Globalization and Electoral Outcomes: Evidence from Italy

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Abstract

We study whether and to what extent the electoral dynamics in Italy over the 1994-2008 period can be explained by the development of economic factors associated with globalization. To measure the level of exposure to globalization for local labor markets, our main unit of analysis, we use the intensity of import competition from China and the presence of immigrants. Looking at parties' political positions and employing an estimation strategy that accounts for endogeneity and time-invariant unobserved effects across local labor markets, we find that both immigration intensity and exposure to import competition from China have contributed positively to the electoral outcomes of far-right parties, whereas only the former has produced a positive effect on the votes of right-wing and traditionalist/authoritarian/nationalist parties. On the other hand, neither of them has had an effect on far-left parties. Moreover, electoral turnout has responded negatively to an increased presence of migrants. While the above effects seem to work through the mediation of labor markets, the results suggest that other mechanisms at the level of local communities are also at play.

Keywords: voting, electoral outcomes, trade, import competition, immigration, local labor markets.

JEL Classification Codes: D72, F14, F60.

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1   Introduction

The political landscape of Western liberal democracies in the last twenty years has undergone a substantial metamorphosis. New political actors have come to the limelight and the rhetoric and the contents of the political debate have become increasingly polarized. The success of populist, nationalist and anti-establishment parties characterizing the most recent period is only the latest evidence of a long-lasting trend whereby some of the founding principles of post-war Western international politics have been put more and more often into question, with a strategy that has progressively become electorally rewarding. Understanding such events and the reasons that have led to them has started to increasingly fill the research agendas of social scientists. The emergence and the depth of the globalization process after the end of the Cold War have immediately been spotted as likely determinants of this trend because globalization is thought to have the potential to impact on (particularly the unskilled) workers in developed countries and to challenge the local 'cultural' identity, thereby exacerbating societal divisions through various mechanisms.[1]

This work aims at contributing to such growing literature by assessing the impact of globalization on the electoral outcomes in Italy, thereby extending for the first time this line of research to one of the largest and most trade-oriented industrialized countries among the Western liberal democracies. Italy represents an interesting object of research not only because of its engagement into the international trade and migration networks, but also because of its political environment characterized by a plethora of diversified political parties with non-overlapping manifestos, numerous general elections (due to the premature end of a few legislatures), and a remarkable discontinuity in the early 1990s due to the disappearance of two of the three most important parties, i.e., the Christian Democracy and the Italian Socialist Party, and the transformation of the Italian Communist Party.[2]

The theoretical and empirical literature on the determinants of the political developments mentioned above is broad. According to some scholars, these determinants should be primarily sought in the emergence of globalization, which may have increased the demand for both economic and 'cultural' protectionism (Kriesi et al., 2006; Margalit, 2012; Walter, 2017; Hooghe and Marks, 2018).[3] Indeed, even though greater integration with the world economy has increased overall growth opportunities for countries (Wacziarg and Welch, 2008; Bordo and Rousseau, 2012), it has also acted as a catalyst for non-

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[1]The current debate is not entirely new and in the 1990s several scholars analyzed the contribution of globalisation to the economic, social and political developments in advanced countries. Yet, theoretical and empirical researchers at the time concluded by minimizing the role of globalization and emphasizing rather that of skill-biased technological change. As pointed out by Wood (2018), this was due to the overwhelming role played by the Heckscher-Ohlin trade theory in the interpretation of the potential effects of globalization on advanced countries. Empirically, moreover, the process had still to display its entire potential which became instead apparent after China joined the WTO and the Central and Eastern European countries became members of the EU.

[2]Between 1994 and 2008, there have been five parliamentary national elections, three won by the center-right coalition and two by the center-left coalition.

[3]In this work we shall not take a position on the alternative interpretations offered by (Kriesi et al., 2006), on the one hand, and (Hooghe and Marks, 2018), on the other, regarding the type of societal division associated with globalization. Indeed, we shall consider both the traditional left-right divide and the new green/alternative/libertarian-traditional/authoritarian/nationalist (GAL-TAN) cleavage.

neutral structural changes that have triggered, within each country, political and social tensions (Scheve and Slaughter, 2004; Hanson et al., 2007). For example, the lowering of trade barriers towards low-wage countries may have adversely affected the workers of industries in developed economies enjoying, until then, a comparative advantage (Autor et al., 2014). On a more general level, globalization, as well as the concomitant (and possibly related) technological progress, might have altered the relative remuneration of different types of workers according to their individual endowment of human capital and skills (Mayda and Rodrik, 2005; Helpman et al., 2010). Likewise, the increasing presence of foreign-born citizens may have tightened the competition in local labor markets and immigration might also have triggered a sense of insecurity among natives, who may feel apprehension, inter alia, for the integrity of their cultural identity (Hainmueller and Hiscox, 2010).[4] Because of the asymmetric nature of the gains and the costs of globalization, diffuse and elusive the former while relatively concentrated and easily identifiable the latter,[5] such tensions have translated into a gradually more explicit questioning of the founding ideas at the basis of the post-war Western international liberal order.

This paper aims to contribute to the understanding of the connections between the most recent phase of economic globalization and domestic politics in Western liberal democracies. More specifically, it studies the effects of economic factors associated with globalization on the electoral dynamics in Italy over the 1994-2008 period. The empirical analysis is based on a panel containing electoral and socio-economic data on Italian municipalities and, consistently with the existing literature, we use local labor markets (defined on the basis of residents' commuting patterns) as our principal unit of analysis. The analysis, in a nutshell, focuses on the pre-crisis period and tackles whether and to what extent, once controlling for a number of socio-economic controls, the local electoral outcomes at general elections in 1994, 2001, 2006, and 2008 can be explained in terms of meaningful proxies for the level of 'local exposure to globalization', i.e., the presence of immigrants and the intensity of import competition from China. To account for time-invariant unobserved effects across local labor markets, the analysis makes use of two baseline models, a mixed first-difference model for the periods 1994-2001 and 2001-2008 and a fixed effects model for the years 2001, 2006 and 2008.

Anticipating some of the main findings, the results suggest that, over the period covered by the study, globalization has played a role in shaping, at the local level, the outcomes of Italian general elections. Specifically, the analysis considers the effect of globalization on the percentage of votes for the extreme right, for the extreme left, for right-wing parties and for parties with a conservative stance on social issues (that is the traditionalist/authoritarian/nationalist – hereafter TAN – parties). Overall, both exposure to import competition from China and immigration intensity have contributed to the electoral success of Italian far-right parties, whereas only the latter has produced a positive effect on the votes for right-wing and TAN parties. Among the other results, globalization does not seem to have had any substantial effect on the electoral

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[4]In a parallel line of research on the relationship between globalization and democracy, Bearce and Hutnick (2014) find that immigrants from low-income countries tend to hinder the democratization of political regimes because immigration increases inequality and the associated redistributive efforts that greater democratization would call for .

[5]Moreover, in the case of immigration, part of the benefits is enjoyed by a group of people – the migrants – who usually have little, if any, political power in the destination country.

performances of far-left parties, whereas electoral turnout has responded negatively to local increases in the presence of migrants. These results are robust to controlling for problems of endogeneity, which the analysis addresses using the approach developed by Autor et al. (2013). Finally, while we hypothesise that labor market dynamics are the main channel through which the above effects work, we observe that the results become stronger using municipalities as a unit of analysis while they weaken bringing the analysis at the province level. These additional results suggest that some of the transmission channels that link globalization shocks to electoral outcomes operate beneath the level of local labor markets.

In light of the subject and the methodology adopted, the paper contributes to the recent strand of the political economy literature which investigates the socio-economic determinants of electoral outcomes in Western liberal democracies (Autor et al., 2016; Barone et al., 2016; Colantone and Stanig, 2018a;b; Dippel et al., 2017; Halla et al., 2017; Jensen et al., 2017; Malgouyres, 2017).[6] Whereas most of the existing analyses focus on the recent rise of populist and anti-establishment movements in general elections, the electoral success of far-right parties, or the rising political polarization, this work addresses the electoral outcomes as measured in terms of parties' political positions as determined by the University of North Carolina's Chapel Hill Expert Survey, as recently done also by Hooghe and Marks (2018).[7] Moreover, this work looks at the effects of globalization due to both immigration and import competition from China rather than focusing on only one element of globalization as done by all the previous papers. This approach makes it possible to tackle the gradual erosion of some of the founding principles of post-war Western international politics in Italy rather than to take into account the more recent and contingent increase in anti-establishment movements. The rise of such movements has, allegedly, more to do with the effects of the European debt crisis and with political discontent with the ruling elites than with the long-lasting and cumulating effects exercised by globalization. In addition, the use of both a mixed first-difference model and a fixed effects model, coupled with the use of different levels of aggregation to study the level at which the transmission channels linking globalization and electoral outcomes operate, makes the findings of this study more robust than those of papers focusing on only one model and one level of aggregation. Finally, the adoption of diversified units of analysis and alternative sets of controls provides indirect evidence with regard to the existence of multiple channels, other than local labor markets, through which globalization affects local electoral outcomes.

The paper is also related to an earlier wave of literature that studied from a microeconomic perspective the linkages between individual preferences, trade openness (Scheve and Slaughter, 2001b; Mayda and Rodrik, 2005; Blonigen and McGrew, 2014) and international migration (Mayda, 2006; Scheve and Slaughter, 2001a). Finally, the political

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[6]Other papers have focused on the role of the Euroarea economic and financial crises, which we do not address in this work given the period of analysis. See, among others, Hernandez and Kriesi (2016) and Nicoli (2017).

[7]It could be argued that parties' orientations are endogenous with respect to the general sentiment of the population and that one could have a gradual shift of all parties toward one of the political dimensions considered in the analysis. This is the reason why the analysis is mainly based on exploiting the cross-regional variation (where local labour markets are used to determine regions): irrespective of the general political trends at the national level, the common working hypothesis is that conservative and nationalist parties might gain voting shares in the areas more exposed to globalization.

science literature on populism and anti-establishment voting (Schedler, 1996; Barr, 2009; Hernandez and Kriesi, 2016; Kriesi, 2014; Caiani and Graziano, 2016; Schumacher and van Kersbergen, 2016), and particularly those papers investigating the economic determinants of the rise of the current wave of populism in Western liberal democracies (Inglehart and Norris, 2016; Guiso et al., 2017), have been another important reference. This said, this work does not include an analysis of individual-level vote choices/preferences (as done instead by Colantone and Stanig, 2018b), which is left for further research.

The remainder of the paper is organized as follows. Section 2 provides an overview of the political developments occurred in Italy during the period of analysis and briefly describes the dynamics of inward migration and Chinese import competition. Sections 3 describes the empirical strategy while Section 4 presents and discusses the results, exploring also the role of labour market controls and alternative units of analysis. Section 5 concludes.

2 The Italian context: politics, immigration and international trade
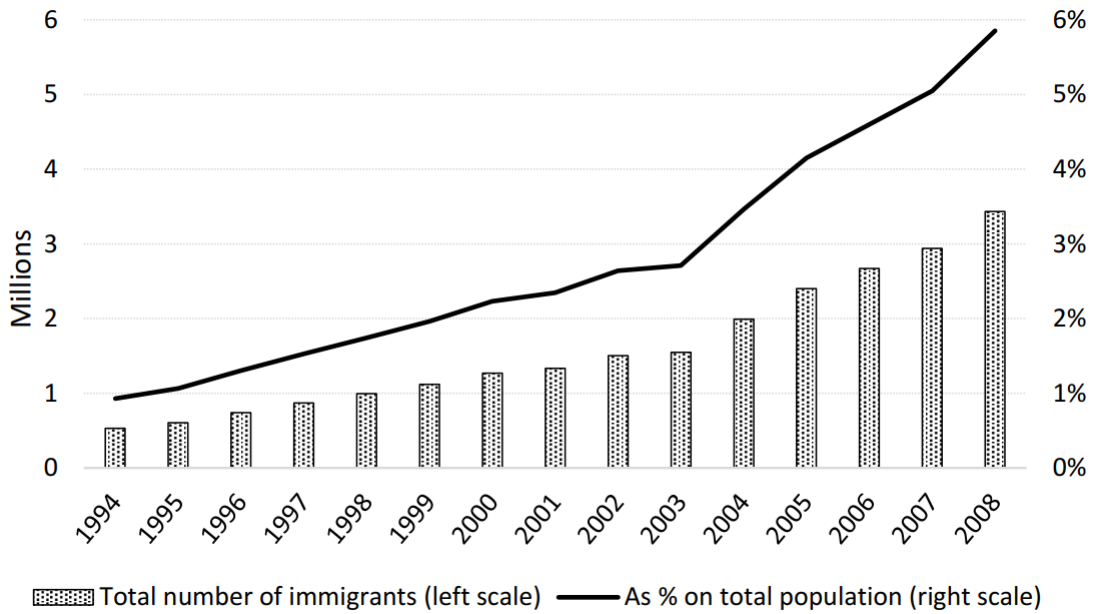
The institutional framework which characterized Italian politics during the period under scrutiny, the so-called 'Second Republic', originates from a combination of domestic and international political events that occurred at the beginning of the nineties. On the one hand, after the fall of the Berlin Wall, the Italian Communist Party, which used to be the most successful communist party in the Western Bloc, dissolved into a newly-formed and social democratic party, the Democratic Party of the Left.[8] On the other hand, the Tangentopoli ('house of bribes') scandal led to the collapse of the Christian Democracy and of the Italian Socialist Party, the first and the third largest parties. This political void was partly filled, in the 1994 elections, by Silvio Berlusconi's Forward Italy party and by Umberto Bossi's Northern League, two parties that so became pivotal political subjects of Italian politics during the following twenty years (Fella and Ruzza, 2013).

Even though the Second Republic marked a shift towards a quasi-majoritarian institutional arrangement, the Italian party system remained highly fragmented. In particular, the electoral laws of this second 'phase' of the Republic favored the emergence of a two-coalition system, where usually both coalitions, often consisting of a pool of heterogeneous parties, tried to pursue a catch-all electoral strategy. For example, in left-wing coalitions, centrist Christian democrats coexisted with libertarians and with the Marxist left while right-wing coalitions often combined Christian democrats, separatists and nationalist and xenophobic right. Besides the ordinary political repositioning of existing parties, this system has been also characterized by a high party turnover and, on average, at every round of elections about 40 percent of the votes went to newly-formed parties. Indeed, over the period 1994-2013, the Northern League has been the only electorally relevant party that has maintained its original name and symbol.

In the meanwhile, the world economy was becoming increasingly integrated and Italy started facing the challenges posed by globalization. On the one hand, in a context in which international migration was on the rise, the number of foreign-born citizens residing

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[8]The Italian Communist Party was the second largest party at every general election during the period 1953-1987, always collecting at least 20% of the votes.

Figure 1: Immigration dynamics in Italy (1994-2008)
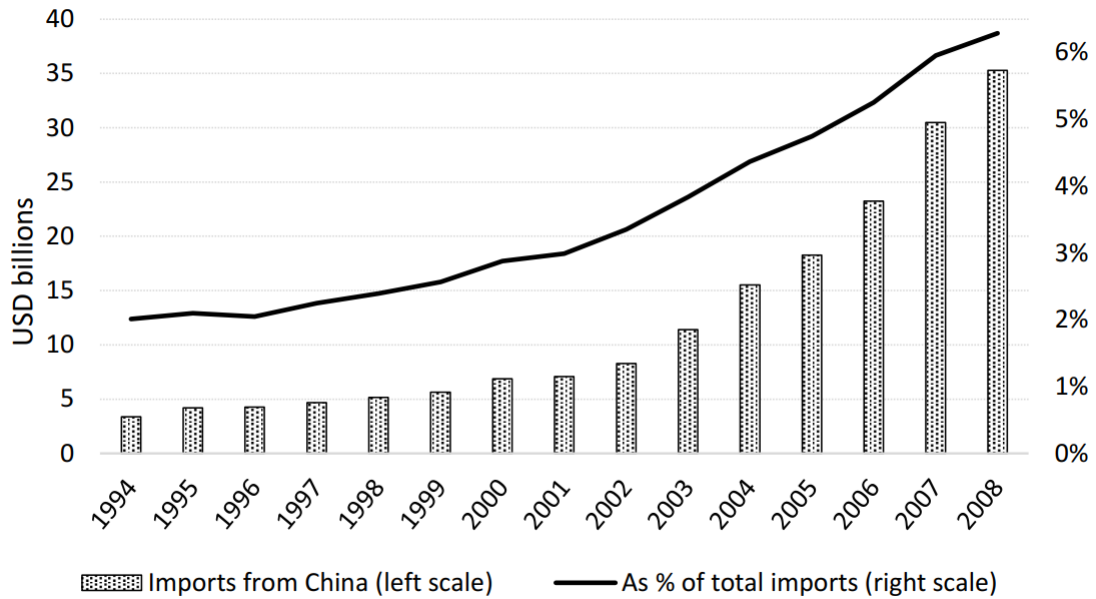

Source: Own elaborations based on data from Istat.

in the country increased by more than eleven times in twenty years (see Figure 1), from about 350 thousand in 1991 (0.6 per-cent of total population) to about four million in 2011 (6.8 per-cent of total population). Compared to other large European countries, in Italy immigration became a relevant phenomenon only in relatively recent times. For instance, in 1995, the percentage of immigrants was already above 10% in countries like Germany and France, while it was above 7% in the United Kingdom.

On the other hand, domestic reforms and international trade and investment agreements led to a greater integration of low-wage countries into the world economy, which, in turn, increased the international competition in the market of manufactured goods. Given their traditional specialization in low-skilled and labor-intensive productions (e.g., the manufacturing of garments and leather products) in which low-wage countries tend to have a comparative advantage, several Italian manufacturing firms faced severe international competition that, as previous studies reported, produced a negative and sizable effect on local employment, production and wage bills (Amighini et al., 2011; Federico, 2014). In this regard, the pattern of bilateral trade flows with China is emblematic of the difficulties faced by some Italian manufacturing districts. Indeed, between 1994 and 2008, Chinese imports registered a nine-time real increase (see Figure 2) and the bilateral trade surplus observed during the first half of the 1990s rapidly turned into a large bilateral deficit.[9]

This concise account of the progressively growing exposure of Italy to the most recent phase of globalization suffices to justify the intuition that the very same forces at work in

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[9]Imports from China registered a very similar path in France, both in terms of their relative weight on total imports and and in terms of the dynamics of bilateral trade deficits. On the other hand, Chinese products accounted for more than 12% of total German imports in 2008, but Germany registered a bilateral trade surplus during most of the 2000s.

Figure 2: Imports from China (1994-2008)

Source: Own elaborations based on data from UN Comtrade.

the elections in the US (Autor et al., 2016) and in other European countries (Colantone and Stanig, 2018a; Dippel et al., 2017; Halla et al., 2017; Malgouyres, 2017) might have had an impact also in the electoral outcomes of the general elections in Italy. The extraordinary heterogeneity of social and economic conditions across the various regions in Italy, mapped not only into the well-known North-South divide but also in a large number of highly specialized industrial districts and clusters, offers the opportunity to exploit the rich regional variation for the empirical identification of whether conservative and nationalist (liberal and globalist) parties gained (lost) voting shares in the areas more exposed to globalization.[10]

3   Empirical strategy

3.1   Data

The empirical analysis is based on a panel data set of Italian municipalities, which has been constructed combining data from heterogeneous sources. The panel includes data on the economic structure, on the demographic composition and on the electoral outcomes of about 8,000 municipalities. The electoral outcomes refer to the municipality-level results at the Italian parliamentary elections held in 1994, 2001, 2006 and 2008.[11]

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[10]Istat (Italian Institute of Statistics) identified 181 industrial districts in 2001 on the basis of the so-called local labor market areas (*sistemi locali del lavoro* in Italian) which will be exploited in this work. The officially recognized industrial districts represent about one-fourth of the Italian economic system.

[11]Italy is a parliamentary republic where, at every elections, all the voters can elect the members of the Chamber of Deputies while the voters aged 25 or older can vote also for the Senate. The two chambers share the same powers but the rules to assign the seats are different. In our study we only employ the

Data on municipalities have then been aggregated at the level of local labor markets, which we adopted as main unit of analysis. The borders of the local labor markets follow those traced by the Italian Institute of Statistics (Istat) for the Labor Market Areas (LMAs), sub-regional geographical units identified on the basis of the analysis of daily commuting patterns rather than of administrative boundaries. The aggregation at the LMA-level is dictated by the need to use analytical units corresponding to the areas where the majority of the citizens reside, work and vote, and therefore where they maintain most of their social and economic relations. Local labor markets evolve over time and, consistently with a process of increasing integration of the Italian economy, the number of LMAs declined from 781 in 1991 to 684 in 2001.[12] To preserve internal consistency, we employ the 1991 LMAs for the first-difference empirical model and the 2001 LMAs for the fixed effects model.[13]

Data on the local economic structure come from the 1991 and 2001 waves of the Census of Industry and Services (CIS) carried out by Istat. Containing detailed information on employment at the municipality-level, the CIS allows one to break down the local industry mix at the three-digit level of the NACE industry classification. Data on the socio-demographic structure of municipalities and on regional series have also been taken from Istat databases. In particular, data on immigration, resident population, educational attainments and labor market variables (except value added per worker) come from the 1991 (for year 1994) and 2001 waves of the Population Census (CPOP). For years 2006 and 2008, we use data from the 'Demography in figures' database for resident population, while we linearly interpolate figures from the 2001 and 2011 census waves for educational attainments. Data on local levels of employment and participation rates for years 2006 and 2008 have been estimated using province-level values weighted by 2001 municipality-level census data. Data on sectoral value added, used to construct a measure of local real value added per worker, come from the OECD Structural Analysis Database (STAN). Specifically, we interact local employment structure, taken from CIS, with the STAN two-digit sectoral value added. Regional data have been taken from the 'Territorial indicators for development policies' database.

Data on imports, disaggregated at the six-digit product level of the WCO Harmonized System (HS), have been drawn from the United Nations International Trade Statistics Database (Comtrade).

Data on electoral outcomes by municipality were kindly provided by the Italian Interior Ministry. Party positioning in terms of the political dimensions explored in the work was taken from University of North Carolina's Chapel Hill Expert Survey 2014 (CHES).

The mean values and the standard deviations of the variables, both for the model in first differences and for that in levels with fixed effects, calculated using LMAs as unit of analysis are presented in Table 1.

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votes for the Chamber of Deputies from the proportional part of the electoral system, thus avoiding issues related to changes in the electoral system that occurred between the 2001 and 2006 elections. Nevertheless, these changes in the electoral system are taken into account in the econometric analysis by the inclusion of year fixed effects.

[12]These figures exclude Valle d'Aosta.

[13]The results based on the fixed effects model are robust to the use of the 1991 LMAs. Additional results are available upon request.

Table 1: Descriptive statistics - LMA level

	Differences		Levels		
	1994-2001	2001-2008	2001	2006	2008
Number of residents	72,551	72,794	83,117	85,713	86,979
	(208,849)	(204,887)	(222,252)	(229,741)	(235,673)
Share of over 65 in adult population	0.224	0.255	0.254	0.263	0.265
	(0.044)	(0.045)	(0.044)	(0.042)	(0.040)
Share of res w primary/lower sec edu	0.664	0.578	0.578	0.537	0.520
	(0.045)	(0.050)	(0.049)	(0.051)	(0.052)
Share of res w tertiary edu	0.023	0.051	0.052	0.067	0.072
	(0.011)	(0.017)	(0.017)	(0.020)	(0.021)
Unemployment rate	0.199	0.087	0.089	0.080	0.081
	(0.126)	(0.054)	(0.054)	(0.047)	(0.047)
Labor force participation rate	0.408	0.399	0.399	0.400	0.392
	(0.036)	(0.048)	(0.046)	(0.053)	(0.076)
Value added per worker	80.647	94.887	95.287	93.069	90.268
	(10.588)	(21.733)	(21.702)	(22.923)	(22.303)
Chinese imports per worker	0.153	1.180	0.389	1.097	1.554
	(0.187)	(1.115)	(0.459)	(1.133)	(1.516)
Share of immigrants x 100	1.473	2.831	1.911	3.602	4.650
	(1.292)	(1.991)	(1.497)	(2.780)	(3.289)
Share of votes for far right x 100	-4.367	-5.439	15.219	17.260	9.490
	(5.256)	(8.777)	(5.650)	(5.885)	(10.755)
Share of votes for far left x 100	0.486	-2.439	6.430	9.416	4.025
	(2.309)	(1.982)	(2.735)	(3.176)	(1.414)
Share of votes for right wing x 100	12.167	3.502	53.438	49.591	56.691
	(9.127)	(4.330)	(10.699)	(11.169)	(10.503)
Share of votes for TAN x 100	-2.958	-0.467	57.391	54.718	56.691
	(7.693)	(4.480)	(10.797)	(11.128)	(10.503)
Voters' turnout x 100	-4.372	1.982	78.048	82.442	79.669
	(3.705)	(7.184)	(8.920)	(5.562)	(5.675)
Observations	781	781	684	684	684

Notes: The table reports the mean value and, in parentheses, the standard deviation. The analytical units are the 1991 LMAs for the mixed first-difference model (Differences) and 2001 LMAs for the fixed effects model (Levels). The values reported for the model in differences are at the beginning of the period for number of residents, share of over 65 in adult population, share of residents with primary or lower secondary education, share of residents with tertiary education, unemployment rate, labor force participation rate and value added per worker, and in differences for all other variables. Value added per worker is expressed in thousands of constant 2009 Euros. Chinese imports per worker is expressed in thousands of constant 2010 US dollars. The variables for the shares of votes represent in order the share of votes for far-right parties, far-left parties, right-wing parties and traditional/authoritarian/nationalist parties.

3.2 Import competition from China and local presence of immigrants

The intensity of local exposure to import competition from China, our first explanatory variable, has been measured by interacting local data on sectoral employment with country-level data on imported products. This approach, based on the methodology pioneered by Autor et al. (2013), exploits the regional heterogeneity in the industry mix to derive a local measure of imports per worker, which is used as a proxy for the exposure to

import competition at the local level. In other words, the local employment mix is used to create the weights to allocate country-level imports to each local labor market. Hence, local labor markets traditionally specialized in sectors with a high level of imports at the national level exhibit a high value of imports per worker and are therefore deemed to be subject to high competition. Formally, the level of Chinese imports per worker of local labor market i at time t is defined as

$$IPW_{it}^{chn} = \frac{1}{L_{it}} \sum_s \eta_{ist} IMP_{st}^{chn}, \tag{1}$$

where IMP_{st}^{chn} indicates the value, expressed in thousands of constant 2010 US dollars, of imports from China of goods belonging to the three-digit NACE sector s at time t, L_{it} is the total employment of local labor market i at time t and η_{ist} stands for the weight of local labor market i in country-level employment for sector s at time t ($\eta_{ist} = L_{ist}/L_{st}$). Six-digit HS products have been matched with three-digit NACE sectors on the basis of Eurostat RAMON correspondence tables.

The intensity of the local presence of immigrants, our second explanatory variable, is captured by the variable IMM_{it}^{shr}, which represents the share of foreign citizens residing in LMA i at period t times 100 ($IMM_{it}^{shr} = (Immigrants_{it})/(Residents_{it}) \times 100$).[14] The measurement of the local presence of immigrants is based on census data and on intercensal population estimates that, compared to survey data, are less subject to measurement errors, a relevant issue when it comes to measuring immigration. However, besides the accuracy of census data, the risk of measurement errors is also minimized by the aggregation of municipalities into LMAs.

3.3 Classification of electoral outcomes

The identification of the impact of globalization on local electoral outcomes requires us to define both the political dimensions to analyze and the criteria adopted to classify political parties. In this section, we present the methodology employed to this end and the main decisions taken.

Three factors contribute to make it difficult to classify Italian political parties: their variety, their high turnover rate and their frequent repositioning. Notwithstanding the difficulty to position each party on the continuous axis of the political spectrum referring to each of the relevant political dimensions necessary to identify political agendas and identities, the categorization of parties according to dichotomous scales appears less controversial. For instance, parties like the Northern League and National Alliance can convincingly be considered as far-right parties with traditionalist and authoritarian tendencies, whereas the Communist Refoundation Party can be certainly considered as belonging to the far-left.

The average number of political parties participating at every election is large, as is the dispersion of votes. Therefore, we include all parties that *(i)* gained at least one seat in the Chamber of Deputies, *(ii)* got at least one percent of votes at the national level or *(iii)* got at least ten percent of votes in a single LMA. As a result, even though few small parties have been excluded, our analysis covers about 99% of the casted votes.

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[14]Since the exact number of foreign citizens is not available for year 1994, for that year we use the number of immigrants and the number of residents in 1991.

Our analysis is based on a classification of Italian political parties that relies on CHES scores. The CHES 2014 provides a score on a scale from 0 to 10 for the political stances of most of the parties that have run for general elections in 28 European countries from 1996 to 2014. Two important advantages of CHES scores are that *(a)* they capture the position of the parties on different political issues and *(b)* they change over time, keeping track, at every round of elections, of the party repositioning. In particular, we employ the scores on parties' position on the left-right (L-R) and on the green/alternative/libertarian-traditional/authoritarian/nationalist (GAL-TAN) dimensions to classify Italian political parties into four groups: far-right parties, far-left parties, right-wing parties and TAN parties.[15] A high position of the L-R score indicates a party right-wing positioning, thus we include in the group of far-right parties every party with a L-R score greater than or equal to 7.[16] Similarly, we consider as right-wing all the parties with a L-R score greater than 5 and as far-left those with a L-R score lower than 3. In an analogous manner, TAN parties are defined as those parties with a GAL-TAN score greater than 5. After having classified each party in each group, we calculate the percentage of votes obtained by each group of parties at the elections for the Chamber of Deputies from the proportional part of the electoral system.

Even though the analysis does not explicitly study the effects of globalization on the electoral performances of center-left and green/alternative/libertarian (GAL) parties, they can however be easily derived from the regressions on right-wing and TAN parties respectively. Indeed, except for minor (and not relevant) discrepancies due to a few small parties that we have not been able to categorize, the shares of votes for center-left and GAL parties are the complement of those for right-wing and TAN parties. It follows that, for instance, a positive and significant effect of immigration on the percentage of votes for TAN parties implies a negative and equally significant effect of immigration on the percentage of votes for GAL parities.

It is worth noting that the absence of a two-party political system in Italy brings certain advantages for the empirical analysis. The relatively high variety of political parties provides the opportunity to map them into different but partially overlapping groups according to their positions on distinct political dimensions. This is an important aspect that, together with the regional differentiation in terms of production structure, creates enough variation to identify the coefficients of interest.

Finally, two methodological qualifications are in order. First, even though CHES takes into account all the important parties, it does not capture a number of small parties that might be relevant for our analysis and for which we arbitrarily impute L-R and GAL-TAN scores. However, since most of them are either Marxist or fascist-inspired, this arbitrary imputation should not represent a major issue. Second, since CHES starts in 1996, we also impute the values for the 1994 parties. Also in this case, however, the imputation does not seem too controversial because the two parties that participated only in the 1994 elections are actually included in the CHES database, while the political positions

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[15]The GAL-TAN dimension of party positioning is complementary to the usual left-right cleavage and it indicates parties' stance on issues such as freedom ad rights. While GAL parties support expanded personal and civil rights, TAN parties 'value order, tradition and stability and believe that the government should be a firm moral authority on social and cultural issues' (Bakker et al., 2015).

[16]The only exception to this categorization is for the positioning of Silvio Berlusconi's 'Forward Italy' and 'People of Freedom' parties in 2006 and 2008 respectively, whose scores were slightly above the threshold and they would have incorrectly been included among far-right parties.

of the other parties, present in both elections, are unlikely to have changed significantly.

3.4   Econometric models

We analyze the impact of globalization on local electoral outcomes in Italy by means of two different econometric models. In the first place, we estimate a mixed first-difference model covering two seven-year periods, 1994-2001 and 2001-2008. Secondly, we run a fixed effects model for the years 2001, 2006 and 2008.[17]

The baseline specification of the first-difference model is

$$\Delta y_{it} = \alpha_1 \Delta IPW_{it}^{chn} + \alpha_2 \Delta IMM_{it}^{shr} + \boldsymbol{x}_{i,t-7}' \boldsymbol{\gamma} + \boldsymbol{\tau}_t' \boldsymbol{\delta} + \boldsymbol{\zeta}_i' \boldsymbol{\kappa} + \epsilon_{it}, \tag{2}$$

where $\Delta y_{it} = y_{it} - y_{i,t-7}$ denotes the change in the share of votes of a certain group of parties or the change in voters' turnout in LMA i between t and $t-7$. Similarly, ΔIPW_{it}^{chn} and ΔIMM_{it}^{shr} indicate changes in Chinese imports per worker and in the share of immigrants in LMA i over the same period of time. In addition, $x_{i,t-7}$ is a vector of controls at both regional and LMA levels at the beginning of the period, while τ_t represents a vector of time fixed effects and ζ_i is a vector of fixed effects at the regional (NUTS 2) level.[18]

The socio-economic and demographic controls include the number of residents, the share of residents over 65 in the adult population, the share of residents with primary or lower secondary education, the share of residents with tertiary education, the unemployment rate, the labor force participation rate and the value added per worker. The regional-level controls include hospital migration, the share of informal labor, the share of expenditure on cultural activities, tickets in cultural activities per capita, volunteering, attractiveness of universities and internet diffusion. Although the role of each of these controls might be of interest per se, their inclusion in the specification serves only to control for relevant time-varying omitted variables. This makes the estimations less likely to suffer omitted variable bias and allows one to estimate the direct impact of the variables of interest once possible indirect effects (through the socio-economic and regional series) are controlled for.

It is worth pointing out that using a first-difference model is a way to address time-invariant LMA-specific omitted variables that impact systematically on the electoral outcomes and are correlated with the proxies for globalization. It follows that the estimation allows one to pinpoint the relationship between changes in import exposure and in immigration, on the one hand, and changes in voting shares, on the other, while controlling for nationwide effects (through the time-fixed effects), regional effects (through the region-specific fixed effects) and for time-varying socio-economic factors.

Similarly, the baseline specification of the fixed effects model is

$$y_{it} = \beta_1 IPW_{it}^{chn} + \beta_2 IMM_{it}^{shr} + \boldsymbol{x}_{it}' \boldsymbol{\lambda} + \boldsymbol{\tau}_t' \boldsymbol{\nu} + \boldsymbol{\phi}_i' \boldsymbol{\theta} + \upsilon_{it}, \tag{3}$$

where all the variables are in levels and ϕ_i represents a vector of LMA fixed effects.

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[17]We exclude the 2013 elections from the fixed effects model because, as stated in the Introduction, we believe that the scenario that followed the double-dip recession of the Eurozone needs to be analyzed separately.

[18]If a LMA overlaps two or more regions, it is assigned to the region where the higher proportion of its residens live.

This specification differs from the first one in that it controls for unobserved time-invariant factors by means of LMA-specific fixed effects (making redundant regional fixed effects). In this case, the two estimation methods are not equivalent, even in the presence of only two periods of time. The reason is that the fixed effects model controls for changes within LMAs for all regressors, while the mixed first-difference model only controls for the initial level of the regressors in vector x. The literature does not usually show the results based on both models, although Autor and co-authors, in their seminal article (Autor et al., 2013), do make the case for comparing the methodologies.

In Section 4.2, we shall present the results obtained by estimating these specifications without including the controls for the unemployment rate, the labor force participation rate and the value added per worker with a view to gaining some insights about the mediating role played by local labor markets in the transmission of globalization shocks into electoral outcomes.

3.5 Endogeneity issues and instrumental variable approach

If the local presence of migrants and the local intensity of import competition from China were exogenous, the specifications in equations (2) and (3) would correctly identify their effects on local electoral outcomes. Difficulties arise, however, when both the dependent variable and the regressors are correlated with unobserved shocks. This could be the case, for example, if the increase in imports from China in a particular LMA is due to a boost in demand for the goods produced in the sector in which that LMA is specialized. The beneficial effects of the demand surge on labor markets could affect electoral outcomes in a different way compared to that predicted by an increase in import exposure. This would clearly bias the results. Similarly, the electoral outcomes may be driven by unobserved improvements in the local economic environment that attract (or keep away) migrant workers, thereby biasing downward (upward) in absolute value the estimated coefficient. Under these circumstances, OLS would suffer from omitted variable bias.

Following the methodology developed by Autor et al. (2013), we address the potential endogeneity of imports per worker by using information on the imports from China of eight high-income countries that do not belong to the European Union.[19] More precisely, we instrument IPW_{it}^{chn} with a new variable defined as

$$\widetilde{IPW}_{it}^{chn} = \frac{1}{L_{it}} \sum_s \eta_{ist} \widetilde{IMP}_{st}^{chn}, \tag{4}$$

where $\widetilde{IMP}_{st}^{chn}$ represents the average of sectoral imports from China of the eight selected countries expressed in thousands of constant 2010 US dollars. This instrument allows one to identify the exogenous and 'supply driven' component of the rise in Chinese imports determined, for instance, by the lowering of trade barriers (China was admitted to the World Trade Organization at the end of 2001) or by the increase in Chinese firms' productivity.

As previously argued, also the local presence of migrants might be endogenous. Endogeneity may stem from two sources. Some communities may increase their 'openness'

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[19]The countries are Australia, Canada, Israel, Japan, Korea, New Zealand, Norway and USA. We choose non-EU countries because shocks within the EU are strongly correlated across countries.

Table 2: First-difference model – Baseline results

	(1) $\Delta FarRight$	(2) $\Delta FarLeft$	(3) $\Delta Right\text{-}wing$	(4) ΔTAN	(5) $\Delta Turnout$
ΔIPW^{Chn}	1.182***	0.126**	0.697***	0.413***	-0.385*
	(0.234)	(0.056)	(0.185)	(0.158)	(0.197)
ΔIMM^{shr}	0.004	-0.082**	0.593***	0.324***	-0.551***
	(0.126)	(0.036)	(0.101)	(0.084)	(0.100)
LMA controls	yes	yes	yes	yes	yes
Regional (NUTS2) controls	yes	yes	yes	yes	yes
Region (NUTS2) fixed effects	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes
Observations	1,562	1,562	1,562	1,562	1,562
R-squared	0.442	0.582	0.618	0.422	0.443

Notes: The dependent variable in columns (1) through (4) is the percentage point change in the votes for each group of parties (far right, far left, right-wing, TAN) and in column (5) the percentage point change in voters' turnout. The LMA controls include number of residents, share of residents above 65 in the adult population, share of residents with primary or lower secondary education, share of residents with tertiary education, unemployment rate, labor force participation rate and value added per worker. The regional controls include hospital migration, informal labor, share of expenditure on cultural activities, tickets in cultural activities per capita, volunteering, attractiveness of universities and internet diffusion. Standard errors clustered at the LMA level are shown in parentheses. *, ** and *** indicate coefficients significantly different from zero at the 10%, 5% and 1% level respectively.

toward foreign residents more than other communities do and migrants may choose to settle down where the environment is less confrontational. Besides this case of reverse causality, there might also be endogeneity issues if an exogenous factor, such as an increase of local public spending, changes electoral outcomes and attracts more foreign residents. We tackle this issue by instrumenting ΔIMM_{it}^{shr} in the mixed first-difference model with the level of the share of immigrants at the beginning of each period and IMM_{it}^{shr} in the fixed effects model with its five-year lag. This approach relies on the assumption that the lags are long enough to overcome the above-discussed issues related to local demand shocks but, at the same time, they are also short enough to capture local trends in the attitude towards immigrants.

4 Results and discussion

4.1 Main results

The estimated coefficients of the baseline specifications (2) and (3), i.e., the first-difference model and the fixed effects model (that is a specification in levels with LMA fixed effects), are summarized in Table 2 and Table 3, respectively.

Despite the difference in the reference periods, the two models return, in qualitative terms, largely similar results. In both models the exposure to Chinese import competition turns out to be positively and significantly correlated with the share of votes for right-wing and far-right parties. Similarly, the presence of immigrants is positively associated with the electoral performance of right-wing and TAN parties while it is negatively associated

Table 3: Fixed effects model – Baseline results

	(1) FarRight	(2) FarLeft	(3) Right-wing	(4) TAN	(5) Turnout
IPW^{Chn}	1.028***	-0.041	0.462**	0.121	0.101
	(0.304)	(0.052)	(0.203)	(0.144)	(0.204)
IMM^{shr}	0.807***	-0.123***	1.383***	0.565***	-1.638***
	(0.198)	(0.044)	(0.287)	(0.115)	(0.186)
LMA controls	yes	yes	yes	yes	yes
Regional (NUTS2) controls	yes	yes	yes	yes	yes
LMA fixed effects	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes
Observations	2,052	2,052	2,052	2,052	2,052
R-squared	0.595	0.718	0.330	0.278	0.442

Notes: The dependent variable in columns (1) through (4) is the percentage of votes for each group of parties (far right, far left, right-wing, TAN) and in column (5) the percentage value for voters' turnout. The LMA controls include number of residents, share of residents above 65 in the adult population, share of residents with primary or lower secondary education, share of residents with tertiary education, unemployment rate, labor force participation rate and value added per worker. The regional controls include hospital migration, informal labor, share of expenditure on cultural activities, tickets in cultural activities per capita, volunteering, attractiveness of universities and internet diffusion. Standard errors clustered at the LMA level are shown in parentheses. ** and *** indicate coefficients significantly different from zero at the 5% and 1% level respectively.

with the vote shares of far-left parties and with the overall turnout rate. This is in line with previous findings in the literature both for Italy (available for the case of migrants) and for other Western liberal countries.

Interestingly, however, the first-difference model does not yield a significant relationship between changes in the local presence of immigrants and changes in the vote shares of far-right parties (the estimated coefficient is negative, even though not statistically different from zero). This unexpected result is most likely due to the downward bias associated with the potential endogeneity issues discussed in Section 3.5, which will be tackled in what follows. In addition, while fixed effects regressions find a positive and significant association between Chinese import competition and votes for right-wing parties, in the first-difference model a similar correlation holds also for the electoral performances of far-left and TAN parties.

Overall, both the first-difference and the fixed effects estimates show significant correlations between our two proxies of local exposure to globalization and local electoral outcomes. Consistently with conventional wisdom, the results seem to suggest that globalization produces 'winners' and 'losers' and that political parties with a marked anti-globalization stance tend to be more successful where the effects of globalization are more pronounced.

To tackle the possible endogeneity issues discussed in Section 3.5, the models are estimated via 2SLS, employing valid instruments for the variables proxying globalization. The 2SLS results are reported in Table 4 and Table 5. The main difference between these estimates and those obtained using the direct measures of globalization lies in a

Table 4: First-difference model – IV estimates

	(1) $\Delta FarRight$	(2) $\Delta FarLeft$	(3) $\Delta Right\text{-}wing$	(4) ΔTAN	(5) $\Delta Turnout$
ΔIPW^{Chn}	0.670**	-0.080	0.253	0.187	-0.283
	(0.269)	(0.103)	(0.252)	(0.205)	(0.261)
ΔIMM^{shr}	1.067***	0.227***	1.438***	0.782***	-0.666***
	(0.289)	(0.068)	(0.215)	(0.169)	(0.192)
LMA controls	yes	yes	yes	yes	yes
Regional (NUTS2) controls	yes	yes	yes	yes	yes
Region (NUTS2) fixed effects	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes
2SLS	yes	yes	yes	yes	yes
Observations	1,562	1,562	1,562	1,562	1,562
R-squared	0.419	0.565	0.606	0.417	0.443

Notes: The dependent variable in columns (1) through (4) is the percentage point change in the votes for each group of parties (far right, far left, right-wing, TAN) and in column (5) the percentage point change in voters' turnout. The 2SLS specifications instrument for the change in Chinese imports in Italy using the change in other developed countries' imports from China and for the change in the immigrants using the value at the beginning of the period. The LMA controls include number of residents, share of residents above 65 in the adult population, share of residents with primary or lower secondary education, share of residents with tertiary education, unemployment rate, labor force participation rate and value added per worker. The regional controls include hospital migration, informal labor, share of expenditure on cultural activities, tickets in cultural activities per capita, volunteering, attractiveness of universities and internet diffusion. Standard errors clustered at the LMA level are shown in parentheses. ** and *** indicate coefficients significantly different from zero at the 5% and 1% level respectively.

generalized loss of statistical significance of the coefficients of Chinese import competition for all the groups of parties except for those belonging to the extreme right. In this regard, our results are qualitatively consistent with those of Malgouyres (2017) and Dippel et al. (2017), who find a positive effect of import shocks on the votes for the far right in France and Germany respectively. However, the loss of statistical significance of the coefficients of import shocks on the other groups of parties emphasizes the relevance of endogenous domestic shocks in determining the dynamics of local economic performances. On the other hand, for what regards the effect of immigration on the electoral success of far-right and right-wing parties, they confirm, at least from a qualitative perspective, the findings of Barone et al. (2016) for Italy and Halla et al. (2017) for Austria.

The 2SLS estimates for the effects of Chinese import competition and immigration on the percentage of votes going to far-right parties are reported in column (1) of Table 4 and Table 5. When the endogeneity issues are addressed, the point estimates of trade shock coefficients decrease by more than one third while the coefficients of immigration shocks become positive and highly significant in both models. This last point is consistent with the idea that local demand shocks affect simultaneously the votes for far-right parties and the inflow of migrants. Turning to the size of the estimated coefficients on immigration, the first-difference model indicates that a percentage point increase in the local share of immigrants leads, roughly, to an equivalent increment in the votes for far-right parties. On the other hand, the fixed effects coefficients are more than twice as large.

Table 5: Fixed effects model – IV estimates

	(1) $FarRight$	(2) $FarLeft$	(3) $Right\text{-}wing$	(4) TAN	(5) $Turnout$
IPW^{Chn}	0.683**	-0.219	0.526*	0.001	-0.031
	(0.290)	(0.141)	(0.286)	(0.195)	(0.217)
IMM^{shr}	2.004***	-0.004	1.208***	0.677***	-1.692***
	(0.302)	(0.075)	(0.281)	(0.160)	(0.229)
LMA controls	yes	yes	yes	yes	yes
Regional (NUTS2) controls	yes	yes	yes	yes	yes
LMA fixed effects	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes
2SLS	yes	yes	yes	yes	yes
Observations	2,052	2,052	2,052	2,052	2,052
R-squared	0.579	0.805	0.330	0.277	0.442

Notes: The dependent variable in columns (1) through (4) is the percentage of votes for each group of parties (far right, far left, right-wing, TAN) and in column (5) the percentage value for voters' turnout. The 2SLS specifications instrument for Chinese imports in Italy using other developed countries' imports from China and for the share of immigrants using its five-year lag. The LMA controls include number of residents, share of residents above 65 in the adult population, share of residents with primary or lower secondary education, share of residents with tertiary education, unemployment rate, labor force participation rate and value added per worker. The regional controls include hospital migration, informal labor, share of expenditure on cultural activities, tickets in cultural activities per capita, volunteering, attractiveness of universities and internet diffusion. Standard errors clustered at the LMA level are shown in parentheses. *, ** and *** indicate coefficients significantly different from zero at the 10%, 5% and 1% level respectively.

The effects of immigration and import shocks on the electoral performance of far-left parties are reported in column (2) of Table 4 and Table 5. While estimates obtained when assuming no endogeneity issues reveal a negative association between immigration and the share of votes for these parties, the 2SLS estimates tell a different story. In particular, the coefficient falls to zero in the fixed effects model while it becomes positive and significant in the first-difference setting. This indicates that the correlations found without controlling for endogeneity issues were due to local unobserved shocks that were correlated with the presence of migrants, e.g., an increase in local labor demand that attracts migrants and, simultaneously, reduces the vote for Marxist parties. A possible interpretation of the 2SLS estimates goes as follows: when immigration becomes more conspicuous, some electors that value particularly social inclusion may decide to change their votes in favor of Italian far-left parties, which have usually been very sensitive to immigration issues (e.g., by promoting campaigns against racism and xenophobia). Taken together with the effect of immigration on the far right, this result provides evidence of an ideological polarization of the electors in the face of local immigration shocks. Finally, with regards to the electoral consequences of Chinese import competition, the absence of any positive effect of imports per worker on votes for the far-left parties implies that even though the campaign against the so-called 'neoliberal paradigm' is at the top of the political agenda of Italian leftist parties, their electoral performances do not seem to depend on the actual intensity of exposure to trade competition from low-wage countries.

This is in line with the observation that, in this period, left-wing parties around the world tend to be either pro-trade or, at least, not anti-trade, whereas right-wing parties tend to lean on the protectionist side.[20]

Moving away from the analysis of political extremes, column (3) of Table 4 and Table 5 shows the results of 2SLS regressions on the share of votes for Italian right-wing parties. In line with Barone et al. (2016), we find a positive and significant effect of immigration on the votes for right-wing parties. On the other hand, after controlling for the endogeneity of Chinese imports, we do not find robust evidence of an effect of import shocks on the electoral performance of right-wing parties. By changing the signs of the coefficients, the results of columns (3) can be interpreted as the effects produced by globalization on the votes for parties belonging to the center-left which, ceteris paribus, turn out to be penalized by higher immigration.

Column (4) of Table 4 and Table 5 presents the estimates of the effects of our proxies for globalization on the electoral performances of TAN parties. In both models, TAN parties respond only to changes in the local intensity of immigration while they do not seem to be affected by the dynamics of import competition. Even though the overlap between right-wing and TAN parties is only partial (as some centre- and left-wing parties belongs to this group due to their conservative stance in terms of cultural identity), the results are qualitatively similar. Differently from right-wing parties, the coefficient of import competition is instead never close to conventional levels of statistical significance: this is probably due to the inclusion in the TAN group of some centre- and left-wing parties leaning in favor of international trade.

Finally, column (5) of Table 4 and Table 5 reports the estimates of the effect of migration and Chinese import competition on voters' turnout. According to our models, both import competition and immigration have a negative effect on the percentage of residents that exercise their right to vote, but only the effect of the latter is significant. If the presence of immigrants increases natives' sense of insecurity (Kriesi et al., 2006; Hainmueller and Hiscox, 2010), which, in turn, reduces trust towards political parties as well as political involvement, then the negative impact of the share of immigrants on the electoral turnout can be explained following the reasoning of Guiso et al. (2017). Indeed, they argue that the majority of those who have decided not to vote would have otherwise voted for populist parties. Such parties, according to their classification and that of the literature on populism, roughly overlap with the far-right parties of the present analysis.

4.2 The role of labor market controls

Considering that other factors beyond immigration and import competition may influence both electoral outcomes and labor market dynamics, we include the unemployment rate, the labor force participation rate and the value added per worker among the LMA controls in all previous specifications. Consider the following example to appreciate the motivations to include such controls. Imagine that a large company operating in a fast growing demand sector goes bankrupt for idiosyncratic reasons and sheds workers; one

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[20]This pro-trade orientation of the leftist parties might have started changing around the world, as suggested for instance by the emergence of anti-globalization movements within the Democratic and Labour parties, respectively, in the US and in the UK. No such phenomenon is apparent in Italy, possibly because most of these parties differentiate their positions with regards to the Economic and Monetary Union rather than global trade.

Table 6: First-difference model – IV estimates without labor market controls

	(1) $\Delta FarRight$	(2) $\Delta FarLeft$	(3) $\Delta Right\text{-}wing$	(4) ΔTAN	(5) $\Delta Turnout$
ΔIPW^{Chn}	1.241***	-0.026	0.732***	0.599***	-0.360
	(0.301)	(0.104)	(0.270)	(0.215)	(0.257)
ΔIMM^{shr}	1.847***	0.308***	2.034***	1.257***	-0.763***
	(0.321)	(0.070)	(0.259)	(0.199)	(0.189)
LMA controls (w/o labor market)	yes	yes	yes	yes	yes
Regional (NUTS2) controls	yes	yes	yes	yes	yes
Region (NUTS2) fixed effects	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes
2SLS	yes	yes	yes	yes	yes
Observations	1,562	1,562	1,562	1,562	1,562
R-squared	0.283	0.551	0.526	0.332	0.438

Notes: The dependent variable in columns (1) through (4) is the percentage point change in the votes for each group of parties (far right, far left, right-wing, TAN) and in column (5) the percentage point change in voters' turnout. The 2SLS specifications instrument for the change in Chinese imports in Italy using the change in other developed countries' imports from China and for the change in the immigrants using the value at the beginning of the period. The LMA controls include number of residents, share of residents above 65 in the adult population, share of residents with primary or lower secondary education and share of residents with tertiary education. The regional controls include hospital migration, informal labor, share of expenditure on cultural activities, tickets in cultural activities per capita, volunteering, attractiveness of universities and internet diffusion. Standard errors clustered at the LMA level are shown in parentheses. *** indicates coefficients significantly different from zero at the 1% level.

would then observe an increase in the local unemployment rate that is spuriously correlated with the growth of imports and causally related to certain local electoral outcomes. To control for this possibility, the inclusion of labour market controls in the estimations is recommendable.

Yet, this is a conservative approach. Indeed, the inclusion of variables related to labor market dynamics implies that our estimates of the coefficients for the proxies of globalization may not account for the total effects of globalization on electoral outcomes: some effects mediated via the functioning of local labor markets are indeed accounted for by such controls. Thus, if the effects of globalization on electoral outcomes were mainly driven by labor market dynamics, the exclusion of labor market controls from the specifications would likely make the estimated coefficients of the globalization variables include the total effect of such measures on electoral outcomes, while the inclusion of labor market controls would lead to lower estimated coefficients. Hence, to gain some insight into the mediating role of local labor markets, we estimate our models also without the above-mentioned controls.

Table 6 and Table 7 report the results of these additional specifications. As we exclude labor market controls, most of the point estimates increase. However, the new coefficients are generally not statistically different from the previous ones in Table 4 and Table 5. These results could be due to two different reasons. First, our labor market controls are not exhaustive: other variables that may be much more relevant in explaining the linkages between labor market dynamics and voting behavior, such as average wages,

Table 7: Fixed effects model – IV estimates without labor market controls

	(1) FarRight	(2) FarLeft	(3) Right-wing	(4) TAN	(5) Turnout
IPW^{Chn}	0.647**	-0.218	0.415	-0.030	-0.014
	(0.276)	(0.145)	(0.270)	(0.195)	(0.241)
IMM^{shr}	2.045***	0.023	1.341***	0.805***	-1.424***
	(0.295)	(0.078)	(0.270)	(0.154)	(0.223)
LMA controls (w/o labor market)	yes	yes	yes	yes	yes
Regional (NUTS2) controls	yes	yes	yes	yes	yes
LMA fixed effects	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes
2SLS	yes	yes	yes	yes	yes
Observations	2,052	2,052	2,052	2,052	2,052
R-squared	0.572	0.802	0.319	0.264	0.417

Notes: The dependent variable in columns (1) through (4) is the percentage of votes for each group of parties (far right, far left, right-wing, TAN) and in column (5) the percentage value for voters' turnout. The 2SLS specifications instrument for Chinese imports in Italy using other developed countries' imports from China and for the share of immigrants using its five-year lag. The LMA controls include number of residents, share of residents above 65 in the adult population, share of residents with primary or lower secondary education and share of residents with tertiary education. The regional controls include hospital migration, informal labor, share of expenditure on cultural activities, tickets in cultural activities per capita, volunteering, attractiveness of universities and internet diffusion. Standard errors clustered at the LMA level are shown in parentheses. ** and *** indicate coefficients significantly different from zero at the 5% and 1% level respectively.

income inequality and job security, have not been included in our specifications because of lack of available data.[21] Second, the effects of globalization on electoral outcomes may work not only through the functioning of labor markets but also via other channels, as suggested by those scholars focusing on identity and culture (see, for instance, Inglehart and Norris, 2016). This is further investigated in the following section.

4.3 Alternative units of analysis

As previously argued, if the effects of immigration and import competition on electoral outcomes are mainly mediated by the dynamics of local labor markets, LMAs represent the most appropriate unit of analysis, yet opposite effects may wash out. Since other transmission channels may be at work too, it is interesting to explore how the results are affected by changes in the level of geographical aggregation of the analytical units. Indeed, even though the transmission channels cannot be directly identified, the sensitiveness of the estimates to the narrowing and to the expansion of the geographical boundaries of the units of analysis can provide meaningful insights about the level at which such channels operate.

Hence, we also estimate our two models at both a more disaggregated level, i.e., municipalities, and a more aggregated level, i.e., provinces (NUTS3). More precisely, we

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[21]By the same token, as recently shown by Gimpelson and Treisman (2018), perceived inequality may differ from actual inequality, thereby adding a further subjective dimension to this issue.

Table 8: First-difference model, municipality level – IV estimates

	(1) $\Delta FarRight$	(2) $\Delta FarLeft$	(3) $\Delta Right\text{-}wing$	(4) ΔTAN	(5) $\Delta Turnout$
ΔIPW^{Chn}	0.224***	-0.029	0.130*	0.078*	-0.161**
	(0.060)	(0.022)	(0.072)	(0.045)	(0.067)
ΔIMM^{shr}	1.463***	0.167***	1.637***	1.220***	-0.084
	(0.145)	(0.044)	(0.139)	(0.119)	(0.114)
Municipality controls	yes	yes	yes	yes	yes
Regional (NUTS2) controls	yes	yes	yes	yes	yes
Region (NUTS2) fixed effects	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes
2SLS	yes	yes	yes	yes	yes
Observations	16,039	16,039	16,039	16,039	16,039
R-squared	0.274	0.306	0.317	0.256	0.277

Notes: The dependent variable in columns (1) through (4) is the percentage point change in the votes for each group of parties (far right, far left, right-wing, TAN) and in column (5) the percentage point change in voters' turnout. The 2SLS specifications instrument for the change in Chinese imports in Italy using the change in other developed countries' imports from China and for the change in the immigrants using the value at the beginning of the period. The municipality controls include number of residents, share of residents above 65 in the adult population, share of residents with primary or lower secondary education, share of residents with tertiary education, unemployment rate, labor force participation rate and value added per worker. The regional controls include hospital migration, informal labor, share of expenditure on cultural activities, tickets in cultural activities per capita, volunteering, attractiveness of universities and internet diffusion. Standard errors clustered at the municipality level are shown in parentheses. *, ** and *** indicate coefficients significantly different from zero at the 10%, 5% and 1% level respectively.

estimate two variations of equations 2 and 3, where the subscript i indicates either a municipality or a province instead of a LMA. Accordingly, also the set of controls $\boldsymbol{x}_i$ and the fixed effects $\boldsymbol{\phi}_i$ refer to the new analytical units.

Table 8 and Table 9 show the results of the regressions at the level of municipalities. Overall, all the coefficients that were significant in the LMA-level regressions maintain their signs and, except for the coefficient on ΔIMM^{shr} in the voters' turnout regression, results show a generalized increase in the level of statistical significance. Notably, also the effect of import competition on turnout and on right-wing and TAN parties become significant. This result is not obvious, since this lower level of aggregation is associated with both an increase in the sample size but also, if the transmission mechanisms work mostly at the level of LMAs, with a potential increase in spillover effects. Therefore, it suggests that other mechanisms beyond labor market competition are at play. Such mechanisms seem to operate at the level of local communities (municipalities) and could be related to concerns that are not about the economic sphere (in its strict sense) but rather regard the social and cultural consequences of globalization as discussed in Margalit (2012). Interestingly, these results are driven by the communities with a population below 15 thousand, i.e., where the sense of community is likely to be stronger, while most of the effects (except for those on the far-right parties) disappear in larger urban aggregates.[22]

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[22]Additional results are available upon request.

Table 9: Fixed effects model, municipality level – IV estimates

	(1) FarRight	(2) FarLeft	(3) Right-wing	(4) TAN	(5) Turnout
IPW^{Chn}	0.476***	-0.032	0.328***	0.188***	-0.193***
	(0.087)	(0.024)	(0.061)	(0.046)	(0.065)
IMM^{shr}	2.081***	0.040	0.804***	0.723***	-1.062***
	(0.112)	(0.030)	(0.079)	(0.069)	(0.094)
Municipality controls	yes	yes	yes	yes	yes
Regional (NUTS2) controls	yes	yes	yes	yes	yes
Municipality fixed effects	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes
2SLS	yes	yes	yes	yes	yes
Observations	24,069	24,069	24,069	24,069	24,069
R-squared	0.232	0.623	0.241	0.127	0.244

Notes: The dependent variable in columns (1) through (4) is the percentage of votes for each group of parties (far right, far left, right-wing, TAN) and in column (5) the percentage value for voters' turnout. The 2SLS specifications instrument for Chinese imports in Italy using other developed countries' imports from China and for the share of immigrants using its five-year lag. The municipality controls include number of residents, share of residents above 65 in the adult population, share of residents with primary or lower secondary education, share of residents with tertiary education, unemployment rate, labor force participation rate and value added per worker. The regional controls include hospital migration, informal labor, share of expenditure on cultural activities, tickets in cultural activities per capita, volunteering, attractiveness of universities and internet diffusion. Standard errors clustered at the municipality level are shown in parentheses. *** indicates coefficients significantly different from zero at the 1% level.

Table 10 and Table 11 report the results of the first-difference and the fixed effects models estimated using NUTS3 provinces as analytical units. At this higher level of aggregation, the effects of Chinese import competition disappear, except for the voters' turnout regression in the first-difference model, where it becomes significant. On the other hand, the presence of immigrants continues to produce a significant effect, even though with a higher p-value, only in the first-difference model and on the share of votes for far-right parties in the fixed effects model.[23]

Taken together, these results suggest that the transmission channels linking local exposure to globalization and local electoral outcomes are based on social and economic dynamics that work primarily at the level of local communities. This is either because other mechanisms beyond labor market competition are at play at the level of local communities or because labor market dynamics do not cancel out at lower levels of aggregation.[24]

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[23]This is in line with the data collected by the EU through the Eurobarometer surveys in the 2000s. The interviews suggest that Italians tend to have a mixed opinion about globalization insofar as they do recognize its beneficial effects on export opportunities but are afraid of its negative impact on social inequalities.

[24]Indeed, the impact of globalization may be stronger at the local level or more effective in influencing the electorate. As observed by Gimpelson and Treisman (2018), individuals tend to over-generalize from their immediate reference group and this leads to widespread misconceptions about the actual extent of inequality. Similarly, politically-relevant misconceptions about labor market outcomes might more likely arise in small communities and wash out in the mix in large areas.

Table 10: First-difference model, province level (NUTS3) – IV estimates

	(1) $\Delta FarRight$	(2) $\Delta FarLeft$	(3) $\Delta Right\text{-}wing$	(4) ΔTAN	(5) $\Delta Turnout$
ΔIPW^{Chn}	0.927	-0.265	-0.298	0.450	-0.812**
	(0.648)	(0.359)	(0.712)	(0.586)	(0.372)
ΔIMM^{shr}	1.439*	0.393*	2.683***	1.288**	-0.268
	(0.790)	(0.211)	(0.668)	(0.598)	(0.423)
Province controls	yes	yes	yes	yes	yes
Regional (NUTS2) controls	yes	yes	yes	yes	yes
Region (NUTS2) fixed effects	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes
2SLS	yes	yes	yes	yes	yes
Observations	218	218	218	218	218
R-squared	0.575	0.781	0.681	0.574	0.488

Notes: The dependent variable in columns (1) through (4) is the percentage point change in the votes for each group of parties (far right, far left, right-wing, TAN) and in column (5) the percentage point change in voters' turnout. The 2SLS specifications instrument for the change in Chinese imports in Italy using the change in other developed countries' imports from China and for the change in the immigrants using the value at the beginning of the period. The province controls include number of residents, share of residents above 65 in the adult population, share of residents with primary or lower secondary education, share of residents with tertiary education, unemployment rate, labor force participation rate and value added per worker. The regional controls include hospital migration, informal labor, share of expenditure on cultural activities, tickets in cultural activities per capita, volunteering, attractiveness of universities and internet diffusion. Standard errors clustered at the province level are shown in parentheses. *, ** and *** indicate coefficients significantly different from zero at the 10%, 5% and 1% level respectively.

These findings are of interest both for scholars and party politics. As to the former, they suggest that social scientists studying the recent changes in the political landscape of Western liberal democracies need to choose carefully the level of aggregation of the analysis and would gain considerable insight from more disaggregated data, which is however not available for some countries. As to the latter, they suggest that those political parties concerned with preserving the Italian traditionally open stance vis-á-vis globalization should identify better the diverse channels through which globalization affects voters. It appears of utmost importance to distinguish the effects mediated by local labour markets from those linked to other social channels, as well as those working at low levels of aggregation (e.g., local communities) from those operating at an aggregate level.[25]

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[25]Policy responses would need to change accordingly. The European Globalisation Adjustment Fund, which requires countries to demonstrate that job losses follow a substantial increase of imports into the EU, could help to address aggregate, labour markets-related phenomena. Measures directed toward the strengthening of education provisions and redistributive mechanisms may be of greater use at the local level.

Table 11: Fixed effects model, province level (NUTS3) – IV estimates

	(1) $FarRight$	(2) $FarLeft$	(3) $Right\text{-}wing$	(4) TAN	(5) $Turnout$
IPW^{Chn}	1.029	-0.520	0.647	0.044	-0.391
	(0.840)	(0.413)	(0.819)	(0.476)	(0.603)
IMM^{shr}	2.573***	0.206	0.326	0.508	-0.290
	(0.974)	(0.185)	(0.446)	(0.361)	(0.483)
Province controls	yes	yes	yes	yes	yes
Regional (NUTS2) controls	yes	yes	yes	yes	yes
Province fixed effects	yes	yes	yes	yes	yes
Year fixed effects	yes	yes	yes	yes	yes
2SLS	yes	yes	yes	yes	yes
Observations	314	314	314	314	314
R-squared	0.688	0.918	0.500	0.473	0.511

Notes: The dependent variable in columns (1) through (4) is the percentage of votes for each group of parties (far right, far left, right-wing, TAN) and in column (5) the percentage value for voters' turnout. The 2SLS specifications instrument for Chinese imports in Italy using other developed countries' imports from China and for the share of immigrants using its five-year lag. The province controls include number of residents, share of residents above 65 in the adult population, share of residents with primary or lower secondary education, share of residents with tertiary education, unemployment rate, labor force participation rate and value added per worker. The regional controls include hospital migration, informal labor, share of expenditure on cultural activities, tickets in cultural activities per capita, volunteering, attractiveness of universities and internet diffusion. Standard errors clustered at the province level are shown in parentheses. *** indicates coefficients significantly different from zero at the 1% level.

5   Concluding remarks

The impact that economic phenomena associated with the globalization process have had on the political developments and electoral outcomes in the trade-oriented and industrialized Western liberal democracies has recently attracted much attention among economists, political scientists, sociologists, policy advisors and politicians. This work contributes to this rapidly growing literature in that it focuses for the first time on Italy, a large and open countries G7 country, characterized both by a highly diversified territory along the socio-economic lines and by a lively (to use a euphemism) political system.

More precisely, this work studies to what extent the electoral dynamics in Italy over the 1994-2008 period can be explained by two major phenomena associated with globalization, that is the rising exposure to import competition from China and immigration, once controlling for a number of other socio-economic phenomena. The empirical analysis adopts Italian local labor markets as main unit of analysis, since they allow one to exploit the large variation associated with the differentiated patterns of industrial specialization (and thus exposure to competition as well) and of immigration across the country.

The analysis focuses on the period before the European sovereign debt crisis and after the dramatic change in the political environment occurred in 1992-1993 leading to the disappearance of most of the traditional parties. Accordingly, it considers the local outcomes at general parliamentary elections in 1994, 2001, 2006 and 2008.

To account for time-invariant unobserved effects across local labor markets, the em-

pirical analysis is based on two alternative models: a mixed first-difference model for the periods 1994-2001 and 2001-2008, and a fixed effects model for the years 2001, 2006 and 2008. Both models are estimated with and without addressing possible endogeneity problems, showing the importance of taking these into account.

The empirical analysis suggests that globalization played a relevant role in shaping the local results of Italian general elections in the period 1994-2008. Moreover, looking at the evolution of the share of votes for right- and left-wing parties as well as for the traditionalist/authoritarian/nationalist and far-right parties, the investigation shows that immigration intensity and exposure to import competition from China had an impact that differs in size and sign across the different parties along the Italian political spectrum.

To summarize the results, both globalization-related forces contributed to the electoral success of far-right parties. Only factors related to the local intensity of immigration, instead, appear to have supported the success of right-wing and traditionalist/authoritarian/nationalist parties. This is mainly due to the political stance of the so-called moderate parties that did embrace international trade, as all left-wing parties also did, but shared also the concerns about immigration characterizing right-wing parties. Moreover, we find that the electoral turnout responded negatively to an increased presence of migrants, in line with Barone et al. (2016) who find that immigration contributed to a surge of disaffection toward political participation in Italy since 2000 onwards.

On the other hand, neither force of globalization had a substantial effect on the electoral performance of far-left parties, although some non-conclusive results suggest that the electorate leaning on the far left increased its representation where immigrants grew faster. This finding, together with the clear-cut positive impact of immigration on the electoral results of far-right parties, suggests that immigration is a much stronger polarizing political topic than import competition from China.

Finally, and interestingly, the results turn out to be stronger when municipalities, instead of local labor markets, are taken as unit of analysis. This seems to indicate the presence of transmission channels other than local labor markets, possibly working at the level of local communities. This is either because, in line with the argument of Margalit (2012), globalization may influence political preferences also through mechanisms that are not necessarily associated with labor market competition or because labor market dynamics do not wash out at lower levels of aggregation. This remains an open question for future research.

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