

Far-right Support in Finland: Bringing Income Inequality Back

Hector Bahamonde ¹ Aki Koivula ¹

Authors in alphabetical order. All contributed equally to this paper.

¹University of Turku, Finland

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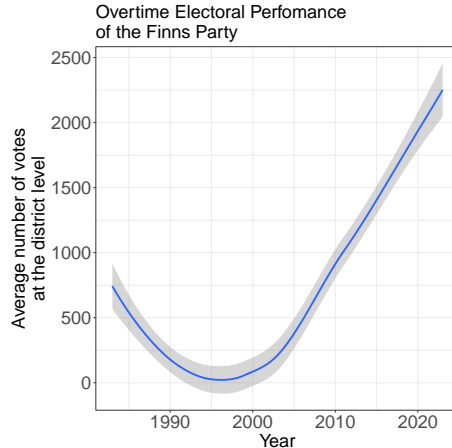
A Very *Unmotivating* Motivation

- Democracy's status:
 - Not in trouble. (Voeten, 2016).
 - In trouble. (Mounk & Foa, 2016; Mudde, 2004; Coffé et al., 2007).
- Far-right populism drivers:
 - Cultural reasons. (Veugelers & Chiarini, 2002).
 - Psychological factors. (Cohen & Smith, 2016).
 - Identity reasons. (Sniderman et al., 2004; Oesch, 2008).
- Inequality and populism:
 - High inequality. (Han, 2016).
 - Low inequality. (Patana, 2020).
 - And finally, some even think that “it’s not the economy, stupid!” (Mudde, 2007).

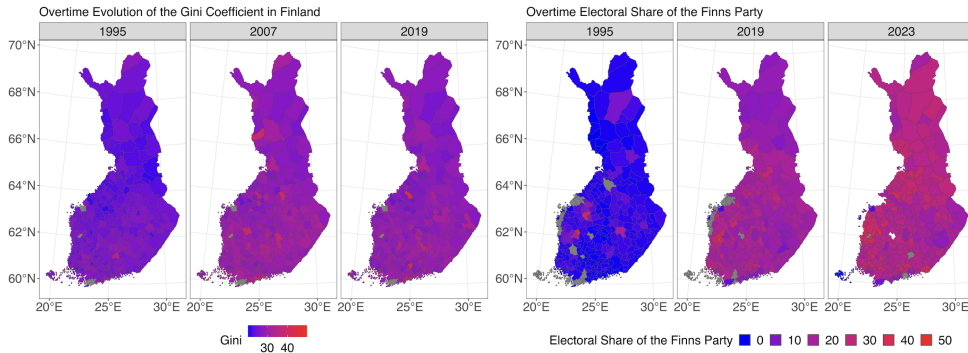
The literature is ***not*** in a good shape.

A Very *Unmotivating* Motivation

Despite the disagreements, the question still stands: **How can we explain the rapid increase in support for far-right populism in Finland?**



Bringing Income Inequality Back



In this paper we are going to concentrate on the relationship between inequality and far-right support in Finland.

Bringing Income Inequality Back

- **Argument:** We argue that **high income inequality** and **perceived threats from skilled immigration** drive voter support for the Finns Party in Finland.
- **Theory:** We apply “**prospect theory**” (Kahneman & Tversky, 1979) to far-right support.
- **Data and methods:** Using **census** and **electoral data**, we employ linear **panel data methods** with city fixed effects (Angrist & Pischke, 2009; Gelman & Hill, 2006).
- **Findings:** Voters influenced by **past economic conditions** and **fear of losing** socio-economic status support far-right parties to prevent potential losses.
- **Contribution:** We **reaffirm the role of economic inequality** in supporting far-right parties in Finland, challenging Patana’s (2020) finding that higher inequality **decreases** such support.

Loss Aversion and Support for Far-right Parties

- **Prospect Theory:** (Kahneman & Tversky, 1979)
 1. Actors often perceive themselves as facing losses, even when they are not (Lau, 1985; Levy, 1992b, p. 291).
 2. *Potential losses* are *weighed more heavily* than *equivalent gains* ("endowment effect" and "loss aversion").
 3. Individuals are more focused on preventing decline than achieving gains (Levy, 1997).

Populist campaigns:

- ✓ When parties *frame their campaigns as losses* (e.g., "Make America Great *Again*"), voters' loss aversion increases support for far-right parties to avoid a socio-economic decline.

Loss Aversion and Support for Far-right Parties

- **Status Voting theory:** (Lipset, 1981)

1. When individuals **perceive** that their social status is **threatened**, they are more likely to **engage in “status voting.”**
2. This voting behavior is **defensive**, aimed at protecting their social position from perceived threats (“losers of modernity”).

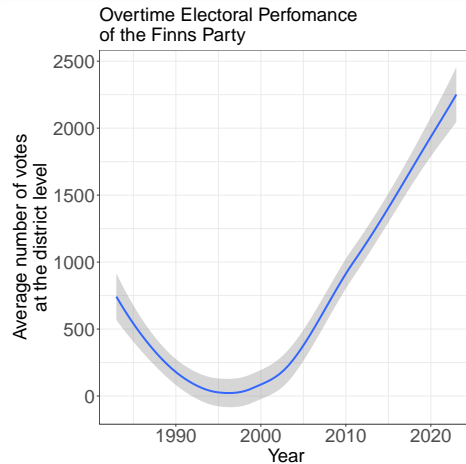
Far-right parties:

- ✓ Capitalize on **fears that immigration threatens** the socio-economic status of native populations.
- ✓ Promise to **restore the status** of native-born citizens by opposing immigration.

The Finns Party and Its Evolution

- The FP started in 2011 and has become a major right-wing political force in Finland.
- Historically done well in rural poor areas, but now they have expanded and also represent other socioeconomic groups, such as blue-collar workers.
- The party's identity is shaped by socio-cultural issues, particularly opposition to immigration, rather than purely economic factors.

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(X_{it}) : Gini coefficient at the city level.

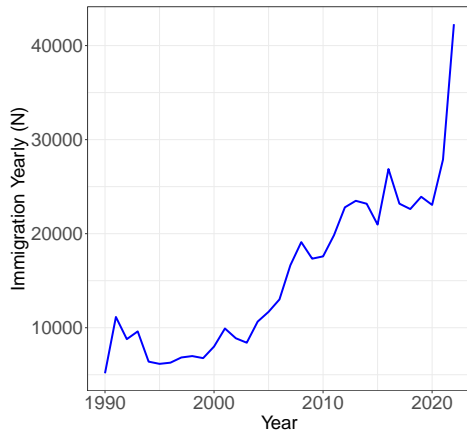


(Y_{it}) : Votes for the FP at the city level.

(X_{it}) : Gini coefficient at the city level.

(Z_{it}) : Immigration Data (country level).

Recoded whether the immigrant comes:



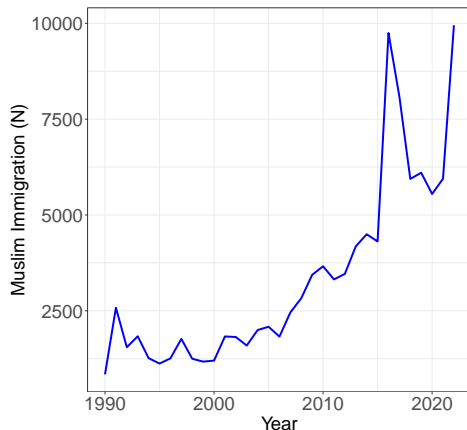
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Recoded whether the immigrant comes:

- Predominantly Muslim.



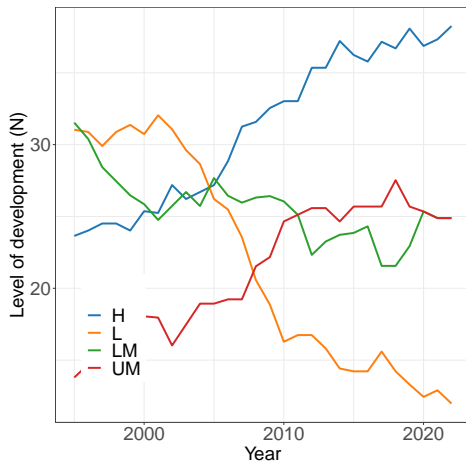
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Recoded whether the immigrant comes:

- Predominantly Muslim.
- Developed/Underdeveloped.



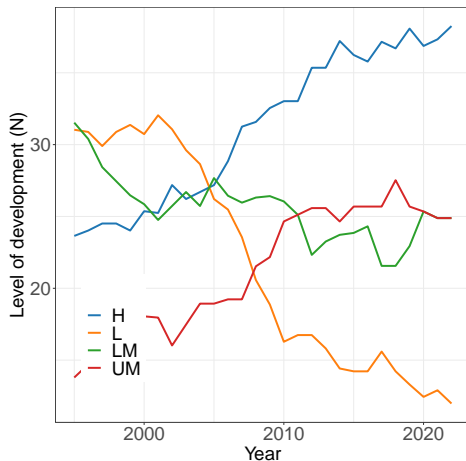
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Recoded whether the immigrant comes:

- Predominantly Muslim.
- Developed/Underdeveloped.
- ✓ Helps in exploring cultural and economic factors behind far-right support.



Dynamic Linear Panel Regression Model

- We regress **votes for the FP** on the **Gini coefficient** for city i and time t .
- To capture levels of **loss aversion**, we included **1-year lags**.
- We also include other **controls** (immigration) and **city fixed effects**.
- Coverage: 485 cities, between 1995 – 2023 ($N = 3903$).

$$Y_{it} = \alpha + \beta X_{it-1} + \gamma Z_{it-1} + \lambda_i + \epsilon_{it-1}$$

where:

Y_{it} : Votes for the FP i at time t

α : Intercept

X_{it} : Gini for city i at time t

Z_{it} : Matrix of control variables for city i at time t

λ_i : City fixed effects

ϵ_{it} : Error term

Table: Linear Panel Models: Inequality and the Finns Party

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Intercept	-5342.56*** (670.86)	-4029.95*** (688.48)	-2975.42*** (710.03)	-3413.70*** (725.37)	-7306.89*** (809.69)	-4992.89*** (840.74)	-4981.63*** (817.95)	-5510.35*** (824.58)	37049.78*** (2466.39)	34154.41*** (2479.27)
Gini	83.32** (26.09)	135.76*** (24.97)	84.27** (26.47)	105.34*** (27.49)					-1523.23*** (93.72)	-1464.68*** (90.05)
High and Upper-medium Country Immigration	76.47*** (5.37)								-751.23*** (48.40)	-691.62*** (50.54)
Muslim Immigration		0.39*** (0.03)		0.21** (0.08)					-0.29*** (0.08)	
Immigration Total			0.10*** (0.01)	0.05* (0.02)						-0.15*** (0.03)
Gini (1 lag)					160.15*** (29.54)	176.57*** (29.89)	155.87*** (29.16)	169.40*** (29.22)		
High and Upper-medium Country Immigration (1 lag)					75.83*** (5.07)					
Muslim Immigration (1 lag)						0.38*** (0.03)		-0.30*** (0.07)		
Immigration Total (1 lag)							0.11*** (0.01)	0.18*** (0.02)		
Gini x High and Upper-medium Country Immigration									31.77*** (1.79)	31.45*** (1.76)
AIC	35295.18	35323.97	35327.30	35325.77	35714.78	35770.51	35694.57	35683.57	35009.59	35004.66
BIC	35323.00	35351.79	35355.11	35359.15	35742.63	35798.37	35722.43	35717.00	35048.53	35043.60
Log Likelihood	-17642.59	-17656.99	-17658.65	-17656.88	-17852.39	-17880.26	-17842.29	-17835.78	-17497.79	-17495.33
Num. obs.	1926	1926	1926	1926	1942	1942	1942	1942	1926	1926
Num. groups: City	278	278	278	278	293	293	293	293	278	278
Var: City (Intercept)	3058282.91	2906916.58	3049780.73	2990919.42	5332857.63	5294916.55	5368474.15	5298986.04	3013375.88	2912310.91
Var: Residual	4137935.21	4211950.46	4186254.09	4183125.50	4098561.82	4215221.92	4013946.45	3985390.57	3496524.93	3499401.53

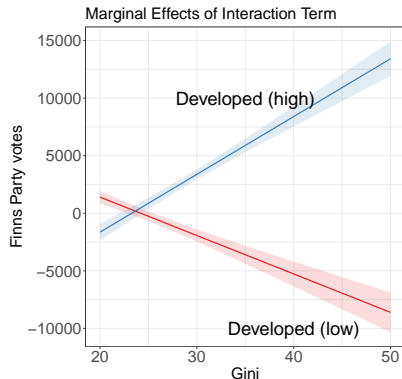
***p < 0.001; **p < 0.01; *p < 0.05

Main takeaways:

- **Inequality:** While immigration predictors are positive and significant, **income inequality** *trumps* all of them.
 - In fact, **lagged inequality** (loss aversion) is the **strongest predictor**.
- **Cultural backlash theories:** **Muslim immigration** is a *stronger* predictor than **total migration**.
- **Status voting theory:** **immigration from developed countries** is the *strongest* immigration predictor.

An Interactive Hypothesis

- Model 9 interacts the **country of origin** of the immigrant (developed/underdeveloped) with **income inequality**: the FP does better when “developed immigration” and inequality are high.
- **Our interpretation:** *Given that individuals prioritize preventing economic decline, they perceive the potential losses associated with skilled immigrants in contexts characterized by high inequality.*



Wrapping Up

- We think the literature is very **messy**, with different conflicting explanations.
- What we're trying to do is to **revive inequality** as one of the most important predictors.
- Also, we contribute to the literature by introducing **prospect theory** to the study of far-right support.
- Empirically, we also contribute by **disaggregating immigration by type**.

Limitations

- We don't have [regional-level data on immigration](#).
- **“Smoking guns” problem:** we're trying to improve our identification strategy which might *not* directly [match](#) with our loss aversion theory. **Comments on this plz!**

Thank you



to check updates on this project.