Far-right Support in Finland: Bringing Income Inequality Back

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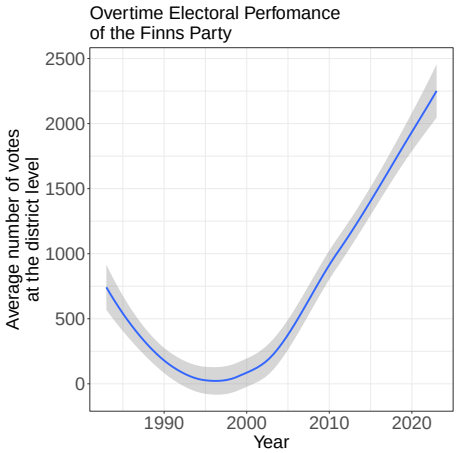
A Very *Unmotivating* Motivation

- 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).

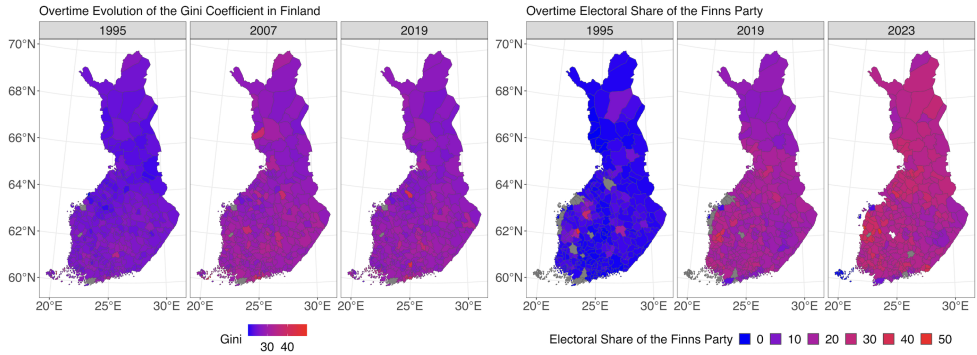
The literature is ***not*** in a good shape.

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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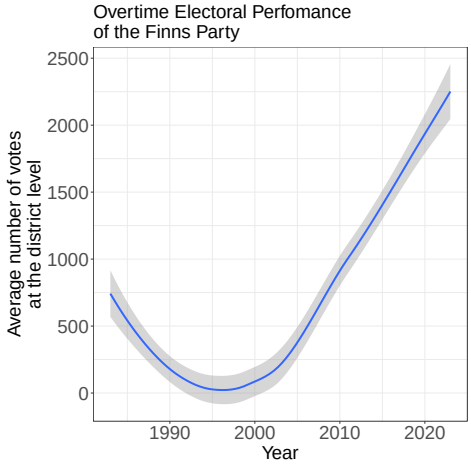

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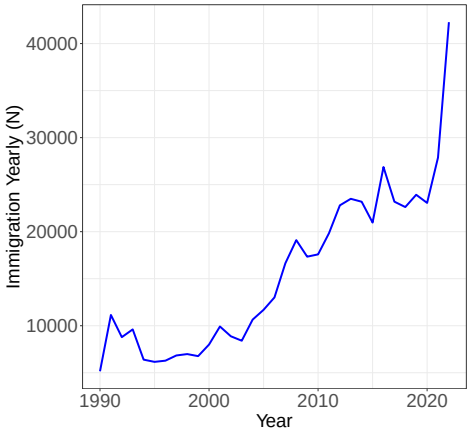

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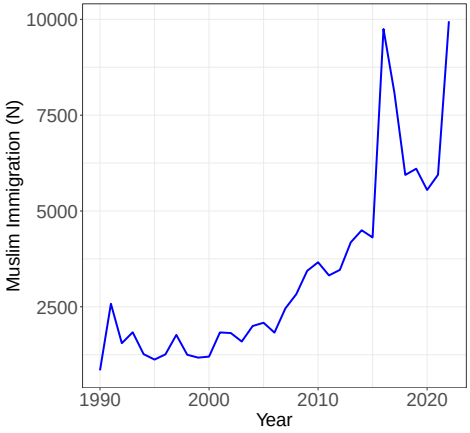
- Predominantly Muslim.



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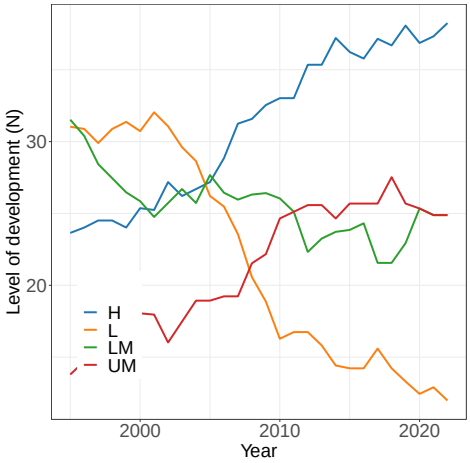

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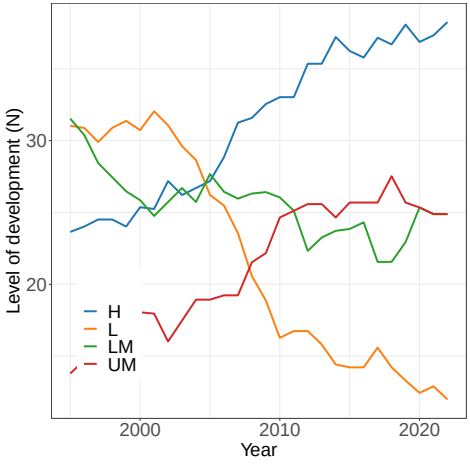
- Predominantly Muslim.
- Developed/Underdeveloped.
- ✓ Helps in exploring cultural and economic factors behind far-right support.



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***	−4029.95***	−2975.42***	−3413.70***	−7306.89***	−4992.89***	−4981.63***	−5510.35***	37049.78***	34154.41***
	(670.86)	(688.48)	(710.03)	(725.37)	(809.69)	(840.74)	(817.95)	(824.58)	(2466.39)	(2479.27)
Gini	83.32**	135.76***	84.27**	105.34***					−1523.23***	−1464.68***
	(26.09)	(24.97)	(26.47)	(27.49)					(93.72)	(90.05)
High and Upper-medium Country Immigration	76.47***								−751.23***	−691.62***
	(5.37)								(48.40)	(50.54)
Muslim Immigration		0.39***		0.21**					−0.29***	
		(0.03)		(0.08)					(0.08)	
Immigration Total			0.10***	0.05*						−0.15***
			(0.01)	(0.02)						(0.03)
Gini (1 lag)					160.15***	176.57***	155.87***	169.40***		
					(29.54)	(29.89)	(29.16)	(29.22)		
High and Upper-medium Country Immigration (1 lag)					75.83***					
					(5.07)					
Muslim Immigration (1 lag)						0.38***		−0.30***		
						(0.03)		(0.07)		
Immigration Total (1 lag)							0.11***	0.18***		
							(0.01)	(0.02)		
Gini x High and Upper-medium Country Immigration									31.77***	31.45***
									(1.79)	(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

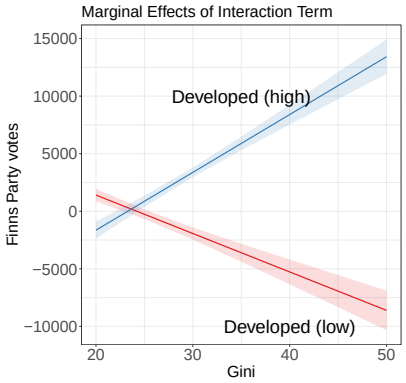
$^{***}p < 0.001$; $^{**}p < 0.01$; $^{*}p < 0.05$

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.