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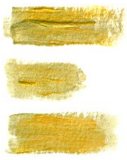

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Demand and Supply of Populism*

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Abstract

We define as populist a party that champions short-term protection policies without regard for their long-term costs. First, we study the demand for populism: we analyze the drivers of the populist vote using individual level data from multiple waves of surveys in Europe. Individual voting preferences are influenced *directly* by different measures of economic insecurity and by the decline in trust in traditional parties. However, economic shocks that undermine voters' security and trust in parties also discourage voter turnout, thus mitigating the estimated demand of populism when ignoring this turnout selection. Economic insecurity affects intentions to vote for populist parties and turnout incentives also *indirectly* because it causes trust in parties to fall. Second, we study the supply side: we find that populist parties are more likely to appear when the drivers of demand for populism accumulate, and more so in countries with weak checks and balances and with higher political fragmentation. The non-populist parties' policy response is to reduce the distance of their platform from that of new populist entrants, thereby magnifying the aggregate supply of populist policies.

Keywords: voter participation, short term protection, anti-elite rhetoric.

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1 Introduction

The majority of European countries and the United States are experiencing an unprecedented wave of populist and anti-populist rhetoric.[1] As it previously happened in Latin America, some countries are experiencing a growth of protests against inequality and capitalist institutions, leading to left-wing type of policy demands; at the same time, in other countries, right-wing populist movements find increasing support for protecting the country from immigrants and globalization threats. Protectionism against migrants and free trade effects is also key in the Trump and post-Brexit UK policies, which are difficult to place in the traditional left-right spectrum. All populist movements and rhetoric have in common what we summarize as *short-term protection*. In southern Europe, M5S in Italy and the Greek and Spanish populist movements fight for citizenship income and for other forms of economic short term protection, against European impositions for future stability – the Mediterranean populism. In continental Europe, the main concern has become terrorism and Islam (though citizenship income is also being discussed). In the UK the main issues being discussed are protection against immigrants and import substitution from China, without concern for future consequences from such protectionism. Overall, nationalism and closure to immigration are on the rise.

Rather than focusing on the differences between existing strands of populism and corresponding definitions, our goal is to focus on the common features of all types of populism, in order to (1) acquire an analytical, rather than merely descriptive, tool for its study and (2) to zoom on the key drivers of the populist wave as a whole. To this end, we find the definition of populism in the Encyclopedia Britannica a particularly useful starting point: populists claim to promote the interest of common citizens against the elites; they pander to people's fear and enthusiasm; and they promote policies without regard to the consequences for the country. This broad definition of populism highlights three important components: (1) the populists' claim to be on the side of the people against the elite – which we can label as "supply rhetoric;" (2)

[1] Google Trends shows an astonishing spike in the number of searches for the word populism, which quadrupled in the fall of 2016.

the "fears or enthusiasm" of people – the demand conditions to which the populists pander; and (3) the disregard for future consequences – policy characteristics of the populists' political supply which we summarize as *short-term protection*.[2] These three components should be theoretically understood and empirically analyzed together. Most importantly, how does the "short-term protection" component of the definition interact with the commonly emphasized anti-elite rhetoric? Our claim is that the anti-elite rhetoric simply "supplies disinformation," making it possible to win elections with short-term oriented policies. For example, if a non-populist politician counters a populist policy proposal by a challenger with statements about future costs, future debt accumulation or banking crises, the rational response by the populist challenger is to claim that all such statements of concern for the future consequences of the protection policies are instead driven by the self-interest of the elites. That is to say, economists and incumbent politicians may well know something about how to evaluate future costs, but since maintaining the status quo policies is in their elite interests, their statements become non-credible. The definition of Encyclopedia Britannica encompasses both the nationalist type of populism (emphasizing fear or enthusiasm about identity protection), and the economic type of populism (proposing redistributive policies like citizenship income, regardless of costs). Thus, when we say that a populist party or movement offers *short-term protection* we intend to include both possibilities.[3]

But what drives the observed simultaneous shift towards populism in so many countries? Is it a global shift in voters' preferences or emotions, which is then immediately captured by new political leaders who enter politics? And, what drives this global shift of demand, this preference shift towards short term protection? Is it related to economic crises or stagnation and, if so, through which channels?

First, this paper provides a comprehensive identikit of the populist voter in Eu-

[2]Citing from Encyclopedia Britannica 2015: "...either a platform that promotes the interest of common citizens and the country as a whole or a platform that seeks to redistribute wealth to gain popularity, without regard to the consequences for the country such as inflation or debt." see www.britannica.com/topic/populism

[3]In political science the right wing and left wing populism of the past have been studied separately; with this definition we can study them together, emphasizing the common characteristics. This is essential when trying to capture the global trend of populism.

rope. We study the determinants of the *demand* for populist platforms in the European countries covered by the European Social Survey. Our empirical study stresses the importance of accounting for selection issues, which are typically ignored in other studies of populist voting. Adverse shocks to economic security and trust in political parties can induce people not to turnout, but if they vote, to vote for a populist party. Ignoring the voter participation selection may bias the estimates of drivers of the voting choice and also underestimate the underlying demand for populist parties.

Second, we provide evidence of the *supply* shifts, documenting the entry of new populist parties in the political arena over time, and the electoral competition responses of non-populist parties. A decline in trust for traditional parties can determine entry of populist challengers, creating a change in the subsequent electoral competition game.

The main finding on the *demand* side is that economic variables are significant determinants of increased voter preference for populist parties. Lower income, financial distress and higher economic insecurity from exposure to globalization and competition of immigrants drive the populist vote. Interestingly, economic insecurity shocks have both a direct effect on populist vote and also an indirect effect through induced lower trust in the incumbents. All these variables push voters simultaneously in two directions: to abstain from voting and, if they participate, to vote more for the more populist. Aggregating all effects, negative economic shocks (like the 2008 crisis and its aftermath) and the collapse of trust in traditional politics they induce, boost the demand for populist policies.

On the *supply* side, we find that the prolonged economic crisis caused the entry of populist movements and parties, who took advantage of the drop of trust in traditional politics and institutions. In the prolonged stagnation that followed, we show evidence that even traditional parties facing crumbling support and increased demand for short-term protection started shifting their policies gradually towards populist policies. Perhaps surprisingly, no counter-populist movement successfully emerged to capture the votes of those citizens who see the dangers of an excessive focus on protectionism and the short run. This policy convergence can be understood as due to the "disinformation supply" or anti-elite rhetoric mentioned above, which

makes it difficult to pursue a credible anti-populist campaign.

The paper is organized as follows. In the next section we review the most recent related literature. Next, we introduce a simple theoretical framework that helps to pin down the relevant individual heterogeneous characteristics that affect the preference for a populist party. We describe the data in Section 4, and illustrate the empirical results on the demand side in Section 5. The results on the supply side of populism are shown in Section 6. Section 7 concludes.

2 Relation with Literature

The traditional macro-economics literature on populism (Dornbush and Edwards 1991; Sachs 1989) looks at the *consequences* of the short-term protection populist policies. Contemporary political economics works (e.g. Acemoglu et al, 2013a) have started to focus on the *causes* of short-term protection, by looking at what voters want and how politicians pander to it. The trade literature exploits exogenous variation in import flows to study political polarization and support for populist politics (Steiner, 2012; Autor et al., 2016; Colantone and Stanig, 2016; Jensen et al., 2016), and analyzes economic shocks due to austerity policies (Becker et al., 2016). Di Tella and Rotemberg (2016) analyze populism demand based on the behavioral observation that voters are betrayal averse, and hence may prefer incompetent leaders to minimize the chance of suffering from betrayal. In sum, the economics literature has so far focused on what explains the demand of populist policies and their consequences, but has not explored the causes and sustainability of populist policies on the supply side, nor has it offered an explanation about "Why now?" should there be such a cluster of populism in the world.

The bulk of works in political science has focused mostly on the institutional preconditions for the formation of populist parties (Norris, 2005; Rydgen, 2007; Golder, 2016), or on electoral dynamics, identifying parties on the radical right (Mudde, 2007), but increasingly also on the radical left (March, 2007; March and Mudde, 2005; Pauwels, 2014; Stavrakakis and Katsambekis, 2014), or on the populists' strategies to survive in office (see e.g. Boix, 1999). Only recently, in political science, the attention

has shifted from the supply side to the demand side. Inglehart and Norris (2016) observe that cultural variables affect the decision to vote for a populist party (instead of abstaining or voting for a non-populist party) more than economic variables. But the fact that they find a weak *direct* effect of economic variables is mostly due to the fact that they fail to observe that economic security shocks affect significantly the incentive to abstain (see footnote 7 and our empirical sections for the details on this turnout selection problem). Beside the stronger direct effect of economic shocks that we document by taking into account the turnout selection effect, we document a strong *indirect* effect: the shocks to economic security are responsible for a sharp change in trust and attitudes towards migration, and hence the effects of the changes in the latter variables cannot be considered independent drivers.[4] For a review of the literature on populism in the social sciences in general, see e.g. Gidron and Bonikoeski (2013) and Mudde and Rovira Katwesser (2017).

In this work, we look simultaneously at the demand and supply sides, in order to explain populist policies. The demand side involves the fears and enthusiasms of people, to which politicians pander. The supply side lies in the politicians' claim to be on the side of people and against the elites. Demand and supply meet at a specific point: short-term protection. Due to growing economic insecurity, people demand short run protection. At the same time, populist parties find their own space in the political landscape and they build their agenda on the dichotomy "people vs elites". This leads to the supply of short-term protection, since long-termism is considered to be in the interest of the elites.

As far as the policy convergence result (described in section 6) is concerned, the closest related result is in Schumacher (2016), who shows with manifestos data that early success of populist parties did affect the skepticism for multiculturalism in mainstream parties' platforms. Another related paper is Tohmelt et al (2016).

[4]Lucassen and Lubbers give evidence – for 8 of the 11 countries they consider – that countries that experienced a shift towards far-right-wing populism did so due to perceived cultural threats more than due to perceived ethnic economic threats, whereas it is plausible that in countries experiencing a shift towards left-wing populism the relevant perceived threat is economic. But for us the important observation is that both perceptions of economic and cultural threats have been affected by the economic shocks.

3 A Simple Theory

Here we provide a simple framework to address and rationalize the empirical results that follow.

3.1 Demand

We outline a simple theory of demand for populist policies, identifying the individual voters' factors that affect their likelihood to vote for a populist party. Suppose that each voter i in a country has a choice between a populist party, P, and a non-populist status quo party, S, namely the incumbent party. We consider party P as populist when it offers a bundle of short-term protection policies (such as trade protection, defense from immigration, citizenship income or other secure employment policies). The status quo party S proposes policies already tested and observed commonly, and hence with more clearly identifiable future implications.

We assume two periods, 1 and 2, representing the short run and the long run. The voters' expected income over these two periods from the two different platforms, S and P, are as follows.

Expected Incomes of Status Quo S:

	y_1	y_2
Status Quo	qy	σy_1

where $y_1(y_2)$ is the short term (long-term) expected income from the status quo party. The key heterogeneity factors among voters are:

- y income on the current job.
- q current job perceived security: the probability of keeping the current job.
- σ trust in current policies to be sustainable (improve/worsen) in the long run, namely the chance of improving ($\sigma > 1$) or worsening ($\sigma < 1$) the current short term expected income in the future.

- π trust that the short term populist policies are sustainable in the long run, see below.

Expected Incomes of Populist Platform P

	Y_1	Y_2
Populist	$q'y'$	πY_1

where Y_1 (Y_2) is short term (long term) expected income from populist policies.

We assume that, in general, the populist platform proposes a reduction in the dispersion of short term expected income qy, by means of enhanced redistribution from the higher to the lower incomes and enhanced job protection for the jobs most at risk (low q). For instance, closure to immigration is an example of a populist platform aimed at generating higher short term expected income for some. A similar effect can be attributed to protectionist policies in trade.[5]

We can represent the populist platform as a linear re-mapping of job security q into:

$$q' = \rho + (1 - \rho)\, q$$

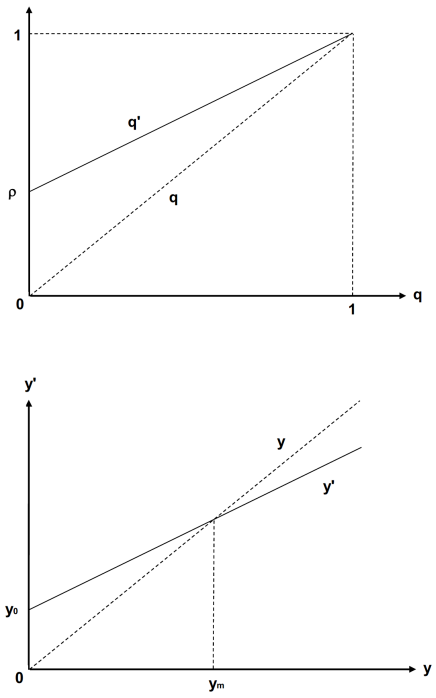
where ρ is the minimal level of employment protection. This policy improves job security for all voters ($q' > q$) and more so for the agents with least job security.

Moreover, the populist platform may also offer redistribution. The latter in reduced form is a linear re-mapping of income y which increases low incomes and lowers high incomes:

$$y' = y_0 + \left(1 - \frac{y_0}{y_m}\right) y$$

where y_0 is some minimal income and y_m is the mean income that is left unchanged by the populist policy, namely we have:

[5]More specifically, populist parties either put greater emphasis on employment protection proposals (often identifiable as right-wing populism), or on measures like citizenship income (identifiable as left-wing), but for the sake of the description of the demand side we let the populist platform potentially contain both types of proposals.



$$y' \gtrless y \quad \Longleftrightarrow \quad y \lesseqgtr y_m$$

The future cost of an untested populist policy is obviously uncertain and agents in general have heterogeneous beliefs on it. The expectations of future costs of a populist platform are heterogeneous because different generations of voters have different experiences with alternative policies and because of education and information heterogeneities. Thus, π is perceived as low by more informed/educated people, who may be able to evaluate the general equilibrium consequences and long term consequences of trade barriers. The under-estimation of future costs of populist policies is not only a well recognized phenomenon,[6] but also an explicit political strategy of populist parties. Voters typically receive conflicting messages from the competing parties, with the populist party emphasizing that any concern for future costs expressed by the incumbents is simply a product of elite's interests – what we label

[6]See e.g. Hainmueller and Hiscox (2006).

"supply rhetoric".

3.2 Predictions

The model identifies the drivers of individual voting decisions. Assuming risk neutrality and time discounting δ, an agent prefers the populist platform to the status quo if the utility from the populist platform (U^P) exceeds status quo utility (U^S) :

$$\begin{aligned} U^P - U^S &> 0 \\ q'y'(1+\delta\pi) &> qy(1+\delta\sigma) \end{aligned}$$

Substituting and simplifying we obtain:

$$\left(\frac{\rho}{q} + (1-\rho)\right)\left(\frac{y_0}{y} + \left(1 - \frac{y_0}{y_m}\right)\right) > \frac{1+\delta\sigma}{1+\delta\pi}$$

The populist platform is popular among agents with lower (q, y, σ) or higher π, and all these variables are independent from one another. The discount factor δ, a proxy for the agent horizon, has an ambiguous effect. In sum, populist vote intentions are driven by the following factors:

1. Low y : Lower income, financial distress. Richer agents have more to lose so are less keen on taking the populist resurrection gamble πY_1. On the other hand, the poorer and more dissatisfied with the status quo want to take that gamble.

2. Low q : Higher perception of job insecurity. Past country aggregate economic performance, individual experienced economic misfortunes as well as differences in exposure to economic risks (e.g. exposure to foreign competition in the goods market - if an entrepreneur, or labor market - if a worker) can all result in different values of q and thus higher chances of voting for the populist party for those with lower perceived security. Similarly, differences in people confidence in the ability of the incumbent to rule can result in differences across individuals in q, with lower confidence leading to a shift towards a populist vote.

3. Low σ : Lower trust in traditional status-quo politics to be sustainable or improve matters in the long run.

4. High π : Higher perception of sustainability of populist policies. This can reflect differences in people's information about what the costs are as well as differences in ability to see through the populist party veil of the future cost of their current protection policies. While expectations about future income is always uncertain, the more informed better evaluate the probability distribution of future costs of populist policies. Understanding costs is related to education and attention to politics.

3.3 Turnout

For simplicity, the above model focuses primarily on the voting decision. Empirically, however, we need to distinguish the decision to participate from the party choice. In fact, the party choice only applies to those citizens that choose to participate. Participation matters for the election result if it is driven by some of the same variables that influence the party choice. This selection problem can either enhance or mitigate the success of populist parties, depending on whether the variables that induce people to abstain from voting would make it more or less likely to vote for a populist party.[7]

It is well documented – see, among others, the comprehensive work of Blais (2000) – that the incentives to turn out depend positively on income y and age, positively on trust in the political system σ and also positively on education, and depend negatively on π. Blais suggests the reason for these correlations is that people with these characteristics tend to be integrated into society. The sociological interpreta-

[7] The fact that Inglehart and Norris did not consider the turnout decisions explicitly in their analysis could be one of the main reasons for their result, opposite to ours, that the economic insecurity is not a significant cause of the populist shift. To see this, let P denote the number of votes for the populist party, V the number of participants and N the number of potential voters. Clearly $\frac{P}{N} = \frac{P}{V}\frac{V}{N}$. If in response to economic insecurity V/N decreases, while the share of votes to the populist party among the participants, P/V, increases as our results show, P/N may respond little if at all - which partly explains why Inglehart and Norris (2016) find small effects of economic insecurity measures on populist votes.

tion suggests that the act of voting expresses one's sense of belonging to the larger community.

A way to include abstention in our framework is to assume that voter turnout depends on intensity of preferences. Namely, agents turn out to vote if they feel strongly enough about the issue at stake, that is when:

$$\left|U^P - U^S\right| B\left(y, \sigma, \pi, \delta\right) > 1$$

where $\left|U^P - U^S\right|$ is perceived utility distance from the two platforms, while $B\left(y, \sigma, \pi, \delta\right)$ is the benefit-cost ratio of turning out to vote for a given party, which depends positively on income, age and trust, and negatively on education.

With such a framework it is easy to see that a voter who prefers the status quo is more likely to participate, whereas a voter that prefers the populist platform is more likely to abstain. This is true for all variables except for the discount δ, which has no clear effect on the decision of who to vote for. As a result our model predicts that the populist vote preference is positively correlated with abstention. This is important, as it mitigates the overall populist vote. For instance, an aggregate income shock would increase the populist vote, but not as much, because it would also increase abstention.

3.4 Supply: Parties' Entry and Policy Choice

The decision to enter in politics with a new party is worth it if upon entry a high enough expected power share can be obtained. Thus, a voters' preference shock on the demand side could eventually increase the number of populist parties. For instance, an economic crisis that lowers q and/or lowers y for a relevant fraction of the population should increase the supply of populist parties, that is the incentive for a populist platform to enter the political arena.

A change on the demand side may be amplified by certain country specific factors. For instance, higher political fragmentation, namely less concentration of power among political parties, allows in expectation more power share for any given vote share obtained. Hence this should create additional incentives for entry of new polit-

ical parties, who for instance can more easily be part of some coalitional government. Moreover, all else equal, lower checks and balances should allow more freedom on the implementation of policies, hence more incentives for parties with extreme platforms, such as populist parties, to appear in electoral lists.

As for the policy outcomes, the standard Downsian theory predicts that existing parties should respond to the entry of populist parties. Namely, after the entry of populist parties, non-populist parties should choose somewhat more populist policies to limit or prevent a loss of vote share.

In the next sections we discuss how we proxy empirically for these variables, identifying separately the decision to participate in the election and the choice of the party to vote for; as well as the creation of populist parties and the response of mainstream parties to their presence.

3.5 Case Study

Before getting to the general econometric analysis, Figure 1 (panel 1) exemplifies our story drawing on the Italian case. It shows the evolution of GDP growth just before the 2008 crisis and in the subsequent years; that of the level of people's confidence in political parties; and the level of support (measured by the intentions to vote) for the Five Star movement - a newly created populist party. GDP falls markedly in 2009 and stagnates since then, giving rise to the deepest and most prolonged recession in Italian history. Disappointed with incumbent parties, Italians lose faith in political parties, held responsible for the country's performance. The share of people trusting political parties falls from 25% before the crisis to levels around 5% (or below) after 2009 with no sign of recovery. This disappointment with incumbent parties has two consequences: it leads voters to abstain from voting (in the last parliamentary election in 2013, turnout falls to 75%, the lowest in Italy's post war elections[8]); and, most strikingly, it raises support for "outsiders."Driven by demand for protection and voters' disillusion with (existing) political parties, the Five Stars movement enters

[8]The drop in turnout in European elections is even more marked: in 2004 (before the crisis) it was 73%, falls to 66% in 2009, after Lehman Brothers but before the European sovereign crisis and to 58.7% in the 2014 elections, when the effects of the European crisis were felt.

the political market. It first appears in 2009 and since then has gained increasing support, up to becoming the second largest party in the 2013 elections and the largest one in the 2016 polls. To try to contrast their success, Prime Minister Matteo Renzi, leader of the incumbent party, has adopted a number of "populist" policies - ranging from voters-friendly budget policies (e.g. the so called "80-euro bonus"- a personal income tax cut for lower earners), to more symbolic anti-Euro positioning (e.g. not exposing the European flag together with the Italian flag as customarily done by government representatives in public speeches).

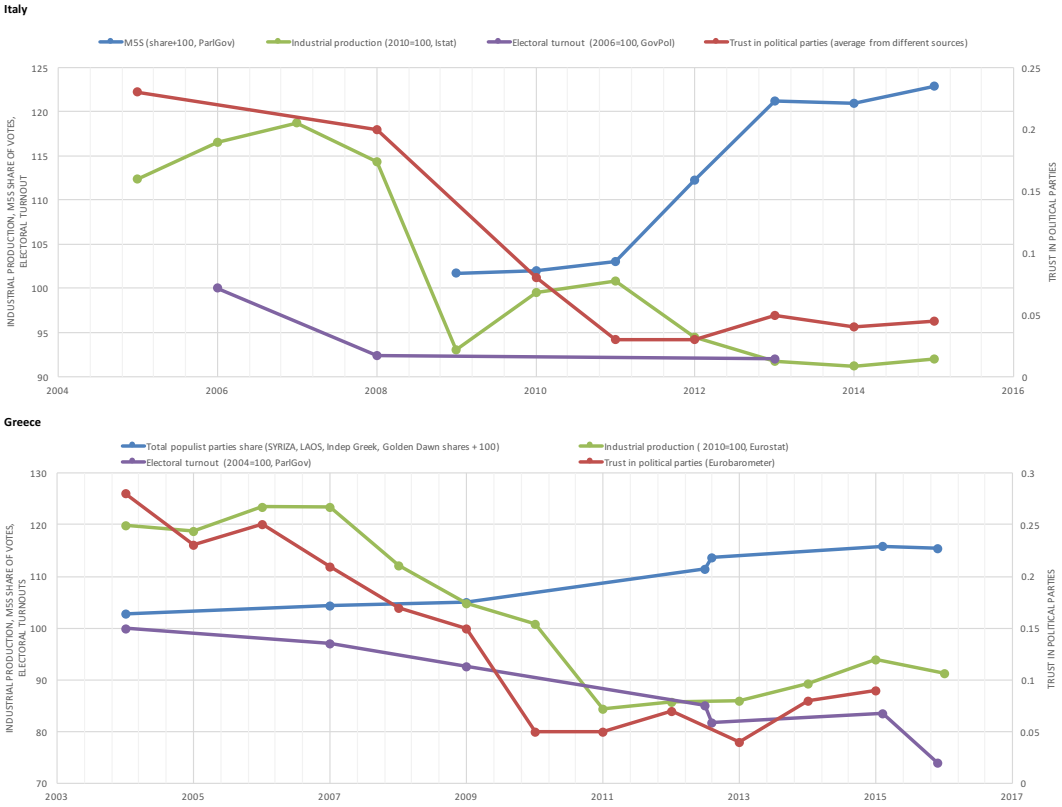
The second panel of Figure 1 shows that a similar pattern holds in Greece: as the economic crisis deepens after 2007, people start losing faith in traditional parties, participation in elections falls, and demand for protection rises. Populist movements either enter the market (as Golden Down), or expand considerably (as Syriza) starting from an almost irrelevant voters' basis.

In the following sections we show systematic evidence from all European countries, supporting the narrative above.

4 Data

Our main source of individual level data is the European Social Survey (ESS). The ESS is the richest social scientific endeavor to map the attitudes, beliefs, and behavior patterns in Europe. The central aim of the ESS is to develop and conduct a systematic study of changing values, attitudes, attributes, and behavior patterns within European polities. The survey covers all European countries, though not all countries participate in all waves. Data collection takes place every two years, starting in September 2002, by means of face-to-face interviews. We will use all seven waves available up to now. The questionnaire consists of a core module which remains constant from round to round and smaller rotating modules, repeated at intervals, each devoted to a substantive topic or theme. We will rely on information from the core module covering a wide range of socio-economic, socio-political, socio-psychological and socio-demographic variables.

Figure 1: Populism, Economics, Turnout and Trust



The figures show the evolution of economic activity, trust in political parties, electoral turnout and consensus to populist parties in Italy an Greece. Economic activity (measured by the index of industrial production), the share of votes to the populist parties and electoral turnout are on the left scale; trust in political parties on the right scale.

4.1 Measuring voting decisions

Most importantly for our purpose, the ESS asks people whether they voted in the last parliamentary election in their country and which party they voted for. Specifically, survey participants are asked: "Some people don't vote nowadays for one reason or another. Did you vote in the last [country name] national election in [month/year?]". From this we obtain an indicator of participation in the election. Those answering yes were then asked: "Which party did you vote for in that election?" and were shown the list of parties in the election. From this we construct a dummy that takes value one if the voter voted for a populist party (identified in section 4.3).

4.2 Measuring voters' characteristics

The ESS contains a large number of variables from which we select a subset that we use to construct proxies for the voters' characteristics that influence both their turnout and voting decisions, as discussed in Section 3.

Perception of long run costs of populist policies. We use two proxies for voters' ability to foresee the potential pitfalls of the populist platforms, and obtain a more precise assessment of the future impact of a populist protection policy. The first is education, measured by the number of years of full-time completed schooling. Education can capture the ability to infer the future costs of current populist policies (e.g. because highly educated are more likely to be aware of the government intertemporal budget constraint).

The second proxy is a measure of attention to politics, captured by two variables: how long, hours per week, people devote to watching TV in general and how much of the time watching television is spent watching news or programs about politics and current affairs. Watching TV in general is taken as a proxy for little interest in politics, and thus as a proxy for poor information. Watching news and programs about politics, given the time spent watching TV, is used to proxy for the information level.[9] Ceteris paribus, we would expect better educated people and people who

[9]This second proxy has to be taken with a grane of salt, because in some countries it may well be possible that someone who watches political news hundred percent of his or her time does so

watch TV programs on politics to be better able to anticipate the costs consequences of a populist party policies and thus be less likely to vote for it.

Time discounting and risk aversion. The weight given to the future uncertain costs and benefits of current policies depends on the subjective discount factor (with ambiguous sign, as shown in Section 3), and on the degree of risk aversion. The ESS has no direct measure of people's patience. We use age as a proxy for subjective discounting, relying on the idea that older people are less likely to pay for the future cost of current policies (assuming they care about future generations less than they care about themselves). The ESS is richer in terms of proxies for risk tolerance. We use an indicator of whether people consider it important to avoid taking risks measured on a scale between 1 and 6, increasing in aversion to risk.

Economic insecurity. We capture heterogeneity across voters in economic insecurity, or in their perception of it, with several measures. First, we use two direct measures of financial distress: a) an indicator of whether the voter has undergone an experience of unemployment over the past five years – forcing him or her to search for a new job; b) an indicator of whether (s)he is experiencing income difficulties, i.e. (s)he finds it difficult to live with his current income. Second, we build an indicator of exposure to globalization, exploiting information in the ESS on the type of employment, industry and workers' skill level – classifying as more exposed low-skill workers in low-tech manufacturing industry. The indicator has three values, increasing in exposure to globalization: 2 if an employee is a blue collar in a manufacturing industry, or self-employed in a low-tech industry; 1 if (s)he is a non-blue collar employee in a manufacturing industry, or self-employed in a medium-tech industry; 0 otherwise. Third, we use two measures of sentiments towards immigrants: a) whether the voter would like fewer immigrants from low-wage countries; b) whether immigrants make the country worse. We use these variables, particularly the first, to capture fear of

by watching only one-sided news. We cannot find any more precise measure of the quality of the information that people receive, and hence this information proxy is very noisy. This may be the reason for the fact that it turns out not to be significant in the regression on the party choice, whereas it is a significant regressor for the decision to participate, since watching political news correlates with mobilization.

displacement in the labor market due to potential arrival of cheaper labor.[10]

Trust in traditional politics and institutions. The ESS has several proxies for confidence in institutions, governments and political parties. These indicators tend to be highly correlated and thus hard to tell apart. We use two measures separately: a) trust in political parties, which speaks directly to our model; b) average trust in parties and institutions, constructed as the average of the trust towards the country's parliament, political parties, politicians and the European Parliament.

In all regressions we control for gender and political orientation, measuring the latter with a dummy for "right" orientation. Needless to say, some variable can proxy for more than one of the dimensions of heterogeneity that we have listed. For instance gender may also reflect risk preferences and so may age.

Table 1 panel A shows summary statistics for these variables.

4.3 Identifying populist parties

To identify populist parties in Europe we rely on the classification proposed in the most recent and comprehensive study on populism in Europe by van Kessel (2015). van Kessel (2015) examines all parties that gained parliamentary representation after national elections between 2000 and 2013 in European countries.[11] The period and the countries covered by van Kessel match the ones covered by the ESS data. van Kessel defines a party as populist if a) portrays "the people" as virtuous and essentially homogenous; b) advocates popular sovereignty, as opposed to elitist rule; c) defines itself against the political establishment, which is alleged to act against the interest of the people. The presence of these features – which are all perfectly consistent with the first component of the definition of populism of the Encyclopedia

[10]Empirically, using the panel data discussed in Section 5.2, we find that people who lose their job or experience a drop in income change their opinions towards immigrants. For instance, they become more supportive of constraining immigration from low wage countries. This is consistent with Inglehart (1997) who shows that cultural traits may be determined by income.

[11]The countries covered are: Austria, Belgium, Bulgaria, Croatia, Cyprus, Check Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, latvia, Lithuania, Luxemburg, Malta, The Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK.

Table 1: Descriptive statistics

Variable	Obs.	Mean	St. Dev.	Min	Max
A. Demand analysis					
Vote for populist party	130,663	0.08	0.27	0	1
Voted	200,269	0.78	0.41	0	1
Education	218,573	12.65	3.93	0	25
TV total	218,130	4.23	2.05	0	7
TV politics	210,098	1.98	1.32	0	7
Age	217,724	47.86	18.47	14	100
Risk aversion	207,213	3.88	1.44	1	6
Unemploymen	217,445	0.13	0.34	0	1
Income difficulties	213,074	0.95	0.87	0	3
Explosure to globalization	218,573	0.02	0.17	0	2
Immigrants make country worse	208,634	4.95	2.25	0	10
Want less immigrants from outside EU	210,744	2.50	0.89	1	4
Female	218,303	0.53	0.50	0	1
Right wing	193,311	5.13	2.16	0	10
Trust in political parties	185,933	3.69	2.36	0	10
Trust in politicians	214,557	3.75	2.38	0	10
Trust in the European Parliament	197,558	4.49	2.42	0	10
Trust in National Parliament	213,065	4.54	2.57	0	10
Government satisfaction	209,799	4.36	2.44	0	10
Trust in parties and institutions (Princ. Comp.)	169,767	0.37	0.24	0	1
Health	218,343	3.84	0.91	1	5
B. Pseudo panel analysis					
Trust in political parties	4,283	3.42	1.12	0	7
Unemploymen	4,898	0.12	0.11	0	1
Income difficulties	4,842	1.10	0.49	0	3
Explosure to globalization	4,899	0.02	0.04	0	1
Immigrants make country worse	4,899	5.24	0.88	2	9
Want less immigrants from outside EU	4,899	2.65	0.38	1	4
Risk aversion	4,842	2.88	0.56	1	5
Importance safeness	4,843	4.74	0.44	3	6
Education	4,899	11.48	2.32	2.88	18
Age	4,899	54.92	16.60	22	88
TV total	4,899	4.43	0.78	2	7
TV politics	4,899	2.15	0.51	1	7
C. Supply analysis					
Populist parties	416	1.53	1.09	0	5
Income difficulties	323	1.29	0.49	1	3
Unemploymen	323	0.39	0.08	0	1
Immigrants make country worse	323	2.34	0.35	2	3
Mean (log) education	323	2.48	0.08	2	3
St. dev. of (log) education	323	0.34	0.07	0	1
Import p.c.	368	10.69	7.09	1	40
Trust in politicians	314	1.68	0.58	1	3
Trust in political parties	314	1.71	0.60	1	3
Check and balances	323	4.17	1.11	2	8
Fragmentation	322	0.73	0.10	0	1
D. Chapel Hill Expert Survey					
Distance European integration	706	22.70	22.30	0	91
Distance European policy	704	36.60	43.30	0	239
Distance ideological issues	706	27.21	38.16	0	184
Distance policy issues	501	79.25	106.20	0	510
Total distance	500	51.95	85.16	0	521

The table shows summary statistics of the variables used to study demand (Panels A and B) and supply (Panel C) of populism. The constriction of the singles variables is discussed in the text and in Appendix A an B.

Britannica (the supply rhetoric) – is detected using primary sources such as party manifestos and speeches. To make sure that the classification is meaningful, van Kessel consults also a pool of country experts that are asked to validate or reject his classification by answering an ad hoc questionnaire. Using these criteria, van Kessel singles out 57 populist parties distributed in 26 of the 33 countries examined.[12] There are several advantages to this classification. First, it is based on a clear set of attributes of what a populist party is in terms of political strategy, rather than on subjective judgements. As explained in the introduction, the Encyclopedia's definition of populism considers, on top of the anti-elite supply rhetoric, the pandering to people's fears and the shrouding of the future costs of their policies. Ideally one would want to use all three dimensions to try to identify populist parties. van Kessel essentially leverages on the first dimension. This is a sensible choice, as the other two lack observability and would require more judgement to be empirically implemented, whereas the "supply rhetoric" is observable.[13] The other main advantages of van Kessel's characterization of populist parties are (1) that it covers all relevant European countries and (2) that it allows the definition to be time varying, so that a non-populist party may turn populist in a certain year, a feature which is important for studying the supply side of populism.

Despite these merits, the classification unavoidably contains a certain amount of judgment. To validate van Kessel's classification, we compare it with two alternative ones. The first is simply the one available in the ESS itself. As part of the background documentation, the ESS reports whether a party is populist or not. The classification is done by the ESS country experts. We prefer van Kessel's classification for two reasons: first, the ESS provides the classification only for the last three waves while van Kessel covers every year in our sample. Second, the ESS classification does not follow a pre-specified unique protocol and definition. Rather, whether to classify a party as populist and the criteria used to define a populist party are left to the discretion and judgment of the country experts. The second classification is the one

[12]Van Kessel's definition is very close to that of Cas Mudde (2007); in fact, the parties identified as populist by both Mudde and van Kessel are essentially the same.

[13]Trump's first statement in his inauguration speech was "..we are transferring power from Washington D.C. and giving it back to you, the people" - an observable fact.

used by Inglehart and Norris (2016), based on the 2014 Chapel Hill Expert Survey (CHES) data. Inglehart and Norris (2016) classify a party as populist if it scores more than 80 points on a standardized 100-point scale built using thirteen selected indicators contained in the CHES, where experts rate the position of European parties on a range of characteristics such as support for traditional values, liberal lifestyles, and multiculturalism, as well as their economic stance towards market deregulation, state management of the economy, and preferences for either tax cuts or public services (see below and Section 6 for more details about CHES). Out of 57 populist parties in the van Kessel classification, 25 are defined as populist also in Inglehart and Norris (2016) more stringent classification.[14] Van Kessel's classification is time varying, hence it serves our goal well to trace populism supply over the years of our study. Comparing the ESS classification with the van Kessel classification, it turns out that out of 19 parties classified as populist in the last three ESS waves 14 are also classified so by van Kessel and 12 by Inglehart and Norris.

Tables A1 and A2 in the Appendix list the populist parties based on the three definitions.

4.4 Validating survey data on voting

Since true voting behavior is unobserved, the analysis of voting decision is based on reported voting. Clearly, what people state in the ESS is not necessarily what they actually did in the ballot box. Besides reported voting being potentially affected by recall bias, people may be reluctant to report truthfully their voting choice. The correlation between turnout in the ESS and actual turnout is quite high, 80%. Furthermore, in a regression of ESS on actual turnout the slope coefficient is not statistically different from 1, though there is tendency of the ESS to exceed actual turnout on average. The correlation between ESS votes to populist parties conditional on

[14]Van Kessel (2015) assumes that populism is a set of ideas rather than a set of specific socio-economic policies. In his view, socio-economic positions on issues like European integration, unemployment, immigration should be treated as accompanying properties (possibly non-stable because populist parties are chameleonic in nature). Inglehart and Norris use a very different approach defining a party as populist if it scores high on an index of progressive/liberal values.

participation and actual voting is lower, at 63%. This is not surprising. Besides some reluctance to reveal voting choice, the survey may be representative of the country's adult population but not necessarily of the electorate. Furthermore, the low correlation can be traced to seven observations out of 79 where the ESS understates actual voting to the populist party by more than 25 percentage points. Dropping these observations the correlation is 85% and a regression of average populist voting in the ESS on actual voting yields a slope of 0.86 and a negative constant of 4.3 percentage points. The joint hypothesis that the slope is 1 and the constant 0 is rejected, suggesting that the ESS sample participants tend to understate systematically populist voting. However, if this measurement error were positively correlated with preferences for populist voting, our estimates of the effect of economic insecurity on voting would be a conservative estimate of the true effects.

4.5 Data on supply

We use the ESS mostly to study individual voting behavior - what we call the demand side of populism. To study the supply side, we complement the ESS data with several other datasets. First, we obtain data on national political institutions from the World Bank Database of Political Institutions. Second, we obtain data on trade with China, India and the rest of the world from the World Bank WITS statistics (UN Comtrade). Finally, we use the five waves (1999, 2002, 2006, 2010, 2014) of the Chapel Hill Expert Survey (CHES) to study whether populism, once it appears, spills over to other non-populist parties. CHES reports for each party in each country in our sample a measure of the party position on a set of relevant issues, which we use to obtain measures of distance between the position of a non-populist party in a country from that of the populist party in that country. Table 1, panel D shows summary statistics of these measures, described in detail in Section 6.

5 Results on voters' behavior

We first show results on the drivers of people vote for a populist party using the ESS data. As argued, citizens make two decisions: a) whether to participate in an election (participation decision); b) conditional on participation, which party to support with their vote – in particular, whether to vote for a populist party or not (voting decision). Clearly, countries that have no populist party (yet) in the ESS wave-year do not belong to the sample. To account for the fact that the party choice only applies to voters who participate in the election, itself a choice variable, we estimate a two step Heckman probit model. In the first stage, we estimate the probability of participation; in the second stage the probability of voting for the populist party. As discussed in Section 3, participation in election will depend on the same set of variables that affect the party choice but possibly with opposite signs: that is, voters' characteristics that increase the chances of voting for a populist party may also discourage participation. For identification, we assume that at least one personal characteristic affects the net benefit of voting (benefit-cost), but not the choice of the party conditional on participation. We use one such instrument: a measure of the health status of the individual. This variable affects the cost of going to the poll and it seems plausible that per se it should not affect people preferences for populist or non-populist parties, particularly when all other controls are included.

In all specifications we control for age and trust in political parties, we include country-level fixed effects and ESS wave effects, and we run weighted regressions using sampling weights to account for differences in sample size across countries. Importantly, country fixed effects capture all the features of the country context that may affect the success of populist platforms: e.g., the electoral system, the responsiveness of existing parties to salient political issues (such as competitive pressure from immigrants), or the level of corruption.[15] Our final dataset includes 134,834 observations from 24 European countries when estimating the specification with all controls.

[15] These are some of the context variables that studies of populism (e.g. van Kessel, 2015) consider critical in explaining populists' success.

Table 2 shows the results of the estimates of several specifications, each time augmenting the set of controls. The first two columns show results of participation and voting decisions controlling for risk and time preferences, education and information about political matters, gender, political orientation and trust in political parties. The decision to participate is strongly affected by health status: people in good health are much more likely to participate, suggesting that health is a strong instrument. The proxy for risk aversion has a significant positive effect on participation: participation is more likely among people who consider it important to avoid taking risks. This measure has no effect on the choice of voting for a populist party. Hence, we find no evidence supporting the idea that since the populist choice entails risk it is more appealing for a risk tolerant voter. Age affects participation positively but it has no effect on voting populist.

Education - our proxy for people's ability to foresee the long term costs of current policies - has a positive and precisely measured effect on participation in elections and, conditional on participation, has a negative effect on the vote for a populist party. This is consistent with the model prediction. Education is economically key. Increasing education by 4 years (one sample standard deviation) increases the participation rate by 19 percentage points (35% of the sample mean) and lowers the probability of voting for a populist party by 1.75 percentage points - as much as 22% of the sample mean. The proxy for political information, while having a significant impact on the participation probability - more politically informed citizens are more likely to participate - has no effect on voting for a populist party (see the brief discussion on the reasonableness of these findings in footnote 9). .

Interestingly, women are less likely to participate, but, conditional on going to the polls, they are also less likely to support populist platforms. People with orientation to the right are more likely to participate and vote for a populist party - a finding that is robust to specification and consistent with the right wing orientation of most populist parties in Europe (e.g. van Kessel, 2015; Mudde, 2007). Finally, consistent with the prediction of the model and our interpretation, we find that people with greater confidence in political parties are more likely to participate in elections and to vote for a non-populist party. Those who have lost faith in political parties are

more likely to give up expressing their vote, but if they do express it, they are more likely to vote for a populist party. Trust in political parties is on a scale between 0 and 10; a drop by 5 points on this scale increases the probability of voting for a populist party by 1 percentage point. Confronted with the unconditional sample probability of voting for a populist party of 7.8%, this is a 11.5 percent increase in the support for a populist platform. Similarly strong is the effect of trust in political parties on participation: a drop in trust by 5 percentage points lowers the chance of participation in elections by 8 percentage points - more than 10% of the unconditional mean electoral turnout.

The second pair of columns add the proxies for economic insecurity. Overall, the effect of these measures is clear: economic insecurity acts on two margins: it discourages participation and increases the chance of voting for a populist party among those who decide to exert their voting right. The effect on the participation margin is more precisely estimated and very responsive to being unemployed, suffering an income loss and being exposed to competition from immigrants; it is not affected by exposure to globalization (once controlling for sentiment towards immigrants). A vote for a populist party is more likely among those who suffer an income loss, are exposed to globalization and to competition from immigrants. Having lost employment, instead has no statistically detectible effect on the vote for a populist party, possibly because, as documented, those who lose their job refuse to participate rather than vote against the incumbent. The effects of economic insecurity are quantitatively important on both the participation and the voting decisions. Being unemployed lowers participation by 3.1 percentage points; feeling you live in difficulty on current income, compared to living comfortably on current income, lowers participation by 9.6 percentage points; while moving immigrants fears from the lowest to the mean value lowers participation by 2 percentage points. Similarly, being exposed to globalization increases the chance of voting for a populist party by 1.6 percentage points (20% of the sample mean), feeling you live in difficulty on current income, compared to living comfortably, increases voting for a populist party by 1 percentage point (9% of the sample mean) while moving immigrants fears from the lowest to the mean value increases the chances of voting for a populist party by more

Table 2: Main specification: Heckman probit estimates of populist party vote and participation in voting

	(1) Heckprobit		(2) Heckprobit		(3) Heckprobit	
	Populist	Vote	Populist	Vote	Populist	Vote
Health		0.115***		0.0818***		0.0821***
		(0.00695)		(0.00786)		(0.00817)
Risk aversion	0.00117	0.0241***	0.00357	0.0275***	0.00489	0.0270***
	(0.00999)	(0.00429)	(0.0113)	(0.00474)	(0.0117)	(0.00490)
ln(Age)	-0.0265	1.142***	-0.101*	1.138***	-0.0869	1.131***
	(0.0507)	(0.0150)	(0.0572)	(0.0169)	(0.0578)	(0.0174)
ln(Education)	-0.278***	0.624***	-0.216***	0.594***	-0.207***	0.593***
	(0.0442)	(0.0200)	(0.0510)	(0.0229)	(0.0519)	(0.0238)
TV total	0.0172**	-0.0283***	0.000801	-0.0228***	0.00125	-0.0210***
	(0.00726)	(0.00336)	(0.00831)	(0.00374)	(0.00863)	(0.00389)
TV politics	-0.00324	0.0618***	0.00135	0.0514***	0.00180	0.0469***
	(0.0109)	(0.00506)	(0.0122)	(0.00564)	(0.0127)	(0.00582)
Unemployment			-0.0317	-0.0947***	-0.0243	-0.0962***
			(0.0447)	(0.0189)	(0.0464)	(0.0195)
Income difficulties			0.0409**	-0.0990***	0.0325*	-0.0980***
			(0.0187)	(0.00872)	(0.0195)	(0.00906)
Explosure globalization			0.117*	-0.00661	0.123*	-0.0164
			(0.0701)	(0.0382)	(0.0735)	(0.0397)
Less imm. no EU			0.0782***	-0.0205**	0.0708***	-0.0201**
			(0.0182)	(0.00842)	(0.0191)	(0.00873)
Imm. country worse			0.0406***	-0.0123***	0.0374***	-0.0118***
			(0.00755)	(0.00332)	(0.00791)	(0.00345)
Trust in pol. parties			-0.0190***	0.0485***		
			(0.00697)	(0.00312)		
Trust in part. and inst. (PC)					-0.230***	0.426***
					(0.0706)	(0.0317)
Female	-0.132***	-0.0473***	-0.128***	-0.0520***	-0.118***	-0.0529***
	(0.0238)	(0.0111)	(0.0270)	(0.0123)	(0.0279)	(0.0127)
Right wing	0.0621***	0.0124***	0.0448***	0.0145***	0.0447***	0.0141***
	(0.00553)	(0.00258)	(0.00645)	(0.00294)	(0.00667)	(0.00306)
Observations	176,259	176,259	144,610	144,610	135,200	135,200
Wave FE	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES
Countries	Kessel	Kessel	Kessel	Kessel	Kessel	Kessel

The table shows Heckman probit estimates of the decisions to vote in the election (Vote) and the choice of voting for a populist party conditional on participation (Populist). Left hand side variables : a dummy if a voter has chosen a populist party in the columns Populist and a dummy if (s)he has participated in the election in the column Vote. The excluded instrument in the populist regression is an indicator of health status. All regressions include country and wave fixed effects. Robust standard errors are shown in parenthesis. *** significant 1% or less; ** significant at 5%; * significant at 10% confidence level.

than 1.4 percentage points (17% of the sample mean). These effects are large if we consider that the sample average of populist votes is 7.8%. The last pair of columns shows estimates replacing trust towards political parties with the principal component of trust towards political parties, politicians, the national parliament and the European parliament. Results are unaffected.

The estimates in Table 2 restrict the effects of the various components of economic insecurity on participation and on voting for populist parties to be the same across European countries. Even though the distinctive feature of all populist parties platforms is to offer short term protection - as we have advocated - populist parties in different countries may stress different components of insecurity. Because of this, the responses to each component may differ across countries. For instance, in Northern Europe populist platforms may put more emphasis on immigration than in Southern countries, while Southern European populists may emphasize more unemployment arising from austerity policies. To check this possibility we have built an indicator variable equal to 1 for Northern European countries (Germany, France, The Netherlands, Belgium, Sweden, Finland, Denmark and Austria) and interacted it with the five measures of insecurity in the estimates of the Heckman corrected probit model. The estimates (unreported) show some evidence that vote to populist parties among participants is less sensitive to income losses in Northern Europe; but in these countries vote to populists is also less sensitive to the threat of immigrants. On turnout, there is some evidence that Northern European citizens are less likely to vote when they lose their job; yet, a joint test that the sensitivity to all measure of economic insecurity is the same across all European countries cannot be rejected (p-values 0.0023 and 0.001 in the populists voting and in the participation regression, respectively).

In sum, the evidence shown is broadly consistent with the model implications. Voting for populist parties is more likely among people experiencing economic insecurity and among people that have a harder time in foreseeing the future costs of populist policies. The role of risk preferences is unclear. Voting for a populist party is a risky option - which may require high risk tolerance to take it. But it may be argued that gambling for resurrection may be the only option that loss averse

citizens, who ended up in the domain of economic losses, think is available to them.

Economic insecurity plays a quantitatively important *direct* role in explaining the voting decisions of people that choose to participate in elections. However, there are at least two other *indirect* important channels through which economic insecurity shocks are crucial determinants of the populist wave: The first is through selection of participants in elections. The second is through the effect of economic misfortune and insecurity on people's trust in incumbent parties. The first softens the effect of economic insecurity on populist voting, the second amplifies it. We discuss each one next.

5.1 Economic insecurity, participation and populist support

Changes in economic insecurity and confidence towards political parties affect the success of a populist party, both because these variables affect the preferences of the population of voters regarding the various parties and because they affect the individual decision to express those preferences by actually participating in the elections. Jointly, the two channels shape the effect of economic insecurity and confidence in political parties on voting for a populist party conditional on participation. Because economic insecurity results in a lower participation among those that suffer from it the most, some people that have a higher chance of supporting a populist party do not express their vote, resulting in a lower share of populist votes among the participants. In other words, because of the selection induced by economic insecurity, populist parties get a lower share of votes than if this selection effect were absent. Accounting for selection is important and has been ignored in studies related to ours (e.g. Inglehart and Norris, 2016). For instance, the marginal effect on voting for a populist party of an increase in income difficulties would be 26% larger in the absence of any effect on participation, that of an increase in the fear of immigration 10% larger and that of a drop in confidence in political parties 28% larger. The presence of this (adverse to populists) selection effect determines an additional rationalization of the rhetoric that characterizes populist parties (see e.g. Kitschelt and McGann, 1995; Hans-Georg, 2002): the anti-elite rhetoric is a tool to build populist-inclined

voter identity and raise their willingness to participate in elections.

5.2 Economic insecurity and trust in political parties

Economic insecurity can affect both participation in an election and voting for a populist party because it affects people's confidence in political parties. As Figure 1 documents, the sharp drop in income in Italy in 2009 and the dismal performance of the economy since then are highly correlated with an impressive loss of confidence in political parties. Needless to say, causality can in principle go both ways. A negative shock to confidence in politics, taking place for whatever reason, may lead to a sudden stop of the economy, for instance if debt holders were to reduce financing to the government. This is the channel a substantial amount of literature has focused on when trying to understand systematic and persistent differences in per-capita GDP across countries (see e.g. Zak and Knack, 2001; Algan and Cahuc, 2010). This literature emphasizes the relevance of trust not in politics but in people, which is considered as a slow moving trait. A recent strand emphasizes the opposite causality link that sees drops in confidence as caused by sharp drops in economic activity. This literature focuses on movements in trust over time at the business cycles frequency rather than on persistent differences in trust levels across communities. There is evidence that recessions cause drops in people trust. Ananyev and Guriev (2016) are able to isolate the causal effect of economic downturns on people's trust during the 2009 recession in Russia, exploiting variation across regions in industrial structure inherited by the Soviet Union, and noticing that capital-intensive and oil-related industries are more responsive to shocks to GDP. They find that a drop in GDP causes a sizable drop in trust in other people. The same logic can be used to argue, perhaps even nore plausibly, that recessions can cause a drop in trust in political parties and politicians, for instance because citizens blame incumbent parties (and the government) for poor economic performance.

Table 3 shows correlations between measures of economic insecurity and trust in political parties, average trust and a measure of people's confidence in the government, respectively, using cross sectional variation in the pooled ESS. Unambiguously,

all measures of economic insecurity are negatively correlated with trust in political parties and institutions and with confidence in the government. For instance, people who find it difficult to live with their current income, trust political parties 21% less than the average citizen; and being unemployed has an equally sized negative effect. Of course these correlations may just reflect unobserved heterogeneity - i.e. some individual characteristics that are not controlled for that drive both the economic insecurity measures and people's trust/confidence measures. To address this problem, we follow Deaton (1985) and use a pseudo panel constructed from the sequence of ESS waves. We group the data into eleven 5-year age cohorts of male and female individuals in each country, respectively. Unobserved heterogeneity is taken care of by cohort-specific fixed effects.[16]

Figure 2 shows simple bivariate correlations between the change in trust in political parties and the change in unemployment, income difficulty and exposure to immigrant competition among the pseudo panel cohorts. In all cases an increase in economic insecurity experienced by the age cohorts leads to a decrease in trust in political parties. Table 4 shows controlled fixed-effects pseudo panel regressions of our confidence indicators on our measures of economic insecurity and individual time varying controls (the measure of risk aversion, age, exposure to the media) as well as time effects common to all cohorts. With the exception of the exposure to globalization, which has no statistically significant effect on trust in political parties, all other measures have a negative and statistically significant effect. Because these are fixed effects regressions, results cannot be driven by unobserved heterogeneity.[17] They are consistent with the idea that a deterioration in individual economic security causes a loss in confidence in political parties and institutions.[18] Similar results can

[16]Our pseudo panel consists of 785 age-country-year-of-birth groups. Cohorts are relatively large, with 294 observations on average. This reassures that measurement error in building the cohort means is likely to be negligible. Dropping cohorts with fewer than 50 observations (8% of the total) leaves our results unchanged.

[17]Of course, the pseudo panel regressions identify the causal effect of economic insecurity on trust in political parties that is due to: a) individuals in the cohort changing their attitudes when they experience insecurity directly; b) changes in trust towards parties in that cohort reflecting group effects. For instance, an individual in a given cohort that loses confidence in political parties because he/she observes that other members of the same cohort have experienced unemployment.

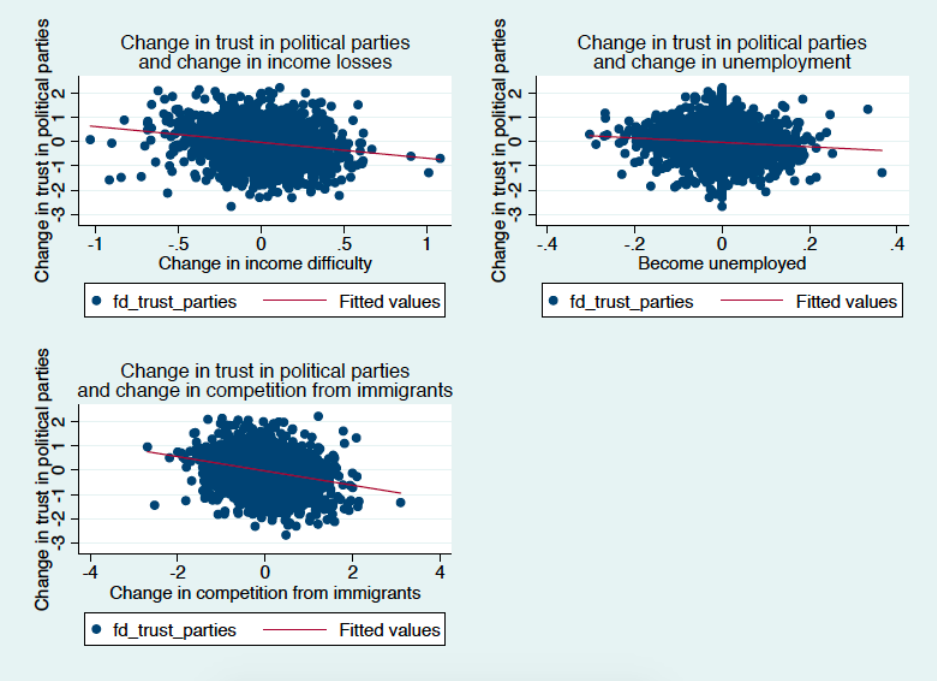
[18]The reverse causality - an individual who revises trust towards parties downwards and because

Table 3: Trust and Insecurity

	(1) Trust parties	(2) Trust PC	(3) Gov. satis.
Unemployment	-0.190***	-0.0230***	-0.264***
	(0.0294)	(0.00319)	(0.0299)
Income difficulties	-0.246***	-0.0275***	-0.367***
	(0.0132)	(0.00140)	(0.0133)
Explosure globalization	-0.0409	-0.00522	-0.0205
	(0.0732)	(0.00755)	(0.0635)
Less imm. no EU	-0.0659***	-0.00809***	-0.0352***
	(0.0131)	(0.00137)	(0.0135)
Imm. country worse	-0.201***	-0.0221***	-0.215***
	(0.00524)	(0.000560)	(0.00546)
ln(Education)	-0.178***	-0.0104***	-0.240***
	(0.0334)	(0.00364)	(0.0355)
ln(Age)	-0.352***	-0.0172***	-0.101***
	(0.0255)	(0.00270)	(0.0251)
Risk aversion	0.000799	0.00162**	0.0182**
	(0.00733)	(0.000770)	(0.00752)
TV total	-0.0209***	-0.00298***	-0.000440
	(0.00566)	(0.000611)	(0.00585)
TV politics	0.118***	0.0106***	0.0383***
	(0.00879)	(0.000933)	(0.00897)
Female	0.0782***	0.0105***	-0.00916
	(0.0182)	(0.00194)	(0.0188)
Right wing	0.0729***	0.00918***	0.144***
	(0.00487)	(0.000512)	(0.00509)
Observations	144,671	135,258	160,455
R-squared	0.211	0.213	0.178
Wave FE	YES	YES	YES
Country FE	YES	YES	YES
Countries	Kessel	Kessel	Kessel

The table shows regressions of measures of confidence in parties (first column), political system and institutions (an average of trust in political parties, politicians, the national and the European parliament) (second column) and the government (third column) on measures of economic insecurity and other controls. All regressions include country and wave fixed effects. Robust standard errors are shown in parenthesis. *** significant 1% or less; ** significant at 5%; * significant at 10% confidence level.

Figure 2: Change in Trust and Change in Insecurity



This figure shows correlations from a pseudo panel of 11 cohorts of changes in trust in political parties and changes in indicators of economic insecurity.

be obtained in terms of the endogeneity of attitudes towards migration.

The impact of economic insecurity on the probability of voting for a populist party through its effects on confidence is relevant. For example, moving the feeling on living on current income from "comfortably" to "very difficult" increases the chances of voting populist because it reduces confidence in political parties by 3.8 percentage points of the sample mean; this adds to the direct effect of 9 percentage points of the sample mean. Similarly, it lowers the probability of voting by 5.6 percentage points of the sample mean, which is almost half of the direct effect (12.3% of the sample mean).

of this is more likely to lose his/her job or to suffer an income loss - does not seem plausible, particularly in light of the fact that any effect that a generalized loss of confidence in politics has on the economy is already picked up by the time fixed effects.

Table 4: Trust in Parties and Economic Insecurity - Pseudo Panel Estimates

	Trust parties
Unemployment	-0.703***
	(0.202)
Income difficulties	-0.990***
	(0.0781)
Less imm. no EU	-0.0365
	(0.0730)
Explosure globalization	0.0695
	(0.375)
Imm. country worse	-0.277***
	(0.0318)
ln(Education)	-0.585***
	(0.168)
ln(Age)	-0.0786
	(0.474)
Risk aversion	-0.223***
	(0.0486)
Importance safeness	0.0149
	(0.0521)
TV total	0.0341
	(0.0370)
TV politics	-0.0809
	(0.0514)
Observations	3,358
Number of id	756
R-squared	0.205
Wave FE	YES
Countries	Kessel

The table shows regression results of trust in political parties and measures of economic insecurity in a pseudo panel of 11 cohorts constructed from the ESS surveys include individual cohort fixed effects and thus correlation exploits only time variation. All regressions include wave fixed effects. Robust standard errors are shown in parenthesis. *** significant 1% or less; ** significant at 5%; * significant at 10% confidence level.

6 The supply side of populism

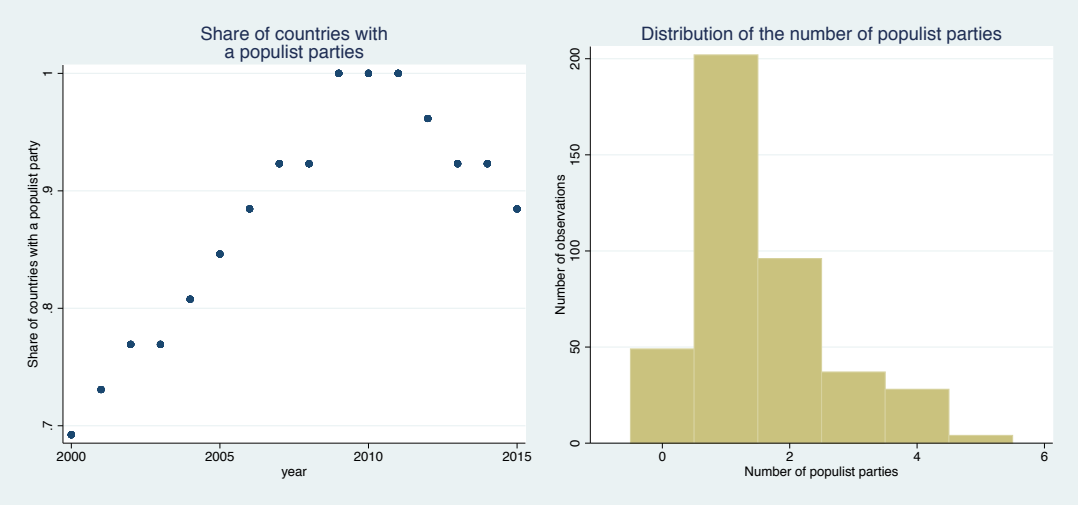
6.1 Presence and entry of populist parties

Populist parties are not always present. Figure 3 (left panel) shows the share of countries with at least one populist party in the 26 European countries in our sample. In the year 2000, less than 70% of the countries have a populist party; by year 2009 all countries have a populist party, but in the later years of the sample some countries lose their populist party. Our model suggests that the presence of populist parties in a country is heavily affected by how much potential demand there is for it: if underlying support is sufficiently large, a populist platform is more likely to emerge (and to disappear if support fades away). In Section 5 we have documented that economic insecurity and confidence towards political parties and the political system have a strong predictive power on the demand for populism. To test whether the presence of these factors in the population facilitate the emergence of populist parties, from each wave and country in the ESS we compute summary statistics of the drivers of the voting decision in favour of a populist party. Importantly, the calculation also covers the countries where no populist party exists, and so uses information from all voters whether or not they participated in elections. We then use this data to explain the heterogeneity in the supply of populist parties across countries and time. We measure the latter with a discrete variable counting the number of parties in each country, defined as populist by van Kessel, over the years between 2000 and 2015. Figure 3 (right panel) shows the distribution of this variable. Because the ESS is run every two years, for the country/years where the survey is not available we extend the summary statistics of the drivers of the demand from the nearest ESS wave.

Because the emergence of populist platforms may be affected by institutional features (e.g. van Kessel, 2016) we match the panel with information on a number of institutional characteristics. Finally we complement the data with country-level information on overall exposure to trade, in particular to imports from the rest of the world.

Table 5 shows the results of the estimates of a Poisson model controlling for

Figure 3: The Rise of Populism



The left panel shows the time evolution of the share of European countries in the ESS sample that have at least one populist party. The left panel shows the histogram of the number of populist parties in our sample.

year fixed effects, to account for the trend in populist parties documented in Figure 3. Since the demand drivers of populist voting may have a different effect on the emergence of a populist platform, depending on how concentrated or spread out in the population is the specific driver, we scale the mean of the variable with its cross sectional standard deviation. The table shows that the economic variables that drive individual voting for a populist party help explain the existence and number of populist parties across countries. The supply of populism is higher when/where more people in the population feel it is very difficult to live on their current income, where a larger share have experienced unemployment and where more people feel threatened by immigrant competition - that is, where economic insecurity is more spread in the population. It is lower instead where average education is higher and more unevenly distributed in the population. All these effects are fully consistent with the predictions of the model. We find that empirically, for the supply of populism, it is important to distinguish between trust in politicians and trust in political parties: a higher average trust in politicians in the population discourages the supply of populism, while a higher trust in political parties, ceteris paribus, raises it. Both effects are statistically significant. Interestingly, the country exposure to globalization,

Table 5: Explaining the Rise of Populist Parties

	Populist parties
Income difficulties	0.406**
	(0.188)
Unemployment	2.312*
	(1.192)
Imm. country worse	0.624***
	(0.128)
Education (mean)	-1.595***
	(0.543)
Education (sd)	-3.995***
	(0.651)
Import p.c.	0.0140***
	(0.00505)
Trust politicians	-1.985*
	(1.145)
Trust parties	2.464**
	(1.099)
Check and balances	-0.167***
	(0.0387)
Fragmentation	1.548***
	(0.413)
Observations	256
Year FE	YES

The table shows regression results for the number of populist parties in a country as a function of measures of voters' insecurity and countries' institutional characteristics. The left hand side is the number of populist parties in a country in a given year. Voters' characteristics are those in the closest past ESS survey. All regressions include year fixed effects. Robust standard errors are shown in parenthesis. *** significant 1% or less; ** significant at 5%; * significant at 10% confidence level.

measured by the average value of imports per capita, has a positive and statistically significant effect on the supply of populism.

Finally, after experimenting with several institutional characteristics of the country, we find that two in particular have significant predictive power on the supply of populism. The presence of checks and balances and the fragmentation of the political system. Countries with stronger checks and balances are able to contain the supply of populism while political fragmentations shifts it up. [19]

[19]Other measures of institutional features such as the nature of the political system, whether it is a presidential or a parliamentary system or the degree of polarization have no explanatory power. The only other variable that has predictive power is an indicator for a proportional electoral system, which has a negative effect on the supply of populism. In principle, a proportional system should encourage the supply of populist parties as it lowers the entry costs; but because lower entry costs facilitate entry of other parties as well, per se, may dilute the benefit of offering a populist platform,

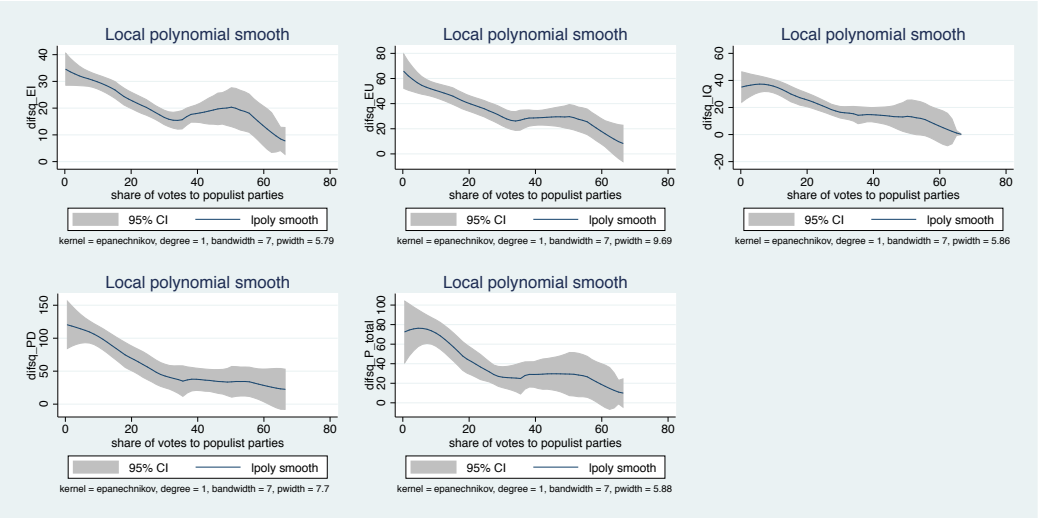
6.2 Non-populist parties reaction to populism

One hypothesis, consistent with the electoral competition consequences of the entry of a populist party, is that non-populist parties will adapt their political platforms mimicking that of a successful populist party. To test this implication we rely on the five waves of the Chapel Hill Expert Survey (CHES). For each of a list of several issues (see Appendix B for a complete description), the CHES reports the position of the party on a scale between 0 and 10 (for some issues the scale is between 1 and 7; in this case we rescale to a 0-10 scale). To assess the party position CHES relies on a pool of experts in each country. For instance, on the issue of deregulation /regulation the position of the party is described by a number, between 0 and 10, where 0 means strongly opposes deregulation and 10 strongly supports deregulation. Numbers in between reflect intermediate positions on deregulation. We disregard issues that are only present in one or two surveys and focus on those that are assessed in all five or at least three surveys. We group positions into four families: overall European integration (P_EI); European policy (P_EU, obtained summing the scores on three issues: powers of European institutions, European cohesion policy, and European Union foreign and security policy); position on ideological issues (P_ID, obtained summing the scores on three issues: general ideological stance on left/right dimension, stance of intensity of government intervention in the economy, position on the libertarian versus traditional/authoritarian stance); and an index of the positions on a set of eleven policy issues (P_PD: government expenditure versus taxation, deregulation, redistribution of wealth, civil liberties versus law and order, social lifestyle, religious principles in politics, immigration policy, multiculturalism, urban versus rural interests, political decentralization to regions/localities and position towards ethnic minorities). The first three indeces are available for all surveys, the last one for the last three waves. In addition we build an overall measure of the party position (P_total) by summing the scores on the four indexes; of course, this total index is defined only for the last three ways.

To compare platforms we proceed as follows. Let y_{icjt} denote the position of party

as it may leave a lower share of votes on the table.

Figure 4: Distance from populist platform and share of votes to populist parties (Graphs)



The figures shows the local polynomial smooth relation between measures of distance of non-populist from populist platforms and the share of votes to populist parties in the last past election. The relation is shown for distance in the position on four issues (first four panels) and one aggregate measure (last panel).

i in country c on issue j (EI, EU, ID, PD, Total) in year t. Let us distinguish between platforms of populist, P, and non populist, NP, parties and let $D_{ijct} = (P^{NP}_{ijct} - P^{NP}_{jct})^2$ denote the distance between the platform of non-populist party i and the populist party in its country, if there is one. If there is more than one populist party we compute the distance from the mean populist parties position. Let s^p_{t-1} denote the share of votes to the populist party (or the sum of the shares to the populist parties) in the last election before the survey. We test our proposition by running the regression:

$$D_{icjt} = f_T + f_P + \gamma s^P_{t-1} + u_{icjt}$$

where f_T are time fixed effects, f_P are non-populist parties fixed effects and u_{it} an error term. Because parties are specific to the country, the party fixed effects also capture systematic differences across countries. Our model predicts a negative value of γ, that is the platforms of non-populist parties should tend to get closer to that of the populist party after the latter becomes more successful.

Figure 4 plots the relation between the distance of the platforms of non-populist

parties from those of the populist and the share of votes to the populist party in the last election before the survey for each of the issues and the total index. To pick up possible non-linearities we plot a local polynomial regression, together with the 95% confidence band. Interestingly, in all issues the distance falls after populist parties gain consensus, consistent with the model prediction. Table 6 shows the estimates of the linear regression specified above. The results confirm the visual inspection of Figure 4: as populist parties gain support, non-populist parties seem to adapt their platforms to reduce the distance from that of the successful populist party. The effects are substantial: increasing the share of votes to the populist party by one standard deviation (16 percentage points) reduces the distance between the non-populist and populist overall platforms by 33% of the sample mean.

Hence, just counting the number of populist parties, or their share of votes/seats in elections, understates the supply of populist policies in a country.

Table 6: Distance from populist platform and share of votes to populist parties (Empirics)

Dependent variable	Coefficient	Std. Err.	Year FE	Obs.	R2
(1) P_EI	-0.365***	(0.0904)	YES	397	0.923
(2) P_EU	-0.128	(0.1771)	YES	396	0.906
(3) P_IQ	-0.407**	(0.1438)	YES	397	0.923
(4) P_PD	-1.408**	(0.5896)	YES	286	0.815
(5) P_total	-1.106*	(0.5831)	YES	286	0.907

The table shows the regression of the distance between the position of non-populist parties and that of the populist party on four separate issues and the share of votes to the populist parties in the last past election. The last row shows the regression results for an overall measure of distance. All regressions include year fixed effects. Robust standard errors are shown in parenthesis. *** significant 1% or less; ** significant at 5%; * significant at 10% confidence level.

7 Conclusions

We can describe the situation of Western countries in the last decade as a global crisis that has affected both markets and sovereign states at the same time, leaving people without a safety net. This has not been the case previously: the crisis in the 70s was mainly a market crisis, while various types of state crises in the 90s were government crises in a context of markets thriving. The rare combination of markets and governments' inability to guarantee security has shaken the confidence

in traditional political parties and institutions, facilitating an increase in fear, in turn aggravated by threats such as mass migration. This paper documents how this global dual crisis affects the demand and supply of populism systematically, considering at the same time effects on turnout, on entry decisions, and on electoral competition.

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Appendix

A Populist parties

Table A1 lists parties that are defined as populist by van Kessel (2016) on the one hand and by and Norris & Inglehart (2016) on the other. Table A2, lists all partiues defiuned as popilist in the European Social Survey's Appendixes, and compares the ESS classification with those of van Kessel's and Norris & Inglehart's. It is worth noting that Table A2 presents only the intersection of parties: (i) defined as populist by the ESS, (ii) which received a vote share large enough to be considered by van Kessel in his study, (iii) that are present in the countries analysed by van Kessel. These filters leave out the majority of parties defined as populist in the ESS, which are not of direct interest for this work. Notice also that the ESS provides descriptions on parties only for waves 5, 6 and 7, which partly explains the reduction in the number of partioes compared to Table A1.

B Political platforms

We obtain innformation on parties political platformsafrom the five waves of the Chapel Hill Expert Survey (CHES). For each of a list of several issues the CHES reports the position of the party on a scale either between 1 and 7 or between 0 and 10. Positions are grouped in fours families: i) overall european integration (P_EI); ii) 11 issues on European policy (P_EU); 3 position on ideological issues (P_ID) and 17 positions on policy issues (P_PD). Table A3 lists the issues covered for each family, the scale on which the position is reported and the survey years it is available in CHES. To make sure we have enough coverage over time, we build the EU index P_EU usimng the the position on te three issues covered in all 5 surveys (three issues, highlithed in italics in the table) and construct the P_PD index using the 11 positions vovered in three surveys (gain highligthed in italics in the table).

Table A1: Comparison Kessel (K) and Norris & Inglehart (N&I)

Country	Party	Kessel	N&I
AT	FPO	1	1
AT	Alliance for the Future of Austria	1	
AT	Team Stronach	1	
BE	Vlaams Blok	1	1
BE	FRONT NATIONAL	1	
BE	List Dedecker	1	
BG	NDSV	1	
BG	Coalition Ataka	1	1
BG	Law, Order and Justice (Red, Zakonnost, Spravedlivost)	1	
BG	Citizens for European Development of Bulgaria (GERB)	1	
BG	VMRO-BND Bulgarian National Movement		1
BG	NFSB National Front for the Salvation of Bulgaria		1
BG	HSS Croatian Peasants Party		1
CH	Swiss People's Party	1	1
CH	Swiss Democrats	1	
CH	Lega dei Ticinesi	1	
CH	Geneva Citizen's Movement	1	
CZ	ANO	1	
CZ	Public Affairs (Veci Verejne)	1	
CZ	Usvit	1	1
DE	Die Linke (The Left)	1	
DE	NPD National Democratic Party		1
DE	AfD Alternative for Germany		1
DK	Dansk Folkeparti	1	1
ES	Podemos		1
FI	True Finns	1	1
FR	FN (Front National)	1	1
FR	MPF Popular Republican Movement		1
GB	British National Party	1	1
GB	UK Independence Party	1	
GB	NF National Front		1
GR	SYRIZA	1	1
GR	ANEL	1	1
GR	XA Golden Dawn		1
GR	LAOS Popular Orthodox Rally		1
GR	ND New Democracy		1
HR	HSP-AS	1	1
HR	HSS Croatian Peasants Party		1
HR	HDSSB Croatian Democratic Alliance of Slavonia and Baranja		1
HR	HSP Croatian Party of Rights		1
HR	HDZ Croatian Democratic Union		1

Country	Party	Kessel	N&I
HU	FYD-HDF Fed.of Young Democrats&Hungarian Dem.Forum	1	1
HU	Justice and Life Party (MIEP)	1	
HU	Movement for a Better Hungary	1	1
HU	FIDESZ-MPSZ	1	1
IE	Sinn Fein	1	
IS	Citizen's Movement (BF)	1	
IT	Forza Italia	1	
IT	Lega Nord	1	1
IT	Movimento Cinque Stelle	1	1
IT	Il Popolo della Liberta (PdL)	1	
IT	Fdl Brothers of Italy		1
LT	Labour Party (DP)	1	
LT	Party "Order and Justice" (TT)	1	
LT	DK The Way of Courage		1
LU	Alternative Democratic Reform Party	1	1
LV	For Fatherland and Freedom/ LNNK	1	
LV	All for Latvia	1	
LV	NA National Alliance		1
NL	List Pim Fortuyn	1	
NL	Liveable Netherlands	1	
NL	Geert Wilders' Freedom Party (PVV)	1	1
NL	SGP Political Reformed Party		1
NO	Progress Party (FrP)	1	1
NO	Democrats	1	
PL	Samoobrona Rzeczypospolitej Polskiej	1	
PL	Prawo i Sprawiedliwosc	1	1
PL	SP United Poland		1
PL	KNP Congress of the New Right		1
RO	Greater Romania Party	1	
RO	People's Party	1	1
SE	Sweden Democrats	1	1
SI	Slovene National Party (SNS)	1	
SI	SDS Slovenian Democratic Party		1
SI	SDS Slovenian Democratic Party		1
SK	HZDS Movement for a Democratic Slovakia	1	
SK	SMER	1	
SK	KDH Christian Democratic Movement	1	1
SK	Slovak National Party (SNS)	1	1
SK	Ordinary People and Independent Personalities (OLaNO)	1	
TR	MHP National Action Party		1

Table A2: Comparison ESS, Kessel (K) and Norris & Inglehart (N&I)

Country	Party	ESS	Kessel	N&I
AT	Freedom Party of Austria	1	1	1
AT	Team Stronach for Austria	1	1	
CH	Swiss People's Party	1	1	1
CH	Bourgeois (Conservative)-democratic Party	1		
CH	Ticino League	1	1	
CZ	Dawn of Direct Democracy of Tomio Okamura (Usvit)	1	1	1
CZ	Public Affairs	1	1	
DE	Alternative for Germany	1		1
DK	Danish People's Party	1	1	1
GR	LAOS Popular Orthodox Rally	1		1
HU	Fidesz-Christian Democratic Allience	1	1	1
HU	Hungarian Democratic Forum	1	1	1
IE	Soldiers of Destiny	1		
IT	Five Star Movement	1	1	1
LT	The Way of Courage	1	1	1
NL	Party for Freedom	1	1	1
NL	Proud of the Netherlands - List Verdonk	1		
NO	Progress Party	1	1	1
PO	Self-Defence	1	1	

Table A3: Chapel Hill Expert Survey

Issue	Scale	Availability	N. waves asked
General question			
1. European Integration	1 (SO) -7 (SF)	1999-2014	5
EU Policy			
1. Powers of European Parliament	1 (SO) -7 (SF)	1999-2014	5
2. Tax Harmonization	1 (SO) -7 (SF)	1999	1
3. Internal Market	1 (SO) -7 (SF)	2002-2014	4
4. Common Employment Policy	1 (SO) -7 (SF)	1999, 2014	2
5. EU authority over member states budgets	1 (SO) -7 (SF)	2014	1
6. EU agriculture spending	1 (SO) -7 (SF)	2002	1
7. EU cohesion on region al policy	1 (SO) -7 (SF)	1999-2014	5
8. Common policy on environment	1 (SO) -7 (SF)	1999, 2002	2
9. Common policy on political asylum	1 (SO) -7 (SF)	1999, 2002	2
10. EU foreign and security policy	1 (SO) -7 (SF)	1999-2014	5
11. EU enlargement to Turkey	1 (SO) -7 (SF)	2006, 2010, 2014	3
Ideological position			
1. Overall stance	0 (Left)-10(Right)	1999-2014	5
2. Stance on economic issues	0 (Left)-10(Right)	1999-2014	5
3. Stance on democratic freedoms	0 (Libertarian)-10(Traditional)	1999-2014	5
Policy issues position			
1. Increase gov exp/reduce taxes	0(Favor gov exp)-10(Favor reduc taxes)	2006-2014	3
2. Deregulation	0(Oppose der)-10(Favor Der)	2006-2014	3
3. Redistribution of wealth	0(Favor)-10(Oppose)	2006-2014	3
4. State intervention in economy	0(Favor)-10(Oppose)	2014	1
5. Civil liberties ves law&order	0(Promote liberties)-10(Support L&O)	2006-2014	3
6. Social lifestyle	0(Support liberal pol)-10(Oppose lib pol)	2006-2014	3
7. Role of religion in politics	0(Oppose)-10(Support)	2006-2014	3
8. Immigration policy	0(Oppose tough policy)-10(Support tough pol)	2006-2014	3
9. Integration of immigrants	0(Favor multicul. policy)-10(Support multicul pol)	2006-2014	3
10. Urban versus rural interest	0(Support urban)-10(Support rural)	2006-2014	3
11. Environment	0(Support environment)-	2010, 2014	2
12. Cosmopolitanism	0(Support cosm.)-10(Support nationalism)	2006	1
13. Regional decentralization	0(Support political decentr.)-10(Oppose decentr.)	2006-2014	3
14. International security and peace keeping	0(Support int. sec)-10(Oppose int. sec.)	20,102,014	2
15. Position towards US power in world affairs	0(Oppose)-10(Support)	2006	1
16. Rights to ethnic minorities	0(Support more rights)-10(Oppose)	2006-2014	3