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Research Report

Paying off populism: EU regional policy decreases populist support

Kiel Policy Brief, No. 172

Provided in Cooperation with:
Kiel Institute for the World Economy – Leibniz Center for Research on Global Economic Challenges

Suggested Citation: Gold, Robert; Lehr, Jakob (2024) : Paying off populism: EU regional policy decreases populist support, Kiel Policy Brief, No. 172, Kiel Institute for the World Economy (IfW Kiel), Kiel

This Version is available at:
https://hdl.handle.net/10419/289601

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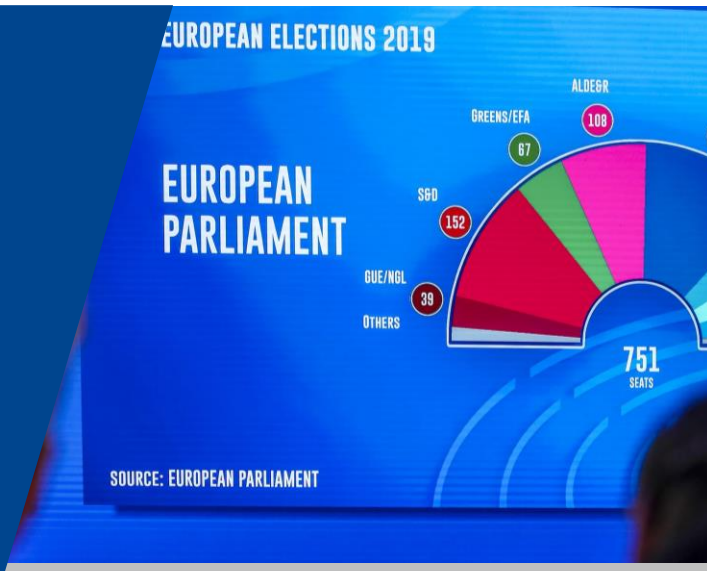
POLICY BRIEF

Robert Gold and Jakob Lehr

Paying Off Populism: EU Regional Policy Decreases Populist Support



No. 172 April 2024

Kiel Institute for the World Econonomy
ISSN 2195–7525

Leibniz Association

OVERVIEW/ÜBERBLICK

- Regional policy may counter populism.
- Specifically, EU Regional Policy decreases support of right-fringe populist parties.
- Related investments into the development of lagging-behind regions decrease the vote share received by right-fringe parties in European elections by 2–3 percentage points, that is 15–20% on average.
- Simultaneously, trust in democratic institutions increases, while discontent with the EU decreases.
- Support of left-fringe populists is not affected by EU Regional Policy.

Keywords: Populism, Regional Policies, European Integration, Regression Discontinuity Design

- Regionalpolitik wirkt gegen Populismus.
- Insbesondere verringert EU Regionalpolitik die Unterstützung populistischer Parteien vom rechten Rand des politischen Spektrums.
- Entsprechende Investitionen in die Entwicklung randständiger Regionen reduzieren den Stimmenanteil rechtspopulistischer Parteien bei Europawahlen um 2–3 Prozentpunkte; im Durchschnitt entspricht das einer Reduktion von 15–20 Prozent.
- Gleichzeitig erhöht sich das Vertrauen in demokratische Institutionen, und die Unzufriedenheit mit der EU nimmt ab.
- Die Unterstützung linkspopulistischer Parteien wird nicht beeinflusst.

Schlüsselwörter: Populismus, Regionalpolitik, Europäische Integration, Regression Discontinuity Design

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PAYING OFF POPULISM: EU REGIONAL POLICY DECREASES POPULIST SUPPORT

Robert Gold and Jakob Lehr

EXECUTIVE SUMMARY

How to break the populist wave? With the elections to the European Parliament ahead, and the US Presidential Elections looming, this question bothers policymakers in many Western democracies. Our study shows that regional policies effectively decrease populist support. Specifically, EU Regional Policy investing into the development of lagging-behind regions decreases the vote share obtained by right-fringe populist parties by 15–20%. Moreover, regional policy investments increase trust in democratic institutions, and decreases discontent with the EU.

EU Regional Policy is funded by the European Funds for Regional Development (EFRD), as well as the European Social Funds and the Cohesion Funds. We focus on the main funding line that supports the development of lagging-behind regions, called "Objective-1". This program follows 7-year funding periods, and we investigate policy effects for the three funding periods 2000–2020, for up to 27 member states. At the beginning of each funding period, the European Commission defines regions that are eligible for Objective-1. Objective-1 status is worth 1.4 Billion Euros of EU funding on average, that is around 530 EUR per inhabitant.

We show that Objective-1 investments in the development of lagging regions decrease the regional vote share obtained by right-fringe populist parties in European Parliamentary Elections. Overall, EU Regional Policy decreases right-fringe support by 2–3 percentage points, or 15–20% of the votes these parties achieve on average. Put differently, EU Regional Policy transfers of 200 EUR per capita decrease right-populist support by at least one percentage point.

We infer on the pure policy effect, net of related regional differences in voting behavior. First, we compare regions that are similarly underdeveloped, but differ in their funding status due to regulatory provisions. Second, we look at structurally weak regions losing Objective-1 funding after the EU's Eastward Enlargement. Third, we look at regions that do (don't) receive funding only because they have poor (rich) neighbors. All results are consistent: Objective-1 funding decreases right-fringe populist support, losing funding increases populist support, and the effect is centered on structurally weak regions receiving development support.

Eventually, to learn about potential reasons for the policy effect on populist support, we assess European Citizens' survey responses with the same methods. Individuals living in regions that receive Objective-1 transfers have higher trust in the EU and in democratic institutions. These attitudes are strongly related to populist support. Apparently, regional policy increases content

with the EU in the funded regions. As a consequence, voters withdraw support from Eurosceptic and nationalist parties from the right fringe.

1 INTRODUCTION

While the economic causes of populism are comparatively well understood (c.f. Guriev and Papaioannou, 2022), little is known about potential remedies. Our study addresses this research gap. Specifically, we assess whether the Regional Policy program of the EU, meant to support the development of lagging-behind regions, affects populist support in European elections. This question arises from the previous literature, which has shown that populist support in lagging-behind regions is particularly responsive to economic shocks (Rodríguez-Pose, 2018; Dustmann et al., 2019; Autor et al., 2020; Dippel et al., 2022; Gyöngyösi and Verner, 2022). Moreover, Fetzer (2019) shows that spending cuts increased Brexit-support in the UK. Accordingly, policy measures supporting regional development could counter populism and increase consent with the European Union. Then again, peripheral regions already subject to regional policy interventions are often strongholds of populist parties. In the case Brexit, regions benefitting from EU transfers were particularly supportive of leaving the EU. Thus, whether regional policies may indeed decrease populist support is an open empirical question.

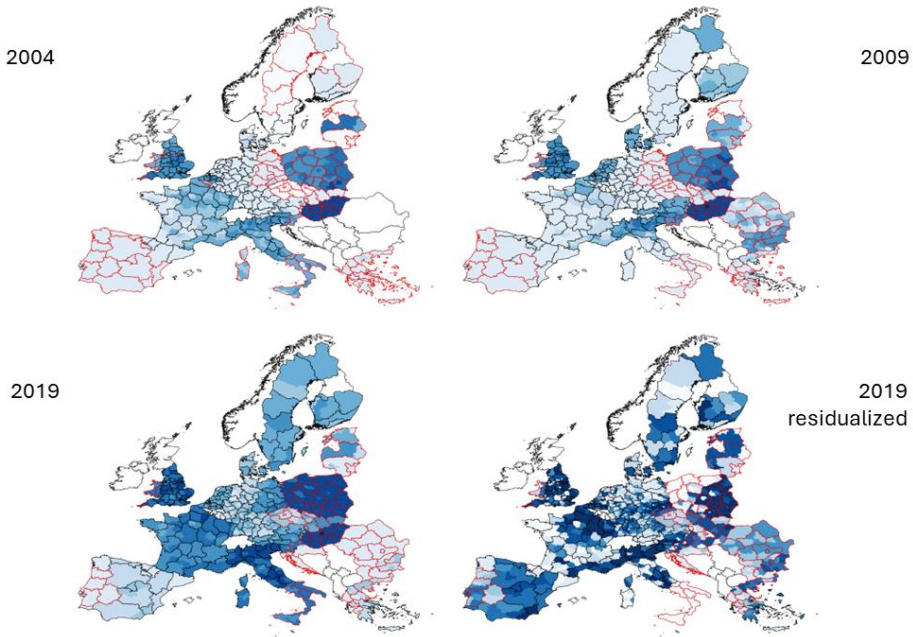
Previous research has shown that EU Regional Policy is economically effective in fostering regional growth (Becker et al., 2010, 2013, 2018). Methodically, our study is closely related to this literature. Few papers have investigated the effect of EU policy on populist support for single countries and elections (Crescenzi et al., 2020; Albanese et al., 2022), with mixed results. Our study deliberately takes a pan-European view, looking at election results in 27 EU countries over the period 1999–2019. The underlying study (Gold and Lehr, 2024) does not find any meaningful policy impacts on the support of left-fringe populist parties. Thus, this policy brief summarizes the study's main results on the impacts of regional policy on right-fringe populist support. It turns out that EU Regional Policy, specifically measures that support lagging-behind regions under the "development objective" of the structural funds (Objective-1), decrease the vote share obtained by right-fringe parties in elections to the European Parliament. Depending on the regional sample investigated, Objective-1 transfers decrease right-fringe vote shares by 2–3 percentage points – that is 15–20% of the electoral support right-wing populists receive in an average European region over our period of analysis.

2 ANALYTICAL FRAMEWORK

To measure populist support, we look at regional-level results of elections to the European Parliament, observed over the period 1999–2019. We build on "The PopuList" (Rooduijn et al.,

2023; see https://popu-list.org) to classify political parties as left- or right-fringe. For 27 member states of the EU[1] , we calculate vote shares obtained by these parties on the NUTS3-level.[2] Figure 1 shows the right-fringe party vote shares we observe for selected elections. Darker blue colors indicate higher vote shares.

Figure 1:
Right-Fringe Vote Shares in Elections to the European Parliament[a]



[a]The figures show the share of votes for far-right parties in the elections to the European Parliament in 2004, 2009, and 2019, as well as the residualized outcome for 2019. Objective-1 regions are outlined in red.

Source: Gold and Lehr (2024).

Figure 1 plots the development of right-wing populist support over time, for the elections mainly used in our empirical analysis. Comparing election results from 2004 (upper left panel) to election results from 2009 (upper right) and 2019 (lower left), one can see two things: First, there is a general trend of increasing populist support throughout Europe. Second, there is a strong country-component involved. Our subsequent empirical analyses deliberately abstracts from this overall time-trend and from the between-country differences in populist support. Technically, this implies that our analysis will include country-time fixed effects (where appropriate). Accordingly, our analyses will only use the variation exemplified in the lower-right panel

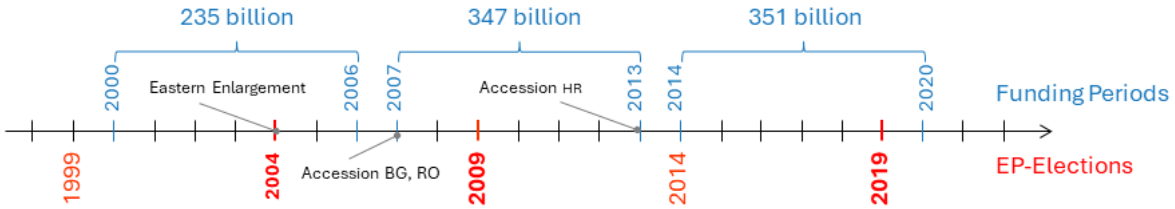
[1] For the Republic of Ireland and parts of the UK, electoral wards cannot consistently be mapped into NUTS3-regions and must be disregarded.

[2] The « Nomenclature des Unités Territoriales Statistiques » (NUTS) consistently classifies the territory of the European Union into regional subdivisions. National States (NUTS0) are subdivided into NUTS1 regions, which are subdivided into NUTS2, etc. For the German case, NUTS1 corresponds to States (Bundeslaender), and NUTS3 corresponds to counties (Stadt- or Landkreis).

of Figure 1, i.e. regional level differences in populist support within a given country, and at a given point in time.

Our research question is whether electoral support of right-fringe parties is affected by EU Regional Policy. Specifically, we focus on the "development objective" of the European Funds for Regional Development (ERDF) and its goal to support the regional development of lagging behind regions, also known as "Objective-1". The ERDF and related structural funds, specifically the European Social Funds and (ESF) and the Cohesion Fund (CF), support European regions in different funding lines with differing objectives, but the rules and regulations governing the allocation of Objective-1 funds to lagging-behind regions have remained stable over time. For our period of analysis, the ERDF follows 7-year funding periods that nicely coincide with the election cycles of the European Parliament. For every funding period, we assess the impact of Objective-1 transfers on the last election observed per funding period, as indicated by Figure 2.[3]

Figure 2:
EP Elections, Funding Periods, and European Integration[a]



[a]The figure shows dates of Elections to the European Parliament (red), simultaneous funding periods of the EFRE and related structural funds (blue), as well as relevant steps in the expansion of the EU (black).

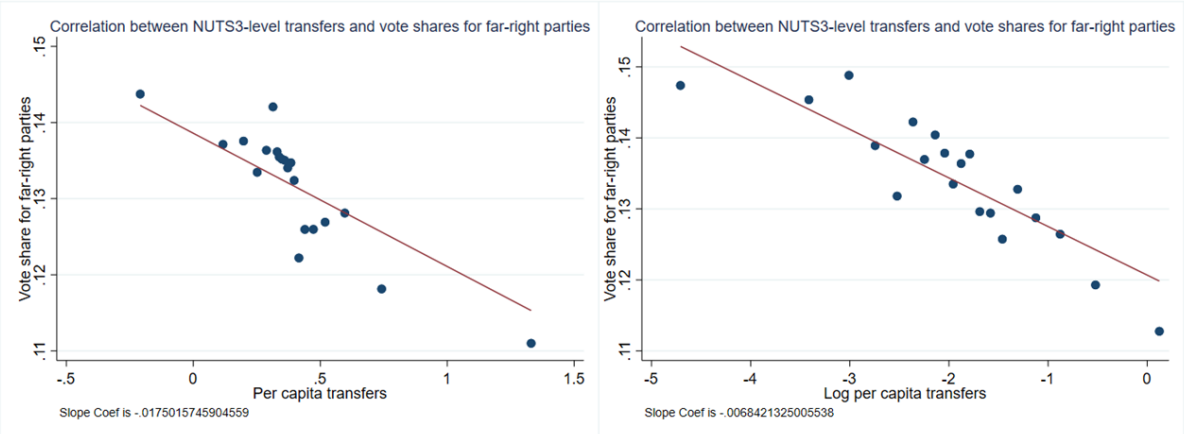
Source: Own presentation.

As a starting point, we relate the vote share obtained by right-populist parties in European Elections to the overall EU-transfers a region receives from the three regional funds (ERDF, ESF, CF). We pool election results on the NUTS3-level, clean the results from country-specific and time-specific influences, and plot it against the transfers a region receives.

Figure 3 shows that the more EU transfers a region receives, the lower the support of populist parties is. Importantly, this is after cleaning election results for country- and time-influences. Corresponding regression analyses suggest that 1,000 EUR per capita more in EU transfers relates to a 1.2 percentage points lower vote share of right-fringe parties. This is a purely statistical relationship, though. It shows that populist support is systematically lower in regions that receive a lot of funding, when other influences are controlled for. Still, this result rests on a comparison between very different, e.g. rich vs. poor, regions. Whether decreasing populist support is really caused by EU regional policy cannot be inferred from such a comparison between "apples and oranges".

[3] This boils down to omitting results of the 2014 election from our main analyses. Results do not meaningfully change when including the 2014 election.

Figure 3:
Regional Correlation Between EU Transfers and Right-fringe Vote Shares[a]



[a]The binned scatter plots visualize the correlations between the share of votes for right-fringe parties and per capita transfers. Observations from the 2004, 2009, 2014 and 2019 elections were pooled and the sample was restricted to countries that were EU members at the beginning of a funding period. We focus on a symmetric sample (+/– 75pp) around the 75% threshold, determining a NUTS2 region's eligibility for Objective-1 transfers. The units of observation are NUTS3 regions. All variables are residualized by country election. The left panel reports the correlation between the vote share for far-right parties and per capita transfers in levels, the right panel uses the log of per capita transfers.

Source: Gold and Lehr (2024).

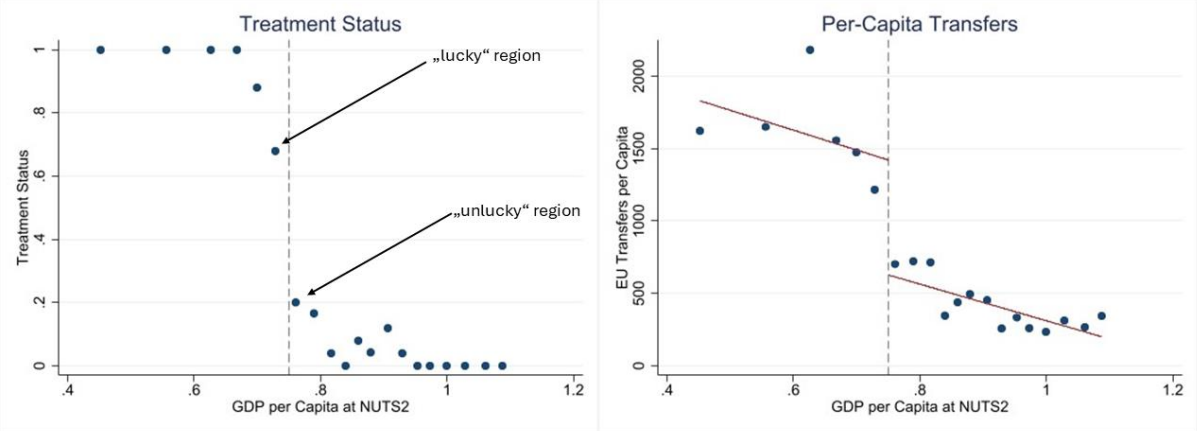
3 IDENTIFYING THE PURE POLICY EFFECT

To infer on the pure effect of regional policy, net of regional characteristics that affect whether a region receives transfers, one would ideally like to organize a lottery: Some regions are randomly drawn to receive transfers. Comparing these "lucky" regions that get supported just by chance to similar, but less fortunate regions would allow to precisely measure the effect of the policy itself – independent of related regional developments. Fortunately or not, this is not how regional transfers are allocated. Using econometric techniques, we thus mimic a random allocation of EU transfers as closely as possible with the data we observe, and select regions for comparison that are as similar as possible. To identify the pure policy effect, we employ three different approaches of such a quasi-experimental setting, called "Regression Discontinuity Design" (RDD), "Difference-in-Differences" (DiD), and "Matching".

3.1 POLICY EVALUATION I: REGRESSION DISCONTINUITY DESIGN – "ONLY JUST" RECEIVING TRANSFERS

First, we use a research setting that exploits the allocation rules for Objective-1 transfers defined by the European Commission. A European NUTS2-region is eligible for funding if the regional GDP per capita does not exceed 75% of the EU average. This threshold is arbitrarily set. There is no specific reason why the Commission choose 75% instead of e.g. 70%, or 72. Figure 4 illustrates how the threshold works.

Figure 4:
Allocation of Objective-1 Transfers[a]



[a] This figure illustrates the discontinuity in Objective-1 treatment at the 75%-threshold. The left panel plots the treatment probability against the forcing variable (GDP per Capita) with the vertical line indicating the cutoff. The right panel plots the average per capita EU-transfers against the forcing variable. The red lines correspond to a linear fit.

Source: Gold and Lehr (2024).

The left panel plots NUTS2-regions' treatment status against the regional GDP per capita. Very poor regions (left) all receive Objective-1 transfers, while comparatively rich regions (right) do not. Around the threshold, one can see that the allocation rule is not strictly obeyed. Some regions below the threshold do not receive funding, although they should. This is mainly due to measurement error. When deciding on the funding landscape, the EU Commission did not use exactly the same data on regional GDP we observe today. Moreover, the territorial structure of EU regions has changed over time. Likewise, some regions receive funding although they earn more than 75% of the EU average in GDP per capita. Again, this relates to measurement error, but also to exemptions from the 75% rule, e.g. for sparsely populated areas. These deviations from the rule make the RDD "fuzzy" but can easily be accounted for by econometric techniques.[4]

The right panel plots the direct consequence of obtaining Objective-1 status, i.e. a sudden and steep increase in the structural funds allocated to a region. Our analysis focusses on the effect of this steep increase in regional funding. The basic idea of the RDD is to compare "lucky" regions just left of the threshold, earning e.g. 74% of the EU average in GDP per capita, to "unlucky" regions just to the right with e.g. 76%. This small difference in regional wealth does not imply the latter regions were substantially more developed than the former. It is "just by chance" that the left regions receive funding, because the EU arbitrarily chose 75% as a threshold. Econometric techniques allow to expand the analysis at wider ranges around the threshold but in any case, the policy effect is calculated from the "jump" in transfers only. Corresponding estimation results are presented in Table 1.

[4] Specifically, we use the threshold as instrumental variable in 2SLS regressions, and condition on the "forcing variable" GDP per capita, and its polynomials.

Table 1:
RDD Results – Policy Impacts on Right-Fringe Vote Share (in percentage points)[a]

	All regions	**60–90% GDP p.c.**	70–80% GDP p.c.
	(1)	**(2)**	(3)
Objective-1 Transfers	–3.9 pp	**–2.8 pp**	–2.9 pp
Statistical Significance	***	***	*
# Obs.	3,721	1,175	416
Regional Ctr.	Yes	Yes	Yes
Country-Time-FE	Yes	Yes	Yes
Polynomial Order	4	2	1

[a]This table shows the (second-stage) results from the fuzzy regression discontinuity design. The dependent variable is the share of votes for right-fringe parties. The units of observation are NUTS3 regions. The treatment dummy is instrumented with a dummy that indicates eligibility based on the GDP per capita criterion (< 75% of the EU's average). The specifications include country-election fixed effects and regional controls (sectoral employment shares and log of population density, GDP per capita and region-type by country fixed effects all measured at the level of NUTS3 regions). We estimate the effect on the full range (Column 1), on a range +/–15 (Column 2) and +/–5 Column 3) around the threshold. To control for the forcing variable, we use polynomials which of the order indicated at the bottom of the Table. Polynomials are allowed to have different shapes on each side of the threshold. Standard errors are clustered at the NUTS2-level. Statistical significance: $*$ p < 0.1; $**$ p < 0.05; $***$ p < 0.01.

Source: Own calculations.

Our focus is on the effect of receiving Objective-1 transfers. When looking at all European regions in Column (1), we see that Objective-1 transfers decrease the vote share obtained by right-fringe populist parties. Narrowing down the analysis to more similar regions in closer proximity of the 75%-threshold as in Column (2) gives more reliable estimates. The figures show that receiving Objective-1 transfers decreases right-fringe parties' vote share by 2.8 percentage points. Over the period of analysis, these parties received 13.4% of the votes, on average. Accordingly, EU regional policy decreases right-wing populist support by around 20% in an average European region.[5] Moving closer to the threshold in Column (3) provides similar estimates.[6]

3.2 POLICY EVALUATION II: DIFFERENCE-IN-DIFFERENCES AFTER LOSING TRANSFERS

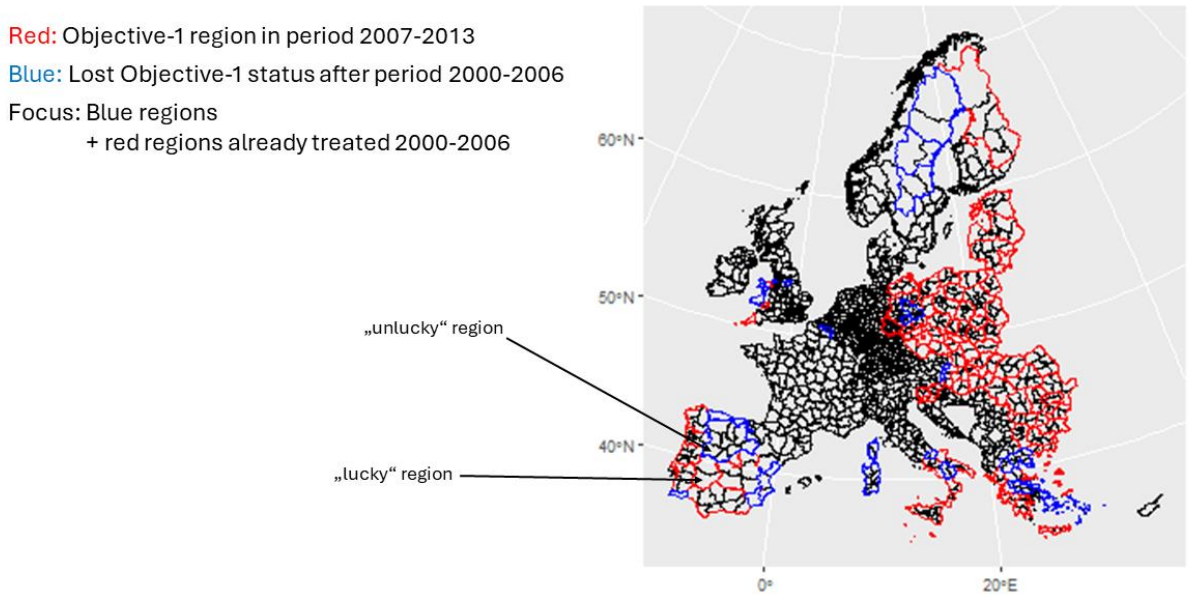
A second "quasi-experiment" is provided by the EU Eastern Enlargement in 2004, that affected the allocation of transfers in the funding period 2007–2013. In the previous funding period 2000–2006, the EU consisted of 15 Western-European states. Regions with less than 75% of

[5] To put this into context: An "average region" is some mixture of regions like Puglia (Italy) or Leipzig (Germany) in the earlier funding periods and Jihovýchod (Czech Republic) or Central Macedonia (Greece) in the later funding periods observed. In line with the econometric model used, such a region receives about 1.4 Billion EUR of Objective-1 transfers, or about 530 EUR per inhabitant. The investments into regional development projects, co-financed by the national governments and by regional administrations, are behind the decrease in populist support measured in Table 1. Accordingly, increasing regional EU transfers by 100 EUR per capita would decrease populist support by another 0.5 percentage points.

[6] The precision decreases due to the smaller number of observations and the higher share of regions not complying with the 75%-rule in close proximity to the threshold. Moreover, Column (3) looks at a quite selective set of European regions only.

the average GDP of these countries received Objective-1 funding. With the accession of comparatively less developed Central and Eastern European economies, the EU's average GDP per capita dropped significantly. Accordingly, some Western European regions that received treatment before suddenly found themselves above the critical threshold. That is to say that they lost transfers not because they made economic progress, but "just by chance" (i.e. bad luck). Figure 5 depicts the Objective-1 funding landscape before and after the Eastward Enlargement.

Figure 5:
Objective-1 Treatment Before and After the Eastward Enlargement[a]



[a]The figure highlights NUTS2-regions with Objective-1 status in the funding period 2007–2013 in red. Regions that lost treatment status with beginning of this funding period are marked in blue.

Source: Gold and Lehr (2024).

We focus the analysis on the blue regions, that lost Objective-1 status with the beginning of the funding period 2007–2013, but were treated before. We compare these "unlucky" dropouts to more lucky (red) regions that continued to receive treatment after the Eastward enlargement. Corresponding regression results are presented in Table 2.

This analysis focusses on Western European regions that were all comparatively underdeveloped in relation to the EU-15 average. Accordingly, all these regions received Objective-1 transfers between 2000 and 2006. If our assumption that we do indeed compare apples with apples here was right, we should see no differences in populist support during this early period when all regions were treated alike. However, if regional policies affected voting behavior, we should see an increase in populist support in regions losing Objective-1 status – but only after the Eastward enlargement. Table 2 confirms this to be the case. Column (1) shows that regions that lost Objective-1 status later on did not differ in their voting behavior from similarly treated regions before the Eastward Enlargement. Right after losing treatment, there is a slight increase in populist support (Column 2). However, during this period, "phasing out" provisions buffered the effects of the Eastward Enlargement, and the regions dropping out of Objective-1 received

compensation payments. The election in 2014 is the first election where the loss of Objective-1 status had its full economic impact. And indeed, we see from Column (3) that losing treatment increases the vote share received by right-fringe parties by around 1.6 percentage points as compared to the last election before the Eastward Enlargement. This finding nicely complements our previous results, as it recovers the treatment effect from regions that change treatment status. While receiving regional development transfers decreases populist support, spending cuts increase the support of right-fringe parties (c.f. Fetzer, 2019).

Table 2:
DiD Results – Effect of Losing Transfers on Change in Right-Fringe Vote Share[a]

	Δ 1999–2004	Δ 2004–2009	**Δ 2004–2014**
	(1)	(2)	(3)
Losing Objective-1	–0.4 pp	+0.6 pp	**+1.6 pp**
Statistical Significance	–	*	***
# Obs.	240	246	245
Regional Ctr.	Yes	Yes	Yes
Country-FE	Yes	Yes	Yes

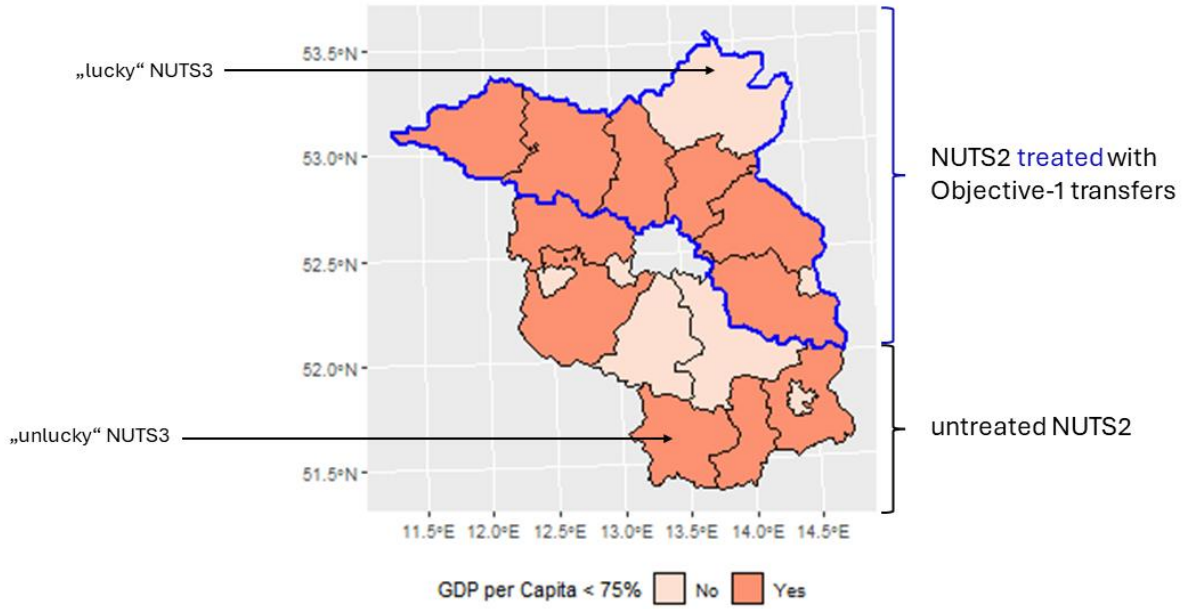
[a]This table shows difference-in-differences estimates. The sample includes all Western European Objective-1 regions from the funding period 2000–2006. The treatment dummy takes the value 1 if a region lost Objective-1 treatment in 2007–2013, following the accession of Eastern European countries. The unit of observation are NUTS3 regions. Standard errors are clustered at the NUTS2 level. Regional-level controls are log population density, employment shares, GDP per capita and region-type by country fixed effects. All controls were fixed to baseline levels. $*$ p < 0.1; $**$ p < 0.05; $***$ p < 0.01.

Source: Own calculations.

3.3 POLICY EVALUATION III: MATCHED SAMPLE ON (UN-)LUCKY NUTS3-REGIONS

Eventually, as a final test of the reliability of our previous results, we make use of the fine-grain spatial structure of our election data. We observe election outcomes at the NUTS3-level, while Objective-1 status is defined at the aggregate NUTS2-level. Accordingly, there exist some comparatively rich NUTS3-regions that receive Objective-1 transfers just because they are located in a relatively poor NUTS2-region, i.e. a NUTS2-regions with an average GDP per capita below the 75% threshold. Likewise, some NUTS2-regions that do not receive treatment contain NUTS3-regions with a GDP per capita below the 75%-threshold. Figure 6 illustrates this within-NUTS2-variation in NUTS3 GDP per capita.

Figure 6:
Nested "Aberrants"[a]



[a]By the way of example, the Figure plots NUTS3 regions nested in NUTS2-regions. All NUTS3-regions located in the blue NUTS2-region receive Objective1-transfers, whether the NUTS3 GDP per capita is higher than 75% of the EU average, or not. Similarly, none of the other NUTS3-regions receive Objective-1 transfers, even if they are relatively poor.

Source: Gold and Lehr (2024).

Again, our aim is to compare apples with apples. Imagine an alternative scenario where the EU Commission defined eligibility for Objective-1 transfers on the NUTS3-level. For most regions, this would not make a difference. We focus on the NUTS3-regions for which such an alternative scenario would matter and refer to them as "nested aberrants". We pick "lucky" NUTS3-regions with a GDP per capita above the 75%-threshold that receive treatment only because they have poor neighbors. For each of these regions, we pick a similar NUTS3-region from the same country with the same GDP per capita that does no receive Objective-1 transfers. In other words, we select NUTS3 regions with the same level of economic development, but opposite treatment status. Likewise, we match "unlucky" NUTS-3 regions with low GDP per capita but nested in a rich NUTS2-region to similarly poor NUTS3-regions. from the same country that do receive Objective-1 transfers. We then estimate treatment effects on this homogenous set of NUTS3-regions. Corresponding regression results are presented in Table 3.

Table 3:
Matching results – Policy Impacts on Right-Fringe Vote Share (in percentage points)[a]

	All Aberrants	Untreated Aberrants	Treated Aberrants
	(1)	(2)	(3)
Objective-1 Transfers	**–2. 1 pp**	**–3. 2 pp**	**0.0 pp**
Statistical Significance	***	***	–
# Obs.	469	343	126
Regional Ctr.	Yes	Yes	Yes
Country-FE	Yes	Yes	Yes

[a]This table shows results from a comparison of NUTS3 regions with differing treatment status, conditional on levels of economic development at the NUTS3 level. The dependent variable is the share of votes for far-right parties at the NUTS3-level. The sample is restricted to NUTS2 regions that comply with the 75% rule and to NUTS3 regions with GDP per capita on the country-election specific area of common support, i.e., for a treated NUTS3 region, there exists at least one untreated NUTS3 region in the same country-election cycle with a GDP per capita as small as the treated region's GDP per capita. Accordingly, for each untreated NUTS3 region, at least one treated NUTS3 region exists in the same country and period with GDP per capita as high as the untreated region' s GDP per capita. All regressions include country-election-fixed effects. All specifications include regional controls (sectoral employment shares and log of population density, GDP per capita and region-type by country fixed effects all measured at the level of NUTS3 regions). Standard errors are clustered at the NUTS2 level. $*$ p < 0.1; $**$ p < 0.05; $***$ p < 0.01."

Source: Own calculations.

Measuring the effect of EU Regional Policy on this homogenous set of regions confirms our previous findings. For the full sample (Column 1), regional policy decreases populist support by 2.1 percentage points. Interestingly, this effect exclusively stems from relatively poor regions that do or do not receive funding, depending on the NUTS2-region they belong to (Column 2). Conversely, when looking at NUTS3-regions with a GDP per capita above the 75% threshold, some of which receive funding because they have poor neighbors (Column 3), we find no effect. This could relate to the small number of observations in Column 3, or to the specific composition if this subsample that contains many cities. In any case, it is reassuring to see that the underdeveloped regions targeted by the EU regional policy are the ones most responsive to Objective-1 transfers.

4 INDIVIDUAL-LEVEL ANALYSIS

To corroborate our findings from the regional-level analysis, and to infer on potential mechanisms, we replicate our Regression Discontinuity Design from above, but assess individual-level data from the Eurobarometer (EB) instead. The EB is a European-wide survey which, among other things, asks about attitudes towards the EU, trust in democratic institutions, and expectations about future economic development. With each wave, the EB surveys approximately 25,000 individuals, at least 500 from each member state. We combine 40 waves of the standard EB covering the years 2000 until 2019. Respondents' answers are coded as binary 0-1 outcomes. That is to say that we investigate how the attitudes and perceptions of hundreds of thousands of EU-citizens are affected by whether their home region receives Objective-1 transfers.

One might have expected that first and foremost, individuals' economic expectations were affected by the EU transfers. However, this is not what we see in the data. Individuals living in regions receiving Objective-1 transfers are neither more optimistic nor less pessimistic towards the future development of the economy, or the labor market. Still, they are significantly more likely to state that their country benefits from the EU. Simultaneously, they are significantly less likely to have a negative image of the EU. Interestingly, we observe no increase in the proportion of individuals with explicitly positive views of the EU. Apparently, Objective-1 transfers may decrease discontent with the EU, without furthering content. However, when explicitly asked about their satisfaction with democracy in the EU, satisfaction levels tend to increase, while dissatisfaction is not affected.

We find strong treatment effects on respondents' trust in democratic institutions. Across the board, our results show that Objective-1 transfers increase trust in the EU institutions (e.g. the Commission, the Parliament, the EU as a whole), and in the national government. Apparently, the reason to decrease support of populist parties in reaction to the EU's Regional Policy has less to do with voters' economic considerations, but more with voters (re-)gaining trust in the political system.

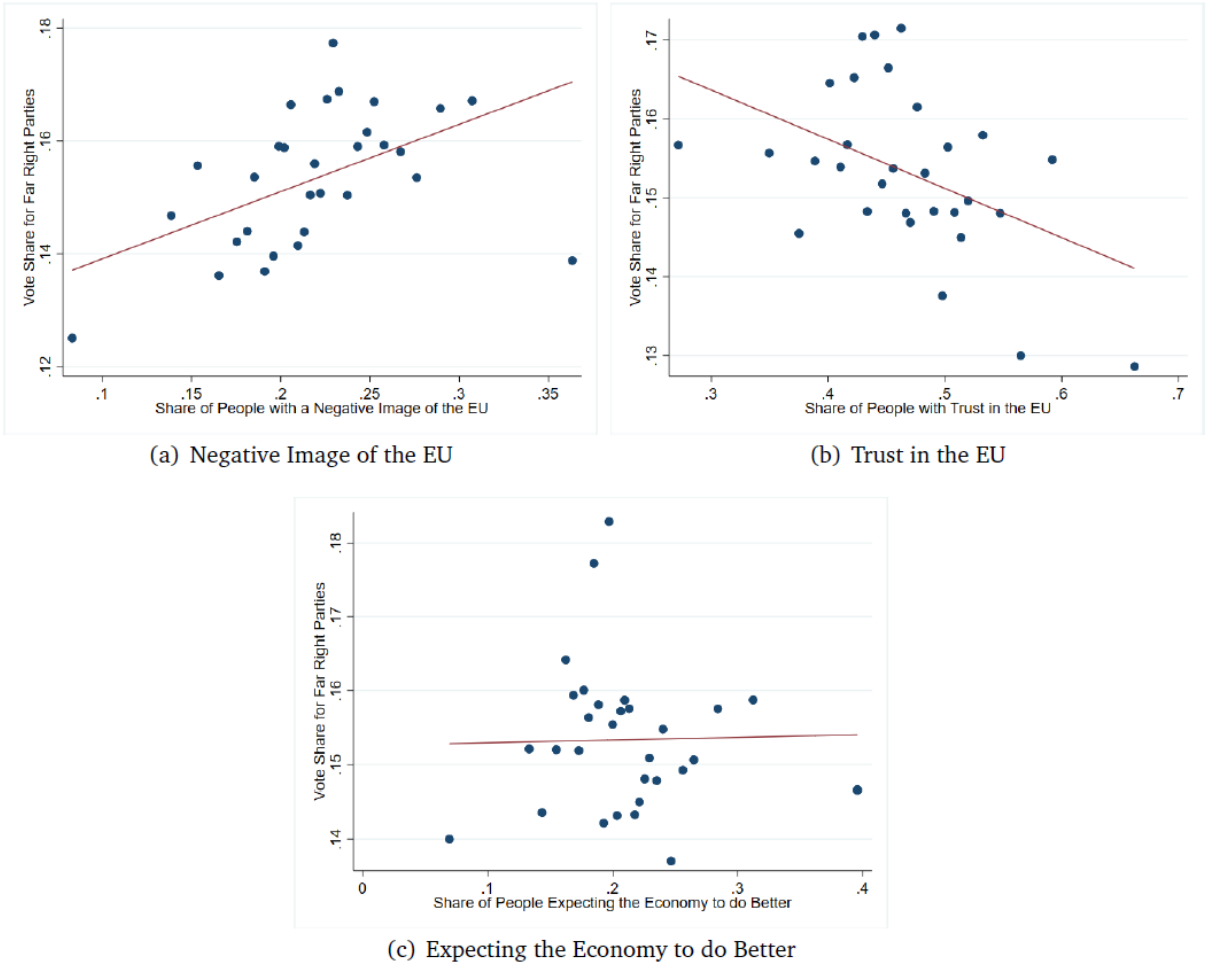
This interpretation is supported by the binscatters in Figure 7. By way of example, they show the relationship between right-fringe support on the regional level and regional-level aggregates of the answers to the Eurobarometer. While populist support relates to attitudes to the EU and to trust in institutions, both of which are affected by Objective-1 transfers, there is no statistical relationship between economic expectations and the vote share received by far-right parties.

5 CONCLUSION

We show that regional policies can mitigate the populist surge. Specifically, public investments into regional development, funded by the EU's Regional Policy program, reduce the support of nationalist parties from the right fringe of the political spectrum. Indeed, populist support decreases by around 20% in European regions receiving funding under the development objective (Objective-1) of the EU's structural funds. This result holds in different empirical models using different sources of quasi-exogenous variation, and on different subsamples of European regions.

In the EU, the rise of populism casts a shadow on the future prospects of European integration. Specifically, most rightwing populists pursue a nationalist agenda, that tends to be sceptical towards the institutions of the EU and to furthering European cooperation. We show that the electoral support of exactly this set of parties is most responsive to EU Regional Policy. In line with that, our individual-level analysis suggests that regional policies increase individuals' trust in the EU and its institutions, as well as consent with democracy more generally. This seems to be a reason why populist support decreases in regions receiving support from the EU's structural funds.

Figure 7:
Regional-level Correlation – Survey Answers and Voting[a]



(a) Negative Image of the EU

(b) Trust in the EU

(c) Expecting the Economy to do Better

[a]The figures show the correlations between vote shares for far-right parties and the share of individuals with a negative view of the EU (a), trust in the EU (b) and the expectation that the economic situation will improve at the regional level (NUTS2 or broader). Both variables are residualized by country-election, i.e., the correlations are from within countries.

Source: Gold and Lehr (2024).

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IMPRESSUM

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Publisher:
Kiel Institute for the World Economy – Leibniz Center for Research on Global Economic Challenges
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The Kiel Institute for the World Economy – Leibniz Center for Research on Global Economic Challenges is an independent foundation under the public law of the German federal state of Schleswig-Holstein

Value Added Tax Id.-Number:
DE 251899169

Board of Directors:
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Photo:
Cover Picture: © European Union 2019 - Source : EP
Pictures: Jakob Lehr © Universität Mannheim

Responsible Supervisory Authority:
Ministry of Education, Science and Cultural Affairs of the Land Schleswig-Holstein

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