

How Distributional Conflict over In-Kind Benefits Generates Support for Anti-Immigrant Parties

Charlotte Cavaille

Jeremy Ferwerda

Georgetown University

Dartmouth College

What role do material concerns play in activating support for anti-immigrant parties? Previous research has hypothesized the existence of a welfare state channel, in which citizens exposed to a decline in the net value of per capita transfers will be more supportive of anti-immigrant policies. Yet, evidence that the welfare state channel contributes to the rise of the Far Right at the national level is mixed. This paper focuses on social programs that provide geographically constrained in-kind goods as especially prone to creating distributional conflict between immigrants and natives. We leverage exogenous variation in the intensity of this conflict to identify its effect on electoral outcomes. We focus on Austria's affordable housing program, which benefits a quarter of households. In 2006, a EU directive forced municipalities to open public housing to previously excluded immigrants. As we demonstrate, this reform sharply increased support for anti-immigrant parties in affected municipalities. More broadly, our findings suggest that populist parties may have benefited from the recent confluence of austerity measures and concerns surrounding the congestion of in-kind social benefits.

The Great Recession, slow economic recovery, and successive migrant crises have generated a fertile breeding-ground for right-wing populism in Europe. While historically relegated to the political fringe (Mudde 2010), anti-immigrant parties have recently achieved unprecedented electoral success. In September 2017, the Alternative for Germany emerged as the third largest party in the country, with 94 seats in the Bundestag. In France, the National Front received a record breaking eleven million votes in the Presidential election, while the Freedom Party in Austria lost the second round of the Presidential election by a mere 31,000 votes.

The factors driving the increase in support for the populist Far Right remain the topic of intense debate. One line of work emphasizes the role of material concerns: faced with the ostensible prospect of a shrinking economic pie and a growing number of seats at the table, self-interested voters may be drawn to parties that advocate protecting the income of "natives" by excluding immigrants from accessing jobs and social benefits. Yet empirically, this hypothesis treads on uncertain ground. Research relating anti-immigration parties' vote share to resource competition broadly defined returns inconsistent results (Golder (2016: 483), Pottie-Sherman and Wilkes (2015)). Similarly, survey research finds limited evidence that opposition to immigration is shaped by material self-interest (Hainmueller and Hiscox 2010, 2007; Lucassen and Lubbers 2012; Hatton 2016).

A growing consensus is that materialist theories miss the forest for the trees. Instead, scholars have argued that recent increases in support for anti-immigrant parties should be tied to non-material channels such as a taste for cultural homogeneity (Becker 2010; Hainmueller and Hopkins 2015) or the activation by strategic elites of latent out-group bias or authoritarian values (Kitschelt 1997; Rydgren 2008; Cutts, Ford and Goodwin 2011). Recent contributions have struck a more conciliatory tone, highlighting the importance of economic factors, such as free trade, labor market inequality and the Great Recession. Even so, when seeking to explain how economic hardship translates into votes for the Far Right, this literature downplays distributional conflict, emphasizing instead identity and status concerns among the "losers of globalization" (Häusermann and Kriesi 2011; Shayo 2009; Gidron and Hall 2017; Colantone and Stanig 2017, 2018).

We believe this conclusion to be premature, especially when it comes to explaining the recent success of anti-immigrant parties in Europe. While the majority of null findings examine how

natives react to immigration's presumed impact on native workers' labor market prospects (the 'labor market channel'), another source of distributional conflict, namely immigration's impact on the net value of per capita transfers (the "welfare state channel"), has been less explored by recent empirical literature.

How might the welfare state affect the rise of right wing populist parties? As argued by Swank and Betz (2003), a comprehensive and generous system of social protection plausibly weakens support for far-right candidates because it lessens economic insecurities induced by free trade and globalization (see also Garrett (1998) and Rodrik (1997)). However, as first pointed out by Freeman (1986), in contexts where immigrants are net beneficiaries of transfers and services provided by the state, immigration inflows can redistribute resources at the expense of natives through tax increases and benefit cuts. This welfare state channel may fuel increased opposition to immigration in countries where the fiscal costs of immigration are high,¹ and where concerns over the welfare state's sustainability have become politically salient.

Recent trends in populist parties' electoral success in universalist welfare states indicate that the compensatory effect of the welfare state may be overstated. Indeed, far-right leaders have themselves identified anxiety over the fiscal sustainability of the welfare state as a potential engine for electoral growth. Breaking with their previous emphasis on the need to 'starve the beast,' right-wing populist parties have embraced the welfare state and placed welfare chauvinism – in which social transfers are generous but limited to citizens – at the center of their platforms (Betz 2016).

To examine the welfare state's role in enabling the rise of the Far Right, we start from the observation that some components of public spending are more likely than others to generate perceptions of a distributional conflict between immigrants and natives. We follow Dancygier (2010) and emphasize the importance of the in-kind component of social spending as a most-likely source of conflict. Programs that distribute in kind benefits, such as the provision of health care, housing and schooling, represent more than half of social spending (Garfinkel, Rainwater and Smeeding 2006). In-kind transfers, because of inelastic supply (building a new housing block

¹ More specifically in countries where the welfare state is comparatively more generous and the immigrant population comparatively less skilled (Hanson, Scheve and Slaughter 2007).

takes time and money) and inelastic demand (only a small share of the population can turn to private providers) are susceptible to congestion: as the size of the eligible population increases in a given area, the value of per-capita benefit decreases. In turn, congestion can foster the perception that immigrants represent a credible threat to one's access to and reliance on quality in-kind goods and services.

In this paper, we evaluate to what extent distributional conflict over in-kind benefits activates support for anti-immigrant parties. To do so, we leverage plausibly exogenous variation in immigrants' access to publicly provided affordable housing in Austria. In 2006, a legal decision at the EU level forced Austrian municipalities to open public housing to foreign residents. By expanding the pool of potential beneficiaries at a stroke, this ruling sharply increased demand for public housing, generating a clear distributional conflict between newly eligible immigrants and a politically relevant share of native voters. Using a difference-in-differences design, we examine whether support for populist anti-immigrant parties increased among municipalities most affected by the EU directive. The results suggest a clear relationship between the intensity of distributional conflict over public housing and support for anti-immigrant parties in the 2006 legislative elections. In municipalities most affected by the reform, our results suggest that the increase in the Far Right's vote share was significantly higher than expected given historical trends. Moreover, this pattern persisted into the 2008 legislative elections, pointing to a sustained effect of distributional conflict on electoral outcomes.

As with any study examining aggregate electoral outcomes, ballot secrecy implies the absence of individual-level data on voting behavior.² We consequently extend our analysis to ward-level data from Vienna, where we precisely map public housing units to electoral wards. The abundance of public housing and the small size of geographic units enable us to contrast neighborhoods dominated by public housing beneficiaries with other areas. Vienna, with over 40% of households in affordable housing, also offers additional evidence regarding the effect of distributional conflict in a highly politicized case. Substantively, our results indicate that support for anti-immigrant parties was elevated by an additional 5 percentage points in the most affected

² Survey data is a poor substitute given that voters systematically under-report their likelihood of voting for radical parties. For instance, in 2002, approximately 10% of voters cast a vote in favor of the FPÖ. Yet in a 2004 survey, only 5% declared having voted for the Far Right party in the last election (European Social Survey Wave 2).

wards, twice the expected increase in vote share given historical trends. Exploring the mechanism with additional data on housing diversity and rents, we document the key role of material concerns in shaping reactions to the legal reform.

In a context of growing skepticism toward the role that material concerns play in shaping opposition to immigration and support for anti-immigrant parties, this study demonstrates that distributional conflict between immigrants and natives has a substantive effect on national electoral politics. While the welfare state, in aggregate, may dampen support for populist right-wing parties by compensating the “losers” of free trade, our results demonstrate that its in-kind component may also foster an increase in vote for the Far Right by increasing competition over scarce resources at the local level.

Investigating the Welfare State Channel: the Role of In-Kind Transfers

Research on the interaction between immigration, domestic politics and the welfare state has largely focused on the prediction that ethnic diversity undermines natives’ support for social safety nets (Alesina and Glaeser 2004; Banting and Kymlicka 2006; Freeman 2009; Rueda and Stegmueller 2015). The few studies that directly examine how natives respond to the distributional consequences of immigration focus largely on aggregate impacts to taxes and social transfers. For example, Hanson, Scheve and Slaughter (2007) and Facchini and Mayda (2009) note that immigration affects public finances by increasing the amount of revenue collected and by increasing the number of people this amount is redistributed to. The more immigrants who rely on redistributive transfers (because of low income and/or low market attachment), the higher the cost of fiscal adjustment to natives. Fiscal exposure to immigration thus varies depending on the overall level of spending, tax progressivity and the skill profile of the immigrant population. Empirical tests of this model examine whether anti-immigrant sentiment varies with fiscal exposure. While some studies find results that align with expectations (Hanson, Scheve and Slaughter 2007; Facchini and Mayda 2009, 2008) others do not (Hainmueller and Hiscox 2010; Hainmueller and Hopkins 2015).

Given the designs used in these studies, it is difficult to adjudicate between contradictory results. First, the intensity of immigrant-induced fiscal adjustment is not exogenous, making it harder to rule out the possibility that observed correlations are shaped by factors and mechanisms unrelated to the welfare channel. Second, and more crucially, these studies rely on the assumption that voters understand the fiscal consequences of immigration on aggregate taxation and social spending, and perceive tax increases and/or benefit decreases as a credible threat. However, citizens' misunderstanding of public finance, alongside government's reliance on borrowing to fund resilient budget deficits, make it unlikely that these assumptions hold. In other words, at the national level of aggregation, the fiscal consequences of immigration represent an uncertain and opaque threat to individuals' livelihood.

In this paper, we seek to extend the study of the welfare state channel by identifying the conditions under which immigration will generate a credible threat to the availability and quality of benefits. Because such perceptions are likely to vary across social programs, we favor a disaggregated analysis and focus on how immigration affects different components of the welfare state (Moene and Wallerstein 2003). We identify social programs that deliver in-kind benefits to a large share of the native population as a most-likely case to generate distributional conflict. These programs consist of more than half of social spending in post-industrial democracies (Garfinkel, Rainwater and Smeeding 2006).

As first argued by Dancygier (2010), several features of in-kind transfers render this class of benefits prone to generating conflict at the local level (Dancygier 2010: 26,34). In-kind transfers are a class of social benefits for which supply is fixed in the short to medium-run due to high fixed costs: building a new school, community center, or new public housing requires long-term planning. In addition, their consumption is geographically bounded, meaning that exit options are limited. Absent local and affordable market-based alternatives to in-kind benefits, the demand for such good and services is unlikely to adapt to changes in their supply. As a result, in-kind transfers are susceptible to congestion: as the size of the eligible population increases in a given area, the relative availability and perceived quality of the benefit decreases.

A decline in quality can take two forms. First, given that in-kind benefits tend to be funded and staffed locally, an increase in the eligible population may incur a reduction in the average benefit

(e.g. more students per class), or an investment in fixed costs which is subsequently passed on to recipients (e.g. higher fees). Second, for a subset of individuals who favor more homogeneous surroundings (Card, Dustmann and Preston 2012), a change in the mix of recipients can generate an additional decline in perceived “quality.” In other words, geographically-bounded in-kind goods can potentially activate a mix of economic (more students per class) and non-economic (more *immigrant* students per class) distributive concerns. A perceived decline in this family of benefits has the potential to increase support for the Far Right by building a heterogeneous coalition of ethnocentric voters and those with anxiety over the sustainability of welfare benefits.

Because in-kind benefits and immigration are experienced locally (Money 1999), the environment is rich in informational cues that link perceived congestion to immigrant beneficiaries. Our expectation is that the degree to which concerns over congestion manifest as politically relevant anti-immigrant sentiment will vary as a function of the share of the population reliant on the in-kind benefit, as well as the size of the eligible immigrant population. Moreover, these responses should be heightened in locales where demand for the in-kind benefit exceeds supply. We expect that the populist right – with their strategic emphasis on welfare chauvinism as a solution to pressures on the welfare state – will be the primary electoral beneficiaries of perceived distributional conflict over in-kind benefits.

While there are strong theoretical reasons to believe that perceived congestion over in-kind benefits drives opposition to immigration, empirical findings to date have been mostly suggestive. A line of work in sociology examines how “resource competition,” proxied using a combination of immigrant group size and local economic conditions, affects anti-immigrant sentiment (Quillian 1995; Semyonov, Raijman and Gorodzeisky 2006; Rink, Phalet and Swyngedouw 2008). However, given that competition is broadly conceptualized, these studies preclude any conclusion regarding the specific role of the welfare state channel.³ An important exception is the study by Dancygier (2010), which finds evidence that competition for access to public housing influences local opposition to immigration in British cities. However, this study does not evaluate how

³ A recent wave of empirical studies in political science and economics have moved this literature forward, leveraging exogenous variations in sub-national economic hardship (Colantone and Stanig 2018, 2017) and the size of the local immigrant population (Otto and Steinhardt 2014; Halla, Wagner and Zweimüller 2016; Barone et al. 2016; Harmon 2017; Becker, Fetzer et al. 2016). Yet, evidence in support of the welfare state channel remains either unexamined or indicative (e.g. Halla, Wagner and Zweimüller (2016)).

perceived congestion stemming from expanded immigrant eligibility influences national politics.

In the next section, we rely on an EU-induced policy change to Austria's public housing program that increased perceived threats of public housing congestion and consequently perceptions of a distributional conflict between immigrants and natives. Due to spatial variation in the size of the local immigrant population and the nature of the local housing market (i.e. size of the public housing stock and relative rent), this reform differentially affected communities. Using a difference-in-difference design, we estimate the substantive effect on national electoral outcomes.

Research Design

We first present background information on public housing in Austria and describe the 2006 policy change that opened public housing to non-EU citizens. We then provide a detailed overview of our research design and data.

Public Housing in Austria

As in many European countries, public housing occupies a central role in the Austrian welfare state. In 2011, 23% of all dwellings were governed by public housing programs.⁴ The capital, Vienna, possesses a particularly high concentration of units due to extensive post-war construction efforts by the Social Democratic Party (SPÖ): as of 2011, 43% of households in Vienna resided in the public housing sector.

Austria's housing program is not narrowly targeted to the poor, but rather seeks to provide for the housing needs of the middle and lower classes. Initial eligibility is only weakly means-tested: formally, 80-90% of households are eligible (Scanlon, Whitehead and Arrigoitia 2014: 11).⁵ Dwellings are allocated using time spent on the waiting lists and specific point systems for applicants. Points take into account the applicants' current living conditions, the number

⁴ 2011 Austrian Building and Housing Census. In the Austrian context, as in many other countries, public housing includes municipal dwellings owned by local governments, as well as dwellings owned by limited-profit housing associations. For clarity, the main analysis examines the entirety of the public housing sector. In Appendix A.1, we discuss the differences between the two types of housing and implications for our analysis.

⁵ In addition to weak income limits, applicants must provide evidence of on-going stable employment.

of people living together in one household, the age of the applicants (e.g. young family or elderly persons) and their income. Although initial access is governed by income and point requirements, individuals are able to continue their lease if their income subsequently increases beyond the eligibility threshold or their personal conditions change (Reinprecht 2014). In tandem, these features keep public housing socio-economically diverse. The absence of concentrated poverty, as well as the high quality of housing units, entail that public housing remains attractive to middle-class households.⁶ At the time of the legal reform, individuals living in public housing could expect a rental price that was, on average, 10 to 20% cheaper than a unit in the private sector, without sacrificing quality (Baumgartner 2013). (See also Appendix A.3).

The Consequences of the EU Legal Directive

Historically, public apartments could only be allocated to Austrian citizens.⁷ Upon accession to the EU in 1995, Austrian states updated their legislation to comply with the directive that long-term EU residents be granted equivalent status.⁸ However, third country nationals (11% of the population in 2001) continued to lack the legal right to access public housing, regardless of length of stay or whether they possessed a permanent residence permit.

The barrier between immigrants and social housing was legally breached in November 2003, when the European Union implemented the Council Directive 2003/109/EC on the Long Term Residence of Third Country Nationals. Motivated in part by the systematic exclusion of immigrants from welfare benefits, the directive mandated member states to permit individuals with foreign residence permits to access social services and transfers. As a result, the Austrian parliament passed the Equal Treatment Law (Gleichbehandlungsgesetz Austria/BGBl I 66/2004) in 2004, which required states to implement access for third country nationals by January 23, 2006. In parallel, and partly to reduce the impact of the reform, the federal government passed

⁶ Austrian public housing is also attractive for its tenure security: rental agreements in the private sector are often short-term (Mundt and Amann 2010). See Appendix A.1 for additional background information.

⁷ The Austrian government is not a signatory to several human rights treaties, such as the European Convention on Social and Medical Assistance, that were interpreted by domestic courts in other contexts to grant access to third country nationals.

⁸ Limited migration from EU states prior to 2004 implied that this directive had few practical consequences. In 2001, for instance, EU citizens comprised 2.5% of the Austrian population

a revised Residency Act in 2005 which significantly tightened the requirements for gaining a residence permit.

Following this mandate, each of the federal states implemented the directive between 2005 and 2006.⁹ Despite the lag between the federal legislation and January 2006, several states resisted modifying their social assistance and housing laws until the deadline. In Styria for instance, municipal councils argued that, due to the change in the Aliens Act, they would have to delay allocating apartments until they received clarity on how to document permanent resident status.¹⁰ In Vienna, the Social Democratic-led council implemented the revised guidelines by decree on January 23, but delayed formal revisions to the social assistance law.¹¹ Although the Green party suggested that the delayed codification was an explicit attempt to reduce applications, the implementation of the EU directive nevertheless received substantial attention. The far-right FPÖ and BZÖ campaigned on the legal change, which they termed a "Brussels diktat." In an official press release, the FPÖ argued that the "completely undemocratic" decision would generate a "social explosion of the first order" if quotas were not implemented.¹² Emphasizing the material impact of the reform, Heinz-Christian Strache, chairman of the FPÖ and member of the Vienna city council, noted that the provision entailed that an additional 100,000 eligible foreigners in Vienna would gain access to the stock of approximately 240,000 public apartments.¹³ Given the expected increase in waiting lists, Strache argued that "as a traditional citizen, it is difficult to avoid the impression that one is the very last to be considered when municipal services are needed."¹⁴

Anticipating high demand for rent-controlled public housing, local policymakers responded by publicly pledging additional housing construction. For instance, shortly prior to the deadline, the town council of Graz (10,500 municipal flats) attempted to mitigate the perceived impact

⁹ Three cities in Upper Austria had unilaterally granted foreign residents access to public housing prior to the reform: Steyr, Linz, and Wels. We remove these municipalities from the subsequent analysis.

¹⁰ "EU-Richtlinie wird umgesetzt: Ab heute sind alle Gemeindebauten für Ausländer offen." News.at. January 23, 2006

¹¹ Protocol: Wiener Landtag, 18th legislature, 6th meeting of 6 October 2006

¹² FPÖ Press Release, March 1st 2006. "Herzog zu Gemeindebauöffnung: Ein EU-Diktat ohne Befassung und Einbindung der Bürger!"

¹³ Protocol: Wiener Landtag, 18th legislature, 6th meeting of 6 October 2006

¹⁴ FPÖ Press Release, November 10, 2005. "Strache: Dreifaches Nein der FPÖ zur Öffnung der Gemeindebauten für Ausländer."

by announcing that "the opening of public housing must be accompanied by a housing [construction] offensive."¹⁵ In Vienna, the government allocated an additional 535 million Euros to construction and renovation, funding a total of 10,200 new apartments in the city.¹⁶ Although a portion was funded via taxes, the public housing system is designed to raise the majority of construction and renovation costs from existing rents. Thus, while the Councilor for Public Housing, Walter Faymann, assured citizens in May that existing rents would not be increased to finance the construction boom¹⁷, this promise was abandoned later in the year with the announcement that rents would be raised just prior to the legislative election. Depending on the location, increases ranged from an additional 5.0% to 5.7% per square meter. Given that the public housing program operates as a limited subsidy, this policy change may be viewed as an effective immigrant-induced benefit decrease.

A second direct consequence of the reform was reduced mobility. Pending new construction, waiting lists in Vienna gradually increased to three years by early 2007.¹⁸ Shortly after the reform, the city government was forced to publicly dispel false rumors that the wait list had immediately jumped to five years.¹⁹ While the expansion of the waiting list directly affected voters hoping to receive the public benefit, it also had implications for existing beneficiaries. In Vienna, for instance, applicants have an obligation to accept one of the first two apartments offered to them, and many leaseholders are initially placed in undesirable neighborhoods within the city. As a result, turnover was traditionally high. In 2005 for example, 26,000 public apartments received new tenants. However, when seeking a new apartment, existing leaseholders are subject to the same requirements as new applicants: their income must not exceed mandated limits and they are subject to the waitlist. Facing lengthening waiting lists, leaseholders may have reasonably expected that their possibility for upgrading their housing situation would be minimal in the

¹⁵ "Wien: Gemeindebau offen für Ausländer" Die Press. Nov 11, 2005.

¹⁶ "Faymann: Erfolgsbilanz des Wiener Wohnbaus 2006." Rathauskorrespondenz, Vienna, December 12, 2006.

¹⁷ "Migration: Gemeindebau: Ein Drittel Neo-Österreicher." Die Presse, May 17 2006.

¹⁸ "Stadt muss günstige Wohnungen schaffen," BBC News, Region Graz, August 2, 2007

¹⁹ SPÖ Press Release, 16 May 2006. "Gemeindebau - SP-Stürzenbecher: "Stadt Wien wickelt Wohnungsvermittlung an Drittstaatsangehörige vorbildlich ab"

near future.²⁰

Given the prior existence of waiting lists in major Austrian cities, it is important to note that the economic consequences of expanded eligibility were experienced gradually following the reform. From this perspective, the implementation of the directive may be best viewed as a shock to perceptions concerning the relative demand for public housing and its fiscal sustainability. These concerns provided an opening for populist anti-immigrant parties, who rhetorically linked expanded housing eligibility to a sustained attack on the viability of the Austrian welfare state.²¹

Empirical Strategy

To assess whether perceptions of distributional conflict over in-kind benefits drives support for anti-immigrant parties, we adopt a difference-in-differences design. Leveraging variation in the share of adults living in public housing, we evaluate whether municipalities strongly affected by the reform deviated from expected electoral trends. Specifically, we assess whether municipalities with high shares of residents in public housing voted at elevated rates for populist anti-immigrant parties (FPÖ and BZÖ) in the legislative elections of October 1, 2006, which directly followed the mandate to expand the beneficiary pool to include third country nationals.

The difference-in-differences design implies that the results will not be biased by unobserved time-invariant factors at the municipal level which may otherwise affect political support. However, the specification relies on the assumption that municipalities with high levels of public housing would exhibit parallel electoral trends in the absence of the 2006 reform, when compared to municipalities with lower public housing stock. This assumption is theoretically plausible for two reasons. First, the era of extensive public housing construction in Austria (1920-1960) significantly predates contemporary political dynamics, and was directly related to war-time destruction (see Appendix B.12). Second, public housing in Austria is widespread. Although urban areas have a higher concentration of housing than rural areas, as of the 2001 Housing Census,

²⁰ A third effect of the reform relates to a potential decline in the quality of public housing. One consequence of fiscal imbalance is a decrease in the share of funds available for regular renovation and improvement. Given higher rates of poverty among the newly eligible population, an additional concern related to quality is an increase in the negative externalities tied to higher rates of concentrated poverty.

²¹ See Appendix A.5 for additional details on the politicization of the directive by Austrian parties.

90.5% of Austrian municipalities had social housing units (2001 Buildings Census). As a result, variance is largely in terms of degree rather than in kind. Observed trends across municipalities bear these assumptions out: as demonstrated in Appendix B.2, we fail to reject the hypothesis that municipalities with different levels of public housing, but similar levels of foreign settlement, followed parallel electoral trends prior to the legal directive ($p=0.28$).

The municipal-level analysis permits us to evaluate a substantive effect of the reform on a national electorate. However, at this level of aggregation, the data does not allow us to conclude with confidence that the effects are primarily driven by voters that are receiving public housing or are on the waitlist.²² As a result, we conduct a subsequent neighborhood-level analysis in a high prevalence case. We focus on Vienna, where 43% of the population lives in social housing. Leveraging geodata on the exact location of municipal public housing, we match housing units to the appropriate electoral ward ($n=1,931$). Given that the share of adults living in public housing ranges from 0 to 96% across wards, this variation enables us to examine electoral behavior among neighborhoods where public housing should be highly salient. In addition, the Vienna analysis enables us to draw on detailed data on the characteristics of public housing units, such as quality and existing ethnic composition, to further assess the underlying mechanism.

Results: Austrian Municipalities

We expect support for anti-immigrant parties to be elevated in municipalities where the reform activated zero-sum reasoning among a substantive share of voters, i.e. in those municipalities with a high share of residents living in public housing and a large population of newly eligible third-country nationals.²³ Using registry data, we obtained the percentage of inhabitants in each municipality ($n=2383$) who were third country nationals in January 2006. From the 2001 Population and Building Census, we obtained the percentage of residents of voting age (18+)

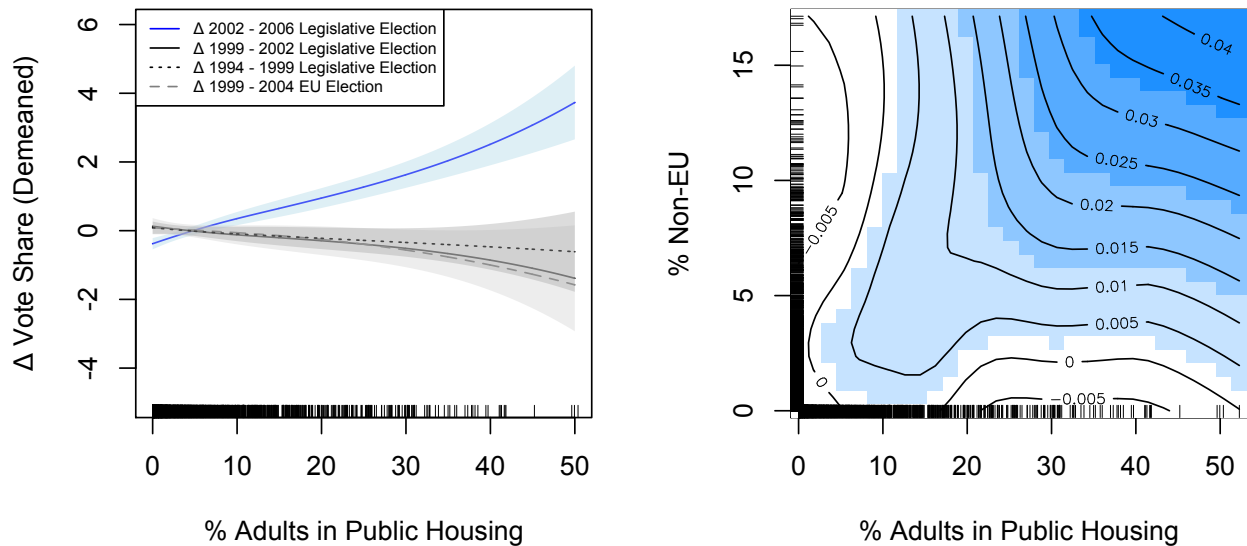
²² Data on waitlists is not systematically collected. Absent stringent eligibility conditions and detailed data on economic risks, a population of potential recipients is difficult to single out. As a result, our empirical analysis focuses on the prevalence of the first group.

²³ Third country nationals are individuals who did not hold EU or Austrian citizenship at the time of the reform.

living in public housing units.²⁴

Given the possibility of threshold effects, we expect the relationship between our explanatory variables and the Far Right’s vote share to be non-linear. Accordingly, we begin by evaluating trends using a non-parametric approach. The left-hand panel of Figure 1 plots the change in vote share for anti-immigrant parties across elections, as a function of the proportion of adults in public housing.²⁵ The results demonstrate that the 2006 election was exceptional: while in prior elections the level of public housing did not significantly predict changes in support for anti-immigrant parties, in the 2006 elections, municipalities with a high share of residents in public housing deviated from this trend and voted in increased numbers for anti-immigrant parties.

Figure 1: Effect of Public Housing and Foreign Settlement on Municipal Vote Share



Left: Local linear fit between the share of adults in public housing and the change in support for anti-immigrant parties between 2002 and 2006 (demeaned), with 95% confidence intervals. *Right:* GAM interaction between the share of adults in public housing and immigrant settlement; contours represent the change in support for anti-immigrant parties between 2002 and 2006 (demeaned). Crossing a contour line represents an expected change in the outcome; darker colors indicate larger increases.

We next assess whether the tendency to vote for anti-immigrant parties was amplified by the

²⁴ Population data on public housing occupancy is only available in 10-year intervals. In the analysis that follows, given limited construction during the period, we assume that public housing in 2001 reflects the housing situation in 2006. We do not average 2001 and 2011 estimates because the latter are post-treatment.

²⁵ We demean to provide clear comparisons regarding the distribution of votes across municipalities in each election. The dependent variable consists of votes for the FPÖ and the BZÖ. The BZÖ is a splinter party of the FPÖ that did not exist before the 2006 election. As a robustness check, we re-ran the analysis focusing only on FPÖ vote shares.

presence of third-country nationals. In the right-hand panel of Figure 1, we use a generalized additive model (GAM) to flexibly plot the interaction between the intensity of the distributional conflict (% Non-EU Residents) and its prevalence (% in Public Housing). The results are presented as a contoured heat map; crossing a contour line alters the point estimate, while darker colors indicate municipalities with larger increases in anti-immigrant vote share between 2002 and 2006. The results suggest that the interaction is significant: citizens in municipalities facing potential distributional conflict were most likely to exhibit increased support for anti-immigrant parties following the expansion of housing eligibility. In contrast, municipalities that did not face a credible threat (low non-EU population) or that did not have many affected native residents (low public housing share), did not vote in higher numbers for anti-immigrant parties.

To obtain interpretable point estimates, we rely on parametric models. In order to minimize functional form assumptions, we divide municipalities into bins corresponding to different levels of public housing and third country population. We then fit a first differences model of the form:

$$\Delta VoteShare_{i,06-02} = \alpha + \sum_{p=1}^4 \theta_p PH + \sum_{q=1}^4 \gamma_q NonEU + \sum_{p=1}^4 \sum_{q=1}^4 \beta_{p,q} (PH * NonEU) + \epsilon_i$$

where *VoteShare* indicates the percentage vote share for anti-immigrant parties in municipality *i*, *PH* represents a dummy variable for each bin *p* of public housing, and *Non-EU* is a dummy variable indicating each quartile, *q*, of non-EU resident population.²⁶

Table 1 displays the marginal effect of public housing from this specification, holding the quartile of foreign population constant. The results indicate that municipalities with a substantial share of residents in public housing deviated from historic electoral trends following the reform. Relative to municipalities with low public housing stock, municipalities with at least 20% of adults in public housing and a sizable share of foreign residents increased their support for anti-immigrant parties by an additional 2.3 percentage points, plus or minus 0.6.²⁷ Given that munic-

²⁶ See Hainmueller, Mummolo and Xu (2018) for a discussion of the value of binning interactive models. We bin public housing at discrete points along the distribution to permit equivalent comparisons across different levels of foreign settlement. Substantively similar results are obtained using a linear specification (Appendix B.5), different bins for each variable (Appendix B.6), or incorporating additional pre-treatment periods (Appendix B.4).

²⁷ Pooling all municipalities with more than 20% of public housing results in conservative estimates. As seen in Figure 1, effect sizes continue to increase at higher levels of public housing. We set the top bin at 20% to ensure overlap with respect to different levels of foreign population.

ipalities in the baseline category increased their support for Far Right parties by 3.9 percentage points on average between 2002 and 2006, these estimates suggest an additional 59% increase in relative support within strongly affected municipalities.²⁸ Consistent with expectations, this effect is not visible in municipalities lacking a sizable share of third country nationals.²⁹

Table 1: Marginal Effect of Public Housing on Anti-Immigrant Vote Share, 2002-2006

| | Level of Third Country Nationals | | | | |
|---------------------------------|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Low | High | High | High | High |
| <i>Level of Public Housing:</i> | | | | | |
| 0-5% (Baseline) | - | - | - | - | - |
| 5-10% | 0.011 (0.006) | 0.006 (0.003) | 0.007 (0.003) | 0.007 (0.003) | 0.006 (0.003) |
| 10-20% | 0.010 (0.010) | 0.010** (0.003) | 0.011** (0.003) | 0.012** (0.003) | 0.010** (0.003) |
| > 20 % | -0.006 (0.010) | 0.023** (0.003) | 0.023** (0.004) | 0.023** (0.004) | 0.021** (0.004) |
| <i>Covariates</i> | | | | | |
| Socio-demographics | | | Y | Y | Y |
| Public Spending | | | | Y | Y |
| Ethnic Change | | | | | Y |

Robust standard errors in parentheses. n=2374 municipalities. SER = 0.028.

Low and High refer to the 1st and 4th quartiles.

* $p < 0.01$, ** $p < 0.001$

Before proceeding, we rule out several alternative explanations for these findings. First, increased support for anti-immigrant parties could be driven by compositional factors correlated with, but substantively unrelated to, the provision of public housing. For instance, if public housing density is closely correlated with local income levels, and low income voters were particularly likely to vote for anti-immigrant parties in 2006 (but not in prior years), the observed deviation from trends could be unrelated to the EU legal ruling. Accordingly, the right-hand side of Table

²⁸ The baseline category refers to municipalities with 0-5% public housing, within the highest quartile of third country nationals. The expected difference in vote share relative to municipalities in the lowest quartile is greater: 2.7 percentage points.

²⁹ In Appendix B.7, we substitute the total share of non-citizens for the non-EU population. Effect sizes are slightly larger (+2.8 percentage points), suggesting that individuals may have difficulty distinguishing between EU and non-EU nationals.

1 examines if our results are robust to controlling for features of the electorate often associated with support for the Far Right.³⁰ Differences in the electorate's education and income levels, as well as features of the local economy (unemployment rate and the manufacturing sector's job share) do not appear to be driving our results.³¹ Finally, areas with the largest demand shock (i.e. the areas with the largest share of immigrants) may also be areas that saw the largest increase in the immigrant population between the two elections. As demonstrated by Hopkins (2010), swift demographic change can translate into anti-immigrant sentiment, especially if immigration is a politically salient issue. As shown in column (4), our results are robust to controlling for changes in the size of the Turkish and Yugoslav foreign-born population between 2002 and 2006, groups which have traditionally attracted hostility from voters.

An alternative explanation is that results are driven by electoral trends. Given that support for anti-immigrant parties was relatively low in the 2002 legislative elections,³² it is possible that increased support in 2006 represents a reversion to the mean. However, the available evidence is inconsistent with a simple electoral reversal. As shown in Appendix B.2, support for the Far Right across Austrian municipalities was comparatively lower in areas with the highest public housing density prior to the reform. In 2006, the increased support among such municipalities thus represents a sharp break from prior trends. Similarly, as shown in Appendix B.3, placebo tests for the 1999 and 2002 legislative elections and the 2004 EU election suggest that a similar relationship cannot be detected prior to the implementation of public housing reform.

Next, we evaluate an additional observable implication of the hypothesis. If the argument holds, we would expect effect sizes to be higher in areas in which public housing is comparatively more attractive than private alternatives. First, given the public housing stock the latter, the assumption that supply cannot meet existing demand is more likely to hold. In these communities, the legal change is thus likely to generate congestion with consequences for both current

³⁰ Covariates are unavailable for each election year within the data. Accordingly, we use covariates gathered in the 2001 census, and examine effect heterogeneity across the difference in vote share across the 2002 and 2006 elections.

³¹ More generally, given that public housing stock is widely available across the income distribution, the correlation with local socioeconomic characteristics is in fact quite weak. Correlation coefficients are 0.25 for income, 0.22 for employment, 0.21 for tertiary education.

³² Divisions within the FPÖ leadership following the party's membership in the coalition government undermined the electoral appeal of the far right and led to the creation of the BZÖ in 2006 (Mudde 2013).

and future beneficiaries. Moreover, if public housing is attractive relative to other housing options (e.g. renting in the private sector), exit options for public housing beneficiaries will be limited. Finally, absent slack in the housing market, demand by third country immigrants can be expected to generate additional (future) costs in the form of higher construction demands resulting in downstream rent increases and less frequent building renovation.

This emphasis on price differences across the public and private sector provides an additional indication that material concerns are powerful drivers of our results. If voters are mainly concerned about the ethnic composition of public housing, then there are no reasons to expect the effects of the reform to vary based on price differences. If anything, immigrants' access to public housing is more likely in areas where public housing is less attractive to natives.

To measure geographic variation in rental markets, we draw on household-level data from the Austrian Microcensus, a rotating panel which surveys a representative sample of 1% of Austrian households each year. In addition to labor market data, the Microcensus records the county of residence as well as information on housing costs, permitting a geographic analysis of differences in rental markets across Austria. Given sample size limitations, we pool data from 2000 to 2003 at the district level ($n=120$), adjusting for inflation.³³ This yields a median of 181 households per district (see Appendix A.2). For each district, we calculate the average monthly rent, per square meter, separately for privately-owned apartments and public housing.³⁴ Given coarse data, we discretize the measure and assess whether the ratio between public and private rental prices within a district is above or below the national median.³⁵

Figure 2 displays the effect of this price ratio using a local linear specification. Consistent with our argument, we find that our results are largely driven by districts where public housing is particularly valuable relative to private rentals. In areas where public housing has a less attractive rent differential, the increase in vote for the Far Right is muted. In contrast, in districts where public housing is comparatively valuable, effect sizes are larger. For instance, for municipalities

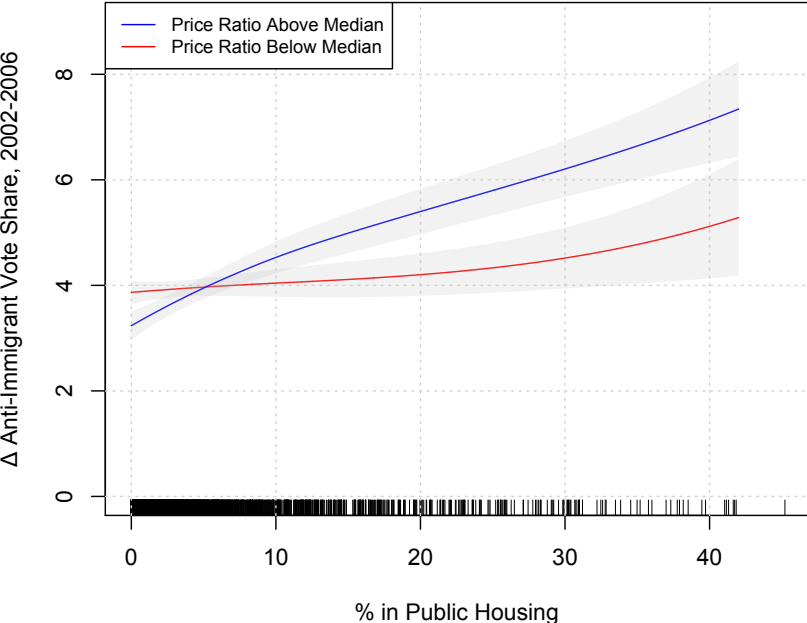
³³ Q4 2003 is the last quarter for which microdata with geographic identifiers are available. We acknowledge that rental prices may have shifted in the interim.

³⁴ A separate analysis suggests that this price gap is not driven by lower public housing apartment quality. See Appendix A.3.

³⁵ Specifically, we divide the price of private housing by the price of public housing within a district, and then separate districts into two equally sized bins, above and below the district median. The median ratio in our data is 1.06.

with 20% of population in public housing, the effect of moving from a slack to a tight rental market is 1.2 percentage points, with the gap widening across the distribution.³⁶ This gap cannot be accounted for by theories that only emphasize ethnocentric preferences, absent any reference to congestion and its material implications.

Figure 2: Change in Support 2002-2006, By District Rental Market



Local linear fit of the share of adults in public housing on the change in anti-immigrant vote share between 2002 and 2006, with 95% confidence intervals. ‘Price Ratio Above Median’ refers to districts in which the ratio of the average monthly rent between public apartments and private apartments is above the national median (i.e. private apartments are comparatively more expensive relative to public housing).

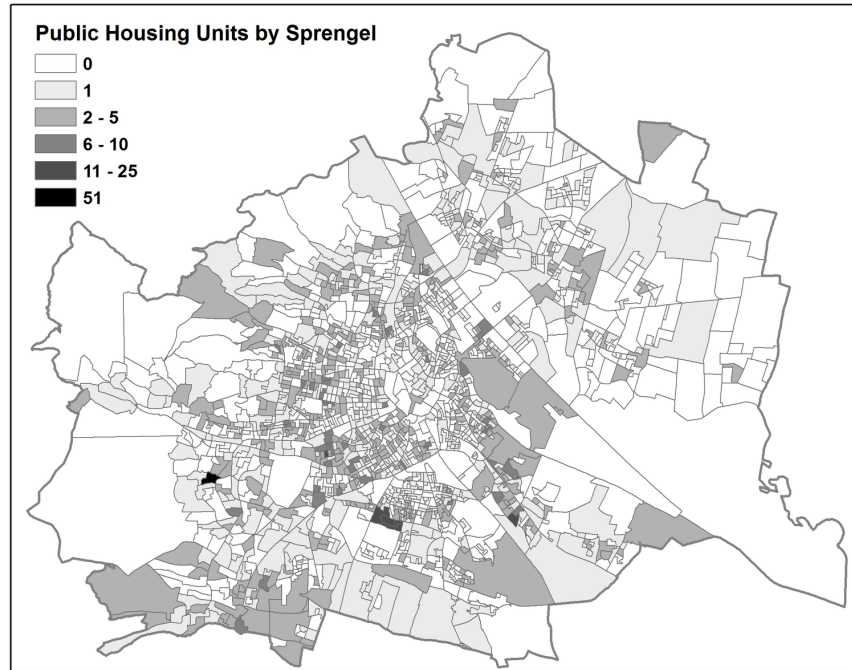
Results: Electoral Wards in Vienna

Although the pattern of increased support for anti-immigrant parties following the legal reform is consistent with the argument advanced in this paper, an analysis of aggregate municipal outcomes does not allow us to determine with confidence that the increased support for anti-immigrant parties following the reform is driven by voters reliant on public housing. As a result, the aggregate findings are potentially subject to ecological inference bias. To supplement these findings and further assess the underlying mechanism, we draw on detailed data from a case

³⁶ See Appendix B8 for parametric specifications and additional robustness checks.

where we expect perceptions of distributional conflict to be especially prevalent. We focus on Vienna, which has the highest share of public housing stock in the country, at 42.8%, as well as a significant share of foreign citizens. Given that public housing units are asymmetrically dispersed across neighborhoods, Vienna provides additional variance to assess the effects of the reform.

Figure 3: Geocoded Public Housing Units, Viennese Electoral Wards



To conduct the analysis, we obtained geodata on the location of public housing units from the Vienna city government, and mapped them to electoral boundaries. Figure 3 maps the distribution of public housing by electoral ward, using geodata on the location of public housing apartments in Vienna ($n=209,375$ apartments, 4,610 buildings), matched to the appropriate electoral ward ($n=1,920$). Given that multiple voters can reside in an apartment, we linked these boundaries to census tract data on the number of native adults (18 and over) living within public housing units (See Appendix C.1). This approach allows us to credibly proxy the percentage of voters in each electoral ward who reside in public housing ($\% Public$): the share of such voters ranges from 0-96% across polling stations.³⁷

³⁷ See Appendix C.9 for alternate measures of public housing density.

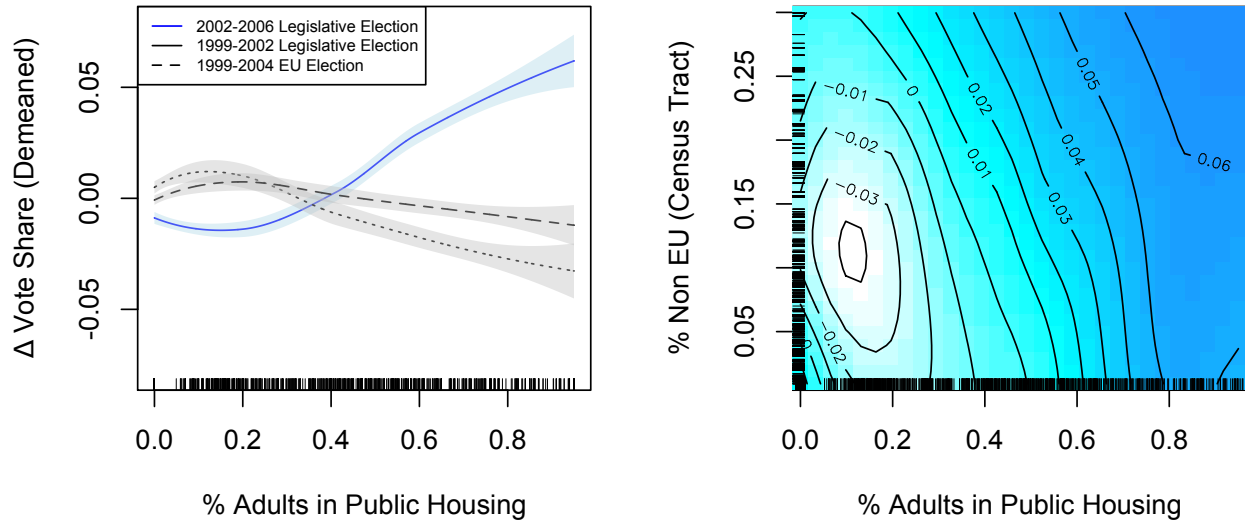
As demonstrated by the left-hand panel of Figure 4, patterns in Vienna mirrored those across the country as a whole: wards with a high proportion of residents in public housing units substantially increased their support for anti-immigrant parties in the 2006 elections. Importantly, this trend is not observed in prior electoral cycles. As seen in Appendix C.4, this tendency is robust to the inclusion of local covariates, indicating that compositional effects are unlikely to be driving the results. We next assess whether there is an interaction between public housing and local diversity. Given that wards with a high share of residents in public housing did not, by definition, include many foreign residents prior to the EU directive, we measure the percentage of third country nationals at the census tract level ($n=241$).³⁸ The right-hand panel of Figure 4 uses a generalized additive model (GAM) to evaluate the interaction between this measure and public housing density. The results suggest that the majority of the variation in increased support for anti-immigrant parties can be explained by public housing density. However, these effects are heightened in census tracts where a sizable share of residents are third country nationals. A binned first difference estimate suggests that wards with at least 60% of adults in public housing increased their support for anti-immigrant parties by 5.0 percentage points, plus or minus 1.6, relative to wards with 0-10% of residents in public housing (See Appendix C.4). Given that support for the Far Right rose by an average of 7.4 percentage points in the latter category between 2002 and 2006, this represents a relative increase of 73%.³⁹

We identify three alternative explanations for these sharp changes in local voting behavior. First, as mentioned earlier, individuals might derive utility from neighbors who share their language, values and customs, a preference for what Card, Dustmann and Preston (2012) term "compositional amenities." In other words, our results might be limited to the type of social benefit examined, namely one that is geographically bounded and necessitates direct interaction with other benefit recipients. Thus, the apparent zero-sum thinking in the face of a distributional conflict might simply be the expression of an ethnocentric preference for homogeneity.

³⁸ Perceptions of local diversity are likely to be formed at a higher level of aggregation than the ward. Depending on commuting patterns, it is plausible that individuals' perceptions of diversity may also be driven by city-wide demographics.

³⁹ A linear specification (Appendix C.3) provides substantively similar estimates. The GAM estimates visible in the right-hand panel of Figure 4 suggest larger effects. a shift from 30% to 70% of residents in public housing along with a shift from the 30th to the 70th percentile in non-EU population is associated with an additional 6.2 percentage point increase in support for anti-immigrant parties in the 2006 elections, plus or minus 1.6.

Figure 4: Effect of Public Housing on Anti-Immigrant Voteshare: Electoral Wards in Vienna



Left: Local linear fit between share of adults in a ward residing in public housing and the change in support for anti-immigrant parties between 2002 and 2006 (demeaned), with 95% confidence intervals. *Right:* GAM interaction between public housing and immigrant settlement; contours represent the change in support for anti-immigrant parties between 2002 and 2006 (demeaned). Crossing a contour line represents an expected change in the outcome; darker colors indicate larger increases.

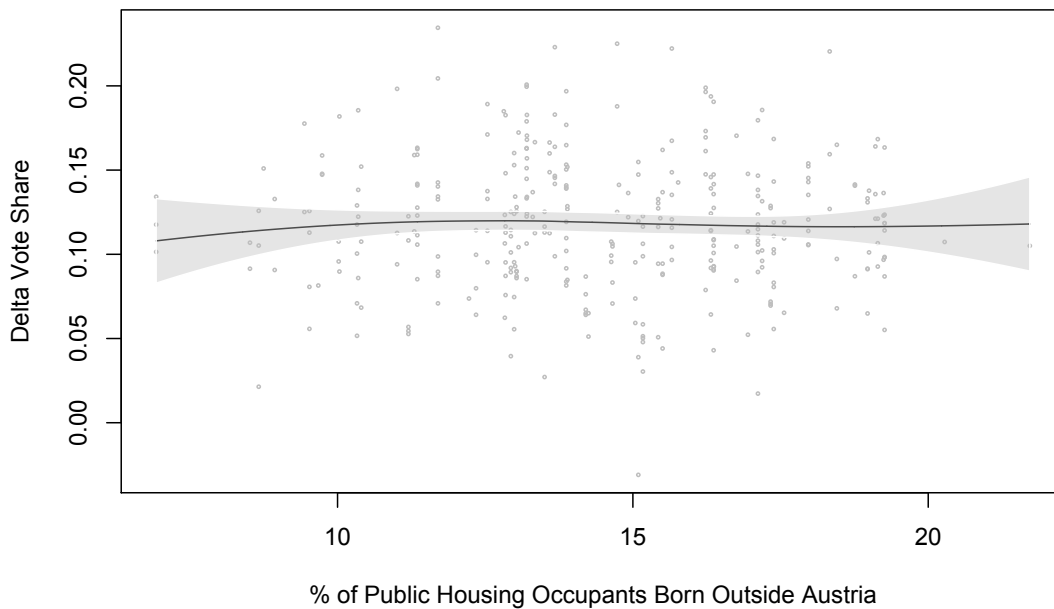
Because of the difficulties of measuring such ethnocentric preferences, it is difficult to fully rule out that they have no influence. Yet, we can show that its influence is far from exclusive. First, ethnocentric preferences, as a causal explanation, are insufficient to account for the timing of the surge in electoral support for anti-immigrant parties: these residents switch to the Far Right only when congestion is a credible threat. Based on the previous results leveraging rent data, we have already argued that the main driver is not merely the threat of immigrants moving in. Indeed, while such event is very likely in areas where the rent differential is small (because waiting list are likely to be shorter), we find no evidence of an increase in vote for the Far Right.

Available data for Vienna permits us to examine the role of ethnocentric preferences further by examining how responses to the EU legal directive varied with the existing diversity in housing blocs. Although third country nationals were excluded from public housing prior to January 2006, naturalized foreign-born citizens and EU long-term residents were able to access public

apartments.⁴⁰ If support for anti-immigrant parties is being driven by voters in public housing who value ‘compositional amenities’, we would expect voters in homogeneous housing units to respond more sharply to the legal change in an effort to preserve the status quo.

The data suggests that this pattern does not hold. Figure 5 plots the change in support for far-right parties as a function of the existing diversity of each public housing unit, restricting the analysis to electoral wards where the majority of residents live in public housing.⁴¹ No relationship is apparent: that is, individuals in relatively homogeneous housing blocks were just as likely to cast votes for the far-right as individuals living in diverse housing units. Unless the threshold necessary to activate a threat of local diversity is quite high, these results are inconsistent with a mechanism based on simple parochial tendencies.

Figure 5: Existing Housing Diversity and Change in Vote Share, 2002-2006



Local linear fit between foreign-born occupants of public housing (measured at the ward level), and change in vote share for anti-immigrant parties between 2002 and 2006, gray shading indicates the 95% confidence interval.

⁴⁰ 83% of foreign-born citizens in public housing were naturalized Austrians born outside the EU, primarily from Turkey, Egypt, and former Yugoslavia.

⁴¹ Identifying the specific behavior of voters in public housing, as opposed to the effect of a legal shock on ward-level results, is subject to the ecological inference problem. Accordingly, we restrict the sample to areas with 50% or more of residents in public housing to reduce bias. Similar results are obtained with a 25% threshold and a 75% threshold, see Appendix C.6

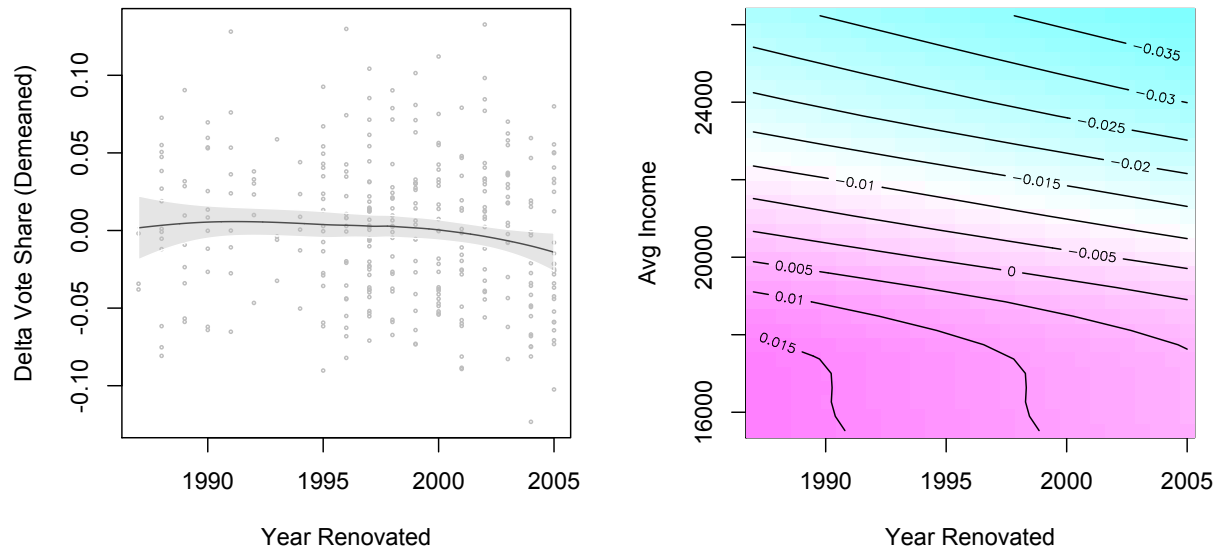
A second alternative explanation involves a form of sociotropic thinking underlying sociological theories of "group threat" (Dixon 2006) or "linked-fate" Dawson (1995). In this view, support for anti-immigrant parties may emerge from a combination of group-level reasoning (ie. if group A wins then group B loses) and voters viewing their own prospects as closely tied to the success of a larger group. From this perspective, the loss of housing exclusivity may have threatened the perceived position of native Austrians relative to immigrants, invoking a broad threat response.

Although sociotropic reasoning likely plays some role in the scale of the observed response to the legal reform, this mechanism does not appear to predominate. If this channel were active, we would expect the reform to induce gains in all municipalities and neighborhoods with large shares of Austrian natives following the reform, regardless of the degree of local competition over public resources. Yet this pattern is not observed: homogeneous neighborhoods and municipalities voted for far-right parties at lower rates than the national average in 2006.

One final objection relates to our focus on the effects of the reform among neighborhoods in which a majority of voters already have access to the scarce benefit – in this case a public housing lease. These individuals are net beneficiaries of the social program and are assumed to be directly affected by the implementation of the EU directive. However, one might argue that once an individual gains access to a subsidized unit, she should no longer feel personally affected as her access to the public good is now secured. Congestible goods are unique in that a demand shock affects not only future consumers of the good but also current ones. In the case of public housing in Austria we have identified several ways in which a demand shock will affect the net consumption value of the good to current users. One is the decline in quality associated with an increase in the relative share of residents with lower income levels. Residents also expect a decrease in mobility, less resources for refurbishing and finally rent increases.

While rent increases were uniformly applied across Vienna, the available data permits an assessment of the potential response to decreased mobility. Namely, if a decrease in perceived mobility influenced attitudes, we should observe stronger reactions among leaseholders assigned to less desirable public housing units, given that the legal reform curtailed their subsequent mobility. Figure 6 evaluates this hypothesis by drawing on data on local neighborhood income and the renovation date of each public housing complex. The left-hand panel suggests a mild rela-

Figure 6: Public Housing Quality and Change in Support for Anti-Immigrant Parties



Left: Local linear fit of year of public housing renovation on the change in support for anti-immigrant parties between 2002 and 2006 (demeaned), with 95% confidence intervals. *Right:* GAM, interaction between renovation year and neighborhood average income; contours represent the change in support for anti-immigrant parties between 2002 and 2006 (demeaned). Darker colors indicate larger increases.

relationship between renovation dates and support for anti-immigrant parties: individuals in newer, more desirable, units were slightly less likely to shift their votes following the reform. This effect is strengthened when adding the interactive effect of neighborhood wealth (right-hand panel). Indeed, a flexible interaction suggests that voters in less desirable units (nonrenovated apartments in poor neighborhoods) were most likely to cast votes for anti-immigrant parties following the reform. The alternative arguments mentioned above cannot account for this empirical pattern, providing additional evidence in favor of the materialist argument.

In sum, geodata from Vienna indicates that neighborhoods with high shares of existing beneficiaries reacted to distributional conflict by casting their votes in favor of anti-immigrant parties. It is important to note that our argument does not claim that parochialism or xenophobia is entirely absent from this reaction, something we discuss further in the next section.

Conclusion

To address the lack of evidence on the relationship between immigration, the welfare state and the rise of the Far Right, this paper has proposed a “disaggregated analysis” of the welfare state channel that identifies in-kind congestible goods as especially prone to generating perceptions of a distributional conflict between immigrants and natives. Indeed, with in-kind congestible goods, the material consequences of congestion are less likely to be mediated by opaque and complex adjustments in the government’s budget. In addition, congestion affects multiple aspects of the benefits native voters’ draw from these goods, triggering increased support for the Far Right among a heterogeneous group of voters with varying levels of ethnocentric preferences.

We identified a most-likely case in the example of public housing in Austria. In Austria, EU-induced shifts in housing eligibility help identify the relationship between the intensity of distributional conflict and anti-immigrant vote share. This design improves on the existing empirical literature in several ways. First, it offers a most-likely test with a straightforward interpretation of the electoral consequences of one facet of the welfare state channel. While Dancygier (2010) utilizes cross-sectional variation and process tracing to demonstrate the role of distributional conflicts over in-kind public transfers in carefully selected British cities, our empirical strategy leverages exogenous variation to identify a substantive effect on national electoral politics. Because we focus on a legal shock, our estimate can be directly attributable to congestion over public housing net of any other effects on far-right voting driven by fast changes in the local population (Hopkins 2010).

We find that municipalities in Austria and electoral wards in Vienna most affected by the legal change were also more likely to deviate from secular election trends and to increase their support for anti-immigrant parties in the 2006 legislative elections. This effect is substantive: we find that anti-immigrant vote share increased by 59% in Austrian municipalities with more than 20% of residents in public housing, relative to lower prevalence municipalities. Consistent with the argument, we also observe increased point estimates in Viennese wards where a majority of citizens reside in public housing. These effects are substantive - an additional 5 percentage points of electoral support. Robustness checks indicate that these results are not driven by compositional

effects, the political cycle, or an increase in the share of stigmatized immigrants.

This voting behavior appears to be rooted in economic concerns. First, effect sizes are large in municipalities where public housing is attractive relative to private rental options. In other words, our results are driven by areas where the demand for public housing likely surpasses the size of the available public housing stock. In these municipalities, the legislative change plausibly increased perception of congestion and the consequences for both availability (quantity) and quality. In addition, in such a context, an increase in demand makes the threat of fiscal adjustment (i.e. a rent increase or decreased access) especially credible. Indeed, in Vienna, rent increases materialized less than a year after the enforcement of the European directive. Second, in alignment with this finding, our data on existing diversity within Viennese public housing units provides no evidence to support the claim that concerns about increasing ethnic mixing plays a leading role in driving support for anti-immigrant parties.

Our design can rule out a nation-wide “ethnocentric” reaction to immigrant benefit access. Indeed, had the latter been true, areas with no immigrants but a large public housing stock would have also been affected. Nevertheless, it is important to note that we cannot fully rule out that some of our results are driven by a taste for ethnically homogeneous housing. Yet such preferences alone cannot explain over time changes in the fate of the Far Right. Our results indicate one pathway that explains *when* parochialism may translate into politically consequential behavior. This cumulative and interactive effects of self-regarding material and other-regarding compositional concerns is a defining feature of in-kind benefits. This combination points to the welfare channel as a possible pathway in which electoral support for anti-immigrant parties expands beyond a low-educated core with strong preferences for homogeneity to a larger group motivated by a mix of cultural and material concerns.⁴² One feature of our design is that it does not vary the ethnic composition of the local context. Voters who strongly dislike being exposed to immigrants in their everyday interactions were likely to have already shifted to voting for the Far Right as the reform took place nearly a decade after the Far Right rose to prominence in Austria. Our estimate can thus be interpreted as capturing a subset of these voters whose ethnocentric

⁴² Indeed, attitudinal data supports the claim that ‘this time might be different:’ while the first wave of expansion of the Far Right (in the early 1990s) coincided with an increase in anti-immigrant sentiment Semyonov, Raijman and Gorodzeisky (2006), there is no evidence of such an increase in the most recent period (Hatton 2016).

preferences requires a contextual trigger of the kind documented in this paper.

Contra accounts that dispute the contemporary relevance of distributional conflict, our results demonstrate how pressure induced by immigrants' receipt of benefits can foster an anti-immigrant backlash. While we focus on the Austrian public housing program as a most likely case, we expect our findings to extend to a broad class of non-residual in-kind transfers. Indeed, Austrian public housing is not unique as a social transfer with supply fixed in the short-term, the consumption of which is based on residence and that benefits groups beyond the worst-off. Another most-likely candidate is public healthcare, such as the National Health Service in the United Kingdom. In a recent analysis, Becker et al. (2016) show that recent waves of Polish migration settled in rural and peri-urban areas, where public services have been chronically under provided. Consistent with the argument outlined in this paper, they demonstrate that lower-quality NHS service provision is associated with support for Brexit.

The extent to which these local experiences will aggregate to national-level politics is a function of the share of the population affected by distributional conflict. We see two main mechanisms through which this share will increase. One is a country-wide immigration shock of the kind experienced by many Western European states following EU enlargement. The other mechanism consists of a change in beneficiaries' perceptions of available resources. In both instances, elite-level discourse is likely to play a large role in framing perceptions of scarcity (Hopkins 2010; Barnes and Hicks 2018): in countries where welfare states are perceived as bankrupt and where elites have argued for austerity measures, the threat of retrenchment becomes more credible. One might reasonably expect that in such a context, a broader swathe of the native population will be susceptible to rhetoric blaming immigrants for perceived congestion. Again, recent evidence indicates that poorly targeted cuts in local social spending might have further increased support for Brexit (Fetzer 2018).

Our study has implications for research going forward. Voters in the 2006 Austrian elections had not yet been directly affected by the reform, what varied was the perceived threat posed by immigrants to the availability and quality of public housing. The large aggregate effects result from the combination of Vienna's share of the overall Viennese population and the city's uniquely large public housing stock. Building on Malhotra, Margalit and Mo (2013), researchers

might in the future distinguish between threat perception (whether or not a given individual perceives immigrants as a threat to their material conditions) and threat prevalence (the share of a politically relevant voting block that hold these perceptions). In the Austrian case, the conditions are met to not only activate threat perception but do so among a large enough share of the population. By adequately theorizing the conditions for threat activation and threat prevalence, researchers can better identify the conditions – whether institutional, fiscal or demographic – under which the welfare state can foster the rise or fall of anti-immigrant voting.

Finally, our argument and findings provide a theoretical bridge between contrasting claims in the literature on the mediating role of the welfare state. According to Swank and Betz (2003), a comprehensive and generous system of social protection lessens economic insecurities induced by free trade and globalization and consequently weakens support for far-right parties (see also Garrett (1998) and Rodrik (1997)). In contrast, we argue that distributional conflict between immigrants and natives over social spending can increase anti-immigrant sentiment, and by extension, support for such parties. By focusing on different types of social spending, we provide one way to reconcile these two arguments. In a context where globalization is understood as the free circulation of goods and capital, universal welfare states with generous flat rate transfers can more efficiently compensate those displaced by labor market shocks. Yet in a context where globalization also translates into large population movements, welfare states with a large universal in-kind component can become the source of distributional conflict that increases support for the Far Right. An exclusive interpretation of anti-immigrant sentiment as evidence of cultural backlash potentially disregards underlying concerns about access to social transfers in a context where fiscal adjustment has become a credible threat.

References

- Alesina, Alberto and Edward L Glaeser. 2004. *Fighting poverty in the US and Europe: A world of difference*. Oxford University Press Oxford.
- Banting, Keith and Will Kymlicka. 2006. *Multiculturalism and the welfare state: Recognition and redistribution in contemporary democracies*. OUP Oxford.
- Barnes, Lucy and Timothy Hicks. 2018. "Making Austerity Popular: The Media and Mass Attitudes Towards Fiscal Policy." *American Journal of Political Science* .
- Barone, Guglielmo, Alessio D'Ignazio, Guido de Blasio and Paolo Naticchioni. 2016. "Mr. Rossi, Mr. Hu and politics. The role of immigration in shaping natives' voting behavior." *Journal of Public Economics* 136:1–13.
- Baumgartner, Josef. 2013. "Die Mietpreisentwicklung in Österreich." *Mietpreisentwicklung* (7):559–577.
- Becker, Gary S. 2010. *The economics of discrimination*. University of Chicago press.
- Becker, Sascha O, Thiemo Fetzer, Dennis Novy et al. 2016. Who Voted for Brexit? A Comprehensive District-Level Analysis. Technical report Competitive Advantage in the Global Economy (CAGE).
- Becker, Sascha O, Thiemo Fetzer et al. 2016. Does Migration Cause Extreme Voting. Technical report Competitive Advantage in the Global Economy (CAGE).
- Betz, Hans-Georg. 2016. The Revenge of the Plouc: The Revival of Radical Populism Under Marine Le Pen in France. In *Economic growth in Europe since 1945y*, ed. Hanspeter Kriesi and Takis S. Pappas. ECPR Press.
- Card, David, Christian Dustmann and Ian Preston. 2012. "Immigration, wages, and compositional amenities." *Journal of the European Economic Association* 10(1):78–119.
- Colantone, Italo and Piero Stanig. 2017. "The Trade Origins of Economic Nationalism: Import Competition and Voting Behavior in Western Europe."

- Colantone, Italo and Piero Stanig. 2018. "Global competition and Brexit." *American political science review* 112(2):201–218.
- Cutts, David, Robert Ford and Matthew J Goodwin. 2011. "Anti-immigrant, politically disaffected or still racist after all? Examining the attitudinal drivers of extreme right support in Britain in the 2009 European elections." *European Journal of Political Research* 50(3):418–440.
- Dancygier, Rafaela M. 2010. *Immigration and conflict in Europe*. Cambridge University Press.
- Dawson, Michael C. 1995. *Behind the mule: Race and class in African-American politics*. Princeton University Press.
- Dixon, Jeffrey C. 2006. "The ties that bind and those that don't: Toward reconciling group threat and contact theories of prejudice." *Social Forces* 84(4):2179–2204.
- Facchini, Giovanni and Anna Maria Mayda. 2008. "From individual attitudes towards migrants to migration policy outcomes: Theory and evidence." *Economic Policy* 23(56):652–713.
- Facchini, Giovanni and Anna Maria Mayda. 2009. "Does the welfare state affect individual attitudes toward immigrants? Evidence across countries." *The review of economics and statistics* 91(2):295–314.
- Fetzer, Thiemo. 2018. Did Austerity Cause Brexit? Technical report CESifo Working Paper.
- Freeman, Gary P. 1986. "Migration and the political economy of the welfare state." *The Annals of the American Academy of Political and Social Science* 485(1):51–63.
- Freeman, Gary P. 2009. Immigration, diversity, and welfare chauvinism. In *The Forum*. Vol. 7 De Gruyter.
- Garfinkel, Irwin, Lee Rainwater and Timothy M Smeeding. 2006. "A re-examination of welfare states and inequality in rich nations: How in-kind transfers and indirect taxes change the story." *Journal of Policy Analysis and Management* 25(4):897–919.
- Garrett, Geoffrey. 1998. *Partisan politics in the global economy*. Cambridge University Press.
- Gidron, Noam and Peter A Hall. 2017. "The politics of social status: economic and cultural roots of the populist right." *The British journal of sociology* 68(S1).

- Golder, Matt. 2016. "Far right parties in Europe." *Annual Review of Political Science* 19:477–497.
- Hainmueller, Jens and Daniel J Hopkins. 2015. "The hidden American immigration consensus: A conjoint analysis of attitudes toward immigrants." *American Journal of Political Science* 59(3):529–548.
- Hainmueller, Jens, Jonathan Mummolo and Yiqing Xu. 2018. "How much should we trust estimates from multiplicative interaction models? Simple tools to improve empirical practice."
- Hainmueller, Jens and Michael J Hiscox. 2007. "Educated preferences: Explaining attitudes toward immigration in Europe." *International Organization* 61(02):399–442.
- Hainmueller, Jens and Michael J Hiscox. 2010. "Attitudes toward highly skilled and low-skilled immigration: Evidence from a survey experiment." *American Political Science Review* 104(01):61–84.
- Halla, Martin, Alexander F Wagner and Josef Zweimüller. 2016. "Immigration and voting for the far right."
- Hanson, Gordon H, Kenneth Scheve and Matthew J Slaughter. 2007. "Public finance and individual preferences over globalization strategies." *Economics & Politics* 19(1):1–33.
- Harmon, Nikolaj A. 2017. "Immigration, ethnic diversity, and political outcomes: Evidence from Denmark." *The Scandinavian Journal of Economics* .
- Hatton, Timothy J. 2016. "Immigration, public opinion and the recession in Europe." *Economic Policy* 31(86):205–246.
- Häusermann, Silja and Hanspeter Kriesi. 2011. What do voters want? Dimensions and configurations in individual-level preferences and party choice. In *Conference on "The Future of Democratic Capitalism"*, Zurich.
- Hopkins, Daniel J. 2010. "Politicized places: Explaining where and when immigrants provoke local opposition." *American Political Science Review* 104(01):40–60.
- Kitschelt, Herbert. 1997. *The radical right in Western Europe: A comparative analysis*. University of Michigan Press.

- Lucassen, Geertje and Marcel Lubbers. 2012. "Who fears what? Explaining far-right-wing preference in Europe by distinguishing perceived cultural and economic ethnic threats." *Comparative Political Studies* 45(5):547–574.
- Malhotra, Neil, Yotam Margalit and Cecilia Hyunjung Mo. 2013. "Economic explanations for opposition to immigration: Distinguishing between prevalence and conditional impact." *American Journal of Political Science* 57(2):391–410.
- Money, Jeannette. 1999. *Fences and neighbors: The political geography of immigration control*. Cornell University Press.
- Mudde, Cas. 2010. "The populist radical right: A pathological normalcy." *West European Politics* 33(6):1167–1186.
- Mudde, Cas. 2013. "Three decades of populist radical right parties in Western Europe: So what?" *European Journal of Political Research* 52(1):1–19.
- Mundt, A and W Amann. 2010. "Indicators of an integrated rental market in Austria." *Housing Finance International (Online)* 25(2):35.
- Otto, Alkis Henri and Max Friedrich Steinhardt. 2014. "Immigration and election outcomes—Evidence from city districts in Hamburg." *Regional Science and Urban Economics* 45:67–79.
- Pottie-Sherman, Yolande and Rima Wilkes. 2015. "Does Size Really Matter? On the Relationship between Immigrant Group Size and Anti-Immigrant Prejudice." *International Migration Review* .
- Quillian, Lincoln. 1995. "Prejudice as a response to perceived group threat: Population composition and anti-immigrant and racial prejudice in Europe." *American sociological review* pp. 586–611.
- Reinprecht, Christoph. 2014. Social housing in Austria. In *Social housing in Europe*, ed. Kathleen Scanlon, Christine Whitehead and Melissa Fernández Arrigoitia. John Wiley & Sons pp. 61–73.

- Rink, Nathalie, Karen Phalet and Marc Swyngedouw. 2008. "The effects of immigrant population size, unemployment, and individual characteristics on voting for the Vlaams Blok in Flanders 1991–1999." *European Sociological Review* 25(4):411–424.
- Rodrik, D. 1997. Trade, social insurance, and the limits to globalization. Technical report National Bureau of Economic Research.
- Rueda, David and Daniel Stegmueller. 2015. "The externalities of inequality: Fear of crime and preferences for redistribution in Western Europe." *American Journal of Political Science* .
- Rydgren, Jens. 2008. "Immigration sceptics, xenophobes or racists? Radical right-wing voting in six West European countries." *European Journal of Political Research* 47(6):737–765.
- Scanlon, Kathleen, Christine Whitehead and Melissa Fernández Arrigoitia. 2014. *Social housing in Europe*. John Wiley & Sons.
- Semyonov, Moshe, Rebeca Rajjman and Anastasia Gorodzeisky. 2006. "The rise of anti-foreigner sentiment in European societies, 1988-2000." *American Sociological Review* 71(3):426–449.
- Shayo, Moses. 2009. "A model of social identity with an application to political economy: Nation, class, and redistribution." *American Political Science Review* 103(2):147–174.
- Swank, Duane and Hans-Georg Betz. 2003. "Globalization, the welfare state and right-wing populism in Western Europe." *Socio-Economic Review* 1(2):215–245.