Research Plan

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Overview

Democracy faces a crisis with the rise of populist, far-right, and far-left parties (e.g., Mudde 2004, Coffe 2007). My project seeks to unravel the reasons behind the electoral success of these movements. My argument is that, as economic inequality rises, the perceived potential losses for the less well-off intensify, leading to increased support for populist, far-right, and far-left parties. Conceptually, voters adjust their reference points due to declining economic prospects, while populist parties tap into the heightened loss aversion of voters. While the inequality hypothesis has been previously introduced, there are two important shortcomings. Conceptually, previous works have overlooked the idea of "loss aversion" (Kahneman and Tversky, 1979), a critical miss, especially when studying the political effects of economic *losses* and *inequality*. For example, while most scholars concentrate on *diminishing* levels of status (Gidron and Hall 2017) or *decreasing* material well-being (Oesch, 2008), the literature often misses the fact that *individuals are more sensitive to losses than equivalent gains* (Levy 1992a, p. 171). Considering the *asymmetrical* political effects of losses and gains, can reversing the same levels of inequality that caused populism also "un-cause" it? Unfortunately, the literature has missed these kinds of questions. Furthermore, the inequality hypothesis has not been rigorously tested (Engler and Weisstanner, 2021 p. 154). For instance, Rooduijn (2018) analyzes 15 key populist parties across *11* Western European democracies only to find that a populist voter type does not exist. I attribute these kinds of oversights to scholars *missing a focus on loss aversion* and also *relying on survey methods with observational data* that are susceptible to social desirability biases (Kuklinski 1997).

In general, the literature is in very bad shape, not only lacking conclusive answers (Ivarsflaten 2008, p. 6), but also offering a *cacophony* of clashing explanations. Some assert that "No, people really aren't turning away from democracy" (Voeten 2016), yet others counter with "Yes, people really are turning away from democracy" (Mounk 2016). And while some studies resonate with my income inequality hypothesis (Han 2016), others emphasize social status while specifically *disregarding* economic inequality (e.g., Gidron and Hall 2017; Oesch 2008). In fact, the misunderstanding in the literature is so profound that some even claim that high inequality *reduces* support for far-right parties (Patana 2020, p. 725), while others *dismiss* economic factors altogether with remarks like "it's not the economy, stupid!" (Mudde 2007).

Amidst this confusion, my research offers a novel **substantive contribution** to the literature. Drawing from our research (Bahamonde and Canales, 2022), I introduce prospect theory (Kahneman and Tversky, 1979) to the study of extremist politics. Several reasons make this theory particularly apt for understanding extreme political tendencies. First, prospect theory elucidates decision-making amidst *risk* (McDermott, 1998; Levy, 1992a), both political and economic. Politically, the *unpredictability* of novice populist parties (Ivarsflaten, 2008) makes voting for them a risky decision. Economically, many describe extreme voters as the "*losers* of globalization" (Im 2019, Milner, 2021), situating voters in a globalization-induced unemployment risk. Thus, since "losses loom larger than gains" (Kahneman and Tversky, 1979), understanding the asymmetric political consequences amidst rising economic inequality levels—as addressed in our own

work, i.e., Bahamonde and Trasberg, 2021—becomes vital. Yet, the literature overlooks how voting for populist parties is a risky strategy itself aimed at "recovering losses [...] to aggressively compensate for prior losses" (as discussed in our work; e.g., Bahamonde and Canales, 2022 p. 2). Second, unlike personality theories, prospect theory does not require knowing individual psychological traits for predicting behavior (McDermott, 2004; Vis, 2011). This stands in contrast to personality-driven theories of radical support (e.g., Cohen and Smith, 2016) which face substantial causality concerns (Mudde 2007). In practice, prospect theory promises to address many previously overlooked questions: Do far-left and far-right movements frame social and economic losses differently (i.e., "framing effects," Kahneman and Tversky, 1979)? At what threshold of inequality do voters reach an indifference point towards extremist movements?

Moving forward, I also make several **novel methodological contributions** to the literature. The literature heavily relies on survey research, which has very important shortcomings: causal factors are obscured (King et al. 1994), datasets usually lack statistical representativeness of extreme-party supporters (Mudde 2007), and self-reported preferences towards "democracy" have their own set of challenges because not everyone has a uniform understanding of what "democracy" is or implies (Ananda 2021). It is particularly crucial to address these biases as many of the extreme parties in question back policies that are not widely accepted by society, such as restricting immigration or limiting humanitarian aid (Dehdari 2022, p. 194, and Betz 1993 p. 413), which are themselves significantly influenced by social desirability biases (Kuklinski 1997). For example, using experimental methods, Klar et al. (2016) find that Trump supporters are more likely to conceal their support for him, while Brownback and Novotny (2018) find that Democrats are more likely to lie about their agreement with some of Trump's policies. Despite these findings, the broader literature often neglects the benefits of experimental methods. My project addresses these causal inference and bias issues by using experimental designs, register data, and sophisticated econometric techniques.
This Research Plan comprises **two main activities** that will take place between 2024 and 2028 (see Figure 1).

Research Activities

First activity. Most research focuses on voters. For example, some studies indicate that income inequality pushes poorer *voters* towards radical parties (Han, 2016). However, others argue that *voters*' social status (but *not* income inequality) plays a more pivotal role (Gidron and Hall 2017 and Oesch 2008). Three key takeaways emerge from the existing literature. First, there is no clear consensus on what primarily drives extreme voting (Ivarsflaten 2008 p. 3 and Jesuit 2009, p. 279). Second, most studies tend to have a static perspective, often concentrating on fixed moments and neglecting dynamic factors like shifts in status or inequality (e.g., Kurer and Pailier 2019). This oversight is significant, as most theories, despite highlighting different factors, emphasize the importance of changes, whether in status or material well-being. Yet, scholars often fail to address these dynamic losses, both in theory and practice. Third, and as I have argued before (Bahamonde 2022), the role of *political candidates* remains underexplored. Do candidates *resemble* the socio-economic backgrounds of the platforms they aspire to represent? Have *their* socio-economic positions evolved over time? Integrating prospect theory provides a more comprehensive understanding, particularly in deciphering the interplay of dynamic changes (Thaler and Johnson, 1990, p. 643) in status or material well-being and their influence on political behavior.

I concentrate on the intersection of supply (candidates) and demand (voters) for far-right populist ideas and incorporate two types of survey experiments: list experiments, as explained in my own work (Bahamonde, 2022), and conjoint experiments (Hainmueller, Hopkins, and Yamamoto, 2014). The list experiment is designed to elicit truthful responses to sensitive questions, while the conjoint experiment explores multidimensional choices and reduces social desirability bias. I aim to employ these techniques to examine (multidimensional) determinants of attitudes towards immigration, welfare redistribution, racism, and democratic support, spanning both voters and parties. These data will then be merged with macro-structural socio-economic variables. My goal is to study where the supply of populist ideas and demand

for these ideas meet, a framework exemplified in the concept of (extreme) "party-mass linkages" as described by Kitschelt (2000). Importantly, while list experiments reveal aggregated behavioral patterns by mitigating social desirability biases, conjoint designs dissect individual and multidimensional attitudes, offering a holistic understanding of the topic when both experiments are used.

Importantly, I deviate from the customary approach in survey research which involves randomly sampling the entire population (Mudde 2007). Instead, I survey genuine supporters of the Finns Party. Exploiting the fact that the party charges a membership fee in exchange for which party members receive the party's magazine in their mailbox, I will utilize the state-owned postal service mailer service, accessible to standard marketing companies in Finland. From this, I will send invitation letters to a random sample of actual party supporters to participate in the two aforementioned longitudinal survey experiments (n=1000). Using a similar experimental design and questioner, the project also seeks to collect data from current and former Finns Party candidates and politicians. Drawing from our previous work (Bahamonde and Sarpila, 2023), we will utilize rich Finnish register-level data. From this data, postcards will be sent to a random selection of n=200 candidates, inviting them to participate in the two aforementioned longitudinal survey experiments. I intend to carry out 3 surveys annually for 5 years, resulting in a total of 15 surveys each for both politicians and supporters.

Furthermore, the individual-level longitudinal data (supporters and politicians) will be merged with longitudinal district-level data, such as overtime measures of inequality, immigration, among others (Dehdari 2022, Kurer and Palier 2019, Gidron and Hall 2020). This integration aims to provide insights into the underlying motivations fueling support for radical far-right politics. This design is advantageous for dynamic causal identification, allowing the tracking of real-world changes (e.g., Im et al., 2023).

Second activity. The main objective of this activity explores the formation process behind extremist attitudes. This is a crucial aspect to consider. Some suggest that the roots of radical voting lie in psychological traits. For example, Cohen and Smith (2016, p. 1) argue that authoritarianism is a psychological trait. While their findings are compelling, they raise serious questions about endogeneity. This line of thought stems from Adorno's "The Authoritarian Personality" (1950): those brought up by an authoritarian father are predisposed to authoritarian attitudes (e.g., Helminen et al., 2023). However, this theory struggles to explain the recent rise in extreme support, unless conservative families in the 1960s had more children (Mudde 2007, p. 218). To solve this issue, I will test the explanatory power of my loss-focused inequality hypothesis against the psychological hypothesis. Additionally, I will test other explanations that touch upon issues related to material deprivation, such as the cultural (Engler and Weisstanner, 2021; Veugelers and Chiarini, 2002), social (Gidron and Hall, 2017), ethnic (Helske and Kawalerowicz, 2023), democratic values (Lipset 1981, Carlin and Moseley 2015), and "negative partisanship" (Mudde and Rovira, 2018) hypotheses. Incorporating prospect theory offers a distinct advantage as it allows for predictive insights into voting behavior without necessitating an understanding of individual psychological traits, bridging the gap between economic and psychological explanations.

The methodological contribution of this work package is to implement a novel longitudinal lab (voting) experiment designed to study the decision-making process driving support for populist far-right and far-left movements. Economic lab experiments allow for the direct observation of participant behavior. By setting up specific scenarios, researchers can gain insights into how individuals make choices (Kahneman, 2012). My experiment will take place at the PCRC Decision Making Laboratory at the University of Turku, the oldest decision-making lab in Finland. I chose Finland primarily because the lab already maintains a panel of Finnish citizens, eliminating recruitment needs. Importantly, in behavioral economics, the specific sample in lab experiments is not as crucial as in survey experiments (Morton and Williams 2010). Thus, a well-conducted lab experiment, like mine, should yield consistent results whether conducted in

Finland or elsewhere—this is not to say the sample is irrelevant, but rather that the controlled setting of lab experiments allows for greater focus on the mechanism itself.

The study is structured in t=10 waves, each spaced about two to three weeks apart. All n=200 participants will assume the role of a "citizen," and all will be compensated to participate in the 10 waves. To simulate the market dynamics influencing radical voting, in wave t=1 they will be given a hypothetical occupational status (which they will retain for the remaining 9 waves). These statuses include various job types with their corresponding hypothetical monthly post-tax incomes. Due to infrastructural and computational limitations, I can accommodate only 40 participants in each session, leading to 5 experimental sessions per wave. I intend to spend one whole week per wave. This approach allows me to simulate different societal structures with diverse income distributions between each experimental session. As the experiment unfolds, participants encounter a series of exogenous shocks (experimental conditions), e.g., spikes in unemployment, crime, or immigration.

Importantly, I will include different questions frequently used in studies focused on the "authoritarian personality." This includes the "fascism" (Altemeyer, 1981), the "child-rearing values" (e.g., Helminen et al., 2023) and the "right-wing authoritarianism" (Duckitt et al., 2013; Feldman, 2003; Hetherington and Weiler, 2009) scales. This will enable me to better understand the complex interplay between income inequality and personality-based explanations of radical voting. Parallel to this, participants will be exposed to different "campaigns" (vignettes) from (fictional) political candidates. These "campaigns" will mirror messages typical of populist/extremist platforms (see e.g., Schumacher et al. 2022), as well as those of traditional left, center, and right candidates. In the final 10th wave, participants will individually have the opportunity to cast their ballots for one of these candidates.

Figure 1: Gantt Chart: Research Plan between 2024 and 2028.