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Populists in Power

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Populists in Power

Abstract

We examine how populist governments influence political culture and economic outcomes. Some Austrian communities are governed by far-right populist mayors, directly elected by a majority of voters. We exploit close elections and find that the electorate becomes more polarized under populist mayors. However, polarization is not limited to politics. A major innovation of our study is using data on team members of local football teams. Our results show that diversity in local football teams decreases when populists are in power, indicating that populists infiltrate the civic society. When it comes to economic outcomes, migration and budget transparency decrease under populist governments.

JEL-Codes: D720, P160, H720, Z180.

Keywords: populism, far-right politics, partisan politics, polarization, immigration, economic policy, local government, budget transparency.

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1 Introduction

Far-right populists enjoy great electoral success in many industrialized countries. They use a strong anti-establishment rhetoric, often combined with nationalist, xenophobic, or anti-Muslim sentiments. Well known examples include the French Rassemblement National (RN, formerly: Front National), the Italian Lega, the Austrian Freiheitliche Partei Österreichs (FPÖ), the German Alternative für Deutschland (AfD), or the UK independence party (UKIP). Scholars describe the rise of far-right populism as a cultural backlash to unintended globalization outcomes (Norris and Inglehart, 2019) and investigate drivers of populism. Prominent examples are rising concerns over and exposure to immigration (Facchini and Mayda, 2009; Card *et al.*, 2009; Otto and Steinhardt, 2014; Hainmueller *et al.*, 2015; Barone *et al.*, 2016; Halla *et al.*, 2017; Dustmann *et al.*, 2018; Edo *et al.*, 2019; Steinmayr, 2021), structural change and trade shocks (Autor *et al.*, 2020; Becker *et al.*, 2017; Dippel *et al.*, 2018), economic crises (Funke *et al.*, 2016), and socio-economic inequalities (Solt, 2011).¹

Against the background of how both populist parties criticize the established parties and opponents of populist parties fear their emergence, an intriguing question is whether populist parties would, in fact, implement different policies than established parties if they were to gain office. The effects when populists enter government have hardly been explored to date. The main reason is a lack of incidences at a global scale. Since the early 2000s, far-right populist movements have mobilized a sizable and growing share of voters, but usually missed absolute majorities. Some populist parties have participated in coalition governments in Europe, for example, in Austria, Finland, Greece and Italy, or supporting minority governments in Denmark and the Netherlands. Populist governments were led by the US president Donald Trump or the Brazilian president Jair Bolsonaro.

Evidence on political outcomes under populist governments is rare. Funke *et al.* (2020) show that per capita GDP declines when populist leaders, such as presidents or prime ministers, are in power; after 15 years, it is lowered by around 10 percent as compared to an estimated counterfactual. In Italian municipalities, the share of foreigners decreased

¹For a survey on the determinants of far-right populist voting, see Arzheimer (2018).

when far-right populist mayors were in office (Bracco *et al.*, 2018).² It is conceivable that far-right populists influence cultural policies such as migration flows because those policies have been their front-line issue (List and Sturm, 2006).

We examine how far-right populist governments influence political culture and economic outcomes. We exploit close mayoral elections in Austria where candidates of the far-right FPÖ won or were defeated by only a few votes. The FPÖ is among Europe’s leading far-right populist parties, with close connections to the German AfD, the French RN, and the Italian Lega and has a long tradition dating back to the 1920s. The FPÖ already enjoyed great electoral success in the late 1980s, long before the recent renaissance of populism. From 2000 to 2006 and from 2017 to 2019, the FPÖ joined coalition governments with the conservative ÖVP. The FPÖ also has strong local roots, in the Austrian federal state of Carinthia in particular. Far-right populists won around 14% of all mayoral elections in Carinthia between 1991 and 2017. Austrian mayors rank among the most powerful local leaders in Europe (Heinelt and Hlepas, 2006, see also Table A1 in the Appendix). Newspapers call Austrian mayors ‘village pashas’ having executive powers over staff, public finance, and local public goods even Austrian chancellors, ministers, or national and state MPs can only dream of.³ Moreover, far-right populist mayors use the same populist rhetoric as national FPÖ politicians. For example, one FPÖ mayor in Carinthia explicitly admired Nazism:

‘I dissociate myself only from their [the Nazis] actions, but not from Nazism.’
(Siegfried Kampl, FPÖ mayor of Gurk, 2014).⁴

Another FPÖ mayor describes his local policies towards migrants as follows:

‘Turks don’t get social housing. Muslim children are not allowed to go to school here. If Turks want to buy property, then we buy it first.’ (Peter Suntinger, FPÖ mayor of Großkirchheim, 2009).⁵

²In a similar vein, migration to German cities decreased when far-right protests took place (Brox and Krieger, 2021).

³‘Die wahre Macht der Bürgermeister’, Salzburger Nachrichten, 25.11.2017.

⁴Original in German language: ‘Nur von dem, was sie gemacht haben, distanzieren ich mich, nicht vom Nationalsozialismus.’ (Kleine Zeitung, 17.09.2014). Kampl was excluded from the FPÖ.

⁵Original in German language: ‘Türken bekommen von uns keine Wohnung. Muslimische Kinder dürfen hier nicht zur Schule. Wenn Türken hier Grund kaufen wollen, dann kaufen wir den vorher weg.’ (SZ Magazin, 08.04.2009).

The FPÖ also cultivates strong anti-Semitic roots. In the Austrian state of Vorarlberg, for example, the mayor of Hohenems called the German director of the local Jewish Museum, Hanno Loewy, an

‘exiled Jew from America in his highly subsidized museum.’ (Dieter Egger, FPÖ mayor of Hohenems).⁶

Against the background of great political powers over local affairs and the far-right rhetoric even at the local level, we propose that Austrian FPÖ mayors are an excellent case in point to investigate how far-right populist governments influence the political and economic landscape. We exploit the narrow victories and defeats of far-right populist candidates to establish causality. If political races are very close, electoral outcomes can be considered as quasi-exogenous (e.g., Ferreira and Gyourko, 2009; Dippel, 2021). In our sample, in the 1997 mayoral election in the municipality of Stockenboi the far-right populist candidate defeated the social democratic candidate by 565 to 560 votes. By contrast, a far-right populist candidate lost the 2015 mayoral election in the municipality of Albeck by 362 to 363 votes. We implement RD estimations to exploit close races involving a far-right candidate.

We examine dependent variables measuring the local political culture and economic outcomes. An innovation of our study is using a new measure of political polarization and the diversity on local football teams as the dependent variables to measure the divide within civil society. Based on anecdotal evidence, we expect that polarization increases under far-right populist mayors, both at the political level and within civil society. In contrast, regarding economic policies, far-right populists are caught between the devil and the deep blue sea and may hardly differ from the political center. The results show that under far-right populist mayors, political polarization increases. The political discord infiltrates the local civil society: the composition of local football teams becomes less diverse, reflecting a bias towards Austrian players. Moreover, migration from abroad decreases. The results do not show that far-right populist mayors influence economic outcomes such as the unemployment rate. However, budget transparency decreases under

⁶Original in German language: ‘Exil-Jude aus Amerika in seinem hochsubventionierten Museum.’ (ORF Online, 18.04.2015, <http://vorarlberg.orf.at/news/stories/2705950/>).

far-right populists mayors. We conclude that populist governments influence cultural outcomes to a much larger extent than economic outcomes.

Our paper contributes to the literature on partisan politics. Government ideology has been shown to influence economic development. The partisan theories developed in the 1970s describe how traditional left-wing and right-wing governments implement economic policies to gratify their constituencies (Hibbs 1977, Chappell and Keech 1986 and Alesina 1987; see Schmidt 1996; Potrafke 2017, 2018 for surveys). However, party systems have changed in many industrialized countries and partisan theories offer little guidance in explaining the policy platforms of (far-right) populist parties. Our study is related to the recent literature examining how populist politicians and governments influence economic outcomes via direct and indirect channels (Funke *et al.*, 2020; Stöckl and Rode, 2021). We use fine-grained data at the local level and estimate causal effects of populist mayors on economic outcomes. A major innovation of our study is introducing new measures of polarization, both along partisan lines in elections and within the civil society, as outcome variables.

2 Institutional background

2.1 Austrian state of Carinthia

Austria runs a three-tier government consisting of the national level, nine federal states (*Bundesländer*), and around 2,100 municipalities (*Gemeinden*). Carinthia is the most southern state bordering on Italy and Slovenia. Large parts of Carinthia are alpine and rural, the densely populated valley around the capital of Klagenfurt being the sole exception. By 2017, Carinthia had a population of around 560,000 inhabitants living in 132 municipalities. Around 10% of the population is foreign (Austrian average: 15%). The Carinthian GDP per capita is at around 85% of the national average; growth rates between 2000 and 2016 roughly correspond with the national average. Most Carinthians are German speaking (96%) and Catholic (77%). There are, however, two substantial minorities of 10% Protestants and 2–3% ethnic Slovenians (which hardly overlap, see Figure

A1 in the Appendix). Conflicts over bilingual village signs have dominated Carinthian politics for over 40 years. The powerful far-right populist camp refused to implement bilingual signs. The conflict was not resolved until the constitutional court and national government intervened in the 2000s.

Traditionally, the social democrats (SPÖ) are the leading political force in Carinthia. Over the period from 1989 to 2013, however, the far-right populist FPÖ (2008 to 2013: BZÖ) played a major role in Carinthian politics. In 16 out of 24 years (1989 to 1991 and 1999 to 2013), the state government was led by a far-right populist prime minister. The conservative party ÖVP, by contrast, does not enjoy pronounced electoral support and does not play an important role in present day Carinthia. There are some less important small parties in Carinthia such as the Greens (Figure 2 and Table A5 later on). There is no other Austrian state with a comparable density of far-right populist mayors. In the three states neighbouring Carinthia (Styria, Tyrol, and Salzburg), FPÖ mayors account for less than 0.3% of all mayors. We describe the role of mayors in Austrian politics in greater detail below.

2.2 Far-right populism in Austria

Austria has a longstanding tradition in far-right parties beyond moderate conservative party ideology. The right-wing camp has made it to the Austrian national parliament in all democratic elections since 1919.⁷ In the democratic interwar period from 1919 to 1934, pan-German parties (*Deutschnationale*) proposing to annex Austria to Germany won some 20% to 25% of all votes in national elections. After WWII, the right-wing camp was soon reestablished (*Verband der Unabhängigen*, VdU) and enjoyed substantial support from former pan-German party supporters, including the Nazis (Ignazi, 2003; Ochsner and Roesel, 2020). In 1955, main parts of the VdU were transformed into the newly-founded *Freiheitliche Partei Österreich* (FPÖ), which is the main right-wing party in Austria to the present day. Electoral support, however, declined in the early 1980s. In 1986, a right-wing faction led by the Carinthian politician Jörg Haider took control

⁷The sole exception is 1945, when the right-wing camp was banned and did not participate in the national election.

and started to run far-right populist campaigns (Luther, 1997). Vote shares skyrocketed and Haider became prime minister of the state of Carinthia. In 2000, the FPÖ formed a government with the conservative party at the national level. The radical wing of the FPÖ rebelled. In 2005, Haider and his more moderate followers left the FPÖ after internal disputes and formed a new far-right populist party (BZÖ), which had its stronghold in Carinthia where the BZÖ almost completely absorbed the former FPÖ. The FPÖ, however, remained strong outside Carinthia and became even more populist right-wing. When Haider died in a car accident in 2008, BZÖ support steadily declined. Today, after one decade of further party splits and consolidation rounds, the FPÖ is in Carinthia the only remaining large far-right populist party, attracting 20% of all votes in the 2019 national election in Carinthia.

The FPÖ has an anti-elite and anti-immigration platform and is one of the leading far-right populist parties in Europe. Haider campaigned against immigration and foreigners in general and suppressed the Slovenian minority in Carinthia. Today, the FPÖ relies more on xenophobia and islamophobia, but also cultivates its neo-fascist roots. Party members from the local level, MP backbenchers, and leading party members are often involved in political scandals. In the Carinthian municipality of Gurk, for example, the FPÖ mayor Siegfried Kampl declared in 2014 that he dissociates himself from the actions by the Nazis, but not from Nazism.⁸ Kampl was reelected as mayor in 2015. In the state election campaign of 2009, the BZÖ proclaimed a “Chechens free” (“*tschetschenenfreies*”) Carinthia. The BZÖ gathered around 45% of all votes. There are many more examples of this nature.⁹ Far-right rhetorics dominate across all FPÖ party layers from the very local to the national level. Carinthia, in particular, is a hotbed of political scandals involving far-right politicians. Investigating the local level in the Austrian state of Carinthia is therefore suitable to draw conclusions about far-right populism in general because local FPÖ politicians are hardly less radical than politicians at the state or national level.

⁸See Section 1.

⁹For a recent compilation see, for example, Mauthausen Komitee Österreich (2017).

2.3 Mayors in Austrian local politics

Mayors are the most powerful players in Austrian local politics (Hämmerle, 2000; Fallend *et al.*, 2001). They represent the municipality, lead the local governments as “managing directors” and generally enjoy great autonomy in deciding on local affairs. For example, mayors decide on public safety and order, staff, and spending (within the limits of the local budget).¹⁰ Given their far-reaching powers, mayors also have opportunities to polarize local communities – particularly regarding cultural policies. Although immigration and refugee policy is decided at the national level, anecdotal evidence suggests that mayors can – beyond their rhetoric towards immigrants – exert indirect influence on immigration policies. During the ‘2015 refugee crisis’, for example, Carinthia met only 90% of its admission quota of 2,500 refugees.¹¹ Many local leaders in whose communities there were no refugees argued that they do not have any premises. The FPÖ mayor of Ossiach initially even ordered a halt to the construction of the property in which the Carinthian initial reception center was to be set up.¹²

Being mayor is a full time job. Carinthian mayors earn some 3,000 to 7,000 Euros per month, depending on municipality size. There is no limit to re-elections. Mayors also prepare a draft of the local budget, which needs to be approved by the local council. De jure, the local council decides on the budget. De facto, however, the mayor determines almost the entire budget; in most cases, local councils hardly change budget drafts at all. This is particularly true of small municipalities where honorary local councilors face a mayor backed by the professional local government administration (see, Klammer, 2000; Aigner *et al.*, 2001). Newspapers therefore call Austrian mayors “village pashas”, which are sometimes barely controlled by the local council.¹³ We later show that inferences regarding the effects of populist far-right mayors on economic policies do not depend on whether a mayor has a majority in the council. Mayors are also often board members of local public

¹⁰The national level sets the main legislative framework and the federal states are mainly responsible for individual regional issues such as teacher salaries, and parts of social care and hospital care.

¹¹‘Bezirk Spittal: Viele sind ohne Flüchtlinge’, *meinbezirk.at*, 23.06.2015, https://www.meinbezirk.at/spittal/c-lokales/bezirk-spittal-viele-sind-ohne-fluechtlinge_a1385101.

¹²‘Stopp für Asylquartier’, *Die Presse*, 05.08.2015. Ultimately, however, the initial reception center was completed after the federal government used the so-called right of passage, rendering the construction freeze ineffective.

¹³See footnote 3.

enterprises, allocating locally provided goods, such as water supply, waste disposal, or cemeteries. Carinthian mayors are therefore key players in Austrian local politics and good examples of politicians with large agenda-setting power (see, Wastl-Walter, 2000; Pleschberger, 2003).

Most Austrian states have a presidential-style mayor-council system. Carinthia was the first Austrian state to introduce direct mayoral elections in 1991. Voters separately elect a local council (with 11 to 45 councilors, depending on population size) and a mayor. There are two rounds of mayoral elections. If no candidate achieves more than 50% of all votes in the first ballot, a run-off ballot is held between the two candidates with the most votes. Council elections and the first round of mayoral elections are held simultaneously every six years. If necessary, the run-off ballot takes place 14 days after the first ballot. All mayors served until the end of the term; there were no irregular elections.¹⁴

Austrian mayors are among the most powerful local leaders in Europe (Heinelt and Hlepas, 2006). Table A1 in the Appendix shows that even council-elected Austrian mayors (e.g., in the federal states of Styria and Lower Austria) rank well above the European average in terms of strength. However, directly elected Austrian mayors such as those in the federal state of Carinthia, are among the top of the strongest local leaders in Europe. Thus, the Carinthian case is of particular interest and is suitable to draw conclusions beyond Austrian politics.

3 FPÖ mayors

We collect data on mayor's party membership. Our sample period covers five local elections, which are held every six years. FPÖ and the BZÖ are defined as far-right populist. The Carinthian FPÖ was the only far-right party until 2005 when the BZÖ was founded and absorbed major parts of the FPÖ.¹⁵ Many members of the BZÖ however re-joined the FPÖ in 2013 when the BZÖ collapsed. Because the BZÖ almost entirely replaced the FPÖ

¹⁴In 1991 and 1992, three municipalities were split into six new ones. Elections were held in 1992 instead of 1991.

¹⁵In 1993, some liberal politicians left the FPÖ and found a liberal party LIF. The LIF, however, did only compete in few municipalities and receives very few votes in local elections.

in Carinthia between 2005 and 2013, but protagonists and platforms hardly changed, we label both parties as far-right populist. Figure 2 shows how mayors in the 132 Carinthian municipalities allocate across parties. Almost all mayors in Carinthia are affiliated with one of the three main parties ÖVP, SPÖ, or FPÖ which nominate the candidates running in mayoral elections. The FPÖ continuously gained electoral support in mayoral elections reaching a peak in 2009, when 27 out of 132 (around 20%) of Carinthian municipalities were governed by a far-right populist mayor. At this point, the FPÖ held even more positions than the conservative ÖVP, whose share of mayors has been steadily declining from its initial level of 30% in 1991. In the most recent elections, both SPÖ and FPÖ suffered comparable losses, while the conservative ÖVP succeeded in reversing the downward trend. Figure 2 also shows the regional pattern of far-right populist mayors for the five municipal elections included in our sample. Far-right populist victories only cluster to a small extent and are less pronounced in the Southeast of Carinthia. However, there are hardly any geographic patterns (for comparison, maps in Figure A1 in the Appendix show the socio-economic and geographic characteristics of Carinthia).

[Figure 2 about here]

We also examine whether observable biographical characteristics differ between far-right populist mayors and other mayors. Table A2 shows that far-right populist winners do not significantly differ from their colleagues from other parties in terms of vote shares, education, gender, or total electoral terms. On average, far-right populist mayors receive a vote-share of 63% and remain three periods in office. Mayors elected in run-off elections differ from those elected in the first round in that their vote shares and periods in office are slightly lower. The share of women and university graduates among all mayors varies between 2-6% and 13-22%. There is also substantial variation within municipalities over time. Table A3 in the Appendix shows the transition of mayors' parties. In 22% of all cases, the mayor's party changed after a local election. In 29 out of 526 cases, a far-right populist followed a non-populist mayor. In 17 cases, a mayor of another party replaced a far-right populist. Table A4 in the Appendix reports that the mayor's party never changed between 1991 and 2017 in 58 municipalities; four municipalities had a far-right populist mayor over the entire period. The remaining 74 municipalities were swing municipalities.

We conclude that there is substantial within-municipality variation to be exploited in cultural, as well as in economic outcomes. Table A5 provides descriptive statistics for the variables used in the empirical analysis.

4 Political culture under far-right populists

4.1 Political polarization

4.1.1 Background

Far-right populism includes a strong anti-establishment rhetoric, often combined with nationalist, xenophobic, or anti-Muslim sentiments. Well-known examples of European far-right populist parties include the PVV (Netherlands), Lega (Italy), Rassemblement National (France), FPÖ (Austria), or the AfD (Germany). Scholars describe far-right populism as a cultural backlash to unintended globalization outcomes and migration in particular (Norris and Inglehart, 2019). Accordingly, the main campaigning issue of far-right populists is to restrict immigration, including its related effects on unemployment and economic insecurity (e.g., Mudde, 2013; Norris and Inglehart, 2019; Guiso *et al.*, 2017; Algan *et al.*, 2018; for a survey see also Arzheimer, 2018). Far-right populist parties shift the political competition to issues of identity, as they position themselves as defending ‘the people’. This dynamic gives rise to the polarization of party systems especially along the social-cultural dimension (Vachudova, 2019).

Political polarization – also termed the ‘voiding of the middle’ – under far-right populist parties has been shown for the Netherlands (Bischof and Wagner, 2019; Castanho Silva, 2018). Two hypotheses describe how far-right populists contribute to ideological polarization of the public: first, the electoral success of far-right populist parties legitimizes more extreme views in the electorate. Citizens identifying with the right-wing populist policy platforms now feel more free to declare their pre-existing radical positions (Bischof and Wagner, 2019). Second, as a backlash reaction, voters sympathizing with the opposite side of the political spectrum strengthen their opposition to far-right views.

4.1.2 Data

An innovation of our study is using an index that measures political polarization. Political polarization increases the more voters are divided between ideologically distant parties representing irreconcilable positions. We derive ideological distances between parties from voting advice application data – provided by Jäckle and König (2019) – covering policy stances across a wide range of topics. (Dis-)similarities between parties are reduced to a two-dimensional policy space by multidimensional scaling. The polarization index is calculated as the sum of parties’ (Euclidean) distances to the ideological center, weighted by their vote share. We use national (and not local) election outcomes to avoid picking up location-specific political features in the polarization index. Party platforms at national elections should be more comparable across municipalities. A description of how we compute the polarization index is provided in the online Appendix.

We compile a panel dataset covering all 132 municipalities of the Austrian state of Carinthia over a period of some 25 years (1991 to 2017).¹⁶ The sample period covers eight national elections, which are held every five years. Voting advice application data is available for the four national elections since 2006. For previous elections, we use the party configuration as of 2006, i.e. for the time period 1991-2005, variation in the polarization index stems from the respective party vote shares at the municipality level.¹⁷ Polarization in our sample varies between 16.69 at the national elections 2006 in the municipality Zell and 32.27 at the national elections 2008 in the municipality Freistritz ob Bleiburg. Figure 1 illustrates political polarization for the national elections 2006, 2008, 2013, and 2017.¹⁸ It shows the corresponding party configurations with the areas of the circles representing the vote shares in the municipalities which were the least (graphs on the left-hand side) or the most (graphs on the right-hand side) politically polarized. With minimum polarization, a large share of the votes goes to parties that are very close or moderately close to the ideological center in the policy space. In the 2017 election for example, a large share of the local electorate in Mörtschach supported the FPÖ and ÖVP, two parties clustering around the ideological center. The position of parties within the policy space is determined by their election-

¹⁶Table A12 reports our sources which are mainly the Statistical Offices of Austria and Carinthia.

¹⁷Baseline results remain unchanged when we restrict the sample to the period from 2006 onward.

¹⁸Note that we multiply the original values of the polarization index by 100.

specific programmes. Polarization is at its maximum, when votes are distributed relatively evenly between all parties in the policy space. The difference between minimum and maximum polarization is particularly striking for the 2008 national elections (polarization of 18.04 vs. 32.27): while in Lesachtal, the ÖVP and BZÖ, the two parties closest to the ideological center, gained by far the largest support, vote shares in Freistritz were more evenly distributed between the BZÖ and parties more distant from the ideological center (SPÖ, LIF/NEOS, and GRÜNE).

[Figure 1 about here]

4.1.3 Empirical strategy

Endogeneity of economic and election outcomes is very likely to bias OLS estimates. For example, citizens may vote for populists when their local governments perform badly (reverse causality). Omitted variables are another issue: election and economic outcomes may follow joint underlying trends like culture or mentality. To establish causality, we exploit narrow election outcomes to identify the causal effects of far-right populists in office using regression discontinuity (RD) specifications. RD allows to focus on close elections with tight vote margins as a quasi-experimental setting (see, Lee, 2008; Ferreira and Gyourko, 2009; Lee and Lemieux, 2010; Dippel, 2021). In tight political races, majorities depend on a few pivotal ballots and arguably on exogenous circumstances such as weather conditions (Arnold and Freier, 2016). In many municipalities, far-right populist candidates won or were defeated by only a few votes. For example, in the municipality of Stockenboi, the far-right populist candidate defeated the social democratic candidate in the 1997 mayoral election by 565 to 560 votes. By contrast, a far-right populist candidate lost the 2015 mayoral election in the municipality of Albeck by 362 to 363 votes. Weather conditions or the sickness of individual voters may have changed the voting outcome.¹⁹ Table A6 in the Appendix shows that the observable characteristics of elected far-right populist candidates do not differ from those of their defeated party fellows. Table A7 (Appendix) also shows that geographic and socio-economic variables are continuous at the

¹⁹Compared to population thresholds (Eggers *et al.*, 2018), compound treatment and sorting should not play a major role. See Hyytinen *et al.* (2018).

threshold of 50% votes for a far-right populist candidate. Finally, we perform bunching tests proposed by McCrary (2008) (see also Cattaneo *et al.*, 2020): we do not find evidence for a manipulative distribution of vote shares at either side of the 50% threshold (Figure A3 in the Appendix). We are therefore confident that election outcomes quasi-exogenously sort into narrow defeats and victories.

We use a linear interacted RD specification as our baseline. RD results represent the local average treatment effect of a marginally elected far-right populist mayor compared to marginally defeated far-right populist candidates. Our baseline RD specification takes the following form

$$Y_{it} = f(\text{Populist}_{it}) + \epsilon_{it} \tag{1}$$

with $i = 1, \dots, 132$; $t = 1, \dots, 26$,

where Y_{it} describes our measure of political polarization. ϵ_{it} is the error term. We do not include control variables because all socio-economic and fiscal variables may be determined by a local mayor as well, and are therefore ‘bad controls’. We cluster standard errors at the level of municipalities. We use a bandwidth of 30% around the 50% threshold. We also run estimations where we weight the sample by matching weights derived from propensity score matching. Table A8 in the Appendix shows the matching variables used and their sample mean under right-wing populist mayors before and after the matching procedure. We match over a cross-section and several population and geographical characteristics, namely the share of Slovenian speaking and Protestant population in 2001 and the minimum altitude above sea level, the altitude slope, and the share of settlement area. A comparison of the mean values between municipalities with and without far-right populist mayors reveals that the propensity score matching balances the two samples quite well.

We also apply the nonparametric RD technique developed by Calonico *et al.* (2014, 2018), including the optimal polynomial and bandwidth selection procedure as the most flexible specification. Hyytinen *et al.* (2018) show that the nonparametric technique by Calonico *et al.* (2014, 2018) may well be equivalent to a randomized experiment in the context of close elections when using robust standard errors. We also allow for flexible bandwidths and RD polynomials.

4.1.4 Results

Table 1 shows our baseline results for political polarization: linear polynomial RD estimations (columns 1 to 3) and local-linear RD estimations including the optimal polynomial bandwidth selection procedure (column 4). Coefficient estimates correspond to the local average treatment effect of a marginally elected far-right populist mayor compared to marginally defeated far-right populist candidates. We use annual data in column (1) and election term averages in all other specifications. The results in column (1) to (4) show that far-right mayors increased political polarization; the index of polarization was around 4.17 points (almost two standard deviations) higher under far-right mayors than mayors of other parties (column 4). The coefficient estimates are smaller when we use linear polynomial RD compared to local-linear RD (columns 1 to 3). We believe that increasing political polarization under far-right mayors conveys how far-right policymakers influence social coexistence in many industrialized countries.

[Table 1 about here]

We submitted our results to six robustness tests for which we use election term averages and the local-linear RD specification. Table A9 shows coefficient estimates of the far-right populist dummy variable for our preferred local-linear RD specification (corresponding to column 4 in Table 1). As a first robustness test, we exclude all municipalities that never had a far-right populist mayor over the sample period. SPÖ-strongholds in particular can differ considerably from municipalities where the FPÖ/BZÖ receives large vote shares (column 1). Secondly, we exclude municipalities with a Slovenian population share above 5% (column 2). The indigenous Slovene-speaking population group in southern Carinthia constitutes an ethnic minority whose guaranteed rights have been continuously called into question, especially under the Carinthian governor Jörg Haider. As a third robustness test, we exclude municipalities with a substantial Protestant population (population share above 50%), since religion might shape voting preferences in such areas (column 3). Fourthly, we use only mayors elected in a run-off ballot. When candidates fail to gain an absolute majority in the first electoral round, the electoral race is more hotly contested and we would also expect a sharpened far-right populist profile when mayors elected under such

circumstances take office (column 4). We also compare far-right populist mayors to social democratic (SPÖ) mayors in column (5) and conservative (ÖVP) mayors in column (6) only to investigate whether there exist counteracting effects regarding the FPÖ/BZÖ's main political contestants.

The robustness tests corroborate that far-right populist mayors increased political polarization. Most importantly, the polarizing effect of FPÖ mayors turns out equally strong, irrespective of whether we compare them to their social democratic or conservative counterparts only.

4.2 Civil society

The scapegoating mechanisms employed by far-right populists are directed towards ethnic or religious minorities ('them below') and, when expedient, target socialists, capitalists, the European Union, the media, ruling parties ('them above'), and more (Wodak, 2019). Constructing a seemingly self-evident 'us' and 'them' plays an outsized role in far-right populist rhetoric and lays the foundation for social divide.

So far, however, there is no empirical evidence on polarization within the civil society under far-right populist governments. We propose to investigate local football teams, since sports clubs are an important means for integrative achievements within society. Far-right activities are perceptible in parts of organized civil society, the AfD e.g. declares the '*march through the organizations*'²⁰, i.e. the deliberate infiltration of associations and clubs as a strategic goal. Football in particular offers a central point of reference for far-right ideologies due to its cultural significance and the aspect of national identity (Geisler and Gerster, 2009). Accordingly, far-right populists often polemicize against a supposedly foreign infiltration of (national) football teams. In 2010, the FPÖ mayor of Klagenfurt tied a loan for the Bundesliga soccer club Austria Kärnten to the following condition:

'If we are going to put together an aid package, it is imperative that we fix the number of Carinthians in the squad. No foreigners should be signed up, but

²⁰'Wie Rechtspopulisten Vereine und Verbände infiltrieren', Deutschlandfunk, 02.03.2020, https://www.deutschlandfunk.de/zivilgesellschaft-wie-rechtspopulisten-vereine-und.724.de.html?dram:article_id=471987.

the academy's kickers should be pushed.' (Christian Schneider, FPÖ mayor of Klagenfurt, 2010).²¹

We measure polarization within civil society via the diversity on local football teams. Football (soccer) is the most famous sport in Europe. We self-compile individual match data on Carinthian football teams over the period 2006-2017 from the website *kfv-fussball.at*. The final dataset is constructed at the team-match level, i.e. there are two observations per match, one for each competing team. In total, our football data contains 7,923 matches of 138 Carinthian teams from 88 municipalities. For each individual match, we have information about the team that competed, more specifically the names of the players. We classify the 7,206 distinct names by their most likely country of origin using an API (*Application Programming Interface*). We aim to measure a home bias on local Carinthian football teams under far-right populist rule. Due to the similar sociolinguistics of Austrian, German, and Swiss names, we define players of these countries of origin as native and all other players as players with foreign roots (in the following: foreign).²² For each match, we calculate the share and number of competing foreign players as indicators of cultural diversity on the team.

The overwhelming majority of names has a European background (96.53%), while players with Asian (2.15%) or African names (1.32%) are largely underrepresented. The top five countries of origin among foreign football players are Croatia, the Republic of Serbia, Bosnia and Herzegovina, Italy, and Slovenia, their shares ranging between 1 and 3%. These countries also rank among the top ten of foreign countries of origin in the overall Carinthian population. In terms of origin, local football teams thus seem to provide a good representation of the civil society as a whole. On average, there are three foreign players on every team.

Figure 3 and Table 2 show results for our measures of diversity for local football teams. Figure 3 presents coefficients from event study specifications where we regress the share and number of foreign players on quarter-specific indicators of far-right populist rule. Our

²¹Original in German language: 'Wenn wir ein Hilfspaket schnüren, ist ein Festschreiben der Anzahl der Kärntner im Kader unabdingbar. Es dürfen keine Ausländer verpflichtet, sondern die Kicker der Akademie forciert werden.' (Kleine Zeitung, 07.04.2010).

²²For the ease of readability, we differentiate between native and foreign players in the following, although strictly speaking, we should refer to players with names of native and foreign origin.

event window comprises the year before and the four years after a new mayor takes office and effect sizes are relative to the pre-electoral quarter.²³ To match the RD approach, we focus on closely elected or defeated far-right populist candidates. Our estimates suggest a negative effect of far-right populist mayors on the diversity of local football teams. This effect is immediate during the first year of office and gets even more pronounced in the third year. Quantitatively, under far-right populist mayors, the foreign share decreases by around 10 percentage points or two players on the local football team.

Regression results presented in Table 2 confirm the event study estimates. The estimation sample is restricted to football teams from municipalities with a first- or second-placed far-right candidate at mayoral elections. All estimated coefficients for the diversity measures are negative, although they do not turn out to be statistically significant in columns (1) to (3), where we use all vote margins. As soon as we limit the sample to closely elected candidates, in the spirit of RD, the coefficient estimates are statistically significant at the 5% level and become larger. Even the most rigorous specifications (in columns 8 and 9), where we control for year, team, and opponent fixed effects, show a significant divide in terms of cultural diversity between teams from FPÖ-dominated and other municipalities: when the local civil society is exposed to a far-right populist mayor, the number of foreign players engaged in the local football team decreases by one player (or 9 percentage points in relative terms).

5 Economic outcomes under far-right populists

5.1 Background

As far as economic policies are concerned, far-right populist parties are stuck between the devil and the deep blue sea. Far-right populist parties wish to attract disenchanted voters from both established left-wing and right-wing parties. Disenchantment with the policies pursued by established parties, however, often has manifold reasons and motivations to support left-wing and right-wing parties used to differ (partisan theories – Hibbs 1977,

²³Mayoral elections take place in March, so the first quarter of the election year serves as base category.

Chappell and Keech 1986, Alesina 1987; see Schmidt 1996; Potrafke 2017, 2018 for surveys). Offering a platform that gratifies the economic needs of both groups of voters is difficult. The struggle of far-right populist parties to attract voters from both established left-wing and right-wing parties translates into barely coherent party manifestos, or manifestos that merely exclude the policy fields in which party members do not agree – consistent anti-immigration proposals notwithstanding.

Norris and Inglehart (2019) show that far-right populist parties differ a great deal in their economic policies. On the one hand, some far-right populist parties promote expansionary economic policies (similar to those of established left-wing parties). This seems to be a necessary precondition for attracting blue-collar workers and may well be one of the instruments that far-right populist parties use strategically in the public discourse. Examples of far-right populist parties promoting left-wing economic policies are the German NPD, the Greek Golden Dawn, or the Hungarian Jobbik. On the other hand, white-collar or self-employed supporters of far-right populist parties prefer less expansionary economic policies – giving rise to a conflict of policy platforms. Some far-right populist parties like the German AfD or Donald Trump’s supporters are quite market-oriented (similar to established right-wing parties).

Far-right populists also adjust their economic policy proposals according to the zeitgeist. Austrian far-right populists are an excellent case in point. In a coalition with the conservative ÖVP, the FPÖ implemented some market-oriented reforms such as increasing the retirement age in the early 2000s (Afonso, 2015). In 2005, the populist far-right camp broke up into the FPÖ, which proposed state interventions and called themselves “the social home party” (*“Die soziale Heimatpartei”*), and the somewhat more market-oriented BZÖ. However, the BZÖ did not implement consistent policies either. For example, the BZÖ prime minister of Carinthia, Jörg Haider, introduced state-run gas stations offering cheap diesel, but also proposed to cut bureaucracy, to introduce a “flat tax”, and to oppose the *Basel II* recommendations on banking laws and regulation at the same time. It remains an empirical question what kind of economic policies far-right populists would implement if they were to enter office.

Evidence on the economic policies under far-right populists is scarce. Anecdotal evidence of far-right populist parties in Dutch governments does not suggest that these governments implement very different policies (Afonso, 2015). Köppl-Turyna (2016) examines budget composition in municipalities of the Austrian state Vorarlberg and includes party seat shares in the municipal council as explanatory variables. The results do not suggest that budget composition was different when the FPÖ had a large share of seats in the municipal council.

5.2 Conventional economic outcomes

We investigate population, tax revenues, the unemployment rate, and public debt as economic outcomes. Mayors have large agenda-setting power in proposing the annual budget and allocating spending within types of expenditure. Prioritizing spending on housing or childcare may stimulate migration and births, health expenditure can reduce mortality. We therefore investigate how total population changes under populist mayors. Mayors also influence economic growth; for example, by providing suitable public infrastructure or a business-friendly administration. To measure economic outcomes, we use total local tax revenues which are a fixed share of local wages and the unemployment rate.²⁴ Finally, we use public debt as a dependent variable. All monetary outcomes are measured in per capita values and 2017 prices. We employ an RD approach as described in section 4.1.

The results in Table 3 do not suggest that economic outcomes were different under far-right populist mayors and mayors from established parties. The coefficients of the far-right populist lack statistical significance when we use population, tax revenues, the unemployment rate, and public debt as the dependent variables. These results are in line with the programmatic flexibility of far-right populist parties regarding economic policies possibly influenced by the wide range of voters they aim to cater to.

[Table 3 about here]

We have also examined public expenditure and migration outcomes, see Tables A10 and 4. Total expenditures do not differ between far-right populist mayors and mayors from

²⁴We define the unemployment rate as the share of unemployed in the population between 20 and 65.

other parties. Social and health expenditures slightly decrease under far-right populist mayors, corroborating the results by Bracco *et al.* (2018). Table 4 shows that net foreign migration decreased under far-right mayors, an effect which again corroborates the results of Bracco *et al.* (2018) who use Italian data.

[Table 4 about here]

5.3 Budget transparency

We investigate whether far-right populists influence the transparency of economic policy-making. From a theoretical point of view, the effects of populists in office on transparency policies are ambiguous. On the one hand, populists claim to represent ‘the people’ and to be in direct contact with their voters. Donald Trump, for example, uses Twitter to signal rapid action and a direct connection to a broad audience. On the other hand, populists might be interested in more opaque policy making.

We measure whether far-right populists adopt budget transparency to a different extent than mayors of other political parties using data from the project *offenerhaushalt.at*. The project was launched in 2013 and collects figures on all 2,100 Austrian municipality budgets. The project increased local budget transparency in Austria a great deal. Before 2013, comparative data on local public finance were mainly published in hardcover copies or databases of the statistical office and municipality associations which are not that easily accessible. State governments monitor and supervise local governments but also hardly publish any comparative data. The project *offenerhaushalt.at* lowered the barriers to access local budget information substantially. Data exists for all municipalities, but is only publicly accessible for municipalities that explicitly agree to publication. All municipalities were invited by letter to make their data public at zero costs: participation is free and municipalities do not have to deliver any data. By early 2018, around 1,000 municipalities have joined the project. In Carinthia, 7, 14, 18, 5, and 4 out of the total of 132 municipalities joined the project in the years 2013, 2014, 2015, 2016, and 2017. 84 municipalities refused to participate by the end of 2017. We collect information on cases where Carinthian municipalities decided to make their budget figures publicly available.

We apply Probit and Cox (proportional hazard) regressions when we investigate budget transparency. The decision to join the project *offenerhaushalt.at* is binary, so using RD specifications is not suitable in this setting. In the Probit estimations, the dependent variable is a dummy variable that equals one only in the year when a municipality made its budget figures publicly available on *offenerhaushalt.at*, and zero in years before and after the decision. However, adoption decisions are not independent over time. Once adopted, no Carinthian municipality left the project. Therefore, we model the survival time until joining the project using Cox regressions.

Table 5 shows the results of these regressions. Column (1) shows that the probability of adopting budget transparency was by around 4 percentage points lower under far-right populist mayors than under mayors of other parties. To account for the fact that adoption decisions are not independent over time, we report Cox regression results in columns (2) to (4) in Table 5. They corroborate our Probit estimations: the probability to adopt budget transparency decreases under far-right populist mayors, even when we include year fixed effects and restrict the sample to narrow election outcomes. Populists therefore seem to be less interested in transparency than their colleagues from other political parties.

[Table 5 about here]

6 Conclusion

There has been a lack of evidence on political and economic outcomes under far-right populist governments. An important reason is that populist right-wing parties have not yet become senior coalition partners in many national governments. We examine how far-right populist mayors influence cultural and economic outcomes. The sample includes Austrian municipalities, many were led by far-right populist mayors. Our results show that far-right populist mayors increased political polarization and polarization within civil society. This result is corroborated by decreased net foreign migration under far-right populist rule. By contrast, the results do not suggest that far-right populists influenced main economic outcomes such as the unemployment rate in a different manner than mayors from other

parties. Budget transparency decreased, however, under FPÖ mayors suggesting that far-right populists are less interested in the transparency of policymaking than mayors of other political parties.

Our results provide novel insights on the question of how far-right populists influence the political culture in local communities. While the anti-establishment and anti-immigrant rhetoric employed by far-right politicians is well-documented, we show evidence suggesting that far-right populists divide the civil society. These findings can be rationalized by changes in the social acceptability of holding particular views. Electoral successes of radical right parties legitimize their views in the eyes of the electorate and might encourage citizens sharing those views to support them more openly (Bischof and Wagner, 2019; Bursztyn *et al.*, 2020).

Our results on political polarization under far-right populist rule align well with this intuition: when FPÖ mayors are elected into office, their extreme views gain social acceptance. Ultimately, voters on both sides will take up more radical positions, giving rise to a ‘voiding of the middle’ when vote shares are relatively evenly split between ideologically distant parties. Moreover, the legitimization effect should be particularly strong for far-right populists’ most salient policy issues regarding the openness to foreigners. Anecdotal evidence on the FPÖ’s strong nationalist and xenophobic views even at the local level suggests that upon their election, the stigma associated with holding these previously-extreme views is reduced. In places where anti-foreign sentiments become acceptable, residents with foreign roots withdraw from civil society by engaging less in local football teams. At the same time, net foreign migration decreases. These findings do not bode well for the social cohesion in communities governed by an FPÖ mayor.

We propose changing social norms regarding xenophobic or more extreme views in general as a channel to explain our findings. We cannot, however, directly measure more common public expression of anti-foreign sentiments at the local level. Future research should examine in more detail the polarizing effect of far-right populists and propose further measures of their divisive power.

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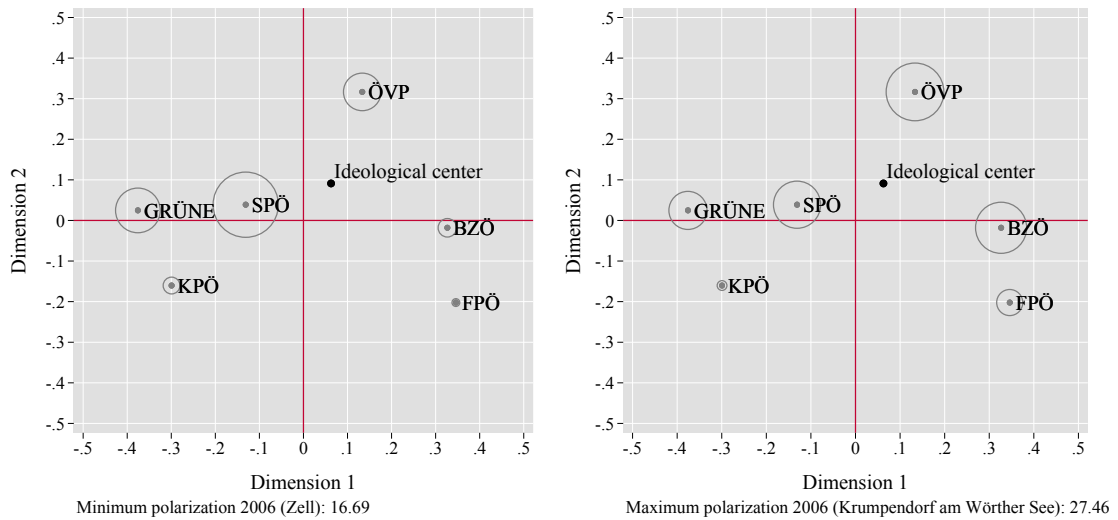
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Figure 1: Political polarization

(a) 2006 national elections



(b) 2008 national elections

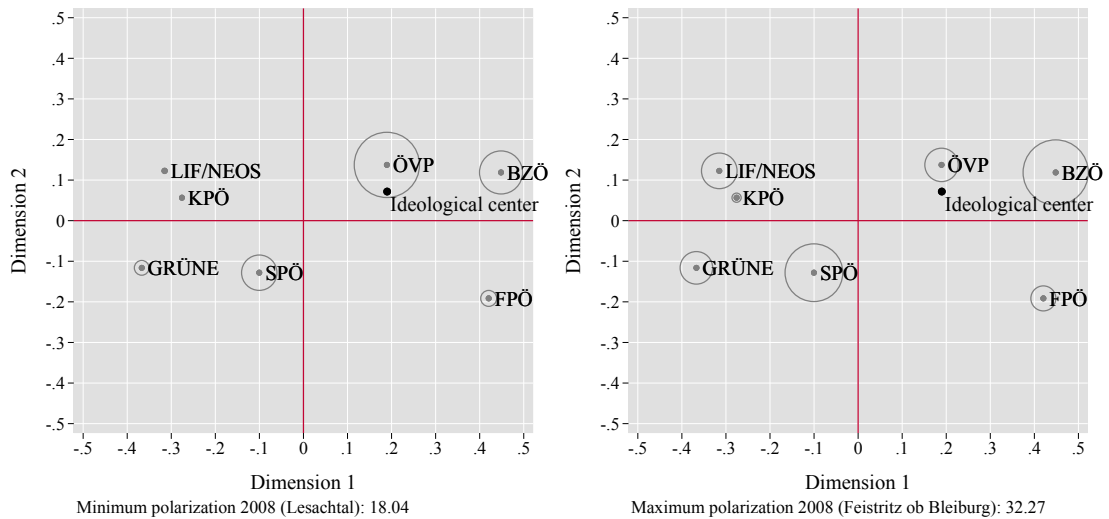
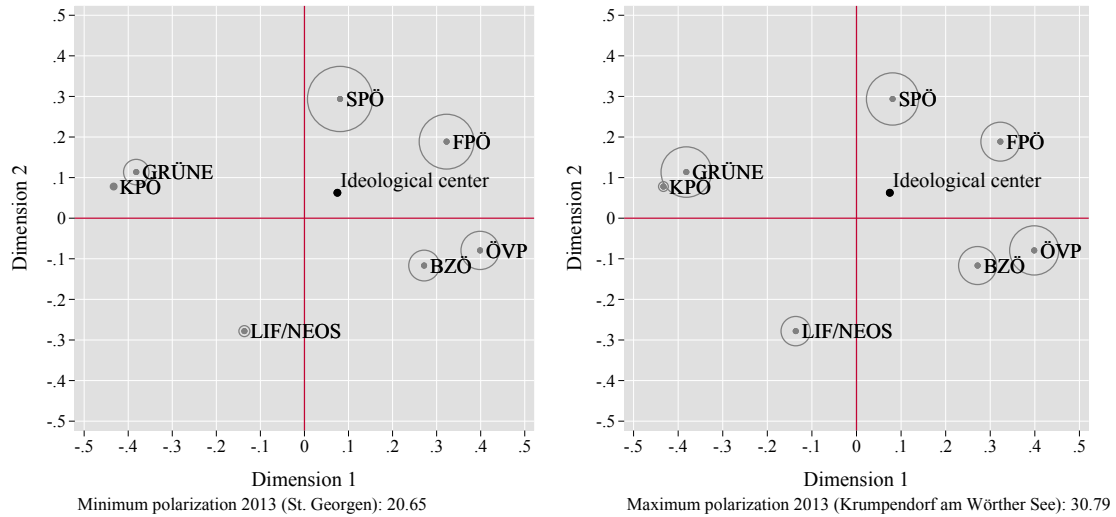
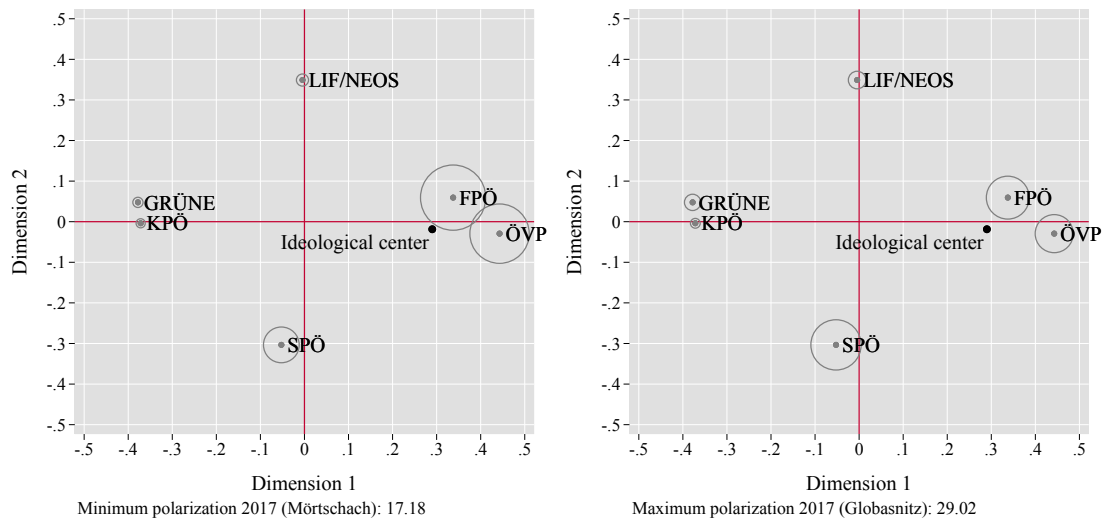


Figure 1: Political polarization, continued

(c) 2013 national elections

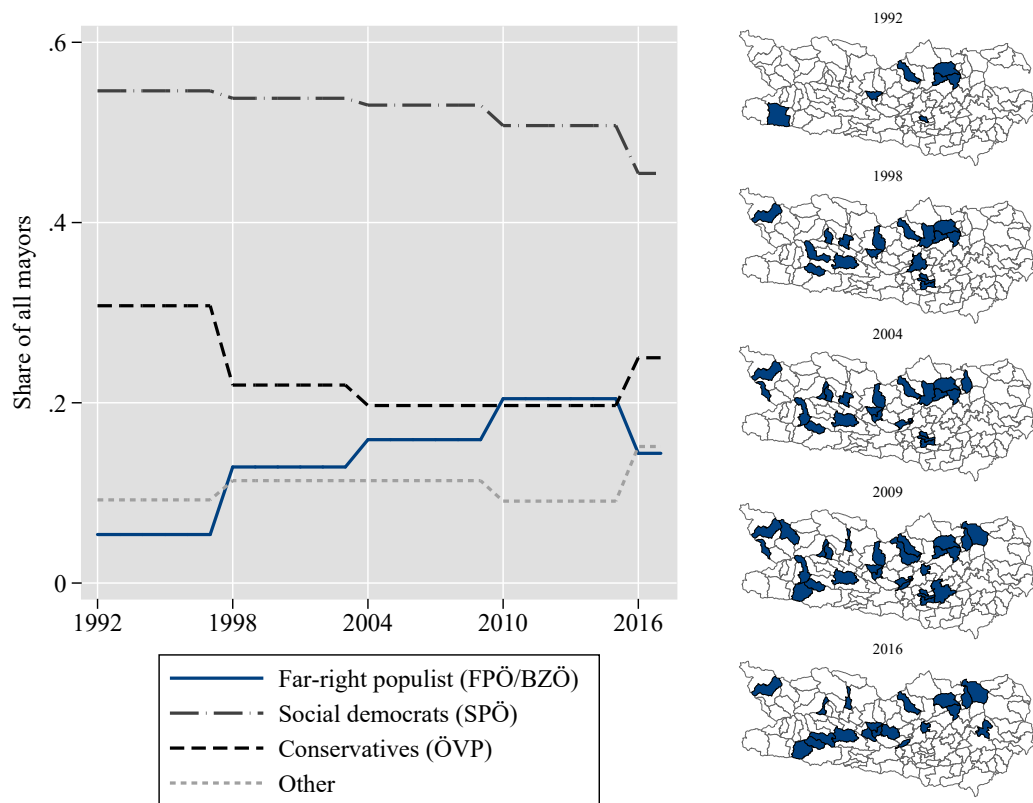


(d) 2017 national elections



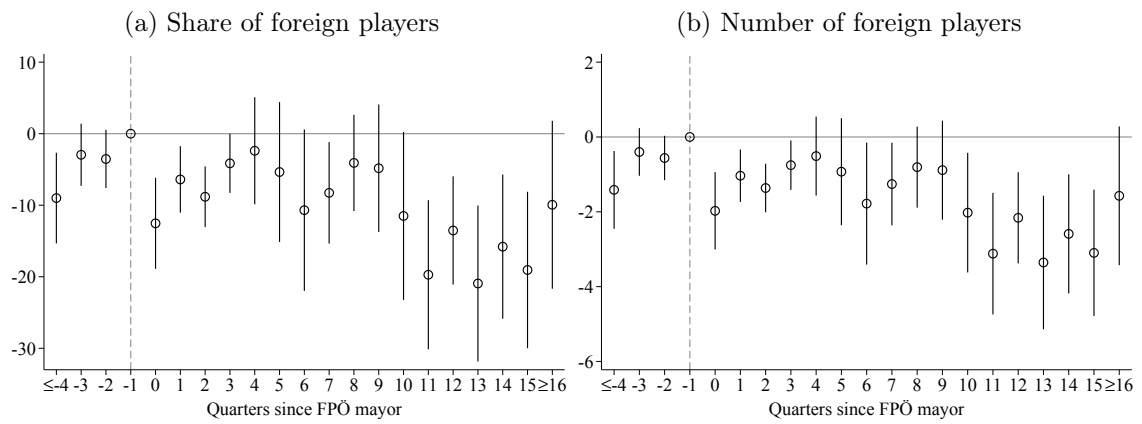
Notes: The figure shows the party configurations and municipal vote shares (represented by the area of circles) underlying the minimum (graphs on the left) and maximum (graphs on the right) values of our polarization index for the 2006, 2008, 2013 and 2017 national elections. To locate Austrian parties in a policy space, we follow Jäckle and König (2019) by applying multidimensional scaling to data from the Austrian voting advice application *wahlkabine.at*. More details on the calculation of the polarization index are provided in the online Appendix.

Figure 2: Far-right populist mayors in the Austrian state of Carinthia



Notes: The left-hand graph shows the share of mayors by parties in the Austrian state of Carinthia. There are 132 municipalities in total. The maps on the right-hand side show the spatial distribution of far-right populist mayors shaded in blue. We consider the election term to start with the first full year in office. Mayoral elections were in 1991, 1997, 2003, 2008, and 2015.

Figure 3: Event studies: Diversity on football teams



Notes: The figure plots quarter-specific coefficient estimates for diversity on local football teams (share and number of foreign players) from event study regressions with their 90% confidence bands. We focus on the year before and four years after close mayoral elections (vote margin $\leq 10\%$), where a FPÖ candidate gained the first or second place. Effects are relative to the first quarter of the election year. Data are at the team-match level and cover 7,923 matches over the period 2006-2017. All specifications include match, year, and league fixed effects and control for the diversity of the opposing team. Standard errors are clustered at the municipality level.

Table 1: Political polarization under populists

	<i>Political polarization</i>			
	(1)	(2)	(3)	(4)
Far-right populist	0.96* (0.58)	1.27* (0.70)	1.34 (0.84)	4.17** (2.12)
RD method	Linear	Linear	Linear	Local-lin.
Term average	No	Yes	Yes	Yes
Matching	No	No	Yes	No
Mean dep. var.	26.76	26.10	26.17	26.32
RD Bandwidth	30	30	30	9.32
Municipalities	86	86	79	45
Obs.	340	221	194	76
Adjusted R ²	0.05	0.06	0.08	–

Notes: The table shows the results of linear polynomial RD estimations (columns 1 to 3) and local-linear RD estimations including the optimal polynomial and bandwidth selection procedure, see Calonico *et al.* (2014, 2018) (column 4). The dependent variable is an index of political polarization at national elections, measured at the level of 132 Austrian municipalities. The running variable is the vote share for a far-right populist candidate in mayoral elections. For linear specifications, a bandwidth of ± 30 around the victory threshold of 50% applies. Significance levels (standard errors clustered at the municipality level in linear RD, robust RD standard errors in local-linear RD): *** 0.01, ** 0.05, * 0.10.

Table 2: Diversity on football teams

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>Panel A: Share of foreign players</i>									
Far-right populist	-1.20 (3.16)	-0.95 (3.09)	-1.43 (3.26)	-8.94** (3.96)	-9.23** (4.02)	-2.93 (3.35)	-8.82** (3.92)	-9.21** (3.97)	-8.73** (4.07)
Year F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Club F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Home match		Yes	No		Yes	No		Yes	No
Opponent F.E.							Yes	Yes	Yes
Mayor margin				≤ 10	≤ 10	≤ 10	≤ 10	≤ 10	≤ 10
Obs.	5826	2916	2910	3133	1574	2041	3048	1530	1518
<i>Panel B: Number of foreign players</i>									
Far-right populist	-0.25 (0.46)	-0.15 (0.49)	-0.34 (0.44)	-1.39** (0.58)	-1.45** (0.60)	-0.47 (0.50)	-1.37** (0.58)	-1.45** (0.59)	-1.35** (0.59)
Year F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Club F.E.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Home match		Yes	No		Yes	No		Yes	No
Opponent F.E.							Yes	Yes	Yes
Mayor margin				≤ 10	≤ 10	≤ 10	≤ 10	≤ 10	≤ 10
Obs.	5826	2916	2910	3133	1574	2041	3048	1530	1518

Notes: The table shows the results of linear regression estimations. The unit of observation are football matches of 106 Carinthian clubs (of 72 municipalities) between 2006-2013. We focus on football teams in municipalities where a far-right populist candidate gained the first or second place in mayoral elections. The dependent variables are measures for diversity on local football teams (the share and the number of foreign players). In columns (4) to (9), we restrict the sample to municipalities with a closely elected or closely defeated far-right populist candidate (margin of victory $\leq 10\%$). In columns (2) to (3), (5) to (6), and (8) to (9), we further differentiate between home and away matches. We add opponent fixed effects in columns (7) to (9). Significance levels (standard errors clustered at the municipality level): *** 0.01, ** 0.05, * 0.10.

Table 3: Economic outcomes under populists

	<i>Population</i>				<i>Tax revenues</i>			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Far-right populist	-2.05 (2.02)	-3.81 (3.64)	-5.86 (5.67)	0.40 (2.42)	57.26 (41.66)	44.33 (44.19)	53.34 (42.23)	78.68 (59.38)
RD method	Linear	Linear	Linear	Local-lin.	Linear	Linear	Linear	Local-lin.
Term average	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Matching	No	No	Yes	No	No	No	Yes	No
Mean dep. var.	4.29	4.57	4.61	4.20	151.17	150.43	147.37	146.26
RD Bandwidth	30.00	30.00	30.00	9.22	30.00	30.00	30.00	11.37
Municipalities	85	85	78	44	83	83	76	47
Obs.	806	186	166	62	776	146	132	57
Adjusted R ²	0.01	0.01	0.01	–	0.03	0.02	0.02	–
	<i>Unemployment</i>				<i>Public debt</i>			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Far-right populist	-0.00 (0.00)	-0.00 (0.00)	-0.01 (0.00)	-0.01 (0.01)	-122.52 (338.46)	-29.19 (295.33)	3.59 (302.97)	-712.10 (542.39)
RD method	Linear	Linear	Linear	Local-lin.	Linear	Linear	Linear	Local-lin.
Term average	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Matching	No	No	Yes	No	No	No	Yes	No
Mean dep. var.	0.06	0.06	0.06	0.06	1,427.56	1,390.00	1,435.33	1,440.36
RD Bandwidth	30.00	30.00	30.00	12.21	30.00	30.00	30.00	11.95
Municipalities	86	86	79	47	85	85	78	47
Obs.	1166	221	194	96	816	186	166	80
Adjusted R ²	0.00	0.01	0.01	–	0.00	0.00	0.00	–

Notes: The table shows the results of linear polynomial RD estimations (columns 1 to 3 and 5 to 7) and local-linear RD estimations including the optimal polynomial and bandwidth selection procedure, see Calonico *et al.* (2014, 2018) (columns 4 and 8). The dependent variables are economic outcomes (total population in 1,000, tax revenues per capita, unemployment per working age population ranging from 20 to 65, and public debt per capita), all measured at the level of 132 Austrian municipalities. The running variable is the vote share for a far-right populist candidate in mayoral elections. For linear specifications, a bandwidth of ± 30 around the victory threshold of 50% applies. Significance levels (standard errors clustered at the municipality level in linear RD, robust RD standard errors in local-linear RD): *** 0.01, ** 0.05, * 0.10.

Table 4: Migration under populists

	<i>Net foreign migration</i>			
	(1)	(2)	(3)	(4)
Far-right populist	-4.76 (4.41)	-4.00 (2.49)	-5.02* (2.64)	-5.46** (2.63)
RD method	Linear	Linear	Linear	Local-lin.
Term average	No	Yes	Yes	Yes
Matching	No	No	Yes	No
Mean dep. var.	4.12	3.90	4.15	3.64
RD Bandwidth	30	30	30	6.25
Municipalities	85	85	78	35
Obs.	716	186	166	44
Adjusted R ²	0.01	0.06	0.05	–

Notes: The table shows the results of linear polynomial RD estimations (columns 1 to 3) and local-linear RD estimations including the optimal polynomial and bandwidth selection procedure (column 4), see Calonico *et al.* (2014, 2018). The dependent variable is net foreign migration (per 1,000 capita), measured at the level of 132 Austrian municipalities. The running variable is the vote share for a far-right populist candidate in mayoral elections. For linear specifications, a bandwidth of ± 30 around the victory threshold of 50% applies. Significance levels (standard errors clustered at the municipality level in linear RD, robust RD standard errors in local-linear RD): *** 0.01, ** 0.05, * 0.10.

Table 5: Budget transparency

	<i>Budget transparency</i>			
	(1)	(2)	(3)	(4)
Far-right populist	-0.43* (0.22)	-1.05** (0.52)	-1.08** (0.52)	-0.96* (0.57)
Estimation	Probit	Cox	Cox	Cox
Year fixed effects	No	No	Yes	Yes
Bandwidth	–	–	–	30.000
Obs.	660	549	549	240
Pseudo R ²	0.01	–	–	–

Notes: The table reports probit (column 1) and cox regression outputs (columns 2 to 4). We report coefficients for Cox regressions. The unit of observation are the years 2013 to 2017 in the 132 municipalities of Carinthia. The dependent variable is a dummy variable that equals one if a municipality shares their budget figures online (www.offenerhaushalt.at), and zero otherwise. The project [offenerhaushalt.at](http://www.offenerhaushalt.at) was launched in 2013. 7, 14, 18, 5, and 4 out of the total of 132 municipalities joined the project in the years 2013, 2014, 2015, 2016, and 2017. We add year fixed effects in column (3), and limit the sample to a bandwidth of ± 30 around the victory threshold of 50% in column (4). Significance levels (standard errors in brackets; probit: clustered at the municipality level): *** 0.01, ** 0.05, * 0.10.

A1 Appendix: Supplementary figures and tables

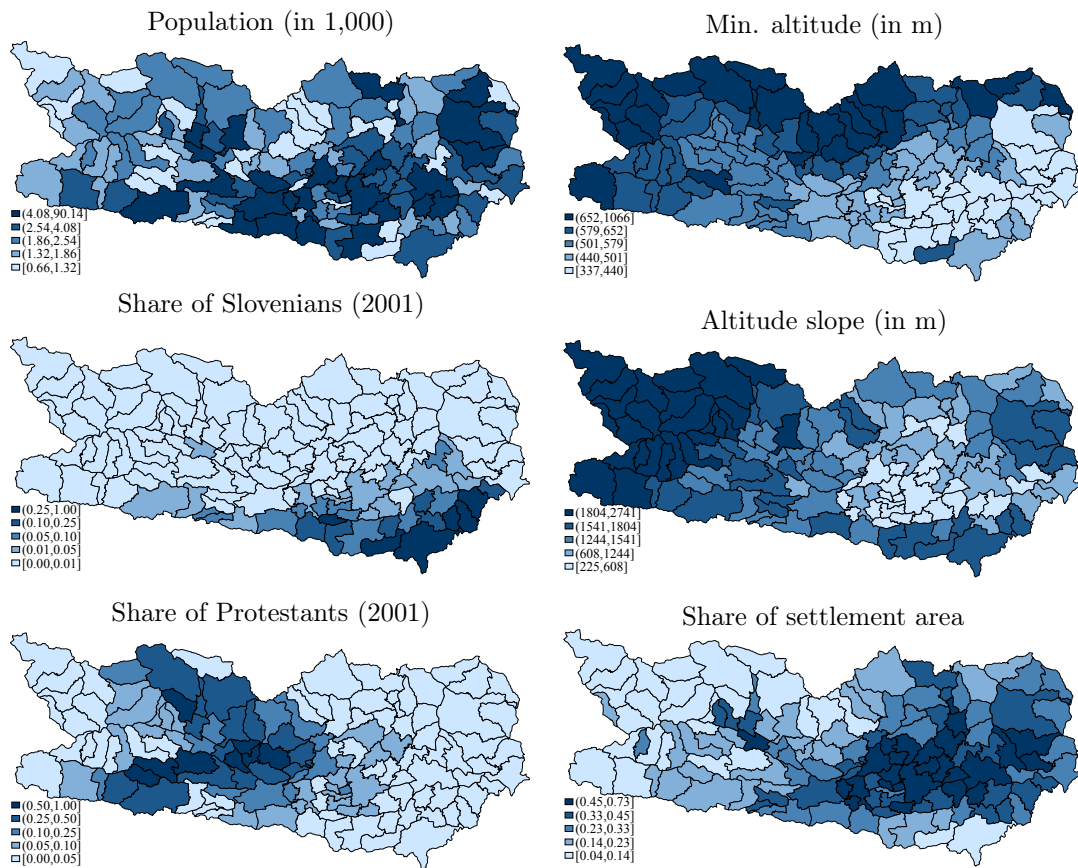
(For online publication only.)

Figure A1: Geography of Carinthia



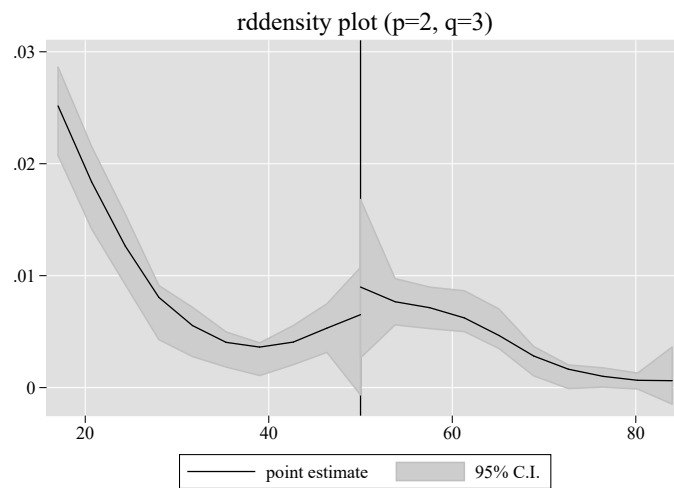
Notes: The map plots the location of the 132 Carinthian municipalities (blue shaded). Gray lines represent national boundaries, the black line denotes the country of Austria.

Figure A2: Socio-economic characteristics of Carinthia



Notes: The maps plot socio-economic and geographic characteristics of the Austrian state of Carinthia. The maps showing the Slovenian and Protestant minorities use class breaks as denoted in the legend. The other maps are organized in five quantiles: the darker a shaded municipality, the larger the respective variable.

Figure A3: McCrary bunching test



Notes: The figure reports the test for suspicious bunching at the 50% vote share threshold for a far-right populist victory. We use a local-polynomial density estimation (Cattaneo *et al.*, 2020, McCrary, 2008). The unit of observation are the 132 municipalities of Carinthia at five local elections between 1991 and 2017 (1991, 1997, 2003, 2009, 2015). The corresponding p-values are 0.42 (conventional) and 0.32 (robust).

Table A1: Strength of mayors in Europe

<i>Country</i>	<i>Strength score</i>
France	12
Spain	11
Italy	10
Greece	10
Austria (directly elected)	9
Germany	9
England (mayor and cabinet)	8.5
Belgium	8
Hungary	8
Austria (not directly elected)	7
Germany (state of Hesse)	7
Poland	6
Denmark	6
Czech Republic	5.5
Portugal	5
England (leader and cabinet)	5
England (alternative)	5
Ireland	5
Netherlands	5
Switzerland	4
Sweden	3

Notes: The table reproduces Table 3 by (Heinelt and Hlepas, 2006, p.38), comparing the power of mayors in European countries. Mayors in in the federal state of Carinthia are directly elected (highlighted in bold).

Table A2: Characteristics of elected mayors

	<i>Elected in first round</i>			<i>Elected in run-off</i>		
	<i>Other mayor</i>	<i>Far-right populist</i>	<i>Mean diff.</i>	<i>Other mayor</i>	<i>Far-right populist</i>	<i>Mean diff.</i>
	(1)	(2)	(3)	(4)	(5)	(6)
Vote share	63.02	64.24	-1.21	56.70	56.41	0.29
University degree	0.18	0.13	0.05	0.17	0.22	-0.05
Female	0.02	0.02	0.00	0.02	0.06	-0.03
Periods in office	3.02	2.77	0.25	2.39	2.21	0.18
Obs.	431	50	481	136	41	177

Notes: The table reports mean characteristics of far-right populist mayors (columns 2 and 5) compared to all other mayors (columns 1 and 4). The unit of observation are the 132 municipalities of Carinthia at five local elections between 1991 and 2017 (1991, 1997, 2003, 2009, 2015). We distinguish mayors elected in the first round of the election (left-hand side), and mayors elected in the run-off ballot (right-hand side). Columns (3) and (6) report mean differences. Significance levels: *** 0.01, ** 0.05, * 0.10 (no statistically significant difference to report).

Table A3: Transitions of mayors

	<i>Next mayor</i>			
	<i>Far-right populist</i>	<i>Social democratic</i>	<i>Conser- vative</i>	<i>Other party</i>
	(1)	(2)	(3)	(4)
<i>Mayor</i>				
Far-right populist (FPÖ/BZÖ)	55	7	6	4
Social democratic (SPÖ)	15	233	21	10
Conservative (ÖVP)	11	21	85	4
Other party	3	6	2	43

Notes: The table reports how mayors in the 132 municipalities of the Austrian state of Carinthia change over time. The table reads as follows: we plot mayors in office (rows) against the mayor winning the following election (columns). The diagonal represents cases with no change in office after a local election (bold). All other cells denote changes in mayor's party. In 11 cases, for example, a municipality with a conservative mayor switched to a far-right populist mayor after the local election (column 1, third row).

Table A4: Municipalities without changes in mayors or in mayor's party

	<i>Far-right populist</i>	<i>Social democratic</i>	<i>Conser- vative</i>	<i>Other party</i>	<i>Total</i>
	(1)	(2)	(3)	(4)	(5)
<i>Mayor</i>					
No change 1991–2017	0	4	2	4	10
Change 1991–2017	–	–	–	–	314
<i>Mayor's party</i>					
No change 1991–2017	4	39	11	6	60
Change 1991–2017	–	–	–	–	72

Notes: The table reports the number of municipalities without changes in the mayor (upper panel) or mayor's party (lower panel). 10 out of 314 mayors were in office over the entire period of observation (1991 to 2017). In 60 out of 132 municipalities, mayor's party did not change between 1991 and 2017. By contrast, there was a swing in 72 out of 132 municipalities.

Table A5: Descriptive statistics

	<i>Obs.</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
	(1)	(2)	(3)	(4)	(5)
<i>Political culture</i>					
Political polarization (index)	1,052	26.70	2.33	16.69	32.27
Share of foreign players	15,080	17.67	11.97	0	92.86
Number of foreign players	15,080	2.66	1.81	0	13
<i>Economic outcomes</i>					
Population (in 1,000)	2,244	4.23	9.77	0.60	99.79
Tax revenues (per capita)	2,112	153.69	135.89	0.00	1,521.77
Unemployment (per working age pop.)	3,420	0.06	0.02	0	0.20
Public debt (per capita)	2,244	1,486.39	1,382.19	0	9,814.13
Budget transparency (0/1)	660	0.24	0.43	0	1
<i>Mayor</i>					
Far-right populist (FPÖ/BZÖ)	3,420	0.14	0.34	0	1
Social democratic (SPÖ)	3,420	0.52	0.50	0	1
Conservative (ÖVP)	3,420	0.23	0.42	0	1
Other party	3,420	0.11	0.31	0	1
<i>Matching variables</i>					
Share of Slovenians (2001)	3,420	0.04	0.10	0	0.89
Share of Protestants (2001)	3,420	0.11	0.16	0	0.74
Min. altitude (in m)	3,420	564.27	154.47	336.64	1,066.32
Altitude slope (in m)	3,420	1,302.80	627.69	225.36	2,740.96
Share of settlement area	3,420	0.31	0.18	0.04	0.73

Notes: The table reports the descriptive statistics of our dataset, including information on political culture, economic outcomes, the political landscape, and further geographical and socio-economic variables. We observe 132 municipalities in the Austrian state of Carinthia over the period 1991 to 2017 (1991: 127 municipalities, 1992 to 1997: 130 municipalities). Fiscal variables in 2017 prices and per capita. The working age population is between 20 and 65 years old.

Table A6: Elected and defeated far-right populist candidates

	<i>Vote margin $\pm 30\%$</i>			<i>Vote margin $\pm 15\%$</i>		
	<i>Elected</i>	<i>Defeated</i>	<i>Mean diff.</i>	<i>Elected</i>	<i>Defeated</i>	<i>Mean diff.</i>
	(1)	(2)	(3)	(4)	(5)	(6)
Vote share	30.86	59.65	-28.78***	43.97	57.23	-13.25***
University degree	0.19	0.18	0.01	0.28	0.19	0.08
Female	0.03	0.02	0.00	0.06	0.03	0.03
Obs.	89	113	202	73	34	107

Notes: The table compares characteristics of elected far-right populist mayors (columns 1 and 4) to defeated far-right populist candidates (columns 2 and 5). The unit of observation are the 132 municipalities of Carinthia at five local elections between 1991 and 2017 (1991, 1997, 2003, 2009, 2015). We use vote share margins of $\pm 30\%$ and $\pm 15\%$ around the 50% victory threshold. Columns (3) and (6) report the significance of mean differences. Significance levels: *** 0.01, ** 0.05, * 0.10.

Table A7: Balancing test for geographic and socio-economic variables

	<i>RD estim.</i>	<i>p-value</i>
	(1)	(2)
Population (in 1,000)	-6.14	0.33
Share of Slovenians (2001)	-0.01	0.35
Share of Protestants (2001)	-0.01	0.93
Min. altitude (in m)	34.85	0.55
Altitude slope (in m)	364.33	0.31
Share of settlement area	-0.02	0.76

Notes: The table reports the results of local-linear RD estimations including the optimal polynomial and bandwidth selection procedure, see Calonico *et al.* (2014, 2018). The dependent variable are several geographic and socio-economic outcomes, plotted in Figure A2. The unit of observation are the 132 municipalities of Carinthia at five local elections between 1991 and 2017 (1991, 1997, 2003, 2009, 2015). The running variable is the vote share for a far-right populist candidate in mayoral elections. Column (2) reports the p-values.

Table A8: Matching procedure

	<i>Before matching</i>		<i>After matching</i>	
	<i>Far-right populist</i>	<i>Other mayor</i>	<i>Far-right populist</i>	<i>Other mayor</i>
	(1)	(2)	(3)	(4)
Share of Slovenians (2001)	0.00	0.04	0.01	0.01
Share of Protestants (2001)	0.18	0.10	0.13	0.13
Min. altitude (in m)	620.90	555.25	611.96	617.49
Altitude slope (in m)	1,269.55	1,308.10	1,256.56	1,359.12
Share of settlement area	0.27	0.31	0.28	0.28

Notes: The table reports means of different variables for far-right populist mayors before (columns 1 and 2) and after running a propensity score matching procedure on these variables (columns 3 and 4). We match over a cross-section; the matching variable is a dummy which equals one for municipalities that had at least one far-right populist mayor in the period 1991 to 2017.

Table A9: Robustness tests

	<i>Political polarization</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
Far-right populist	5.97*** (2.06)	3.90* (2.27)	3.80 (2.54)	1.33 (3.55)	4.79*** (1.76)	5.48* (2.95)
Mean dep. var.	26.35	26.35	26.30	26.67	26.60	25.58
RD Bandwidth	8.43	9.27	10.27	5.36	7.37	12.88
Municipalities	44	42	39	31	26	20
Obs.	71	71	67	38	35	36
	<i>Net foreign migration</i>					
Far-right populist	-6.62** (3.19)	-4.91** (2.50)	-8.35** (3.31)	-4.28** (1.95)	-1.61 (2.19)	-10.64* (5.95)
Mean dep. var.	3.80	3.53	3.78	3.68	3.86	4.03
RD Bandwidth	7.87	7.47	5.86	9.16	11.04	6.47
Municipalities	41	38	28	40	31	15
Obs.	51	47	33	41	39	17
	<i>Population</i>					
Far-right populist	-6.46 (6.55)	-4.16 (5.66)	7.01* (3.86)	9.34 (6.32)	-16.49 (11.08)	4.99 (4.82)
Mean dep. var.	4.03	4.53	6.12	5.54	5.97	2.56
RD Bandwidth	23.78	14.45	5.96	7.69	25.96	10.41
Municipalities	65	48	29	38	45	19
Obs.	135	90	34	37	79	26
	<i>Tax revenues</i>					
Far-right populist	156.18*** (46.14)	66.74 (64.30)	57.51 (70.61)	169.71* (87.00)	135.93 (134.43)	35.70 (104.58)
Mean dep. var.	148.54	152.18	158.11	146.11	152.01	135.52
RD Bandwidth	10.02	11.49	16.44	7.50	8.18	10.18
Municipalities	45	44	46	38	28	19
Obs.	50	53	65	30	22	20
	<i>Unemployment</i>					
Far-right populist	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	0.01 (0.02)	-0.02 (0.01)	-0.00 (0.01)
Mean dep. var.	0.06	0.06	0.06	0.06	0.06	0.06
RD Bandwidth	13.82	11.93	12.18	5.47	7.83	8.07
Municipalities	51	44	41	32	26	17
Obs.	106	89	81	39	35	23
	<i>Public debt</i>					
Far-right populist	-643.88 (551.71)	-1069.72* (573.56)	-376.37 (560.20)	-718.70 (879.62)	-1083.78 (874.53)	-558.01 (722.79)
Mean dep. var.	1386.55	1448.44	1428.15	1323.97	1498.92	1318.43
RD Bandwidth	15.00	10.87	11.89	9.09	11.16	13.75
Municipalities	51	44	41	40	31	21
Obs.	96	68	68	41	39	35
RD method	Local-lin.	Local-lin.	Local-lin.	Local-lin.	Local-lin.	Local-lin.
Term average	Yes	Yes	Yes	Yes	Yes	Yes
Robustness	Within var.	Slovenian	Protestant	Run-off	SPÖ	ÖVP

Notes: We conduct six robustness tests for our preferred local-linear RD specification (Table 1, column 4). In the first robustness tests (column 1), we include municipalities only with at least one far-right populist mayor in the period 1991 to 2017 (with within variation). Second, we exclude municipalities with a Slovenian population share $\geq 5\%$ (column 2). Third, we exclude municipalities with a Protestant population share $\geq 50\%$ (column 3). Fourth, we use only mayors elected in a run-off ballot (column 4). Fifth, we compare far-right populist mayors to social democratic (SPÖ) contestants (column 5) and conservative (ÖVP) contestants (column 6) only.

Table A10: Public expenditures under populists

	<i>Total expenditures</i>				<i>Social and health expenditures</i>			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Far-right populist	297.99 (328.17)	332.07 (303.78)	108.28 (326.01)	-669.75 (482.43)	-22.13 (18.03)	-26.75 (20.73)	-42.32* (21.53)	-75.57* (42.46)
RD method	Linear	Linear	Linear	Local-lin.	Linear	Linear	Linear	Local-lin.
Term average	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Matching	No	No	Yes	No	No	No	Yes	No
Mean dep. var.	2,646.17	2,635.05	2,673.80	2,871.79	364.10	363.83	361.90	366.63
RD Bandwidth	30.00	30.00	30.00	5.07	30.00	30.00	30.00	8.75
Municipalities	85	85	78	33	85	85	78	44
Obs.	816	186	166	39	816	186	166	61
Adjusted R ²	0.03	0.03	0.01	–	0.02	0.02	0.07	–

Notes: The table shows the results of linear polynomial RD estimations (columns (1) to (3) and (5) to (7)) and local-linear RD estimations including the optimal polynomial and band-width selection procedure, see Calonico *et al.* (2014, 2018) (columns (4) and (8)). The dependent variables are total expenditures per capita and social and health expenditures per capita by local governments, measured at the level of 132 Austrian municipalities. The running variable is the vote share for a far-right populist candidate in mayoral elections. For linear specifications, a bandwidth of ± 30 around the victory threshold of 50% applies. Significance levels (standard errors clustered at the municipality level in linear RD, robust RD standard error in local-linear RD): *** 0.01, ** 0.05, * 0.10.

A2 Appendix: Data description and sources

(For online publication only.)

Polarization index

We measure political polarization in each municipality i in electoral term t based on municipalities' voting behavior at national elections and a two-dimensional policy space. To locate the Austrian parties in a policy space, we follow Jäckle and König (2019) by applying multidimensional scaling to data from the Austrian voting advice application *wahlkabine.at*. The data by Jäckle and König (2019) combines information about the salience of specific policy issues and the positions parties take on these issues during four national elections (2006, 2008, 2013, and 2017). The multidimensional scaling approach uses a dissimilarity matrix between party positions as input to determine a map or configuration in a small number of dimensions such that the distances between parties on the map reproduce approximately the original distances from the distance matrix. For the 2006 national election, this approach delivers a party configuration as shown in Figure A4a.

We follow Schmitt (2016) and measure political polarization for a given party configuration according to equations (2)-(4),

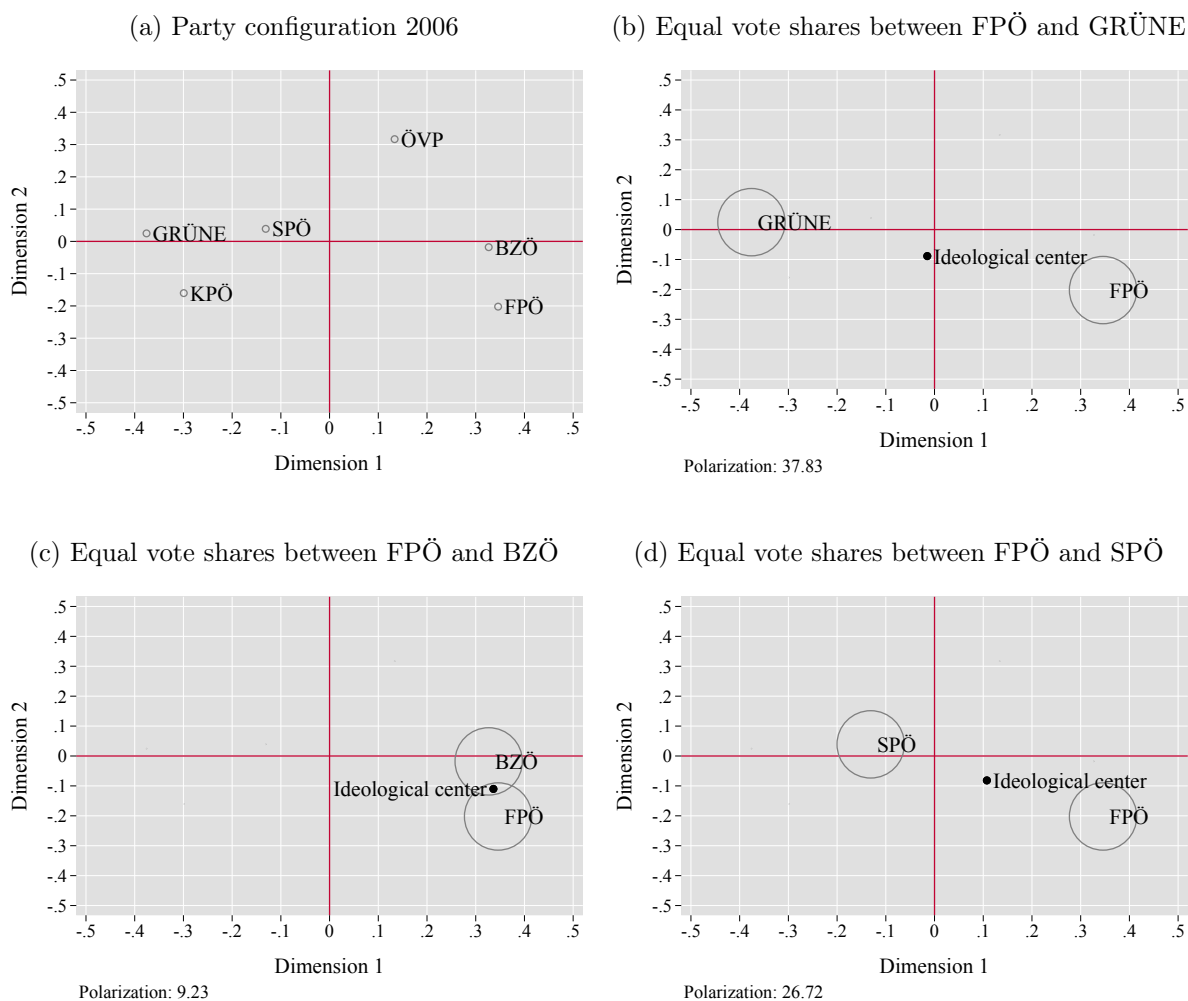
$$Polarization_{it} = \sum_{j=1}^N \omega_{ijt} \times D(p_{jt}, \bar{p}_{it}) \quad (2)$$

$$D(p_{jt}, \bar{p}_{it}) = \sqrt{\sum_{d=1}^D (p_{djt} - \bar{p}_{dit})^2} \quad (3)$$

$$\bar{p}_{dit} = \sum_{j=1}^N \omega_{ijt} \times p_{djt}, \quad (4)$$

where ω_{ijt} refers to the vote share gained by party j in municipality i in election year t and $D(p_{jt}, \bar{p}_{it})$ measures the Euclidean distance between each party's position (p_{jt}) and the ideological center (\bar{p}_{it}). The values of the polarization index are determined by the

Figure A4: Measuring political polarization



Notes: The figures show the two-dimensional party configuration derived from applying multidimensional scaling – Stata routine *mds* – to data on party positions at the Austrian national election 2006. The area of the circles represents (hypothetical) party vote shares.

relative party positions in the two-dimensional space ($D = 2$) and the party vote shares in each municipality.

We use two- and three-party policy spaces – with the far-right FPÖ as a constant political player – to show how the polarization index changes with its key parameters. All hypothetical scenarios are based on the party positions in the 2006 configuration. Figures A4b and A4c show extreme situations with a 50:50 vote split between the FPÖ and its most ideologically distant (close) political competitor GRÜNE (BZÖ). The corresponding values of the polarization index are 37.83 and 9.23. On the contrary, Figure A4d portrays moderate polarization, where both FPÖ and SPÖ gain 50% of the votes ($Polarization_{it} = 26.72$). Referring to equation (4), note that the ideological center in these stylized examples is

always positioned halfway on the connecting line between the two parties in the policy space. If one party gets 100% of the votes, its position in the policy space coincides with the ideological center and the polarization index will be zero.

Table A11 lists the polarization index values for the above two-party policy spaces (Figures A4b-A4d) with skewed voting outcomes: Instead of a 50:50 vote split, the election outcome is now more skewed towards the FPÖ whose vote share is fixed at 70%. Within policy spaces, polarization is now always lower than in the 50:50 vote split scenarios. Also intuitively, polarization should be lower, since the FPÖ's vote margin is quite large.

Table A11: Polarization in a two-party policy space with skewed vote shares

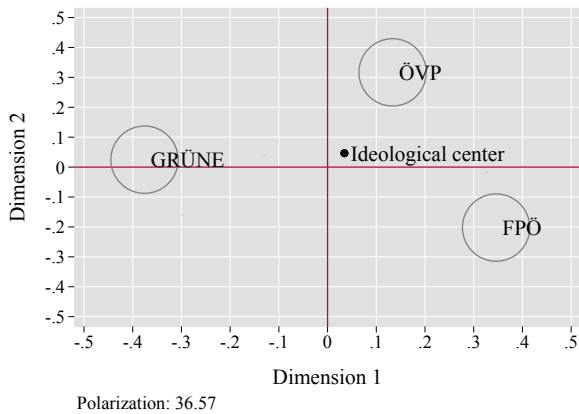
Party	FPÖ	GRÜNE	BZÖ	SPÖ	Polarization index
	70	30			31.78
Vote share (%)	70		30		7.78
	70			30	22.45

Notes: The table shows the values of the polarization index for different vote share configurations when fixing the FPÖ vote share at 70%.

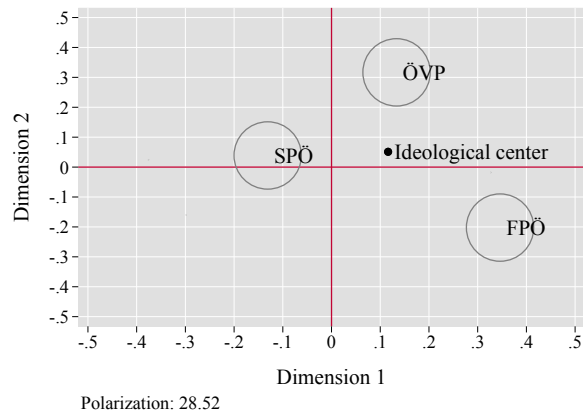
Finally, in Figure A5 we consider three-party policy spaces with FPÖ, ÖVP and GRÜNE (Figures A5a and A5c), and FPÖ, ÖVP and SPÖ (Figures A5b and A5d). The corresponding values of the polarization index are denoted below the figures. Polarization is high ($Polarization_{it} = 36.57$) in the scenario shown in Figure A5a, where FPÖ, ÖVP and GRÜNE each gain one third of the votes. If the votes are distributed more unequally (FPÖ 50%, ÖVP 33% and GRÜNE 17%), the polarization index falls to a value of 33.37. In the more compact policy space with FPÖ, ÖVP, and SPÖ (Figure A5b) polarization is lower. Moreover, the index value of 29 is relatively insensitive to the chosen vote share distribution.

Figure A5: Polarization in three-party policy spaces

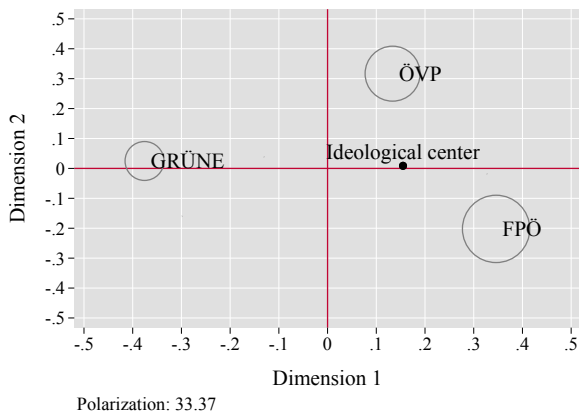
(a) Equal vote shares between FPÖ, ÖVP and GRÜNE



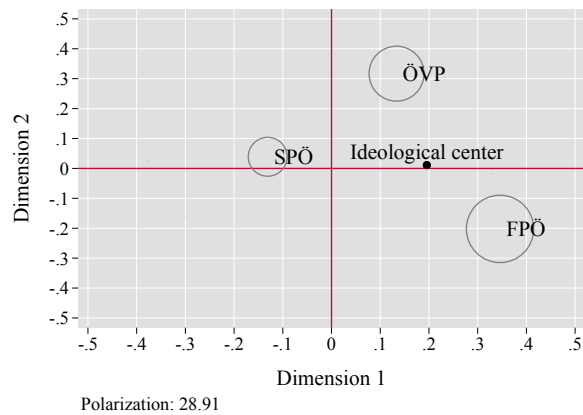
(b) Equal vote shares between FPÖ, ÖVP and SPÖ



(c) Vote share split between FPÖ, ÖVP and GRÜNE (50%,33%,17%)



(d) Vote share split between FPÖ, ÖVP and SPÖ (50%,33%,17%)



Notes: The figures show the two-dimensional party configuration derived from applying multidimensional scaling – Stata routine *mds* – to data on party positions at the Austrian national election 2006. The area of the circles represents (hypothetical) party vote shares.

Table A12: Data sources

<i>Data</i>	<i>Source</i>
Local election data	Carinthian State Government (Statistical Office, series “Gemeinderatswahlen und Buergermeisterwahlen 2015 in Kaernten” and previous volumes)
National election data	Austrian Ministry of the Interior
Football data	Self-compiled from the website http://www.kfv-fussball.at
Expenditures, taxes, debt	Statistical Office of Austria (StatCube database)
Population and migration	Statistical Office of Austria (StatCube database)
Unemployment	Unemployment Agency of Austria (AMS)
Data on transparency	Self-compiled from the website http://www.offenerhaushalt.at
Geodata	Carinthian State Government (http://www.geoland.at)

Notes: The table reports our data sources.