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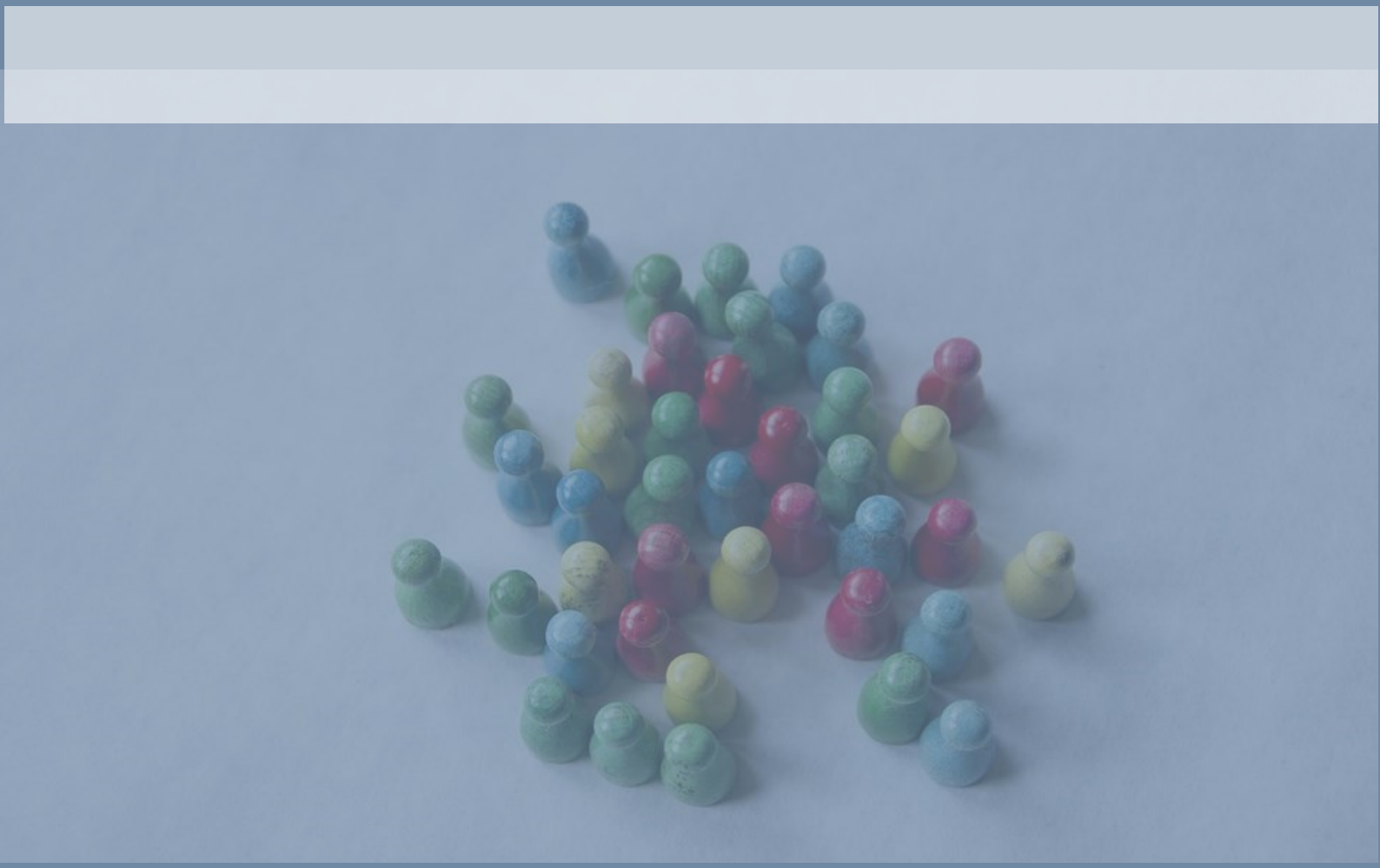

Welfare Chauvinism? Refugee Flows and Electoral Support for Populist-right Parties in Industrial Democracies

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Abstract

In this paper we examine whether refugee flows are associated with an increase in electoral support for populist-right parties. The empirical evidence on this so far remains mixed. We argue that refugee inflows alone are an inaccurate predictor of the success of populist-right parties. Rather, refugee inflows can lead to a rise in electoral support for populist-right parties where traditional welfare states are expansive —the so called 'welfare chauvinism' argument, wherein natives already dependent on high levels of social welfare are likely to see refugees as interlopers who free-ride on welfare and thereby threaten the welfare of locals. Using panel data on 27 OECD countries during 1990–2014 period (25 years), we find no evidence to suggest that refugee inflows per se increase electoral support for populist-right parties. However, a positive effect of refugee inflows on electoral support for populist-right parties is conditional upon a higher degree of social welfare and unemployment benefit spending, which supports the propositions of 'welfare chauvinism.' Moreover, support for populist-right parties increase when the degree of labor market regulations and welfare spending is high. Our results are robust to alternative data, sample and estimation techniques.

Keywords

Refugee flows, welfare state, and populist-right.

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"*No money. No jobs. No homes. No welfare. Welcome to Sweden*."[1]
- Sweden Democrats' party advertisement

"*I want to protect the fact that my country, a small country, is an extremely wealthy country; that it provides these exceptional benefits to its people and I don't want to compromise my ability to receive those benefits simply because more and more people want to come in*."[2]
- Anonymous Danish voter

1. Introduction

Recent years have seen the electoral success of populist-right parties[3] in many industrial democracies. The advent of refugee crisis in 2014 in particular has seen the populist-right gain strength over traditional parties of both the left and right in many European countries (Zimmermann 2016). One of the most influential explanations offered for the increase in support for populist-right parties is the increased levels of immigration (Halla, Wagner and Zweimuller 2012, Golder 2003, Knigge 1998). In fact, previous studies on this topic have long assumed migration as one of the main causes, but empirical evidence remains mixed. While, Halla et al. (2012), Arzheimer (2009), Arzheimer and Carter (2006), Golder (2003) and Knigge (1998) find a positive association between migration and support for populist-right parties, Norris (2005) and Lubbers et al. (2002) do not confirm the earlier findings. While a lot of these studies focus on immigrants, what is indeed missing in the current scientific debate is the role of refugees and the causal understanding of the mechanisms through which refugees flows would increase support for populist-right parties. In this paper we examine and identify the conditions under which refugee flows explain the rise in electoral support for populist-right parties in 27 industrial democracies during 1990-2014 period.

Refugees are a special type of migrants who flee from unpleasant conditions in their respective home countries and have been granted refugee status in the recipient country. Though refugee flows to developed countries have been steady during the 1990s and early 2000s, the events post-2013 have brought the issue of refugee crisis to the forefront of public debate. As of 2016, the total number of refugees into Europe increased to three million (Ayiar et al. 2016). The sudden large-scale migration swayed the popular vote in favor of populist-right parties who vociferously opposed and protested the acceptance of refugees in their respective countries. As the opening quote illustrates, at the peak of the refugee crisis in 2015 the Sweden Democrats - a populist-right party in Sweden, released a controversial advertisement with a message aimed at discouraging refugees and asylum seekers from coming to Sweden. The party argued that large- scale refugee inflows were putting the Swedish welfare system under strain. Similar such arguments are advanced by populist-right

[1] This controversial advertisement welcoming refugees by Sweden Democrats, a populist-right party is widely cited in the press, see: https://www.rt.com/news/323236-sweden-democrats-refugees-video/
http://www.dailymail.co.uk/news/article-3317978/Torn-apart-open-door-migrants-Sweden-seen-Europe-s-liberal-nation-violent-crime-soaring-Far-Right-march-reports-SUE-REID.html

[2] See: https://www.theatlantic.com/international/archive/2016/01/denmark-refugees-immigration-law/431520/

[3] We identify 'populist-right' parties as those which according to the literature are protest, nativist, openly racist, or extremist parties which are anti-immigrant, islamophobic and anti-establishment in their platform. Moreover, these parties are in stark contrast to those identified in the traditional left-right parties specially on migration policies. See Mudde's (2007) influential work on philosophy of populist-right.

in other countries, such as the 'keep them out' demand in Austria by FPÖ,The Freedom Party of Austria (Wodak 2015). The second quote by a voter in Denmark too suggests support for this sentiment. The argument being advanced by supporters of the populist-right is that welfare states attract a large volume of refugees (Milanovic 2017). Schulzek (2012), and Borjas (1999) provide evidence to this effect. The assumption is that refugees are often unskilled and fall into a low income bracket and therefore a country with lower levels of inequality and a large welfare state will become an appealing destination (Milanovic 2017, Schulzek 2012, Razin and Wahba 2012, Borjas 1999). Moreover, social protection measures in the form of generous welfare policies and unemployment insurance in advanced economies are designed to compensate for job loss and other pressures brought on to the native workers who perceive themselves to be the losers from vagaries of globalization (Kitschelt 2007, Rodrik 1998). Rodrik (1998) argues that political backlash is inevitable if distributive costs are higher than net economic gains emanating from economic globalization. Under this scenario, segments of the native population are likely to believe that refugees are not only undercutting but receiving an unfair share of the social welfare benefits, the so-called *'welfare chauvinism'* effect. Accordingly, some might view the rise in support for populist right-wing nationalism as a retort to increasing levels of refugee flows while social welfare policies are funded through high levels of taxes. Additionally, segments of the population are likely to see refugees as interlopers who 'free ride' on the tax contributions made by the 'sons of the soil'. Therefore, under the scenario of a large welfare state, high refugee inflows fuel sympathy for the populist-right rhetoric.

We put these arguments to an empirical test using panel data on 27 OECD countries during 1990–2014 period (25 years). We do not find any evidence to suggest that refugee flows *per se* are associated with a rise in electoral support for populist-right parties. Rather, we find that the positive effect of refugee flows on electoral support for populist-right parties is conditional upon a higher degree of overall social welfare and spending on unemployment benefits. Indeed, our results provide support for the welfare chauvinism argument, supporting studies suggesting the same conducted at the sub-national level, albeit with specific reference to access to public housing rights (Cavaille and Ferwerda 2016). Furthermore, support for populist-right parties increase when the degree of labor market regulations and welfare spending is high. This suggests that granting refugees access to the labor market by lowering excessive regulations reduces the likelihood of dependence on state benefits and significantly accelerate the process of integration. A range of robustness checks substantiate our main findings.

The rest of the paper is organized as follows: Section 2 reviews the theoretical and empirical arguments on the impact of refugee flows and the role of social welfare on support for populist-right parties and presents our arguments to derive testable hypotheses. Section 3 describes data and estimation methods. While section 4 presents the empirical findings, section 5 concludes the study.

2. Hypothesis

Recent years have seen an increase in the electoral success of populist-right parties in many western countries. Populist-right parties are more heterogeneous as many do not have a clear preference for either left or right-leaning economic policies (Mudde 1996). Rather, they are anti-establishment in their platform and are clearly distinguished by their bias against

immigrants, refugees and asylum seekers, particularly non-westerners. They tap into the sentiments of anxiety and disenchantment of segments of the locals who fear the cultural and economic consequences of migration (Inglehart and Norris 2016, Art 2011). Past empirical evidence suggests that electoral support of populist-right parties has largely been driven by concerns over large increases in immigration and asylum flows (Betz 1994, Knigge 1998, Ivarsflaten 2008, Swank and Betz 2003). However, Kitschelt (1995) and Norris (2005) find no relationship between migration, refugee flows and support for populist-right parties. The inconclusiveness of the cross-national empirical studies above suggests that while migration and refugee flows are a necessary factor, we believe that it is certainly not sufficient to explain the rise of the populist-right. Rather, we are interested in knowing under what conditions refugees matter in explaining the support for populist-right parties.

Refugees are a special type of migrant who flee from conditions of conflicts, violence, human rights persecutions and destitution in their respective home countries and hence granted refugee status in the recipient countries (Neumayer 2005). Although different from economic migrants, refugees too have strong economic motives in seeking work largely through employment (Zimmermann 2016, Aiyar et al. 2016). There is a perception that most refugees, if not all, are unskilled and deliberately select countries with generous welfare - a concept which came to be known as 'asylum shopping' (Milanovic 2017, Collyer 2004, Borjas 1999). Crawley (2010) documents the views held by large sections of public, politicians, and policy makers that "most asylum seekers are in reality economic migrants who make choices about where to seek asylum based on opportunities for employment and access to welfare benefits" (p. 13). According to the Roy model of *self-selected migration theory*, the decision of a prospective migrant from an under-developed country to emigrate is a function of expected income in country of origin vis-à-vis country of destination. This effectively means migration to a developed country where their expected income is anticipated to be much higher. However, if the migrant belongs to a low-income group then a more egalitarian society with a generous welfare system becomes an attractive destination, because the likelihood of qualifying for welfare benefits is high (Flanagan 2006). Meanwhile, a skilled migrant is attracted to less egalitarian destination where taxes are lower (Roy 1951). With the assumption that most refugees are unskilled, Schulzek (2012), Thielemann (2008), Zavodny (1999) and Borjas (1999) provide evidence that they are attracted by higher welfare benefits.[4] Fund (2015) argues that, "a major reason so many refugees want to settle in Sweden, Germany, and other Northern European countries is that they have generous welfare state programs for non-citizens" (National Review 2015). Thus, some believe that high levels of welfare in developed countries might act as a magnet, a scenario where native grievances vis-à-vis migrants (including refugees) are likely to form (Cavaille and Ferwerda 2016, Card, Dustmann and Preston 2012). Yet some suggest that while welfare states do have generous refugee policies (e.g., Scandinavian states) and almost by default most refugees may be unskilled, that does not necessarily mean refugees choose welfare states as their destination (Zimmermann 2016). First, there is a high degree of variance among refugees to act independently in making rational and informed choices on where to relocate (Crawley 2010). Second, due to the information asymmetry problems faced by refugees, agents or smugglers become their primary source of information on choice of destination country (Middleton 2005). Third, in the context of Europe the Dublin Regulations 2003, stipulating

[4] While Pedersen et al. (2008) found no such evidence.

asylum seekers to register in the country they first entered, provides limited options on preferred destination countries. However, evidence suggest that most migrants try avoid registration in the country they first entered (Tassinari 2016, Brekke and Brochmann 2015) and in spite of the limited choices available, there is a clear indication that asylum seekers make value judgment and conscious choices about various destination countries (Collyer 2004, Robinson and Segrott 2002). The deputy Chancellor of Lithuania, RimantasVaitkus, seems to provide impetus to this argument suggesting that, "we are prepared to accept refugees immediately, but there are no refugees in Italy or Greece who agreed to resettle in Lithuania. . . . It seems that refugees know about Sweden, Germany, France, the United Kingdom, which either have generous social security or have been actively attracting immigrants."[5] Therefore, a large influx of refugees are likely to be seen as interlopers who free-ride on welfare and that do not deserve the generosity of the native population. Instead of viewing refugees as contributors, they come to be perceived as a group that disproportionately benefits from welfare assistance (Gilens 1995). Refugees are not only seen as benefiting from tax contributions made by the 'sons of the soil' but also as a burden on the welfare of the native population. In fact there is overwhelming evidence to show that refugees significantly inflict a fiscal burden, especially in welfare states. An IMF and an OECD report (2017) suggests that the fiscal costs for accommodating asylum seekers starting with the processing application to support for housing, education, health and other social expenditure could be sizable in some countries (Aiyar et al. 2016). Borjas and Trejo (1991) compute the average cost for the welfare incurred by the US government on both migrant and a native family. They find that the average welfare cost of a migrant family is about US$ 135,000 over the course of their stay in the US while during the same period the cost is about US$ 79,000 for a native family. Blume and Verner (2007) on the other hand find that migrants in Denmark received over 18% of social benefits in 1999 relative to 3% of their population share. An increase in fiscal burden effectively means that natives either have to share welfare benefits (the *sharing-effect*) with an increased pool of social transfer recipients or pay more in taxes (the *tax adjustment effect*) in order to fund an increase in welfare spending. This might result in both high-income individuals (due to tax burden) and low-income individuals (via sharing-effect) resenting supporting refugees (Luttmer 2001, Facchini and Mayda 2009). Naumann and Stötzer (2015) find that when faced with increased inward migration the withdrawal of support for redistribution from locals varies over different income groups. The decrease in support for welfare spending in the face of increased migration is also reported by Ford (2006) in the context of the UK, Larsen (2011) in Denmark, and Erger (2010) in Sweden. In a more recent refugee crisis of 2014, various media reports and opinion polls suggest a decreased public support towards migrants and refugees' generous access to welfare benefits - a sentiment mirrored by the success of populist right parties in national elections across various Western countries (Guardian 2016, Financial Times 2016).

Others claim that economic factors matter more relative to other factors in explaining support for populist-right (Lubbers, Gijsberts and Scheepers 2002, Betz 1994). In particular, there is a substantial debate on the socio-economic effects of economic globalization (Swank and Betz 2003). The Heckscher-Ohlin type trade and investment models suggest that in

[5] See: http://www.nationalreview.com/article/426410/how-long-can-europes-welfare-states-welcome-refugees-and-migrants-john-fund

developed countries economic openness hurts relatively scarce factors (unskilled labor) more than abundant factors (skilled labor) (Wood 1994). Focusing on the factor endowment model, Mayda and Rodrik (2005) find that skilled workers are more likely to support globalization. Likewise, Walter (2017) finds that, "highly skilled individuals face lower labor market risks when they are exposed to globalization, while globalization exposure increases labor market risk amongst low-skilled individuals" (p. 56). In addition, entry of refugees,especially into the low skilled labor market segment, may also contribute to a decline in relative wages and increase the unemployment share of native unskilled workers (Angrist and Kugler 2003). The analysis of Kitschelt (1995) show that low-skilled workers who fear deterioration in their economic situation and who face employment challenges as a result of contemporary features of open economic policies disproportionately support populist-right parties who not only resent intake of refugees but also oppose policies promoting globalization. Moreover, in the course of globalization, partisan politics disappeared in the Western countries as mainstream parties from both left and right pursued the policies of economic openness from 1980s through 2000s (Potrafke 2009). The inability of the mainstream parties to respond to these concerns provided fertile ground for the populist-right to exploit the fears and angst of low-skilled, blue collar underclass with low wages and little job security.

According to some, the explanation for the rise of the populist-right is based on the idea of "compensation thesis" which relates to the way in which social protection shield segments of population from the vagaries of globalization (Walter 2010, Swank and Betz 2003). In other words, globalization leads to welfare state expansion because governments will try to compensate citizens vulnerable to the risks associated with globalization (Walter 2010, Rodrik 1998). According to the self-interest based rational choice theory, citizens experiencing a decline in standard of living will be more supportive of redistribution and big government because they benefit from it (Downs 1957). For instance, Meinhard and Potrafke (2012), Dreher et al. (2008), Burgoon (2001), Hicks and Swank (1992) find support for the presence of compensation thesis. Interestingly, Swank and Betz (2003) have argued that a universal welfare state lowers the economic insecurity of losers from globalization and thereby depresses electoral support for far-right parties. This suggest that the rise of populist-right can be countered by more, not less, welfare and social protection, which will build communitarian values for marginalizing extremist parties. On the contrary, we argue that native workers fear that increases in refugee flows will lead to competition over scarce economic resources which in turn creates inter-group conflict in society (Lubbers et al. 2002). Under these conditions refugee flows negatively affects natives relaying on social assistance to a greater extent through changes in per capita welfare benefits. This in turn leads to people voting for a populist-right party which advocates welfare chauvinism - that welfare benefits must be limited only to citizens.[6]

Overall, we suggest that 'welfare chauvinism' is likely to be a key factor in explaining the rise in support for populist-right where welfare states are well established and the native population fear significant welfare losses and are not likely to see any benefits from the

[6] The supply side of compensation thesis also has an effect. Restricting the supply through cut in welfare spending as a result of neoliberal economic policies and austerity programs can push globalization losers into the fold of populist-right who rail against eroding the ideology of welfarism intended to protect the weak and vulnerable in the first place (Balaam and Dillman 2011).

intake of refugees. In many ways, not only will high welfare protection distort markets and lead to perverse economic incentives, but may increase bias against refugees. Our discussion leads us to the following hypotheses:

Hypothesis 1a: *The positive effect of refugee flows on electoral support for populist-right parties is conditional upon a higher degree of overall social welfare spending*.

Hypothesis 1b: *Refugee flows are associated with an increase in electoral support for populist-right parties when unemployment benefits are high as a proportion to GDP*.

Apart from the main explanation above, one could add a second explanation in which the welfare state and labor market interact with each other as drivers fueling welfare chauvinism. Accordingly, a rigid labor market prevents refugees and most often the unskilled workers from accessing the labor market, thus indirectly generating support for welfare chauvinism through its impact on citizens' economic welfare. Refugees are the most vulnerable group among all migrants as they are more likely to face difficulty in obtaining employment not only because of language barriers and accreditation problems but also due to little or no work experience in the host country.[7] In fact, Hatton (2013) finds that asylum seekers face greater legal hurdles to employment while their application for asylum is being considered. Operating in a rigid labor market, a local firm considering hiring an asylum seeker faces a higher uncertainty of matching skills to the job at hand. Given the high uncertainty, but same firing cost which applies to all the workers, refugees potentially find themselves at a disadvantage compared to an economic migrant. Moreover, residential permits granted to refugees by the host governments are most often temporary and the renewal may be conditional upon finding employment. Given the insecure residential status[8] it becomes more costly for the employers to lay off refugees once they are hired due to strict employment protection laws. Skedinger (2011) finds that both employment tenures and spells of unemployment are longer (shorter) in countries with rigid (flexible) employment protection laws. Thus, firms would be less inclined to hire refugees anticipating higher firing costs.[9] This not only results in higher levels of unemployment among refugees but also increases the employment gap between natives and foreign-born workers in the medium to long run. An IMF study by Aiyar et al. (2016) shows that the unemployment rate among refugees is 30 points higher than natives as of 2015 and an OECD (2016) report suggests that it takes roughly two decades for refugees to have a similar employment rate as the native workers.[10] As high unemployment persists, refugees are less likely to pay tax and more likely to depend more on social assistance thus undermining the welfare state. Thus, rigid labor market regulations indirectly fuel sympathy for populist-right who espouse welfarism only for the natives. Therefore, we expect:

[7] Boeri et al. (2002) suggest that refugees are less educated than natives and hence face higher risk of being unemployed.

[8] It is also noteworthy that due to insecure and unstable residential status of refugees, most employers may not be willing to invest their resources in hiring, training and upgrading their skills.

[9] See Skedinger (2011) for the review on the effects of employment protection laws in OECD countries.

[10] Ott (2013) also finds that refugees have worse labor market outcomes (like having lower participation rates and wages than natives).

Hypothesis 2: *Refugee flows increase electoral support for populist-right parties when labor market regulations and degree of social welfare spending are high*.

3. Data and Methods

3.1 Model Specification

We analyze a time-series cross-section dataset (TSCS) containing 27 OECD countries[11] (see Appendix 1) covering the years from 1990–2014 (25 years). The baseline specification estimates the support for the populist right parties in country *i* in year *t,* is:

$$VS_{it} = \phi_1 + \psi_2 VS_{it-1} + \psi_3 Rfg_{it} + \psi_4 Z_{it} + \upsilon_t + \nu_i + \omega_{it} \qquad (1)$$

Where, ν_i and υ_t is the country and year specific fixed effects and ω_{it} is the error term. The dependent variable VS_{it} is the vote share of the populist-right parties in country *i* in year *t*. We identify populist parties as those that primarily appeal to the fears and frustrations of the public on various socio-economic issues. They rely on combination of nationalism with an anti-elitist rhetoric demanding a radical change in the existing political institutions. They largely campaign on anti-capitalism, anti-globalization, anti-immigration, and xenophobic movements (Zaslove 2008). Some of these populist-right parties are ultra-nationalist in their outlook who base their ideology on extreme form of nationalism usually defined by ethnicity or race. They believe in the notion that a state requires a collective identity based on common race or ethnicity and a strong leadership (Ekehammar et al. 2004). The characteristics which are common in the populist-right and ultra-nationalist parties are that they are not only hostile to the existing democratic setup and political institutions but also strongly anti-immigration, anti-Islam and perceive themselves as defenders of national and cultural identity. The support for these parties can be quantified by using the number of votes these parties receive in the national elections. We thus, use the vote share, defined as number of votes received by populist-right parties as a share of total number of votes polled in a country's national election. The data on vote share is sourced from *Parties and Elections in Europe*, a non-profit organization, which is a comprehensive database on the parliamentary elections in European countries.[12]

[11] We exclude Mexico, South Korea and other new countries which became OCED members only in 2010.

[12] The database contains information not just about the national elections, but also details on subnational elections, information on various political parties, their leaders, ideology of the parties and composition of the governments dating back to 1945. For details, see: http://www.parties-and-elections.eu/content.html

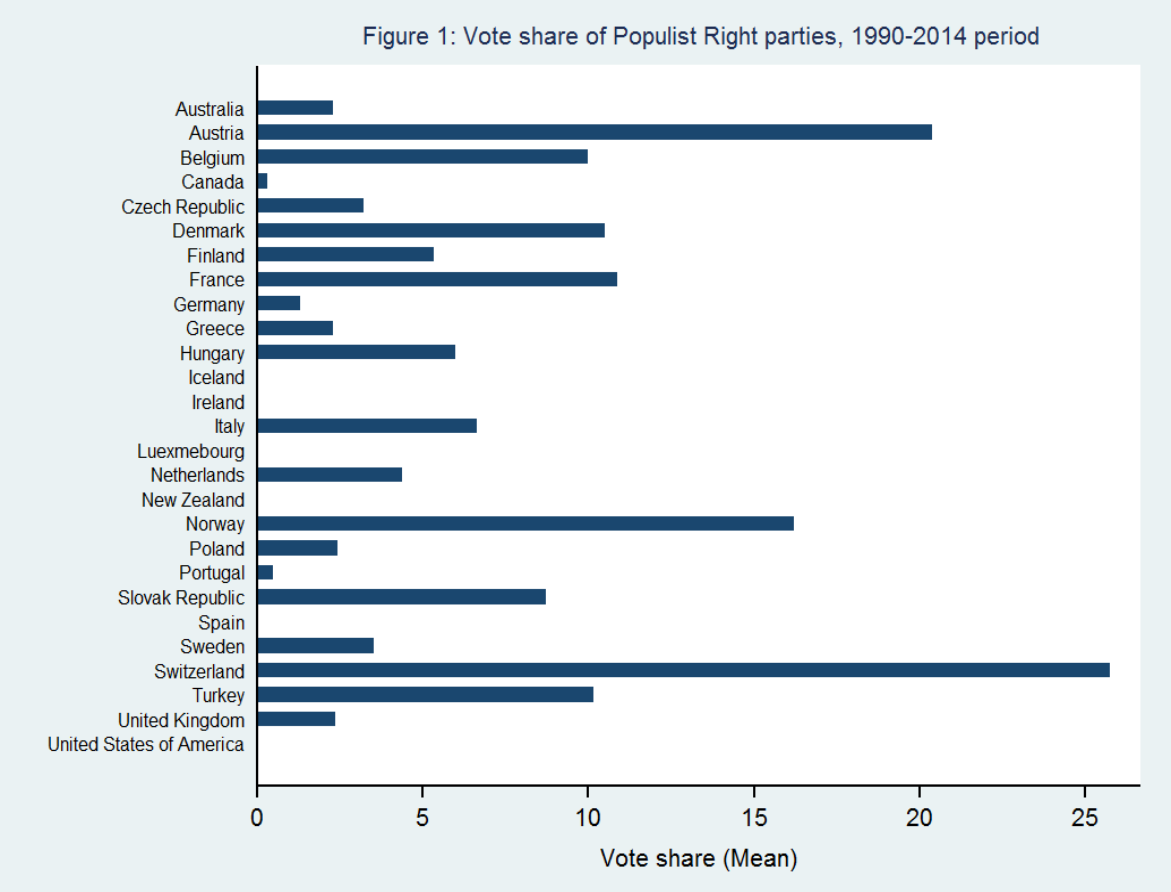


Figure 1 captures the vote share of the populist right parties in national elections in 27 countries during 1990-2014 period. As seen, on average Austria, Norway and Switzerland registered greater support for these parties. The mean of the sample is about 6% while the maximum percent of vote share received in our study period is 30.1%. Exhibit 1 shows the number of populist-right parties in 27 countries under study. As seen, almost all countries, with the exception of few, have at least one electorally active populist-right party. Australia, Switzerland and Greece have about five such parties which did contest national elections during out study period 1990-2014. It is also noteworthy that some of these parties have enjoyed considerable electoral success in countries such as Austria, Belgium, Denmark, Greece, Finland, Netherlands, Norway, Switzerland and Turkey.

Our main variable of interest is refugee flows (Rfg_{it}) which is sourced from the World Development Indicators (WDI hereafter), World Bank, which are in turn gathered from the Statistical Yearbook and data files of the United Nations High Commissioner for Refugees (UNHCR) which has been collecting data on refugees and asylum seekers in the OECD countries and other countries in the world.[13] A refugee is defined as a person who fled his/her country of origin and is unwilling to return for fear of persecution. The WDI follows the definition of refugees set by the UNHCR which recognizes refugees under the 1951 Convention Relating to the Status of Refugees or its 1967 Protocol, the 1969 Organization of African Unity Convention Governing the Specific Aspects of Refugee Problems in Africa. It is

[13] See: http://www.unhcr.org/figures-at-a-glance.html

noteworthy that every refugee must apply for the status of refugee by submitting an application to the host country for consideration. Once the application is processed, the person is granted the status of refugee. Until then, the applicant is considered to be an asylum seeker. We therefore use refugee flows (i.e., those whose applications for refugee status have been approved) as a share of total population of the host country *i* in year *t* as our hypothesis variable. The mean refugee flow as a share of population during our study period 1990-2014 is 0.34%, with a standard deviation of 0.42% suggesting high variance among 27 countries under study. Refugee flows as a share of total population is high among Sweden, Germany, Denmark, Norway and Switzerland during the 1990-2014 period, while Portugal has the lowest levels of refugee flows as a share of their total population. Interestingly, a simple back of the envelope calculation shows that the mean value of refugee flows to population in the aforementioned five countries is about 1%, which is thrice the mean value of the sample of 27 countries. On the other hand, the mean vote share of populist right parties in these countries is about 12%, which is more than double the size of the mean value of the entire sample.

As a robustness check, we also use the total inflow of asylum seekers into host country *i* in year *t* as a share of total population sourced from OECD International Migration Statistics. The mean value of asylum seekers to total population during 1990-2014 period is about 0.1% with a standard deviation of 0.12%. Asylum seekers inflows as a share of total population is high among Sweden, Switzerland, Austria, Luxembourg and Norway during 1990-2014 period, while Portugal has the lowest levels of asylum seekers as a share of their total population.

Following others, we also include a lagged dependent variable (VS_{it-1}) to capture any autocorrelation that is likely to be present (Erikson et al. 2015).[14] The vote share of populist right parties in the previous election is likely to impact the vote share in the current election. However, including a lagged dependent variable in a panel fixed effects specification might result in a downward bias for the coefficient, known as the 'Nickell bias' (Nickell 1981, Plümper et al. 2005). Hence we estimate all our models with and without a lagged dependent variable.

The vector of control variables ($\mathbf{Z_{it}}$) includes other potential determinants of electoral support for the populist right parties. In selecting our control variables, we follow Arzheimer (2009), Golder (2003) and Knigge (1998) and other comprehensive studies on the determinants of support for far-right parties (e.g., Swank and Betz 2003). Accordingly, we control for macroeconomic conditions, which determine voting behavioral patterns. We thus include the rate of growth of GDP (Jackman and Volpert 1996, Knigge 1998). We also include a measure of inflation using the year on year change in the Consumer Price Index[15] (Swank and Betz 2003). Following others, we also include the unemployment rate. Many studies have found unemployment to be a key determinant of support for far-right parties (Cochrane and Nevitte 2014, Jackman and Volpert 1996). All the three variables are sourced from the OECD statistical portal. Next, we include a measure of political ideology of the incumbent government in power. We use a dummy measure sourced from the Database on Political Institutions developed by Beck et al. (2001), which takes the value 1 if traditional center-

[14] In some of our models we could not reject the null of no first-order autocorrelation.

[15] Following Dreher et al. (2008), we transform inflation using the following formula in order to reduce the impact of extreme values in the data: [(Consumer Price Index/100)/(1+(Consumer Price Index/100)].

right parties are in power and 0 otherwise.[16] Lastly, we include a measure of economic freedom using the Fraser Institute's Economic Freedom Index (EFI hereafter) constructed by Gwartney and Lawson (2008) as a proxy for a free market economy. Liberals argue that free functioning of markets with little or no interference from the state in providing social welfare can provide incentives for social order and harmony (Hayek 1944) under the conditions of immigration. The EFI comprises of five sub-indices capturing namely, expenditure and tax reforms, property rights and legal reforms, trade reforms, reforms related to access to sound money, as well as labor, business and credit reforms. These five sub-indices are roughly comprised of 35 components of objective indicators, and the final index is ranked on a scale of 0 (not free or of state regulations) to 10 (totally free or a highly competitive market economy). Hence, a higher index implies a higher degree of market conformity. The descriptive statistics of these variables are in Appendix 2, while the details on definitions and data are provided in Appendix 3.

3.2 Conditional effects

To examine our main hypothesis, we estimate an interaction effect model in which we introduce interaction between immigration and social welfare entitlements as:

$$VS_{it} = \phi_1 + \psi_2 VS_{it-1} + \psi_3 Rfg_{it} + \psi_3 (Rfg_{it} \times cond)_{it} + \psi_4 cond_{it} + \psi_5 Z_{it} + \upsilon_t + \nu_i + \omega_{it} \quad (2)$$

Where, $Rfg_{it} \times cond_{it}$ is the interaction term between refugee flows and our three key conditional measures. First is the social welfare spending of the government as a share of GDP. The social welfare spending includes both public and private benefits with a social purpose in the following policy areas, viz., old age, survivors, incapacity-related benefits, health, family, active labor market programs, unemployment, housing and other social policy areas.[17] The OECD countries spend roughly 22% of their GDP on average on special welfare spending during 1990-2014 period. Second, we include spending on unemployment benefits as a share of GDP. Unemployment benefits include cash benefits or allowances paid to the unemployed for a certain period of time (which varies from country to country). It also covers the government guarantees for receiving wages (outstanding) when the employers go bankrupt. Government spending on unemployment benefits includes spending on other items such as unemployment insurance and allowances, job search allowances, short-term work compensation, industrial restructuring compensation, mature age allowances, work sharing benefits, early retirement allowances, independent youth benefit, and other income support.[18] The data on both social welfare and unemployment benefits spending is sourced from the OECD Social Expenditure Database (SOCX). On an average an OECD country spends about 2% of its GDP in providing unemployment benefits. Note that we estimate our

[16] Note that using Bjørnskov (2005) and Potrafke's (2009) alternative measures of political ideology of the ruling government does not alter our main results.

[17] For specific details on the methodology used to defined social sector spending, see Adema, Fon and Ladaique (2011).

[18] Note that these various types of allowances vary systematically from country to country. For more details, see country specific notes on unemployment benefits in OECD statistics.

interaction effect models with and without inclusion of a lagged dependent variable and also control for both country and time fixed effects. Third, we also use a measure of labor market regulations in each country. We use the OECD index on employment protection (labor market regulations index, hereafter) which measures the procedures and costs involved in dismissing individuals or groups of workers and the regulations involved in hiring workers on fixed-term- or temporary work agency contracts. This index is coded on a scale of 0–5, in which higher values represent more protection for workers. In other words, the higher the index, the greater the protection for employees and workers against dismissals and layoffs. The average value of the index in our sample during the period under study is approximately 2.2, while the maximum value is 4.8, respectively.

Next, to test our third hypothesis we introduce a three-way interaction between refugee inflows, labor market regulations and degree of national welfare:

$$VS_{it} = \phi_1 + \psi_2 VS_{it-1} + \psi_3 (Rfg \times wel \times lmr)_{it} + \psi_4 (Rfg \times wel)_{it} + \psi_5 (Rfg \times lmr)_{it}$$

$$+ \psi_6 (wel \times lmr)_{it} \psi_7 Z_{it} + \upsilon_t + \nu_i + \omega_{i_t} \qquad (3)$$

Where $(Rfg \times wel \times lmr)_{it}$ is the interaction term between refugee flows (Rfg_{it}), degree of national welfare (wel_{it}) and labor market regulations index (lmr_{it}) in country *i* in year *t*. Through this interaction effect, we test the effect of refugee flows on support for populist-right parties at different values of the labor market regulations index and social welfare spending/GDP.

3.3 Estimation technique

A distinguishing feature of our dependent variable (i.e., vote share data) is that roughly 18% of the observations are zeros. The clustering of zero observations is due to the fact that in some OECD countries the populist right parties either don't exist or they don't contest elections. Estimating such models with Ordinary Least Squares (OLS) estimator would violate several assumptions such as a zero mean for the OLS errors resulting in biased estimates (Neumayer 2002). We therefore estimate a fixed effects Tobit maximum likelihood procedure with heteroskedasticity consistent robust standard errors (Beck and Katz 1995):

$$\begin{aligned} y_{it} &= \max(0, x_{it}\beta + \delta_{it} + \mu_{i_t}) \\ \mu_{it} \mid x_{it}, \delta_{it} &\approx Normal\ (0, \sigma^2{}_{\mu}) \\ \delta_{it} \mid x_{it} &\approx Normal\ (0, \sigma^2{}_{\delta}) \end{aligned} \qquad (4)$$

Where, the dependent variable y_{it} is the vote share of the populist right parties in country *i* in year *t* and x_{it} refers to the determinants of support for the populist right parties;

δ_{it} are the time and country fixed effects, while μ_{i_t} is an independently distributed error term assumed to be normal with zero mean and constant variance σ^2. It is noteworthy that the β coefficient cannot be interpreted directly in the nonlinear Tobit model. We thus compute the marginal effects of the explanatory variables on either $P(y_{it} > | \ x_{i_t}), \quad E(y_{it} \mid x_{i_t}, y_{it} > 0)$ or $E(y_{it} \mid x_{i_t})$. We compute the marginal effects below at the mean of the respective covariates. Note that we report coefficient values in the regression tables, but use marginal effects to interpret the results.

3.4 Endogeneity concerns

Finally, we also address the question whether causality indeed runs from refugee flows to vote share of populist right parties. Arguably, greater supporter for the populist right parties might affect the inflow of refugee into the country. For instance, Jones and Teytelboym (2016) argue that refugees deliberately select the location where they feel secured and protected. Likewise, Neumayer (2004) found that an increase in vote share of far right parties is associated with lower levels of asylum seekers. Moreover, Koenemun (2016) found that far-right parties in parliaments are associated with less open integration policies. Extending this further would suggest that parliaments with greater presence of far-right parties should then have lower levels of refugee applications. Not taking this endogeneity into account would induce bias in our estimates. To determine the direction of causality we use a dynamic model of Granger Causality (Granger 1969). Accordingly, the variable *x* is said to "Granger cause" a variable *y* if the past values of the *x* help explain *y*, once the past influence of *y* has been accounted for (Engle and Granger 1987). We follow Dreher et al. (2012) to account for Granger Causality in a panel setting as:

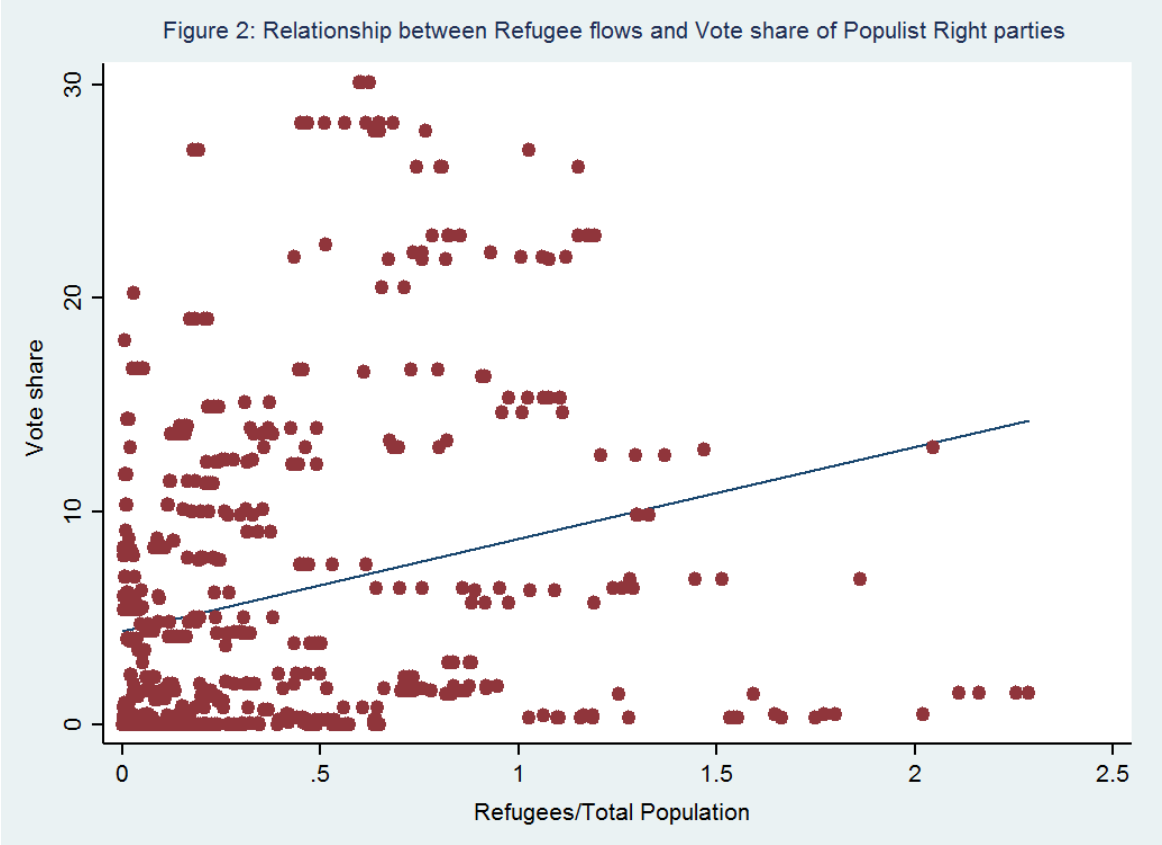
$$y_{it} = \sum_{j=1}^{\rho} \psi_j \, y_{i,t-j} + \sum_{j=1}^{\rho} \xi_j \, x_{i,t-j} + \delta_i + \zeta_t + \omega_{it} \qquad (5)$$

Where, the parameters are denoted as: ψ_{it} and ξ_{it} for country *i* during the year *t*, the maximum lag length is represented by ρ. While δ_i is unobserved individual effects, ζ_t is unobserved time effects. ω_{it} denotes the error term. Under the null hypothesis, the variable *x* is assumed to not Granger cause *y,* while the alternative hypotheses allow for *x* to Granger cause *y* after controlling for past influence of the variable *y*. Note that joint F-statistic is used to gauge the joint significance of vote share of the populist-right on refugee flows.

4. Empirical Results

Table 1 present our main results. Column 1-2 includes our measure of refugee flows with and without a lagged dependent variable. In column 3-4, we present the results of the

interaction between refugee flows and welfare spending, column 5-6 reports the results of interactions with unemployment benefits, while column 7-8 includes interactions with labor market regulations. In Table 2 we present the results on three-way interactions between refugee flows, welfare spending and labor market regulations. Finally, Table 3 provides the results of our Granger causality tests.



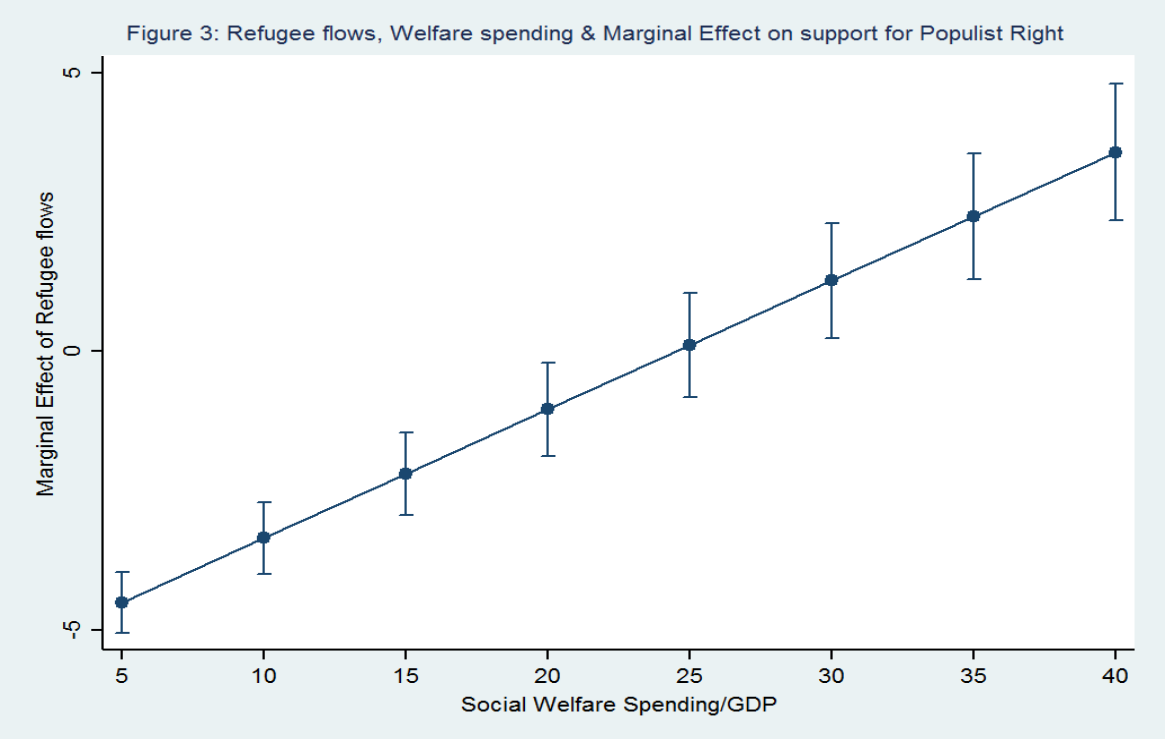
Before turning to the main models in Table 1, we provide some stylized facts on the relationship between refugee flows and the vote share of the populist right parties, with Figure 2 providing a descriptive look at this relationship. As seen from the scatter plot, there is a positive relationship between the two, although the effect is not as strong as one would expect. For instance, while the majority of the cases in which the vote share of the populist right parties is more than 10%, the refugee flows as a share of local population in those cases is below 0.5%.

Table 1: Refugee flows, Welfare spending and support for Populist-right parties

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Vote Share	Vote Share	Vote Share	Vote Share	Vote Share	Vote Share	Vote Share	Vote Share
	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE	Tobit-FE
Refugee flows/Population	-0.539	-0.505	-5.651***	-5.655***	-1.293	-1.244	-10.69**	-10.05**
	(0.538)	(0.532)	(0.270)	(0.275)	(1.301)	(1.277)	(4.774)	(4.788)
Refugee flows/Population × Social Welfare Spending/GDP			0.225***	0.231***				
			(0.0117)	(0.0118)				
Social Welfare Spending/GDP			-0.627***	-0.617***				
			(0.00903)	(0.00927)				
Refugee flows/Population × Unemployment Benefits/GDP					0.896**	0.935**		
					(0.439)	(0.433)		
Unemployment Benefits/GDP					-2.337***	-2.411***		
					(0.664)	(0.655)		
Refugee flows/Population × Labor Market Regulations index							-10.69**	-10.05**
							(4.774)	(4.788)
Labor Market Regulations index							-1.150	-1.268
							(2.764)	(2.817)
GDP Growth Rate	-0.337***	-0.329***	-0.667***	-0.666***	-0.446***	-0.435***	-0.436***	-0.433***
	(0.0795)	(0.0780)	(0.0341)	(0.0346)	(0.129)	(0.128)	(0.119)	(0.119)
Inflation Rate	-7.658***	-6.133***	-15.14***	-14.74***	-9.991***	-8.881***	-8.486***	-8.089***
	(2.129)	(2.202)	(0.188)	(0.193)	(2.974)	(3.050)	(3.001)	(3.043)
Economic Freedom Index	-1.459**	-1.136*	-1.378***	-1.313***	-2.081**	-1.850**	-1.934*	-1.860*
	(0.636)	(0.662)	(0.0299)	(0.0307)	(0.910)	(0.940)	(1.043)	(1.068)
Unemployment Rate	-0.0831	-0.0730	-0.195***	-0.189***	0.202*	0.220*	0.115	0.118
	(0.0632)	(0.0624)	(0.0241)	(0.0244)	(0.120)	(0.118)	(0.125)	(0.124)
Center-Right Government	0.516	0.404	-0.0510	-0.0538	1.192*	1.136*	1.247*	1.224*
	(0.374)	(0.366)	(0.168)	(0.172)	(0.689)	(0.684)	(0.650)	(0.647)
Lagged Vote Share		0.139**		0.0354**		0.0939		0.0343
		(0.0579)		(0.0154)		(0.0703)		(0.0751)
Constant	20.62***	16.46**	18.04***	17.27***	26.62***	23.78**	24.57*	23.76*
	(6.783)	(7.129)	(0.222)	(0.227)	(9.172)	(9.527)	(12.89)	(12.92)
Pseudo R2	0.3065	0.3087	0.4456	0.4457	0.3713	0.3721	0.346	0.3461
Country Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Countries	27	27	27	27	27	27	27	27
Total Observations	636	636	636	636	636	636	621	621

Note: Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Likewise, in some instances the refugee flows are high while support for populist right is lower. These differences could be spurious in the bivariate context and therefore we turn to the regression results presented in Table 1 which controls for other relevant factors. As seen in column 1, we do not find any significant association between the flow of refugees and the degree of support for the populist-right parties, and these results do not change much when we include a lagged dependent variable (see columns 2). Holding all other determinants constant, refugee flows does not predict support for populist right parties in OECD countries during the 1990-2014 period.

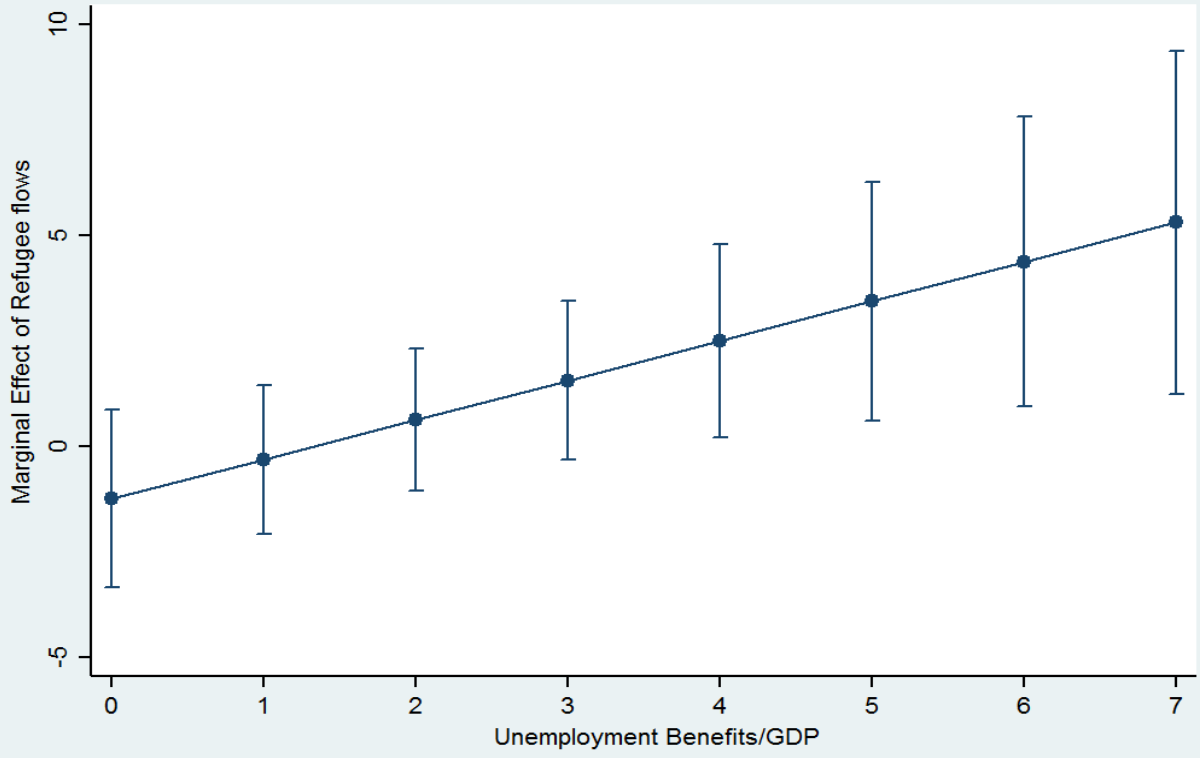


Next, we introduce the interaction terms between refugee flows and social welfare spending as a share of GDP in column 3-4. As seen there, we find a positive and statistically significant effect, which is significantly different from zero at the 1% level. This suggests that refugee flows increase support for populist-right parties is conditional upon a higher percentage of welfare spending (in proportion to their respective GDP). The interaction effect is robust to the inclusion of a lagged dependent variable (see columns 4). It is noteworthy that the interpretation of the interaction term in non-linear models such as Tobit fixed effects is not similar to interpreting linear models using OLS. Consequently, a simple t-test on the coefficient of the interaction term is not sufficient to see whether the interaction is statistically significant (Ai and Norton 2003, Golder 2003). We therefore rely on the marginal plot as shown in Figure 3, which depicts the magnitude of the interaction effect. To calculate the marginal effect of an additional increase in the refugee flows as a share of population, we take into account both the conditioning variable (welfare spending as a share of GDP) and the interaction term, and show the total marginal effect conditional on welfare spending graphically. The y-axis of Figure 3 displays the marginal effect of an additional unit of refugees, and on the x-axis the level of welfare spending as a share of GDP at which the marginal effect is evaluated. In addition, we include the 90% confidence interval in the figure. As seen there, and in line with our results of the Tobit fixed effects estimation, an additional unit increase in the refugee flows as a share of population would increase the vote share of the populist right parties (at the 90% confidence level at least) only if social welfare spending is 25% or more of GDP. For instance, at 40% of social welfare spending as a share of GDP, a point increase in refugee flows would increase the vote share of populist right parties by roughly 3 points, which is significantly different from zero at the 1% level. Interestingly, Figure 3 also shows that the refugee flows has negative effect on the vote share of the populist right parties when social welfare spending is below 20% of GDP. In other words, the

coefficients are also significant when the lower bound of the confidence interval is below zero. Note that the effects are almost similar (approximately 25% of welfare spending in GDP) when estimating the marginal plot graphically without a lagged dependent variable. Our results suggest that the prescription of cushioning society with higher welfare spending to ease social tension may not to be valid. These results lend support to the "welfare chauvinism" argument, which suggests that citizens of countries with high welfare spending are more likely to see refugees as interlopers and a threat to their welfare inheritance.

In column 5-6, we replicate the interactions by replacing social welfare spending with unemployment benefits/GDP. As seen from columns 5 and 6, the refugee flow variable is significantly different from zero at 5% level, respectively, when being conditional upon higher unemployment benefits. Once again, we resort to the marginal plot to provide a graphical interpretation of the magnitude of the interaction effect.

Figure 4: Refugee flows, Unemploymeny Benefits & Marginal Effect on support for Populist Right

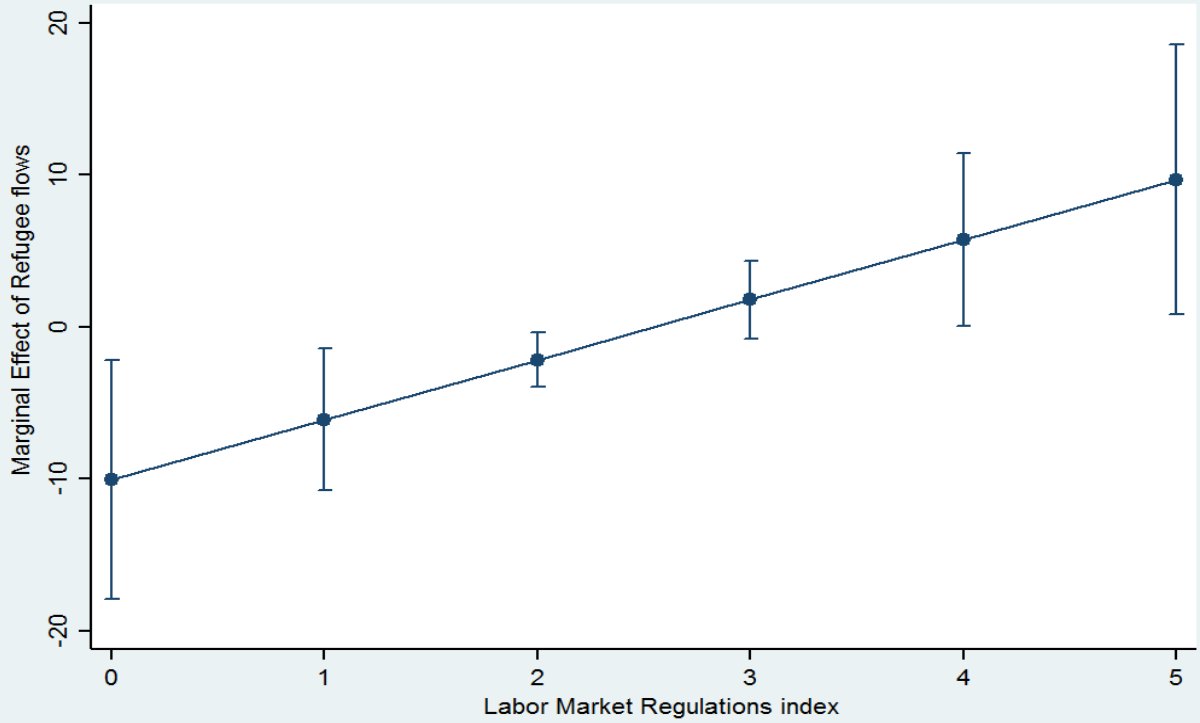


The conditional plot reveals that an additional unit of the refugee flows as a proportion to population increases support for the populist right parties (at the 90% confidence level at least) once unemployment benefits are greater than 3% of GDP. Notice that when unemployment benefits are about 7% of GDP, a point increase in refugee inflows would increase the vote share of populist right by roughly 5 points, which is significantly different from zero at the 5% level. Notice that the coefficients are not significant when the lower bound of the confidence interval is below zero and the upper bound is marginally above it. Again, these effects are similar (approximately 3% of unemployment benefits spending to GDP) when estimating the conditional plot graphically by excluding the lagged

dependent variable. These results provide strong support for the proposition that citizens in high social protection environments fear refugees to a greater degree with the operating presumption that high levels of welfare attract unskilled workers in turn increasing anxieties of the native unskilled labour.

Finally, we also show the interaction effects between the labor market regulations index and refugee flows in column 7-8. As seen there, the interaction effect is negative and significantly different from zero at the 5% level. The conditional plot on the interaction results is shown in Figure 5.

Figure 5: Refugee flows, Labor Market Regulations & Marginal Effect on support for Populist Right



Accordingly, under conditions of high labor market regulations, the refugee flows increase the vote share of populist-right parties. For instance, if the labor market regulations index is above a certain threshold (in our case approximately 3 on a scale of 0-5), an additional unit increase in refugee flows increases the vote share of populist-right parties by at least 5%, at the 90% confidence level. Interestingly, the impact of refugee flows on vote share is negative when the labor market regulations index is below 2. These additional interaction effects provide strong support for the proposition that citizens in high social protection environments fear refugees to greater degrees than those who live in states that have a lower social protection.

With respect to the results on control variables, we find that an increase in the GDP growth rate is associated with a decline in support for the populist right parties, which is significantly different from zero at the 1% level across all the models (see column 1-6). Interestingly, we find a negative and statistically significant effect of inflation and a

statistically insignificant effect of the unemployment rate on the vote share of the populist right parties, which actually support the findings of others (Golder 2003, Knigge 1998).

Table 2: Refugee flows, Welfare spending and support for Populist-right parties

	(1) Vote Share	(2) Vote Share
	Tobit-FE	Tobit-FE
Refugee flows/Population × Social Welfare Spending/GDP × Labor Market Regulations index	0.494***	0.423***
	(0.159)	(0.159)
Refugee flows/Population × Social Welfare Spending/GDP	-1.195***	-1.008**
	(0.424)	(0.424)
Social Welfare Spending/GDP × Labor Market Regulations index	-0.102***	-0.0890**
	(0.0353)	(0.0347)
Refugee flows/Population × Labor Market Regulations index	-13.34***	-11.95***
	(3.612)	(3.569)
Refugee flows/Population	31.16***	27.52***
	(9.127)	(9.024)
Social Welfare Spending/GDP	0.252*	0.203
	(0.136)	(0.133)
Labor Market Regulations Index	3.890***	3.430***
	(0.792)	(0.838)
GDP Growth Rate	-0.252***	-0.249***
	(0.0709)	(0.0699)
Inflation Rate	-6.280***	-5.478***
	(1.889)	(1.939)
Economic Freedom Index	-0.623	-0.550
	(0.545)	(0.546)
Unemployment Rate	-0.0120	-0.00837
	(0.0590)	(0.0589)
Center-Right Government	0.972***	0.874***
	(0.283)	(0.285)
Lagged Vote Share		0.0937*
		(0.0542)
Constant	4.671	4.413
	(7.055)	(7.097)
Pseudo R2	0.2803	0.2816
Country Fixed Effect	Yes	Yes
Time Fixed Effect	Yes	Yes
Number of Countries	27	27
Total Observations	621	621

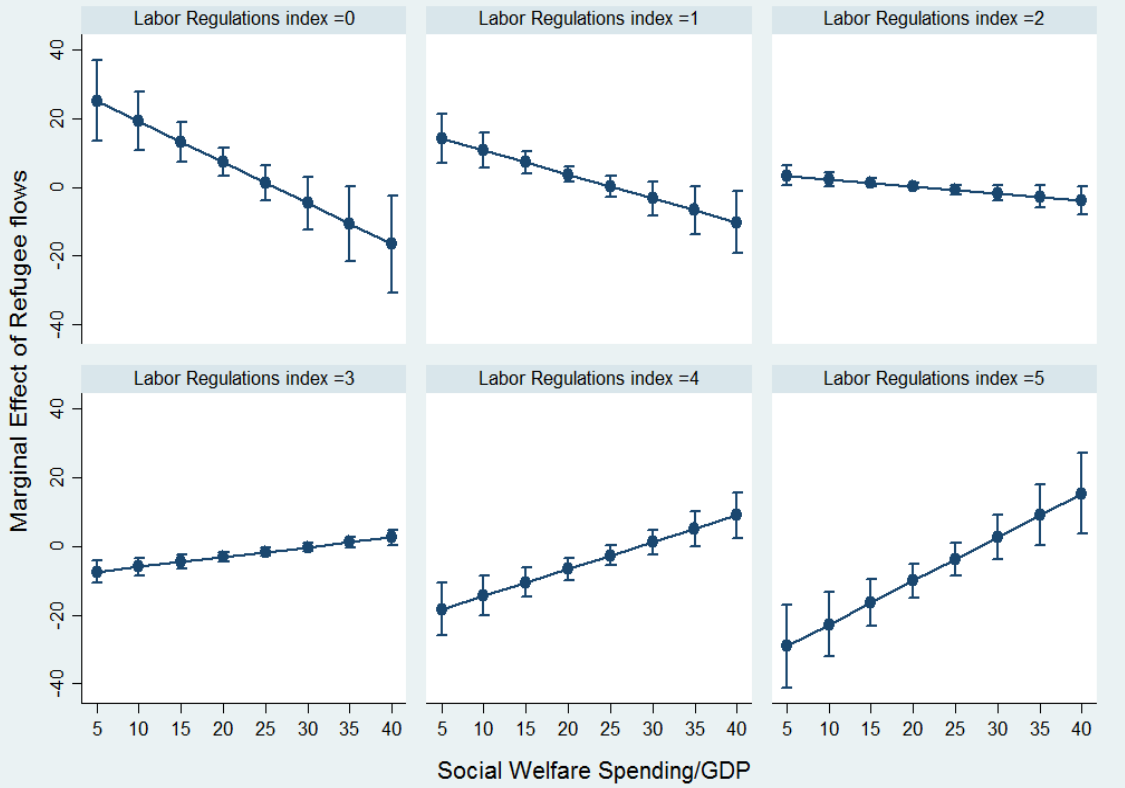
Note: Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Likewise, we do not find any effect of both unemployment rate and also established center-right parties in power reducing support for populist right parties. Freer market economies are associated with a lower support for the populist right parties, a result that is significantly different from zero at conventional levels of significance across models. The substantive effects suggest that a standard deviation increase in economic freedom is associated with a 1.05% decline in the vote share of the populist right parties (column 1, Table 1), which is 14.3% of the standard deviation of the vote share of the populist right

parties. Thus, if economic freedom generates economic growth and reduces unemployment and other economic maladies, then a more liberal economy potentially benefits social peace and harmony both directly and indirectly, regardless of the refugee inflows. These results suggest that economic freedom can help forge social peace via creating conducive investment climate and jobs thereby reducing social tensions and disharmony. These results are in line with others who find that liberal economies are generally more peaceful (de Soysa and Vadlamannati 2012).

Next, in Table 2 we introduce a three-way interaction between refugee flows, welfare spending as a share of GDP and labor market regulations index to examine whether refugee flows in a rigid labor market conditioned by a higher degree of national welfare explains support for populist-right parties. As seen in column 1-2, the conditional effect between refugee flows, labor market regulations and welfare spending is positive on vote share of populist-right parties which is significantly different from zero at the 1% level, a result which supports our third hypothesis. Once again, the three-way interactive effects are best assessed with margins plots presented in Figure 6.

Figure 6: Refugee Flows, Social Welfare Spending, Labor Regulations & Marginal Effect on Populist Right



To calculate the marginal effect of refugee flows at different levels of labor market regulations, we consider both the conditioning variable (i.e., welfare spending/GDP) and the three-way interaction term, displaying graphically the total marginal effect conditional on labor market regulations and welfare spending/GDP. The y-axis of Figure 5 displays the marginal effect of refugee flows. The marginal effect is evaluated on the welfare

spending/GDP on the x-axis at various levels of labor market regulations index on a scale of 0 to 5 respectively. Like before, we include the 90% confidence interval. As seen, an additional unit increase in refugee flows increases the vote share of populist-right parties (at the 90% confidence level) when labor market regulations index above three (on a scale of 0-5) and welfare spending being higher than 30% of GDP. For instance, countries with labor market regulations index score of four would see an increase in vote share of populist-right parties by 5% if welfare spending is 30% of GDP. Interestingly, the impact of high welfare spending/GDP on vote share is statistically insignificant if labor market regulations are low (i.e., score of 0-2). Overall, these results suggest that rigid labor markets deny refugees entry into the labor markets by creating legal barriers for employment and forcing them to depend on state for assistance thereby fueling welfare chauvinism among natives.

Finally, Table 3 presents the results of panel Granger causality tests. Set 1 in Table 2 captures the results estimating the impact of refugee flows (as a share of population) on the vote share of the populist right parties after controlling for the lagged values of the vote share. Likewise, in set 2, we examine whether the vote shares for the populist-right in turn Granger causes the refugee flows. As seen from both sets, we do not find any evidence of causality flowing from either direction. The *joint F-statistics* show that none of the lags in the refugee flows variable explains support for the populist-right in set 1 and vice-versa in set 2. Note that the null hypothesis of this test is that *x* does not Granger cause *y,* and that the joint F-statistics fail to reject the null hypothesis. Hence, our results reveal no significant reverse causality flowing from support for the populist-right parties to the refugee flows.

Table 3: Panel Granger Causality Tests on
Refugee flows and Vote share of Populist-right parties

	(1)	(2)	(3)		(1)	(2)	(3)
(Set 1)	**Vote Share**	**Vote Share**	**Vote Share**	**(Set 2)**	**Refugee flows**	**Refugee flows**	**Refugee flows**
Vote Share (t-1)	0.806***	0.879***	0.870***	Refugee flows/Population (t-1)	0.935***	1.197***	1.223***
	(0.0408)	(0.0298)	(0.0314)		(0.0561)	(0.130)	(0.129)
Vote Share (t-2)		-0.0884***	0.0375	Refugee flows/Population (t-2)		-0.310***	-0.237**
		(0.0287)	(0.0327)			(0.102)	(0.119)
Vote Share (t-3)			-0.156***	Refugee flows/Population (t-3)			-0.102
			(0.0507)				(0.0801)
Refugee flows/Population (t-1)	0.163	-0.203	-0.502	Vote Share (t-1)	-0.000696	-0.00238	-0.00235
	(0.404)	(0.632)	(0.748)		(0.00143)	(0.00213)	(0.00219)
Refugee flows/Population (t-2)		0.402	2.683	Vote Share (t-2)		0.00262	0.00374
		(0.718)	(2.695)			(0.00177)	(0.00315)
Refugee flows/Population (t-3)			-2.421	Vote Share (t-3)			-0.00159
			(2.403)				(0.00244)
Joint F-statistics	0.16	0.17	0.36	**Joint F-statistics**	0.24	1.1	0.62
Country Fixed Effect	Yes	Yes	Yes	Country Fixed Effect	Yes	Yes	Yes
Time Fixed Effect	Yes	Yes	Yes	Time Fixed Effect	Yes	Yes	Yes
Number of Countries	27	27	27	Number of Countries	27	27	27
Total Observations	619	593	567	Total Observations	619	593	567

Note: Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

4.1 Checks for Robustness

We examine the robustness of our main findings in several ways. First, we replace our main hypothesis variable with asylum seekers. As per UNHCR, an asylum seeker is a person who sought refuge in a particular country where his/her application for refugee status is pending for assessment. In other words, every refugee has been an asylum seeker at some point in the past. We use total asylum seekers as a share of population in country *i* during year *t*. The new results reported in Table A1 and A2 in online appendix find no direct effect of asylum seekers on vote share of populist-right parties. However, the positive effect of asylum seekers on support for populist-right is conditional upon total welfare spending and spending on unemployment benefits. Second, we use total tax revenues sourced from income and capital, with payroll and social security contributions as a share of GDP as an alternative measure of the degree of national welfare. Our new results based on the interactions between various measures of immigration and tax revenues to GDP are shown Table A3 in online Appendix. There is a positive and significant effect of refugee flows on support for populist-right parties when tax revenues to GDP is higher. The conditional plot suggests that if tax revenues is greater than 24% of GDP, an additional unit increase in the refugee flows to population increases the vote share of the populist right parties at a 90% confidence level. The results also suggest that the effect is negative on support for populist right when tax revenues are lower than 8% of GDP. Third, we drop countries which are not European, namely Australia, Canada, New Zealand and the United States as populist-right parties are more prevalent in European countries during our study period. Estimating the baseline models without these countries yields similar results (see Table A4 in online appendix). Fourth, following Dreher and Gassebner (2008), we exclude the countries with extreme values reported in the vote share of populist right parties data which could influence our main findings. To examine whether our basic results are driven by outliers, we drop Norway and Switzerland and re-estimate the interaction effects. Our new results are broadly in accordance with our baseline results reported earlier. Thus, our results are not driven by outliers (see Table A5 in online appendix). In a similar vein, we also drop 2013 and 2014 years from our sample as there has arguably been a tide change in refugee flows in 2014. Our results are robust to dropping 2013 and 2014 years from the sample, suggesting that our results are not driven by a spike in refugee numbers in 2014. Fifth, we drop countries where there are no populist right parties, namely Iceland, Ireland, Luxembourg, New Zealand and the United States, and estimating the baseline models without these five countries yields similar results (see Table A6 in online appendix). Sixth, we test Tobit estimations with Random effects since the Random effects estimator is preferred over fixed effects in nonlinear models (Greene 2002). The other advantage of using Tobit with Random effects is that it allows for the controlling of time invariant variables (such as the electoral system which rarely change over time). Using Tobit with Random effects does not change our results, particularly the interaction models reported in Tables 1 (see Table A7 in online appendix). Next, we control for the electoral system to examine whether the disproportionality of the electoral system alters our main findings. The permissiveness of the electoral systems is considered a crucial explanatory variable in the study of the rise of extremist parties (Arzheimer and Carter 2006). Likewise, it is argued that small extremist parties form more easily in PR systems rather than in first-past-the-post (SMP) systems (Art 2011). We dummy code the variable from the Database of Political Institutions constructed by Beck et al. (2001), which takes the value of 1 if the country has "Proportional Representative system" and 0 otherwise. After controlling for the electoral systems of

countries and estimating the models with Tobit with a Fixed effects estimator, we find no change in the basic results (results in Table A8 in online appendix). Next, we also conduct a falsification test wherein we replace the vote share of populist right parties with Social democrats (and Labor party). Our results differ substantially as we do not find evidence for welfare chauvinism effects when using electoral support for social democrats as dependent variable (online appendix Table A9). Finally, we are also conscious of over fitting our regression models. We address this problem in two different ways. First, we drop all controls which are statistically insignificant in all our baseline models, retaining only those controls which are significant at conventional levels. Second, we reestimate all our models dropping one control variable at a time.[19] The basic results (online appendix Table A10) are not affected when we drop the variables which are statistically not significant.

These findings from a range of robustness tests suggest that our results are robust not only to the size of the sample, alternative data, but also to alternative estimation techniques. Our results clearly do suggest that the rise of anti-refugee, anti-migrant, right-wing populism seems to be stronger where people already enjoy higher levels of social protection, perhaps stirring through the mechanism of "welfare chauvinism."

5. Conclusion

Previous studies in the literature examined the determinants of electoral support of populist-right parties. Some have identified migration flows as a key driving force behind the rise of the support for the populist-right parties. The refugee crisis in Europe during 2014-2017 period has often been pointed out to this effect. Some argue that welfare states attract refugees who are unskilled and fail to assimilate (Milanovic 2017, Borjas 1999) thereby increasing the electoral support for the populist-right parties. However, others argue that inflow of refugees alone is a bad predictor of the success of populist-right parties. Rather, refugee flows and asylum seekers might lead to rise in electoral support for populist-right where welfare states are larger—the so called 'welfare chauvinism' argument. We put these arguments to an empirical test using panel data on 27 OECD countries during the 1990–2014 period. We employ a Tobit two-way fixed effects estimations. The results find no direct effect of refugee flows in explaining electoral support for populist-right parties. However, our interaction effects suggest that the positive effect of refugee inflows (and asylum seekers) on electoral support for populist-right parties is conditional upon higher degree of social welfare spending, unemployment benefits and when labor markets are highly rigid. Moreover, we find that refugee flows are also associated with an increase in support for populist-right when both labor market regulations and the degree of national welfare are higher. Our findings certainly suggest easing labor market regulations at least for refugees in order to earn a living, enhance their skills further and achieve social integration. Increasing their chances of employability as a result of relaxing labor regulations would reduce their likelihood of being unemployed and less reliable on welfare benefits of the state. Taken together, our results confirm the pessimists view that societies with higher levels of social protection through high taxes might fuel "welfare chauvinism" in which the segments of native population fear significant welfare losses from inflow of refugees. Overall, our results suggest that the rise of populist-right sentiments is not directly associated with migration flows *per se* or even policies promoting economic freedom. Rather, it is driven by

[19] These results are not shown in the draft but are available upon request from the authors' data files.

the "welfare chauvinism" in addition to traditional racism and xenophobia. Our findings suggest important directions for future research on this topic. Future research might analyze the determinants of individual attitudes in a welfare state towards immigrants and refugees and the labor market conditions which shape their ideological preferences. In particular, decomposing the skills of migrants so as to compare the individual attitudes towards skilled vis-à-vis unskilled immigrants and refugees.

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Exhibit 1: List of Anti-immigrant and Nativist Populist Parties

Country	Populist Parties
Australia	Christian Democratic Party
	One Nation
	Australia First Party
	Australian League of Rights
	New Country Party
Austria	Freedom Party of Austria

	Alliance for the Future of Austria
Belgium	National Front
	Flemish Interest
Canada	Christian Heritage Party of Canada
	Northern Alliance
Czechoslovakia	Republicans MiroslavSladek
Denmark	Danish People's Party
	FRP: Progress Party
Finland	True Finns
France	National Front
Germany	National Democratic Party of Germany
	Alternative für Deutschland (AfD)
Greece	National Political Union, EPEN
	Hellenism Party
	Front Line
	Popular Orthodox Rally
	Popular Union - Golden Dawn
Hungary	Movement for a Better Hungary
	Hungarian Justice and Life Party
Ireland	The Immigration Control Platform
	American National Socialist Party
	(National Socialist Irish Workers Party)
Italy	Southern Action League
	League North
Netherlands	Reformed Political Party
	(StaatkundigGereformeerdePartij)
	PVV: Freedom Party
New Zealand	National Front
	National Socialist Party
	Patriot Party
Norway	Progress Party
Portugal	National Renovator Party
	New Democracy Party
	People's Monarchist Party
Poland	League of Polish Families
Slovak	Slovak National Party
	SlovenskáNárodnáStrana (SNS)
	Real Slovak National Party (PSNS)
Spain	National Democracy (DN)
Sweden	New Democracy (NyD)
	Sweden Democrats (SD)
Switzerland	Swiss People's Party
	League of Ticinesians (LdT)

	Geneva Citizens' Movement
	Freedom Party of Switzerland (FPS)
	Swiss Democrats
Turkey	National Movement Party
	MilliyetçiHareketPartisi (MHP)
UK	British National Party (BNP)
	UK Independence Party (UKIP)
	Democratic Unionist Party (DUP)

Appendix

Appendix 1: List of OECD countries under study

Australia	Greece	Poland
Austria	Hungary	Portugal
Belgium	Iceland	Slovak Republic
Canada	Ireland	Spain
Czech Republic	Italy	Sweden
Denmark	Luxembourg	Switzerland
Finland	Netherlands	Turkey
France	New Zealand	United Kingdom
Germany	Norway	United States of America

Appendix 2: Descriptive statistics

Variables	Mean	Standard Deviation	Minimum	Maximum	Observations
Vote share of populist right parties	5.897	7.359	0.000	30.100	650
Refugee flows/Population	0.337	0.418	0.001	2.287	670
Asylum seekers/Population	0.098	0.12	0.001	0.969	654
GDP Growth Rate	2.269	2.984	-14.570	11.114	675
Inflation Rate	1.136	0.169	0.742	2.762	675
Economic Freedom Index	7.496	0.720	3.550	8.840	665
Unemployment Rate	7.886	4.143	0.500	27.500	667
Center-Right Government	0.418	0.494	0.000	1.000	675
Social Welfare Spending/GDP	21.980	4.959	5.526	38.997	668
Unemployment Benefits/GDP	1.741	1.314	0.002	6.633	648
Labor Market Regulations index	2.166	0.821	0.260	4.830	636

Appendix 3: Data sources and definitions

Variables	Definitions and sources
Vote Share of Populist-right parties	Total number of votes received by both far-right and populist political parties contesting national elections in country *i* in year *t* as a share of total votes polled.
Refugee flows	Total inflow of refugees into country *i* in year *t* as a share of total population sourced from WDI (2016), World Bank.
GDP growth rate	Rate of growth of GDP sourced from OECD statistics.
Inflation	Rate of growth of Consumer Price Index (CPI) sourced from OECD statistics.
Economic Freedom Index	Is made up of five sub-indices capturing: expenditure and tax reforms; property rights and legal reforms; trade reforms; reforms related to access to sound money; labor, business and credit reforms. These five sub-indices are made up of 35 components of objective indicators. The final index is ranked on the scale of 0 (not free) to 10 (totally free).
Unemployment rate	Total unemployment rate (across all age groups) sourced from OECD statistics.
Centre-Right government	Dummy coding the value of 1 if the government is run by the center-right party and 0 otherwise sourced from DPI, Beck et al. (2001).
Welfare spending/GDP	Total social sector spending as a share of GDP sourced from OECD statistics.
Unemployment benefits/GDP	Total unemployment benefits spending as a share of GDP sourced from OECD statistics.
Labor Market Regulations index	This index is coded on a scale of 0–5, in which higher values represent more protection for workers against dismissals and layoffs.