

# Paycheck Politics

## Minimum Wage Dynamics and the Populist Vote

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### Abstract

Lorem Ipsum

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## Introduction

Nestled in the heart of Thuringia, the German district of Sonneberg made headlines with a historic moment—it became the first constituency to elect a district administrator from the right wing Alternative for Germany (AfD) party. In an unexpected turn, Robert Sesselmann of the AfD won a closely contested run-off election against the conservative Christian Democratic Union (CDU), securing 52.8% of the votes. The results not only marked a seismic shift in local politics but sent shockwaves through the established political order ([Schuetze 2023](#)).

Intriguingly, Sonneberg also holds the distinction of having the highest percentage of minimum wage workers in Germany—44%. This paper aims to explore the connection between minimum wage recipiency and the support for right-wing populist movements, using Sonneberg as a focal point. Employing data from the WSI and the German Federal Election Officer in an Ordinary Least Squares (OLS) regression, the analysis reveals a significant correlation between these variables, even when accounting for other relevant controls.

Initially, I will [review the existing literature](#) regarding the economic determinants of populism in both economic and political research. Following this is a concise overview of [the data](#) utilized and the [regression methodology](#) employed in the subsequent section. Subsequently, the [results](#) will be presented, followed by an interpretation of these findings and their contextualization within existing research.

## Literature Review

This analysis is related to several strands of existing literature on the economic drivers of populism. Overview literature on these drivers are provided by Guriev and Papaioannou ([2022](#)) and Fischer and Meister ([2023](#)), describing several different explanations for the recent rise in populism, especially right wing populism.

## Data

The analysis is based on data compiled by Pusch and Seils ([2022](#)) at the Institute of Economic and Social Sciences (WSI). They provide an estimate of the share of workers in a given district who will be affected by the increase in the minimum wage to €12 in October 2022 (henceforth minimum wage workers). The data basis for the number of minimum wage earners comes from the German Socio-Economic Panel (SOEP) and is regionalised using data from the German Federal Employment Agency (BA) and projected to the first of October 2022.

Pusch and Seils (2022) acknowledge some limitations of their results. The underlying SOEP data underestimate the number of marginally employed (mini-jobs), which make up a higher proportion of the workforce in West Germany. The estimate of these groups of people, most of whom receive a minimum wage, is therefore considered to be conservative, especially in Western Germany.

Alternative for Germany (AfD) results from the federal election on the 26.10.2021 are from the Federal Election Commissioner. Elections in Germany take place in constituencies (Wahlkreise), which are different from the standard counties (Landkreise). Therefore, the data is transformed by the election office, which does not lead to any loss of data.

Additional data on socio-economic and socio-demographic factors are provided by the regional statistical offices of the Länder. Most of these data are for the year 2022, with the exception of population density estimates, for which more recent data are not yet available.

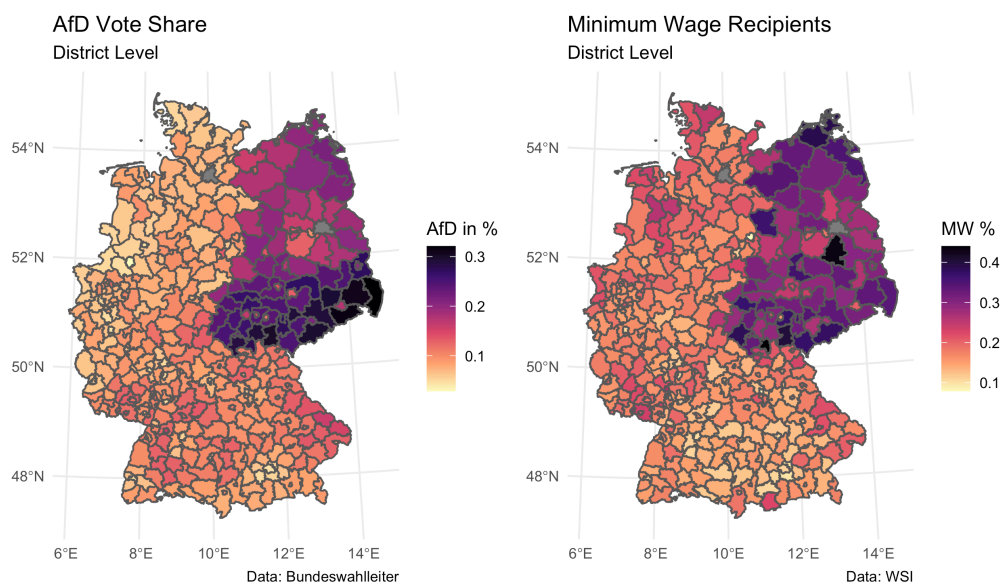


Figure 1: Representation of Minimum Wage and Vote Share Data

## Methodology

In this study, regression analysis serves as the primary methodological approach for investigating the relationship between minimum wage reciprocity and support for right-wing populist movements. Regression analysis offers several distinct advantages that align with the goals of the research. Firstly, it provides a systematic framework for assessing the relationship between variables while controlling for potential confounding factors. By including relevant control variables in our regression models we can isolate the effect of minimum wage reciprocity on voting

behavior, thereby enhancing the internal validity of our findings.

$$afd_i = \beta_0 + \beta_1 mw_i + \sum_3^k \beta_k controls_{i,k} + \epsilon_i \quad (1)$$

The Equation 1 describes the regression formula, where  $afd_i$  represents the vote share of the AfD in a given district  $i$  and  $mw_i$  the share of minimum wage recipients in this district. The variable  $controls_{i,k}$  comprise a number of different controls for the given district and  $\epsilon_i$  a standard error term.

Drawing from the literature review, the controls include a dummy variable representing East Germany to capture regional differences in political and economic contexts. Additionally, I include the unemployment rate and log GDP per capita as economic indicators, recognizing their significance in shaping individuals' socio-economic outlook and political preferences. Sociodemographic factors are also accounted for, with variables such as average age, population density (logged), and the proportion of foreigners in the population. These sociodemographic controls are crucial for capturing nuances in local demographics and social dynamics, which may impact voting behavior independently of minimum wage reciprocity.

Table 1: Summary Table of all Variables

Statistic	N	Mean	St. Dev.	Min	Max
AfD Results	400	0.113	0.058	0.029	0.321
MW reciprocity	400	0.194	0.064	0.079	0.440
LINKE results	399	0.045	0.029	0.015	0.155
Unempl. Rate	400	0.052	0.022	0.019	0.148
GDP p.C.	400	40,329.500	16,743.150	17,553	158,749
Avg. Age	400	45.277	2.008	40.700	51.000
Pop. Density	400	536.540	708.669	35.300	4,788.200
Foreigners	400	0.114	0.055	0.025	0.375

## Results

## Conclusion

## References

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## Appendix

### Affidavit of Authorship