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Modernization Losers, Political Winners: Assessing the Role of the Declining Position of Labor in Right-Wing Electoral Successes Across Western Europe

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Modernization Losers, Political Winners:

Assessing the Role of the Declining Position of Labor in Right-Wing Electoral Successes Across Western Europe



Senior Project Submitted to
The Division of Social Studies
of Bard College

by
Eva-Marie Quinones

Annandale-on-Hudson, New York
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Eva-Marie Quinones

September 5, 2016

Abstract

This Senior Project advances the modernization losers thesis, wherein the electoral successes of the far right in Western Europe are attributable to neoliberal fiscal policy, labor market shifts, and the institutional structure of the euro. Building on an existing body of literature that primarily assesses voting behavior through survey research, this paper assesses the relationship between right-wing electoral successes and the socioeconomic status of semi-skilled, blue-collar laborers thought to comprise the core voting base of extreme right parties, by using panel data at the national and provincial levels to answer the question, *“To what extent has the declining position of labor in Western Europe contributed to the ascendance of the far right at both the national and European level?”* The relationship between the position of labor and popularity of the far right, via vote share and electoral success, was studied in both national diets and European Parliament. In order to further examine the regional disparities in support for the right wing a case study for the United Kingdom analyzes county-level support for Brexit and national support for the far right 1980-2015. In both cases, it was found that there is a strong, negative relationship between the position of labor and the success of the far right, although it was indeterminate whether this correlation was notably stronger than the relationship between migration and success of the extreme right.

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Introduction

April 24, 2017, marked Yom HaShoah, the 72nd Holocaust Remembrance Day, wherein the world collectively remembered the six million Jews and millions of Communist, disabled, LGBTQ, and Romani Europeans killed during the Third Reich. April 24, 2017, was also the first round of French presidential elections, in which Marine LePen, current leader of extreme right party *Front National* and Holocaust denier, came in second place with 21.3% of the popular vote. Though this was not a decisive victory for LePen, who must garner a simple majority in the second round of elections May 7 to win the presidency, it is also not the resounding defeat could be expected for someone that was, in 2015, on trial for incitement of racial violence through hate speech against Muslims.¹

France is not a singular case in the recent success of radical right parties. Western Europe is currently experiencing an unprecedented rise in the popularity of the far right, beyond even its point of inception in the 1980s. In Austria, the Freedom Party (FPÖ) is the largest opposition party in the National Council. The Swiss People's Party has the largest number of seats in Switzerland's National Council and is part of the majority faction. Perhaps the best-known cases of the extreme right-wing in Western Europe are Geert Wilders' Party for Freedom in the Netherlands, which narrowly came in second place in the 2017 Dutch parliamentary elections, and Nigel Farage's UK Independence Party, which campaigned for the United Kingdom to exit the European Union in the most successful policy initiative by the far right to date.

For many, the French election results signify that 21.3% of the French population hates refugees, hates Muslims, hates Jews, and hates North Africans, and that their hatred of the changing ethnic makeup of France is the primary motivator for their electoral behavior. A substantial body of political literature supports this claim. However, to view the success of the

¹ In 2015, Marine Le Pen appeared before French courts after being charged with "inciting religious hatred" for her comments at a 2010 rally, in which she compared Muslim street prayers to the Nazi occupation of France. The court ultimately acquitted Le Pen under the argument that she was protected under free speech laws as she only targeted a portion of Muslims in France, rather than all of them.

extreme right in France as only the triumph of racism is to take an exceedingly reductive view of the linkages between macroeconomic shifts and voting behavior. The success of the far right is certainly an outcry *against* (rather than *for*, as with most conventional political parties), but not necessarily an outcry against racial minorities; the primary motivator could easily be an outcry against European integration, against pro-globalization trade policies that weaken the competitiveness of manufacturing in the developed world, against the restriction of transfer payments across Europe or the provision of such welfare to those who are “undeserving”. The success of the far right should be considered a counter-movement against neoliberalism. This is confirmed by the makeup of the extreme right’s voter base: such individuals are disproportionately likely to be working class or semi-skilled laborers, poorly educated, and male. In other words, they are what Hans-Georg Betz terms “the modernization losers”: low-skilled and semi-skilled laborers largely neglected as society progressed, facing increasing unemployment and declining real wages as well as loss of social importance.² This is not to say there is no racial element in the decision to vote for a far right party; it is impossible to ignore the ethnonationalist sentiments that have become a defining feature of the extreme right.

Under the *modernization losers* conception, however, individuals do not vote for the far right because they are racist; they vote for the far right because they believe the extreme right’s economic policies will ameliorate the steady decline they have been experiencing in the post-industrial era, and have decided that racism is not an important hazard. Modernization losers vote for the far right because of their economic hardship, with the racialized claims the far right makes serving to fulfill their desire for scapegoatism but ultimately not acting as a deciding factor in voting behavior. In other words, 21.3% of France is likely not overtly racist, but 21.3% of France has decided they can overlook racism. This theory stands in sharp contrast to the what can be termed the *demographic explanation* wherein Europeans are motivated by dislike of the changing ethnic composition of Europe via migration from North Africa and Southeast Asia, and the strains of the refugee crisis. Unfortunately, data on both of these theories is relatively sparse despite a large body of extant literature on the topic, in both economics and political science.

² Hans-Georg Betz, *Radical Right-Wing Populism in Western Europe* (New York: St. Martin’s Press, 1994).

Current research often proposes one of the aforementioned theories while failing to engage with the comparative, and primarily utilizes survey data, which creates a self-selection bias in that only the most outspoken supporters of the far right participate while the “silent majority” often uses the advantage of the secret ballot to voice what they know to be largely socially unacceptable views, and fails to link a solvency mechanism to popular support for the extreme right by not considering election results and policy successes.

This Senior Project attempts to address the substantive and theoretical flaws in the field by asking the question, “*To what extent has the declining position of labor in Western Europe contributed to the ascendance of the far right at both the national and European level?*” The operating hypothesis is that there is a negative correlation between the position of labor and the success of the far right in both national parliaments and European Parliament, and that this economic relationship is stronger than alternative demographics-led explanations. To provide a quantitative answer to the research question, this paper uses panel data for 16 countries over the time periods 1980-2015 and 2000-2015 to examine the relationship between the position of labor and right wing popularity, via vote share and electoral success, in both national diets and European Parliament. A case study on the United Kingdom further examines the regional disparities in support for the right wing, analyzing county-level support for Brexit and national support for the far right 1980-2015.

Finally, this paper provides policy recommendations the European Union and its member states should undertake in order to raise the socio-economic position of the working class in the post-industrial era, which would decrease support for the far right while providing economic justice to a class that has historically felt neglected by public policy. Ultimately, this serves to create a comprehensive inquiry into the motivators of extremist voting behavior across Western Europe that can serve as a predictor for future success of the far right as well as a cautionary tale to nations with similar levels of economic development.

Chapter 1: Literature Review and Theoretical Framework

1.1 Introduction

Western Europe has been affected by two waves of right-wing political activity, in the early 1980s and in the late 2000s. Both waves coincided with significant macroeconomic shifts that resulted in a decline of the position of labor, which was further worsened by unresponsive fiscal policy, the global financial crisis, and the transition to a services-based (rather than industrial) economy. At the same time, Europe underwent major demographic transformation: the migration of Arab North Africans and Southeast Asians to Europe significantly increased in the late twentieth century, as well as in the 2010s in response to the 2011-2012 Arab Spring revolutions and the Syrian Civil War. Literature attempting to explain the popularity of far-right political parties is deeply divided with regards to the causality of this voting behavior: while some authors attribute the rise of right-wing political sentiment to economic factors that created a class of “modernization losers,” others instead look towards Europe’s changing racial constitution. This section develops a theoretical framework that establishes the position of labor as declining, links the position of labor to voting behavior via social theory, and summarizes the key prior contributions to the topic.

1.2 Theoretical Review

Though there have been two waves of right-wing political activity in Western Europe, both waves have been accompanied by structural unemployment, affecting primarily low-skill and middle-skill workers, and declining relative wages of the working class, which has created a class of “modernization losers” in Western Europe. Structural unemployment can primarily be attributed to technological unemployment, increased competition for low-skill jobs, and the loss of comparative advantage in manufacturing in an increasingly globalized society. In the event semi-skilled Europeans did find jobs, they were increasingly low-wage positions; declining real wages can be attributed to “race to the bottom” policies inspired by the freedoms of movement allowed by the European Union, the diminished power of collective bargaining, decreased public

spending in states under austerity, and the decline of the welfare state. Ultimately, these macroeconomic shifts served to hurt the economic position of labor by decreasing both the job opportunities and wages of the working class employed in manufacturing, who would later use this frustration against the state and the European Union.

1.2.1 Great Transformations

The theories in this chapter can best be understood in the context of transformations from agriculture to manufacturing, and from manufacturing to service-based economies. In the new economy, the model laborer is a professional information worker rather than a manual manufacturer, and workers operate in accordance with consumer desire, rather than producer interest. The transition to an industrialized society was what Polanyi (1944) referred to as a Great Transformation, in which contemporary institutions developed concurrently with the development of the market economy. We are currently in the midst of another great transformation. *Creative destruction*, or the evolution of a new system destroying the old, often accompanies great transformations.³ Orthodox economics often focuses on how creative destruction is first creative, an innovation and expansion of the frontier, while destruction is a tertiary side effect. However, this destruction often comes with a severe social cost; in Polanyi's time, the "satanic mills" employed laborers for a pittance, creating slum conditions, extreme poverty, and epidemic. In the modern era, the creation of a services based economy has destroyed the economic stability of the working class employed in manufacturing. In the long run, this will likely correct itself -- creative destruction is usually part of a *double movement* where market advances are followed by state intervention. Historically, periods of laissez-faire policy have been followed by reform-oriented eras; the "satanic mills" were regulated at the turn of the century.⁴ The development of the state in conjunction with economic development is crucial because previous social constructions are not always compatible with new modes of production. Western economies are currently caught between economic transformation and legislative reaction. European societies implemented laws that made manufacturing well paid

³ Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston, MA: Beacon Press, 1944).

⁴ Ibid.

and stable employment, but have a dearth of services-based policies for the new economy, as well as a lack of laws to deal with the precarious nature of this work. Modernization losers are the new precariat, likely voting for the far right because they long for the stability of the previous economic system, rather than for the work associated with manufacturing itself. The working class is caught in the middle of two eras, falling into the gap between them with no safety net to lessen the impact.

1.2.2 Technological Unemployment

There are three primary causes of unemployment in the European Union: technological unemployment, deindustrialization, and austerity policies that worsen economic contractions. Technological unemployment, or the loss of primarily unskilled and semi-skilled labor due to the implementation of *labor-replacing technology* (LRT), caused significant problems in late twentieth century Europe. This form of unemployment was first introduced by John Maynard Keynes, who formally defined technological unemployment as “unemployment due to our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour.”⁵ While technological unemployment was first experienced in the early twentieth century following the second industrial revolution and the rise of mass manufacturing as a replacement to cottage industries and hand-drawn labor, a second wave of technological unemployment began in the late 1970s and early 1980s:

Yesterday’s horse-drawn coaches were replaced by motorized taxis. But both required a human being with relatively little human-capital investment – a cabbie -- to drive them. Tomorrow’s cars will drive themselves, picking us up, dropping us off, and returning home all based on a few keystrokes. This will make cabbies yet another profession of the past.⁶

An alternate conception of labor-replacing technology focuses on the changing composition of employment; the net quantity of jobs does not change but the skills required for employment increase. European economies have closely followed the phenomenon of *skill-biased technical*

⁵ JM Keynes, “Economic Possibilities for Our Grandchildren” in *Essays in Persuasion* (New York: W.W. Norton & Co, 1963). 361

⁶ Jeffrey Sachs and Laurence J. Kotlikoff, “Smart Machines and Long-Term Misery: Working Paper 18629”, NBER. 3-4.

change (SBTC), wherein the relative demand for high-skill labor increases but the demand for low-skill and middle-skill labor decreases, leading to unemployment and diminishing wages. SBTC, according to basic theories of supply and demand in the labor market, therefore increases the ratio of wages that high-skill laborers command relative to low-skill workers, commonly measured in terms of the log ratio of wages earned by college vs. high school graduates.

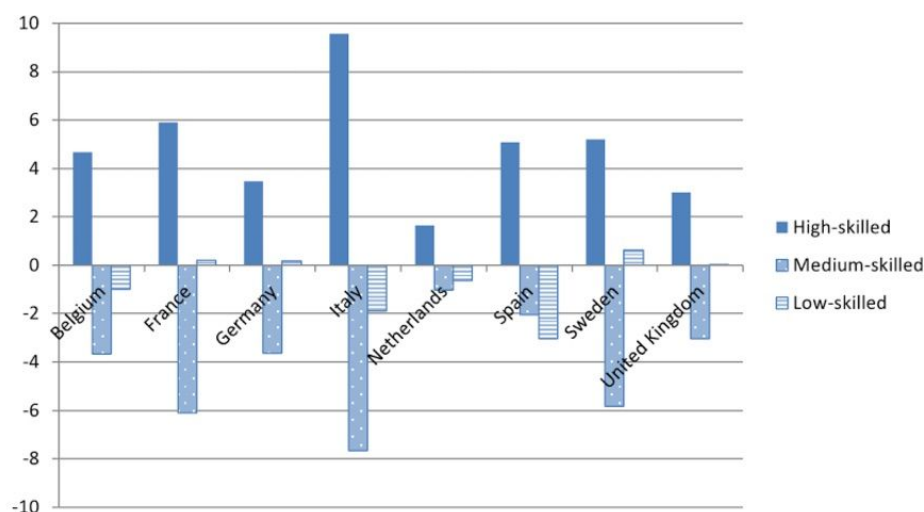


Figure 1.1: Change in the share of employment between 1998 and 2008, by occupational group, as reported by the OECD.⁷

Neoclassical economic theory posits that technological unemployment is not problematic, instead arguing the job market will eventually shift to a new equilibrium in response to external shifts such as technological advancement. Under the neoclassical model of unemployment, excess supply of labor will cause downward pressure on wages, thereby causing some workers to exit the labor force and reducing the quantity supplied (Q_s) of labor. Furthermore, the jobs lost to automation are replaced by new positions (presumably at least at a 1:1 ratio) in the long run, as workers gain new skills in more relevant sectors created by the implementation of mechanized production, such as engineering, machine installation, and service-based jobs (rather than manufacturing jobs). The harm in the reduction of wages due to the substitution of human capital

⁷ Artur Usanov et al, *The European Labor Market and Technology* (The Hague: The Hague Centre for Strategic Studies, 2014). 29.

for technological capital -- the substitution effect -- is countered by the decrease in prices wrought by the onset of automated production, which subsequently increases real income -- the income effect. However, evidence points against the validity of this model: increasing unemployment across Western Europe has led many economists to believe that the natural rate of unemployment has risen, rather than a cyclical phenomenon (Krugman 1994, Blanchard and Katz 1997).

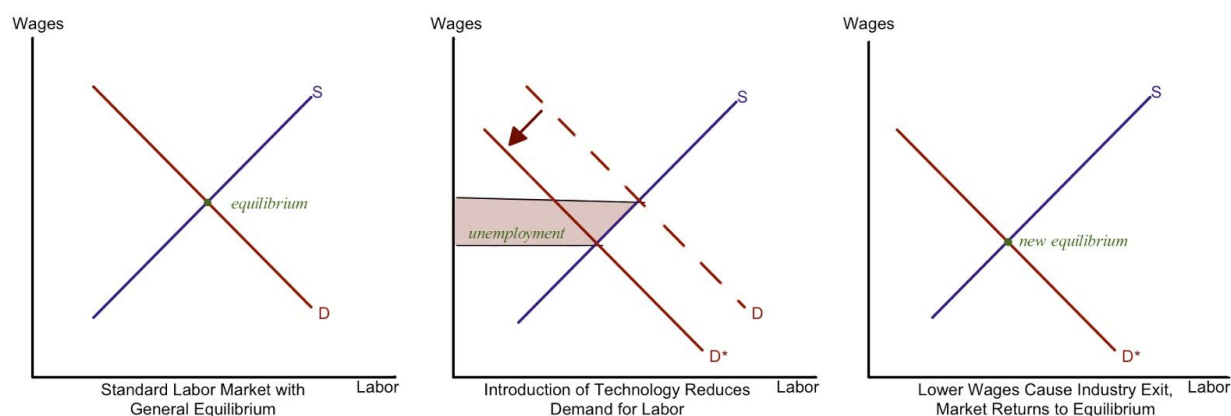


Figure 1.2: The Neoclassical Labor Market.⁸

Keynesian economics finds severe deficit in the neoclassical conception of the labor market in two regards. First, when the increase in technological efficiency outpaces the rate of labor absorption, technological unemployment persists. While this form of unemployment is temporary, it can create long-standing issues in that the reduction in employment creates a class of individuals who can no longer afford to consume the goods they were formerly tasked with creating, thus reducing demand for consumption goods and eventually causing economic contraction beyond the manufacturing industry. As a shortage in demand causes further unemployment, the problem becomes progressively worse. Hence, the short-run problem of technological unemployment can cause lasting cyclical unemployment and recession in the macroeconomy. However, Keynes was optimistic this problem would remedy itself over time: “But this is only a temporary phase of maladjustment. All this means in the long run that

⁸ Chart created by the author.

mankind is solving its economic problem.”⁹ Most of the positions that will drive the future, post-industrial economy have not yet been created; what technology renders obsolete will be replaced by new jobs maintaining the tech economy. In the long run, there will not be a labor-surplus economy, but we are currently in a period of maladjustment. Secondly, Keynes considered unemployment to be a demand-side problem. When effective demand, or the aggregate demand at a certain level of employment, was found to be deficient, then firms produce less to meet lower levels of demanded output and employ less labor. During these economic contractions, it is recommended that the government engage in countercyclical spending to incentivize consumption (for example, unemployment insurance, welfare expansion, or public jobs). The European Union, necessarily relying on austerity measures to keep member nations within Maastricht convergence criteria, has largely foregone the possibility of countercyclical fiscal policy and instead resides in a positive feedback loop where declining employment rates causes government cutbacks that further lessen consumption and therefore, worsen the problem of deficient effective demand.

In the Marxian paradigm, wages are further depressed when high unemployment creates an *army of reserve labor*. Individuals cannot freely exit the labor market as they must consume certain goods for survival; they participate or starve. Thus, workers are willing to be employed for even a pittance since they will be relatively better off and the opportunity cost of being employed in low-wage labor is outweighed by the necessity of affording food and shelter. Consequently, the quantity of labor supplied will not decrease at lower wage levels. Employers are able to capitalize upon this army of reserve labor to convince workers to accept low wages under threat of replacement, and workers have little leverage to bargain for higher wages.

The contemporary literature on SBTC largely corroborates with the Keynesian theory of unemployment. Acemoglu and Autor (2011), in their seminal work on technological unemployment, find that SBTC ultimately leads to the polarization of wages in labor markets across the EU: “while factor-augmenting technical progress always increases all wages in the

⁹ JM Keynes, “Economic Possibilities for Our Grandchildren” in *Essays in Persuasion* (New York: W.W. Norton & Co, 1963): 364.

canonical model, it can reduce the wages of certain groups in [our] more general model.”¹⁰ The authors source job polarization to the routinization hypothesis, wherein labor is a *task approach*, tasks can be completed by either labor or capital, and more routine tasks are at higher risks of being automated. From Nordhaus’ (2007) estimation that the real cost of performing computational tasks fell at least 1.7 trillion-fold between 1850 and 2006, with the majority of this decline occurring after 1980,¹¹ Acemoglu and Autor conclude that the steep decline in the cost of technology and computational processing increased incentives for firms to substitute information technology for labor, while simultaneously advantaging workers whose skills become more productive as the price of computation falls.

Goos, Manning, and Salomons (2014) verified this finding, noting the skills-biased technological change hypothesis holds in the 16 Western European countries.¹² Only the employment shares of “middling” occupations (as ordered by their mean wage across all 16 European states 1993-2010) declined across the board in Western Europe from 1998 to 2008. They build on Acemoglu et al’s routinization hypothesis, advancing the theory of routine-biased technological change (RBTC), where labor in routine tasks is mechanized. RBTC lessens the employment intensity of output and changes the distribution of output by inducing shifts in relative output prices, and therefore, consumer demand. Thus, RBTC causes the job polarization that results in wage polarization; the supply of jobs requiring semi-skilled labor shrinks, leaving the majority of positions in the economy to be filled by unskilled or high-skilled labor.

Sachs and Kotlikoff (2012) find that although technology complements the positions of older workers, it acts as a substitute for younger workers, which then depresses wages and limits

¹⁰ Daron Acemoglu and David Autor, “Skills, Tasks and Technologies: Implications for Employment and Earnings,” in *Handbook of Labor Economics* Vol. 4B, ed. by Orley Ashenfelter and David Card (Amsterdam: Elsevier, 2008): 1047

¹¹ Nordhaus, William D., 2007. Two centuries of productivity growth in computing. *Journal of Economic History* 67 (1), 128–159

¹² M. Goos, A. Manning, and A. Salomons, “Explaining Job Polarization: Routine-Biased Technological Change and Offshoring,” in *American Economic Review: Papers & Proceedings* 104,8 (2014): 2509–2526.

their capacity to accumulate capital and progress the economy for future generations, a process they call *immiseration*. While this study measured the impact of LRT in the United States, the theories advanced are applicable to Europe given their mathematical basis and the similarities between the labor markets of Europe and the United States. As machines become “smarter” and more efficient, young unskilled workers become less affluent and have lower rates of savings. The existence of this young, poor working class is key to the development of right-wing politics, which are notably different than other conservative movements in that their core constituency is the youth. Using three inputs (M=machines, L=unskilled labor, and S=skilled labor), Sachs and Kotlikoff derive a constant elasticity of substitution production function, where an increase in mechanical productivity reduces the wages of unskilled laborers if the elasticity of machines and labor is greater than the elasticity of skilled labor and intermediate goods (N) produced by machines and labor, divided by the share of skilled labor in the economy (Θ). In other words, machine productivity hurts the working class’ wages when $\epsilon_{ML} > \epsilon_{SN} / \Theta$.¹³

Benzell et al. in the 2015 study, “Robots Are Us: Some Economics of Human Replacement”¹⁴ use the Cobb-Douglas production function¹⁵ to find that in the long run, workers’ wages decline 44% due to the decay of capital and high interest rates. This use of the Cobb-Douglas function is a marked departure from its previous applications, wherein the function was used to enter different inputs symmetrically, and technical change made all inputs more productive. There are three alternate outcomes. First, with a higher savings rate, output permanently increases, but also raises interest rates significantly. Secondly, if high-tech and low-tech workers are complements in the services they produce, the initial expansion of δ , the

¹³ Jeffrey Sachs and Laurence Kotlikoff, “SMART MACHINES AND LONG-TERM MISERY” (Working Paper 18629, *National Bureau of Economic Research*, Cambridge, 2012).

¹⁴ Seth G. Benzell, Laurence J. Kotlikoff, Guillermo LaGarda, and Jeffrey D. Sachs, “ROBOTS ARE US: SOME ECONOMICS OF HUMAN REPLACEMENT,” (Working Paper 20941, *National Bureau of Economic Research*, Cambridge, 2015).

¹⁵ The Cobb-Douglas production function is $Y=aL^{\beta}K^{\alpha}$, where:

a =total factor productivity

L =labor input

K =capital input

β =the output elasticity of labor

α = the output elasticity of capital).

retention rate for technological progress, leads to gains for the high-tech sector and automation losses for the low-tech sector. In the long run, however, accumulating capital and declining marginal productivity lead to diminished wages and employment in the high-tech sector and the increased prominence of low-skill employment leads to improved positions for such workers. Third, preferences may shift towards products that are easier to produce, and capital decumulation requires more immediate work on technological development in the short term; there have been no historically documented shifts of preferences as predicted in this outcome, however. There is only one outcome in which both high-skill and semi-skilled workers improve their social position, the first alternative in which a high rate of savings allows output to permanently expand, although long-term economic growth is slowed by the high interest rate.

INITIAL SHARES OF HOURS WORKED AND PERCENTAGE CHANGES OVER 1993–2010 (*by Country*)

	Four lowest-paying occupations		Nine middling occupations		Eight highest-paying occupations	
	Employment share in 1993 (in percent)	Percentage point change 1993–2010	Employment share in 1993 (in percent)	Percentage point change 1993–2010	Employment share in 1993 (in percent)	Percentage point change 1993–2010
Austria	21.82	6.36	51.61	−10.44	26.57	4.08
Belgium	17.49	3.00	48.50	−12.07	34.01	9.08
Denmark	24.09	1.73	39.70	−10.30	36.21	8.56
Finland	20.24	−1.50	39.69	−10.60	40.06	12.10
France	19.92	4.19	46.69	−8.60	33.39	4.41
Germany	20.71	2.37	48.03	−6.74	31.26	4.37
Greece	21.66	4.81	47.81	−10.65	30.54	5.84
Ireland	21.13	3.68	48.21	−14.85	30.66	11.17
Italy	27.01	6.06	51.04	−10.59	21.94	4.53
Luxembourg	21.70	−2.38	49.91	−10.76	28.40	13.15
Netherlands	16.78	1.99	37.90	−7.56	45.33	5.57
Norway	22.85	4.73	38.82	−8.47	38.34	3.74
Portugal	25.75	0.73	47.46	−4.86	26.78	4.13
Spain	28.02	1.01	48.67	−11.95	23.30	10.93
Sweden	21.82	1.52	41.98	−9.55	36.20	8.03
United Kingdom	16.88	4.17	43.64	−10.94	39.49	6.77

Notes: Long difference 1993–2010. Occupational employment pooled within each country. Occupations are grouped according to the mean European occupational wage as in Table 1.

*Figure 1.3: Initial Shares of Hours Worked and Percentage Changes, 1993-2010 (by country).*¹⁶

¹⁶ M. Goos, A. Manning, and A. Salomons, “Explaining Job Polarization: Routine-Biased Technological Change and Offshoring,” in *American Economic Review: Papers & Proceedings* 104,8 (2014): 2515.

The European welfare state is considered partly to blame for high rates of long-term unemployment by many economists, who view it as a disincentive to seek employment. Mortenson and Pissarides (1999)¹⁷ explore the effects of unemployment insurance and related income-sustaining benefits that reduce desire to work in conjunction with labor replacing technology. They find that, when skill-biased technological change occurred in both the United States and Europe, the United States was able to recover more quickly because its employee protection measures and income-sustaining benefits were less comprehensive:

Granted the shocks, the United States has accommodated them by an offsetting movement in the skill wage differential This response prevented any major detrimental effect on the natural rate of unemployment. European countries, however, with some small exceptions, could not respond in this way because unemployment compensation in some cases and a minimum wage in others determine a floor constraining downward movements in unskilled wages. Employment protection contributed to the problem by discouraging the creation of new service jobs and the reallocation of unskilled workers to them, as seems to have happened in the United States.¹⁸

Finding that unemployment insurance increases the unemployment rate of unskilled workers more than skilled workers, and that employment protection decreases the unemployment of skilled workers more than unskilled workers, it becomes clear that technological shocks cause unemployment to increase more in countries with heavy levels of unemployment insurance and employment protection, making the issue of technological unemployment particularly pernicious in Western Europe.

In *A Farewell to Alms*, economist Gregory Clark illustrates the simple concept that not all workers benefit from the rising tides of progress borne by technology:

There was a type of employee at the beginning of the Industrial Revolution whose job and livelihood largely vanished in the early twentieth century. This was the horse. The population of working horses actually peaked in England long after the Industrial

¹⁷ Mortensen, Dale T., and Christopher A. Pissarides. "Unemployment Responses to 'Skill-Biased Technology Shocks: The Role of Labour Market Policy.'" *The Economic Journal* 109, no. 455 (1999): 242-265.

¹⁸ Mortensen, Dale T., and Christopher A. Pissarides. "Unemployment Responses to 'Skill-Biased' Technology Shocks: The Role of Labour Market Policy." *The Economic Journal* 109, no. 455 (1999): 243-244.

Revolution, in 1901, when 3.25 million were at work. Though they had been replaced by rail for long-distance haulage and by steam engines for driving machinery, they still plowed fields, hauled wagons and carriages short distances, pulled boats on the canals, toiled in the pits, and carried armies into battle. But the arrival of the internal combustion engine in the late nineteenth century rapidly displaced these workers, so that by 1924 there were fewer than two million. There was always a wage at which all these horses could have remained employed. But that wage was so low that it did not pay for their feed.¹⁹

The low- and middle-skilled workers in Western Europe are in the same position as the horses at the turn of the century, no longer able to be employed for a living wage when automated machines could more cheaply and more productively accomplish the same work. However, the fundamental precepts of human rights necessitate that workers be given a higher standard of dignity than the workhorses of the early twentieth century: while neoclassical economists would point out that the capital provided by horses was transferable to other sectors, it isn't quite as acceptable to send low-skill laborers to the glue factory. While unemployment is a short-run problem in both the Keynesian and neoclassical conceptions, voting behavior is motivated by short-run concerns, and politics is a short-run game. Thus, although these economic problems will be remedied by natural market adjustments in the long run, their short-term repercussions in the political sphere have contributed significantly to the rise of right-wing parties, as has been proven throughout the literature in political science.

¹⁹ Gregory Clark, *A Farewell to Alms A Brief Economic History of the World* (Princeton, NJ: Princeton University Press, 2009): 286.

LEVELS AND CHANGES IN THE SHARES OF HOURS WORKED, 1993–2010

Occupations ranked by mean European wage	ISCO code	Average employment share in 1993 (in percent) (1)	Percentage point change 1993–2010 (2)	RTI (3)	Offshorability (4)	Within (5)	Between (6)
<i>High-paying occupations</i>							
Corporate managers	12	5.65	0.59	−0.75	−0.32	0.49	0.10
Physical, mathematical, and engineering professionals	21	2.93	1.36	−0.82	1.05	1.11	0.25
Life science and health professionals	22	2.01	0.57	−1.00	−0.76	0.23	0.34
Other professionals	24	2.79	1.38	−0.73	0.21	0.67	0.71
Managers of small enterprises	13	4.16	0.17	−1.52	−0.63	−0.03	0.19
Physical, mathematical, and engineering associate professionals	31	4.44	0.21	−0.40	−0.12	0.22	−0.01
Other associate professionals	34	7.24	0.79	−0.44	0.10	0.27	0.53
Life science and health associate professionals	32	2.45	0.55	−0.33	−0.75	0.14	0.41
<i>Middling occupations</i>							
Stationary plant and related operators	81	46.75	−9.27	0.69	0.24	−4.77	−4.50
Metal, machinery, and related trade work	72	1.70	−0.25	0.32	1.59	0.06	−0.31
Drivers and mobile plant operators	72	8.78	−2.08	0.46	−0.45	−0.81	−1.26
Office clerks	83	5.03	−0.48	−1.50	−1.00	−0.11	−0.38
Precision, handicraft, craft printing, and related trade workers	41	10.60	−2.06	2.24	0.40	−2.34	0.28
Extraction and building trades workers	73	1.45	−0.54	1.59	1.66	−0.30	−0.24
Customer service clerks	71	7.35	−0.64	−0.19	−0.93	0.39	−1.03
Machine operators and assemblers	42	2.13	0.06	1.41	−0.25	−0.14	0.20
Other craft and related trade workers	82	5.99	−1.63	0.49	2.35	−0.56	−1.07
<i>Low-paying occupations</i>							
Laborers in mining, construction, manufacturing, and transport	74	3.72	−1.66	1.24	1.15	−0.96	−0.69
Personal and protective service workers	93	21.56	3.65	−0.08	−0.84	1.66	1.99
Models, salespersons, and demonstrators	51	4.26	−0.55	0.45	−0.66	0.01	−0.55
Sales and service elementary occupations	52	6.86	2.36	−0.60	−0.94	0.65	1.71
	91	6.06	−0.11	0.05	−0.89	0.29	−0.40
		4.38	1.95	0.03	−0.81	0.72	1.23

Figure 1.4: Levels and changes in the shares of hours worked in 16 Western European nations, 1993–2010. Note that only middling occupations had a negative change in percentage of the labor share between 1993 and 2010.

“RTI” is Routine Task Intensity, an index first used by Autor and Dorn (2013) and Autor, Dorn, and Hanson (2013).

20

1.2.3 Labor Offshoring and Labor Migration

Europe has also faced a declining comparative advantage in manufacturing in the wake of globalization that compounded its unemployment issues. Due to its high levels of development and strong welfare state provisions, wages for manufacturing positions in Europe are much higher than in the rest of the world, and costs of production are also notably higher than in other regions due to strict regulations. As a result, once the disaggregation of the value chain was made possible by global systems of transport and communication, Europe rapidly lost share in manufacturing through offshoring to Asia, where workers paid a pittance and working in often-deplorable conditions could produce the same good for a fraction of the cost. European offshoring is primarily conducted through a system of industrial organization known as outward processing trade (OPT), wherein firms supply intermediate inputs to offshore suppliers with reciprocal trade agreements and import finished products.²¹ Some argue that globalization has increased living standards worldwide as developing countries are able to gain a place on the ladder of the development via export-oriented growth and an increase in the share of regulatable, formal employment. However, historical evidence suggests that certain groups are left worse-off after globalization inspires higher levels of transnational trade, even if the national economy grows.²² It should be noted that the *rhetoric* surrounding labor offshoring, perpetuating the narrative of job-stealing by immigrants, has been far more influential in the success of the far right than the effect of offshoring has been on the position of labor.

Europe’s comparative advantage in high-skill tasks such as research and development and high-tech production, as well as the financialization of the European economy, further contributed to employment polarization and the hollowing-out of mid-skill work. Stiglitz, in

²⁰ M. Goos, A. Manning, and A. Salomons, “Explaining Job Polarization: Routine-Biased Technological Change and Offshoring,” in *American Economic Review: Papers & Proceedings* 104,8 (2014): 2512.

²¹ Gary Gerreffi, “International trade and industrial upgrading in the apparel commodity chain,” in *Journal of International Economics* 48 (1999): 48.

²² Joseph Stiglitz, *Making Globalization Work* (New York, NY: W. W. Norton & Company, 2007): 61-103.

Making Globalization Work, observes that free trade has not created easy periods of readjustment as orthodox theory suggests:

Free trade advocates say that although jobs are lost, new opportunities are created. High-productivity/high-wage jobs replace low-productivity/low-wage jobs. The argument is persuasive, except for one detail: in many countries, unemployment rates are high and those who lose their jobs do not move on to higher-wage alternatives but onto unemployment roles ... Unemployment in Europe has remained stubbornly high.²³

Middle-skill workers are likely to leave the labor force or enter poverty as they agree to lower wages, reduced benefits, and lessened job protections to avoid offshoring. This theory is confirmed by Autor et al. (2003), who note that recent technological developments have permitted offshoring of core jobs previously occupied by middle-skill workers, significantly altering the returns to certain kinds of skills and shifting the assignment of skills to tasks in economies across Europe.²⁴

Low-skill Europeans have also faced significant difficulty in recent decades. Job scarcity for low-skill workers has been exacerbated by labor migration from South Asia, North Africa, and the Middle East. While immigration has differed in every country -- France, for example, receives large amounts of migrants from Francophone Africa, the Nordic countries receive large amounts of Middle Eastern migrants, and most migrants arriving in the United Kingdom originate from India, Pakistan, and Bangladesh -- the effects of immigration on the labor market are comparable across Europe. The vast majority of Arab and South Asian migrants have immigrated to Europe in search of work, possessing limited transferrable job skills.²⁵ This has increased competition in an already-tight labor market and placed downward pressure on wages. Those that are undocumented present further problem to the economy by often working for salaries below state minimum wages, creating asymmetries in the labor market and rendering the price floor for labor unenforceable.

²³ Ibid, 67.

²⁴ David Autor, "The Skill Content of Recent Technological Change: An Empirical Exploration," *Quarterly Journal of Economics* 118, no. 4 (2003): 1279-1334.

²⁵ Though many of these migrants are highly skilled, the European Union does not recognize higher education degrees from most countries in the Global South.

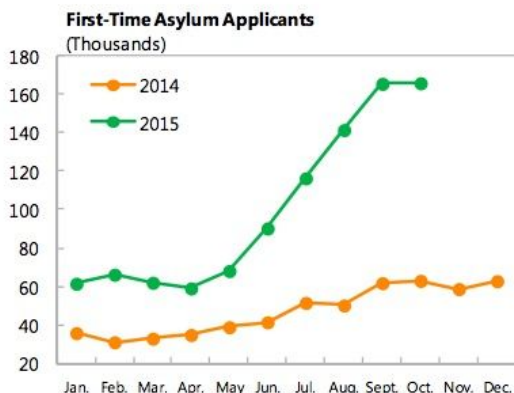
Labor migration has also benefitted Europe's economy. As educational attainment increased and the birth rate decreased, migrant labor was able to fill essential but low-skill positions that would have otherwise been left vacant. European states experiencing an aging population, such as Germany, have welcomed labor migration due to employee scarcity in low-skill service sector positions. Furthermore, many immigrants are high-skilled workers contributing to professions such as medicine and engineering, adding new ideas to innovation-based industries and augmenting the potential for economic and social progress. Immigration has also created entirely new avenues of work, such as Arabic and Turkish language newspapers in Germany and state employment in refugee resettlement programs.

In addition to the strains of standard labor migration, the ongoing European Migration Crisis has created a significant economic burden for many European Union states, with over one million refugees arriving in Europe by land and sea in 2015.²⁶ However, it should be noted that the ongoing refugee crisis is not a unique event in European history; the flows currently recorded are comparable to the Yugoslavian refugee crisis in the 1990s, but an increase in right-wing activity was not recorded during this period. This serves to significantly challenge the perspective that the current wave of far-right political activity is solely due to demographic pressures; right-wing politics failed to gain traction throughout the 1990s during times similar hardship. Furthermore, the refugee crisis has caused immediate macroeconomic expansion, albeit small, by increasing aggregate demand and creating new jobs in the public sector, despite the short-run fiscal cost. The IMF has predicted GDP increases of 0.05% in 2015, 0.09% in 2016, and 0.13% in 2017 due to the European Migration Crisis.²⁷ Why, then, has the far right gained prominence throughout the 2010s when a similar flood of refugees in the 1990s was met with sharply different political response?

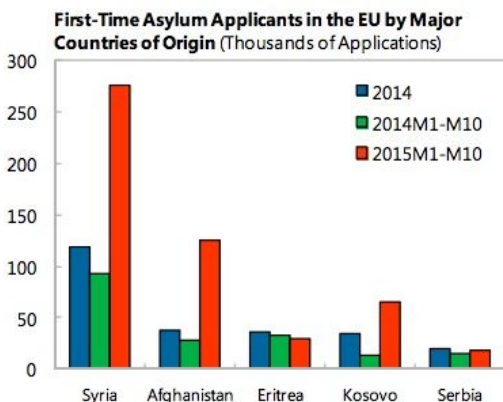
²⁶ United Nations High Commissioner for Refugees and International Organization for Migration.

²⁷ Shekhar Aiyar, Bergljot Barkbu, Nicoletta Batini, Helge Berger, Enrica Detragiache, Allan Dizioli, Christian Ebeke, Huidan Lin, Linda Kaltani, Sebastian Sosa, Antonio Spilimbergo, and Petia Topalova, "The Refugee Surge in Europe: Economic Challenges," *IMF Staff Discussion Note*. (January 2016). 9.

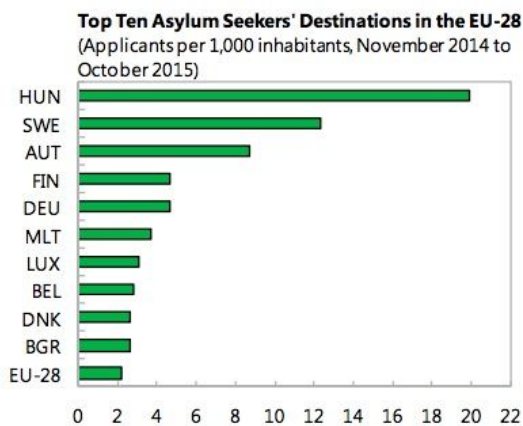
Asylum applications in EU countries surged in 2015



Asylum seekers escape conflict in Syria, Afghanistan, and Eritrea



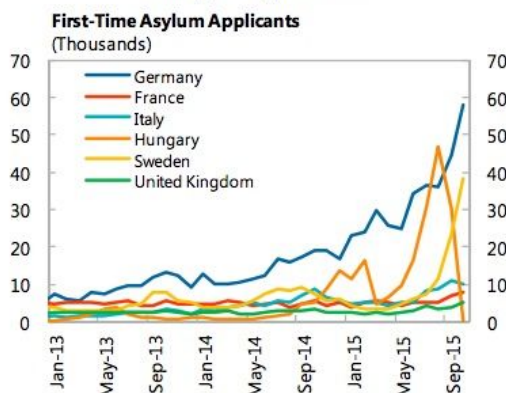
Hungary, Sweden and Austria receive the most applications relative to their populations



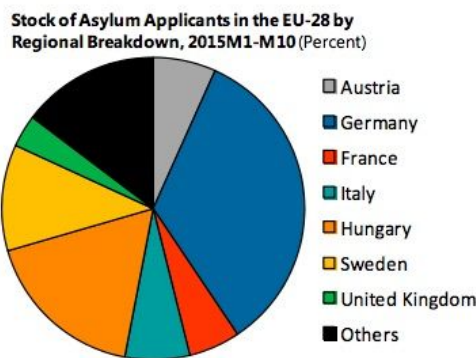
Sources: Eurostat and IMF staff calculations.

¹ Data show first-time asylum applications in each country, hence there could be double-counting if an asylum seeker is registered in two countries. It is likely that the large number of registered asylum seekers in Hungary may also count asylum seekers that have moved on to destination countries such as Austria, Germany, and Sweden.

Within the EU, Hungary and Germany are receiving the bulk of the applications



Germany and Sweden are main destinations, and Italy, Greece, and Hungary are gateways



Large inflows have led to a backlog of pending applications

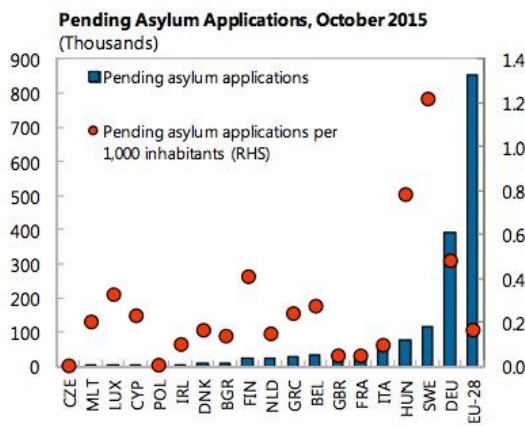


Figure 1.5: Several charts on the European Migration Crisis, 2014 and 2015.²⁸

²⁸ Shekhar Aiyar, Bergljot Barkbu, Nicoletta Batini, Helge Berger, Enrica Detragiache, Allan Dizioli, Christian Ebeke, Huidan Lin, Linda Kaltani, Sebastian Sosa, Antonio Spilimbergo, and Petia Topalova, "The Refugee Surge in Europe: Economic Challenges," *IMF Staff Discussion Note*. (January 2016): 9.

1.2.4 Declining Real Wages

While macroeconomic shifts in the latter half of the twentieth century first hurt the position of labor by increasing the tightness of the market for medium-skill positions, the position of labor has been further hurt by declining real wages for the working class and rising income inequality. There are two primary issues relating to declining real wages in Western Europe: the erosion of union power, and the institutional framework of the single currency area (eurozone).

The neoclassical conception of the labor market is predicated on the idea that wages equal the marginal product of labor, and should therefore fall and rise without external intervention. This theory neglects to realize that workers are unlikely to exit the labor force even as wages decline because labor is not a normal good; wages are essential to survival, which leaves workers vulnerable to steadily decreasing “race to the bottom” wages unless an organization is able to bargain on their behalf to insist upon living wages. Thus, the labor union is essential to economic rights. However, labor unions have been unable to prevent real wages from declining since the 1970s. First, unions often protest only decreases in nominal wages, allowing real wages to decrease as salaries stagnate and the cost of living rises. Second, unions as an economic institution have entered a period of prolonged decline since the 1980s; union membership across Europe decreased from 47 million in 1978 to 39 million in 1998.²⁹ Finally, the activity of unions has been severely constrained by the state since the rise of Thatcherist conservatism in the 1980s, through tactics such as labeling workforces as essential and thus unable to strike.

Waddington (2014) finds that trade union membership has declined almost universally in Europe since 1980 despite political attitudes that favor the existence of unions, because unionism

²⁹ Jelle Visser, “Why Fewer Workers Join Unions in Europe: A Social Custom Explanation of Membership Trends” in *British Journal of Industrial Relations*, 0007–1080 (September 2002): 404.

is not seen as a matter of national economic strategy.³⁰ Cecchi and Lucifora (2002) observe a crowding-out effect, where job security legislation, unemployment insurance, and wage indexation act as substitutes for unions.³¹ Additionally, Visser (2002) advances a *social custom theory* where low union density reduces the effectiveness of collective bargaining and the union's ability to provide benefits, which then reinforces the habit of individuals not joining the union.³² Looking at the specific case of Britain, Machin (1997) finds a strong and direct correlation between the decline in the role of labor market institutions and the increase in income inequality.³³

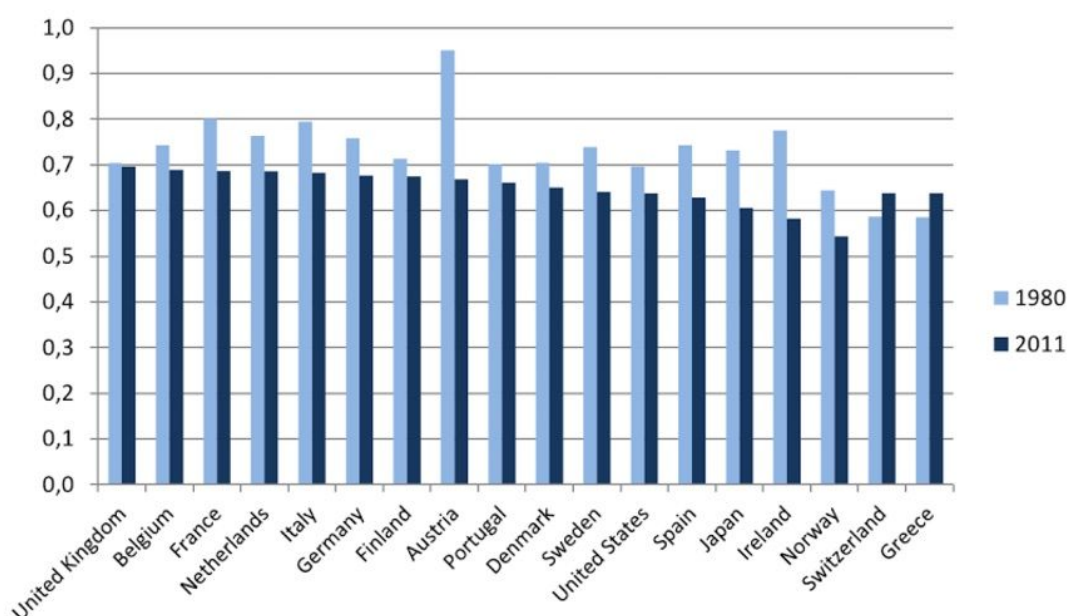


Figure 1.6: Annual Labor Share of Income in 1980 and 2011 in the OECD.³⁴

³⁰ J Waddington, "Trade union membership retention in Europe: the challenge of difficult times." *European Journal of Industrial Relations* (20 June 2014): NP

³¹ Daniele Checchi, Claudio Lucifora. "Unions and labour market institutions in Europe" in *Oxford Journal of Economic Policy*, 88 (2002): 361-408.

³² Jelle Visser, "Why Fewer Workers Join Unions in Europe: A Social Custom Explanation of Membership Trends" in *British Journal of Industrial Relations*, 0007-1080 (September 2002): 403-430.

³³ Stephen Machin, "The decline of labour market institutions and the rise in wage inequality in Britain" in *European Economic Review*, 41, no. 3-5 (1997): 647-657.

³⁴ Artur Usanov et al, *The European Labor Market and Technology* (The Hague: The Hague Centre for Strategic Studies, 2014).

1.2.5 Institutional Structure of the Euro

Wages have also been kept low by the institutional structure of the single currency area itself. In an attempt to counteract Europe's declining share in the global economy and perennial trade deficit, the idea of a single-currency area (eurozone) within the European Union emerged. Money in the Mengerian conception is the "process, whereby the private sector has sought to minimize the costs of making exchanges in the process of trading".³⁵ As currency is created to minimize transaction costs, it need not be restricted to the national level; instead, different currencies should reflect supranational or subnational markets with high levels of uniformity in the form of size, openness, labor market flexibility, and the concentration and diversity of production. Therefore, the Eurozone was considered an optimal currency area to decrease production costs while maintaining high labor standards, and thus protecting Europe's global competitiveness. There are four primary benefits of a common European currency. The euro area allows the shared goals of the economic union to be realized in a way they could not be without the euro: reduced transaction costs, increase efficiency, facilitated trade, and lower prices on goods exchanged between European nations. This makes the monetary union a necessary counterpart to European integration. The euro also diminished exchange rate risks, as investors and laborers could engage in international transactions without concerns of devaluation or revaluation. This itself facilitates labor movements which decrease the chance an economy's skill set will not match available jobs, increase employment flexibility, and infer upon Europe the same benefits of size that aid China and the US. All of these benefits make Europe more competitive, and by reducing costs of production by increasing efficiency, allow Europe to continue exporting goods and services while maintaining high labor standards that are accompanied by high costs. The underlying assumptions instrumental in the creation of the euro were deeply flawed, however, in that the true costs of monetary union were not fully realized.

³⁵ Charles Goodhart, "The two concepts of money: implications for the analysis of optimal currency areas," *European Journal of Political Economy* 14, no. 3 (1998): 407.

There are numerous reasons the institutional structure of the single currency area has hurt labor. Article 105 of the Maastricht Treaty prioritizes price stability as the primary goal of the ESCB, above post-recession economic recovery and full employment. Consequently, the monetization of debt, seen as potentially inflationary, was banned, which has been significantly detrimental to Greece during its debt crisis. The Treaty also restricted fiscal policy significantly to ensure survival of the monetary union, by requiring a 3% deficit:GDP and 60% debt:GDP ratio reflecting the monetarist view of fiscal policy as unreliable. This required ratio restricts the potential role automatic stabilizers can play during recession, and can be viewed as across-the-board austerity. If the spending to induce full employment in a given year exceeds 3% of GDP, that spending is forbidden. The architects of this plan were well-intentioned, subscribing to the conventional idea that government deficits crowd out private sector activity, raise interest rates and therefore, raise prices. However, the “crowding out” view depends on the assumption deficit spending puts inflationary pressure on prices due to additional demand on industries operating and full-employment (rarely a reality in times of deficit spending). The euro prioritizes a balanced budget over functional finance, and shrinks the toolbox members can use to fix the economy in times of crisis.³⁶ In cases of insufficient demand, the state should sell securities to allow private institutions to issue credit money. Functional finance is not possible under the constraints of the eurozone, which divorces fiscal and monetary authority. Governments, having lost their ability to print money, now rely solely on taxes to spend.³⁷

The euro as an institution diminishes the role of the state and inherently weakens the link between government and monetary authority. There are constraints upon both fiscal policy and constitutional authority: “What would happen if the wished of the community, expressed through its various (democratic) institutions, should not coincide with either the objectives or the

³⁶ There are two primary principles of functional finance: the government must maintain the level of spending necessary to produce full employment, which reduces both inflation and unemployment, and the government ought only borrow when private spending would create excessive demand.

³⁷ Stephanie Bell, “Neglected Costs of Monetary Union: The loss of sovereignty in the sphere of public policy” in *The State, the Market and the Euro: Chartalism Versus Metallism in the Theory of Money* ed. S Bell and E Nell (Cheltenham, UK: Edward Elgar Publishing, 2003): 173.

operations of central banks?”.³⁸ The Syriza government in Greece points to this failure: the state, regardless of popular desire, is held a hostage to the European Central Bank in accepting austerity. In the eurozone, member states must sell bonds to spend, which requires private banks be willing to extend a line of credit in advance while there is a risk of default. Because different members have different levels of debt, this risk of default is different for every country; “since markets will perceive some members of the EUR-11 as more creditworthy than others, financial markets will not view bonds issued by different nations as perfect substitutes”.³⁹ This means less stable economies will need to have higher bond interest rates, or will be unable to secure funding.

The notable theoretical shortcomings in the institutions surrounding the euro result in heavy costs for adopting the euro. The ECB views money as a commodity, and attempts to keep its value high, which is also seen as anti-inflationary. However, by keeping the money supply small and Euro values high, levels of employment are reduced due to high costs of production and few exports. The most obvious shortcoming of the loss of monetary policy is the ability to monetize debt, which leads to debt crises and slow economic recovery, and reduces the power of the state to stabilize the economy. The poorest nations are penalized the most harshly, widening regional inequalities between North and South Europe. Nations with divergent economic trajectories are unable to customize their policy -- while Germany risked inflation after a booming recovery from the 2008 financial crisis, PIGS countries (Portugal, Ireland, Greece, and Spain) dealt with high unemployment and would have ideally devalued their currency to lower interest rates and increase demand. This has impacted workers in two key ways: unemployment in states struggling with recession is kept unnecessarily high by states’ inability to boost demand via both monetary and fiscal stimulus, and currency in net-importing states is overvalued to the extent that it worsens the trade imbalance and further hurts production. Finally, the euro places

³⁸ Charles Goodhart, “The two concepts of money: implications for the analysis of optimal currency areas,” *European Journal of Political Economy* 14, no. 3 (1998): 409.

³⁹ Stephanie Bell, “Neglected Costs of Monetary Union: The loss of sovereignty in the sphere of public policy” in *The State, the Market and the Euro: Chartalism Versus Metallism in the Theory of Money* ed. S Bell and E Nell (Cheltenham, UK: Edward Elgar Publishing, 2003): 174.

downward pressure on wages: wages have stagnated in most cases, and net exporters such as Germany attempt to lower absolute wages due to the belief costs are too high relative to the US and Asia, rather than relative to other European states. This creates competition between eurozone members for the lowest possible wages, to come out with the highest employment numbers, lowest debt and deficit numbers, and good credit ratings, when member states should be cooperating. Hence, the losses incurred by “modernization losers” have been worsened due to inadequate state response to economic growing pains, based in a misplaced faith in orthodox economic theory, including the deregulation of the labor market under the institutional structure European Union, the shrinking of the welfare state in ways that worsened wage polarization, and austerity policies.

1.2.6 Sociological Links to Voting

In order for the theory that macroeconomic shifts have motivated right-wing voting behaviors to be valid, there must be a link between the declining position of labor and the ways in which individuals choose to vote. Why are modernization losers so likely to turn to the right? The answer largely resides within voting theory. First, *relative deprivation theory* theorizes that when individuals feel deprived of some status or identity relative to their position in the past, feelings of social injustice cause frustration.⁴⁰ ⁴¹ A study of the British working class found respondents with beliefs of relative deprivation were more likely to compare their position with friends and relatives within their social category than with their social category and other groups.⁴² Thus, white factory workers in Germany might note the decline of their position in relation to their previously higher wages, but do not observe the socioeconomic advantages they hold in relation to Turkish immigrants who they consider to be in a different social category. They notice their own oppression, but not their privilege. The technological unemployment referenced earlier

⁴⁰ Walker, I., & Pettigrew, T. F. “Relative deprivation theory: An overview and conceptual critique,” *British Journal of Social Psychology* 23 (1984): 303-310.

⁴¹ Kai Arzheimer, “Contextual Factors and the Extreme Right Vote in Western Europe, 1980–2002,” *American Journal of Political Science* 53, no. 2 (2009): 260

⁴² WG Runciman, *Relative Deprivation and Social Justice: A Study of Attitudes to Social Inequality in Twentieth-century England* (Upper Saddle River, NJ: Gregg Revivals, 1966).

in this chapter has increased income inequality because of job polarization: wage growth for unskilled labor is not keeping pace with productivity growth, despite massive gains for the top 10%. This has led to wage polarization, where Europe's economy is increasingly comprised of a dual-track system with the very well-off and those living in poverty, and served to worsen feelings of relative deprivation by creating a system under which certain individuals feel increasingly worse-off in comparison to the massive gains made by the capitalist class, in addition to the decline of their own economic position.

Second, *social breakdown thesis* posits that individuals who are isolated from greater society are more likely to support right-wing parties.⁴³ As traditional institutions such as unions, the church, and recreational social spheres lose prominence in society, individuals become isolated from their peers and seek belonging via the formation of a national ethnic identity, they key aspect of most right-wing movements. This has been explicitly linked to the rise of far right French, German, and Dutch political parties.⁴⁴ Furthermore, the social norms and mores that typically constrain collective action from occurring (eg, the norm of seeking reform rather than a radical restructuring of government due to emphasis on gradual societal change) no longer control collective behavior.⁴⁵ While breakdown theory lost sociological prominence after 1970, there has recently been a resurgence in the popularity of breakdown theory as a means to explain contemporary protest politics. Both concepts provide the final theoretical link between economic conditions and the rise of the far right in Europe: macroeconomic shifts causing unemployment and declining real wages for low-skilled and semi-skilled laborers created a class of "modernization losers" largely neglected as society progressed, then social breakdown and relative deprivation allowed this class to become frustrated and react against existing political structures by voting for the radical right.

⁴³ Jens Rydgren, "The sociology of the radical right," *Annual Review of Sociology* 33, no. 1 (2007): 247.

⁴⁴ P Merkel and L Weinberg, *Right-wing Extremism in the Twenty-first Century* (Frank Cass Publishers: London, 2004): 50-51.

⁴⁵ S.M. Buechler, "Strain and Breakdown Theories," *The Wiley-Blackwell Encyclopedia of Social and Political Movements* (2013).

1.3 Literature Review

There is a significant body of literature in the field of political economy that charts European political cleavages and shifts to the far right. Most either explain the rise of the far right as a xenophobic reaction against racial minorities and immigrants (the demographic explanation), or against unemployment and decreased real wages (the economic explanation).

Jackman and Volpert (1996) conducted the first large-scale comparative analysis of extreme right parties in Europe, finding that the far right (1) benefits from high employment, (2) is impeded by high electoral thresholds, and (3) is more prominent in countries with multiparty democracy and a proportional electoral system.⁴⁶ Furthermore, the extreme right has shifted the entire political spectrum rightward even where it has not made significant electoral gains:

In responding to the positions adopted by parties of the extreme right, other parties move closer to those policy locations. In the process, extreme right positions obtain a place in the mainstream political agenda, and thus accrue a degree of legitimacy.⁴⁷

Jackman and Volpert also present a new conception of the unemployment effect, positing that extreme right movements need not draw the vast majority of their support from marginalized individuals, but instead can use high unemployment as a clear example of uneven economic performance that is highly powerful in xenophobic appeals. While unemployment rates are difficult to change through government policy, the authors additionally find it strongly influences voting behavior.

Both relative deprivation and social breakdown are key aspects of Art's analysis of far-right parties (2011).⁴⁸ Looking at the median radical right voter, Art finds *he* (there is a substantial gender disparity) does not hold an advanced degree, is employed in low-skill or semi-skilled labor in the private sector, and has negative attitudes towards immigrants and a high

⁴⁶ Robert W. Jackman and Karin Volpert, "Conditions Favoring Parties of the Extreme Right in Western Europe," *British Journal of Political Science* 26, no. 4 (1996): 501-521

⁴⁷ *Ibid*, 503.

⁴⁸ David Art, *Inside the Radical Right: The Development of Anti-Immigrant Parties in Western Europe* (Cambridge, UK: Cambridge University Press, 2011)

degree of distrust in the extant political system. These negative views on immigration may be economically motivated; a 2000 *Eurobarometer* poll found over 50% of Europeans agreed that immigrants “abuse the system of social welfare,” and “are a reason for unemployment.” Resentment towards the political establishment is also rooted in economic loss following globalization, as indicated by parties’ attempt to label themselves representatives of the common man and lambast the elite. With these groups, Haiderization, or insistence that there is one, united citizenry which they are the core of, is highly effective.⁴⁹ Far right movements are thus ultimately “parties of poor souls,” which is exacerbated by the social costs of joining a far-right movement; in an interview with the Sweden Democrats, the party representative told Art, “People in high-paying jobs with large homes and social networks have a lot to lost. The unemployed and retired have a lot less to lose, and they are the people we get.” (this goes in sharp contrast to most findings that far-right voters are overwhelmingly young).⁵⁰

Wodak (2013) focuses more heavily on the modernization loser as the core of far-right constituencies, basing much of her work in relative deprivation theory. The losers have realized that they have lost the economic security promised to them after 1945 with the rise of the welfare state, and undereducated Europeans must now face mass unemployment as well as a decline in social benefits. The rise of right-wing political activity is equally a reactionary movement *against*, as it is a movement *for* a certain group. Wodak’s findings closely match Art’s:

The swing of the blue-collar vote from the left to the far right is the the consequence of two long term developments:

- Blue-collar voters in Europe have much more to lose than (as Karl Marx and Engels put it) ‘their chains’: they have a significant network of social security and (modest) individual prosperity. As the (national) welfare state is less and less able to guarantee security and prosperity, the blue-collar electorate has responded in a similar way to that of the ‘small bourgeoisie’ decades ago.
- Blue-collar voters in Europe are no longer the (quantitative) winners of modernization. The numbers in the industrial work force are shrinking all over

⁴⁹ Ruth Wodak, Majid Khosravinik, and Brigitte Mral, *Right-Wing Populism in Europe: Politics and Discourse* (London: Bloomsbury, 2013).

⁵⁰ David Art, *Inside the Radical Right: The Development of Anti-Immigrant Parties in Western Europe* (Cambridge, UK: Cambridge University Press, 2011): 95.

Europe. The winners of modernization are white-collar voters -- and the work force outside the European sphere, in eastern, southern, and South-East Asia in particular.⁵¹

As the proletariat was made able to enjoy the benefits of welfare development but continued to protest the decline of its social status, traditional leftist parties were no longer able to serve them while insisting upon their effectiveness at reducing poverty and catering to the better-educated and culturally liberal. The right wing re-anchored the European proletariat by providing them an alternative to voice their anger, attempting to distance itself from previous fascist ideology. Instead, the new right wing offers either a populist or national revisionist agenda. Less commonly, parties may present a libertarian economic agenda (such as the Danish People Party's strict anti-taxation platform) or a national socialist agendas; however, these parties rarely see enough success to elect representatives to national diets.

Oesch (2008) find that right-wing parties gather support from those with more to lose, rather than those who stand to gain, from socioeconomic change.⁵² The workers who support radical right parties (RPPs) often lack the skill convertibility that allows many low-skill service sector workers and high-skill, educated professionals to easily find new employment as the economy undergoes sectoral shift. As a result, the far right platform is based in protecting jobs from international labor migration and trade, stopping deindustrialization, and re-evaluating Europe's answer to the Keynesian compromise. This marks a sharp departure from the standard electoral premise that individuals with few socioeconomic resources opt for more state intervention and favor parties on the left. The author presents a more nuanced portrait of right-wing parties by finding that economic determinants are more important for working-class constituents of RPPs than the middle class -- twice as important in Austria, three times as important in Belgium and France, and four times as important in Norway.⁵³

⁵¹ Ruth Wodak, Majid Khosravinik, and Brigitte Mral, *Right-Wing Populism in Europe: Politics and Discourse* (London: Bloomsbury, 2013): 11.

⁵² Daniel Oesch, "Explaining Workers' Support for Right-Wing Populist Parties in Western Europe: Evidence from Austria, Belgium, France, Norway, and Switzerland," *International Political Science Review* 29, no. 3 (2008): 349–373.

⁵³ *Ibid*, 365.

However, theories relating to demographics and labor migration (eg, that right-wing political activity is the result of a racist backlash against immigrants from the Middle East and South Asia) have become more prominent than economic reasoning in the last decade: “culture has trumped economics as the significant feature of the far right.”⁵⁴ Ellinas (2007) finds that while globalization and post-industrialism account for party dealignment and shift away from the left, it cannot account for the timing, scope, or direction of realignment.⁵⁵ Ignazi (2003) instead posits that the rise of the far right is entirely due to nationalist backlash and ethnocentrism, and advances the idea that constituents favor such economic policies only because the right associated political preferences with value orientations.⁵⁶ Arzheimer (2009) corroborates this, finding that right-wing parties did not come to prominence before the early 1980s, when immigration became a core issue of RPPs, finding contextual and individual variables jointly significant. Through econometric analysis, Arzheimer finds the effect of unemployment on right-wing voting to be weak, whereas immigration has a significantly positive effect.⁵⁷ Kitschelt (1995) presents a hybrid theory in which both explanations are accurate, hypothesizing that parties need both anti-immigrant blue collar and anti-establishment white collar constituents for success. While the far right traditionally does not support market deregulation as Kitschelt proposes, instead favoring heavy trade regulation, his is most likely the theory most accurate to reality. A group of racist and xenophobic Europeans vote for right-wing parties because of their social beliefs, but this group is too small to cause a representational shift without the support of the white working class. Many demographic fears are economically motivated. Political scapegoating is typically most effective when job scarcity persists; for example, the National Front used the slogan “two million immigrants are the cause of two million French people out of

⁵⁴ David Art, *Inside the Radical Right: The Development of Anti-Immigrant Parties in Western Europe* (Cambridge, UK: Cambridge University Press, 2011): 11.

⁵⁵ AA Ellinas, “Phased out: Far right parties in Western Europe,” *Comparative Politics* 39, no. 3 (2007): 353–371.

⁵⁶ Pierro Ignazi, *Extreme Right Parties in Western Europe* (Oxford: Oxford University Press): 2003.

⁵⁷ Contextual factors and the Extreme Right Vote in Western Europe, 1980-2002.

work” very successfully.⁵⁸ The Realistic Group Conflict theory posits that xenophobia can be the result of perceived conflict over scarce resources, and that discrimination against immigrants and support for the extreme right is therefore an instrumental strategy and not an emotive reaction.⁵⁹ Thus, even demographic explanations for the rise of the far right are rooted in the context of employment and wages.

1.4 Concluding Remarks

Ultimately, while this paper does not seek to criticize globalization or the shift from production to a service-based economy, it cannot be denied that these processes created “modernization losers” in Europe. Low-skilled, uneducated laborers employed in manufacturing were first affected by high rates of unemployment caused by labor-replacing technology and deindustrialization, which failed to quickly return to equilibrium as predicted by orthodox economics because job-retraining programs were underemphasized and underfunded. Neoliberal attempts to respond to structural unemployment by attributing blame to state intervention in the market and decreasing barriers to the four freedoms of movement further failed the modernization losers by depressing wages. Finally, increased migration from the Arab world and South Asia, in conjunction with the 2008 financial crisis and 2009 sovereign debt crisis, dealt a final blow to the wages and employment rate of modernization losers by heightening job competition and shrinking the size of transfer payments. These modernization losers, then, were more likely to vote for right-wing political parties because of relative deprivation and social breakdown, which has been empirically verified through numerous studies in the fields of political science and political economy. Ultimately, this presents a theoretical alternative to orthodox theories of labor market flexibility and voting behavior, which has proved inaccurate in explaining the rise of the far right.

⁵⁸Robert W. Jackman and Karin Volpert, “Conditions Favoring Parties of the Extreme Right in Western Europe,” *British Journal of Political Science* 26, no. 4 (1996): 507.

⁵⁹Muzafer Sherif and Carolyn W. Sherif, “Chapter 19: Ingroup and intergroup relations,” *Introduction to Psychology* ed. James O. Whittaker (Philadelphia: Saunders, 1965).

Chapter 2: A Quantitative Assessment of Voting Behavior in Western Europe

2.1 Introduction

While the economic and political theories surrounding voting behavior certainly suggest that right-wing parties rose to prominence at least partly in reaction to deindustrialization and globalization, the strength of this correlation (and whether it affects electoral outcomes more strongly than anti-immigrant views) must be empirically tested. This chapter will chart the successes and failures of right-wing parties across Western Europe since 1980, a date commonly used by political scientists to demarcate the beginning of far-right political activity on a national level. Then, macroeconomic indicators will be regressed on voting behaviors to determine the nature of the relationship between deindustrialization, as measured by the share of manufacturing in value added, unemployment, changes in wage structures, and the popularity of far-right parties. Finally, these results will be compared to the effects of international migration on far-right parliamentary representation in order to gain a more holistic perspective on voting behaviors and compare the relative strengths of each effect.

2.2 Right-Wing Parties in Western Europe

There are several working definitions of what constitutes a right-wing political organization. Art defines the far right as:

an umbrella term for any political party, voluntary association, or extraparliamentary movement, that differentiates itself from the mainstream right ... they reject individual and social equality, oppose the integration of marginalized groups, and make xenophobic appeals ... Yet it is important to note that radical right parties also seek to defend the nation from forces other than immigration, such as globalization and European integration.⁶⁰

Others utilize two parallel definitions: extreme right politics under the *Berlusconisation* conception (named for Silvio Berlusconi) mixes ethno-nationalist sentiment and encouraged consumption of national manufactures, while parties taking a *Haiderization* approach (named for

⁶⁰ David Art, *Inside the Radical Right: The Development of Anti-Immigrant Parties in Western Europe* (Cambridge, UK: Cambridge University Press, 2011): 10-11

Jorg Haider) rely on fear-based support as well as chauvinist and nativist ideologies.⁶¹ Betz takes a definition more rooted in the right's ideal construction of government, rather than policy platforms, arguing the right wing is centered upon:

the fundamental rejection of the democratic rules of the game, of individual liberty, and of the principle of individual equality and equal rights for all members of the political community, and their replacement by an authoritarian system in which rights are based on ascribed characteristics ... and the acceptance, if not propagation, of violence as a necessary means to achieve political goals.⁶²

This paper synthesizes the most commonly mentioned traits from each characterization of the far right to form a working definition of right-wing political parties: elected organizations whose platforms include a populist appeal based in ethno-nationalist and isolationist rhetoric, including opposition to immigration, Euroscepticism (opposition to European integration), and protectionist economic policy. Parties active after 1980 that have garnered at least 1% of the popular vote or hold at least one seat in parliament are included in the data set.⁶³ Most parties are labeled right-wing as a result of their social policies, rather than their economic ideologies; several right-wing parties openly support welfare spending, progressive taxation, and Keynesian counter-cyclical policies.

2.2.2 A Note on Terminology

It has become increasingly popular in Western media to use the phrase “alt-right,” the abbreviated form for “alternative right.” The use of the phrase “alt-right” was borne of an attempt by members of the far right to separate themselves from mainstream conservatism, which is built upon institutions such as classical liberalism, free market capitalism, and a system based in provincial government with limited federalism. In the United States, the “alt-right” is a reaction against the conservatism established by Barry Goldwater in 1964; in much of Europe, it's a reaction against Thatcherism. As is the case with right-wing parties themselves, the

⁶¹ Ruth Wodak, Majid Khosravini, and Brigitte Mral, *Right-Wing Populism in Europe: Politics and Discourse* (London: Bloomsbury, 2013): XVIII.

⁶² Hans-Georg Betz, *Radical Right-Wing Populism in Western Europe* (New York: St. Martin's Press, 1994): 3.

⁶³ For a list of parties considered “far right” by this paper, please see Appendix A, *Political Organizations Considered Right-Wing*

definition of “alt-right” as a catch-all phrase to denote the far right is somewhat nebulous because it lacks clarity; the overarching ideology of the alt-right is not a system of beliefs, but a rejection of other beliefs. The term was first used in 2008 by Richard Spencer, head of a white nationalist group, and was originally used to refer to right-wing American political behavior. In many ways, the American far right is unique from European politics; while “European Identitarians indict the generation known as the ‘68ers,’ a reference to the left of the 1960s [who had a fundamental role in the 1968 political uprisings across Europe], their American counterparts attack baby boomers, who are presumed to comprise the bulk of the current Republican Party’s base.”⁶⁴ This difference, however, has not been noticeable enough to prevent “alt-right” from becoming an umbrella term to compare the American right with the European right.

The use of the phrase “alt-right” is as contentious as the alt-right itself. In November 2016, the Associated Press issued a memorandum condemning the use of the term “alt-right” given the movement’s adoption of the term to seem less extreme, more legitimate, and more entrenched in the political sphere as a viable movement. The AP’s reasoning and suggestions were clear:

Avoid using the term generically and without definition, however, because it is not well known and the term may exist primarily as a public-relations device to make its supporters’ actual beliefs less clear and more acceptable to a broader audience. In the past we have called such beliefs racist, neo-Nazi or white supremacist.⁶⁵

While this Senior Project is predicated on the importance of understanding the radical right and prescribing policy solutions that will mitigate the economic pain of its voting base and thus, the motivations they have for voting in such a way, the phrase “alt-right” will not be used in this project. The use of the phrase “alt-right” suggests that this is a normal political movement towards alternative patterns of thinking, but one thing should be clear: *this is not normal*. This paper does not condone white supremacy, sexism, homophobia, Islamophobia, or isolationism, and will not refer to such beliefs in a way that was originally intended to sanitize them. Instead,

⁶⁴ Southern Poverty Law Center, “The Alternative Right”. Web.

⁶⁵ John Daniszewski, “Writing about the alt-right”. *The Associated Press*, November 28, 2016.

the terms “far-right,” “radical right,” “RPP” (right-wing political party), “ERP” (extreme right party), “extreme political right,” and “right-wing” will be used.

2.3 Methodology

The states of Western Europe serve as the units of observation for this study; Eastern European states were excluded given the lack of data availability prior to the demise of the Soviet Union. The European micronations Andorra, Liechtenstein, Malta, Monaco, San Marino, and the Vatican City were also excluded, given their small populations and, in some cases, lack of democratic governance. For data on right-wing political performance tied to national politics, Norway and Switzerland have been included, but because these states are not members of the EU they have been excluded from analyses concerning the presence of the right in European Parliament.

Given that the availability of data has increased over time, this study will make use of two different sets of regressions using panel data: one that measures the correlation between labor market shifts and far right voting behavior 1980-2015, which accounts for both waves of right-wing popularity, and one that measures the correlation between labor market shifts and far right voting behavior 2000-2015 while controlling for additional variables thought to influence the right’s popularity, including voter demographics, migration, and income inequality. There are two key independent variables that will be used, the share of individuals employed in manufacturing, and the unemployment rate. The first is intended to measure deindustrialization and has been used instead of the more common measure of deindustrialization, manufacturing value added as a share of GDP, given that it measures how manufacturing impacts workers with a much smaller variable effect that can be attributed to improvements in technology (eg, the value of manufacturing may increase due to the implementation of more efficient labor-replacing

technology, while employment decreases).⁶⁶ The second variable, the unemployment rate, is intended to represent overall economic performance and the position of labor in a given year.⁶⁷

The same analyses will be performed on four similar dependent variables in this study: (1) the percentage of the popular vote captured by right-wing parties in elections for a state's lower parliamentary house (or the entire parliament, if the state is unicameral), (2) the percentage of the popular vote captured by right-wing parties in European Parliament elections, (3) the proportion of seats in the lower house held by right-wing parties, and (4) the proportion of a nation's allocated seats in the European Parliament held by right-wing parties. There are two notable exceptions to this. Sweden has a unicameral legislature and therefore the popular vote for the entire legislature was measured, while France has a two-stage voting process in which citizens traditionally vote in the second round for the most successful parties they align with; in order to capture political sentiment rather than strategic voting behavior results from the first round of voting have been used. Measuring popular vote is intended to most accurately capture feelings towards the far right as a whole, while the lower house of parliament is included so it is possible to account for representative distortions that may occur due to high representation thresholds. In addition to this, measurements have been collected for the European Parliament (EP), as Euroscepticism, a feature of most right-wing parties, may cause a voter to align with far-right parties solely in EP elections despite their distaste for national agendas, in order to affect the state's presence and stated goals in the international body. EP elections come with the additional analytical advantage of being conducted in the same year across Europe.

⁶⁶ Several papers cite the use of the manufacturing share of employment, rather than share value added via manufacturing, as the best practices measure of deindustrialization endorsed by the International Monetary Fund.

⁶⁷ The unemployment rate for the regressions in section 4.4.1 has been aggregated from the FRED database managed by the Federal Reserve Bank of St. Louis, while the unemployment rate for regressions in section 4.4.2 has been collected from Eurostat, the European Union's statistical database. Data from FRED is aggregated from the OECD, which collects data from each reporting country's statistical agency, while data from Eurostat is aggregated by the statistical agency itself, in accordance with the following criteria: individuals counted as unemployed are ages 15 - 74 who did not work during the week referenced, are available to start work within 14 days, and actively searched for employment within the last four months.

Given that voting behavior is affected by a plethora of factors, there are numerous control variables that should be included. Income inequality as measured by the share of new income generated by the top 10% will represent the anger towards “the elites” right-wing populism depends upon.⁶⁸ Long-term unemployment and GDP growth, as a stand-in measurement for recession, have also been included. Numerous non-economic factors are thought to influence the decision to vote for right-wing parties, particularly demographic changes in Europe. Consequently, the number of asylum applications received in a given year and immigration from non-EU 28 states will be included to contend with the hypothesis that right-wing success is due to xenophobia and Islamophobia (direct measures of religious adherents in a country are not recorded due to freedom of religion). Education has been found to be a key factor in the decision to vote for right-wing political organizations, and the share of individuals who have failed to complete education beyond EU levels 0-2 (equivalent to “less than primary, primary and lower secondary education”)⁶⁹ is also included. While gender has been found to heavily affect voting behaviors at the individual level, with males much more likely to align with the far right, this is insignificant at the national level and therefore not included.

2.4 Empirical Findings

The evidence linking deindustrialization and unemployment with the success of ERPs in previous studies has been highly contested, with papers both affirming and denying the relationship. Consequently, this study will first re-test the validity of this correlation, then advance the subject by examining its relevance over time and relative strength in comparison with the correlation between immigration and right-wing electoral successes. There are two central research questions:

1. Is there a negative correlation between the social and economic position of labor and the success of the far right?
2. Do economic factors serve to explain the rise of the far right more than demographic factors?

⁶⁸ Source: World Top Incomes Database, <<http://wid.world/>>

⁶⁹ http://ec.europa.eu/eurostat/statistics-explained/index.php/Educational_attainment_statistics

Across the literature, political scientists have generally found the prominence of right-wing political activity to be U-shaped: parties rose to power in the mid-1970s, beginning with Jean-Marie Le Pen's National Front, then lost power in the early 1990s, before becoming prominent at the national level again following the 2008 financial crisis. In national diets across Europe, data loosely reflects this; the right wing experienced a meteoric rise to power in the early 1970s, followed by a steep decline in the late 1970s and slow growth throughout the 1980s. Popularity again dipped in the early 2000s before increasing sharply after 2008. However, the data regarding European Parliament points against this hypothesis, instead favoring the idea of a steady increase in right-wing political activity. The average resides significantly above the median, indicating the data is skewed towards the right rather than fitting a standard distribution. However, in recent years the median and mean have converged, as the far right develops a significant following in more countries; as of 2015, only two countries (Ireland and Portugal) had no right-wing political activity.

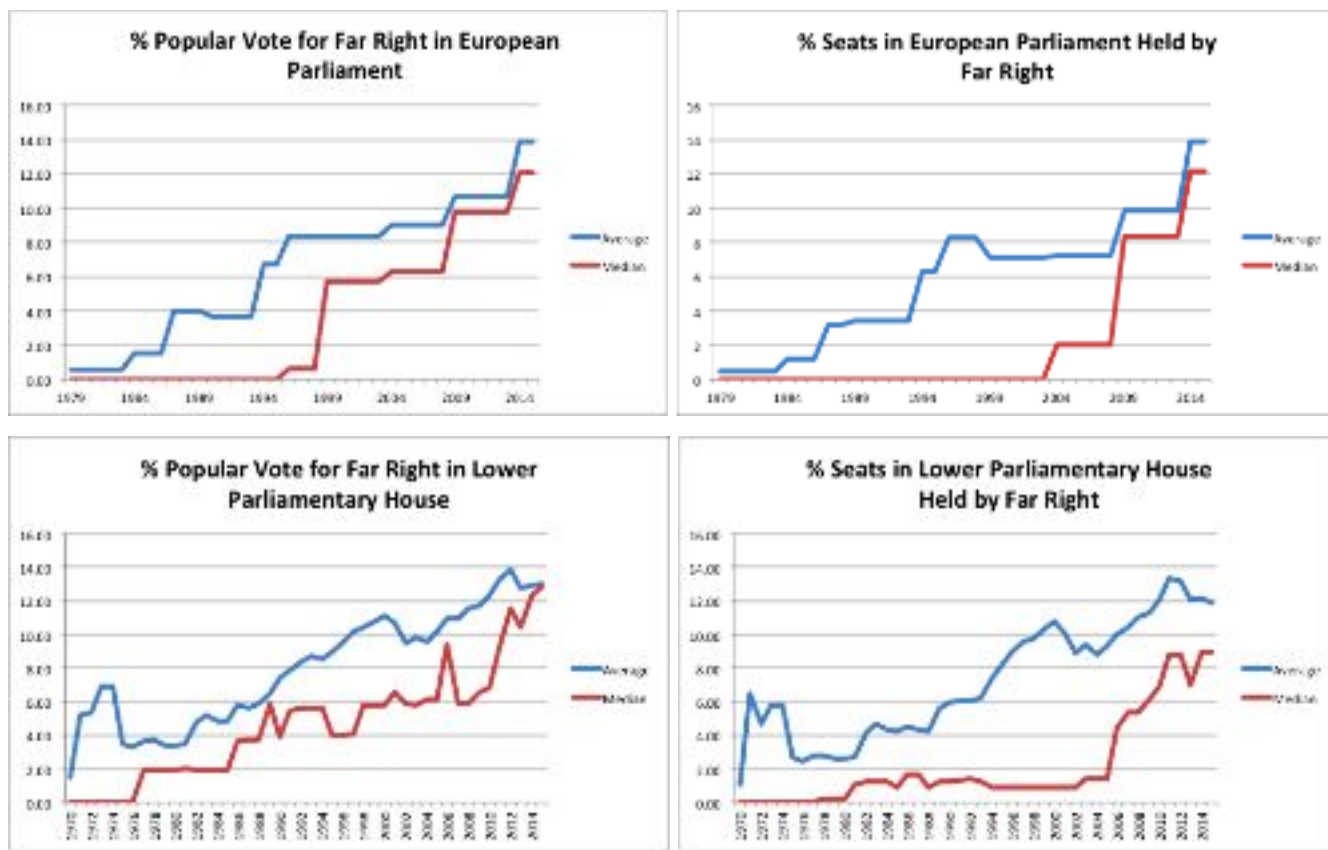


Figure 2.1: Success of the far right in European politics, 1970 - present.

The cause of right-wing voting behavior, however, is not immediately apparent through these charts. The first research question seeks to prove that the declining position of labor has motivated the electoral successes of the far right. This can be measured through two linear models: one measuring this correlation for the years 1980-2015, and one for the years 2000-2015, which is able to include more covariates. The equations used can be generally summarized into two broader relations:

$$\text{EQ 2.1 } \text{Votes}_{it} = \beta_0 + \beta_1 \text{Employment}_{it} + \beta_2 \text{Demographics}_{it} + \epsilon_{it}$$

$$\text{EQ 2.2 } \text{Seats}_{it} = \beta_0 + \beta_1 \text{Employment}_{it} + \beta_2 \text{Demographics}_{it} + \epsilon_{it}$$

In Equation 2.1, “Votes” represents the percentage of the popular vote aggregated by all right-wing parties in country i at time t , while “Seats” in equation (2) represents the number of seats in either the national diet or the European Parliament won by right-wing parties in country i at time t . β_0 represents the percentage of votes or seats that would be won by the right-wing, respectively, regardless of shifts in the labor market and demography. “Employment” notes the independent variable representing shifts in the labor market, while “Demographics” is a catch-all term representing the use of various covariates that the previous literature has noted as having a significant effect on the decision to vote for a right-wing organization. It is predicted that there is a negative relationship between the position of labor and the popularity of the far right. Therefore, we can say:

If X_1 is the unemployment rate, then $\mathbf{H}_0: \beta_1 \geq 0$, $\mathbf{H}_A: \beta_1 < 0$

If X_1 is the manufacturing share of employment, then $\mathbf{H}_0: \beta_1 \leq 0$, $\mathbf{H}_A: \beta_1 > 0$

2.4.1 Panel Data, 1980-2015

The first series of analysis will focus on the years 1980-2015, measuring the impact of unemployment on the propensity for a right-wing party to succeed. Unemployment is a stand-in variable representing the general position of labor in the economy, including the available jobs for medium-skilled and low-skilled workers and wages for workers, which decline as the unemployment rate increases.⁷⁰ More specific data, such as the manufacturing share of

⁷⁰ For a more detailed explanation of wages and the labor market, please see Ch. 2.

unemployment, wage rates, and long term unemployment, is generally not available before 1995. Because each country is being measured in the same timespan, this is considered a balanced panel.

The first model uses panel data in an Ordinary Least Squares (OLS) regression that takes the form:

$$\text{EQ 2.3 } \textit{PopularVote}_{it} = \beta_0 + \beta_1 \textit{Unemployment}_{it} + \beta_2 \textit{Year}_{it} + \beta_3 \textit{GDPGrowth}_{it} + \beta_4 \textit{Immigration}_{it} + \beta_5 \textit{AsylumApplications}_{it} + \epsilon_{it}$$

Regressing the unemployment vote on the percent of the popular vote captured by right-wing parties in elections for the lower house of national legislature, only the covariates of immigration and the number of asylum applications in a given year are statistically significant, and explain only 6.3% of the variance in the decision to vote for the far right. Immigration has a coefficient of .0000101, meaning that for every 100,000 individuals immigration to the country in question in a given year, the far right gains one percentage point of the popular vote in national elections, while asylum applications has a coefficient of -.0001072, which contradicts the projected positive correlation between asylum seekers and prominence of the right; for every 10,000 asylum applications a country receives, the far right loses a percentage point of the vote share. This serves to counter the prevailing opinion that the current success of the far right is attributable to the European Migration Crisis. However, the insignificance of the unemployment rate suggests the demographic explanation is more accurate than the modernization losers conception in relation to right-wing voting behaviors.

When measuring the relationship between the same dependent variables and the percentage of the popular vote captured by the far right in European Parliament elections, immigration and asylum applications are again the only covariates that are significant at the 5% level, accounting for 13.23% of the variability in right-wing voting; however, unemployment is significant at the 10% level. Unemployment has a positive coefficient of 0.309, indicating that for every percentage point increase in the unemployment rate, the right wing gains 0.31 percentage points of the popular vote. As in the previous regression, there is a small negative

correlation between asylum applications and right-wing voting, with a coefficient of -.0001218, and a small positive relationship between immigration and right-wing voting, with a coefficient of .0000198. The results when instead measuring political achievement via seats held by the far right in the lower house of national parliament or in the European Parliament is similar, suggesting that electoral distortion has not decreased the representation of third parties in Western Europe as it has done in the United States. Interestingly, in the first, third, and fourth regressions, the correlation coefficient for β_0 is negative, suggesting a propensity to *not* vote for right-wing parties in the absence of these factors; traditionally, when measuring voting behavior, β_0 is positive as certain voters are likely to vote for a party regardless of income, employment, or social position.

However, there is a clear methodological problem with using OLS regressions for panel data. OLS regressions rely on the equation:

$$\mathbf{EQ\ 2.4} \quad Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \epsilon_{it}$$

Three types of error are possible when using panel data. First, there is the error already included in the OLS equation, ϵ_{it} , the error term for an individual observation. Then, ϵ_i represents country-specific errors that occur across time -- eg, a country with a low electoral threshold is more likely to have fringe parties, including far right parties, elected to Parliament, but this is not quantifiable. When using OLS, ϵ_i will manifest itself as a constant error with certain fixed effects for each country that are the product of its population, government structure, and other aspects that are not easily quantifiable. Finally, ϵ_t represents the error term for errors that affect a particular year across countries; for example, the errors for ϵ_t will likely be correlated at some points due to shared history and global shifts -- the adoption of the euro in 2001, the fall of the Soviet Union in 1991, the global financial crisis in 2008. The correlation of the error terms violates the classical assumption that there is no serial correlation of error terms, meaning that the OLS model is no longer BLUE (a best linear unbiased estimator).

	(1)	(2)	(3)	(4)
	PopVoteNat1	SeatsNat1	PopVoteEP	SeatsEP
UnemploymentFRED	-0.0778 (0.142)	0.0265 (0.161)	0.309 (0.173)	0.398* (0.167)
Year	0.0596 (0.102)	0.0400 (0.115)	-0.00375 (0.122)	0.0641 (0.121)
GDPGrowth	0.00998 (0.135)	0.0916 (0.153)	-0.0896 (0.172)	-0.107 (0.177)
Immigration	0.0000101* (0.00000394)	0.0000130** (0.00000446)	0.0000198*** (0.00000389)	0.0000223*** (0.00000400)
AsylumApps	-0.000107*** (0.0000249)	-0.000129*** (0.0000283)	-0.000122*** (0.0000241)	-0.000133*** (0.0000250)
_cons	-106.8 (203.6)	-69.00 (230.9)	13.37 (245.7)	-123.6 (243.7)
<i>N</i>	318	318	239	264
adj. <i>R</i> ²	0.048	0.054	0.114	0.139

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.2 Ordinary Least Squares Regression, National and European Parliament

A second model, the *random effects model*, is generalized and can account for serially correlated errors. The random effects model fixes the standard errors in a regression, taking the form:

$$\text{EQ 2.5 } Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \epsilon_{it} + \epsilon_i$$

In model 5, unemployment, GDP growth, immigration, and asylum are regressed on the popular vote for the far right in national elections, controlling for sectional breaks (1980-1990, 1991-2000, 2001-2008, 2009-2015). Only immigration and asylum are statistically significant, which counters the hypothesis that economic indicators affect voting behavior more strongly than immigration. Immigration has a coefficient of 5.42×10^{-6} , meaning that an additional 100,000 migrants entering a country is corroborated with an increase of 0.54 percentage points in the vote share of the far right, while asylum has a coefficient of -0.0000238 , meaning that for every 100,000 asylum applications received, the far right loses 0.23 percentage points of the popular vote, again contradicting expectations of a positive relationship. The coefficient for unemployment is -0.0201319 , and the coefficient for GDP growth is -0.0886176 ; the negative

signage on the coefficient for unemployment also contradicts the hypothesis that there is a positive relationship between unemployment and the success of the far right. The sectional breaks for this regression are significant, suggesting that a large part of the far right's success is due to unexplained aspects of an era. The overall R-squared is low, equalling 0.0183, which indicates just 1.83% of variability in the popular vote for the far right is attributable to the above combined factors. Measuring the same independent variables against the share of seats won by the far right produces largely the same results. Focusing on European Parliament, in terms of both the popular vote (7) and proportion of seats won (8), again yields congruous results. The within-country R-squared is 0.1997 for regression (7) and 0.2490 for regression (8), indicating that the independent variables account for 20% of the variation in the popular vote and 25% of the variation in seats held for the far right across years but within the same country.

	(5) PopVoteNatl	(6) PopVoteEP	(7) SeatsNatl	(8) SeatsEP
UnemploymentFRED	-0.0201 (0.0905)	-0.170 (0.107)	-0.0453 (0.105)	-0.208 (0.119)
GDPGrowth	-0.0886 (0.0545)	-0.0432 (0.0808)	0.0873 (0.0628)	-0.0646 (0.0903)
Immigration	0.00000542* (0.00000261)	0.0000118*** (0.00000277)	0.00000172 (0.00000296)	0.0000141*** (0.00000310)
AsylumApps	-0.0000238* (0.0000107)	-0.0000288* (0.0000114)	-0.0000148 (0.0000121)	-0.0000388** (0.0000128)
t1		-5.700* (2.784)	-4.728* (1.984)	-4.943 (2.727)
t3		-0.294 (0.851)	1.475 (0.777)	-0.869 (0.917)
t4		3.133*** (0.911)	4.489*** (0.796)	4.530*** (0.989)
_cons	10.83*** (3.111)	8.713** (3.157)	8.567* (3.612)	8.368** (3.077)
<i>N</i>	318	239	318	264
adj. <i>R</i> ²				

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.3 Random Effects Model, National and European Parliament

More dimensions of the data can be exploited by using a *fixed effects model*, which corrects the coefficients. In the OLS model, coefficients may be biased when using panel data because the error term ϵ_{it} may be correlated with the independent variable. The fixed effects model corrects the error terms:

$$\text{EQ 2.6 } \text{PopularVote}_{it} = \beta_0 + \beta_1 \text{Unemployment}_{it} + \beta_2 \text{Year}_{it} + \beta_3 \text{GDPGrowth}_{it} + \beta_4 \text{Immigration}_{it} + \beta_5 \text{AsylumApplications}_{it} + \epsilon_{it} + \epsilon_i + \epsilon_t$$

$$\text{EQ 2.7 } \text{Seats}_{it} = \beta_0 + \beta_1 \text{Unemployment}_{it} + \beta_2 \text{Year}_{it} + \beta_3 \text{GDPGrowth}_{it} + \beta_4 \text{Immigration}_{it} + \beta_5 \text{AsylumApplications}_{it} + \epsilon_{it} + \epsilon_i + \epsilon_t$$

In addition to the error term ϵ_{it} , the error terms ϵ_t and ϵ_i have been included. Furthermore, it is possible that unobservable difference between countries (i) affect observable variables; the fixed effects model attempts to control for these unobservable differences by adding a dummy variable for each country and removing country-specific effects such as history, culture, and governmental structure.

	(9)	(10)	(11)	(12)
	PopVoteNatI	PopVoteEP	SeatsNatI	SeatsEP
UnemploymentFRED	-0.0676 (0.0912)	-0.178 (0.108)	-0.0458 (0.105)	-0.224 (0.120)
GDPGrowth	0.0339 (0.0544)	-0.0446 (0.0807)	0.0868 (0.0629)	-0.0679 (0.0899)
Immigration	0.00000322 (0.00000259)	0.0000118*** (0.00000280)	0.00000172 (0.00000299)	0.0000141*** (0.00000314)
AsylumApps	-0.0000175 (0.0000105)	-0.0000275* (0.0000114)	-0.0000138 (0.0000121)	-0.0000370** (0.0000128)
t1	-4.748** (1.717)	-5.767* (2.774)	-4.748* (1.985)	-4.997 (2.708)
t3	0.943 (0.673)	-0.279 (0.849)	1.502 (0.778)	-0.859 (0.913)
t4	3.979*** (0.689)	3.161*** (0.908)	4.522*** (0.797)	4.568*** (0.983)
_cons	10.46*** (1.131)	9.371*** (1.524)	9.781*** (1.308)	9.105*** (1.634)
<i>N</i>	318	239	318	264
adj. <i>R</i> ²	0.104	0.134	0.078	0.191

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.4: Fixed Effects Model, National and European Parliament

However, using the fixed effects model can greatly reduce the degrees of freedom in a regression, thereby enlarging the standard errors and making the variates insignificant. Given the possibility of falsely rendering significant variables insignificant and underestimating the correlation between the independent and dependent variables, it is undesirable to utilize a fixed effects model if not strictly necessary. The Hausman test measures if the coefficients of the random effects model are biased and need correcting via the fixed effects model. Initial Hausman tests have a negative chi-squared, indicating a mis-specification of the model such that this test statistic cannot be used.⁷¹ Using a modified version of the Hausman test which bases both variance matrices on the disturbance variance estimate from efficient estimator also yields a negative chi2. However, using the Sargan-Hansen statistic the chi2 becomes positive. Under this test, the null hypothesis states that the random effects model is inconsistent. For all regressions tested, the fixed effects model is consistent but not efficient, and therefore, the random effects model is appropriate.⁷²

Once it has been decided which model for correcting the error term is appropriate, goodness-of-fit must be tested; panel data can carry the errors of both cross-sectional data (heteroskedasticity and multicollinearity) and time series (serial correlation). Because a random effects model is being used, multicollinearity will not occur, as collinearity only occurs when using fixed variates. All of the random effects regressions in question have autocorrelation, according to Woolridge's test for serial correlation. The Likelihood Ratio Test reveals that Regression (5), where the dependent variable is the popular vote for the far right in national elections, is homoskedastic, while the remaining regressions all have heteroskedasticity. To correct for these errors, it is necessary to use the GLS estimator for serially correlated and heteroskedastic panel models.

Ultimately, this data suggests there is a relationship between immigration and the success of the far right, while the predicted relationship between the declining position of labor and the

⁷¹ See Appendix A, *Hausman Tests, Panel Data 1980 - 2015*

⁷² See Appendix A, *Sargan-Hansen Tests, Panel Data 1980-2015*

rise of the extreme right is, if extant, much less robust. This directly contradicts the premise of this paper. However, unemployment and GDP growth rates are merely macroeconomic indicators, and are not highly accurate stand-in variables for the position of labor, which did not become available until later. Therefore, these results should be accepted cautiously, given the lack of more precise data.

	(A) PopVoteNP	(B) SeatsNP	(C) PopVoteEP	(D) SeatsEP
UnemploymentFRED	-0.157 (0.145)	-0.0499 (0.164)	0.211 (0.178)	0.268 (0.171)
GDPGrowth	0.0523 (0.137)	0.130 (0.156)	-0.0351 (0.176)	-0.0198 (0.181)
Immigration	0.0000121** (0.00000396)	0.0000149*** (0.00000450)	0.0000212*** (0.00000388)	0.0000247*** (0.00000399)
AsylumApps	-0.000122*** (0.0000252)	-0.000143*** (0.0000287)	-0.000133*** (0.0000244)	-0.000151*** (0.0000252)
t1	-2.001 (4.514)	-1.625 (5.129)	1.108 (6.474)	-0.114 (5.859)
t3	-2.392 (1.665)	-2.474 (1.892)	-2.582 (1.859)	-3.061 (1.842)
t4	1.427 (1.756)	1.084 (1.995)	0.692 (2.032)	1.984 (2.038)
_cons	13.51*** (2.045)	12.18*** (2.324)	7.283** (2.705)	6.109* (2.558)
<i>N</i>	318	318	239	264

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.5: GLS Regression with homoskedasticity and no autocorrelation

2.4.2 Panel Data, 2000-2015

Given that more data has become available in recent years, a second series of regressions focusing on the years 2000-2015 can include more accurate measures for the position of labor. In this time period, the role of the European Union is particularly significant given the implementation of the euro in 2001 and consequently, much higher levels of European

integration. As in the previous regressions, the unemployment rate, immigration, and asylum will be included as independent variables. Educational attainment, the manufacturing share of employment, and income inequality have been further added to the model.

As Ordinary Least Squares models of regression have previously been proven ineffective when working with panel data, the first model used will be the random effects model. This will take the form:

$$\text{EQ 2.8 } \textit{PopularVote} = \beta_0 + \beta_1 \textit{Unemployment}_1 + \beta_2 \textit{ManufacturingShare}_2 + \beta_3 \textit{Inequality}_3 + \beta_4 \textit{Education}_4 + \beta_5 \textit{Immigration}_5 + \beta_6 \textit{Asylum}_6 + \epsilon_{it} + \epsilon_i$$

$$\text{EQ 2.9 } \textit{Seats} = \beta_0 + \beta_1 \textit{Unemployment}_1 + \beta_2 \textit{ManufacturingShare}_2 + \beta_3 \textit{Inequality}_3 + \beta_4 \textit{Education}_4 + \beta_5 \textit{Immigration}_5 + \beta_6 \textit{Asylum}_6 + \epsilon_{it} + \epsilon_i$$

Bivariate regressions for unemployment on the popular vote for the far right and seats held by the far right in national parliament show a positive relationship that is significant at the 10% level. The correlation between the unemployment rate and the popular vote for ERPs in European Parliament is positive but not statistically significant, while the correlation between the unemployment rate and seats held in EP by ERPs is much stronger, being statistically significant at the 5% level and positive. For all bivariate regressions, β_0 measures between 6.8 and 9.0, signifying that regardless of economic developments, immigration, or demographic factors found to affect the decision to vote for a right-wing party, such organizations will collect between 6.8 and 9 percent of the popular vote and parliamentary representation. This is typical for analysis concerning voting behavior, where certain individuals will align with an organization strictly due to personal philosophies, regardless of personal circumstances and self interest.⁷³

Multivariate regressions controlling for both voter demographics and immigration produce largely similar, although much stronger, results. Regressing unemployment on the popular vote for the far right in national parliament and adding in the covariates of the percent of the population failing to attain education beyond levels 0-2, the number of asylum applications in a given year, immigration, income inequality, and the share of the labor force employed in

⁷³ See Appendix A, *Bivariate Random Effects Regressions, 2000-2015*

manufacturing, only the variates for the manufacturing share of labor and education are statistically significant. The manufacturing share of labor has a coefficient of -0.734748 , meaning that as the share of labor employed in manufacturing declines by one percentage point, the popular vote share for right-wing parties increases by 0.73 percentage points. Education has a coefficient of $.2894286$, indicating that less educated populations are more likely to vote for the far right, as has been found in previous literature. The total R-squared is 0.2206, indicating that 22.1% of the variation in right wing voting can be attributed to the factors included in the regression, while the within-country R-squared is 0.2094 and the between-country R-squared is 0.1176.

Substituting the variable of long-term unemployment (defined as “the number of persons unemployed for 12 months or longer as a percentage of the labour force”)⁷⁴ for unemployment, the fit of the equation improves marginally. The variables of education, the manufacturing share of labor, and long term unemployment are statistically significant; long term unemployment rate and poor education are positively correlated with the popular vote while the manufacturing share of employment is negatively correlated with the popular vote. As the long term unemployment rate increases by 1 percentage vote, the vote share for the extreme right increases .67 percentage points. This suggests there is an extremely high correlation between the declining position of labor and right-wing success, given that low-skilled and medium-skilled workers are more likely to experience long-term unemployment due to shifting demands for labor in the more technologically-intensive, service-oriented economies of the modern era. The overall R-squared for the equation is 0.2238, suggesting both economic and demographic factors explain approximately 22.4% of the variation in right wing voting behavior throughout Western Europe, while the R-squared within countries is 0.2554 and the R-squared between countries is 0.1147. The higher R-squared within countries suggests that the variance in levels of right-wing popularity across countries is more likely to be due to unquantifiable factors such as culture or government, while levels of right-wing popularity over time can more easily be attributed to economic explanations.

⁷⁴ <http://ec.europa.eu/eurostat/web/macroeconomic-imbances-procedure/long-term-unemployment-rate>

As in the case of the regressions measuring data 1980-2015, it is possible that the error term in the regressions is not only serially correlated, but also correlated with the independent variable or its covariates. While the random effects model controls for serial correlation of the error terms, only the fixed effects model can control for correlation with variables that biases correlations. Regressing unemployment on the popular vote for right wing parties in national elections, and adding in the covariates of the manufacturing share of employment, educational attainment, immigration, asylum applications, and income inequality, only education and the manufacturing share of employment are statistically significant. The R-squared for the fixed effects model is much lower than that of the random effects model, with an overall R-squared of 0.1383, a within-country R-squared of 0.2228, and a between-country R-squared of 0.0513. The coefficient for the manufacturing share of employment is -0.8198927, meaning that a one percentage point decrease in the labor force employed in manufacturing is correlated with an increase of 0.81 percentage points in the popular vote for the far right, while the coefficient for education is 0.3463286. Substituting long term unemployment for the overall unemployment rate increases the overall R-squared to 0.1424; the long-term unemployment rate is a statistically significant variable, unlike the standard unemployment rate, and has a coefficient of 0.6462598.

The results when using seats won as the dependent variable are somewhat weaker. With regards to national parliament, the manufacturing share of labor, education, and immigration are statistically significant; the manufacturing share of employment has a coefficient of -0.6242066 (as compared to a coefficient of -0.525318 in the random effects model), education has a coefficient of 0.4322643 (as compared to 0.3446385 in the random effects model), and immigration has a coefficient of 0.000771 (as compared to 0.000517 in the random effects model). The overall R-squared is 0.1165, indicating that these variates explain 11.65% of the variance in the number of seats held by the far right, while the within-country R-squared is 0.2484 and the between-country R-squared is 0.0362. The variance in the seats won in national parliament is somewhat less explained than the variance in the popular vote, lending

credence to the claim that at least a small degree of electoral distortion occurs where right-wing parties hold less seats than they would if the popular vote share translated directly into seats.⁷⁵

	(RE, Unem.) PopVoteNP	(RE, LTUnem.) PopVoteNP	(FE, Unem.) PopVoteNP	(FE, LTUnem.) PopVoteNP
UnemploymentEUROS	0.205 (0.178)		0.128 (0.189)	
ManufacturingEmployment	-0.735** (0.235)	-0.747*** (0.218)	-0.820*** (0.229)	-0.789*** (0.211)
Education	0.289** (0.0970)	0.306** (0.0948)	0.346** (0.112)	0.373*** (0.105)
Immigration	-0.00000192 (0.00000338)	-0.000000982 (0.00000357)	-0.00000422 (0.00000345)	-0.00000254 (0.00000361)
AsylumApps	-0.0000135 (0.0000296)	-0.000000704 (0.0000339)	-0.00000811 (0.0000279)	0.000000282 (0.0000325)
IncomeInequality	-13.98 (23.08)	-9.848 (23.07)	1.547 (24.69)	10.58 (23.99)
LongTermUnemployment		0.678* (0.309)		0.646* (0.315)
_cons	15.42 (10.15)	12.88 (9.455)	12.02 (11.59)	6.422 (10.09)
<i>N</i>	103	99	103	99
adj. <i>R</i> ²			0.089	0.135

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.6, Multivariate Regressions on Right-Wing Success in National Parliament, 2000-2015

While the coefficients in the fixed and random effects models are somewhat similar, the Hausman Test and other similar tests must confirm if it is appropriate to use the random effects model as a consistent and efficient estimator. With respect to the regression on the popular vote for the far right in national parliaments, the Hausman test confirms it is appropriate to use the

⁷⁵ See Appendix A, *Multivariate Regressions on Right-Wing Seats Won in National Parliament, 2000-2015*

fixed effects model, but other tests are not definitively positive.⁷⁶ The Sargan-Hansen statistic is able to prove the fixed effects model should be used for each of the regressions in question.⁷⁷ Then, the fixed effects models must be tested for errors, such as multicollinearity, heteroskedasticity, and serial correlation. Using the variance inflation factor test, no multicollinearity is revealed. The failure of the Hausman test suggests there may be heteroskedasticity and autocorrelation. Woolridge's test for autocorrelation reveals that all regressions are autocorrelated, and the Likelihood Ratio Test reveals that all regressions are heteroskedastic. This can be corrected using a GLS panel data model that has heteroskedastic errors and AR1 serial correlation.

	(E) PopVoteNP	(F) PopVoteNP	(G) SeatsNP	(H) SeatsNP
UnemploymentEUROS	1.179*** (0.265)		1.363*** (0.324)	
ManufacturingEmployment	-1.040*** (0.240)	-1.395*** (0.257)	-0.958** (0.294)	-1.398*** (0.316)
Education	0.277*** (0.0752)	0.355*** (0.0758)	0.282** (0.0920)	0.368*** (0.0934)
Immigration	0.0000293*** (0.00000498)	0.0000341*** (0.00000495)	0.0000320*** (0.00000609)	0.0000370*** (0.00000610)
AsylumApps	-0.000193*** (0.0000489)	-0.000182*** (0.0000550)	-0.000288*** (0.0000599)	-0.000296*** (0.0000678)
IncomeInequality	-146.3*** (22.65)	-160.7*** (24.14)	-147.0*** (27.70)	-157.8*** (29.76)
LongTermUnemployment		1.820*** (0.538)		2.101** (0.663)
_cons	53.94*** (7.170)	64.01*** (7.260)	52.50*** (8.768)	63.19*** (8.949)
<i>N</i>	103	99	103	99

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.7: GLS Regression with no autocorrelation and homoskedasticity, national parliaments.

⁷⁶ See Appendix A, Hausman Tests for Panel Data 2000-2015

⁷⁷ See Appendix A, Sargan-Hansen Test for Panel Data 2000-2015

While the bivariate and multivariate regressions involving the success of right-wing parties at the national level explain approximately one quarter of all variation in vote share, a meaningful level of correlation, the relationship between these factors and right-wing vote share is much stronger for European Parliament elections. Regressing the unemployment rate on the popular vote for right wing parties in EP elections and adding in the covariates of education, immigration, asylum applications, and income inequality, every variable except for income inequality is significant at the 5% level and all variables are significant at the 10% level. The overall R-squared is 0.6986, while the within-country R-squared is 0.4176 and the between-country R-squared is 0.6308. Economic factors continue to have the strongest relationship with voting: with a coefficient of 0.3862782, a one percentage point increase in unemployment causes a 0.4 percentage point increase in the far right's vote share, while the manufacturing share of employment has a coefficient of -0.8375347, meaning that a one point decline in the percent of the labor force employed in manufacturing is correlated with a 0.83 percentage point increase in the far right's vote share, an extremely strong relationship.

	(RE, Unem.) PopVoteEP	(RE, LTUnem.) PopVoteEP	(FE, Unem.) PopVoteEP	(FE, LTUnem.) PopVoteEP
UnemploymentEUROS	0.386* (0.170)		-0.0679 (0.120)	
ManufacturingEmployment	-0.838*** (0.251)	-0.873*** (0.177)	-0.931*** (0.175)	-0.887*** (0.157)
Education	0.307*** (0.0843)	0.280*** (0.0819)	0.297*** (0.0818)	0.291*** (0.0799)
Immigration	0.0000142*** (0.00000312)	0.00000466 (0.00000238)	0.00000374 (0.00000196)	0.00000207 (0.00000205)
AsylumApps	-0.0000602* (0.0000293)	-0.0000806*** (0.0000222)	-0.0000676*** (0.0000162)	-0.0000904*** (0.0000187)
IncomeInequality	-39.26 (24.33)	-34.15 (21.61)	-51.16* (20.86)	-39.41 (19.97)
LongTermUnemployment		0.0407 (0.214)		-0.138 (0.189)
_cons	20.00* (9.950)	26.10** (8.782)	34.77*** (9.419)	31.07*** (7.966)
N	79	77	79	77
adj. R ²			0.445	0.484

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.8: Multivariate Regression on Popular Vote for the Far Right in EP, 2000-2015

The results when measuring seats won in European Parliament using a random effects model are noticeably weaker, with an overall R-squared of 0.2246; only the manufacturing share of employment and education are statistically significant, with coefficients of -1.774822 and 0.714428, respectively. The lower R-squared of the fixed effects model, in comparison with the random effects model, indicates that at least some electoral distortion is occurring throughout Western Europe, where fringe parties are less likely to be represented in direct proportion to the popular vote. As in the random effects model, the results when using seats won as the dependent variable are somewhat weaker. With regards to national parliament, the manufacturing share of labor, education, and immigration are statistically significant; the manufacturing share of labor has a coefficient of -0.6242066 (as compared to a coefficient of -0.525318 in the random effects model), education has a coefficient of 0.4322643 (as compared to 0.3446385 in the random effects model), and immigration has a coefficient of 0.000771 (as compared to 0.000517 in the random effects model). The overall R-squared is 0.1165, indicating that these variables explain 11.65% of the variance in the number of seats held by the far right, while the within-country R-squared is 0.2484 and the between-country R-squared is 0.0362. The results for European Parliament are somewhat stronger, with an overall R-squared of 0.2246; only the manufacturing share of employment and education are statistically significant, with coefficients of -1.774822 and 0.714428, respectively. The lower R-squared of the fixed effects model, in comparison with the random effects model, indicates that at least some electoral distortion is occurring throughout Western Europe, where fringe parties are less likely to be represented in direct proportion to the popular vote.

There are two possible reasons that variables focusing on the changing nature of what it means to be European -- namely, asylum applications and immigration -- are statistically significant in this regression but not in previous regressions: the changing demographic structure of Europe is a particularly powerful motivator of Euroscepticism but not of right-wing national policy, and demographic factors are key motivators in right-wing popularity at the European level but economics is more important at the national level. Both of these variables, however, appear to share a less significant relationship with the right-wing's vote share than the variables

that represent the declining position of labor: immigration has a coefficient of .0000142, meaning that for every 100,000 immigrants entering a country, right wing parties gain 1.42 percentage points of the popular vote, while asylum has a coefficient of -.0000602, meaning that for every 100,000 asylum applications a country receives, the right wing gains 6 percentage points of the popular vote. However, times at which a single country receives in excess of 100,000 asylum applications are rare, with only one country, Germany, receiving over 100,000 asylum applications at the height of the European Migration Crisis in 2014-2015. Substituting the long-term unemployment rate for the total unemployment rate in the regression produces similar coefficients for the covariates but weaker results overall (with a general R-squared of 0.3599) because long-term unemployment is statistically insignificant.

	(RE, Unem.) SeatsEP	(RE, LTUnem.) SeatsEP	(FE, Unem.) SeatsEP	(FE, LTUnem.) SeatsEP
UnemploymentEUROS	0.417* (0.211)		-0.102 (0.205)	
ManufacturingEmployment	-1.156*** (0.297)	-1.310*** (0.290)	-1.775*** (0.282)	-1.762*** (0.260)
Education	0.497*** (0.104)	0.565*** (0.0961)	0.714*** (0.141)	0.743*** (0.139)
Immigration	0.0000153*** (0.00000409)	0.0000279*** (0.00000479)	0.00000288 (0.00000346)	0.00000204 (0.00000367)
AsylumApps	-0.0000243 (0.0000378)	-0.0000173 (0.0000505)	0.00000321 (0.0000278)	0.00000751 (0.0000331)
IncomeInequality	-43.29 (29.41)	-109.9*** (29.60)	10.81 (35.22)	-3.327 (35.11)
LongTermUnemployment		1.107** (0.429)		-0.307 (0.336)
_cons	16.14 (11.17)	35.22*** (9.694)	8.197 (15.63)	11.86 (13.80)
<i>N</i>	92	88	92	88
adj. R^2			0.275	0.285

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.9: Multivariate Regression on Seats Won by the Far Right in EP, 2000-2015

As in previous iterations of the Hausman test, the chi2 is negative, necessitating the Sargan-Hansen test. The Sargan-Hansen test results indicate that the fixed effects model is the best consistent and efficient estimator for all regressions for which the right wing's popular vote or representational share in European Parliament is the dependent variable.⁷⁸ Using Woolridge's test for autocorrelation and the Likelihood Ratio Test reveals that all regressions are heteroskedastic and autocorrelated. Correcting for this using the GLS estimator for serially correlated and heteroskedastic panel models reveals the following:

	(J) PopVoteEP	(K) PopVoteEP	(L) SeatsEP	(M) SeatsEP
UnemploymentEUROS	0.913*** (0.237)		1.191*** (0.238)	
ManufacturingEmployment	-1.607*** (0.227)	-1.884*** (0.231)	-1.258*** (0.216)	-1.612*** (0.233)
Education	0.471*** (0.0681)	0.527*** (0.0666)	0.544*** (0.0706)	0.617*** (0.0724)
Immigration	0.0000400*** (0.00000424)	0.0000447*** (0.00000418)	0.0000412*** (0.00000449)	0.0000466*** (0.00000454)
AsylumApps	-0.000124** (0.0000426)	-0.000110* (0.0000463)	-0.000153*** (0.0000439)	-0.000146** (0.0000504)
IncomeInequality	-107.3*** (20.40)	-122.8*** (20.93)	-147.1*** (20.91)	-162.9*** (22.69)
LongTermUnemployment		1.348** (0.446)		1.847*** (0.484)
_cons	39.72*** (7.369)	49.18*** (6.922)	41.18*** (6.873)	51.80*** (7.012)
<i>N</i>	79	77	92	88

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.10: GLS Regression with no autocorrelation and homoskedasticity, EP

The differences in the sensitivity of the relationship between unemployment and right-wing electoral success in European Parliament and national parliaments illuminates the context in which far right parties rise to prominence. Given that these parties are overwhelmingly

⁷⁸ See Appendix A, *Sargan-Hansen Tests for Panel Data 2000-2015*

Eurosceptic and both economic and demographic explanations are more significant causes of right-wing voting behavior in European Parliament than national elections, it appears that Europeans are more frustrated with integration efforts and the neoliberal economic policy of the European Union, particularly in the single currency area, than they are with national policy. The varied success of these parties at different levels, even at the same time, also indicates that split-ticket voting is more likely to occur in Europe than in the United States, an area which should be further examined by future studies on partisan loyalty.

Ultimately, the hypotheses that there is a positive relationship between unemployment and the vote share of the far right, and a negative relationship between the manufacturing share of labor and the vote share of the far right, hold true. However, it unexpectedly appears that right-wing voting behavior has different motivators at the national and European levels: while economic factors prove more important at the national level, Euroscepticism and demographic concerns play a powerful role in the right-wing's prominence in European Parliament, though it is unclear which plays a bigger role. The difference in significance of the covariates across regressions measuring vote share in national elections or European Parliament elections could partly explain the different conclusions reached in the previous literature on this subject.

2.5 Conclusion

This chapter proves the empirical validity of the theoretical framework developed in the previous chapter via two econometric analyses spanning 1980-2015 and 2000-2015. While the results for the former are somewhat more difficult to parse, this is understandable, given the lack of data available for such a long timespan. The results of the 2000-2015 study definitively prove that the declining position of labor has contributed to the rise of the far right in the modern era. Though response to immigration appears to be a stronger explanatory variable in voting behavior concerning European Parliament, economic indicators explain the variance in the success of the far right as well as, if not better than, demographic explanations in elections for national parliament. This serves to effectively contradict the narrative that the recent success of the far right is entirely due to racism and xenophobia.

Chapter 3: Case Study on Right-Wing Motivators in the United Kingdom

3.1 Introduction

While an overarching analysis of European politics serves to establish a relationship between the declining position of labor and the rise of the far right, research conducted at this level can provide only a general picture and cannot track developments in policy beyond electoral success. A case study can gather more in depth information with regards to the research question, use more specific data not collected across the European Union, and examine support for state-level ballot initiatives. The United Kingdom is a prime example for this paper because of its sophisticated data collection, the recent referendum to exit the European Union, and the strong influence of British politics on Continental governance (such as the spread of Thatcherism). This chapter will examine the role of the far right in the United Kingdom in relation to labor, by first establishing a historical framework, then conducting econometric analysis on the success of the far right since 1980 using time series data and support for exiting the European Union in the 2015 referendum at the regional and county level using cross-sectional data.

3.2 The Far Right in British Society, 1970-2015

Far right politics in the United Kingdom originated with the rise of proto-fascist, often Nazi-sympathizing organizations in the 1930s,⁷⁹ but right-wing activity remained generally low-level until the late 1970s. However, the far right movement has been largely unsuccessful at the national level until recently, failing to sway convert MPs in the House of Lords or elect more than a few MPs to the House of Commons. This can partly be attributed to the far right's:

identification with the fascist tradition rather than with new forms of discourse and organization and greater legitimacy. Put typologically, British extremism has tended to have as its ideological core a form of *recidivist* or *radical* neo-fascism, rather than the

⁷⁹ Robert Leach, *Political ideology in Britain* (London: Palgrave Macmillan, 2015): 197.

more *hybrid* appeal which has been espoused so successfully by the French Front National ... or the more populist appeals exhibited by some Scandinavian parties.⁸⁰ In the latter half of the twentieth century, the far right gained political momentum by shifting its focus to an ethno-nationalist agenda centered on isolationism, anti-immigration policies, and Euroscepticism. Historically, the strongest support bases for the far right have been located in East London and the North of England, with additional support in the West Midlands emerging recently; all of these areas are known for their economic specialization in manufacturing and relative poverty.⁸¹ In 2014, the UK Independence Party was awarded “major party status” by The Office of Communications and in 2016, UKIP led the campaign for Britain to exit the European Union.⁸² In order to fully understand right-wing political activity in the United Kingdom, it is first necessary to assess the three parties that have dominated the far right in Britain since 1970: the British National Front (primarily active 1970 - 1979),⁸³ the British National Party (primarily active 1983 - 2012),⁸⁴ and the UK Independence Party (primarily active 2014 - present).⁸⁵

3.2.1 The British National Front

The British National Front emerged as the first modern far right party in 1967, as a result of a merger between the League of Empire Loyalists and the British National Party. The National

⁸⁰ Roger Eatwell, “Britain: The BNP and the Problem of Legitimacy,” in *The New Politics of The Right: Neo-Populist Parties and Movements in Established Democracies* ed. Hans-Georg Betz and Stefan Immerfall (New York: St. Martin’s Press, 1998): 143.

⁸¹ Mark Townsend, “Why has the far right made West Yorkshire a home?” *The Guardian* 18 June 2016. Accessed 1 May 2017.
<<https://www.theguardian.com/uk-news/2016/jun/18/far-right-home-in-west-yorkshire-britain-first>>

⁸² Deacon, David, and Wring, Dominic “The UK Independence Party, Populism and the British News Media: Competition, Collaboration or Containment?” in *European Journal of Communication* 31, no. 2 (2016): 169–84.

⁸³ In 1979, the British National Front began splintering under financial constraints due to sitting candidates for more seats than was fiscally responsible and the 1977 riots between anti-fascists and the NF, colloquially referred to as the Battle of Lewisham.

⁸⁴ The BNP decline is marked as beginning in 2012 in this paper due to its loss of a key member of European Parliament in 2012 and poor results in 2012 elections following a schism in party leadership.

⁸⁵ In 2014 UKIP was marked a major political party by the Office of Communications and won 163 new seats in local elections.

Front (NF) gained steam when John Tyndall ascended to party leadership, bringing the Greater Britain Movement into coalition with the existing NF; the Greater Britain Movement itself had roots in National Socialism but Tyndall split with Nazi leader Colin Jordan in 1964, citing preferences for a less international political philosophy focusing exclusively on the UK.⁸⁶ Under Tyndall's leadership, the NF rose to prominence by positioning itself as the opposition to a threat to British existence posed by South Asian migration to the United Kingdom, increasing its popularity among the working-class East End and Northern England, particularly during the recession of the 1970s.⁸⁷ The National Front was able to use the concept of society under threat to justify its neo-fascist ideology, characterizing democracy as a luxury "subordinate to the survival of the nation."⁸⁸ Despite the NF's opposition to politics as usual, the party heavily focused on winning seats in local and national government to gain legitimacy; at the first Annual General Meeting, founder A.K. Chesterton noted that "the true motive [of the NF] is to ensure that the NF is taken seriously as an acceptable challenge to the political parties."⁸⁹ Ten years after its advent, in 1977, the National Front ran candidates in 91 of the 92 Greater London Council seats, averaging 5.1% of the popular vote across constituencies.⁹⁰ This was the height of support for the NF, however; in local elections in 1979, where candidates were sat in 303 constituencies, NF politicians averaged 1.3% of the popular vote and the party almost went bankrupt.⁹¹ In 1982, Tyndall formed the British National Party as a far-right competitor to the National Front, and a large number of NF voters defected to the BNP. The National Front has not been considered relevant in British politics since 1980. However, the National Front remains

⁸⁶ S. Taylor, *The National Front in English Politics* (London: Macmillan, 1982), 15.

⁸⁷ Nigel Fielding, "Ideology, democracy, and the National Front," *Ethnic And Racial Studies* 4, no. 1 (1981): 56.

⁸⁸ *Ibid*, 56.

⁸⁹ *Ibid*, 72.

⁹⁰ Martin Harrop, Judith England and Christopher T. Husbands, "The Bases of National Front Support," *Political Studies* 28, no. 2 (1980): 271.

⁹¹ *Ibid*.

important to contemporary studies because of its comparability to other extreme right parties and its status as the first ERP in modern Britain.

Several studies have been conducted on what voters constitute the base of support for the National Front. Harrop (1980) finds that skilled manual laborers comprised 46% of NF support, as compared with 35% of the total adult population, while 41% of NF voters were living on local-authority rented (subsidized public “estate”) housing, as compared to 34% of the total adult population. All together, the working class comprised nearly half of all NF support, but less than a third of the population; these class lines are more strongly delineated in areas with strong support for the NF, such as the West Midlands, where 85% of Front voters are categorized as working class. As with other ERPs, the NF is decidedly masculine: 71% of adherents are male, as compared with 48% of the adult population. The hypothesis that extreme right voters are frustrated with conventional government also holds true in the case of the National Front: 74% of respondents were dissatisfied with the government and 50% were dissatisfied with Prime Minister Thatcher, as compared with the national average of 46% and 40%, respectively.⁹² Furthermore, Taylor (1979) finds that a bivariate regression measuring the effect of the proportion of white electors in a district against support for the NF was significant at the 0.01 level, but nonlinear.⁹³

Despite the correlation between lower socioeconomic status and support for the NF, several prominent social scientists criticize the attempt to explain party support via economic status. Fielding writes, “If support for the NF can be predicted from statistical correlations between NF voting and particular socio-economic factors then a concern with ideology may not be of central importance. The difficulty of this argument is that while several predictive models of support are apparently quite successful the ‘factors’ they employ are very broad and somewhat

⁹² Ibid, 275.

⁹³ Stan Taylor, “The Incidence of Coloured Populations and Support for the National Front,” *British Journal of Political Science* 9, no. 2 (1979): 250-255.

unilluminating.”⁹⁴ Billing (1978) further notes that if a distinctive fascist personality existed, then there would be no need to examine the ideology of fascism or the structure of such organizations to understand their popularity.⁹⁵ Finally, McDonough (1977) notes that independently of their socioeconomic conditions, NF voters participate in a “false consciousness” which alters their perception of society and renders it different from objective reality.⁹⁶ This construction of social reality means that ideology cannot be the quantifiable effect of particular social, political, or economic roots. These criticisms of the approach used by this case study, however, have a key failing: they assume that ideology is not a powerful motivator that resonates more deeply with individuals of a certain economic position, as the reason *why* they particularly turn to the far right. In other words, no voters are completely objective, and poor Britons were likely to support the NF because the ideology of the NF fit their conception of reality, rather than coloring their reality exclusively after joining the party.

3.2.2 The British National Party

Following the decline of the National Front, the British National Party (also led by John Tyndall) became the most active far-right party in the United Kingdom until the ascendancy of UKIP in the early 2010s. In its early years, the BNP ran few candidates and focused on politics primarily outside the electoral sphere, in part due to cost, preferring instead to attract new party members via confrontational street rallies.⁹⁷ Following a change in leadership in 1999, the BNP began to experience success following a major electoral breakthrough in 2003, securing over 200,000 votes in each round of local elections 2005-2010; the Party was aided by anti-immigrant rhetoric following the Sept. 11, 2001 terror attacks and a series of articles in 1999 claiming

⁹⁴ Nigel Fielding, “Ideology, democracy, and the National Front,” *Ethnic And Racial Studies* 4, no. 1 (1981): 69.

⁹⁵ M. Billing, *Fascists: a social psychological view of the National Front* (London: Harcourt, Brace, Jovanovich, 1978), 119.

⁹⁶ R. McDonough, “Ideology as false consciousness: Lukacs,” *On Ideology: Working Papers in Cultural Studies* 10, no. 1 (1977): 36.

⁹⁷ Robert Ford and Matthew J. Goodwin, “Angry White Men: Individual and Contextual Predictors of Support for the British National Party,” *Political Studies* 58, no. 1 (2010): 3.

asylum seekers were living in luxury.⁹⁸ By 2010, the party held over 50 local council seats, 2 seats in the European parliament, and one seat in the Greater London Assembly.⁹⁹ This success can largely be attributed to attempts to sway voters through three strategies: a commitment to community activism, the moderation of radical race-based platforms to appear more friendly, and a focus on voters of particular social groups, particularly former supporters of Labour in deindustrializing areas.^{100 101} This last area has been particularly important, with numerous social scientists finding the BNP is most successful on among “white working class voters who feel politicians live on a different planet.”¹⁰²

As with the National Front, there is a clear social profile of BNP voters. Ford and Goodwin (2010) find that BNP supporters are:

predominantly middle-aged working-class men with few educational qualifications. Although they are concentrated in working-class jobs, BNP voters are not particularly poor - they are no more likely to live in government-provided housing, and are only slightly more likely to be unemployed ... the party’s support levels are higher in constituencies with low educational levels and large Muslim minorities of Pakistani or African origin.¹⁰³

The finding that BNP supporters are middle class but not especially poor is particularly important; this closely fits the relative deprivation theory advanced earlier where the decline of labor *in relation to* the social position of other populations and former prestige fuels anger at the political system and motivates operation outside conventional politics. Additionally, BNP is most likely to have high levels of support in areas with large nonwhite populations, high

⁹⁸ David Renton, “Examining the success of the British National Party, 1999-2003,” *Race and Class* 45, no. 2 (2003): 75-85.

⁹⁹ Robert Ford and Matthew J. Goodwin, “Angry White Men: Individual and Contextual Predictors of Support for the British National Party,” *Political Studies* 58, no. 1 (2010): 1.

¹⁰⁰ *Ibid*, 4.

¹⁰¹ David Renton, “Examining the success of the British National Party, 1999-2003,” *Race and Class* 45, no. 2 (2003): 76-77.

¹⁰² H. Blears, “How to Beat the BNP,” *The Guardian* (London, UK), 22 November 2008.

¹⁰³ Robert Ford and Matthew J. Goodwin, “Angry White Men: Individual and Contextual Predictors of Support for the British National Party,” *Political Studies* 58, no. 1 (2010): 2-3.

proportions of skilled manual laborers, low educational attainment, and few young voters.¹⁰⁴ The social breakdown thesis is supported by Eatwell (1998), who finds that the BNP is particularly appealing to those feeling they have lost their community: “Although it did not usually campaign by putting forward specific economic policies, local activists tended to make it clear that the BNP was opposed to the individualized internationalist capitalism which was portrayed as an important cause of local people’s economic woes: there was thus a strong economic-rational side to BNP voting.”¹⁰⁵ Moving beyond survey analysis to statistical analysis of a representative sample of BNP voters, obtained from the Ipsos-MORI survey 2002-2006, Ford and Goodwin (2010) find the relationship between membership in the working class and support for the BNP has a coefficient of 0.76, while being unemployed and BNP support has a coefficient of 0.31, and there is a negative correlation between education and far right support (-0.88 for a university degree, -1.24 for a postgraduate degree).¹⁰⁶ However, Ford and Goodwin still rely on category variables, which reduces the sensitivity of the relationship between economic position and support for the right, and renders marginal analysis impossible; the analysis in this chapter will attempt to remedy this lack of clarity.

3.2.3 UK Independence Party

The final political party of considerable significance is also the most nascent: The UK Independence Party (UKIP), led by Nigel Farage, has only been a considerable player in British politics since 2014. In just a few years, however, UKIP has been more successful than any other extreme right party, gaining considerable vote share, experiencing electoral success in ways previous far-right parties were unable to, and attaining a tangible policy goal by its successful Vote Leave campaign which culminated in a referendum in which the UK voted to withdraw from the European Union (colloquially referred to as “Brexit”). UKIP was founded by a professor at the London School of Economics in 1993, with the single-issue focus of opposition

¹⁰⁴ Ibid, 7.

¹⁰⁵ Roger Eatwell, “Britain: The BNP and the Problem of Legitimacy,” in *The New Politics of The Right: Neo-Populist Parties and Movements in Established Democracies* ed. Hans-Georg Betz and Stefan Immerfall (New York: St. Martin’s Press, 1998): 149.

¹⁰⁶ Ibid, 14 - 17.

to European integration. However, the UK Independence Party's early years were marred by factionalism and a power struggle which hindered its national success as it struggled with legitimacy. Nigel Farage ascended to party leadership in 2006, diversifying its single-issue platform and appealing to Conservative voters disappointed in PM David Cameron's socially liberal policies by endorsing tax cuts, climate change denial, and anti-immigration measures, later specifically targeting white, blue-collar areas with low rates of educational attainment. In 2014, UKIP gathered 26.6% of the popular vote in European Parliament elections, the first national victory for a new party since the Labour Party's success in 1929, and gained major party status.¹⁰⁷

Given its unprecedented success, there has been considerable research into the causes of UKIP's popularity. Ford and Goodwin (2014) assert two reasons for UKIP's success: changes to the United Kingdom's socioeconomic structure whereby older white, semi-skilled workers were pushed to the margins (the "left behind," or modernization losers), and a generational shift in the conception of "British" values in which older Britons became considered intolerant and patriarchal by millennial voters. This created a class of voters likely to vote for a right-wing party due to social exclusion; UKIP was able to capitalize on this success by absorbing former Conservative and Labour voters dissatisfied with both parties' emphasis on appealing to middle class swing voters.¹⁰⁸

The idea that UKIP co-opted Labour voters has been key to the Labour party's explanation of its losses in 2010 and 2014. However, Mellon and Evans contest this claim by tracking defection from the Conservative, Labour, and Liberal Democrat parties to UKIP (see chart below). They find that Conservative voters were most likely to leave their party in favor of UKIP, and that support for UKIP was higher among self-employed individuals and business owners than among the working class. This argument can be countered, however, with the

¹⁰⁷ Robert Ford and Matthew Goodwin, "Understanding UKIP: Identity, Social Change, and the Left Behind," *The Political Quarterly* 85, no. 3 (2014): 277.

¹⁰⁸ *Ibid.*, 277 - 284.

authors' finding that Labour voters that did defect to UKIP typically do so by first voting for other parties and, still unsatisfied, subsequently turning towards the extreme right, distorting self-reported party data. In England and Wales, UKIP has the highest vote share for working class individuals.¹⁰⁹

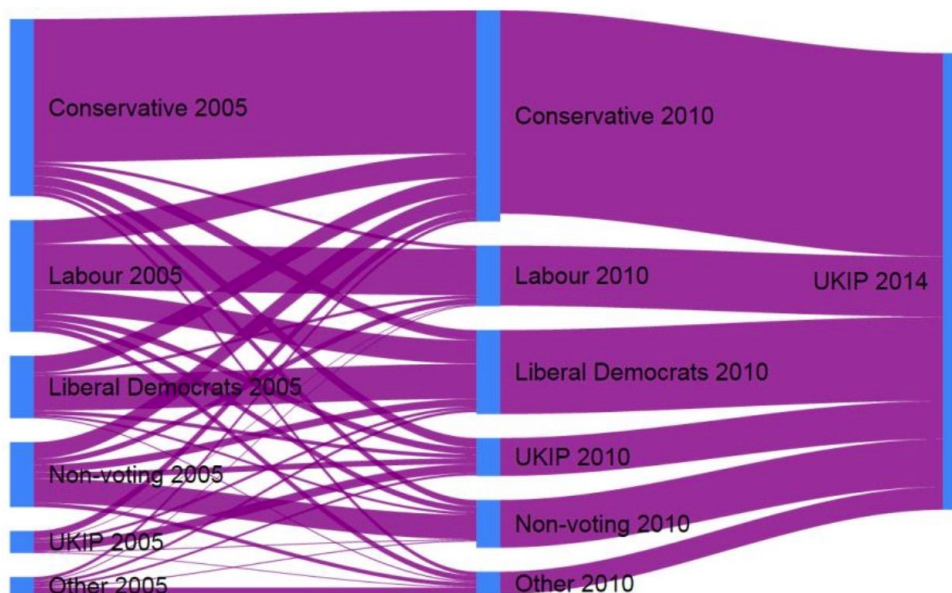


Figure 3.1: Flow of the vote to UKIP 2005–2014 using respondents in the 2005, 2010, and third wave 2015 BES panel surveys.¹¹⁰

3.3 The Declining Position of Labor in the United Kingdom

In order to link the success of the far right in the United Kingdom to the declining position of labor rather than alternative explanations, it is first necessary to develop a historical framework in which the socioeconomic status of the working class declined over time. There are two prominent reasons the working class has grown less affluent over time in the United Kingdom: deindustrialization in Northern and Eastern areas which had a comparative advantage in heavy industry while London simultaneously became a global financial center that drove the

¹⁰⁹ Jonathan Mellon and Gregory Evans, "Class, Electoral Geography and the Future of UKIP: Labour's Secret Weapon?," *Parliamentary Affairs* 69, no. 2 (2015): 177.

¹¹⁰ Gregory Evans and Jonathan Mellon, "Working class votes and Conservative losses: solving the UKIP puzzle," *London School of Economics British Politics and Policy Blog*, 2015.

economy forward through nonproductive growth, and the rise of Thatcher's brand of conservatism, which severely curtailed the ability to strike and welfare provisions that allowed lower and middle-income individuals to receive services that de facto increased their wages and allowed for a higher standard of living.

3.3.1 Deindustrialization in the North, Financialization in the South

Since 1970, the North of England, which specialized heavily in manufacturing and mining, has been growing relatively poorer as the comparative advantage of developed nations in heavy industry declined, while the British economy became increasingly driven by the financial market in London. There are three separate harms linked to this phenomenon. First, deindustrialization in the North has not been accompanied by a swift transition into another type of economic specialization, leading to problems of long-term unemployment and higher incidences of poverty. Second, financialization in London has led to nonproductive growth and prosperity that does not "trickle down," while increasing market volatility. Finally, the dual economy in the United Kingdom that can be primarily marked by a regional divide that has increased inequality and limited generational mobility while augmenting social tensions that influence voting behavior.

Northern England experienced a rapid loss of industry throughout the 1970s, primarily due to declining comparative advantage, the contracting out of services to specialist providers (eg, notional deindustrialization), and skills-biased technological change increasing average productivity per worker and rendering the previous number of positions unnecessary.¹¹¹ The effects of deindustrialization were particularly sharp in England because of its high levels of productivity and firmly established tradition of collectivization following hundreds of years of industrialization, which drove up the wage rate. The high wage rate and strict labor standards for British workers made English manufacturing less competitive as disaggregation of the value chain was made possible due to advancements in transportation and communications. This holds

¹¹¹ Mary Gregory, Christine Greenhalgh, "International Trade, Deindustrialization and Labour Demand: An Input-Output Study for the UK (1979–90)," *International Trade and Labor Markets* ed. Jitendralal Borkakoti and Chris Milner (Basingstoke, UK: Palgrave Macmillan, 1997): 62-89.

true even when factoring in Britain's capital investments that lower the cost of production via mechanization beyond what the developing world can offer; there is a measurable negative relationship between imports from the Global South and the manufacturing share of labor.¹¹² High inflation throughout the 1970s due to oil discoveries in the North Sea and expansionary fiscal and monetary policies to counter unemployment further worsened the decline of industry.

Public response to declining competitiveness in manufacturing was deeply inadequate. In the postwar period, the United Kingdom responded to its loss of revenue from Empire and substantial national debt generated by World War II by pursuing import substitution, particularly in manufacturing exports. In order to achieve this, the British government engaged in heavy protectionism, with average manufacturing tariffs in 1968 only 15% lower than those at the height of the Great Depression. The government failed to renegotiate wartime agreements between the public and private sector, causing nationalized industries and sectors with large public contracts to be mismanaged due to principal-agent conundrums. In response to this inefficiency, investors often looked abroad for higher rates of profit, precluding capital investments that could further decrease the cost of production while allowing for the UK's higher wage rate and maintaining competitiveness. The state was similarly unhelpful, opting to close nationalized factories without providing job placement programs and rapidly ending subsidies for state-supported manufacturing under Margaret Thatcher in the 1980s.

As the North grew poorer, the South grew richer. The London Stock Exchange has a value of over 6 trillion dollars and is the third largest stock exchange in the world, rapidly expanding after it absorbed the eleven regional British stock exchanges and ended the two trading prohibition in 1973. The financialization of the British economy as London became a major financial market has significantly increased macroeconomic instability when viewing the economy through a Minskyan lens:

A robust financial structure -- the legacy of World War II ... was succeeded by a fragile financial structure that is instability-prone and, from time to time, requires intervention

¹¹² Steven Saeger, "Globalization and deindustrialization: Myth and reality in the OECD," *Review of World Economics* 133, no. 4 (1997): 579-608.

... to abort apparent incipient financial crises. The evolution from financial robustness to financial fragility did not take place in a vacuum. The sources of the change can be traced to profit opportunities open to financial innovators within a given set of institutions and rules; a drive to innovate financing practices by profit-seeking households, businesses, and bankers; and legislative and administrative interventions by governments and central bankers.¹¹³

Capital assets are particularly valuable because they allow producers a high margin of profit, and because short-run profits are relatively small in comparison with the value of a capital asset due to the fact contractual commitments are based on the financing of long-lived assets. However, their market value depends on current expectations of future profits, and how expected profits are transformed into a present value, causing their market value to change as quickly and severely as expectations do. Therefore, capitalists are incentivized to invest in the stock market, rather than in capital expansion for firms, which has hastened the decline of industry.

There are three primary types of finance a market can be engaged in, with states entering each type in different time periods. Under hedge financing, the cash flow from already-operational assets or financial contracts can meet future payment commitments. This is the ideal, most stable form of investment that dominated European markets prior to 1980, when financial derivatives began their rise to prominence. Speculative financing relies on expected cash flows from current assets to be less than payment commitments for near-term periods, and rolls over maturing debt. Because it is necessary to raise funds in financial markets to cover existing debt, speculative finance is vulnerable to changes in the market, interest rate, and credit. This type of financing has dominated the London financial market since 1980. Finally, Ponzi financing is the most dangerous kind of financing, under which near-term payment commitments exceed expected profits from owned assets. In this system, it is only possible to stay afloat for a short while. Buoyed by low inflation rates and cheap consumer goods in the early 2000s, risk premia in the UK decreased to the point at which high leverage became the status quo. While the British market was not dependent on Collateralized Debt Obligations and Credit Default Swaps to the extent that the American market was at this time, several large banks (most notably, Northern Rock) relied heavily on the interbank market to finance mortgages, relying on the

¹¹³ Hyman Minsky, *Stabilizing an Unstable Economy* (New York: McGraw-Hill Education, 2008), 219.

wholesale money market when the value of the front-end market for securitized products decreased.¹¹⁴ Ponzi financing has significantly contributed to volatility that spreads beyond the stock market and creates nationwide periods of high unemployment, and investment bubbles created by Ponzi financing often disproportionately affect those with poor education and low financial literacy, who are usually members of the working class with low educational attainment. The same class of individuals that constitutes the core of UKIP's voter base was targeted by the predatory mortgage market schemes that spread to the UK from the US in the mid-2000s, and faced ballooning debt and high rates of foreclosure in addition to a higher propensity of being laid off after the 2008 crisis.

Under this model, an increasingly volatile macroeconomy is not the only harm; a small group of shrewd investors also profit from market speculation to the point at which their income is hundreds or thousands of times the income of the working class, creating pronounced income inequality. The Gini coefficient in the United Kingdom has increased from 0.24 in 1977 to 0.34 in 2014.¹¹⁵ While orthodox economics posits that inequality can benefit growth because it facilitates investment, modern theory increasingly agrees that income inequality negatively contributes to economic growth because individuals with substantially large incomes consume a smaller proportion of their income than individuals with moderate or low incomes, contributing to deficient effective demand (see Chapter 1) and complicated post-recession recovery. There is empirical backing to this theory: Banerjee and Duflo (2003) find a negative albeit nonlinear relationship between income inequality and growth, lagged one time period.¹¹⁶ Furthermore, high levels of income inequality have not been met with similarly high taxes in the UK, meaning that as real income for the working class stagnates, it is increasingly difficult for the government to engage in public spending.

¹¹⁴ Nicholas H. Dimsdale, "The Financial Crisis of 2007–9 and the British Experience," *Oxonomics* 4 (2009): 1-9.

¹¹⁵ J. Cribb, A. Hood, R. Joyce, and D. Phillips, "*Living standards, poverty, and inequality in the UK: 2013*" (London: Institute for Poverty and Fiscal Studies), 2013.

¹¹⁶ Abhijit Banerjee and Esther Duflo, "Inequality and Growth: What Can the Data Say?" *Journal of Economic Growth* 8, no. 3 (2003): 267-289.

3.3.2 Thatcherism And The End of the “Nanny State”

The realigning election of Margaret Thatcher as Conservative Prime Minister in 1979 marked the advent of a new brand of conservatism marked by liberalization and intense fiscal hawkishness via cutbacks on labor regulations, public subsidies, and transfer payments at an unprecedented rate. Thatcher’s policies were based in free-market, supply-side economics, wherein the unaided private market was seen as the most efficient but also the most just, in that the most disadvantaged groups were to receive efficient allocations while the state is prone to privileging those most able to lobby. This dual claim of pragmatic advantage and moral superiority gave the Conservative Party an electoral advantage for over a decade. However, this theory is far from valid: “The New Right has to believe simultaneously in the malign and perverse effects of democratic politics on the free economy, and in the possibility of using that same democratic politics and that same interventionist state to reverse the process of creeping socialism.”¹¹⁷ To support the free market, the state must both endorse the conception of intrinsic efficiency and natural returns to equilibrium, and actively intervene in the economy to incentivize said efficiency. While Thatcher’s policies intended to reverse the decline of the position of labor and make industry more efficient and competitive, she instead hastened its decline. Under her hand, labor suffered immensely and the United Kingdom became a core-periphery economy where a center of prosperity (London) is surrounded by a much poorer, economically troubled hinterlands.

Thatcher’s most significant undertaking was cutting public spending in an attempt to reach a balanced budget. In the Conservative eye, government spending was unsustainable, inefficient, crowding out the private market, and entrenching dependency through the welfare state. Public spending also worsened already-severe inflation. In her 1979 white paper, Thatcher declared, “Public expenditure is at the heart of Britain's present economic difficulties.” Council estate construction was halted, prescription prices drastically increased, and free school meal plans were cut. This decrease in the provision of public services and the increase in the cost of these services hurt the impoverished, who were (and are) likely to vote for Labour, but Thatcher

¹¹⁷ Andrew Gamble, *The Free Economy and the Strong State: The Politics of Thatcherism* (Durham, NC: Duke University Press, 1988): 32.

also hurt the working poor by increasing the cost of the NHS to the public and reducing subsidies to manufacturing. Reduced subsidies forced firms to lay off workers; unemployment was high during Thatcher's tenure, largely hovering between 8% and 12%, which then created a newly-unemployed class that depended on an increasingly small pool of transfer payments. As deindustrialization continued, partly due to endogenous global trends and partly due to Thatcher's policies, laborers in areas that specialized in manufacturing were especially worse-off, due to the government's reduction in regional aid.

Another key aspect of Thatcher's economic policy was restricting the power of unions, which had pushed for higher wages in the 1970s to a point the Prime Minister felt was inflationary and impeded the natural equilibrium of the labor market. Furthermore, employees of essential services went on strike periodically in the decade prior to immense social detriment, such as the 1979 trash collectors' strike and the National Union of Mineworkers "work to rule," which caused a fuel crisis. The attack on collective bargaining mechanisms began in 1980, with the passage of a bill restricting picketing and defining tighter limits for closed shops, and the state's support of the British Steel Corporation when steelworkers began what would ultimately be a four-month strike.¹¹⁸ Subsequent bills would limit union rights and the ability of unions to claim funds for damages. Throughout the 1980s, with inflation rates topping 10%, real wages declined while workplace environments grew increasingly inhospitable because of these management changes, and workers were apt to strike in an attempt to regain power in the new political order that had disenfranchised them. In some ways, the Thatcher government created the incentive to strike, by bringing managers from the private sector into public-private and nationalized industries to improve efficiency, which then altered power dynamics in production. However, the government absolutely refused to negotiate with strikers: the British coal strike in 1984 lasted 11 months, while the print union also faced decisive defeat in 1983 and 1986-1987, as did the teachers' union in 1986-1987. Union failures led British workers to (perhaps correctly) believe the union no longer held any power, and membership declined rapidly, giving the union

¹¹⁸ Andrew Gamble, *The Free Economy and the Strong State: The Politics of Thatcherism* (Durham, NC: Duke University Press, 1988): 103.

even less ability to negotiate contracts and keep real wages high. The decline of collective bargaining is considered a key reason real wages have stagnated since 1980, contributing to the declining position of labor.

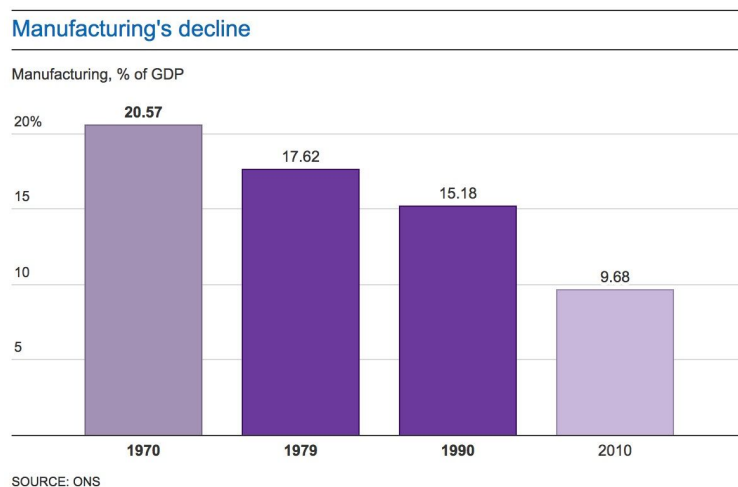


Figure 4.2: The Decline of Manufacturing.¹¹⁹

Prime Minister Thatcher's tenure should not be considered an abject failure. In many ways, Margaret Thatcher can be credited with helping the British economy -- privatization helped lower costs and increase efficiency in the airline, telecom, and electric industries, while deregulation allowed new firms to enter monopolistic industries. The ways in which Britain upheld the welfare state were unsustainable; the UK had been trapped in a vicious cycle of rising costs of welfare necessitating higher taxation, which accelerated wage inflation and then again prompted higher welfare costs, since the 1960s, and by 1975 government spending accounted for 50% of GDP.¹²⁰ However, these successes came at tremendous cost to the position of the working class. Retired persons in poverty increased from 13% in 1979 to 43% in 1997, while child poverty doubled.¹²¹ The financial deregulation and lower income taxes advocated for by

¹¹⁹ Simon Rogers, "How Britain changed under Margaret Thatcher. In 15 charts," *The Guardian*, (London, UK), 8 April 2013.

¹²⁰ Peter Jenkins, *Mrs. Thatcher's Revolution: The Ending of the Socialist Era* (Cambridge, Massachusetts: Harvard University Press, 1987): 9.

¹²¹ Malcolm Dean, "Margaret Thatcher's policies hit the poor hardest – and it's happening again," *The Guardian* (London, UK), 9 April 2013.

Thatcherism is, in the Minskyan conception, responsible for increasing macroeconomic instability and rising income inequality. Decreased public spending hurt the standard of living for the working class, while restrictions on collective bargaining simultaneously harmed their ability to obtain higher real wages in a decade with high inflation and moderately high unemployment.

Thatcherism would not be a cause for the rise of the far right if free-market conservatism had gone out of vogue when Thatcher left office. However, Thatcher's decade in power forced the Labour Party to shift its economic policy rightward, permanently ending the era of the welfare state and keeping the position of labor low throughout the modern era. In 1997, the Labour Party that became the majority coalition under Blair rejected nationalization and Keynesian economics, asking what model of capitalism was best for the UK rather than attempting to counterbalance capitalism. In the Labour view, national governments cannot manage demand due to globalization; instead, the state should focus on supply-side interventions because capital is flexible and uncontrollable. A flexible workforce with high levels of human capital, rather than the welfare state, is the best way to achieve this in the new Labour model.¹²² Because OECD economies cannot compete with the developing world for low wages, they must rely on high levels of human capital. Labour's view is largely true, but leaves workers without human capital, who have left school or are unable to attend college or university, outside the purview of the three main political parties in the United Kingdom while the Labour government fails to make the tools by which workers attain higher human capital -- namely job retraining and university-level education -- accessible to all. Furthermore, the current Labour Party is heavily invested in stakeholder economics, in which everyone has something to lose, and therefore everyone works towards greater efficiency and growth. Workers have little security and must fight for their jobs, while welfare is structured around services to get individuals "off benefits" and remove dependency rather than provide long-term care.¹²³ From the perspective of the working class, this shift in Labour's politics means that neither than the Conservative nor the

¹²² Stephen Driver and Luke Martell, *New Labour: Politics After Thatcherism*, (Cambridge, UK: Polity Press, 1998): 32-33.

¹²³ *Ibid*, 55-58.

Labour Parties are in their interest, and as conventional politics is not working, they are incentivized to vote for fringe parties.

3.4 An Econometric Assessment of the Linkages Between Labor and Voting

While the relationship between deindustrialization, unemployment, and the success of ERPs has been extensively documented in the previous chapter, Britain serves as a prime example to further analyze this trend for two reasons: the United Kingdom has experienced extensive deindustrialization which it has collected data on, and the recent vote to leave the EU (“Brexit”) can be used to measure whether immigration or low income and education levels more strongly affected the popularity of a tangible right-wing policy. Ultimately, this can be used to form a more accurate idea of how regions may have preferences for far right policies, in contrast to the “surprise upset” results of the Brexit referendum, and isolate deindustrialization from omitted variable bias that may affect the extreme right’s popularity in countries with persistent terrorism problems (France), heavy interventionism causing anger at European Central Bank monetary policy (Greece), historical tendencies towards fascism (Italy), or government suppression of certain political parties deemed unsafe or undesirable (Germany).

3.4.1 Time Series Analysis of Right-Wing Voting Patterns, 1980 - 2015

The first series of regressions measures the correlation between the declining position of labor and the representation of the three aforementioned far right parties in Britain (BNP, NF, and UKIP) in national and European parliament, 1980-2015. For national parliament, only data on the House of Commons is used, to mitigate the effect of heredity in maintaining the power of traditional political parties. The popular vote is measured but the number of seats held by the right is not, unlike the previous chapter, because there is a somewhat high electoral threshold in the United Kingdom that distorts and under-reports the success of fringe parties. The declining position of labor is captured by the number of available jobs in mining and manufacturing, as a percentage of total available jobs.¹²⁴ The change in the vacancy rate for this occupation reflects

¹²⁴ Source: Office for National Statistics, “JOBS03: Employee jobs by industry (UK totals)”.

both a declining number of total positions in these occupations and the difficulty individuals in these industries will have finding new jobs given the number of open positions. If the share of available jobs is less than the manufacturing share of employment (as it is in every year since 1980), those employed in manufacturing and mining will have a particularly difficult time finding a new job if unemployed because such positions are underrepresented on the labor market. Covariates for the multivariate regression include the unemployment rate reported to the OECD, the GDP growth rate as recorded by the OECD, the share of new income generated by the top 10%,¹²⁵ the number of asylum applications received, and the number of immigrants entering the United Kingdom for the purposes of long-term residence each year.¹²⁶ The dummy variable “Conservative” was also included, with the value of 1 for all years in which a Prime Minister from the Conservative Party was in office.

There are two independent variables of primary interest, the manufacturing share of employment and the share of vacant jobs in mining and manufacturing, which represent different measures of deindustrialization. The percentage of jobs available and the manufacturing share of employment ought both have a negative relationship with the success of the far right: as these variables decrease, it is comparatively harder for employees in manufacturing and mining to find employment or bargain for higher wages, and also serves as a stand-in value for deindustrialization. Both variables require testing in bivariate regressions to assess their significance. Therefore, the linear OLS regression model used could be written as following:

$$\text{EQ 3.1: } \text{PopularVoteFarRight}_t = \beta_0 + \beta_1 \text{Manufacturing}_t + \varepsilon_t$$

It is predicted that the manufacturing share of employment and share of available jobs in mining and manufacturing will both be negatively correlated ($\mathbf{H}_0: \beta_1 \geq 0$, $\mathbf{H}_A: \beta_1 < 0$) with the success of the far right. To use OLS in a time series regression, both the dependent and the independent variable must be stationary and weakly dependent. Time trends were present for each of the

¹²⁵ Source: World Top Incomes Database.

¹²⁶ Source: Office for National Statistics, International Passenger Survey Time Series Dataset, “OS visits to UK:All visits Thousands-NSA”
<<https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/datasets/internationalpassengersurveytimeseriesspreadsheet>>

variables; by detrending the variables through including t in the simple regression, the variables gain stationarity.¹²⁷

In two simple detrended regressions, measuring the effect of the share of manufacturing employment on far-right representation in the House of Commons and European Parliament, the effect of the employment share on the popular vote for the far right in the House of Commons is significant at the 1% level and the effect of the employment share on the popular vote for the far right in European Parliament is significant at the 10% level. Testing the goodness-of-fit for the simple regression presents the opportunity to discover whether the manufacturing share of employment, as recorded by Eurostat, was statistically insignificant due to external errors. The Durbin-Watson d-statistic of the simple regression on European Parliament is 1.182554, which is not suitably close to 2 and suggests the variable may be serially correlated; the Durbin-Watson d-statistic for the regression on the House of Commons is 1.13546 and also does not rule out the possibility of serial correlation. Given the problems with the Durbin-Watson test, which include the assumption of strict exogeneity, the lack of a p-value, and the the assumption of normality of the errors, it is also necessary to perform Durbin's Alternative test. The test on European Parliament has a p-value of 0.0481, leading to a rejection of the null hypothesis of no serial correlation, while the test on the House of Commons has a p-value of 0.3778, which means the null hypothesis can be rejected. Finally, the Breusch-Godfrey test confirms these results, with a p-value of 0.3432 for the regression on the House of Commons, which does not appear to be serially correlated, and a p-value of 0.0476 for the regression on European Parliament, which does appear to face issues of serial correlation. The error terms of the simple regressions are also not serially correlated, with a p-value on the regression of the errors on the lagged errors equal to 0.212; accordingly, using Newey-West standard errors is not necessary.

There were random walks within the detrended simple regression. Random walks can cause the same distribution across time periods with the addition of an error term, which violates

¹²⁷ See Appendix B, *Time Trends*

OLS and causes variables and their covariances to be strongly correlated across time periods, rather than weakly dependent:

$$\text{EQ 3.2: } x_t = \beta_0 + \beta_1 x_{t-1} + \varepsilon_t, \quad \beta_0 \neq 0$$

Testing for autocorrelation and partial autocorrelation, it becomes clear there is correlation across time. The Dickey-Fuller test for unit roots, in which $\beta_0=1$, revealed unit roots in the national diet popular vote, European Parliament popular vote, and manufacturing share of employment. The combined examination of autocorrelation and use of the Dickey-Fuller test suggests the variables in question are strongly correlated with themselves over time, rather than weakly dependent as desired, which violates the first necessary requirement of weak dependency in OLS time series models. Using first differences can correct for the issue of random walks; the new model would take the form:

$$\text{EQ 3.3: } Y_{it} = \beta_0 + \beta_1 \text{AvailableJobs}_{it-1} + \Delta\mu_{it-1}$$

However, the independent variable (whether the share of available jobs in manufacturing or the manufacturing share of employment) is not statistically significant in any first differences model.

There is limited possibility that bidirectional causality in Britain could affect the results. While poor economic conditions for laborers could incentivize them to vote for the far right, ERPs have never gained enough seats in parliament or European Parliament (prior to 2014) to severely influence policy in such a way that it would cause individuals to be economically worse off. Therefore, Granger tests on causality are not necessary for this bivariate regression.

	(1) StandardRegHC	(2) DetrendedHC	(3) FirstDifferencesHC
JobsMiningManuf	-0.354*** (0.0663)	1.232*** (0.293)	
t		0.757*** (0.138)	
D.JobsMiningManuf			0.656 (0.671)
_cons	6.461*** (0.980)	-1527.6*** (279.7)	0.665 (0.388)
<i>N</i>	36	36	35
adj. <i>R</i> ²	0.440	0.698	-0.001

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 3.3: Bivariate regressions of the share of available jobs in mining and manufacturing on the success of the far right in the House of Commons, 1980-2015

	(1) StandardRegEP	(2) DetrendedEP	(3) FirstDifferencesEP
JobsMiningManuf	-1.482*** (0.152)	1.522 (0.763)	
t		1.433*** (0.359)	
D.JobsMiningManuf			-0.00763 (1.232)
_cons	27.66*** (2.247)	-2877.6*** (728.0)	0.756 (0.712)
<i>N</i>	36	36	35
adj. <i>R</i> ²	0.729	0.812	-0.030

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 3.4: Bivariate regressions of the share of available jobs in mining and manufacturing on the success of the far right in the European Parliament, 1980-2015

With regards to the detrended simple regression of the manufacturing share of employment on the success of the far right, the coefficient for the share of vacant jobs in mining and manufacturing is positive for both regressions (1.232192 in the regression on the House of Commons and 1.522158 in the regression on the EP). This directly contradicts the hypothesis of

a negative correlation between the number of vacancies and the success of the far right, possibly due to serial correlation of errors. Alternatively, as there are less vacant jobs in manufacturing, there may also be less full jobs, indicating that the voter base for these parties is shrinking, but this explanation seems suspect given the extreme right's recent unprecedented success. Autocorrelation was present, and further testing revealed strong partial autocorrelation in the first lagged time period. The detrended Dickey-Fuller test additionally revealed a unit root for the share of available jobs in mining and manufacturing. The Dickey-Fuller test for the unit root had a p-value of 0.7208, indicating the null hypothesis of no random walks should be rejected. The detrended Dickey-Fuller test surprisingly worsened the problem, increasing the p-value to .8385. The combined use of these tests suggests that there are random walks in the variable for the manufacturing share of employment, and that the variable is strongly correlated rather than weakly dependent.¹²⁸

There are numerous additional independent variables that both affect voting behavior and change significantly over time, and therefore warrant inclusion in the model. There are six additional independent variables that can be included in the multivariate regression: the unemployment rate, the GDP growth rate, the percentage of new income generated by the top 10%, the number of immigrants entering the country, the number of asylum applications received, and a dummy variable for whether a Conservative or Labour Prime Minister was in power that year (Conservative = 1). The unemployment rate is predicted to have a positive correlation with success of the far right because worker dissatisfaction is a key factor in the choice to eschew conventional processes and voice frustration with the political system. The GDP growth rate is driven primarily by the business cycle and is indicative of the larger health of the macroeconomy; lower GDP growth associated with recession should increase support for the extreme right. As in the previous chapter, there is an expected negative correlation between immigration or asylum and voting, as increased migration fuels right-wing xenophobia. Finally, it is possible that working-class voters are more likely to be hurt by the neoliberal policies and

¹²⁸ See Appendix B, *Bivariate regressions of the manufacturing share of employment on the success of the far right in the House of Commons, 1980-2015 & Bivariate regressions of the manufacturing share of employment on the success of the far right in European Parliament, 1980-2015*

cuts to welfare spending imposed by the Conservative Party, and likely to voice their dissatisfaction through support of the far right during these times. Thus, each of the control variables is an indication of the position of labor, whose exclusion could confound the model.

Given that the model will be regressed on t to compensate for the time trend present in the manufacturing share of employment and the share of available jobs, the time trend of the control variables is unimportant, as it will be resolved if present. With stationarity already established through a detrended model, weak dependence is the key remaining quality of importance to use OLS. The presence of weak dependence can again be ascertained through autocorrelation tests upon each variable, to discover the existence of random walks. Most control variables exhibited random walks. Unemployment also exhibited autocorrelation and partial autocorrelation further confirmed by numerical tabulation. The Dickey-Fuller test for the unit root had a p-value of 0.6026, indicating the high likelihood of a unit root, while the p-value in the detrended Dickey-Fuller test declined to 0.1762, but continued to demonstrate the presence of a unit root. Thus, there are also signs of random walks present in the unemployment variable. Income inequality as measured by the share of new income generated by the top 10% also exhibited autocorrelation, partial autocorrelation, and a unit root, with a Dickey-Fuller p-value of 0.4736 that surprisingly increased to 0.9822 when using the detrended Dickey-Fuller test. As in the case of the previous variables, the GDP growth rate exhibited shows signs of autocorrelation and partial autocorrelation; however, numerical analysis using the *corrgram* command does not indicate autocorrelation and the Dickey-Fuller test indicates no random walks (p-value 0.000). This suggests unemployment is weakly dependent as desired. With regards to the covariates controlling for non-economic factors that affect support for the far right, strong correlation rather than weak dependence is generally the case, with autocorrelation, partial autocorrelation, and a unit root being present for the variables representing immigration, asylum, and the presence of a Conservative PM.¹²⁹ The presence of random walks in many of the control variables indicates the strong need for a first differences regression, although the lack of random walks in the

¹²⁹ See Appendix B, Dickey-Fuller Tests

unemployment variable precludes testing for cointegration and a long-term relationship between economic growth and the control variables.

With these corrections in mind, it is possible to move on to the multivariate regression. The detrended multivariate regression without any additional corrections includes independent variables for the unemployment rate, the GDP growth rate, the percentage of total available jobs in manufacturing and mining, the manufacturing share of labor, income share of the top 10%, immigration, asylum, and the Conservative dummy variable. The dependent variables are the popular vote for the far right in European Parliament and the House of Commons, in two separate regressions. However, running this regression against the extreme right's vote share for House of Commons elections renders all of the variables except for the Conservative dummy statistically insignificant while featuring an exceptionally high R-squared (0.9832), indicating too many covariates were included and there were too few degrees of freedom.

In order to render the regression significant again, it is necessary to omit some of the undoubtedly useful, but cumbersome, covariates. Performing a first differences regression on the manufacturing share of employment, immigration, unemployment, and the conservative dummy variable on the popular vote for the far right will reduce the number of variables in the time series, maintaining more degrees of freedom, while retaining variates that represent deindustrialization, immigration, and recession. The first differences regression takes the form:

$$\text{EQ 3.4 } Y_{it} = \beta_0 + \beta_1 \text{ManufacturingShareLabor}_{it-1} + \beta_1 \text{Immigration}_{it-1} + \beta_1 \text{Unemployment}_{it-1} + \beta_1 \text{Conservative}_{it-1} + \Delta\mu_{it-1}$$

(continued on page 85)

	(1)	(2)	(3)	(4)
	OLS-HC	OLS-EP	FirstDifferences-HC	FirstDifferences-EP
GDPGrowth	0.00895 (0.0157)	0.113 (0.0921)		
Unemployment	-0.148 (0.138)	0.0969 (0.812)		
Immigration1000s	-0.0000762 (0.0000773)	0.000430 (0.000455)		
AsylumApps	-0.00000216 (0.00000717)	0.0000229 (0.0000421)		
JobsMiningManuf	-0.395 (0.219)	-3.320* (1.288)		
ManufacturingShareLabor	0.278 (0.184)	-1.201 (1.083)		
PercIncomeGen	-26.16 (16.43)	65.03 (96.63)		
Conservative	1.153* (0.439)	1.666 (2.579)		
t	0.299* (0.125)	-1.349 (0.737)		
D.GDPGrowth			0.00648 (0.0202)	0.177 (0.100)
D.Unemployment			-0.176 (0.263)	-0.979 (1.300)
D.Immigration1000s			-0.000166 (0.000102)	0.000616 (0.000506)
D.AsylumApps			-0.00000383 (0.00000816)	0.0000166 (0.0000403)
D.JobsMiningManuf			-0.368 (0.468)	-4.197 (2.317)
D.ManufacturingShareLabor			0.257 (0.269)	-1.459 (1.330)
D.PercIncomeGen			-27.01 (20.27)	154.6 (100.3)
D.Conservative	2		1.054 (0.600)	4.108 (2.968)
_cons	-583.6* (254.1)	2726.7 (1494.6)	0.378 (0.278)	-2.595 (1.376)
N	20	20	18	18
adj. R ²	0.968	0.935	0.549	0.135

Standard errors in parentheses

Figure 3.5: Multivariate regression on the success of the far right in the House of Commons and European Parliament, 1980-2015. Note that $N < 30$ due to the number of controls introduced, which makes it comparatively more difficult for variates to be statistically significant.

In the first regression on the popular vote in House of Commons elections, the correlation coefficient between the manufacturing share of employment and the popular vote was .8394835, indicating that there is a positive correlation between the proportion of individuals employed in manufacturing and the popular vote for the far right, perhaps because individuals in manufacturing industries are more likely to vote for the far right while employed in this type of labor, but change their voting behavior in accordance with their employment and do not vote for the extreme right following new employment post-deindustrialization. Unemployment has a coefficient of 1.132172, indicating that for every 1 percentage point increase in the unemployment rate, the popular vote for the far right increases 1.13 percentage points. Unemployment was the only statistically significant variable in this regression, which has an R-squared of .3351 and an adjusted R-squared equalling 0.1874 indicating that changes in the position of labor only cause approximately 19% of the variation in the popular vote for the far right in the House of Commons. While the first differences regression addresses the issue of random walks, it again fails to correct for the problem of statistical insignificance found in every model. However, there was no serial correlation of variables (Durbin-Watson d-statistic: 1.37, Durbin's Alternative p-value: .9264, Breusch-Godfrey p-value: 0.9145) or serial correlation of errors (p-value of .982) that could have caused the statistical insignificance.

In the second regression on the popular vote in European Parliament elections, the correlation coefficient between the manufacturing share of employment and the popular vote was -1.485011, fitting the hypothesis that deindustrialization is associated with an increase in the extreme right's popularity, but the coefficient for unemployment was -.8726548, somewhat strangely indicating that lower levels of unemployment were associated with right-wing success. The coefficient for immigration was quite small, at .0006542, indicating that for every 1,000,000 immigrants entering Britain, support for the far right rose by only 0.6 percentage points. However, all variables were statistically insignificant. This regression had an R-squared of 0.1280 and an adjusted R-squared equalling -0.0658, indicating absolutely no relationship between the independent variables and the dependent variable (eg, a purely horizontal line has higher levels of correlation). However, there was no serial correlation of variables

(Durbin-Watson d-statistic: 2.236054, Durbin's Alternative p-value: 0.5928, Breusch-Godfrey p-value: 0.5373) or serial correlation of errors (p-value of .600) that could have caused the statistical insignificance.

	(1)	(2)	(3)	(4)
	Detrended HC	Detrended EP	First Differences HC	First Differences
ManufacturingShareLabor	0.878* (0.390)	-0.436 (0.897)		
Unemployment	0.722 (0.391)	-0.234 (0.899)		
Immigration1000s	-0.0000883 (0.000161)	0.000441 (0.000371)		
Conservative	-0.727 (1.406)	0.564 (3.233)		
t	1.032** (0.302)	0.578 (0.694)		
D.ManufacturingShareLabor			0.839 (0.609)	-1.485 (1.255)
D.Unemployment			1.132* (0.428)	-0.873 (0.881)
D.Immigration1000s			-0.0000474 (0.000254)	0.000654 (0.000524)
D.Conservative			-0.236 (1.241)	1.681 (2.556)
_cons	-2078.0** (607.8)	-1153.4 (1397.8)	1.176* (0.543)	-0.212 (1.118)
N	24	24	23	23
adj. R ²	0.797	0.876	0.187	-0.066

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 3.6: Detrended and first differences multivariate regression, House of Commons (HC) and European Parliament (EP).

Finally, Granger causality was used to discover if causality in another direction exists in the multivariate model in a way that could explain how success of the far right in European Parliament caused the position of labor to decline; as previously discussed representation in the House of Commons is not large enough for substantive change in economic policy. Granger vector autoregression tests were performed on the first differences multivariate regression.¹³⁰ The relationship between the manufacturing share of labor and the popular vote, and the

¹³⁰ See Appendix B, *Granger Wald tests for detrended multivariate regression*.

unemployment rate and the popular vote, was statistically significant, and surprisingly, the manufacturing share of labor had bidirectional causality with the popular vote at the 5% level with lag (1). This indicates that voting for the far right in European Parliament actually could serve to increase the number of jobs in manufacturing, most likely due to the far right's refusal to vote for increased labor regulations that make industry less internationally competitive in European Parliament.

Structural breaks can correct for an overarching problem in time series regressions, the structural difference in economies over time, particularly at points of crisis, which can shift the directionality of a relationship entirely or shift the curve up or down in a way that the complete time series fails to encompass, therefore causing inaccuracies in the coefficients. However, it should be noted that it was not possible to control for the possible structural breaks in the time period 1980-2015 without losing too many degrees of freedom, and such analysis was therefore omitted.

Ultimately, each of the numerous models presented in this paper, with corrections for time trends and random walks, fails to prove there is a significant positive correlation between the declining position of labor in Britain and the success of the far right over time, but also fails to prove the significance of immigration and asylum in relation to the success of the far right. This contradicts most qualitative literature reviewed in this paper, which finds a strong and statistically significant relationship between the position of labor and the decision to vote for the far right at the individual level, but these results could be made insignificant at the national level by the sheer scale of Britons that are modernization winners who therefore have no incentive to vote for the far right.

3.4.2 The Position of Labor And The Brexit Vote, 2016

Examining the United Kingdom also presents the opportunity to focus on attitudes towards policy at a regional level, which can deliver greater sensitivity of results as areas of urban renewal, such a London, cannot cancel out the effects of the declining position of labor

when conducting analysis at a localized level. The referendum to exit the European Union held in June 2016 is a particularly strong policy action to examine in a case study because support for Vote Leave can be tied to deindustrialization and poverty, but can also measure the working class opinion of EU policy, especially ECB policy and economic regulations, which is harder to quantify. This paper operates under the hypothesis that there is a negative correlation between median yearly incomes for a county and region and the area's support for leaving the European Union, and a positive correlation between the percentage of workless households in an area and that area's support for leaving the EU.

This can first be tested at the regional level, where the units of observation are the official regions of the United Kingdom (Wales, Scotland, Northern Ireland, East of England, East Midlands, Greater London, North East, North West, South East, South West, West Midlands, and Yorkshire and the Humber). Written mathematically,

$$\text{EQ 3.5: } \textit{VoteLeave}_i = \beta_0 + \beta_1 \textit{Income} + \beta_2 \textit{Unemployment} + \beta_3 \textit{Whiteness} + \beta_4 \textit{Poorness} + \beta_5 \textit{Education} + \varepsilon_i$$

With regards to income, it is predicted that $\mathbf{H}_0: \beta_1 \geq 0$, $\mathbf{H}_A: \beta_1 < 0$. Economic indicators of the position of labor are regressed on the percent of individuals voting to exit the EU (Vote Leave), controlling for demographic factors that traditionally affect an individual's decision to vote for the right wing. Income is measured by median income of taxpayers in 2014; it should be noted a shortcoming of this data set is that it does not account for individuals whose wages are below the threshold for paying taxes, or unemployed Britons.¹³¹ Poorness is recorded as the percent of individuals earning less than the median income in a region, and can thereby also be a measure of inequality.¹³² At the regional level, the unemployment rate for the quarter ending April 2016, the last quarter prior to the referendum, is used instead of the percent of workless households; the poverty rate for 2016 was also included. Demographic factors controlled for are education, as the

¹³¹ Source: Office for National Statistics, "Income and tax by Parliamentary Constituency, 2013-14": 2013-2014 median income for taxpayers only.

¹³² Source: Office for National Statistics, "Households below average income, UK Department for Work and Pensions, Year 2015-2016"

percentage of all individuals in a county or region that had reached European Qualifications Framework Level 3 by age 19 (equivalent to passing GCSEs),¹³³ and whiteness, the percent of individuals in a region identifying as white.

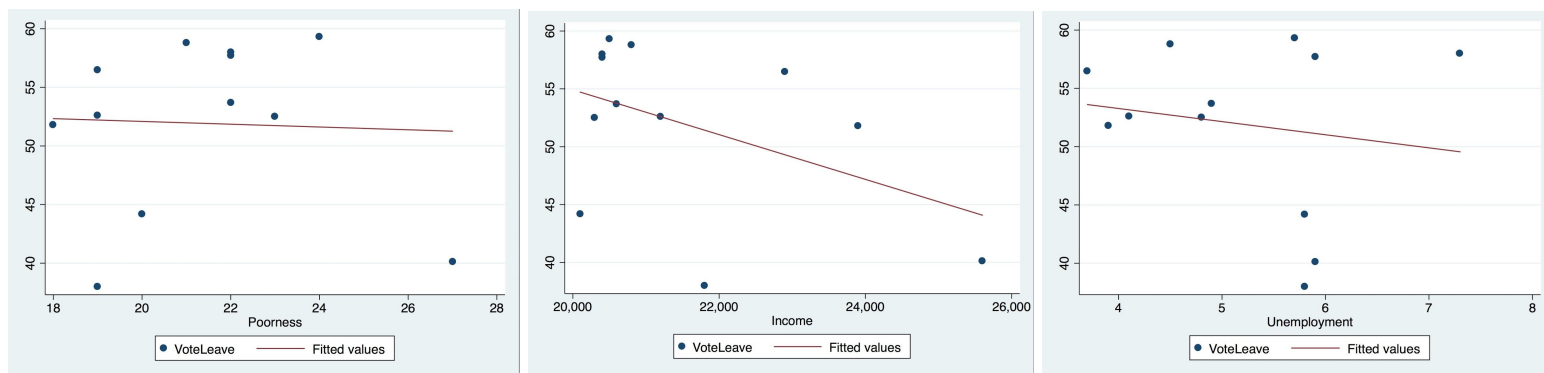


Figure 3.7: Scatter plot graphs of the relation between poorness and support for Brexit, income and support for Brexit, and unemployment and support for Brexit. The presence of outliers causes the line of best fit to take on signage it would likely otherwise not in the case of poorness.

Both unemployment and income are statistically insignificant in simple regressions.¹³⁴ Using a robust multivariate regression in which the covariates of unemployment and poorness were added to the independent variable of income, only the variable of income was statistically significant at the 5% level, with a coefficient of -0.002583 , meaning that for every additional £1,000 of median income in a county, the popular vote for exiting the European Union declined by 2.58 percentage points. The R-squared of this regression was 0.3392 , meaning these factors account for 33.92% of the variance in support for Brexit. Using a robust multivariate regression in which the strength of sociological factors was measured against the popularity of Vote Leave, with the coefficients of whiteness and education, only education was statistically significant. Education had a coefficient of -1.431729 , meaning that for every additional percentage point of students attaining Level 3, support for Brexit decreases 1.43% percentage points. The R-squared of this regression was 0.8318 , while the adjusted R-squared was 0.7758 ; this indicates that

¹³³ Source: Office for National Statistics, “% getting Level 3 by age 19, all (free school meals and not free)” <https://www.gov.uk/government/statistics/level-2-and-3-attainment-by-young-people-aged-19-in-2016>

¹³⁴ See Appendix B, *Simple Regression on Vote Leave Popularity, Regional*

differences education levels is by far the most compelling reason a region would support Leave or Remain and contradicts the hypothesis that economic conditions played a large role in the decision to exit the European Union. Combining economic and demographic factors into a multivariate regression, all of the variables are statistically insignificant while the R-squared is quite high. This suggests that, given the relatively small number of observations, too many degrees of freedom have been lost for statistical soundness and further analysis is not worth pursuing.

	(EconFactors)	(DemFactors)	(AllFactors)
	VoteLeave	VoteLeave	VoteLeave
Income	-0.00258* (-2.38)		-0.00114 (-0.40)
Unemployment	-3.114 (-0.94)		-0.964 (-0.39)
Poorness	0.773 (0.69)		-0.415 (-0.19)
Whiteness		-0.0404 (-0.17)	-0.401 (-0.68)
Education		-1.432* (-3.43)	-1.445 (-1.22)
_cons	107.2** (4.87)	138.6* (3.24)	210.0 (2.19)
<i>N</i>	12	9	9

t statistics in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 3.8: Comparison of cross-sectional regressions at the regional level using variables that indicate economic differences, demographic differences, and both.

However, examining the causes of Brexit at a more local level increases the units of observation as well as the sensitivity of the results; a regression where the observation unit is the county level with the exception of Northern Ireland (which is measured as a complete region) can thereby achieve this aim. The key independent variables for this analysis are income and worklessness levels. Worklessness is defined as the percent of households in a county where no adult individual in the household held a full-time job, in the year 2015. Again, factors found in previous papers to have strongly influenced an individual's decision to vote for extreme right

parties were also included as controls, including educational attainment, whiteness,¹³⁵ and dummy variables for each country within the United Kingdom (England, Scotland, Wales, and Northern Ireland). to account for possible unquantifiable differences in political preferences due to history and cultural identity. The regression can be written mathematically as:

$$\text{EQ 3.6: } \textit{VoteLeave}_i = \beta_0 + \beta_1 \textit{Income} + \beta_2 \textit{Worklessness} + \beta_3 \textit{Whiteness} \\ + \beta_4 \textit{Education}^{136} + \beta_5 \textit{England} + \beta_6 \textit{Scotland} + \beta_7 \textit{Wales} + \varepsilon_i$$

With regards to income, it is again predicted that $\mathbf{H}_0: \beta_1 \geq 0$, $\mathbf{H}_A: \beta_1 < 0$.

At first glance, there does not appear to be a strong correlation between the percent of workless households in a county and the success of the Vote Leave movement. While there does appear to be a negative correlation between median income and support for Vote Leave, the strength of this relationship decreases greatly when the outlier, the City of London, is excluded (see above). In this vein, the regressing worklessness on the favorability of Brexit is statistically insignificant, while regressing income on the favorability of Brexit is statistically significant, with a coefficient of -0.0009929, indicating that for every additional £1,000 of median income in a county, the popular vote for leaving the EU was 0.99 percentage points higher. The R-squared was 0.1692, indicating that 16.92% of the variation in Vote Leave popularity can be attributed to income disparities.¹³⁷ The first multivariate regression includes independent variables measuring economic differences between counties, but not demographic variances, in order to assess the effect of purely economic factors in levels of support for Brexit, while also controlling for country area. Income and residence in England are statistically significant at the 1% level, while residence in Wales is statistically significant at the 5% level. Income has a coefficient of -0.0010413 when controlling for country¹³⁸, meaning that as median income in a county increases by £1,000, the popular vote for Brexit increases by 1.04 percentage points.

¹³⁵ Source: Office for National Statistics, “Estimated resident population by ethnic group and sex” 2009, Scotland 2011 Census, Wales 2011 Census, and Northern Ireland 2011 Census.

¹³⁶ Education data is only available for England, and will therefore only be measured in a separate regression on English support for Brexit.

¹³⁷ See Appendix B, *Simple Regression on Vote Leave Popularity, County Level*

¹³⁸ It is important to note that *county* denotes each provincial area in the UK, similar to how the US consists of states, while *country* refers to each sovereign area (England, Ireland, Scotland, Wales).

There are strongly positive coefficients for the dummy variables of England and Wales, indicating location in England correlated with a 16.95 percentage point increase in support for Brexit, while location in Wales correlated with a 13.70 percentage point increase in support for Brexit. It is important to note that in this regression β_0 is 68.634, indicating Vote Leave would gain approximately 68.4% of the popular vote without taking into account any influencing factors; this potentially weakens the argument that the declining position of labor motivated voters to support Brexit. The R-squared for this regression was 0.7005, indicating 70.05% of the variation in levels of support for Brexit across counties can be attributed to the aforementioned economic indicators. There was no problem with heteroskedasticity under the Breusch-Pagan / Cook-Weisberg test. However, there was slight multicollinearity, which can inflate the standard errors in a regression and could be the cause of the insignificance of the variates for poorness and worklessness.

The second multivariate regression includes the independent variable measuring the racial breakdown of a county, but not economic differences between counties, to consider the inverse. Whiteness is statistically significant at the 1% level, with a coefficient of 0.7529076, indicating that each additional percentage point of residents in a county who are white is correlated with a level of support for Brexit that is 0.75 percentage points higher; the R^2 is 0.6422, indicating this accounts for 64.22% of the variance in support for Brexit across counties. This is theoretically predictable: *contact theory* states that as individuals come into contact with those different from them, through either proximity or interaction through shared institutions, they are more likely to challenge their internal biases as to the nature of the ethnic or religious group those they come into contact with identify as. Conversely, if individuals do not frequently interact with minority groups (eg, Pakistanis in the United Kingdom), stereotypes never go unchallenged and they are more apt to dehumanize members of that group. However, the claim that racial factors are the primary motivator for supporting withdrawal from the European Union is not plausible: the R^2 of the multivariate regression, when controlling for region as was controlled for when measuring the effects of income, was smaller than that of the multivariate regression utilizing county-level economic traits. As in the previous regression, there was no

heteroskedasticity but slight multicollinearity, likely the result of near-perfect correlation between the dummy variables given the omission of only Ireland, which is one observation.

Measuring the combined effect of income, worklessness, and whiteness on support levels for voting Leave, while controlling for location in Wales, Scotland, and England, the variables for income, whiteness, residence in England, and residence in Wales are statistically significant. Income has a coefficient of $-.000827$, indicating a £1,000 increase in median income is correlated with an additional .82 percentage points of popular support for withdrawing from the EU, while whiteness has a coefficient of $.5237905$, indicating a 1 percentage point increase in whiteness across the county is correlated with an additional .52 percentage points of popular support for withdrawing from the EU. Furthermore, β_0 has a coefficient of 11.23954, indicating that if all counties were uniform, the Vote Leave campaign would have polled at 11.23%; low income levels, racial uniformity, and location within the United Kingdom (corresponding to the nature of an area's relationship with the EU in terms of trade and favorability to regulations and open borders) increased support for Brexit within the counties and ultimately lead the United Kingdom to choose to exit the EU. Ultimately, this regression has an R^2 of 0.7305, indicating 73.05% of the variance in support levels for Brexit across different counties can be attributed to these variates; this is a particularly strong level of support for hypotheses that involve voting behavior.

Educational attainment data has previously shown to be highly correlated with support for the far right; however, only data on educational attainment in England was available. Examining support for Brexit specifically within England using a robust multivariate regression containing variables for income, poorness, worklessness, whiteness, and education, only the variable for income is statistically significant, with a coefficient of $-.0007608$ (eg, every additional \$1,000 of median county income is correlated with a decrease in support for Brexit of .76 percentage points). Testing for common errors in cross-sectional regressions does not reveal any problems with the model. This contradicts expectations that the variable for education would be a key factor of support for the Vote Leave campaign. However, the much lower R-squared

when dropping the dummy variables for location (0.2176) suggests that much of the variance in support for Brexit is due to where a county is located, implying that structure of governance and relationship with the EU is far more important than both economic and sociological explanations in explaining support for Brexit. Testing for common errors in cross-sectional regressions does not reveal any problems with the model.¹³⁹

	(EconFactors) VoteLeave	(DemographicFactors) VoteLeave	(AllFactors) VoteLeave
Income	-0.00104*** (0.000151)		-0.000827*** (0.000159)
Workless	-0.122 (0.128)		-0.0539 (0.124)
Wales	13.70* (5.390)	10.45 (5.768)	13.80** (5.142)
Scotland	1.936 (5.421)	-4.129 (5.734)	1.235 (5.177)
England	16.95** (5.425)	14.93* (5.761)	19.00*** (5.218)
Whiteness		0.753*** (0.132)	0.524** (0.168)
._cons	68.63*** (6.906)	-29.74* (14.13)	11.24 (19.60)
<i>N</i>	94	100	94
adj. <i>R</i> ²	0.684	0.627	0.712

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 3.9: Comparison of cross-sectional regressions at the county level using variables that indicate economic differences, demographic differences, and both.

Ultimately, the cross-sectional analysis on causes of popular support in the United Kingdom for exiting the European Union have proven both hypotheses – that there is a negative relationship between income and support for Brexit, and that economic factors played a role in the decision to support this right-wing policy as much as, if not more than, responses to immigration and the European Migration Crisis. This proves that popular literature and media reactions to the UK’s decision to invoke Article 50 and exit the European Union have been

¹³⁹ See Appendix B, *County Level Multivariate Regression, England Only*

largely incorrect; resentment of Pakistani and Southeast Asian migrants, the UK's moral and legal duty to accept refugees, and fear of Islam is *not* the primary cause of the Vote Leave campaign's success. If the Labour and Conservative MPs who supported Remain ever want to move towards more liberal policies and re-ascendance to the European Union, they must acknowledge that this vote was an outpouring of the economic pain the white middle and working classes feel they have experienced in the wake of modernization and globalization.

3.5 Conclusion

The rise of the far right in Britain has clear theoretical roots, albeit somewhat murky quantitatively-proven cause, while the United Kingdom's recent decision to exit the European Union can be clearly linked to income levels and worklessness. The three far right parties in the United Kingdom -- the National Front, British National Party, and UK Independence Party -- have each been plagued by leadership struggles and financial insolvency, but have been largely successful when concentrating on winning local elections in working-class, industrial areas. Individuals residing in these areas, particularly those that are white, poorly educated, male, and employed in low-skill or semi-skilled labor, are inclined to vote for the far right not only because of the pan-European decline of labor outlined in Chapter 2, but also because of the particularly pernicious policies against laborers enacted by the British government under Margaret Thatcher and the financialization of the British economy. Using econometrics, there is no clear pattern as to the causes of voting behavior with respect to the far right 1980-2015, suggesting voters have over time voted for the far right for different reasons or for an omitted variable. However, there is a strong and negative link between income and support for Vote Leave and a positive relationship between worklessness and Vote Leave. This suggests the most recent success of UKIP, both in terms of the referendum and their electoral victory (which was predicated upon their campaign for exiting the EU), can be attributed to the position of labor.

Concluding Remarks and Policy Proposal

Right-wing parties are an explosion of anger against macroeconomic shifts towards a services-based, post-industrial economy. As political organizations founded in reaction against rather than for a cause, they have experienced less longevity than other parties. As a general rule, RPPs have only risen to power when nations undergo significant macroeconomic shifts such as those that hurt the socioeconomic position of labor, such as restrictions on public spending, deindustrialization, or recession, sometimes in conjunction with high levels of immigration that threaten to change the demographic structure of a “European” (white) Europe.

These parties present a tangible danger not only to the survival of the European Union, but also to the values enshrined by EU member states. Western Europe has a long tradition as an amalgamation of liberal nation-states that heavily prioritize the collective good over individual sovereignty. They promote a high standard of care through the welfare state and the cultivation of post-national citizenship, which places greater importance in supranational bodies and global communities than in the nation-state and derives its authority from shared valuation of human rights. This emphasis on human rights throughout Europe has contributed to the international expansion of the conception of human rights to include economic and social rights. The Atlanticist moral tradition ultimately places stock in a multiculturalist, rights-oriented approach to governance that fosters equality of opportunity through a meritocratic system of advancement and redistributive income schemes. Of course, states often fall short of this ideal. However, there is no greater danger to these values than the authoritarian political philosophy of the far right. While European democracies place emphasis on meritocracy and social care regardless of an individual’s ethnic origin or religion, the extreme right instead supports restrictions on who is eligible for social services, primarily based on country of birth. There are low levels of support for programs that do not support its own voter base throughout the far right, and many privatization platforms would disproportionately hurt the extremely poor and people of color. Most importantly, the far right is staunchly assimilationist rather than multiculturalist, with right-wing leaders such as Le Pen and Wilders calling for burka bans, limitations on halal

slaughter, and construction height limits that disproportionately affect minarets under the belief that European Muslims should act “more European”.

Though the far right threatens the European model of governance, unfairly restricting political activity on the extreme right is a contentious matter. Some argue that because the far right is actively advocating to constrain the rights of already-disadvantaged minorities, they should not be given an equal platform to speak from because their speech is not legitimate. Under this model, states could adopt policies towards the far right similar to those Germany has enacted against neo-Nazism (which has significantly curtailed right-wing activity in Germany): bans on racist symbols and imagery, censorship for right-wing manifestos, criminalization of hate speech. For others, a top-down restriction of political activity is an anathema to the democratic tradition and pluralistic values: if a state bans a far-right party or arrests its leader, it cannot claim defense of democracy because it has already ceased to be democratic. Regardless of whether or not Western European states should actively seek to undermine such political entities, there are clear causes of the rise of the far right. While several theorists advance what Backman (2013) terms a supply-side theory of the far right, in which each party should be the focus of individualized study regarding the economic and social context within the state, this paper has instead utilized a demand-side framework wherein the rise of the far right represents voter dissatisfaction and a systemic problem in public policy that demands new solutions.¹⁴⁰ The common features of current European economic policy, including the emphasis on price stability, restrictions on countercyclical spending, limited ability for workers to engage in collective bargaining, and a fundamental belief in smooth returns to equilibrium following disequilibrium-causing macroeconomic shocks, are not working. Instead, Western Europe should seek new policies. There are both conservative and left-wing approaches that can ameliorate the economic position of semi-skilled and unskilled laborers, although states attempting a policy mix should be wary of the obvious ideological tensions within their national platforms.

¹⁴⁰ Malin Backman, “Losers of modernization or modernization winners?,” *Gutenborgs University Institute for Global Studies* (2013): 1-44.

The structure of the Common Market and the single currency area presents the most immediate need for reform. The Maastricht Treaty's convergence criteria precludes states from using automatic stabilizers to counter a recession, while the loss of monetary sovereignty prevents states from using activist monetary policy to incentivize investment. As a result, the government is less able to provide workers with a social safety net, which those faced with long-term unemployment due to deindustrialization are particularly reliant upon. States also have no ability to monetize debt, which prolongs economic crises and forces indebted states to borrow from their peers. This, in conjunction with each state's incentive to become a net exporter with other states in the EU importing its goods, has created a "beggar thy neighbor" system of economic relations. The necessity of acting as a net exporter also drives down wages. Finally, the ECB's view that money should be treated as a commodity with a high value reduces employment due to high costs of production and few exports. There are three different, mutually exclusive paths under which the European Union could foreseeably restructure the euro, operating under different philosophies of governance:

Leftist. The most radical plan (and therefore, hardest to implement) would be to end the single currency area. It is unclear if the the Eurozone can be saved.¹⁴¹ Severe institutional problems magnify economic recession and create inherent instability.¹⁴² The theory the single currency area is based upon is both outdated and flawed, part of an economic era that ignored fact in favor of normative theories. Europe is not an optimal currency area. Under this plan, each country would return to their sovereign currencies -- Germans would use the Deutsche mark, while the Netherlands used the guilder. In doing so, states would regain full control of their fiscal and monetary policy, and be more able to tailor activist policy to the specific needs of the economy across time.

¹⁴¹ Paola Subacchi, "The Euro Was a Bad Idea From the Start: Can Europe finally admit it?," *Foreign Policy*, February 25, 2015. Accessed 1 May 2017, <<http://foreignpolicy.com/2015/02/25/the-euro-was-a-bad-idea-from-the-start/>>

¹⁴² Joseph Stiglitz, "The problem with Europe is the euro," *The Guardian*, 10 August 2016. Accessed 1 May 2017, <<https://www.theguardian.com/business/2016/aug/10/joseph-stiglitz-the-problem-with-europe-is-the-euro>>

Alternatively, the EU could restructure the euro entirely so that a series of transnational currencies used across regions with high levels of economic similarities could be implemented (eg, a Northern-Central European shared currency, a Southern European shared currency, an Eastern European shared currency, and a Scandinavian-Baltic shared currency). If the primary problem with the euro is that Europe is not an optimal currency area due to discrepancies in the business cycle, prices, wages, and fiscal policy, it does not follow that the nation-state *is* an optimal currency area; there are likely states with similar economies that could continue to enjoy the benefits of a shared currency. For example, if Finland, Latvia, and Estonia entered a Baltic States Currency Union, they could continue to provide extensive social provisions under a model popular among their liberal governments but not espoused by the ECB, while also reducing transaction costs, lowering exchange rate risks, facilitating trade, and decreasing prices on goods exchanged between the nations.

Moderate/Centrist. There is also the more moderate, but still progressive, policy option of reforming the institutional design of the European Union. The current structure of the euro renders functional finance impossible. Functional finance is a concept theorized by Abba Lerner whereby the government must maintain the level of spending necessary to produce full employment, which reduces both inflation and unemployment, and the government ought only borrow when private spending would create excessive demand, infeasible because the government cannot fully utilize basic tools of economic policy. Adhering to functional finance would allow governments to maintain a balanced budget in the long run, where expansionary economic periods would pay for contractions, while allowing its citizens to achieve a high standard of living and avoid worklessness. One such was would be to loosen the convergence criteria, particularly the onerous debt:GDP and deficit:GDP required ratios, and amend Article 105 of the Maastricht Treaty so that low unemployment, rather than price stability, is the core goal of adopting a single currency. Alternatively, a European Treasury which could issue bonds and finance common infrastructure projects under a new shared debt, and where member nations

could receive grants proportionate to their GDP, would address the shortfall in European investment levels, and clarify the currently nebulous area where no institution has the clear authority to issue bonds. Failing to maintain proper debt and deficit ratios would result in the withholding of grants, a disincentive without the same harsh consequences as austerity.¹⁴³ Finally, a fiscal union could tie wages to the common price stability norm, in order to prevent regional inequalities (asymmetric shocks).

Conservative. The least effective policy to reform the European Union (but most politically feasible, as of this writing) would be to push towards greater integration of prices and wages using current economic tools. Recognizing that price differences allow certain countries to exploit the EU system and incentivize “race to the bottom” wages, it is clear optimal currency areas only work when based upon a similar system of prices and wages. If the euro is to work, the reality of the European Union system must match the conditions under which it was theorized to exist. Kregel has proposed ending existing unemployment transfer payments, and instead fixing the price of labor by mandating that the state offer to buy all workers at a basic rate. This establishes the price stability the EU prioritizes by slowing changes to the value of money enough to make informed decisions, which simultaneously stabilizes employment.¹⁴⁴ While such a public employment scheme is unlikely, fixing the price of labor through a transnational minimum wage would at least move towards a more uniform system of wages that further inspires similar patterns of inflation. It seems paradoxical that the European Union can claim to be regulating industry for the sake of workers if it imposes excessive standards that make industry uncompetitive while failing to require that member states even establish a minimum wage. This stands in sharp contrast to current gaps in wages (primarily between Western and Eastern Europe) which promote inequality between and within nations, first by

¹⁴³ Jorg Bibow, “PUBLIC POLICY BRIEF NO. 135: The Euro Treasury Plan,” *The Levy Economics Institute* (2014): 1-10.

¹⁴⁴ J.A. Kregel, “Currency Stabilization through Full Employment: Can EMU Combine Price Stability with Employment and Income Growth?,” *Eastern Economic Journal* 25, no. 1: 35-47.

incentivizing individuals from low-wage societies to capitalize on the freedom of movement and migrate to higher-wage societies, and then by creating a dual economy in the states experiencing labor migration wherein families receiving remittances are comparatively better off for the same labor.

However, there is the potential for such a policy to worsen the “race to the bottom” in terms of wages: wages have stagnated in most cases, and net exporters such as Germany attempt to lower absolute wages due to the belief that costs are too high relative to the US and Asia, rather than relative to other European states.¹⁴⁵ This worsens the previously discussed competition between eurozone members for the lowest possible wages, in order to come out with the highest employment numbers, lowest debt and deficit numbers, and good credit ratings, when member states should be cooperating. Furthermore, this remains a gradualist, long-term solution while politics is a game played in the short run.

The European Union adopted the euro in hopes of increasing competitiveness and facilitating export-oriented growth or, at bare minimum, the trade imbalance most European countries experience worsening at a lesser rate. Increasing trade can be achieved through two avenues: reducing the cost of transactions, and reducing the cost of production. Free trade agreements between similar economies present the opportunity for member states to expand their key trade relationships by reducing transactional costs; while the merit of free trade agreements between countries with sharply different income levels is still contested in the international arena, trade agreements between states of similar income levels, regulations, wages, and prices have been greatly beneficial to the international macroeconomy as well as to labor. Free trade agreements between developed countries allow for many of the freedoms of movement intended by the European Union and pursue export-oriented growth, while still allowing states to maintain sovereign fiscal and monetary policy.

¹⁴⁵ Ibid.

The European Union has the opportunity to expand its trade relationships by deepening its partnership with Canada and the United States, two fairly similar economies when measuring upon standards of regulatory capacity, income, and wages, through the CETA (Comprehensive Economic and Trade Agreement) and TTIP (Transatlantic Trade and Investment Partnership) free trade agreements. CETA is a particularly beneficial agreement because it will allow Europe to import raw materials which it geographically lacks the capacity to produce from Canada, which conversely has extensive natural resources but a low population density that prevents extensive industrialization.¹⁴⁶ In the short term, this will slow the decline of manufacturing so European states can ease the transition to a post-industrial society. The CETA trade agreement also sets standard regulations, ending the need for double-testing and goods restricted to one regional marketplace, and allows EU firms to bid for public contracts, opening up grounds for expansion of the private sector.¹⁴⁷ TTIP, while more controversial, offers similar benefits although its negotiation has been secretive: more trade for both parties, with an estimated benefit of €115bn for the EU by 2027.¹⁴⁸ This will primarily benefit manufacturers of luxury goods, such as food products, which currently face a tariff of nearly 30%. CETA has been effectively passed at the time of this writing, with Canadian Prime Minister Justin Trudeau signing the agreement in October 2016 and the European Commission approving the trade agreement in February 2017; CETA is provisionally applicable as of April 2017 barring the clauses that require ratification by national legislatures. However, TTIP has been pushed out of international focus repeatedly, upstaged by more flashy free trade agreements such as the Trans Pacific Partnership in the international arena; TTIP was intended to be finalized in 2014 but will likely not be finalized until 2019-2020. EU member states should push through ratification as quickly as possible to actualize the enumerated benefits above.

¹⁴⁶ "In focus: Comprehensive Economic and Trade Agreement (CETA)", *European Commission*, accessed 27 April 2017. <<http://ec.europa.eu/trade/policy/in-focus/ceta/ceta-explained/>>

¹⁴⁷ "The Benefits of CETA," *European Commission*, July 2016. Accessed 27 April 2017. <http://trade.ec.europa.eu/doclib/docs/2016/july/tradoc_154775.pdf>

¹⁴⁸ Peter Spence, "What is TTIP and how is it supposed to make us better off?" *The Telegraph*, 5 May 2016. Accessed 27 April 2017. <<http://www.telegraph.co.uk/business/2016/05/05/what-is-ttip-and-how-is-it-supposed-to-make-us-better-off/>>

These policy recommendations will likely be popular with moderate and conservative governments, but governments in which left-wing parties are in power may be able to undertake more radical reform which better prepares labor for the transition to a post-industrial economy in the long run, rather than merely pursuing short-term mitigatory schemes. The most important policy to limit the size of the “modernization losers” class is job re-training and educational programs for semi-skilled laborers, especially those employed in manufacturing. It is clear that manufacturing is not the way of the future; states ought to prepare future generations by improving education in science, technology, mathematics, and engineering and deprioritizing vocational education for paths not in the services sector, while providing funding for adult workers to enroll in education and shift their skill set. As industry continues to leave Europe, which will likely continue regardless of mitigatory public policy, the public sector could employ those formerly employed in the private manufacturing sector to provide much-needed infrastructure improvements across Europe or develop right-to-work programs guaranteeing these individuals will have jobs as their former modes of work become obsolete. In order to finance this, more progressive taxation schemes in which the income gains to the top 10% are redistributed to the bottom 90% and capital gains profits are taxed heavily to return funding to productive growth will likely be needed.

The success of rhetoric invoking the “free-rider” problem in relation to the position of migrants and asylum seekers in the welfare state can be severely curtailed if migrants and asylum seekers are allowed to seek employment more easily, rather than solely receiving public income, and receive a living wage. In the status quo, asylum seekers are typically not allowed to work or attend school unless they have resided in a country for a set period of time, typically 6-12 months. During this time, asylum seekers often receive transfer payments to serve their economic needs, antagonizing the working class which feels it is paying for others’ share. If the EU were to allow migrants to work upon entering Europe, it would decrease the financial pressure of the migration crisis on already-depressed states in Southern Europe and the Balkans, while also countering the anti-refugee rhetoric that has become a trademark of the far right. If the

minimum wage were a minimum wage in each member state, immigrants working low-wage, low-skill jobs would also be less likely to require public assistance, reducing the grounds for anti-immigrant claims in a similar vein from the far right and increasing the social mobility and position of these classes.

Of course, these policy proposals mean little if the parties proposing them can't get in office. Voter mobilization, particularly in regards to encouraging party defection from the extreme right's voter base, is the mechanism by which these actions can gain solvency. The far right has become popular via its use of grassroots appeals: town halls, rallies and parades, and the cultivation of camaraderie through an established sense of party identity. More orthodox European political parties, which often manage intra-party politics in a top-down style, ought to adopt these methods for attracting voters. If the Conservative and Labour parties in the United Kingdom, for example, were to conduct town hall meetings with the same frequency as UKIP, they could regain the voters that defected from their parties due to feelings of disconnect and neglect. Rallies around popular issues and the cultivation of sense of party identity have also been key facets of voter mobilization for the far right that served to replace the centers of community lost to modern blue-collar workers, such as unions. The left and center must reclaim the existence of a party identity to appeal to those searching for social belonging. It is important to note that a party identity does not have to be ethnonationalist or marginalizing to be unifying; the American Democratic Party has succeeded in creating a party identity from diversity in ways the European left could easily co-opt. Without these tactics, other parties will struggle to compete for voters in the same way the far right has regardless of platforms, because political affiliation is rarely a singular response to policy.

Ultimately, this paper has addressed the contention as to whether the rise of the far right can be explained in economic terms or social terms, advancing the modernization losers hypothesis wherein the electoral successes of the far right in Western Europe are attributable to neoliberal fiscal policy, labor market shifts, and the institutional structure of the euro. These macroeconomic developments have reduced employment rates and real wages for low- and

mid-skill workers over the past thirty years, who have subsequently voted for right-wing organizations as a form of protest politics against the state. While contemporary analysis of the extreme right primarily focuses on the phenomenon as backlash against immigrants and refugees, data gives mixed results as to the validity of the relationship, which is predicted to be strongly. Instead, using panel data for 16 countries over the time periods 1980-2015 and 2000-2015, it is found that the relationship between the position of labor and right wing popularity is strongly negative: as semi-skilled workers face rising unemployment, declining job availability, and a lower social position in post-industrial society, they are likely to react against the political system by voting for the far right. In the case study for the United Kingdom, it is revealed that the declining position of labor played a significant role in a county's support for the Vote Leave campaign. This is not to say Europe will definitely fall into the hands of the far right in the face of an inevitable transition to a post-industrial, services-based economy. Regardless of the European Parliament's political affiliation, it is possible to advance policies that ameliorate the causes for the far right's power, with the centrist-liberal and leftist policy options being most influential.

In undertaking to answer the research question "To what extent has the declining position of labor in Western Europe contributed to the ascendance of the far right at both the national and European level?" this Senior Project has uniquely contributed to the fields of economics and political science in two ways. First, it contains econometric analysis at the national and provincial level linking macroeconomic indicators to both the popularity and electoral success of the far right, which serves to examine the extent to which right-wing parties have been able to recruit voters from the general population, rather than relying on survey data for members of far right parties, which has a self-selection bias and cannot be tied to tangible changes in policy and political representation. Second, it combines an institutional review of the European Union and the single currency area with a theoretical framework centering on the position of labor, in order to examine how membership in a supranational body uniquely affects EU member states' proclivities towards the far right. The hand-crafted data set used for this Senior Project is also a

unique contribution to the field and will be made available to future authors who wish to use it by directly contacting the author of this paper.

While modernization losers have already failed to adapt in the long-term transition to a services-based economy, they have found short-term political success is still attainable, and are likely to vote for the far right in a desperate attempt not to be outpaced and consumed by a new economic model in which they no longer fit. If conventional political parties find the far right's platform to be a deplorable contradiction to Atlanticist values, they must mitigate the growing pains felt by the working class during this economic transformation. By renewing their commitment to the well-being of the working class, right-wing, centrist, and left-wing parties can pull forward those left behind, and ensure a brighter European future for all.

Appendix A: Charts and Tables Used in Chapter Three

Political Organizations Considered Right-Wing

Country	Organization Name	Years Active	Defining Platforms
Austria	Freedom Party	1956 -	<ul style="list-style-type: none"> • Anti-immigration • Populism • Privatisation • Ethno-nationalism • Euroscepticism
	Alliance for the Future of Austria	2005 -	<ul style="list-style-type: none"> • Economic liberalism • Social conservatism • Euroscepticism • Populism
Belgium	Vlaams Belang	2004 -	<ul style="list-style-type: none"> • Flemish nationalism • Anti-immigration • Economic liberalism • Social conservatism • Euroscepticism
Denmark	Danish People's Party	1995 -	<ul style="list-style-type: none"> • Nationalism • Populism • Social conservatism • Euroscepticism • Welfare spending
	Progress Party	1972 -	<ul style="list-style-type: none"> • Libertarian and anti-taxation • Anti-immigration • Populism
Finland	The Finns (Finns Party)	1995 -	<ul style="list-style-type: none"> • Anti-immigration • Populism • Protectionism • Ethno-nationalism • Euroscepticism • Welfare spending
	Finnish Rural Party	1959 - 1995 <i>(Succeeded by Finns Party)</i>	<ul style="list-style-type: none"> • Agrarianism • Populism
France	National Front (FN)	1972 -	<ul style="list-style-type: none"> • French nationalism • Social conservatism • Protectionism • Anti-immigration • Euroscepticism • Regionalism
Germany	Alternative for Germany	2013 -	<ul style="list-style-type: none"> • German nationalism

			<ul style="list-style-type: none"> • Populism • Social conservatism • Economic liberalism • Euroscepticism
	National Democratic Party	1964 -	<ul style="list-style-type: none"> • Anti-immigration • Anti-globalism • German nationalism • Nazism¹⁴⁹
Greece	Golden Dawn	1980 -	<ul style="list-style-type: none"> • Authoritarian nationalism • Euroscepticism • Anti-globalism • Anti-austerity • Anti-semitism
	Popular Orthodox Rally	2000 -	<ul style="list-style-type: none"> • Religious conservatism <ul style="list-style-type: none"> • Populism • Euroscepticism • Economic liberalism • Nationalism
Italy	Northern League	1989 -	<ul style="list-style-type: none"> • Northern Italian Regionalism • Populism • Anti-immigration • Euroscepticism • Anti-globalism
	Brothers of Italy	2012 -	<ul style="list-style-type: none"> • Euroscepticism • Social conservatism • Economic liberalism • Nationalism
	Tricolor Flame	1995 -	<ul style="list-style-type: none"> • Welfare spending • Third Position anti-capitalism <ul style="list-style-type: none"> • Statism • Neo-fascism
	Social Alternative	2004 - 2006	<ul style="list-style-type: none"> • Nationalist coalition of several small right-wing parties <ul style="list-style-type: none"> • Neo-fascism

¹⁴⁹ This paper does not take the allegation of Nazism lightly. However, the NDP has been classified as following Nazi ideology by the following sources:

Encyclopedia of modern worldwide extremists and extremist groups by Stephen E. Atkins, p.106

The Routledge companion to Nazi Germany by Roderick Stackelberg, p. 287

Europe since 1945: an encyclopedia, Volume 2, by Bernard A. Cook, p. 903

Encyclopaedia of international law by Vinod K. Lall and Daniel Khemchand, p. 180

	National Alliance	1995 - 2009	<ul style="list-style-type: none"> • Social conservatism <ul style="list-style-type: none"> • Nationalism • Anti-immigration • European integration <ul style="list-style-type: none"> • Privatization • Statism
Netherlands	Party for Freedom		<ul style="list-style-type: none"> • Nationalism • Populism • Anti-immigration • Euroscepticism
	Reformed Political Party	1918 -	<ul style="list-style-type: none"> • Social Conservatism • Dominion Theology
Norway	Progress Party	1973 -	<ul style="list-style-type: none"> • Privatisation and classical liberalism <ul style="list-style-type: none"> • Thatcherism • Populism • Euroscepticism
Spain	People's Party	1989 -	<ul style="list-style-type: none"> • Economic liberalism • Christian democracy • Pan-Europeanism
	People's Alliance (Alianza Popular)	1976 - 1989 <i>(succeeded by People's Party)</i>	<ul style="list-style-type: none"> • Post- Francoism • Conservatism
Sweden	Sweden Democrats	1988 -	<ul style="list-style-type: none"> • Swedish nationalism • Euroscepticism • Social conservatism <ul style="list-style-type: none"> • Populism
Switzerland	Swiss People's Party	1971 -	<ul style="list-style-type: none"> • Populism • Agrarianism • Isolationism • Nationalism • Euroscepticism
	Federal Democratic Union	1975 -	<ul style="list-style-type: none"> • Religious conservatism • Social conservatism • Euroscepticism
	Swiss Democrats	1961 -	<ul style="list-style-type: none"> • Anti-immigration • National identity
	Ticino League	1991 -	<ul style="list-style-type: none"> • Populism • National identity • Isolationism • Euroscepticism
	Geneva Citizens'	2005 -	<ul style="list-style-type: none"> • Regionalism

	Movement		<ul style="list-style-type: none"> • National identity • Anti-immigrant • Euroscepticism
United Kingdom	U.K. Independence Party (UKIP)	1993 -	<ul style="list-style-type: none"> • Anti-immigration • Populism • Economic liberalism • Euroscepticism
	British National Party	1982 -	<ul style="list-style-type: none"> • Fascism • Populism • White nationalism • British nationalism • Euroscepticism

Figure 2.1 Success of the far right in European politics, 1970 - present.

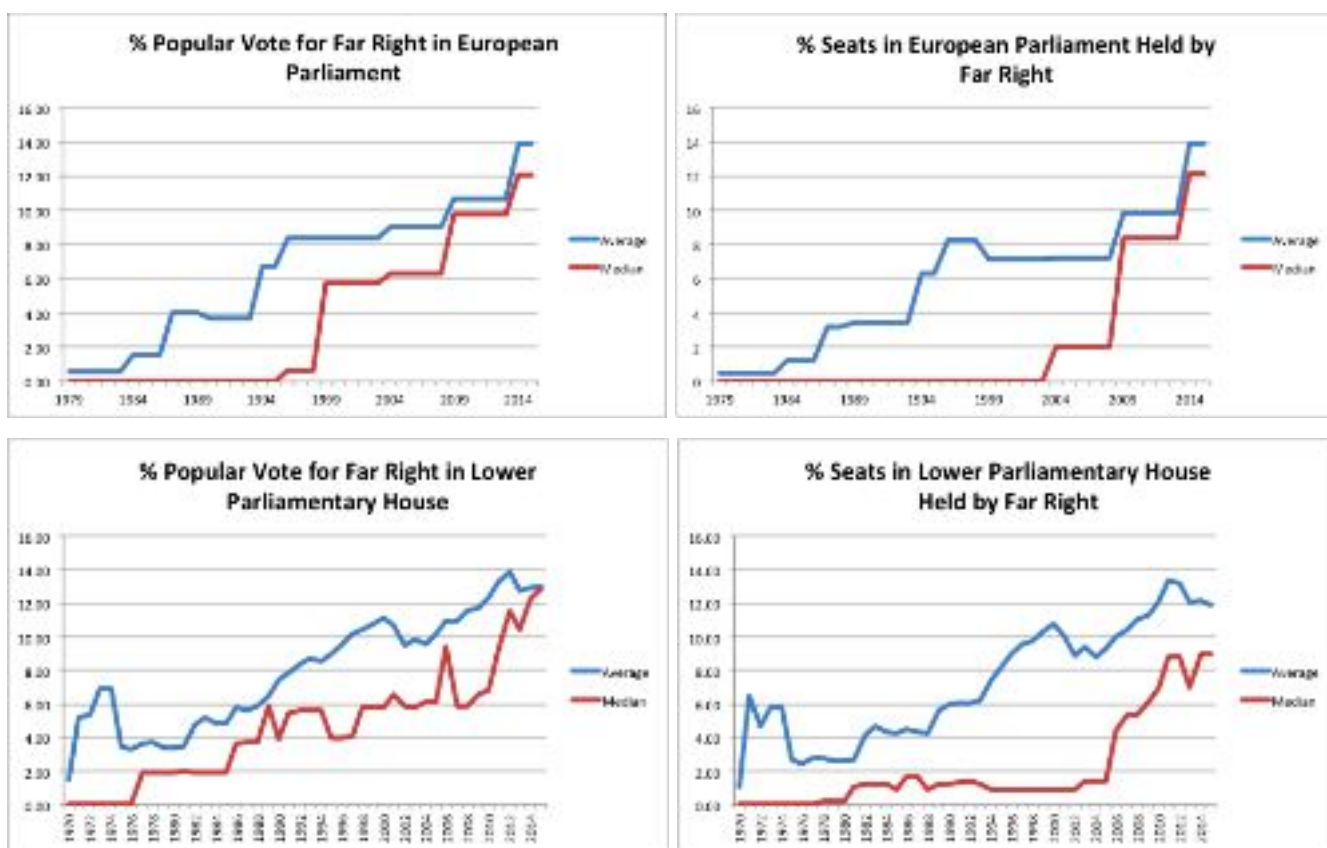


Figure 2.2 *Ordinary Least Squares Regression, National and European Parliament*

	(1)	(2)	(3)	(4)
	PopVoteNatl	SeatsNatl	PopVoteEP	SeatsEP
UnemploymentFRED	-0.0778 (0.142)	0.0265 (0.161)	0.309 (0.173)	0.398* (0.167)
Year	0.0596 (0.102)	0.0400 (0.115)	-0.00375 (0.122)	0.0641 (0.121)
GDPGrowth	0.00998 (0.135)	0.0916 (0.153)	-0.0896 (0.172)	-0.107 (0.177)
Immigration	0.0000101* (0.00000394)	0.0000130** (0.00000446)	0.0000198*** (0.00000389)	0.0000223*** (0.00000400)
AsylumApps	-0.000107*** (0.0000249)	-0.000129*** (0.0000283)	-0.000122*** (0.0000241)	-0.000133*** (0.0000250)
_cons	-106.8 (203.6)	-69.00 (230.9)	13.37 (245.7)	-123.6 (243.7)
<i>N</i>	318	318	239	264
adj. R^2	0.048	0.054	0.114	0.139

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.3 *Random Effects Model, National and European Parliament*

	(5)	(6)	(7)	(8)
	PopVoteNat1	PopVoteEP	SeatsNat1	SeatsEP
UnemploymentFRED	-0.0201 (0.0905)	-0.170 (0.107)	-0.0453 (0.105)	-0.208 (0.119)
GDPGrowth	-0.0886 (0.0545)	-0.0432 (0.0808)	0.0873 (0.0628)	-0.0646 (0.0903)
Immigration	0.00000542* (0.00000261)	0.0000118*** (0.00000277)	0.00000172 (0.00000296)	0.0000141*** (0.00000310)
AsylumApps	-0.0000238* (0.0000107)	-0.0000288* (0.0000114)	-0.0000148 (0.0000121)	-0.0000388** (0.0000128)
t1		-5.700* (2.784)	-4.728* (1.984)	-4.943 (2.727)
t3		-0.294 (0.851)	1.475 (0.777)	-0.869 (0.917)
t4		3.133*** (0.911)	4.489*** (0.796)	4.530*** (0.989)
_cons	10.83*** (3.111)	8.713** (3.157)	8.567* (3.612)	8.368** (3.077)
<i>N</i>	318	239	318	264
adj. R^2				

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.4 *Fixed Effects Model, National and European Parliament*

	(9)	(10)	(11)	(12)
	PopVoteNat1	PopVoteEP	SeatsNat1	SeatsEP
UnemploymentFRED	-0.0676 (0.0912)	-0.178 (0.108)	-0.0458 (0.105)	-0.224 (0.120)
GDPGrowth	0.0339 (0.0544)	-0.0446 (0.0807)	0.0868 (0.0629)	-0.0679 (0.0899)
Immigration	0.00000322 (0.00000259)	0.0000118*** (0.00000280)	0.00000172 (0.00000299)	0.0000141*** (0.00000314)
AsylumApps	-0.0000175 (0.0000105)	-0.0000275* (0.0000114)	-0.0000138 (0.0000121)	-0.0000370** (0.0000128)
t1	-4.748** (1.717)	-5.767* (2.774)	-4.748* (1.985)	-4.997 (2.708)
t3	0.943 (0.673)	-0.279 (0.849)	1.502 (0.778)	-0.859 (0.913)
t4	3.979*** (0.689)	3.161*** (0.908)	4.522*** (0.797)	4.568*** (0.983)
_cons	10.46*** (1.131)	9.371*** (1.524)	9.781*** (1.308)	9.105*** (1.634)
<i>N</i>	318	239	318	264
adj. <i>R</i> ²	0.104	0.134	0.078	0.191

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Hausman Tests, Panel Data 1980 - 2015

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) ex1re	(B) ex1fe		
Unemployme~D	-.0201319	-.0675791	.0474472	.
GDPGrowth	-.0886176	.0339067	-.1225243	.0023439
Immigration	5.42e-06	3.22e-06	2.20e-06	3.62e-07
AsylumApps	-.0000238	-.0000175	-6.24e-06	1.94e-06

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \text{chi2}(3) &= (b-B)'[(V_b-V_B)^{-1}](b-B) \\ &= -224.59 \end{aligned}$$

Above: Hausman Test for popular vote, national parliaments

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) ex2re	(B) ex2fe		
Unemployme~D	-.170006	-.1777436	.0077376	.
GDPGrowth	-.0432017	-.0446491	.0014474	.0051319
Immigration	.0000118	.0000118	1.83e-08	.
AsylumApps	-.0000288	-.0000275	-1.27e-06	8.30e-07
t1	-5.699785	-5.766954	.067169	.2410683
t3	-.2937944	-.2793609	-.0144335	.0492916
t4	3.132766	3.160728	-.0279623	.0668601

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \text{chi2}(5) &= (b-B)'[(V_b-V_B)^{-1}](b-B) \\ &= -0.05 \quad \text{chi2} < 0 \implies . \end{aligned}$$

Above: Hausman test for popular vote, European Parliament

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) ex3re	(B) ex3fe		
Unemployme~D	-.0452646	-.0458311	.0005666	.
GDPGrowth	.0872559	.0867598	.000496	.
Immigration	1.72e-06	1.72e-06	2.57e-09	.
AsylumApps	-.0000148	-.0000138	-1.00e-06	.
t1	-4.727671	-4.748418	.0207462	.
t3	1.474624	1.502296	-.027672	.
t4	4.489088	4.52152	-.0324316	.

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \text{chi2}(5) &= (b-B)'[(V_b-V_B)^{-1}](b-B) \\ &= -1.20 \quad \text{chi2} < 0 \end{aligned}$$

Above: Hausman test for share of seats, national parliament

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) ex4re	(B) ex4fe		
Unemployment~D	-.2084699	-.2238802	.0154103	.
GDPGrowth	-.064566	-.0678713	.0033053	.0085513
Immigration	.0000141	.0000141	5.79e-08	.
AsylumApps	-.0000388	-.000037	-1.87e-06	1.31e-06
t1	-4.942933	-4.997127	.0541942	.3184791
t3	-.8688304	-.8586176	-.0102128	.0825218
t4	4.529899	4.567825	-.037926	.1029896

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \text{chi2}(5) &= (b-B)'[(V_b-V_B)^{-1}](b-B) \\ &= -1.99 \end{aligned}$$

Above: Hausman Test for share of seats, European Parliament

Sargan-Hansen Tests, Panel Data 1980-2015

Dependent Variable	Sargan-Hansen Statistic	p-value	Random Effects?
Popular Vote, natl. parliament	5.144	0.6424	Yes
Popular Vote, EP	6.566	0.4754	Yes
Share of seats, natl. parliament	8.858	0.2630	Yes
Share of seats, EP	10.663	0.1540	Yes

Bivariate Random Effects Regressions, 2000-2015

	PopVoteNP	SeatsNP	PopVoteEP	SeatsEP
UnemploymentEUROS	0.177 (0.0940)	0.170 (0.0996)	0.111 (0.101)	0.241* (0.119)
_cons	8.881** (2.879)	8.315* (3.382)	9.041** (2.951)	6.798* (2.919)
N	240	240	208	224
adj. R ²				

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.5: *GLS Regression with homoskedasticity and no autocorrelation*

	(A)	(B)	(C)	(D)
	PopVoteNP	SeatsNP	PopVoteEP	SeatsEP
UnemploymentFRED	-0.157 (0.145)	-0.0499 (0.164)	0.211 (0.178)	0.268 (0.171)
GDPGrowth	0.0523 (0.137)	0.130 (0.156)	-0.0351 (0.176)	-0.0198 (0.181)
Immigration	0.0000121** (0.00000396)	0.0000149*** (0.00000450)	0.0000212*** (0.00000388)	0.0000247*** (0.00000399)
AsylumApps	-0.000122*** (0.0000252)	-0.000143*** (0.0000287)	-0.000133*** (0.0000244)	-0.000151*** (0.0000252)
t1	-2.001 (4.514)	-1.625 (5.129)	1.108 (6.474)	-0.114 (5.859)
t3	-2.392 (1.665)	-2.474 (1.892)	-2.582 (1.859)	-3.061 (1.842)
t4	1.427 (1.756)	1.084 (1.995)	0.692 (2.032)	1.984 (2.038)
_cons	13.51*** (2.045)	12.18*** (2.324)	7.283** (2.705)	6.109* (2.558)
<i>N</i>	318	318	239	264

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.6: *Multivariate Regressions on Right-Wing Success in National Parliament, 2000-2015*

	(RE, Unem.) PopVoteNP	(RE, LTUnem.) PopVoteNP	(FE, Unem.) PopVoteNP	(FE, LTUnem.) PopVoteNP
UnemploymentEUROS	0.205 (0.178)		0.128 (0.189)	
ManufacturingEmployment	-0.735** (0.235)	-0.747*** (0.218)	-0.820*** (0.229)	-0.789*** (0.211)
Education	0.289** (0.0970)	0.306** (0.0948)	0.346** (0.112)	0.373*** (0.105)
Immigration	-0.00000192 (0.00000338)	-0.000000982 (0.00000357)	-0.00000422 (0.00000345)	-0.00000254 (0.00000361)
AsylumApps	-0.0000135 (0.0000296)	-0.000000704 (0.0000339)	-0.00000811 (0.0000279)	0.000000282 (0.0000325)
IncomeInequality	-13.98 (23.08)	-9.848 (23.07)	1.547 (24.69)	10.58 (23.99)
LongTermUnemployment		0.678* (0.309)		0.646* (0.315)
_cons	15.42 (10.15)	12.88 (9.455)	12.02 (11.59)	6.422 (10.09)
<i>N</i>	103	99	103	99
adj. <i>R</i> ²			0.089	0.135

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Multivariate Regressions on Right-Wing Seats Won in National Parliament, 2000-2015

	(RE, Unem.) SeatsNP	(RE, LTUnem.) SeatsNP	(FE, Unem.) SeatsNP	(FE, LTUnem.) SeatsNP
UnemploymentEUROS	0.300 (0.198)		0.230 (0.202)	
ManufacturingEmployment	-0.525* (0.262)	-0.563* (0.237)	-0.624* (0.246)	-0.611** (0.222)
Education	0.345** (0.107)	0.369*** (0.104)	0.432*** (0.120)	0.457*** (0.111)
Immigration	-0.00000517 (0.00000377)	-0.00000475 (0.00000389)	-0.00000771* (0.00000370)	-0.00000618 (0.00000380)
AsylumApps	-0.0000218 (0.0000331)	-0.0000118 (0.0000369)	-0.0000132 (0.0000300)	-0.00000799 (0.0000342)
IncomeInequality	-8.195 (25.65)	0.473 (25.20)	12.51 (26.49)	23.78 (25.23)
LongTermUnemployment		0.878** (0.338)		0.874** (0.331)
_cons	8.051 (11.19)	4.455 (10.37)	2.481 (12.44)	-3.273 (10.61)
<i>N</i>	103	99	103	99
adj. <i>R</i> ²			0.119	0.200

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Hausman Tests for Panel Data 2000-2015

	— Coefficients —		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) ex1re	(B) ex1fe		
Unemployme~S	.2047608	.1275522	.0772086	.
Manufactur~t	-.734748	-.8198927	.0851447	.0528552
Education	.2894286	.3463286	-.0569	.
Immigration	-1.92e-06	-4.22e-06	2.30e-06	.
AsylumApps	-.0000135	-8.11e-06	-5.40e-06	9.76e-06
IncomeIneq~y	-13.97544	1.547029	-15.52247	.

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)
 = 4.26
 Prob>chi2 = 0.3717

Above: Hausman Test for popular vote, national parliaments, using unemployment as a dependent variable

	— Coefficients —		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) ex5re	(B) ex5fe		
Manufactur~t	-.7466102	-.788882	.0422718	.0541869
LongTermUn~t	.6780874	.6462598	.0318276	.
Education	.3063816	.3732394	-.0668579	.
Immigration	-9.82e-07	-2.54e-06	1.55e-06	.
AsylumApps	-7.04e-07	2.82e-07	-9.86e-07	9.46e-06
IncomeIneq~y	-9.848234	10.58158	-20.42981	.

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)
 = 1.87
 Prob>chi2 = 0.7604
 (V_b-V_B is not positive definite)

Above: Hausman Test for popular vote, national parliaments, using long term unemployment as a dependent variable

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) ex3re	(B) ex3fe		
Unemploye~S	.2997834	.2296396	.0701438	.
Manufactur~t	-.525318	-.6242066	.0988886	.0915692
Education	.3446385	.4322643	-.0876258	.
Immigration	-5.17e-06	-7.71e-06	2.54e-06	7.41e-07
AsylumApps	-.0000218	-.0000132	-8.57e-06	.000014
IncomeIneq~y	-8.194634	12.50523	-20.69987	.

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)
 = 6.34
 Prob>chi2 = 0.1754
 (V_b-V_B is not positive definite)

Above: Hausman Test for popular vote, EP, using unemployment as a dependent variable

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) ex7re	(B) ex7fe		
Manufactur~t	-.5628043	-.611038	.0482337	.0845456
LongTermUn~t	.8781104	.8740323	.0040781	.0657857
Education	.3690995	.4567984	-.087699	.
Immigration	-4.75e-06	-6.18e-06	1.43e-06	8.72e-07
AsylumApps	-.0000118	-7.99e-06	-3.79e-06	.0000139
IncomeIneq~y	.473179	23.78408	-23.3109	.

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)
 = -1.56 chi2<0

Above: Hausman Test for popular vote, EP, using long term unemployment as a dependent variable

Sargan-Hansen Test for Panel Data 2000-2015

Dependent Variable	Uses Unemployment or Long Term Unemployment?	Sargan-Hansen Statistic	p-value	FE or RE?
Popular Vote, Natl. Parliament	Unemployment	24.951	0.0003	FE
Popular Vote, Natl. Parliament	Long Term Unemployment	22.868	0.0008	FE
Seats in Natl. Parliament	Unemployment	35.375	0.0000	FE
Seats in Natl. Parliament	Long Term Unemployment	30.429	0.0000	FE
Popular Vote, EP	Unemployment	215.356	0.0000	FE
Popular Vote, EP	Long Term Unemployment	39.624	0.0000	FE
Seats in EP	Unemployment	117.947	0.0000	FE
Seats in EP	Long Term Unemployment	234.425	0.0000	FE

Figure 2.7: *GLS Regression with no autocorrelation and homoskedasticity, national parliaments.*

	(E) PopVoteNP	(F) PopVoteNP	(G) SeatsNP	(H) SeatsNP
UnemploymentEUROS	1.179*** (0.265)		1.363*** (0.324)	
ManufacturingEmployment	-1.040*** (0.240)	-1.395*** (0.257)	-0.958** (0.294)	-1.398*** (0.316)
Education	0.277*** (0.0752)	0.355*** (0.0758)	0.282** (0.0920)	0.368*** (0.0934)
Immigration	0.0000293*** (0.00000498)	0.0000341*** (0.00000495)	0.0000320*** (0.00000609)	0.0000370*** (0.00000610)
AsylumApps	-0.000193*** (0.0000489)	-0.000182*** (0.0000550)	-0.000288*** (0.0000599)	-0.000296*** (0.0000678)
IncomeInequality	-146.3*** (22.65)	-160.7*** (24.14)	-147.0*** (27.70)	-157.8*** (29.76)
LongTermUnemployment		1.820*** (0.538)		2.101** (0.663)
_cons	53.94*** (7.170)	64.01*** (7.260)	52.50*** (8.768)	63.19*** (8.949)
<i>N</i>	103	99	103	99

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.8: *Multivariate Regression on Popular Vote for the Far Right in EP, 2000-2015*

	(RE, Unem.) PopVoteEP	(RE, LTUnem.) PopVoteEP	(FE, Unem.) PopVoteEP	(FE, LTUnem.) PopVoteEP
UnemploymentEUROS	0.386* (0.170)		-0.0679 (0.120)	
ManufacturingEmployment	-0.838*** (0.251)	-0.873*** (0.177)	-0.931*** (0.175)	-0.887*** (0.157)
Education	0.307*** (0.0843)	0.280*** (0.0819)	0.297*** (0.0818)	0.291*** (0.0799)
Immigration	0.0000142*** (0.00000312)	0.00000466 (0.00000238)	0.00000374 (0.00000196)	0.00000207 (0.00000205)
AsylumApps	-0.0000602* (0.0000293)	-0.0000806*** (0.0000222)	-0.0000676*** (0.0000162)	-0.0000904*** (0.0000187)
IncomeInequality	-39.26 (24.33)	-34.15 (21.61)	-51.16* (20.86)	-39.41 (19.97)
LongTermUnemployment		0.0407 (0.214)		-0.138 (0.189)
_cons	20.00* (9.950)	26.10** (8.782)	34.77*** (9.419)	31.07*** (7.966)
<i>N</i>	79	77	79	77
adj. <i>R</i> ²			0.445	0.484

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 2.9: Multivariate Regression on Seats Won by the Far Right in EP, 2000-2015

	(RE, Unem.) SeatsEP	(RE, LTUnem.) SeatsEP	(FE, Unem.) SeatsEP	(FE, LTUnem.) SeatsEP
UnemploymentEUROS	0.417* (0.211)		-0.102 (0.205)	
ManufacturingEmployment	-1.156*** (0.297)	-1.310*** (0.290)	-1.775*** (0.282)	-1.762*** (0.260)
Education	0.497*** (0.104)	0.565*** (0.0961)	0.714*** (0.141)	0.743*** (0.139)
Immigration	0.0000153*** (0.00000409)	0.0000279*** (0.00000479)	0.00000288 (0.00000346)	0.00000204 (0.00000367)
AsylumApps	-0.0000243 (0.0000378)	-0.0000173 (0.0000505)	0.00000321 (0.0000278)	0.00000751 (0.0000331)
IncomeInequality	-43.29 (29.41)	-109.9*** (29.60)	10.81 (35.22)	-3.327 (35.11)
LongTermUnemployment		1.107** (0.429)		-0.307 (0.336)
_cons	16.14 (11.17)	35.22*** (9.694)	8.197 (15.63)	11.86 (13.80)
<i>N</i>	92	88	92	88
adj. <i>R</i> ²			0.275	0.285

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

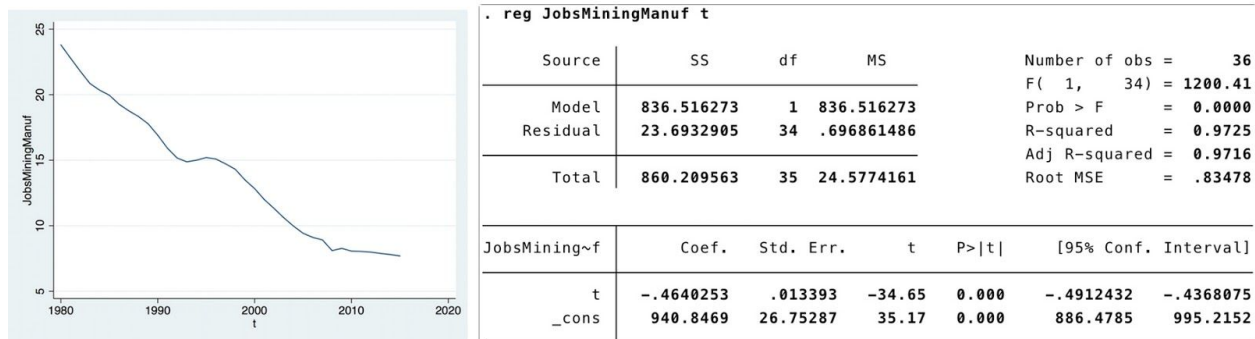
Figure 2.10: *GLS Regression with no autocorrelation and homoskedasticity, EP*

	(J) PopVoteEP	(K) PopVoteEP	(L) SeatsEP	(M) SeatsEP
UnemploymentEUROS	0.913*** (0.237)		1.191*** (0.238)	
ManufacturingEmployment	-1.607*** (0.227)	-1.884*** (0.231)	-1.258*** (0.216)	-1.612*** (0.233)
Education	0.471*** (0.0681)	0.527*** (0.0666)	0.544*** (0.0706)	0.617*** (0.0724)
Immigration	0.0000400*** (0.00000424)	0.0000447*** (0.00000418)	0.0000412*** (0.00000449)	0.0000466*** (0.00000454)
AsylumApps	-0.000124** (0.0000426)	-0.000110* (0.0000463)	-0.000153*** (0.0000439)	-0.000146** (0.0000504)
IncomeInequality	-107.3*** (20.40)	-122.8*** (20.93)	-147.1*** (20.91)	-162.9*** (22.69)
LongTermUnemployment		1.348** (0.446)		1.847*** (0.484)
._cons	39.72*** (7.369)	49.18*** (6.922)	41.18*** (6.873)	51.80*** (7.012)
<i>N</i>	79	77	92	88

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Time trend for available jobs in mining and manufacturing



Time trend for the manufacturing share of employment

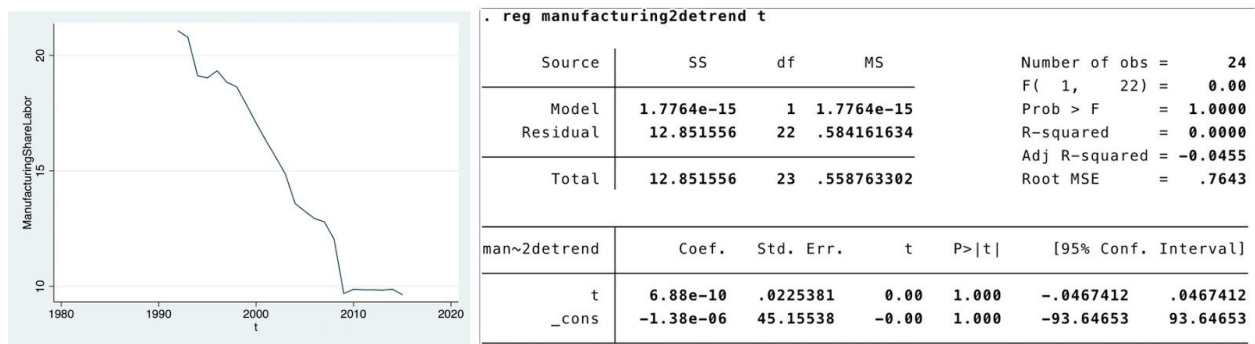


Figure 3.3: *Bivariate regressions of the share of available jobs in mining and manufacturing on the success of the far right in the House of Commons and European Parliament, 1980-2015*

	(1)	(2)	(3)	(4)	(5)
	ParliPopVote	ParliPopVote	D.ParliPopVote	EUPopVote	EUPopVote
JobsMiningManuf	-0.354*** (0.0663)	1.232*** (0.293)		-1.482*** (0.152)	1.522 (0.763)
t		0.757*** (0.138)			1.433*** (0.359)
D.JobsMiningManuf			0.656 (0.671)		
_cons	6.461*** (0.980)	-1527.6*** (279.7)	0.665 (0.388)	27.66*** (2.247)	-2877.6*** (728.0)
N	36	36	35	36	36
adj. R ²	0.440	0.698	-0.001	0.729	0.812

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 3.4 *Bivariate regressions of the manufacturing share of employment on the success of the far right in the House of Commons and European Parliament, 1980-2015*

	(1)	(2)	(3)	(4)	(5)
	ParliPopVote	ParliPopVote	D.ParliPopVote	EUPopVote	EUPopV
ManufacturingShareLabor	-0.558*** (0.0976)	0.812 (0.445)		-1.979*** (0.165)	-0.125 (0.812)
t		0.795** (0.254)			1.076* (0.463)
D.ManufacturingShareLabor			0.430 (0.587)		
_cons	10.46*** (1.482)	-1602.6** (514.4)	0.766 (0.460)	39.47*** (2.504)	-2142.5 (939.8)
<i>N</i>	24	24	23	24	24
adj. <i>R</i> ²	0.580	0.700	-0.021	0.861	0.884

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Bivariate regressions of the manufacturing share of employment on the success of the far right in the House of Commons, 1980-2015

	(1)	(2)	(3)
	StandardHC	DetrendedHC	FirstDifferencesHC
ManufacturingShareLabor	-0.558*** (0.0976)	0.812 (0.445)	
t		0.795** (0.254)	
D.ManufacturingShareLabor			0.430 (0.587)
_cons	10.46*** (1.482)	-1602.6** (514.4)	0.766 (0.460)
<i>N</i>	24	24	23
adj. <i>R</i> ²	0.580	0.700	-0.021

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

*Bivariate regressions of the manufacturing share of employment on the success of the far right in
European Parliament, 1980-2015*

	(1)	(2)	(3)
	StandardEP	DetrendedEP	FirstDifferencesEP
ManufacturingShareLabor	-1.979*** (0.165)	-0.125 (0.812)	
t		1.076* (0.463)	
D.ManufacturingShareLabor			-0.512 (1.062)
_cons	39.47*** (2.504)	-2142.5* (939.8)	0.902 (0.833)
<i>N</i>	24	24	23
adj. <i>R</i> ²	0.861	0.884	-0.036

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Dickey-Fuller Test Results

Variable	p-value, Dickey-Fuller	p-Value, detrended Dickey-Fuller	Unit Root?
Unemployment	.6026	.1762	Yes
Income Inequality	.4736	.9822	Yes
GDP Growth	0.000	NA	No
Immigration	.9577	.4095	Yes
Asylum Apps.	.7606	.3555	Yes
Conservative	.5500	.9177	Yes

Figure 3.5: *Multivariate regression on the success of the far right in the House of Commons and European Parliament, 1980-2015.*

	(1)	(2)	(3)	(4)
	OLS-HC	OLS-EP	FirstDifferences-HC	FirstDifferences-EP
GDPGrowth	0.00895 (0.0157)	0.113 (0.0921)		
Unemployment	-0.148 (0.138)	0.0969 (0.812)		
Immigration1000s	-0.0000762 (0.0000773)	0.000430 (0.000455)		
AsylumApps	-0.00000216 (0.00000717)	0.0000229 (0.0000421)		
JobsMiningManuf	-0.395 (0.219)	-3.320* (1.288)		
ManufacturingShareLabor	0.278 (0.184)	-1.201 (1.083)		
PercIncomeGen	-26.16 (16.43)	65.03 (96.63)		
Conservative	1.153* (0.439)	1.666 (2.579)		
t	0.299* (0.125)	-1.349 (0.737)		
D.GDPGrowth			0.00648 (0.0202)	0.177 (0.100)
D.Unemployment			-0.176 (0.263)	-0.979 (1.300)
D.Immigration1000s			-0.000166 (0.000102)	0.000616 (0.000506)
D.AsylumApps			-0.00000383 (0.00000816)	0.0000166 (0.0000403)
D.JobsMiningManuf			-0.368 (0.468)	-4.197 (2.317)
D.ManufacturingShareLabor			0.257 (0.269)	-1.459 (1.330)
D.PercIncomeGen			-27.01 (20.27)	154.6 (100.3)
D.Conservative	2		1.054 (0.600)	4.108 (2.968)
_cons	-583.6* (254.1)	2726.7 (1494.6)	0.378 (0.278)	-2.595 (1.376)
N	20	20	18	18
adj. R ²	0.968	0.935	0.549	0.135

Standard errors in parentheses

Figure 3.6: *Detrended and first differences multivariate regression, House of Commons (HC) and European Parliament (EP).*

	(1)	(2)	(3)	(4)
	Detrended HC	Detrended EP	First Differences HC	First Differences
ManufacturingShareLabor	0.878* (0.390)	-0.436 (0.897)		
Unemployment	0.722 (0.391)	-0.234 (0.899)		
Immigration1000s	-0.0000883 (0.000161)	0.000441 (0.000371)		
Conservative	-0.727 (1.406)	0.564 (3.233)		
t	1.032** (0.302)	0.578 (0.694)		
D.ManufacturingShareLabor			0.839 (0.609)	-1.485 (1.255)
D.Unemployment			1.132* (0.428)	-0.873 (0.881)
D.Immigration1000s			-0.0000474 (0.000254)	0.000654 (0.000524)
D.Conservative			-0.236 (1.241)	1.681 (2.556)
_cons	-2078.0** (607.8)	-1153.4 (1397.8)	1.176* (0.543)	-0.212 (1.118)
N	24	24	23	23
adj. R^2	0.797	0.876	0.187	-0.066

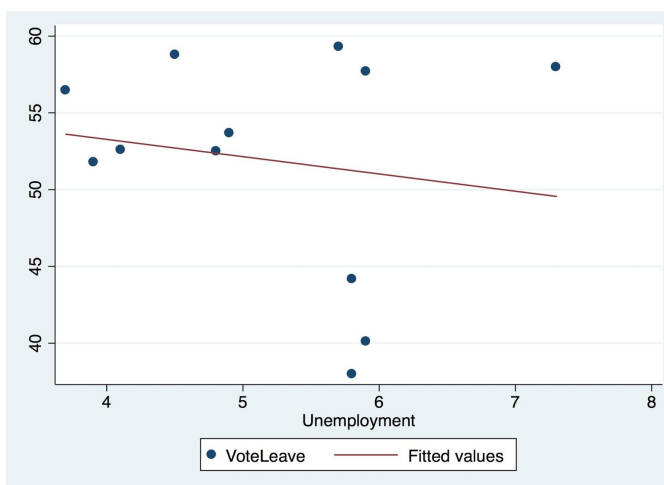
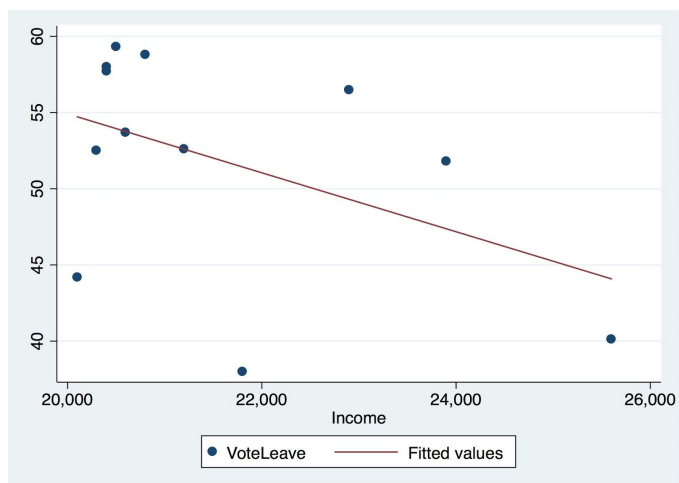
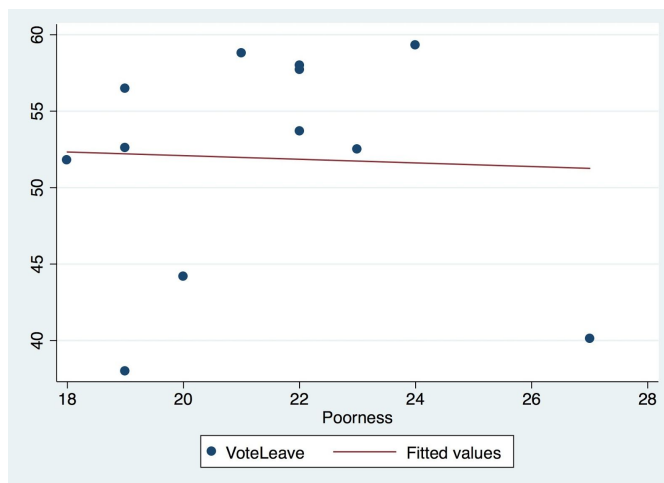
Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Granger Wald Tests for Detrended Multivariate Regression

Equation	Excluded	chi2	df	Prob > chi2
D_EUPopVote	D.Manufacturing~r	59.393	3	0.000
D_EUPopVote	D.Unemployment	41.764	3	0.000
D_EUPopVote	D.Immigrati~1000s	99.138	3	0.000
D_EUPopVote	D.Conservative	77.153	3	0.000
D_EUPopVote	ALL	157.01	12	0.000
D_Manufacturing~r	D.EUPopVote	6.9688	3	0.073
D_Manufacturing~r	D.Unemployment	14.905	3	0.002
D_Manufacturing~r	D.Immigrati~1000s	6.9251	3	0.074
D_Manufacturing~r	D.Conservative	17.542	3	0.001
D_Manufacturing~r	ALL	29.325	12	0.004
D_Unemployment	D.EUPopVote	3.6821	3	0.298
D_Unemployment	D.Manufacturing~r	2.2248	3	0.527
D_Unemployment	D.Immigrati~1000s	1.8366	3	0.607
D_Unemployment	D.Conservative	4.2554	3	0.235
D_Unemployment	ALL	27.755	12	0.006
D_Immigrati~1000s	D.EUPopVote	15.542	3	0.001
D_Immigrati~1000s	D.Manufacturing~r	11.048	3	0.011
D_Immigrati~1000s	D.Unemployment	5.3811	3	0.146
D_Immigrati~1000s	D.Conservative	9.1274	3	0.028
D_Immigrati~1000s	ALL	30.504	12	0.002
D_Conservative	D.EUPopVote	26.479	3	0.000
D_Conservative	D.Manufacturing~r	49.456	3	0.000
D_Conservative	D.Unemployment	132.44	3	0.000
D_Conservative	D.Immigrati~1000s	57.155	3	0.000
D_Conservative	ALL	652.53	12	0.000

Figure 3.7: Scatter Plot graphs of the relation between poorness and support for Brexit, income and support for Brexit, and unemployment and support for Brexit.



Simple Regression on Vote Leave Popularity, Regional

	(1)	(2)	(3)
	VoteLeave,Robust	VoteLeave,Robust	VoteLeave,Robust
Unemployment	-1.126 (2.078)		
Income		-0.00193 (0.000942)	
Poorness			-0.119 (1.145)
_cons	57.78*** (9.372)	93.60** (20.46)	54.47* (24.17)
<i>N</i>	12	12	12
adj. <i>R</i> ²	-0.071	0.129	-0.098

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 3.8: Comparison of cross-sectional regressions at the regional level using variables that indicate economic differences, demographic differences, and both.

	(EconFactors) VoteLeave	(DemFactors) VoteLeave	(AllFactors) VoteLeave
Income	-0.00258* (-2.38)		-0.00114 (-0.40)
Unemployment	-3.114 (-0.94)		-0.964 (-0.39)
Poorness	0.773 (0.69)		-0.415 (-0.19)
Whiteness		-0.0404 (-0.17)	-0.401 (-0.68)
Education		-1.432* (-3.43)	-1.445 (-1.22)
_cons	107.2** (4.87)	138.6* (3.24)	210.0 (2.19)
<i>N</i>	12	9	9

t statistics in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Simple Regression on Vote Leave Popularity, County Level

	(1)	(2)
	VoteLeave	VoteLeave
Workless	-0.194 (0.201)	
Income		-0.000993*** (0.000228)
._cons	52.68*** (3.391)	76.83*** (6.299)
<i>N</i>	100	95
adj. <i>R</i> ²	-0.001	0.160

Standard errors in parentheses
 * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 3.9: Comparison of cross-sectional regressions at the county level using variables that indicate economic differences, demographic differences, and both.

	(EconFactors) VoteLeave	(DemographicFactors) VoteLeave	(AllFactors) VoteLeave
Income	-0.00104*** (0.000151)		-0.000827*** (0.000159)
Workless	-0.122 (0.128)		-0.0539 (0.124)
Wales	13.70* (5.390)	10.45 (5.768)	13.80** (5.142)
Scotland	1.936 (5.421)	-4.129 (5.734)	1.235 (5.177)
England	16.95** (5.425)	14.93* (5.761)	19.00*** (5.218)
Whiteness		0.753*** (0.132)	0.524** (0.168)
._cons	68.63*** (6.906)	-29.74* (14.13)	11.24 (19.60)
<i>N</i>	94	100	94
adj. <i>R</i> ²	0.684	0.627	0.712

Standard errors in parentheses
 * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

County Level Multivariate Regression, England Only

	(England) VoteLeave
Income	-0.000761 (0.000450)
Workless	0.0575 (0.251)
Whiteness	0.264 (0.224)
Education	-0.106 (0.216)
_cons	53.62 (30.20)
<i>N</i>	42
adj. R^2	0.133

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

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