Immigration and Local Redistributive Spending

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Abstract

In many European countries, local governments exercise significant control over redistributive policy. This chapter analyzes how municipalities adjust levels of redistribution in response to immigrant settlement. I argue that local responses to immigration are conditional on the political status granted to foreign resident populations. In contexts where immigrants are barred from voting in local elections, incumbents will primarily view foreign residents as a fiscal liability, and will reduce redistributive spending in response to international migration. In contrast, where foreign residents possess local voting rights, I argue that incumbents gain strong incentives to use redistributive cash transfers to stimulate immigrant turnout in local elections. This tendency offsets downward pressure on spending, and may generate sustained increases in redistributive activity within diversifying settings. I test this argument in two stages. First, I draw on a unique sample of nearly 19,000 European municipalities to measure long-term relationships between immigration and local redistributive spending across different institutional contexts. Second, I exploit a natural experiment in two countries with recent franchise extensions (Belgium and Switzerland) to obtain precise estimates of the effect of exogenous changes in political rights on local spending patterns. The results, which indicate that fiscal responses to immigration are strongly dependent on the political rights granted to foreign residents, have important implications for integration and welfare policy.

1. Introduction

In 2009, the town council of Opfikon, Switzerland, engaged in a discussion on the "foreigner problem" affecting the municipality. Noting that 64% of local welfare benefits were being distributed to non-Swiss, several right-wing councilors argued that the town should cut cash transfers in order to discourage additional immigration and "reduce the number of foreigners."[1] Despite disagreement within the council, this sentiment appears to have influenced the budget, with per capita social expenditures declining by 8% over the following two years.

Incendiary rhetoric aside, this mode of politics is not unique. International migration is rapidly transforming cities and urban communities across Western Europe. And unlike similarly diversifying contexts such as the United States, these demographic changes have occurred in a setting in which local governments are key actors in redistributive policy. Following extensive devolution over the last twenty years, local governments in many European states now exercise considerable discretion over a wide range of social benefits and local transfers.

What determines whether local governments adjust this redistributive spending downwards in response to immigrant settlement? Conventional wisdom suggests that a negative fiscal response may be inevitable. Building on an established literature within comparative politics, an influential perspective has argued that immigrant-fueled diversity will decrease support for generous redistributive policies by activating in-group bias (Alesina and Glaeser 2004). Thus far, survey evidence within the European context has reinforced these claims. Europeans consistently rank immigrants as the group least deserving of welfare benefits (Van Oorschot 2006). Similarly, cross-national and national studies have established that support for redistribution tends to decline as the pool of beneficiaries becomes increasingly diverse (Semyonov et al 2006; Eger 2010; Dahlberg et al 2012; Burgoon et al 2012).[2]

Although the evidence suggests that many European citizens oppose redistribution to immigrant populations, it is less clear that these sentiments translate directly into reduced

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[1] Protokoll des Stadtrates Opfikon: 5 Oct. 2009; 12 Jan. 2010; 17 Nov. 2011; 17 Jun. 2013.

[2] Although note that the effect varies by demographic groups, and may be conditioned by characteristics of the immigrant population. See Hainmueller and Hiscox, 2007; Burgoon 2014.

levels of provision. Although several studies have documented a downward bias in redistributive expenditure in response to immigration (Böheim and Mayr 2005; Soroka et al 2006; Monseney et al 2011; Speciale 2012), other analyses have found no effect when examining aggregate cross-national data (Banting et al 2006; Senik et al 2009; Brady and Finnigan 2013), or subnational data in decentralized contexts (Gerdes 2011). The emerging consensus is that while voter sentiment may be strongly affected by immigration, redistributive outcomes remain somewhat insulated; perhaps buffered by high baseline support for social provision (Crepaz 2007, Van Oorschot and Uunk 2007), active left-wing politics (Taylor-Gooby 2005), or legal protection of minority rights (Anderson 2006; Mau and Burkhardt 2009; Gerdes 2011; Banting et al 2012).

This chapter advances an alternative perspective. I shift the theoretical focus from voter sentiment towards the electoral incentives facing incumbents in decentralized settings. I argue that the manner in which local governments respond to immigration is conditional on the balance of social and political rights granted to foreign residents by higher level governments. Where immigrants have protected access to social benefits but lack the capacity to vote in local elections, parties across the political spectrum will have incentives to cut redistributive spending in response to immigrant settlement. However, where foreign residents have the ability to vote in local elections, I argue that incumbents gain strong incentives to use local cash transfers as a means to recruit immigrant votes. This tendency offsets downward pressure on social spending and may induce sustained gains in redistributive effort within diverse settings.

I evaluate this argument in two stages. First, I assess the relationship between immigration and redistributive spending across seven countries characterized by local discretion over redistributive policy. Drawing on panel data from a unique dataset of 18,996 municipalities, I establish a robust correlation between institutional variation in foreign voting rights and the character of local fiscal responses to immigrant settlement. Second, I examine two high-immigration countries that recently extended voting rights to foreign residents. Exploiting a natural experiment related to variation in immigrant settlement at the time of the legal change, I estimate the precise effect of extending foreign voting rights on subsequent levels of

redistributive spending. [3] The results suggest that, on average, municipalities in Switzerland increased per capita social expenditures by 9% in the year immediately following the extension of foreign voting rights. A similar effect is visible in Belgium, where municipalities with large numbers of foreign residents increased expenditures by 12.5% after a national decision extended local voting rights to immigrant populations. Exploring the results, I demonstrate that increased expenditures were driven not by the actual expression of immigrant votes, but rather by pre-election attempts to promote immigrant turnout via targeted increases in cash transfers.

Viewed in tandem, these findings contribute to our understanding of the relationship between redistribution and immigration in Europe. Contra prevailing accounts, the results suggest that rising levels of immigrant settlement will not necessarily trigger a collapse in levels of provision. Importantly, however, the findings also indicate that European polities are not wholly immune to negative fiscal responses. Rather, as this chapter will demonstrate, the relationship between immigration and local redistributive spending is strongly conditional on whether local governments have incentives to view the foreign resident population as a political resource. Given that foreign political rights continue to vary widely across European states, this finding has important implications for contemporary policy.

2. Theoretical Approach

In Europe, decentralized control over redistributive spending is characterized by broad discretion over levels of generosity. But although localities possess substantial control over the level of benefits, they have limited authority to legislate access to social programs. Barring a few notable exceptions, national governments and courts have protected immigrant access to local benefits (such as cash transfers) and social services.[4] Accordingly, across much of Europe these

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[3]See Vernby (2013) for a similar design focused on immigrant franchise within a context of low anti-immigrant sentiment (early 1970s Sweden).

[4]In a minority of countries with weak judiciaries, such as Austria, Denmark, and the United Kingdom, parties at the national level have been able to statutorily restrict immigrant access to local social benefits. These countries are omitted from this study and are likely characterized by different dynamics. I limit my focus to the majority case in which immigrants have full access to benefits.

local programs can be viewed as a non-excludable public good, available in principle to all residents domiciled within a municipality.

As a result, immigration is often accompanied by clear fiscal impacts at the local level. Although exceptions exist, immigrant populations in Europe tend to be drawn from low socio-economic backgrounds, and often enroll in local welfare programs at a higher rate than natives. For instance, in Belgium, 40.4% of local cash transfers in 2012 were directed towards non-citizens, despite the fact that this group comprised only 9.7% of the population.[5] Accordingly, increases in immigrant settlement are often associated with a growing fiscal burden on local redistributive programs.

From the perspective of politicians in diversifying municipalities, the relative cost of immigrant settlement depends on the character of political rights granted to migrant populations. Where foreign residents have full access to social benefits but lack the ability to vote in local elections, expenditure on programs dominated by immigrants is costly in electoral terms. By channeling funds towards such programs, parties effectively distribute resources towards segments of the population that, by definition, cannot 'return the favor' in the form of votes. Accordingly, as the share of immigrant participation in such programs rises, the marginal electoral benefit of discretionary spending should decline. In these contexts, local incumbents interested in securing their re-election obtain powerful incentives to redirect discretionary funds elsewhere, particularly towards excludable goods or public goods characterized by a comparatively large share of voting beneficiaries.

These incentives differ markedly when foreign residents possess the right to vote in local elections. In these contexts, social expenditure no longer offers a declining electoral return. Indeed, given that immigrant groups represent a politically unincorporated and expanding demographic, expenditure on programs dominated by immigrants may offer a higher marginal electoral benefit than discretionary investment in other public goods. This is especially likely to be true in the context of decentralized control over redistributive benefits, where the ability

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[5]Rates refer to pooled beneficiaries of the Revenue D'Integration and L'Aide Financiere.

to manipulate cash transfers provides incumbents with a powerful means to shape turnout in local elections. Given their outsized enrollment in social programs and their dependence on benefits, immigrants can be easily targeted and may be particularly responsive to increases in discretionary cash transfers. Finally, local government oversight over voter registration implies that incumbents possess an indirect means to monitor whether these increased expenditures effectively stimulate immigrant turnout in local elections. [6]

Although the extension of political rights to foreign populations should raise the marginal benefit of investing in social expenditure for all political parties, whether this countervailing incentive is sufficient to outweigh downward pressure on redistributive spending will likely depend on local incentives to mobilize immigrant voters. Where incumbents are drawn from parties with little chance of benefiting from immigrant votes – a category which includes parties opposed to high levels of municipal expenditure, or more directly, anti-immigration parties – the extension of voting rights to foreigners should engender little immediate change in behavior. In these contexts, the effect of immigrant enfranchisement may be felt only over the long run as immigrants secure meaningful political representation – a prospect highly dependent on the density of immigrant populations and the level of their political participation. Conversely, in municipalities where incumbents are drawn from parties that stand to benefit from immigrant votes (largely those with existing ideological preferences for high local spending ie, the center-left) the extension of voting rights to foreign residents should generate a more immediate reversal in behavior. In these contexts, the degree to which foreign voting rights induce increased redistributive spending should depend less on the actual exercise of political voice than on whether local elections are sufficiently competitive to advantage a strategy of using cash transfers to promote immigrant turnout.

As outlined, the theoretical perspective adopted in this chapter provides three concrete predictions for the relationship between immigration and redistributive spending in decentral-

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[6]While this may resemble clientelistic strategies observed in local elections in the developing world, it is important to note the extension of benefits is non-contingent.

ized European contexts:

> *H1*: In countries where immigrants lack local voting rights, an increase in immigration should be associated with declines in discretionary redistributive expenditure.

> *H2*: In countries where immigrants possess local voting rights, the effect of increasing immigrant settlement should be neutral or positive.

> *H2b*: The extension of foreign voting rights should generate the most immediate reversal in behavior in competitive districts with center-left incumbents.

3. Immigration, Voting Rights, and Local Redistributive Spending

Before establishing the causal impact of foreign voting rights on responses to immigration, I first examine long-term relationships between immigrant settlement and redistributive spending across Europe. To do so, I select a subset of countries characterized by local discretion over social policy, as defined by the European Union's Committee of Regions, [7] excluding any countries with low immigrant populations (predominantly in Eastern Europe), as well as any cases in which immigrants are statutorily excluded from local social benefits.

The resulting sample includes 18,996 municipalities and spans four countries with foreign voting rights at the local level (Belgium, Netherlands, Sweden, and Norway), and three countries without such rights (Italy, Spain, and Switzerland (German-speaking regions)).[8] As seen in Table 1, which provides descriptive characteristics for each of the countries in the sample, the two groups are broadly comparable in terms of the degree of foreign settlement. All countries within the sample are also highly decentralized, as indicated by the share of non-pension social expenditures (SOCX) incurred at the municipal level. Most importantly, levels of anti-immigrant sentiment are roughly comparable across countries, as

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[7]The Committee publishes a formal overview of local political competencies in member states. See: `http://extranet.cor.europa.eu/divisionpowers/`. All of the countries have policy discretion over local social services and must fund a sizeable portion of such benefits with local taxation.

[8]Spain allows residents of non-EU Nordic states to vote in local elections. In practice, this only applies to Norway and Iceland; densities of these populations in Spain are insignificant. In Switzerland, voting rights vary at the canton (state) level. The sample includes 4 cantons that do not allow foreign residents to vote in local elections: Basel-Landschaft, Bern, Luzern, and Zurich. I analyze patterns in cantons that do allow voting rights in the subsequent section.

seen in the lower half of Table 1, which measures the percentage of respondents who answered affirmatively to questions that asked whether "immigrants were a strain on the welfare system" and whether "immigrants will become a threat to society" (2008 European Values Study).

Table 1: Descriptive Data on Sampled Countries

| | Local Voting Rights | | | | No Local Voting Rights | | |
	Belg. (1)	Neth.	Swed.	Norw.	Italy	Spain	Swiss (2)
Foreign Residents	9.7%	3.9%	6.3%	6.8%	7.0%	12.3%	22.0%
Non-EU Residents	3.1%	2.1%	3.5%	3.0%	5.0%	7.3%	8.2%
Local SOCX Share	13.1%	37.4%	42.8%	28.9%	36.7%	17.1 %	23.9%
Public Opinion							
Immigrants are a 'strain' on welfare	59.8%	42.0%	42.3 %	61.2 %	45.9%	31.1%	57.1%
Immigrants will be a 'threat' to society	55.5%	40.8%	34.3 %	41.7 %	47.2%	34.4%	35.0%

(1) Post 2004 only; (2) Subset of German-speaking regions; Foreign Pop Source: Eurostat (2010). SOCX Source: OECD (2005). Public Opinion Data: EVS 2008; Q78D, Q78E (weighted).

For each municipality within the sample, I gathered yearly data on local social expenditures. Although the exact composition of this category varies according to national accounting standards and spheres of local responsibility, the category is broadly comparable across countries. All figures exclude education and health-care costs, but encompass most aspects of local redistributive spending, including cash transfers to the poor and local social services (such as public housing, food programs, employment assistance, and rehabilitation programs).

Figure 1 plots the bivariate correlation between net social expenditure (re-scaled as a percentage of total net expenditure) and the share of foreign residents, [9] with 2007 selected as the reference year to avoid bias stemming from the financial crisis. In the first row, I plot correlations for the four countries that permit foreign residents to vote in local elections. These countries are characterized by a positive relationship between social expenditure and the size

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[9]Figures include EU residents to provide maximum comparability across EU and non-EU states. The correlations are unchanged when examining non-EU residents only. % expenditure shown as the dependent variable to maximize comparability; results are similar when using exp. per capita.

of the foreign resident population, with comparatively more diverse municipalities spending a greater percentage of their budget on local cash transfers and social services. In contrast, in the three countries without foreign voting rights at the local level (bottom row), the relationship is predominantly negative, with diverse municipalities spending a smaller share of their budget on non-excludable social goods than their less diverse counterparts.

Figure 1: Social Expenditure (% of Local Budget) vs % Foreign Residents, 2007
Lines indicate a local polynomial fit, with 95% confidence intervals as dashed lines.
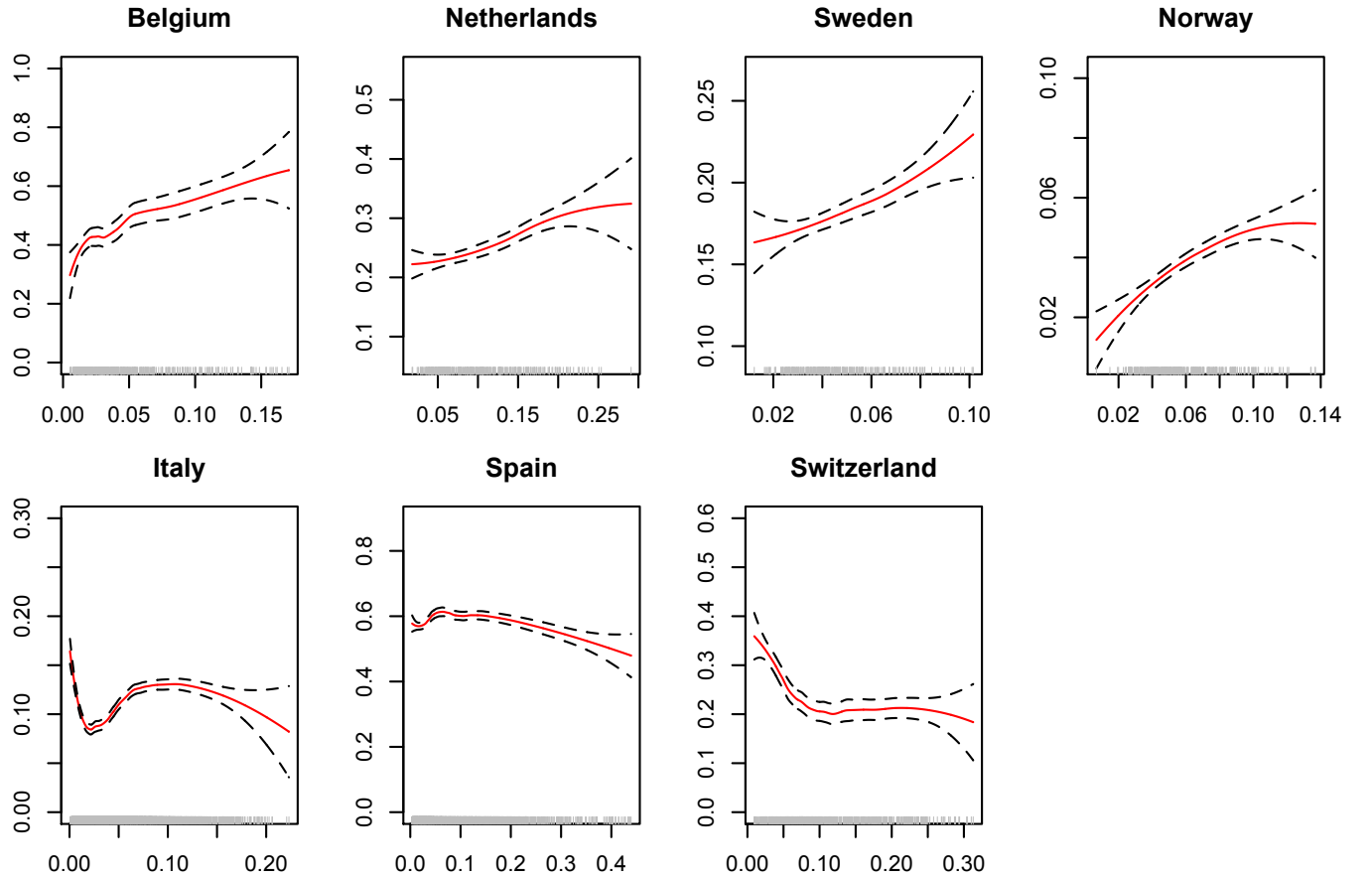
Although care should be taken not to read too much into these bivariate results, at minimum the correlations suggest that the reaction to rising levels of foreign residents has not been uniform. While it may be true that natives respond to rising levels of immigrant settlement by reducing their support for redistributive spending, this does not appear to have translated into identical fiscal responses across Europe.

Investigating these relationships further, I implement a panel design to obtain more reliable inferences concerning the effect of immigration on local social expenditure. For each country, I examine whether immigration induces a *change* in the level of social expenditure within particular municipalities over time. To do so, I fit a simple fixed effects model:

$$ln(Y_{it}) = \beta_0 F_{it} + \beta_1 X_{it} + \gamma_i + \tau_t + \epsilon_{it} \tag{1}$$

where Y measures net social expenditure per head, and F measures the local share of foreign residents at the start of the calendar year. The specification also includes yearly dummies to adjust for period effects, as well as several controls that may plausibly influence local levels of spending, including the municipal population, local unemployment rate, the percentage of residents in the lowest tax bracket, and the local vote share for social democratic parties.

Results are visible in the upper half of Table 2 (next page). As a robustness check, the lower half of the table displays the results from a dynamic specification that includes a lagged dependent variable. Although the introduction of this term allows for expenditure levels to gradually adjust over time, it may introduce Nickell bias in the presence of a fixed effect. Accordingly, I estimate this second model using the Arellano-Bond GMM approach. [10] Coefficients from both specifications can be interpreted similarly; each indicates the expected percentage point change in social expenditure following a 1% increase in foreign resident population within a municipality. [11]

While the results should be viewed as correlational rather than causal, the findings provide strong support for the theoretical perspective outlined in this chapter. Across both specifications, municipalities in countries where foreign residents are excluded from the local political process display a robust negative correlation between increasing levels of immigrant

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[10] I use the single-step system GMM estimator, with robust standard errors. See Arellano and Bond (1991). In the specification, I treat all variables apart from the year dummy as potentially endogenous and instrument each variable with multiple lags. Similar point estimates are obtained using the Anderson-Hsiao (1981) first differencing approach, albeit with larger standard errors.

[11] Results are robust to excluding covariates, including municipality-specific time trends, and excluding small municipalities from each country sample (not shown).

Table 2: Effect of a 1% Increase in Foreign Population on Social Expenditure

| | Local Voting Rights | | | | No Local Voting Rights | | |
	Belg.	Neth.	Swed.	Norw.	Italy	Spain	Switz
FE Model	3.47	1.05	2.31	2.32	-0.96	-0.40	-1.00
	(1.89)	(1.13)	(0.92)	(1.23)	(0.22)	(0.16)	(0.48)
Dynamic Model	0.90	0.98	0.91	1.04	-0.33	-0.59	-0.76
	(0.39)	(0.73)	(0.36)	(0.49)	(0.13)	(0.10)	(0.33)
Number of Units	589	303	289	329	8016	8110	1360
Years	05-11	05-11	02-11	05-11	03-11	02-09	02-10

Percentage point change. Standard errors in parentheses, clustered by municipality.

settlement and redistributive spending. For instance, the fixed effects model suggests that a municipality in Italy that experienced a 1% increase in foreign population share would be expected to lower its per capita social expenditure by approximately 0.96%, plus or minus 0.44%. In contrast, countries in which immigrants are incorporated into the local political process are characterized by an altogether different relationship between immigration and local social spending. In these contexts, the result of additional immigration ranges from the insignificant (Netherlands) to strongly positive (as in Sweden, Belgium and Norway). The consistent signs across all models strongly suggest that outcomes in Europe cluster around two loose equilibria, with institutional variation in foreign voting rights playing a key role in mediating local fiscal reactions to immigrant settlement.

4. Identifying the Effect of Voting Rights Extension

Although the previous analysis suggests that foreign voting rights condition the relationship between immigration and local redistributive spending, it remains unclear whether this relationship is causal. For instance, if countries that are more likely to react favorably to immigrant settlement are more likely to extend voting rights to foreign residents, immigrant voting rights may simply accompany rather than generate the positive fiscal relationships observed in the

previous section.

In order to rule out this possibility, I exploit temporal and subnational variation across two countries: Switzerland and Belgium. By examining how municipalities with different levels of immigrant settlement altered redistributive spending in response to plausibly exogenous shifts in voting laws, it is possible to identify the degree to which political rights mediate local fiscal responses to immigrant settlement.

I evaluate the effect of foreign voting rights extension in two countries rather than one as a deliberate measure to increase the external validity of the findings. Although both Switzerland and Belgium can be characterized as high-immigration countries, they differ in several important respects. Partly due to its outsized role within the European Union, Belgium possesses one of the most open immigration regimes in the developed world, and has championed international legislation protecting minority rights (Howard 2009; Goodman 2010; Koopmans 2010). In contrast, despite high levels of refugee settlement, Switzerland is generally viewed as hostile to immigration and has recently passed several punitive anti-immigration measures (Kriesi et al. 2005; Riaño and Wastl-Walter 2006; Green et al 2010). By analyzing the effect of foreign voting rights extension across two countries widely perceived to be located at opposite poles of the immigration policy domain, I reduce the possibility that the results are confined to a particular socio-cultural or institutional context.

Cases and Empirical Strategy

In contrast to the majority of Western European states that have extended voting rights, Belgium and Switzerland are characterized by fairly recent franchise extensions. In Belgium, local voting rights were extended to non-EU resident foreigners in 2004. In Switzerland, where voting rights vary at the state level, the cantons of Vaud, Fribourg, and Geneva implemented foreign voting rights in 2003, 2004, and 2005, respectively.

From the perspective of municipalities, the introduction of these voting laws can be described as plausibly exogenous. In Belgium, the mandate was imposed on municipalities by the

national parliament, in the face of significant public outcry (70% of voters were opposed). [12]

In the three Swiss cantons, foreign voting rights were implemented as part of process of constitutional reform that took place across all French-speaking regions in the early 2000s. Although previous attempts to introduce voting rights via referenda had failed, left-wing deputies in each canton were able to buck popular opinion and secure foreign voting rights via "logrolling" in constitutional conventions (Mellone 2010; Sina 2013).[13]

In order to determine the fiscal impact of extending foreign political rights, I focus on two sources of variation. First, I examine changes over time, measuring how municipalities modified social expenditures in response to the shift in voting laws. [14] Second, I exploit the fact that levels of immigrant settlement differed widely at the time of the legal change. [15] For instance, in 2004 the percentage of foreign residents varied from 0% to 21% across Belgian municipalities; in Switzerland variation was even higher, ranging from 1% to 50%. If the theoretical perspective outlined in this chapter holds – namely, that foreign voting rights condition the relationship between redistribution and immigration in decentralized settings – we should expect the extension of voting rights to induce consequential shifts in social spending in municipalities with large foreign resident populations. In contrast, little to no deviation from expected year-over-year trends should be visible in municipalities lacking substantial foreign populations at the time of voting rights extension. [16]

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[12] "Desunion sur le vote Immigre." *Le Soir.* 27 October 2003. Flemish parties in particular were widely opposed the measure due to perceived electoral consequences in the Brussels region. In the subsequent analysis, I show that the results hold when restricted to Flemish municipalities.

[13] In Geneva, cantonal law permits constitutional changes to be voted on separately. This resulted in another failed referenda in 2001, which subsequently removed the foreign voting rights provision from the revised constitution. In 2005, the vote was repeated and passed with a narrow 52.29% margin amidst low turnout. Subsequent results are robust to the exclusion of Geneva from the sample (see Appendix Table A3).

[14] This approach provides more leverage in the Swiss case, where the introduction of voting rights were rolling, than in the Belgian case, where all municipalities switched in the same year.

[15] See Card (1992), and Vernby (2013) for a similar research design using two time periods.

[16] In other words, units differ in their exposure to the treatment as a function of foreign settlement. A similar design has been used by Card (1992), Vernby (2013), and Falch et al (2014).

Data

For each case, I gathered yearly data on local redistributive expenditure. In Belgium, these figures were provided by Belfius Bank, and refer to municipal allocations to the local Public Center for Social Welfare (CPAS), which provides social services to the local population. Although rates for the basic poverty relief program – the RMI – are set by the national government, CPAS units have full discretion over additional cash transfers the local poor, as well as services such as local public housing, medical assistance, and local employment programs (Carpentier 2009). These discretionary activities and services are funded by municipalities via local income taxation, with all expenditures subject to oversight by the political council.

In Switzerland, these data are drawn from cantonal government sources and refer to municipal net expenditure on social services and poverty relief programs.[17] Municipalities independently set the budget for these items and finance a large portion via own revenues. Although all municipalities are statutorily required to provide social assistance (cash transfers) to poor residents, subject to a binding minimum standard, local administrations nevertheless retain considerable control over the final level of distributed cash benefits, leading to wide subnational variation in expenditures per beneficiary (Fluder and Stremlow 1999; Minas and Øverbye 2010). [18]

For each country, I also include several variables measuring economic factors that may plausibly influence levels of social expenditure, independent of any changes to voting laws. To measure the presence of local employment shocks, I include the municipal-level unemployment rate. I also control for increases in local poverty by measuring the percentage of residents in the lowest income tax bracket in a given year. Finally, I include a variable measuring local government debt – which may constrain financial autonomy – as well as social democratic vote

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[17]All figures are comparable across cantons, due to common accounting standards (GEFIS).

[18]The exact level of discretion over social assistance varies by canton. Compared to the other municipalities in the sample, municipalities in the Geneva possess more limited discretion over expenditure levels. However, note that the inclusion of these municipalities in the analysis should bias the result downward.

share in the most recent local election.[19] The final dataset covers 458 Swiss and 588 Belgian municipalities between 1999 and 2010.

Results

If the extension of voting rights influenced local fiscal responses to immigration, we should observe a significant deviation from historic expenditure trends in municipalities with high proportions of foreign residents. Figure 2, below, investigates this hypothesis by plotting year-over-year changes in (deflated) per head social expenditure as a function of local immigrant settlement, using a local polynomial smoother. The black line plots this relationship in the first full year after franchise extension, while the thin blue line measures the same relationship in the year preceding the legal change.

Figure 2: % Change in Social Spending after Voting Rights Extension
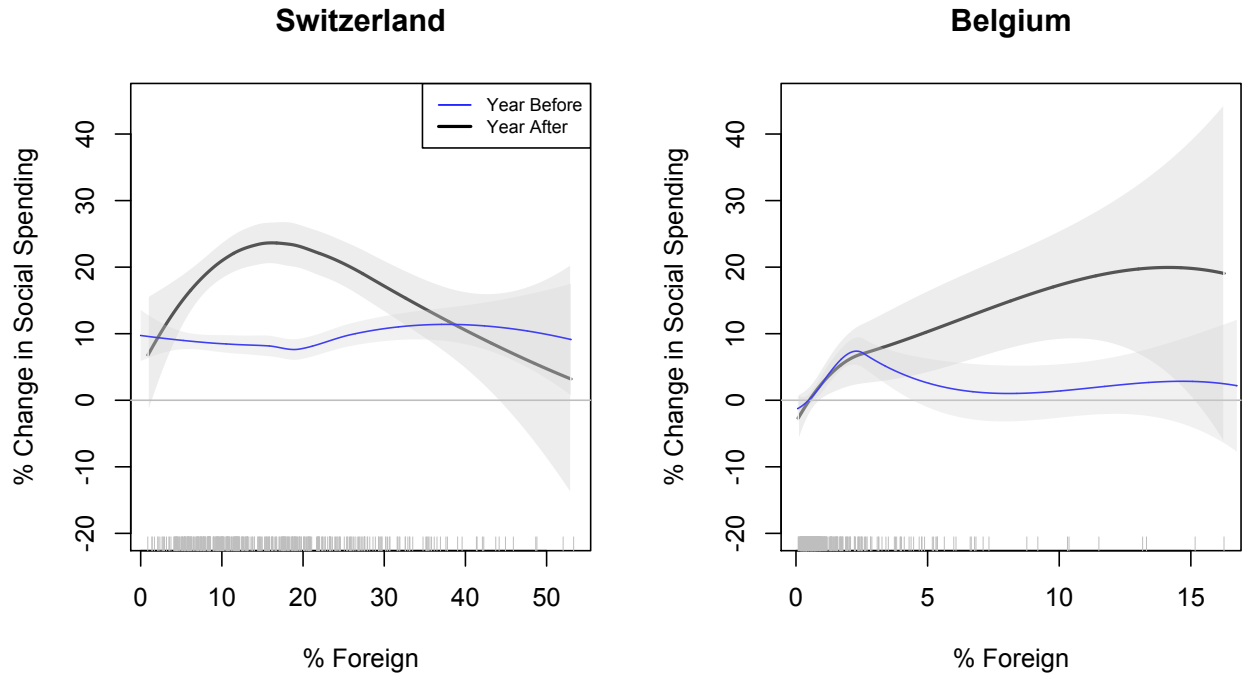
These descriptive results strongly suggest that the introduction of foreign voting rights

[19]In Belgium this data corresponds to vote shares for local councils. In Switzerland I use vote shares in national elections to prevent attrition. See Hainmueller and Hangartner (2013) for a similar approach.

induced substantial and immediate increases in social expenditure in both Swiss and Belgian municipalities. Although no significant difference in year-over-year expenditures can be observed for municipalities with comparatively low levels of immigrant settlement, municipalities with large numbers of foreign residents sharply increased redistributive expenditures in the year immediately following the legal change – a pattern not visible in prior years (blue line). The scale of the observed effect increases with the size of the foreign population, with the effect only subsiding in municipalities with extremely high levels of immigrant settlement. [20]

In order to rule out the possibility that these patterns are driven by unobserved heterogeneity, I fit the following model using panel data:

$$ln(Y_{it}) = \alpha_i + \delta_t + (\alpha_i * t) + \theta(V_{it} * F_{i,t-1}) + \beta X_{it} + \epsilon_{it} \qquad (2)$$

where Y measures social spending per head, X is a vector that includes the covariates described in the previous section, as well as variables measuring logged population and the percentage share of foreign residents, V is a binary indicator for foreign voting rights and receives a '1' in the first full calendar year such rights were active, and F represents the share of foreign residents in a municipality in the year prior to the legal change.

This specification is quite conservative and should provide an unbiased estimate of the effect of voting rights extension on local fiscal outcomes. The fixed effects and yearly dummies (α_i and δ_t) account for any unobserved factors that differ across municipalities and time periods. Similarly, the unit-level time trend, ($\alpha_i * t$), controls for unobserved variation in expenditure growth rates across municipalities. Finally, explicitly interacting the treatment (V) with the mediating variable (F) ensures that no significant effect will be detected if shifts in spending

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[20]Speculatively, we may observe reduced effects at higher levels because a) these contexts may be characterized by reduced financial flexibility, and b) the high volume of immigrants and the need to maintain local public order may have induced fiscal concessions in these locations.

are not related to the level of local immigrant settlement. [21]

Before presenting the results, I fit an additional model in order to gain insight into how the response varies across municipalities. To do so, I adopt a semi-parametric approach. I first divide municipalities into five evenly spaced bins according to the level of immigrant settlement, and then measure how the effect varies across each quantile:

$$ln(Y_{it}) = \alpha_i + \delta_t + (\alpha_i * t) + \theta_{1:5}(V_{it} * F_{1:5,i}) + \beta X_{it} + \epsilon_{it} \qquad (3)$$

Table 3 (next page) displays point estimates for both specifications. The results confirm the previous analyses, and suggest that the extension of foreign voting rights induced a sharp increase in local redistributive expenditure. For instance, the coefficients from the first specification suggest that a Swiss municipality with 13% foreign residents (the mean) responded to the change in voting laws by increasing social expenditure by 5.9%, plus or minus 2.3%. In Belgium, where immigrant settlement was markedly less dense, municipalities at the mean (2.1%) nevertheless increased their redistributive expenditure by 2.10%, plus or minus 1.8%, above and beyond expected yearly trends. In each case, these figures imply a substantively significant increase in redistributive effort.

The results from the binned analysis (presented in right-hand side of Table 3) provide further support for this relationship. The extension of voting rights had no discernable effect in municipalities with low foreign resident populations. In contrast, large deviations from expenditure trends can be observed in municipalities with high immigrant settlement. In Switzerland, the largest increases in expenditure occur in municipalities within the 4th quantile, which corresponds to municipalities with a proportion of foreign residents ranging between 14% and 21%. In Belgium, significant results are confined to the top quantile, which includes all municipalities with more than 2% foreign residents. The fact that significant effects

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[21]The interacted specification provides more conservative estimates than a standard fixed effects model, which does not account for treatment heterogeneity across units. Note that the Belgian model is not biased by the exclusion of 'V' due to the presence of yearly dummies. The Swiss model includes an independent term for 'V' in addition to the interacted term, this coefficient is insignificant across all specifications and is not reported. See the Appendix for alternative specifications.

Table 3: Effect of Voting Rights Extension on Social Spending

	Effect at Mean	By Quantile of % Foreign				
		1	2	3	4	5
Switzerland % Δ	5.88	1.16	1.29	**9.21**	14.04	7.16
n=458	(1.14)	(2.42)	(3.15)	(2.83)	(2.89)	(2.71)
Belgium % Δ	2.06		-6.69	4.51	6.88	**12.50**
n=588	(0.91)		(-9.29)	(4.70)	(5.46)	(4.88)

Standard errors in parentheses, clustered by municipality. Bolded estimates refer to the quantile that includes the mean level of foreign settlement. The first quantile for Belgium is omitted to prevent collinearity with the yearly dummy. Similar results are obtained when excluding the dummy and including a cubic time trend. Omitting the lowest quintile for Switz. does not affect the results.

are only detected for municipalities where immigrants form a viable voting bloc is consistent with the theoretical perspective, and should increase confidence in the findings.

Robustness Checks

These results are robust to a variety of alternative specifications. As shown in Appendix Table A1, point estimates for both models remain consistent when covariates or unit-level time trends are omitted. The results also survive when including quadratic time trends, or when excluding low population municipalities (which may be characterized by skewed per capita expenditures). Finally, in Appendix Table A2 and Figure A1, I show that similar results are obtained when varying the number of bins or when using a Generalized Additive Model (GAM).

Perhaps a more pressing concern relates to the sensitivity of the test. If municipalities with high numbers of foreign residents are more likely to deviate from historic spending trends on a year-to-year basis, the specification could conceivably detect a statistically significant effect where none exists. To evaluate this possibility, I include a placebo test that evaluates whether an effect can be detected in the years preceding the actual change to voting laws. Figure 3 (next page) displays the estimated change in social spending (using the non-binned specification), in the first full calendar year following the change to voting laws, as well as in four preceding years

(-4 to -1). No significant effects are detected for prior years and the point estimates remain small, suggesting that the model is not overly susceptible to a false positive.

Figure 3: Placebo Test
Point estimates and 95% CIs, evaluated using the model in the first column in Table 3.
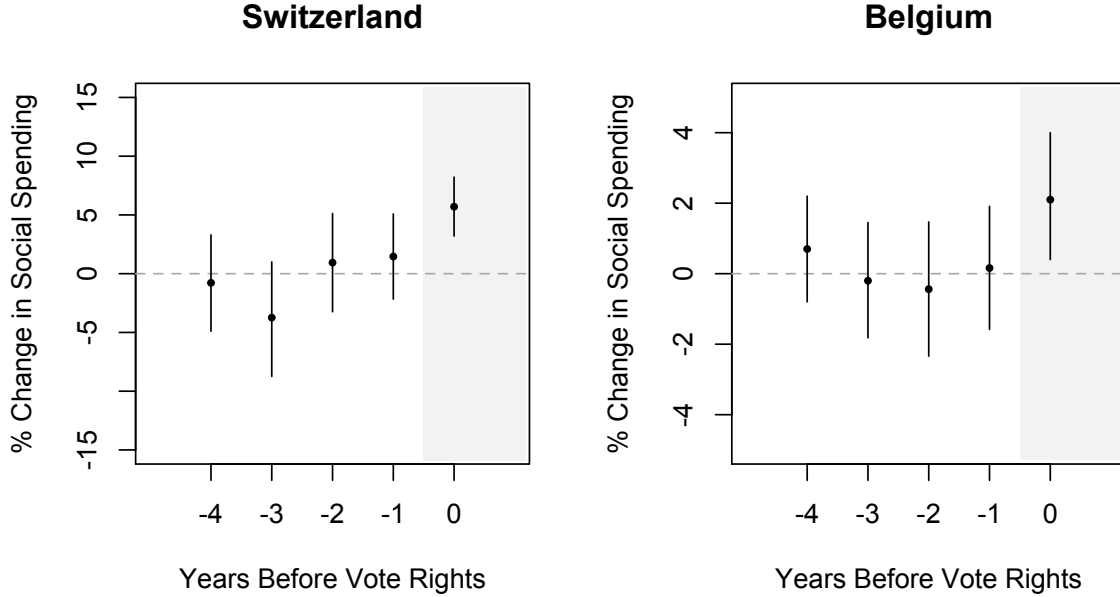
As a final step, I evaluate whether the extension of foreign voting rights introduced a consequential shift in patterns of local expenditure. The two plots on the left-hand side of Figure 4, below, use a local polynomial smoother to show the relationship between (logged) per capita social expenditure two years before (blue line) and two years after (black line) the extension of voting rights. Prior to the legal change, the relationship between immigration and levels of generosity is negative in both countries. However, after the legal change a markedly different pattern can be observed, with levels of generosity rising with increased levels of immigrant settlement.

These findings are further supported by the right-hand plot in Figure 4, which shows the result of a fixed effect model used to evaluate the effect of a 1% increase in foreign resident population (similar to estimates in Table 3). In each country, the effect of immigrant settlement in the years prior to the shift in voting laws was negative, with additional immigration associated with decreased expenditure. However, after the introduction of voting rights, the effect of

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Figure 4: Immigration and Social Spending Before/After Legal Change
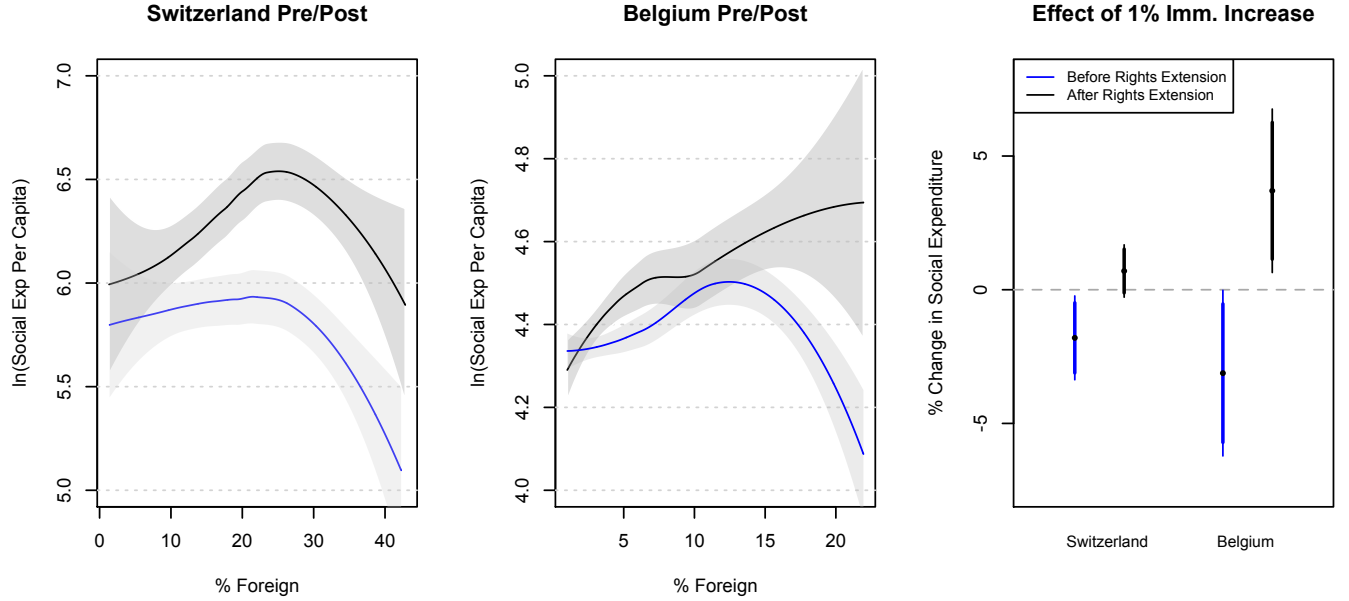
additional immigration is positive, with increased levels of foreign settlement associated with increased redistributive effort. This finding suggests that the introduction of voting rights not only led to an immediate increase in local redistributive expenditure, but rather shifted the association between immigration and redistributive spending over the long run.

4. Evaluating the Mechanism

The results thus far have established a robust causal relationship between changes in foreign voting laws and local redistributive effort. In this section, I focus on the political process motivating these increased expenditures. Although the expansion of the electorate implies that parties will gradually adjust levels of spending to accommodate immigrant preferences, this process cannot fully account for the timing and size of the observed effect. [22] In both Switzerland and Belgium, substantive increases in expenditure were observed immediately following

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[22]See Meltzer-Richards 1981; Lott and Kenny 1999; Vernby 2013. For the majority of franchise events, the effect is only observed following the first election with revised voting rules (in other words, parties may incorporate revised spending preferences into their campaigns, but incumbent adjustment tends to be relatively slow).

changes to voting laws, and before immigrants had the chance to express their preferences in local elections.[23] I argue that this rapid fiscal response is most consistent with a mechanism in which incumbents proactively leverage redistributive transfers to stimulate immigrant turnout. This instrumental or particularistic strategy offers heightened electoral returns in decentralized settings, where proximity implies that local governments have increased capacity to target benefits towards unincorporated voters and monitor trends in local voter registration.

If proactive efforts to mobilize immigrant votes drive observed increases in redistributive expenditure, we should observe two distinct patterns of behavior. First, we should expect spending increases to be targeted relatively narrowly to programs dominated by immigrants in the years preceding elections. Second, the degree to which local governments engage in this strategy should vary depending on whether incumbent parties stand to benefit from increased levels of immigrant participation.

To evaluate the first observable implication, I draw on two sources of data. First, I leverage detailed administrative data from Belgium and measure the yearly per beneficiary expenditure on *L'Aide Financiere*, a discretionary cash benefit distributed by municipalities. In contrast to the main poverty relief program, the RMI, *Aide Financiere* is dominated by immigrants, who accounted for 97% of all beneficiaries in 2003. Using this alternative dependent variable, I re-run the binned analysis, and investigate how levels of generosity changed in response to voting rights extension. The results, visible in Table 4 (next page), suggest that no significant shift in generosity occurred in municipalities with small foreign resident populations (less than 2%). However, cash benefit rates surged by 19.4% in municipalities with higher proportions of foreign residents (quantile 5) in the pre-election period, suggesting that expenditure increases were targeted towards immigrants where they formed a viable voting bloc.

Next, I evaluate how these targeted expenditures relate to immigrant voter registration in the 2006 elections. If benefits were extended as part of a strategy of voter recruitment, we

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[23]In Belgium,elections did not occur until two years after the extension (2006), while in Vaud, Fribourg, and Geneva, local elections took place three, two, and five years after extension, respectively.

should expect to observe at least a mild correlation between the volume of such expenditure and immigrant turnout in elections. In Figure 5, I plot the observed registration rate of newly enfranchised voters against the percentage change in benefit rates for *Aide Financiere*, for all municipalities in the top quantile of immigrant settlement. This correlation, although largely descriptive, suggests that municipalities which cut benefit rates observed lower than average voting registration in the 2006 election. In contrast, immigrants registered at higher than average rates (and were subsequently subject to compulsory voting) in municipalities that substantially increased cash transfer benefits.

Table 4: Benefit Rate, Aide Financiere

Quantile:	2	3	4	5
Belgium %Δ	-7.16	5.90	4.37	**19.37**
n=588	(11.08)	(6.36)	(6.24)	(5.97)

Standard errors in parentheses, clustered by municipality

Fig 5: Imm. Voter Registration

% Change in Benefit Rate, 2006 - 2004
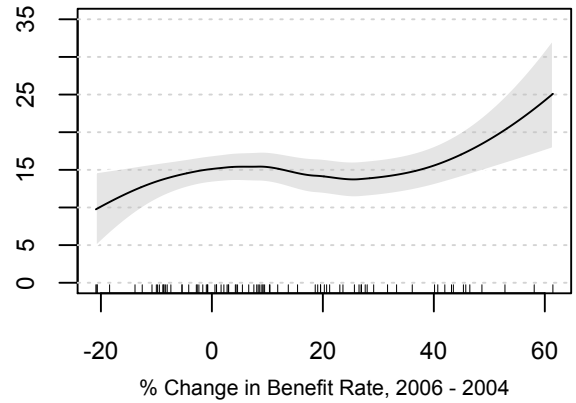
This strategy is also visible in the actions of local governments during this period. In Brussels, the municipal government increased the budget for social assistance by 17% in the year immediately following the extension of the vote, and distributed informational flyers on voting in tandem with welfare benefit packages. [24] The effort to link benefits with vote mobilization led to accusations of clientelism; culminating in the resignation of the President of the Wallonian Parliament, whose office had unintentionally leaked a memo indicating the intention to use public funds to recruit immigrant votes for socialist parties. [25]

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[24] "Faciliter l'acces au vote pour les etrangers." *Le Soir.* 7 February 2006.

[25] "Une decision logique qui calme le soupcon." *Le Soir.* 25 October 2004. "Un courrier pour inciter les etrangers a voter." *Le Soir.* 19 May 2006

Despite data limitations, similar patterns are visible in Switzerland. Although no cantons provide detailed municipal data on immigrant turnout or benefit rates, Fribourg and Vaud publish aggregate data on cash transfers that can be used to gauge the relative generosity of these programs. The left-hand panel in Figure 6 (next page), plots the ratio of cash transfers provided to Swiss natives versus immigrants in Fribourg between 2002 and 2007. The introduction of voting rights (gray lines) between 2004 and 2005 is clearly associated with a substantial increase in the level of expenditure directed towards immigrants, with the effect persisting across subsequent years. The right-hand panel reveals a similar pattern in Vaud. Although the data is not sufficiently granular to permit a comparison between immigrants and natives, the results suggest that the generosity of cash transfers increased dramatically in the wake of modified voting laws in 2004. [26]

Figure 6: Generosity of Cash Transfers in Switzerland
Grey lines indicate revisions to foreign voting laws.
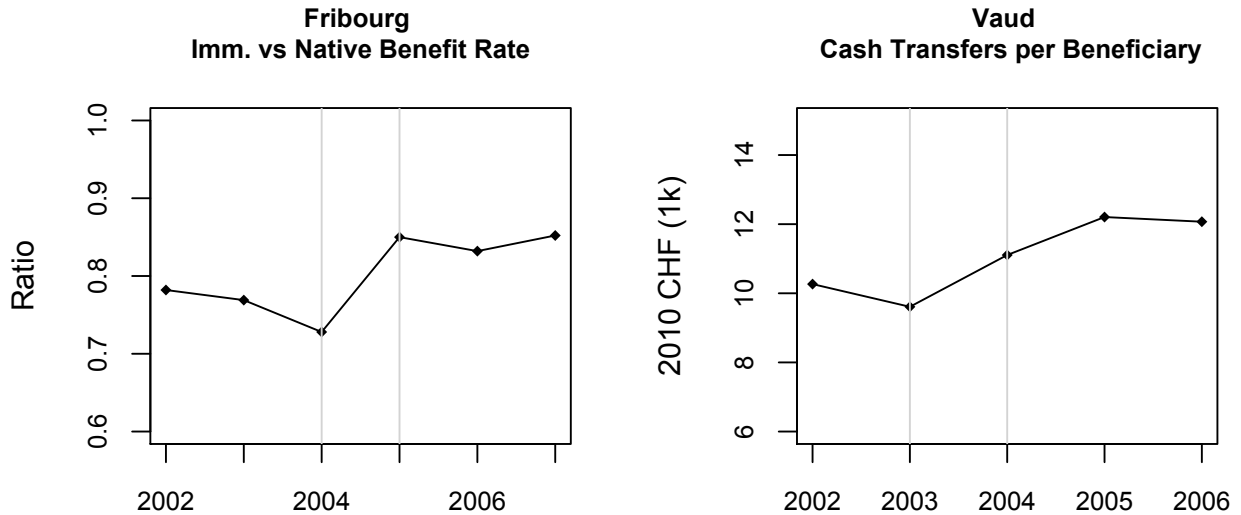
As in the Belgian case, these figures are consistent with a mechanism in which expenditure increases were specifically targeted to programs dominated by immigrants prior to local elections. Local governments were well aware of this opportunity; for instance, in the city

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[26]Rates refer to L'Aide Sociale Vaudoise (ASV). Note that minimum rates for this cash transfer program were static from 1999; all increases represent expenditures beyond the minimum amount.

of Renens, in Vaud, the Socialist party released a memo recognizing the "need to encourage electoral participation" for the "nearly 5,000 new foreign voters" by increasing expenditure on "subsidies" and "public housing." [27]. Similarly in Geneva, the Green party announced the need to engage in "targeted measures" to encourage immigrant electoral participation. [28]

Selective Adoption

If the observed franchise effect is driven primarily by a particularistic strategy of mobilizing immigrant voters by offering targeted benefits, observed increases in expenditure should vary according to the composition of the local political councils. Specifically, increases in expenditure should be strongest in municipalities dominated by incumbents that stand to gain from a strategy of targeted mobilization. In contrast, local councils dominated by groups that are unlikely to benefit from heightened immigrant turnout should exhibit little change in behavior.

Although we cannot precisely predict which parties stand to benefit from immigrant votes, it is possible to make cautious inferences. For instance, it is extremely unlikely that immigrants will vote for parties of the far-right. Similarly, given that parties of the center-left target poor constituencies and may naturally favor relatively high levels of social expenditure, we might expect that these parties would be strongly positioned to recruit immigrant votes. Accordingly, I gathered data on the partisan composition of local councils at the time of voting rights extension.[29] For each country I code the incumbent seat share of anti-immigrant parties (Belgium: VB, FN, DN, VUID; Switzerland: SVP, Lega, FPS). I also code the seat share held by parties of the center-left (Belgium: SP, SPA, PSSP, FD ; Switzerland: SP, EVP, CSP). I then subset the municipalities into two groups according to local partisan affiliation and recalculate the effect of voting rights extension for municipalities within each group.

Figure 7 (next page) plots these estimates. For municipalities with comparatively high

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[27]Manifesto, 2004. `http://www.ps-renens.ch/?page_id=727`

[28]December 2006. http://www.verts-ge.ch/nos-idees/communiques-de-presse/item/2-droit-de-vote-des-etrangers-attentes-des-verts-genevois.html

[29]Seat shares in Switzerland refer to the council executive. Data provided by Andreas Ladner.

levels of center-left incumbency (greater than the median), the estimated effect of voting rights extension is large and substantively significant. In contrast, no effect can be detected for municipalities with comparatively low support for center-left parties. [30] As shown in the right-hand panel, the findings also suggest that parties of the far-right are unlikely to change their behavior in response to the extension of foreign voting rights. Municipalities with significant shares of these parties seated on local councils exhibit no change in spending activity following the legal change. This response, is inconsistent with a mechanism in which all parties adjust levels of spending in response to a shift in the median voter. However, it is fully consistent a mechanism in which parties refrain from engaging in targeted spending if they can not credibly benefit from increasing the electoral participation of immigrants.

Figure 7: Effect of Vote Right Extension, by Partisanship of the Local Council
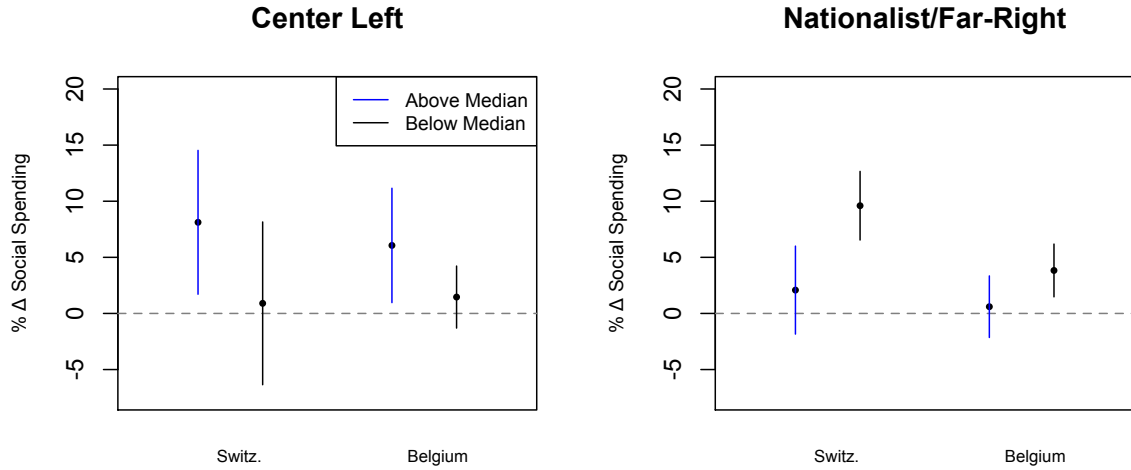
All told, these results provide strong support for the claim that increased levels of redistributive expenditure are driven, at least in the short term, by particularistic attempts to use cash transfers to proactively stimulate immigrant turnout. While subtle, the distinction between this mechanism and a more general enfranchisement effect, in which spending levels gradually adjust to a corresponding shift in the preferences of the median voter, is theoretically

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[30] Point estimates for Switzerland are not strictly comparable to the main model due to attrition.

important. While both processes will be active over the long run, the redistributive response in the latter case is strongly dependent on whether the newly enfranchised group actually participates in local elections and the manner in which they express their preferences.[31] In contrast, the particularistic mechanism provides strong incentives for local administrations to raise levels of spending even in the absence of high political participation. Given extant pressures in European society to limit redistributive expenditures towards immigrants, the counteracting effect of these political incentives may play an important role in securing equality in fiscal outcomes.

5. Discussion

Existing accounts that assess the impact of immigration on redistributive spending in Europe tend to oscillate between two extremes. Building on an established literature in comparative politics and political economy, many accounts suggest that immigration will activate an ethnic bias in local expenditures, precipitating a collapse in levels of provision. Other studies have disputed these claims and instead argue for a form of European exceptionalism, noting that strong institutions and active left-wing politics may effectively insulate European contexts from negative fiscal responses to immigrant settlement.

This chapter has demonstrated that neither characterization is entirely accurate. Drawing on a unique dataset of nearly 19,000 European municipalities, I have demonstrated that the response to immigration in Europe is not uniform, but rather bimodal. Although increased immigration is associated with declining redistributive expenditure in many European countries, in other contexts the association is strongly positive.

Focusing on the set of incentives facing local policymakers, this chapter has argued that these two modes of politics are driven by variation in the social and political rights granted to foreign resident populations across European states. In contexts where foreign residents

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[31]See for instance, the initial muted effects for female enfranchisement in the United States; larger shifts in expenditure occurred as female voters were gradually mobilized.

have full access to social benefits but lack the capacity to vote, allocating scarce resources to redistributive programs often implies negative electoral returns. In contrast, where foreign residents are activated as a potential electoral resource, incumbents gain substantial incentives to use local cash transfers to mobilize immigrant votes; a response which offsets downward pressure on redistributive expenditure. As demonstrated by a natural experiment related to a shift in voting laws in Belgium and Switzerland, this relationship is not merely correlational, but causal. Municipalities that decreased expenditures in response to immigration sharply shifted their behavior in response to changed voting laws.

This finding that the mere extension – and not necessarily the exercise – of foreign political rights plays a key role in mediating responses to immigration settlement has important implications for the growing body of work focused on integration, public goods, and ethnic diversity within Europe. The findings also resonate with an emerging literature in comparative politics that focuses on how decentralized systems of redistribution provide tools for local politicians to engage in clientelistic behavior. While it would be inaccurate to characterize the distribution of cash transfers to immigrants as clientelistic given their non-contingent nature, the results of this analysis suggest that variation in redistributive expenditures is far more instrumental than typically acknowledged within the European context, with levels of redistribution depending more on local electoral calculations than on programmatic party platforms.

Before concluding, one important caveat is in order. While the findings indicate that the extension of voting rights induce a consequential shift in local fiscal responses in the short-term, the data does not support concrete predictions on whether these equilibria will be sustainable over the long run. Although the evidence from the Netherlands and the Nordic countries suggests that positive relationships may be maintained even 20 years after franchise extension, it remains possible that the longevity of this effect is conditional on other factors. In particular, the positive influence of extending local voting rights may eventually be outweighed by mobi-

lized anti-immigrant settlement. [32] For instance, the finding that far-right parties in Belgian and Swiss local councils effectively suppress increases in social provision raises the question of whether social services spending can be maintained as far-right vote share increases. Similarly, the empirical results do not answer the question of what happens if enfranchised immigrants choose not to exercise political voice. In contexts in which immigrant populations are unresponsive to local cash transfers and refrain from participating in local elections, incentives to engage in targeted voter recruitment may subside over the long run.

Despite this note of caution, these findings have important policy implications. Contemporary modes of integration and immigration policy in Europe predominantly focus on securing migrant's social and economic integration, with political rights often extended as a capstone or reward for successful accommodation with society. The results of this chapter suggest that if equality in local outcomes is the goal, this approach may be misguided. Rather than legislating and enforcing equality, it may be more effective to activate migrant populations as a political resource and provide local politicians with concrete incentives to distribute scarce benefits to immigrant populations.

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[32] See Harmon (2012), who uses an IV estimator on Danish municipalities to demonstrate that immigration directly increases support for anti-immigrant parties among natives. Depending on their size, these effects may limit the effects of immigrant enfranchisement in contexts in which local anti-immigrant parties are sufficiently mobilized.

Appendix

Table A1: Robustness Checks for Table 3

	Switzerland				Belgium			
	A	B	C	D	A	B	C	D
Non-Binned	5.59	5.21	5.25	5.08	2.65	2.20	2.76	1.88
	(0.81)	(0.81)	(0.60)	(0.73)	(0.97)	(0.80)	(0.92)	(0.89)
		Bin 3				*Bin 5*		
Binned Model	8.40	9.48	7.92	9.00	11.62	11.15	11.32	10.09
	(2.24)	(2.63)	(3.19)	(2.31)	(2.76)	(3.25)	(5.05)	(4.75)
Covariates	-	Y	Y	Y	-	Y	Y	Y
Linear Trends	Y	-	Y	Y	Y	-	Y	Y
Quad. Trends	-	-	Y	-	-	-	Y	-
Low Pop Excluded	-	-	-	Y	-	-	-	Y

Standard errors in parentheses, clustered by municipality.

Table A2: Robustness Check for Table 3 - 7 bins

|	Bin						
	1	2	3	4	5	6	7
Switzerland % Δ	1.48	2.78	0.88	**10.47**	10.10	19.32	1.81
n=239	(2.931)	(3.63)	(3.05)	(3.38)	(3.43)	(3.39)	(2.81)
Belgium % Δ		-10.00	3.60	9.16	10.99	**11.01**	13.82
n=310		(11.06)	(6.02)	(5.86)	(6.19)	(5.90)	(5.62)

Standard errors in parentheses, clustered by municipality. Indentical to right hand side Table 3, except divided into 7 equally spaced bins.

Figure A1: Generalized Additive Model (GAM)

Switzerland

Belgium
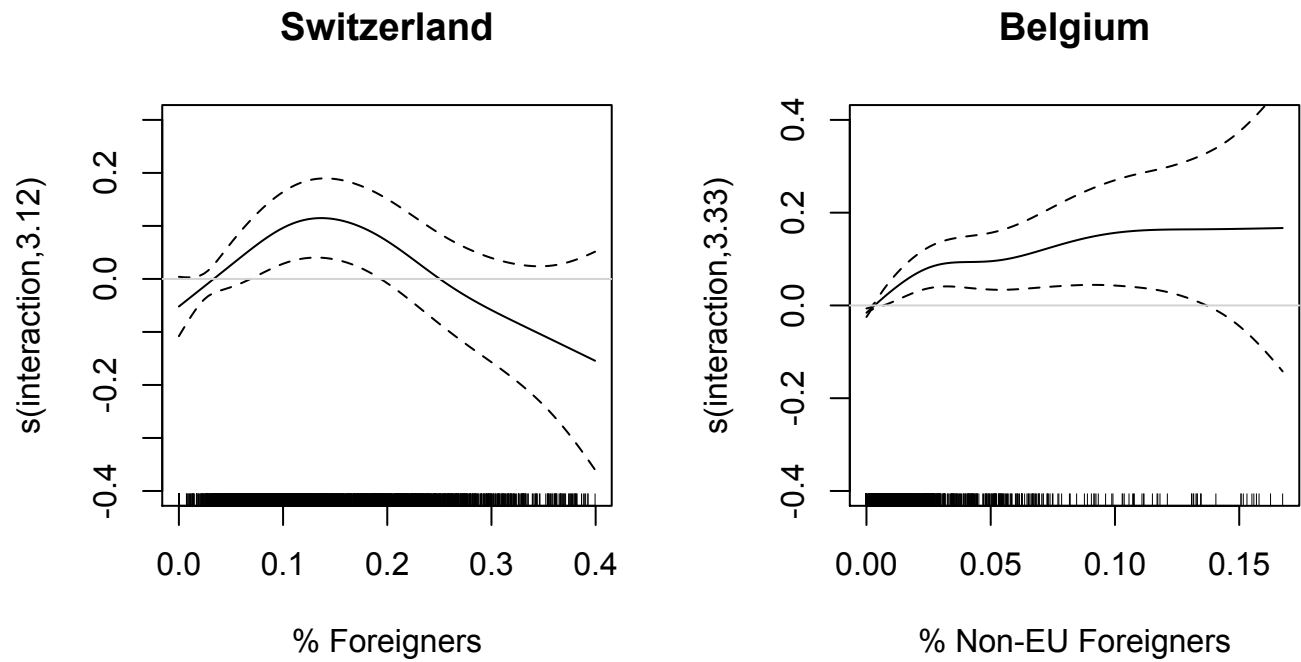
Non-linear effect of voting rights extension, as a function of local immigrant settlement. Model is identical to equation 2 in text, except that the interaction is modeled as a smooth function.

Figure A2: Placebo Test for Binned Model

Switzerland
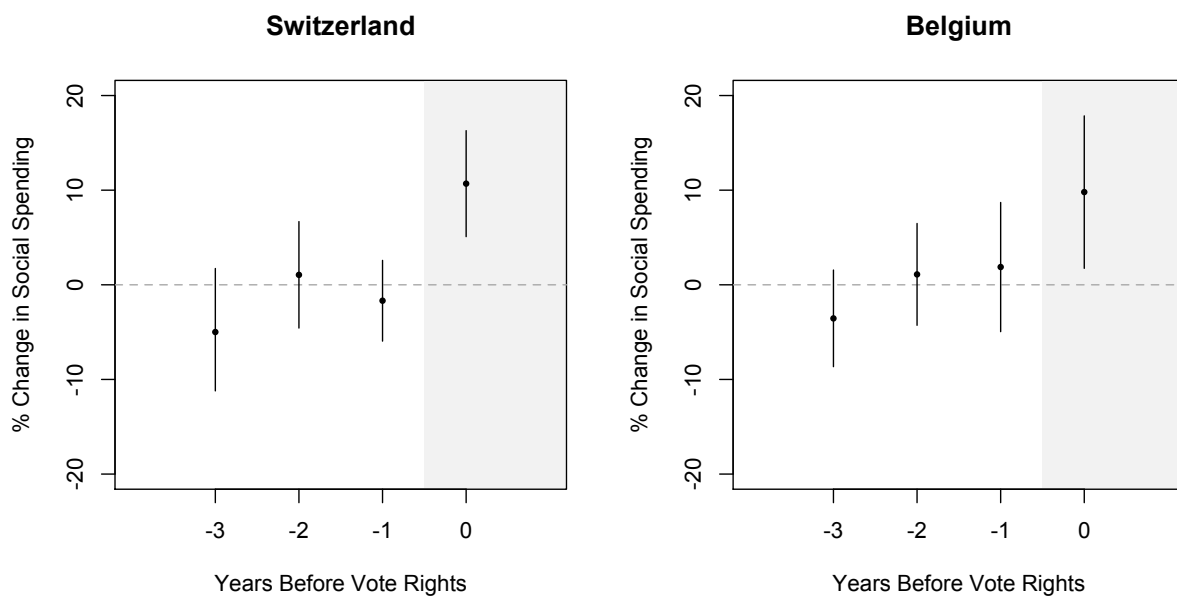
Belgium

Using Bins 3 and 5, respectively.

Table A3: Effect of Voting Rights Extension on Social Spending

Swiss Subset: Municipalities in Vaud & Fribourg with majority opposed to Const. revision
Belgium Subset: Flanders

	Average	By Quintile				
		1	2	3	4	5
Switzerland % Δ	7.11	4.85	1.73	8.92	16.39	7.45
n=239	(1.08)	(2.95)	(3.50)	(3.87)	(4.54)	(5.76)
Belgium % Δ	3.16		4.76	13.61	16.78	21.88
n=310	(1.44)		(9.77)	(8.98)	(8.85)	(8.51)

Standard errors in parentheses, clustered by municipality. Indentical to Table 3, except restricted to a subset of municipalities that were explicitly opposed to changes in voting laws.

Table A4: Local Voting Rights For Foreign Residents, by Year

Belgium	2004	Ireland	1977	Slovakia	2002
Denmark	1981	Lithuania	2002	Slovenia	2002
Estonia	1996	Netherlands	1985	Sweden	1975
Finland	1991	Norway	1983	Switzerland	(A)
Iceland	2002	Portugal	(B)	United Kingdom	(B)

* All EU states allow EU residents to vote in local elections
(A) – Subnational variation in local voting rights.
(B) – Certain nationalities only. UK: Commonwealth. Portugal: most South American states.

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