levels and rates of immigration and support for far-right parties on its own (Norris 2005, Kitschelt 2007). As many suggest, while immigration is a necessary factor, it is certainly not sufficient to explain the rise of the far-right (Art 2011). Neither is unemployment on its own a crucial factor explaining support for far-right parties (Knigge 1998, Arzheimer and Carter 2006). What seems to matter most is that there is a persistent demand for far-right parties in Europe and the appeal of these parties become accentuated for a variety of reasons, including the charisma and strategies of their leaders (Art 2011). Some also claim that economic factors do not seem to matter relative to sociological factors, such as xenophobia and the emotive issues surrounding immigration (Ivarsflaten 2008). In fact, Oesch (2008), in his study on Austria, Belgium, France, Norway, and Switzerland, finds that the electoral success of right-wing populist parties, at least among the working class, has more to do with questions of community and identity, such as cultural protectionism (defending national identity against outsiders) and discontent with democratic institutions.

The inconclusiveness of the aggregate cross-national studies, thus, suggests that immigration might be conditioned by other factors, and we are interested in knowing under what macro-economic conditions immigration matters. If liberals are right, then the positive effect of immigration on the rise of the far-right will be conditioned negatively by the openness of economic policies and positively by the levels of social protection.

Indeed, we believe that high levels of welfare might in fact be acting like a "honey pot" over which native grievances vis-à-vis immigrants are likely to form. A more constructivist theoretical story that bridges the economic factors and cultural (emotive) factors appears in one explanation highlighted by some scholars recently, which is the idea of 'welfare chauvinism' (Andersen and Bjørklund 1990, van der Waal et al. 2010). Here, traditional xenophobia and racism become instrumentalized in the political process where immigrants, rightly or wrongly, become scapegoated for free riding on the system. Immigrants come to be seen as interlopers that do not deserve the generosity of the native population. Instead of viewing immigrants as contributors to the national pot, they come to be seen as a group that disproportionately benefits from social protection and welfare. Indeed, beliefs about the social ills brought by immigrants become widespread, leading to greater support for far-right ideas and autocratic solutions. Not only do immigrants come to be seen as benefitting from welfare but also as a burden on the welfare of the rightful heirs, such as the young and elderly native population. Milton Friedman was apprehensive about free immigration under a welfare state. In a conference in 1999, he argued that "*you cannot simultaneously have free immigration and a welfare state*" (cited in Griswold 2012, p.159). In fact there is overwhelming evidence to show that immigration significantly imposes fiscal burden especially in welfare states. Soroka et al (2006) find that an increase in immigration reduced the rate of growth in social spending in developed countries. Razin and Wahba (2011) find that the generosity of the welfare state attracts unskilled immigrants.

Interestingly, Borjas and Trejo (1991) compute the average cost for the welfare incurred by the US government on both immigrant family and a native family. They find that the average welfare cost on immigrant family is roughly about US$ 135,000 over the course of their stay in the US while the same is about US$ 79,000 for a native family. Blume and Verner (2007) on the other hand find that immigrants in Denmark received over 18% of social benefits in 1999 relative to their population share which was just 3%. Hansen and Lofstrom (2003) reach similar conclusions examining the Swedish municipalities where, on average, immigrants use more social welfare benefits than natives. In fact, in survey based evidence on public support for welfare spending in a typical welfare state of Sweden, Eger (2008) using multilevel models finds that immigration at the county-level has significant negative effects on public support for the welfare state.[5] The evidence from these studies echoes the arguments of Kitschelt (2007: 1199), that:

> *An encompassing welfare state may attract immigrants and heighten anxieties of the indigenous population, fearing that the new arrivals claim undue entitlements. It may not be the immigrant population by itself, but the generosity of the welfare state that primes the immigration issue and helps to boost radical right-wing party support.*

We suggest that 'welfare chauvinism' is likely to be a factor in the rise of the far-right where welfare states are well established and where the native population fears significant losses from immigration and are likely not to see the benefits. In many ways, not only will high social protection distort markets and lead to perverse economic incentives, but in this case, may also distort socio-political factors, such as increase bias against immigrants.

3. Data and Methods

[5] For a detailed survey of empirical studies examining the impact of immigration on fiscal burden and welfare spending in particular, see Kerr and Kerr (2011).

To explore our theoretical arguments, we identify right-wing populist parties as those that primarily appeal to the fears and frustrations of the public on various socio-economic issues. They rely on combination of nationalism with an anti-elitist rhetoric demanding radical change in the existing political institutions. Most of these parties are also strongly anti-immigration, anti-Islam and perceive themselves as defenders of national and cultural identity. On the other hand, the right-wing extremist parties base their ideology on extreme forms of nationalism, usually defined by ethnicity or race. These parties believe in the notion that a state requires a collective identity based on common race or ethnicity and a strong, autocratic leadership. Exhibit 1 shows the number of extreme and populist right parties in the countries under study. As seen, almost all the countries, with the exception of few, have at least one electoral active extreme and populist right party. Australia, Switzerland and Greece have about five such parties that did contest national elections during out study period 1990-2009. It is also noteworthy that some of these parties have enjoyed considerable electoral success in countries like Austria, Belgium, Denmark, Greece, Finland, Netherlands, Norway, Switzerland and Turkey during our study period.

The extent of support for these parties can be quantified by using the number of votes these parties receive in the national elections. We use the vote share, defined as number of votes received by extreme and populist right parties as a share of total number of votes polled in a country's national election. The data on vote share of these parties in national elections are sourced from *Parties and Elections in Europe*, a non-profit organization, which is a comprehensive database on the parliamentary elections in the European countries. The database contains information not just about the national elections, but also details on subnational elections, information on various political parties, their leaders, ideology of these parties, composition of the governments dating back to 1945. Figure 1 captures the vote share of extreme and populist right parties in national elections. As seen, on an average Austria,

Norway and Switzerland registered greater support for these parties compared with the others. The mean of the sample is about 6% with the maximum reaching 30.1%.

We use three different measures to capture the immigration, namely, immigration rate, net immigration rate and immigration stock which are sourced from the OECD International Migration Statistics.[6] Immigration rate is defined as the inflow of total foreign population into country *i* in year *t* as a share of total population of country *i*. According to the OECD International Migration division, the foreign population consists of persons who have immigrated to the host country but still hold the nationality of their home country. Thus, our study only considers the inflows of foreign population in year *t* which include persons born abroad as nationals of their current country of residence. Figure 2 captures the mean immigration rate during our study period 1990–2009 across the 27 OECD countries. Luxembourg has the highest immigration rate of about 2.7% of the population. Excluding Luxembourg, immigration rate is high among Austria, Germany, Ireland, New Zealand and Switzerland. The mean immigration rate in our sample during our study period is about 0.6%, while the maximum is about 3.5% of the total population. Likewise, we also consider alternative measures of immigration such as net immigration rate, which includes inflow of immigrants minus outflow of emigrants in that year taken as a share of total population of that country. Finally, we also consider immigration stock as a share of total population, which is a count of both: persons who have migrated from their country of birth to their current country of residence and their second and third generations born in the country of residence but have retained the nationality of their country of origin.[7] The mean of immigration stock is about 10% with 34.1% as the maximum value in our sample.

[6] See www.oecd.org/els/migration/dioc

[7] The difference across countries between the size of the foreign-born population and that of the foreign population depends on the rules and regulations related to citizenship. In some countries, according to OECD International Migration division, children born in the country automatically acquire the citizenship of their country of birth, while in other countries they retain the nationality of their parents. The ease with which these

With respect to the degree of national welfare, we use three different measures. First we use the social welfare spending of the government as a share of GDP. Social welfare spending includes both public and private benefits with a social purpose in the following policy areas, viz., health, family, active labor market programs, unemployment, housing, old age, survivors, incapacity-related benefits, and other social policy areas.[8] The OECD countries spend roughly about 22% of their GDP on average on social welfare spending. Second, we include spending on unemployment benefits as a share of GDP. Unemployment benefits include cash benefits or allowances paid to the unemployed for a certain period of time (which varies from country to country). It also covers the government guarantees for receiving wages (outstanding) when the employers go bankrupt. Government spending on unemployment benefits includes spending on other items such as unemployment insurance and allowances, job search allowances, short-term work compensation, industrial restructuring compensation, mature age allowances, work sharing benefits, early retirement allowances, independent youth benefit, and other income support.[9] The data on both social welfare and unemployment benefits spending are sourced from the OECD Social Expenditure Database (SOCX). On average, an OECD country spends about 2% of its GDP in providing unemployment benefits. Finally, we also use a measure of protection for workers by the state. We use the OECD index on employment protection which measure the procedures and costs involved in dismissing individuals or groups of workers and the regulations involved in hiring workers on fixed-term or temporary work agency contracts. This index is coded on a scale of 0–6 in which highest value represents most restrictive. In other words, higher the index greater the protection for employees and worker groups against dismissals and layoffs.

foreign nationals can acquire citizenship in the host country is the main explanation behind the difference between these two data series.

[8] For specific details on the methodology used to define social sector spending, see Adema, Fon and Ladaique (2011).

[9] Note that these various types of allowances vary systematically from country to country. For more details, see country specific notes on unemployment benefits under the social sector expenditure in OECD statistics.

The data on employment protection index is from the OECD indicators of employment protection.[10] The average employment protection index in our sample during our study period is about 2.1 while the maximum value is 4.1.

3.1 Model Specification

We analyze a time-series cross-section dataset (TSCS) containing 27 OECD countries[11] covering the years 1990–2009 (see appendix 1). The baseline specification estimates the support for extreme and populist right parties in country *i* in year *t*, which is a function of a set of exogenous variables Z_{it} and our main variable of interest, immigration:

$$VS^{EPR}_{it} = \phi_1 + \psi_2 VS^{EPR}_{it-1} + \psi_3 im_{it} + \psi_4 Z_{it} + \upsilon_t + \nu_i + \omega_{it} \qquad (1)$$

Where, ν_i and υ_t is the country and year specific fixed effects and ω_{it} is the error term. The dependent variable VS^{EPR} is the vote share of extreme and populist right parties in country *i* in year *t* and our main variable of interest is immigration (im_{it}). Following others, we also include lagged dependent variables (VS^{EPR}_{it-1}) to capture any autocorrelation that is likely to be present. Moreover, the vote share of a particular party, extreme and populist right parties, in the previous election is likely to impact the vote share in the current election. However, including a lagged dependent variable, according to Achen (2000) can drastically reduce the explanatory power of the independent variables. Also, in a panel fixed effects specification, inclusion of a lagged dependent variable might result in a downward bias for the coefficient, known as the 'Nickell bias' (Nickell 1981). Hence we estimate all our models with and without inclusion of a lagged dependent variable.

To examine our main arguments, we estimate an interaction effect model in which we introduce interaction between immigration and degree of national welfare as under:

[10] For more details on the methodology of construction of this index, see: http://www.oecd.org/employment/emp/oecdindicatorsofemploymentprotection.htm

[11] We exclude Mexico, South Korea and other new countries which became OCED members only in 2010.

$$VS^{EPR}_{it} = \phi_1 + \psi_2 VS^{EPR}_{it-1} + \psi_3 im_{it} + \psi_4 im_{it} \times ent_{it} + \psi_5 ent_{it} + \psi_6 Z_{it} + \upsilon_t + \nu_i + \omega_{it} \quad (2)$$

Where, $im_{it} \times ent_{it}$ is the interaction term between immigration and our various measures capturing degree of national welfare discussed in the previous section. Note that we estimate all our interaction effect models with and without the inclusion of a lagged dependent variable. We control for both country and time fixed effects.

Next, we examine the liberal argument that immigration under open market economic system is associated with lesser support for extreme and populist right parties. In order to test these arguments, we introduce another interaction effect model:

$$VS^{EPR}_{it} = \phi_1 + \psi_2 VS^{EPR}_{it-1} + \psi_3 im_{it} + \psi_4 im_{it} \times efi_{it} + \psi_5 efi_{it} + \psi_6 Z_{it} + \upsilon_t + \nu_i + \omega_{it} \quad (3)$$

Where, $im_{it} \times efi_{it}$ is the interaction term between immigration and our measure of the degree of economic freedom in country *i* in year *t*. Following Dreher, Lamla, Lein and Somogyi (2009), we also consider the Fraser Institute's Economic Freedom Index (EFI hereafter) constructed by Gwartney and Lawson (2008) as a proxy for a free market economy. The EFI is a comprehensive measure comprising of five sub-indices capturing: expenditure and tax reforms; property rights and legal reforms; trade reforms; reforms related to access to sound money; labor, business and credit reforms. These five sub indices are roughly comprised of 35 components of objective indicators. The final index is ranked on a scale of 0 (not free or of state regulations) to 10 (totally free or highly competitive market economy). Hence, a higher index implies a higher degree of market conformity.

Lastly, we examine a three-way interaction between immigration, economic freedom and degree of national welfare:

$$VS^{EPR}_{it} = \phi_1 + \psi_2 VS^{EPR}_{it-1} + \psi_3 im_{it} \times ent_{it} \times efi_{it} + \psi_4 im_{it} + \psi_5 ent_{it} + \psi_6 efi_{it} + \psi_7 Z_{it} + \upsilon_t + \nu_i + \omega_{it} \quad (4)$$

Where, $m_{it} \times ent_{it} \times efi_{it}$ is the interaction term between immigration, degree of national welfare and economic freedom in country *i* in year *t*. Through this interaction effect,

we can test the effect of immigration on support for extreme and populist right parties at different values of the Economic Freedom Index and social welfare spending/GDP.

A distinguishing feature of our dependent variable (i.e., vote share data) is that it has zero observations, which is the lower bound. Roughly 15% of the total observations are zeros. The clustering of zero observations is due to the fact that in some OECD countries, the vote share of extreme and populist right parties either doesn't exist or they don't contest elections. Estimating such models with Ordinary Least Squares (OLS) estimator would violate several assumptions such as a zero mean for the OLS errors, among others resulting in biased estimates (see Neumayer 2002, 2003 for details). This requires a nonlinear method of estimation. We adopt a fixed effects Tobit maximum likelihood procedure with heteroskedasticity consistent robust standard errors (Beck and Katz 1995):

$$
\begin{aligned}
& y_{it} = \max(0, x_{it}\beta + \delta_{it} + \mu_{i_t}) \\
& \mu_{it} \mid x_{it}, \delta_{it} \approx Normal\ (0, \sigma^2{}_{\mu}) \\
& \delta_{it} \mid x_{it} \approx Normal\ (0, \sigma^2{}_{\delta})
\end{aligned}
\qquad (5)
$$

Where, the dependent variable y_{it} is the vote share of extreme and populist right parties in country *i* in year *t* and x_{it} refers to the determinants of support for extreme and populist right parties; δ_{it} are the time and country fixed effects, while μ_{i_t} is an independently distributed error term assumed to be normal with zero mean and constant variance σ^2. It is noteworthy that the β coefficient cannot be interpreted directly in the nonlinear Tobit model. We thus compute the marginal effects of the explanatory variables on either $P(y_{it} > \mid x_{i_t})$, $E(y_{it} \mid x_{i_t}, y_{it} > 0)$ or $E(y_{it} \mid x_{i_t})$. We compute the marginal effects at the mean of the respective covariates. Note that we report the values of coefficients in the regression tables but use marginal effects for the interpretation of the results.

3.2 Data

The vector of control variables (Z_{it}) includes other potential determinants of support for extreme and populist right parties, which we obtain from the extant literature on the subject. We follow the pioneering studies of Falk, Kuhn and Zweimuller (2011), Arzheimer (2009), Golder (2004, 2003) and Knigge (1998) and other comprehensive evaluations of studies on the determinants of support for extreme right parties (Swank and Betz 2003). Accordingly, we control for macroeconomic conditions, which determine voting behavioral patterns (see Whitten and Palmer 1999). The first variable we consider capturing macroeconomic performance is the rate of growth of GDP (Jackman and Volpert 1996, Knigge 1998). Likewise, we also include a measure of inflation, which is the year on year changes in the Consumer Price Index (Swank and Betz 2003). Following others, we also include the unemployment rate. Unemployment is a major explanation provided in many of the previous studies on support for right-wing extremist sentiments (Fischer and Modigliani 1978). There is considerable empirical research supporting these claims (see: Frey and Weck 1981, Falk, Kuhn, and Zweimuller 2011). These three variables are sourced from the OECD statistical portal. Finally, we include a dummy measure sourced from the Database on Political Institutions developed by Beck et al. (2001), which captures whether the traditional centre right parties are in power and 0 otherwise.[12] Kitschelt (1995) argues that the electoral success of the extreme and populist right parties diminishes if the traditional centre right political parties adopt a moderate stand on critical socioeconomic issues and embrace consensus-oriented policies. Note that the electoral systems may have a bearing on the electoral fortunes of far-right parties, but we do not include such a control because of the lack of evidence for such a relationship and because there is little connection to our main variables of interest, namely the degree of welfare protection and economic freedom (see Norris 2005, Art

[12] Note that using Bjørnskov (2005) and Potrafke's (2010, 2009a b) alternative measures of political ideology of the ruling government does not alter our main results.

2011).[13] The details on definitions and data sources are provided in appendix 3 and the descriptive statistics in appendix 2.

3.3 Endogeneity

Finally, we address the question of whether causality runs from immigration to vote share of extreme and populist right parties or the other way around. Arguably, greater support for extreme and populist right parties might affect immigration into the country. Not taking this endogeneity into account, if at all it is endogenous, would induce bias in our estimates on the effect of immigration on support for extreme and populist right parties. This issue is not trivial because those who argue that support for extreme and populist right parties might put-off immigrants also make causal claims about higher levels of immigration increasing the support base for extreme and populist right parties. Nevertheless, to determine the direction of causality we use a dynamic model of Granger Causality (Granger 1969). Accordingly, the variable *x* is said to "Granger cause" a variable *y* if the past values of the *x* help explain *y*, once the past influence of *y* has been accounted for (Engle and Granger 1987). We follow Dreher et al. (2012) to account for Granger Causality in a panel setting as:

$$y_{it} = \sum_{j=1}^{\rho} \psi_j \, y_{i,t-j} + \sum_{j=1}^{\rho} \xi_j \, x_{i,t-j} + \delta_i + \zeta_t + \omega_{i_t} \qquad (6)$$

Where, the parameters are denoted as: ψ_{it} and ξ_{it} for country *i* during the year *t*, the maximum lag length is represented by ρ. While δ_i is unobserved individual effects, ζ_t is unobserved time effects. ω_{it} denotes the error term. Under the null hypothesis, the variable *x* is assumed to not Granger cause *y*, while the alternative hypotheses allow for *x* to Granger

[13] Electoral systems do not vary over time within a country and are therefore anyway picked up by the fixed effects. Indeed in our sample of 27 OECD countries during our study period only New Zealand witnessed a change in the electoral system in which they moved from first past the post system towards a mixed proportional representation system.

cause *y* after controlling for past influence of the variable *y*. Note that joint F-statistic is used to gauge the joint significance of vote share of extreme and populist right on immigration.

4. Empirical Results

Table 1–6 present our main results. Table 1 shows results in which various measures of immigration are introduced. In table 2 we present the results of the interaction between immigration and the welfare spending variables. While table 3 presents the results of interaction between immigration and unemployment benefits, table 4 captures the interaction effects of immigration and employment protection. Table 5 shows the results on interaction between immigration and economic freedom and table 6 captures the three way interaction effects between immigration, degree of national welfare and economic freedom. Table 7 provides the results of our Granger causality tests. Before turning to the main models, we provide some stylized facts on the relationship between immigration rate and vote share of extreme and populist right parties. Figures 3 provide a first, descriptive look at this relationship. As seen, the graph shows some form of positive relationship between the two, but the effect is not as strong as one would expect. For instance, the majority of the cases where the vote share of extreme and populist right parties is more than 10%, the immigration rate in those cases is far below 0.5%. While these differences could be spurious, we turn to the first table, which reports the impact of immigration on support for extreme and populist right parties in OECD countries.

As seen in Table 1, we do not find any significant association between the three variables capturing immigration and the degree of support for the far-right parties. These results do not alter much when we include a lagged dependent variable (see column 2, 4 and 6). Holding all other potential determinants constant, immigration does not predict support for extreme and populist right parties in OECD countries in the period under study here.

Next, we introduce the interaction terms between all three measures of immigration and social welfare spending as a share of GDP among OECD countries (Table 2). As seen there, we find a positive and statistically significant effect of the interaction term. Meaning, immigration would increase the support for extreme and populist rights parties conditional upon a higher percentage share of welfare spending. It is noteworthy though that the interaction between immigration rate and welfare spending becomes marginally insignificant when introducing a lagged dependent variable in column 2. However, the positive and significant effect of the interaction between net immigration rate, immigration stock and welfare spending is robust to the inclusion of a lagged dependent variable (see column 3-6). The statistical significance is stronger (at 1% level) for the interaction term with immigration stock (see column 5-6). It is important to note that interpretation of the interaction term in non-linear models such as Tobit fixed effects is not similar to interpreting linear models like OLS. A simple t-test on the coefficient of the interaction term is therefore not sufficient to see whether the interaction is statistically significant (Ai and Norton 2003). We rely on the marginal plot as shown in figure 4, which depicts the magnitude of the interaction effect. To calculate the marginal effect of an additional increase in the immigration rate, we take account of both the conditioning variable (welfare spending as a share of GDP) and the interaction term. We show the total marginal effect conditional on welfare spending graphically. On the y-axis of figure 4 is the marginal effect of an additional unit of immigration and on the x-axis the level of welfare spending as a share of GDP at which the marginal effect is evaluated. Moreover, we include the 90% confidence interval in the figure. As can be seen in figure 4, in line with our results of the Tobit fixed effects estimation, an additional unit of the immigration rate increases the probability of vote share of extreme and populist right parties (at the 90% confidence level at least) if social welfare spending is greater than 20% of the GDP. Note that the effects are almost similar (around 20% of welfare

spending in GDP) when estimating the marginal plot graphically with net immigration rate and immigration stock. These results lend support to the 'welfare chauvinism' hypothesis, which suggests that fear of reduction in entitlements as a result of increases in immigration drives the support for extreme and populist right parties and not immigration *per se*.

In table 3, we replicate the interactions but replacing social welfare spending with unemployment benefits as a share of GDP. As seen from column 1 and 2, once again, the immigration rate is significantly different from zero at 10% and 5% levels respectively when conditional upon higher unemployment benefits. The interaction effects become stronger in terms of statistical significance when using net immigration rate, which is significantly different from zero at 1% level with and without including a lagged dependent variable (see column 3-4). The positive effects of the interaction hold when using immigration stock instead of immigration rate and net immigration rate (see column 5-6). Once again, we resort to the marginal plot to provide graphical interpretation of the magnitude of the interaction effect. On the y-axis of figure 5 we show the marginal effect of an additional increase in a unit of immigration and on the x-axis the level of unemployment benefits spending as a share of GDP at which the marginal effect is evaluated. As before, we include the 90% confidence interval in the figure. As can be seen in figure 5, an additional unit of the immigration rate increases support for the extreme and populist right parties (at the 90% confidence level at least) if unemployment benefits are greater than 2.5% of GDP. Again, these effects are similar (around 2.5% of unemployment benefits spending in GDP) when estimating the marginal plot graphically with net immigration rate and immigration stock.

We also show the interaction effects between employment protection index and immigration in table 4. As seen there, all measures of immigration turn positive and significantly different from zero at conventional levels of significance when interacted with the employment protection index. The interaction results are in figure 6. Accordingly, in high

employment protection conditions the immigration rate does explain increases in the vote share of extreme and populist right parties. If the employment protection index is above a certain threshold (in our case approximately 3 on the scale of 0-5), an additional unit of the immigration rate increases the vote share of extreme and populist right parties at the 90% confidence level at least. These additional interaction effects provide strong support to the hypothesis suggesting that it is not immigration *per se*, rather immigration under conditions of high welfare which generates support for extreme and populist right parties.

Next, we focus on the interaction between economic freedom and immigration results in Table 5. The interaction between economic freedom and immigration rate though negative, remains statistically insignificant. However, the interactions between economic freedom and immigration stock and economic freedom with net immigration rate show statistical significance. These results remain robust to the inclusion of a lagged dependent variable (see columns 3-6). The interaction effects of immigration stock and economic freedom is captured in the margins plot in figure 7 which shows that immigration stock can explain the decrease in the vote share of extreme and populist right parties under the conditions of higher economic freedom. Figure 7 shows that if economic freedom index is above a certain threshold (in this case roughly about 7 on the scale of 0-10), an additional unit of immigration stock decreases the vote share of extreme and populist right parties at the 90% confidence level. These results support the arguments of liberals that see the growth of greater cosmopolitanism under conditions of free market policies.

Next, we introduce a three-way interaction effect between immigration stock, economic freedom and social welfare spending to examine if immigration in an open economy conditioned by a higher degree of national welfare explains support for far-right parties. We do not show the entire results for the entire list of variables for the sake of brevity but capture the effect of immigration stock on extreme and populist right vote share at

different values of economic freedom and social welfare spending as a share of GDP estimated jointly. As seen from table 6A, the effect of immigration on support for far-right parties tends to increase at lower levels of economic freedom. However, as economic freedom reaches the point of 7 and above (on a scale of 0-10), it loses statistical significance. Interestingly, the sign turns negative (although statistically insignificant) when economic freedom is at the value of 9. On the other hand, table 6B shows that immigration actually has a negative impact on support for far-right parties when social welfare spending as a share of GDP is at its lowest. As social welfare spending/GDP increases beyond 21%, the impact of immigration explaining support for far-right parties becomes positive and turns significantly different from zero at 1% level when welfare spending/GDP reaches 25%. In combination, these results show that immigration can explain support for far-right parties when economic freedom is lower and social welfare spending is higher. These results clearly support the liberal prescription of allowing free markets for building cosmopolitan society under conditions of globalization.[14]

With respect to the results on control variables, we find that an increase in the rate of growth of GDP is associated with a decline in support for extreme and populist right parties, which is significantly different from zero at 1% level across all the models (see table 1-5). However, contrary to conventional theory, we find a negative and statistically significant effect of inflation and a statistically insignificant effect of unemployment rate on vote share of extreme and populist right parties. These results actually support the findings of others (Golder 2003, Knigge 1998). Likewise, we do not find any effect of established centre-right parties in power reducing support for extreme and populist right parties. Freer market economies are associated with lower support for extreme and populist right parties, a result that is significantly different from zero at conventional levels of significance across models.

[14] Note that the results are almost similar when using net immigration rate instead of immigration stock.

In some models though, economic freedom becomes marginally insignificant when including a lagged dependent variable (for instance in Table 1 and 3). The substantive effects suggest that a standard deviation increase in economic freedom is associated with a 1% decline in vote share of extreme and populist right parties (column 1, table 1), which is 14% of the standard deviation of the vote share of extreme and populist right parties. Thus, if economic freedom generates economic growth and reduces unemployment and other economic maladies, then a more liberal economy potentially benefits social harmony both directly and indirectly. These results are fully in line with others who find more liberal economies to be more peaceful generally, which are conditions that are required for continued economic prosperity (de Soysa and Fjelde 2010, de Soysa and Vadlamannati 2012, Mousseau and Mousseau 2008, Steinberg and Saideman 2008).

Finally, we capture the results of panel Granger causality tests in table 7. Note that there are two sets in table 7. Set 1 captures the results estimating the impact of immigration on vote share of extreme and populist right parties after controlling for the lagged values of the vote share. Likewise, in set 2, we examine whether vote shares for the far-right parties in turn Granger causes the immigration rate. As seen from both sets, we do not find any evidence of causality flowing from either of the directions. In set 1, we don't find any statistically significant effect of immigration on vote shares of extreme and populist right parties, which is also in line with the panel data results shown in Table 1.[15] The joint F-statistics show none of the lags of immigration rate explaining support for extreme and populist right parties. In set 2, again we do not find any significant effect of vote shares of extreme and populist parties explaining an increase or decrease in immigration rate. To test whether vote shares Granger cause immigration in set 2, we run a joint F-test. We report the corresponding F-statistics and p-values at the end of table 7. Note that the null hypothesis of

[15] It is noteworthy that our results are similar whether we use OLS or the tobit estimation techniques.

this test is that *x* does not Granger cause *y*. The joint F-statistics in set 2 fail to reject the null hypothesis. Thus, our results reveal no significant reverse causality flowing from support for extreme and populist right parties to immigration. Note that we also estimated panel Granger causality tests for net immigration and immigration stock. Again, we do not find any evidence of reverse causality. We do not report the results of net immigration and stock here out of consideration for space.

4.1 Checks for robustness

We examine the robustness of our main findings in several ways. First, we estimate the Tobit fixed effects with OLS fixed effects. The results especially on interaction effects remain robust to using OLS fixed effects estimator. These results remain robust to the inclusion of a lagged dependent variable. The one exception however is that the interaction effect between immigration rate and unemployment benefits remains statistically insignificant. Second, we drop the countries where there are no extreme and populist right parties; namely Iceland, Ireland, Luxembourg, New Zealand and the United States. Estimating the models without these five countries yield similar results that are identical to the baseline models reported in Table 2-6. This suggests that our negative effects of interaction results are not driven by countries where there are no extreme and populist right parties. Third, to examine if our results are driven by outliers, we drop Norway and Switzerland (one by one and then both together) and re-estimate the interaction effects results by including a lagged dependent variable. Our new results are broadly in line with our baseline models reported in Table 2-6.

Finally, we use tax revenues sourced from income and capital; payroll and social security contributions taken together as a share of GDP as an alternative measure of the degree of national welfare. Note that the tax rates are higher in states where welfare levels are higher. Thus, replacing our welfare measures with tax revenues should yield identical results. Our new results based on the interactions between various measures of immigration and tax

revenues to GDP indeed show a positive and significant effect in explaining support for far-right parties. While we do not include the results for the sake of brevity, we capture the interaction effects in figure 8. As seen there, if tax revenues as a share of GDP is above a certain threshold (in this case roughly about 22% of GDP), an additional unit of immigration rate increases the vote share of extreme and populist right parties at the 90% confidence level. In fact these results still hold firm when replacing immigration rate with net immigration rate and immigration stock. These results remain significantly different from zero at conventional levels of statistical significance across the models. These findings suggest that our results are robust not only to the size of the sample and alternative data, but also to alternative estimation techniques.

5. Conclusion

Questions surrounding the rise of far-right parties in industrial democracies receive much academic and policy attention. Immigration receives particularly strong focus as a driving factor behind the rise of the far-right (Art 2011). This study contrasts liberal expectations about free markets and social harmony with anti-globalization perspectives that suggest that neoliberalization drives an anti-immigrant backlash due to increased competition and the 'race to the bottom' in social standards that destroy communitarian values. Contrarily, others argue that it is not free market conditions but backlash against high taxes and fears that immigrants do not contribute but only burden current welfare levels, or the idea of 'welfare chauvinism.' We contrast two competing views about how to prevent social polarization exemplified by the rise of anti-liberal far-right parties in developed countries.

To test these arguments, we use panel data on 27 OECD countries during 1990–2009 and estimate a Tobit fixed effects specifications. Our initial results do not find any direct effect of immigration in explaining the rise in support for far-right parties. However, our interaction effect models suggest that the positive effect of immigration on support for far-

right parties is conditional upon higher degrees of national welfare, namely, higher social welfare spending/GDP; unemployment benefits/GDP; and employment protection. For instance, our models find that immigration increases the probability of vote share of extreme and populist right parties if social welfare spending is greater than 20% of the GDP. We also find that immigration is also associated with an increase in support for far-right parties when economic freedom is lower and degree of national welfare is higher. Our results are robust to alternative data, sample and estimation techniques. Overall, our results confirm the liberal argument that in less economically open societies with higher levels of social protection through high taxes, an increase in immigration might fuel 'welfare chauvinism', where the native population fears significant welfare losses from immigration, which results in a steady rise in support for far-right parties. Despite a massive discussion on globalization, most of the focus has been on poor countries, but our results allow us to be more optimistic about globalization´s effects on the rich countries as well. It does not seem that the rise of far-right sentiments are associated with economic policies favorable to globalization, but traditional racism, xenophobia and 'welfare chauvinism' seem to continue to hamper the building of cosmopolitan society. Future research might look closer at the ways in which economic structures and the media interact to construct anti-immigrants biases that then influence the rise in support for far-right and populist parties. However, as we show, economic conditions might also mitigate anti-immigrant backlashes by reducing the politicization of issues related to the redistribution of societal goods.

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Table 1: Immigration and support for Far-Right and Populist parties

Variables	(1) Vote Share	(2) Vote Share	(3) Vote Share	(4) Vote Share	(5) Vote Share	(6) Vote Share
	Tobit-FE	**Tobit-FE**	**Tobit-FE**	**Tobit-FE**	**Tobit-FE**	**Tobit-FE**
Constant	11.04**	8.808*	11.68***	9.295**	17.28**	11.50
	(4.360)	(4.642)	(4.296)	(4.603)	(8.207)	(8.928)
Lagged Vote Share		0.145**		0.150**		0.148**
		(0.0647)		(0.0656)		(0.0710)
Immigration Rate	**1.012**	**0.690**				
	(0.792)	**(0.725)**				
Net Immigration Rate			**-0.256**	**-0.250**		
			(0.176)	**(0.169)**		
Immigration Stock					**-0.106**	**0.0319**
					(0.306)	**(0.307)**
GDP Growth Rate	-0.323***	-0.309***	-0.330***	-0.315***	-0.342***	-0.322***
	(0.0774)	(0.0767)	(0.0787)	(0.0775)	(0.0872)	(0.0870)
Inflation Rate	-15.67***	-12.20***	-15.21***	-11.80**	-13.71***	-10.89**
	(4.180)	(4.689)	(4.177)	(4.725)	(4.528)	(4.891)
Economic Freedom Index	-1.308**	-0.988	-1.183**	-0.876	-1.970***	-1.556**
	(0.570)	(0.603)	(0.565)	(0.602)	(0.626)	(0.688)
Unemployment Rate	-0.0780	-0.0764	-0.119	-0.113	0.0143	0.0151
	(0.0778)	(0.0778)	(0.0776)	(0.0778)	(0.0913)	(0.0904)
Centre-Right Government	0.191	0.0709	0.124	0.0133	0.253	0.167
	(0.365)	(0.356)	(0.356)	(0.348)	(0.438)	(0.427)
Pseudo R2	0.3229	0.3258	0.3229	0.326	0.3374	0.34
Number of Countries	27	27	27	27	27	27
Total Observations	477	477	477	477	477	477

Notes: (a) Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
(b) Reports coefficients of all explanatory variables.

Table 2: Immigration, Welfare spending and support for Far-Right and Populist parties

Variables	(1) Vote Share	(2) Vote Share	(3) Vote Share	(4) Vote Share	(5) Vote Share	(6) Vote Share
	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE
Constant	14.45***	12.21**	15.15***	13.49**	24.64***	20.57**
	(4.986)	(5.119)	(5.066)	(5.275)	(8.417)	(9.027)
Lagged Vote Share		0.140**		0.151**		0.119
		(0.0656)		(0.0670)		(0.0750)
Immigration Rate	-4.631	-3.103				
	(3.207)	(3.104)				
Immigration Rate × Welfare Spending/GDP	**0.240***	**0.163**				
	(0.146)	**(0.141)**				
Net Immigration Rate			-1.862**	-1.734**		
			(0.791)	(0.770)		
Net Immigration Rate × Welfare Spending/GDP			**0.0694***	**0.0646***		
			(0.0366)	**(0.0354)**		
Immigration Stock					-0.982***	-0.817**
					(0.331)	(0.339)
Immigration Stock × Social Welfare Spending/GDP					**0.0442*****	**0.0410*****
					(0.0112)	**(0.0108)**
Social Welfare Spending/GDP	-0.0395	-0.0492	-0.00727	-0.0503	-0.136	-0.163
	(0.0969)	(0.0949)	(0.0923)	(0.0887)	(0.139)	(0.134)
GDP Growth Rate	-0.370***	-0.364***	-0.377***	-0.374***	-0.391***	-0.385***
	(0.0847)	(0.0826)	(0.0844)	(0.0823)	(0.0935)	(0.0925)
Inflation Rate	-16.98***	-13.72***	-16.03***	-13.03***	-16.00***	-13.98***
	(4.506)	(4.959)	(4.469)	(5.025)	(5.009)	(5.319)
Economic Freedom Index	-1.426**	-1.152*	-1.359**	-1.080*	-2.111***	-1.811**
	(0.605)	(0.635)	(0.600)	(0.636)	(0.659)	(0.717)
Unemployment Rate	-0.124	-0.109	-0.159*	-0.140	-0.0523	-0.0394
	(0.0890)	(0.0892)	(0.0871)	(0.0877)	(0.101)	(0.101)
Centre-Right Government	0.0610	-0.0479	-0.0792	-0.199	0.148	0.0645
	(0.359)	(0.350)	(0.373)	(0.361)	(0.429)	(0.420)
Pseudo R2	0.3249	0.3274	0.3251	0.3282	0.3438	0.3454
Number of Countries	27	27	27	27	27	27
Total Observations	474	474	474	474	474	474

Notes: (a) Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

(b) Reports coefficients of all explanatory variables.

Table 3: Immigration, Unemployment benefits and support for Far-Right and Populist parties

Variables	(1) Vote Share	(2) Vote Share	(3) Vote Share	(4) Vote Share	(5) Vote Share	(6) Vote Share
	Tobit-FE	**Tobit-FE**	**Tobit-FE**	**Tobit-FE**	**Tobit-FE**	**Tobit-FE**
Constant	11.78**	9.045*	14.56***	11.77**	14.50**	8.373
	(4.585)	(4.926)	(4.498)	(4.924)	(6.314)	(7.038)
Lagged Vote Share		0.156**		0.145**		0.166**
		(0.0646)		(0.0673)		(0.0681)
Immigration Rate	-0.429	-0.637				
	(1.374)	(1.232)				
Immigration Rate × Unemployment Benefits/GDP	**0.908***	**0.841****				
	(0.476)	**(0.429)**				
Net Immigration Rate			-1.461***	-1.369***		
			(0.310)	(0.301)		
Net Immigration Rate × Unemployment Benefits/GDP			**0.695*****	**0.647*****		
			(0.125)	**(0.124)**		
Immigration Stock					-0.162	-0.0294
					(0.197)	(0.197)
Immigration Stock × Unemployment Benefits/GDP					**0.0677***	**0.0617***
					(0.0366)	**(0.0335)**
Unemployment Benefits/GDP	-0.920**	-1.015***	-1.272***	-1.345***	-0.898**	-1.008***
	(0.372)	(0.352)	(0.331)	(0.314)	(0.399)	(0.363)
GDP Growth Rate	-0.316***	-0.303***	-0.317***	-0.306***	-0.310***	-0.294***
	(0.0796)	(0.0789)	(0.0806)	(0.0796)	(0.0803)	(0.0799)
Inflation Rate	-14.72***	-10.86**	-12.89***	-9.508**	-14.13***	-10.56**
	(4.288)	(4.835)	(4.276)	(4.823)	(4.315)	(4.855)
Economic Freedom Index	-1.291**	-0.906	-1.315**	-0.965	-1.387**	-0.902
	(0.582)	(0.619)	(0.571)	(0.618)	(0.595)	(0.653)
Unemployment Rate	0.0164	0.0328	-0.0166	0.00508	-0.0319	-0.00400
	(0.0905)	(0.0925)	(0.0860)	(0.0877)	(0.0817)	(0.0840)
Centre-Right Government	0.145	0.0114	0.0533	-0.0597	0.159	0.0490
	(0.369)	(0.361)	(0.358)	(0.353)	(0.364)	(0.359)
Pseudo R2	0.3248	0.3281	0.3298	0.3328	0.3241	0.3277
Number of Countries	27	27	27	27	27	27
Total Observations	474	474	474	474	474	474

Notes: (a) Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

(b) Reports coefficients of all explanatory variables.

Table 4: Immigration, Employment Protection and support for Far-Right and Populist parties

Variables	(1) Vote Share	(2) Vote Share	(3) Vote Share	(4) Vote Share	(5) Vote Share	(6) Vote Share
	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE
Constant	12.37***	10.45**	13.97***	11.80**	15.86*	10.63
	(4.711)	(4.998)	(4.525)	(4.867)	(8.768)	(9.701)
Lagged Vote Share		0.133**		0.127*		0.142**
		(0.0635)		(0.0656)		(0.0675)
Immigration Rate	-2.873	-3.279				
	(2.326)	(2.215)				
Immigration Rate × Employment Protection	**1.423***	**1.466****				
	(0.767)	**(0.728)**				
Net Immigration Rate			-1.789***	-1.669***		
			(0.521)	(0.522)		
Net Immigration Rate × Employment Protection			**0.574*****	**0.530*****		
			(0.184)	**(0.182)**		
Immigration Stock					-0.381	-0.247
					(0.362)	(0.378)
Immigration Stock × Employment Protection					**0.193***	**0.179***
					(0.101)	**(0.102)**
Employment Protection Index	1.166**	0.992*	1.007*	0.893*	0.617	0.592
	(0.547)	(0.536)	(0.521)	(0.517)	(0.790)	(0.789)
GDP Growth Rate	-0.312***	-0.298***	-0.316***	-0.305***	-0.313***	-0.296***
	(0.0768)	(0.0762)	(0.0797)	(0.0785)	(0.0780)	(0.0773)
Inflation Rate	-13.27***	-10.18**	-13.38***	-10.65**	-13.45***	-10.65**
	(4.218)	(4.578)	(4.212)	(4.643)	(4.239)	(4.620)
Economic Freedom Index	-1.605***	-1.289**	-1.403**	-1.119*	-1.616***	-1.226*
	(0.595)	(0.626)	(0.576)	(0.612)	(0.619)	(0.679)
Unemployment Rate	-0.0381	-0.0373	-0.102	-0.0980	-0.0529	-0.0469
	(0.0779)	(0.0775)	(0.0792)	(0.0789)	(0.0753)	(0.0748)
Centre-Right Government	0.243	0.124	0.204	0.101	0.195	0.108
	(0.357)	(0.349)	(0.347)	(0.341)	(0.364)	(0.356)
Pseudo R2	0.3271	0.3296	0.3281	0.3304	0.3269	0.3296
Number of Countries	27	27	27	27	27	27
Total Observations	474	474	474	474	474	474

Notes: (a) Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

(b) Reports coefficients of all explanatory variables.

Table 5: Economic Freedom and support for Far-Right and Populist parties

Variables	(1) Vote Share	(2) Vote Share	(3) Vote Share	(4) Vote Share	(5) Vote Share	(6) Vote Share
	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE
Constant	10.03**	7.288	12.74***	10.36**	8.631	2.532
	(4.304)	(4.448)	(4.244)	(4.566)	(5.653)	(6.105)
Lagged Vote Share		0.155**		0.150**		0.170**
		(0.0616)		(0.0644)		(0.0657)
Immigration Inflows Rate	11.57	14.80				
	(12.63)	(12.51)				
Immigration Inflows Rate × Economic Freedom	**-1.446**	**-1.935**				
	(1.754)	**(1.739)**				
Net Immigration Rate			4.279**	4.292**		
			(1.798)	(1.843)		
Net Immigration Rate × Economic Freedom			**-0.640****	**-0.641****		
			(0.253)	**(0.259)**		
Immigration Stock					1.612*	1.981**
					(0.957)	(0.942)
Immigration Stock × Economic Freedom					**-0.226***	**-0.261****
					(0.132)	**(0.130)**
Economic Freedom Index	-1.143*	-0.745	-1.163**	-0.856	-0.578	-0.0441
	(0.592)	(0.606)	(0.552)	(0.587)	(0.638)	(0.657)
GDP Growth Rate	-0.319***	-0.302***	-0.331***	-0.317***	-0.322***	-0.301***
	(0.0759)	(0.0749)	(0.0770)	(0.0758)	(0.0776)	(0.0770)
Inflation Rate	-14.46***	-10.32**	-13.30***	-9.871**	-12.83***	-8.977*
	(4.200)	(4.581)	(4.046)	(4.520)	(4.190)	(4.640)
Unemployment Rate	-0.0835	-0.0834	-0.139*	-0.132*	-0.0998	-0.0895
	(0.0802)	(0.0805)	(0.0794)	(0.0800)	(0.0754)	(0.0752)
Centre-Right Government	0.136	-0.0112	0.0781	-0.0328	0.0418	-0.0761
	(0.382)	(0.375)	(0.355)	(0.348)	(0.378)	(0.372)
Pseudo R2	0.3234	0.3267	0.3245	0.3278	0.3242	0.3281
Number of Countries	27	27	27	27	27	27
Total Observations	474	474	474	474	474	474

Notes: (a) Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

(b) Reports coefficients of all explanatory variables.

Table 6A: Effect of Immigration Stock on Far-Right and Populist parties' Vote share at different Economic Freedom Index (EFI) values

EFI values	Marginal Effects of Immigration Stock
3	1.280***
	(0.465)
4	1.027***
	(0.367)
5	0.774***
	(0.275)
6	0.521***
	(0.201)
7	0.268
	(0.169)
8	0.015
	(0.200)
9	-0.238
	(0.273)

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 6B: Effect of Immigration Stock on Far-Right and Populist parties' Vote share at different Welfare Spending/GDP values

Welfare Spending/GDP	Marginal Effects of Immigration Stock
5	-1.081***
	(0.326)
9	-0.777***
	(0.263)
13	-0.474**
	(0.210)
17	-0.170
	(0.173)
21	0.133
	(0.166)
25	0.436**
	(0.191)
29	0.740***
	(0.239)
33	1.043***
	(0.298)
37	1.347***
	(0.364)

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 7: Panel Granger-causality tests on
Immigration and vote share of Far-Right and Populist parties

	(1)	(2)	(3)		(1)	(2)	(3)
(Set 1)	**Vote Share**	**Vote Share**	**Vote Share**	**(Set 2)**	**Immigration Rate**	**Immigration Rate**	**Immigration Rate**
Vote Share (t-1)	0.752***	0.821***	0.819***	Immigration Rate (t-1)	0.798***	0.926***	0.908***
	(0.0324)	(0.0504)	(0.0501)		(0.0289)	(0.0518)	(0.0527)
Vote Share (t-2)		-0.0955*	0.0551	Immigration Rate (t-2)		-0.180***	-0.252***
		(0.0505)	(0.0659)			(0.0527)	(0.0710)
Vote Share (t-3)			-0.197***	Immigration Rate (t-3)			0.0972
			(0.0525)				(0.0597)
Immigration Rate (t-1)	-0.317	-0.101	0.133	Vote Share (t-1)	0.00167	5.63e-05	-3.97e-05
	(0.416)	(0.756)	(0.752)		(0.00225)	(0.00345)	(0.00351)
Immigration Rate (t-2)		-0.357	-0.521	Vote Share (t-2)		0.00185	0.000728
		(0.769)	(1.012)			(0.00346)	(0.00462)
Immigration Rate (t-3)			-0.0116	Vote Share (t-3)			0.00227
			(0.851)				(0.00368)
Joint F-statistics	0.58	0.51	0.31	Joint F-statistics	0.55	0.32	0.42

Note: Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Figure 1: Vote share of Far-Right parties

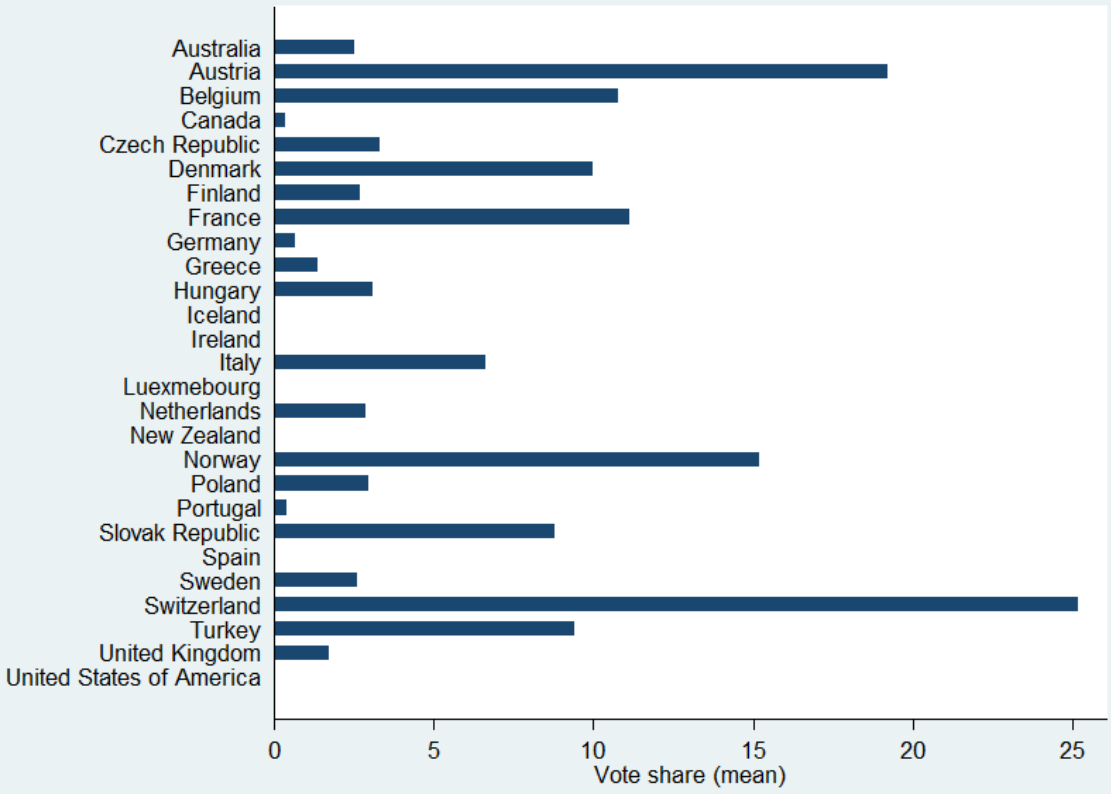

Figure 2: Immigration Rate (1990-2009 period)

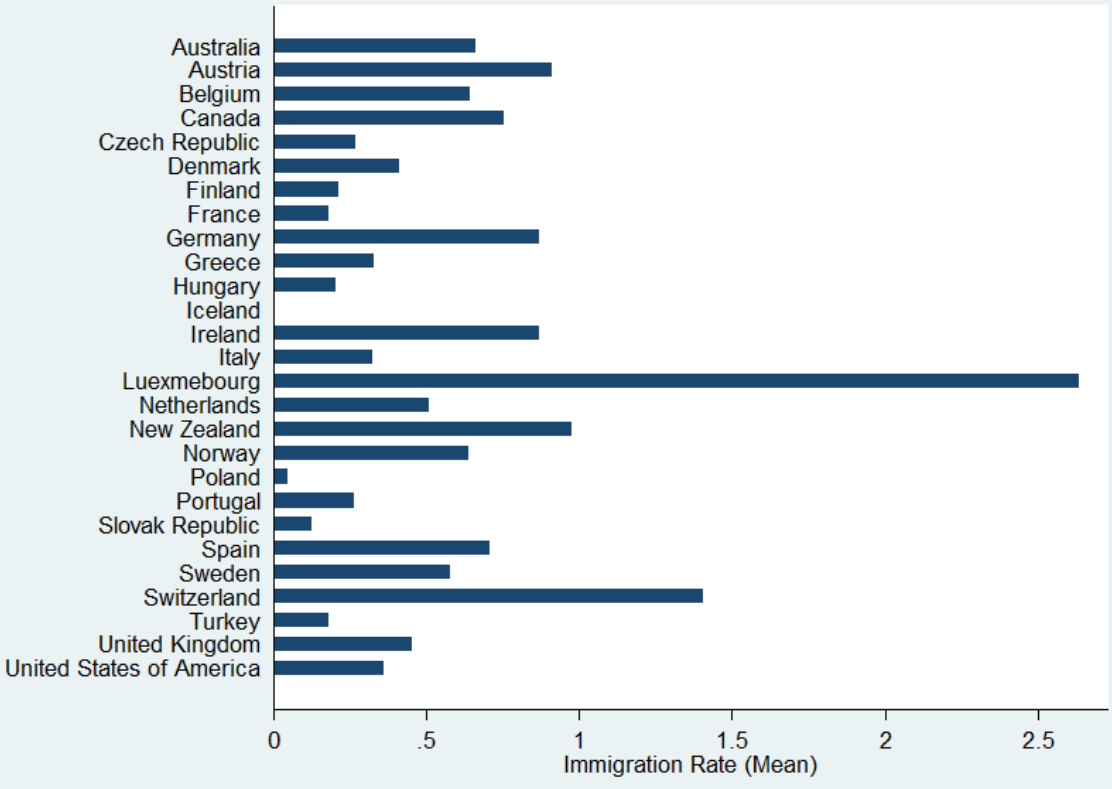

Figure 3: Vote share of Far-Right parties and Immigration

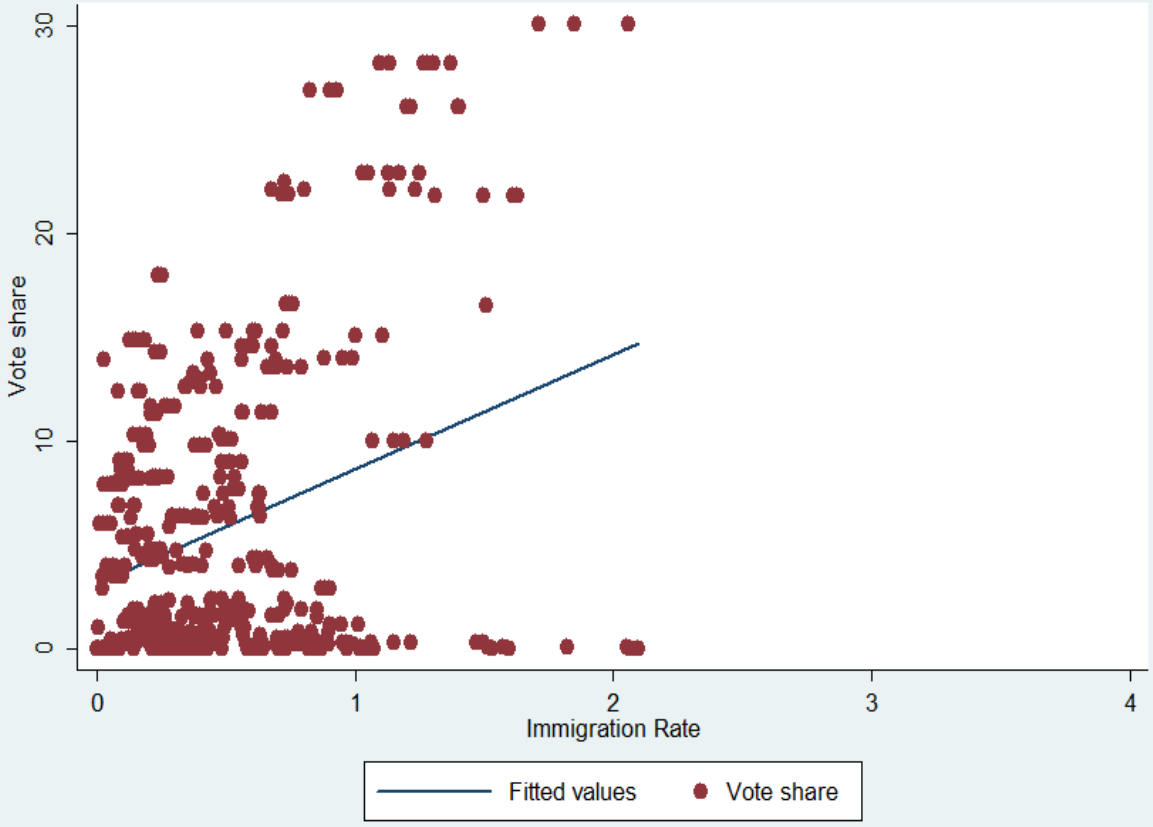

Figure 4: Immigration, Welfare Spending, Marginal Effect on Far-Right parties Vote share

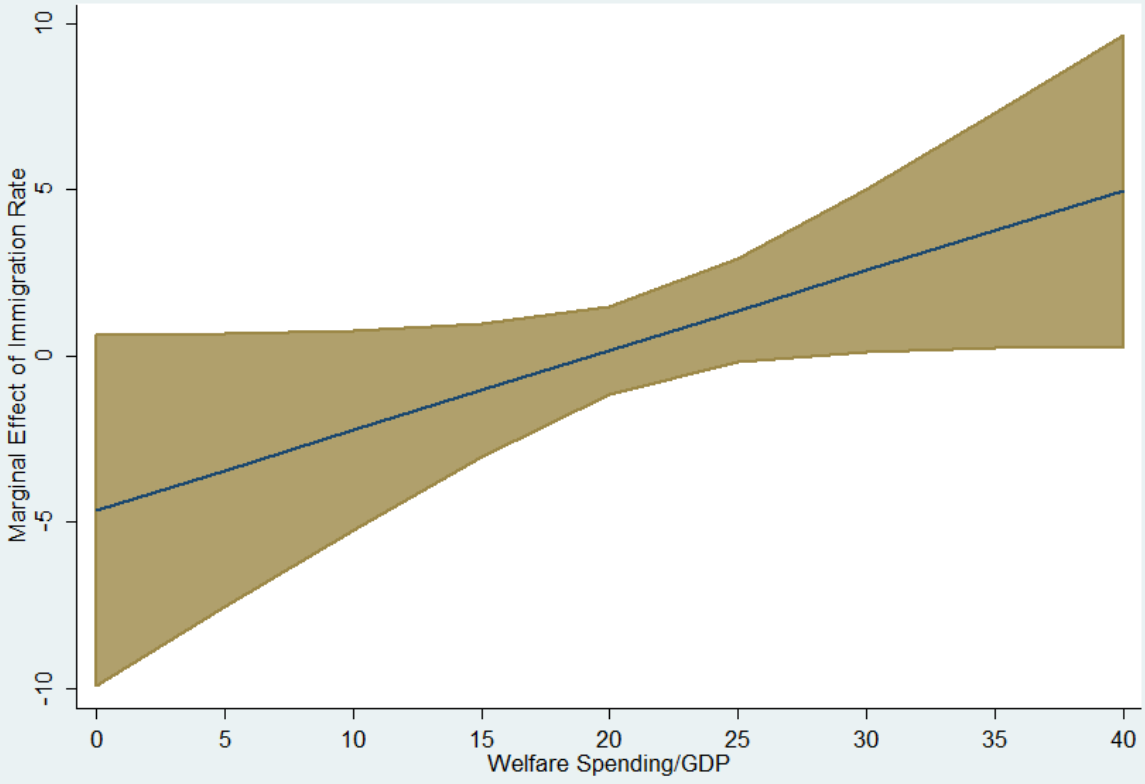

Figure 5: Immigration, Unemployment Benefits, Marginal Effect on Far-Right parties Vote share

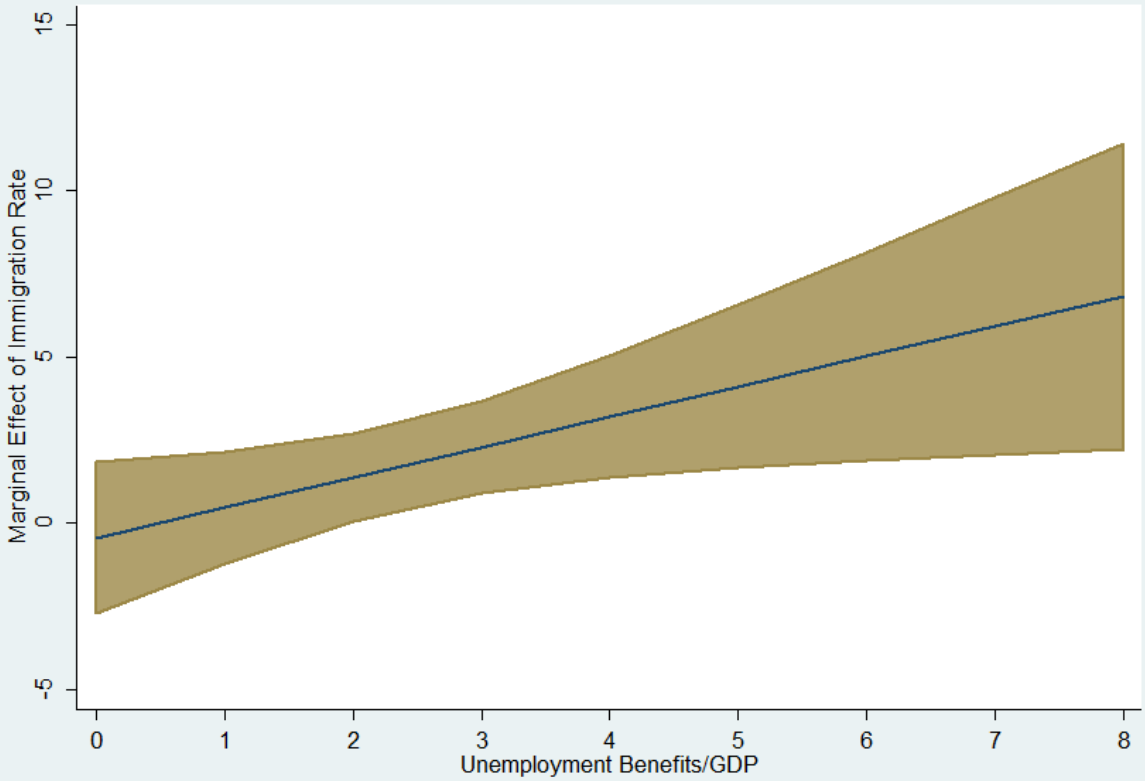

Figure 6: Immigration, Employment Protection, Margional Effect on Far-Right parties Vote share

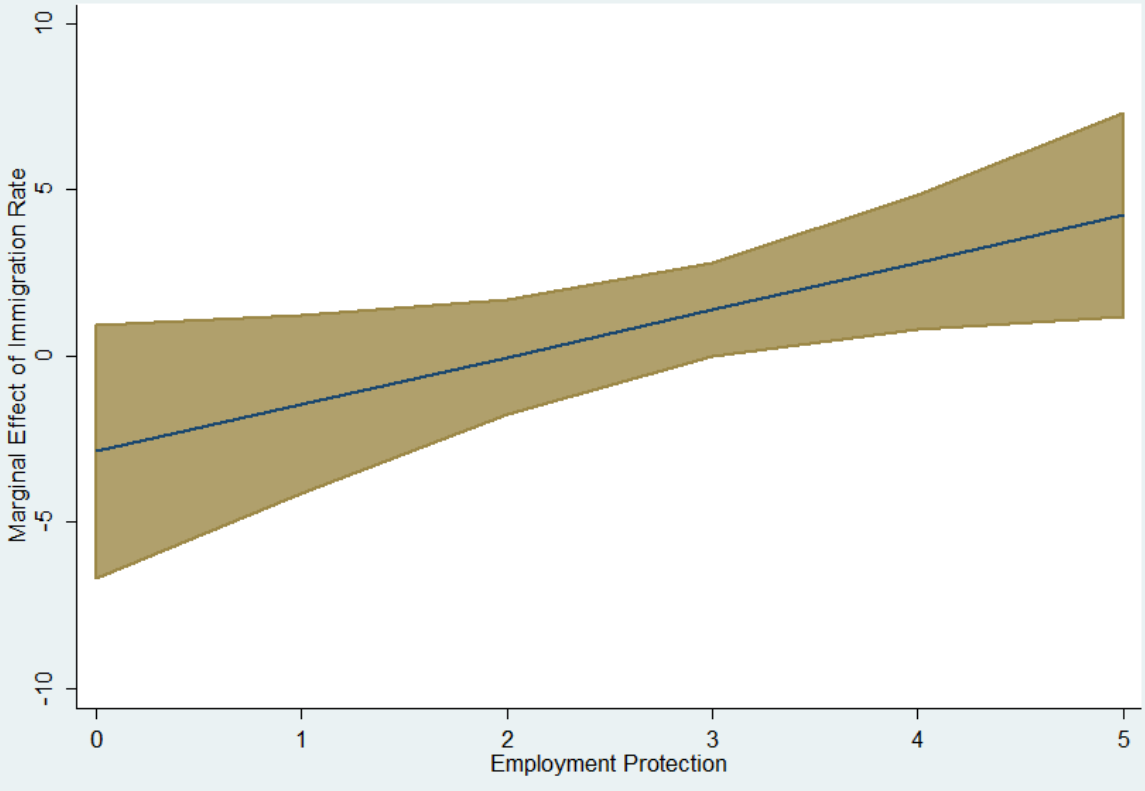

Figure 7: Immigration Stock, Economic Freedom, Marginal Effect on Far-Right parties Vote share

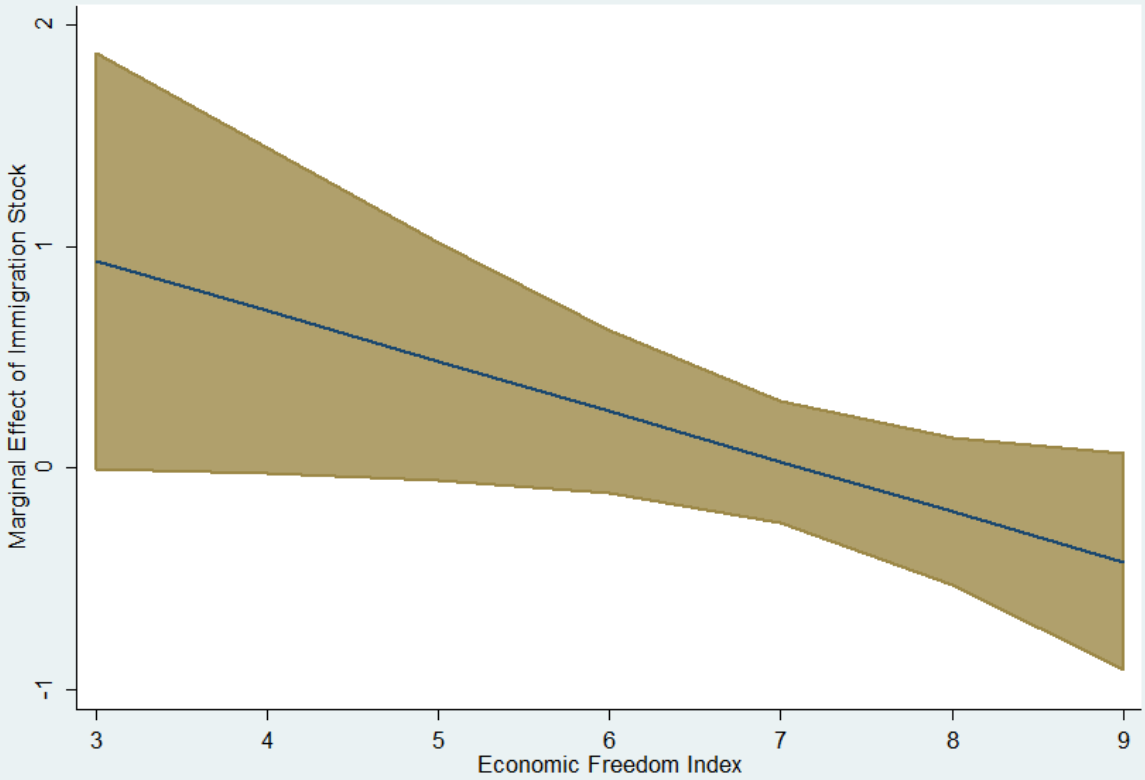

Figure 8: Immigration Rate, Tax Revenues, Marginal Effect on Far-Right parties Vote share

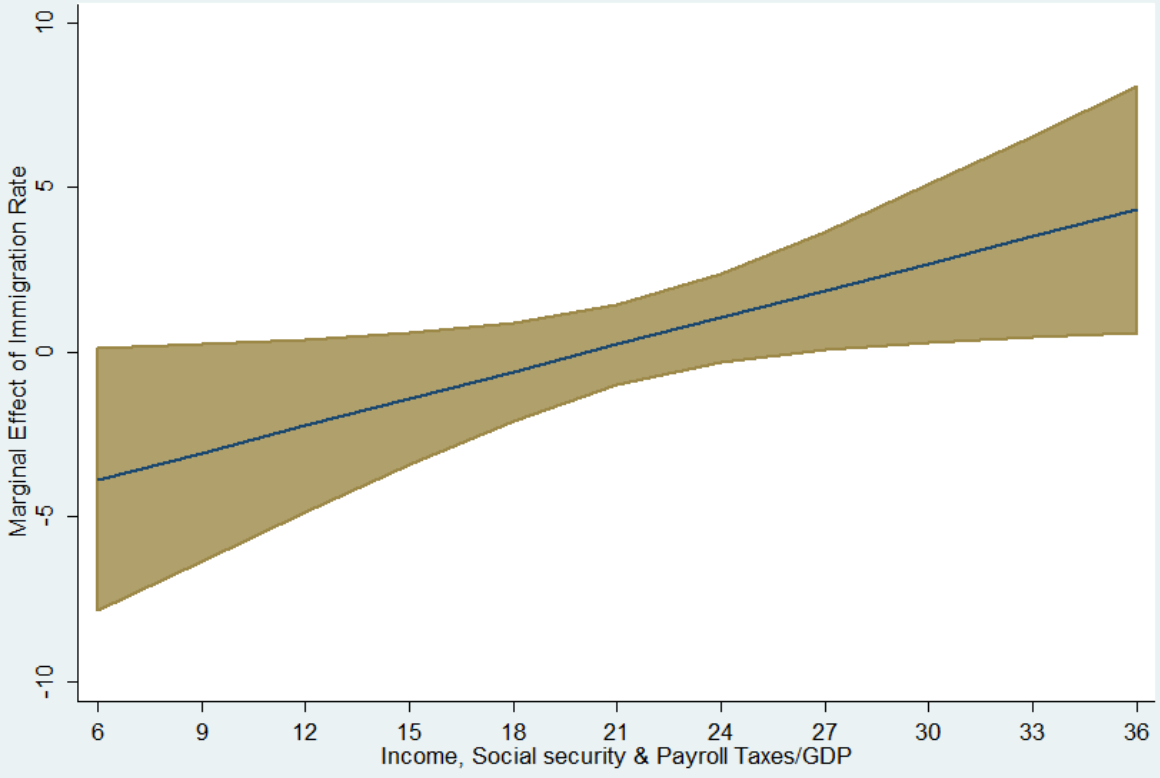

Exhibit 1: List of Far-Right and Populist parties

Country	Far-Right and Populist parties
Australia	Christian Democratic Party
	One Nation
	Australia First Party
	Australian League of Rights
	New Country Party
Austria	Freedom Party of Austria
	Alliance for the Future of Austria
Belgium	National Front
	Flemish Interest
Canada	Christian Heritage Party of Canada
	Northern Alliance
Czechoslovakia	Republicans Miroslav Sladek
Denmark	Danish People's Party
	FRP: Progress Party
Finland	True Finns
France	National Front
Germany	National Democratic Party of Germany
Greece	National Political Union, EPEN
	Hellenism Party
	Front Line
	Popular Orthodox Rally
	Popular Union - Golden Dawn
Hungary	Movement for a Better Hungary
	Hungarian Justice and Life Party
Ireland	The Immigration Control Platform
	American National Socialist Party
	(National Socialist Irish Workers Party)
Italy	Southern Action League
	League North
Netherlands	Reformed Political Party (Staatkundig Gereformeerde Partij)
	PVV: Freedom Party
New Zealand	National Front
	National Socialist Party
	Patriot Party
Norway	Progress Party
Portugal	National Renovator Party
	New Democracy Party
	People's Monarchist Party
Poland	League of Polish Families
Slovak	Slovak National Party
	Slovenská Národná Strana (SNS)
	Real Slovak National Party (PSNS)
Spain	National Democracy (DN)

Sweden	New Democracy (NyD)
	Sweden Democrats (SD)
Switzerland	Swiss People's Party
	League of Ticinesians (LdT)
	Geneva Citizens' Movement
	Freedom Party of Switzerland (FPS)
	Swiss Democrats
Turkey	National Movement Party
	Milliyetçi Hareket Partisi (MHP)
UK	British National Party (BNP)
	UK Independence Party (UKIP)
	Democratic Unionist Party (DUP)

Source: compiled from 'Parties and Elections in Europe' (http://www.parties-and-elections.eu/)

Appendix

Appendix 1: List of OECD countries under study

Australia	Greece	Poland
Austria	Hungary	Portugal
Belgium	Iceland	Slovak Republic
Canada	Ireland	Spain
Czech Republic	Italy	Sweden
Denmark	Luxembourg	Switzerland
Finland	Netherlands	Turkey
France	New Zealand	United Kingdom
Germany	Norway	United States of America

Appendix 2: Descriptive statistics

Variables	Mean	Standard Deviation	Minimum	Maximum	Observations
Vote share of Far-Right and Populist parties	5.88	7.13	0.00	30.10	480
Immigration Rate	0.60	0.57	0.00	3.47	520
Net Immigration Rate	1.45	1.41	-3.28	7.41	540
Immigration Stock	9.84	7.22	0.78	34.12	540
GDP growth rate	2.41	3.05	-14.57	10.92	540
Inflation	0.05	0.08	-0.05	0.85	540
Economic Freedom Index	7.23	0.80	3.94	8.64	540
Unemployment Rate	7.62	3.87	0.50	24.10	536
Centre-Right Party	0.41	0.49	0.00	1.00	540
Welfare Spending/GDP	21.92	5.16	5.59	37.67	535
Unemployment Benefits/GDP	1.88	1.36	0.00	6.63	518
Employment Protection Index	2.01	0.98	0.21	4.10	501

Appendix 3: Data sources and definitions

Variables	Definitions and sources
Vote share of Far-Right and Populist parties	Total number of votes received by both far-right and populist political parties contesting national elections in country *i* in year *t* as a share of total votes polled.
Immigration Rate	Total inflow of immigrants into country *i* in year *t* as a share of total population sourced from OECD statistics
Net Immigration Rate	Total 'net' inflow of immigrants into country *i* in year *t* as a share of total population sourced from OECD statistics
Immigration Stock	Inward 'stock' of immigrants into country *i* in year *t* as a share of total population as on year *t* sourced from OECD statistics
GDP growth rate	Rate of growth of GDP sourced from OECD statistics
Inflation	Rate of growth of Consumer Price Index (CPI) sourced from OECD statistics
Economic Freedom Index	Is made up of five sub indices capturing: expenditure and tax reforms; property rights and legal reforms; trade reforms; reforms related to access to sound money; labour, business and credit reforms. These five sub indices are made up of 35 components of objective indicators. The final index is ranked on the scale of 0 (not free) to 10 (totally free)
Unemployment Rate	Total unemployment rate (across all age groups) sourced from OECD statistics
Centre-Right Party	Dummy coding the value 1 if the government is run by centre-right party and 0 otherwise sourced from DPI, Beck et al (2001)
Welfare Spending/GDP	Total social sector spending as a share of GDP sourced from OECD statistics
Unemployment Benefits/GDP	Total unemployment benefits spending as a share of GDP sourced from OECD statistics
Employment Protection Index	Protection provided for employees by country *i* in year *t* coded on a scale of 0-6 whether highest value denotes full protection provided for employees sourced from OECD statistics
Tax Revenues/GDP	Total tax revenues from: income and capital, payroll, social security contribution taken as a share of GDP sourced from OECD statistics