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# Populist Voting and Losers' Discontent: Does Redistribution Matter?

Giuseppe Albanese, Guglielmo Barone, Guido de Blasio\*

**Abstract.** Economic roots of populism in Western countries point to the role of economic insecurity that plagues losers from recent large economic shocks. We show that fiscal redistribution matters by comparing Italian municipalities equally hit by the economic shocks leading to populism but, at the same time, very differently exposed to the generosity of the EU structural funds, because of their locations on the two opposite sides of the geographical border that determines eligibility. Estimates resulting from a spatial regression discontinuity design show that in 2013 general election larger EU financing caused a drop in populism of about 9% of the mean of the dependent variable.

Keyword: populism, voting, EU regional redistribution.

JEL Classification: D72, R58.

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## 1. Introduction

Voters' discontent and their preference for populist parties are on the rise in many Western societies, creating a growing concern about populism's effects on the quality of liberal democracy and on the economy. As to the latter, for example, the resulting potential increase in the uncertainty about political choices and economic policies can lower corporate investments and employment (Julio and Yook, 2012; Baker et al., 2016), as well as country risk and the real activity (Balduzzi et al., 2020). Looking for populism's causes, a very recent but well-established literature points to explanations related to economic drivers such as trade exposure, immigration, automation, the Great Recession, and fiscal austerity: generally speaking, these shocks generated a (relatively small) number of winners and a (relatively large) number of losers, whose vote for populist parties is a reaction to economic distress.<sup>1</sup> The main policy implication is that medium/long term socio-economic sustainability would call for appropriate redistributive policies aimed at compensating the losers.<sup>2</sup> However, while such a policy consensus naturally follows from the winners-losers divide, our knowledge of the effectiveness of redistribution in countering populism is rather limited.

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<sup>1</sup> Following Autor et al. (2020), some scholars look at the increased import competition from China (Colantone and Stanig, 2018; Barone and Kreuter, 2021; Caselli et al., 2020; Malgouyres, 2017; Dippel et al., 2017) or, more generally, at globalization (Rodrik, 2017). Barone et al. (2016), and Halla et al. (2017) look at immigration. Algan et al. (2017) find a link between the rise in unemployment and the vote for populist parties across European regions during the Great Recession. Fetzer (2019) shows that voters more exposed to fiscal austerity were more prone to vote for Brexit. Guiso et al. (2017) account for perceived individual economic insecurity and show that this is the main driver of self-reported preference for populism in Europe; by the same token, Liberini et al. (2019) argue that bad feelings about individual financial situation were a key driver for the Leave vote at Brexit referendum. Guiso et al. (2019) argue that the Euro area rules, without a full fiscal and political Union, have an effect on frustration of citizens, which, in turn, pushes voters to support populist parties. Dal Bò et al. (2019) show that increased labor market insecurity led to the rise of the far-right Sweden Democrats. Guriev (2018) points to unemployment, stagnating incomes, and (personal as well as regional) inequalities as economic roots of populism. Anelli et al. (2019) focus on the role of industrial automation. On a theoretical ground, Altomonte et al. (2019) present a model in which individuals develop a feeling of resentment when losing relative income and such anger translates to protest votes; in Pastor and Veronesi (2018)'s model, populism emerges endogenously in a growing economy in which voters dislike inequality. Guriev and Papaioannou (forthcoming) provide a very up-to-date survey of the political economy of populism.

<sup>2</sup> This topic is high in the policy debate. A survey carried out at the IGM forum at the University of Chicago Booth School of Business highlights large agreement among well-celebrated economists about the need "Enacting more redistributive expenditures and policies [...] to limit the rise of populism" even if "[...] it means higher public debt [...]" (<http://www.igmchicago.org/surveys/inequality-populism-and-redistribution-2>). Christine Lagarde, then president-designated of the European Central Bank, said that fiscal policy is required "to respond to the threat of populism" (<https://www.ft.com/content/0ff70e24-cef8-11e9-99a4-b5ded7a7fe3f>).

In this paper we analyze the redistributive role of the European Union (EU) regional policy, which is the most important program of fiscal equalization across regions within the EU. Even if not purposely addressed to contrast populism, this policy might improve economic conditions of the recipients and alleviate economic distress resulting from the shocks pinpointed above; as a result, these transfers might lower the populist reaction at polls. We focus on the 2013 general election held in Italy, one of the frontline countries facing the current populist backlash. At that time, populist instances made their appearance on the nationwide scene: such instances are related to (i) the boom of the new Movimento Cinque Stelle (Five Stars Movement), founded by Beppe Grillo, a comedian, and (ii) the incumbent parties' response that increased the populist content of their platforms (Guiso et al., 2017). We exploit the allocation rule according to which regions eligible for large interventions (Convergence Objective regions) are those whose GDP per capita in purchasing power parity terms is less than 75% of the EU average. In the Italian case, this rule translates into a geographic border, which we focus on by using a spatial regression discontinuity design (RDD) to establish causality between funds and populism. Nicely, this border minimizes the risk that we are capturing something else than the effect of EU money. For instance, it is located further south with respect to the boundary that separates disadvantaged Italian South (the so called "Mezzogiorno") from the rest of the country and that in the past drove a huge amount of transfers extended within place-based programs. More in detail, we compare municipalities that are equally exposed to the main populism's drivers that scholars put in evidence (as well as similar in terms of many other characteristics), but are very differently exposed to the EU funding, owing to their location on the two opposite sides of the border that determines eligibility. Populism is measured by attaching to each political party its Inglehart and Norris's (2019) anti-elite score, which is based on political scientists' opinions, and then mapping party-level scores into municipalities by using voting shares. Exposure to regional redistribution is measured either as a binary treatment or as per capita disbursement averaged over the five-year period that preceded 2013 election; in the latter case, the key independent variable is instrumented with the binary treatment.

As preliminary evidence, we show that before elections the economic performance of the area under scrutiny is very unsatisfying. At the same time, the policy under scrutiny conveys a relevant amount

of money in the treated areas: 125 euros per capita in the preferred specification, about 0.7% of the recipients' average GDP per capita, while exposure to the shocks that the previous literature identifies as drivers of populist preferences (immigration, trade, fiscal austerity, robotization) is balanced around the border. Moreover, further competing explanations for the observed differences in populist voting are differentiated away: the areas we compare are very similar in terms of geography, demography, human and social capital, structure of the local economy, broadband diffusion, quality of institutions, characteristics of local politicians, previous political preferences, local public spending.

When it comes to our research question, we highlight a negative causal effect of EU funds on populism. According to our estimates, the treatment implies a drop in populism of about 9% of the mean of the dependent variable (101% of its standard deviation). Our findings are robust to a number of checks, and, in particular, they are confirmed if we change the estimation bandwidth, consider potential spillovers across the border, or adopt a nonparametric estimator. We also provide evidence suggesting that our results should not depend on omitted variables at the regional level. On the other hand, we do not detect any jump in populism when we replicate the baseline exercise with fake thresholds. Further findings indicate that EU funds do not translate into a more pro-European voting behavior, so strongly suggesting that funds do not buy love for Europe but directly operate as a relief that decrease the reaction at polls. We also highlight that regional transfers have a negative impact on populist votes but no effect on non-populist votes, and that money matters irrespective of the specific channel (public works, subsidies to households and firms, current expenditures of local administrations) through which it is delivered to local communities. Finally, we show that the effect we estimate at the border is rather stable within the bandwidth, for which the Angrist and Rokkanen (2015)'s assumption allows us to provide some far-from-the-threshold inference.

This paper adds to the debate on the economic determinants of populism in Western countries and produces clear and straightforward policy recommendations. The two nearest papers are Becker et al. (2017), which deals with Brexit and finds that EU Structural funds have no correlation with the Leave share, and Crescenzi et al. (2020), who use a spatial RDD (on the border between East Wales

and West Wales) and confirm that EU money had no impact on the Brexit vote. A slightly less related paper is Fetzer (2019), who focuses again on the UK and shows that fiscal austerity correlates with the support for the UK Independence Party, first, and with the Leave share, then. Our results are different and only partially comparable to the Brexit-related ones: apart from referring to a different country, they are based on general elections instead of the unique Brexit referendum, so that, in this perspective, the insight we offer is more informative for different contexts. Moreover, while fiscal cuts analyzed in Fetzer (2019) spurred populism, his results do not necessarily imply that fiscal expansions would do the opposite.

As to the booming literature on the economic determinants of populism in Western countries (see footnote 1), our study both confirms the role that economic insecurity plays and points to a well-identified tool, already in place, which, in principle, could be easily boosted. We also speak to the stream of this literature that explicitly adopts a regional perspective, as recent socio-economic shocks are unevenly distributed across territories (Becker et al., 2017; Rodríguez-Pose, 2018), in a context where market-based convergence mechanisms, such as the flow of people to high-income regions and capital toward poorer areas, work only imperfectly (Austin et al., 2018). Along this direction, Rajan (2019) cautions that in order to limit populist voters' reaction, place-based policy is needed: regional interventions should not be considered as something to be, at most, tolerated, as it limits reallocation to more promising places; rather, regional interventions represent a powerful tool to support local communities as relevant elements of a healthy market economy.

The remainder of the paper is structured as follows. Section 2 describes the institutional details and the data. Section 3 illustrates our RDD identification framework. Section 4 provides the results, which include a full-fledged robustness and placebo supplementary analyses, as well as results on external validity. Section 5 concludes.

## 2. Institutional details and data

In this section, we first provide some details on the EU regional policy, and then focus on and explain how we measure populism. Finally, we describe the appearance of populist instances in 2013 general election.

### *2.1 The 2007-2013 EU regional policy*

The EU regional policy pursues the goal of economic, social and territorial cohesion by narrowing the development disparities among regions and member states. Its main instruments are the programs financed by the Structural funds, and in particular: the European Regional Development Fund (ERDF), set up in 1975, providing support for the creation of infrastructures and productive job-creating investment, mainly for businesses; the European Social Fund (ESF), set up in 1958, which contributes to the integration of the unemployed and disadvantaged segments of the population into working life, mainly by funding training measures. For Italy in the 2007–2013 period, the EU regional policy accounted for about € 46 billion. The distribution of funds follows the EU eligibility rule, which attributes the status of the Convergence Objective (formerly Objective 1) – our treatment variable – to all regions with per capita GDP under the threshold of 75% of the EU average. In Italy 5 out of 20 regions (Basilicata, Calabria, Campania, Puglia and Sicily) belonged to the Convergence Objective in the 2007–2013 period (those below the blue border in Figure 1) while others receive much less money (within the Competitiveness and Employment Objective). Hence in what follows we estimate the effect of the Convergence Objective status relative to the Competitiveness and Employment Objective one.

Across the border which we focus on the risk that we are capturing something else than the effect of EU funding is minimized. Notably, it differs from two other borders that in the past had been used to discriminate places that received a large amount of convergence aids, so minimizing the risk of compound treatment. Areas below the red line in Figure 1 benefitted from a large development program (“Cassa per il Mezzogiorno”) implemented for four decades, starting during the 1950s, to stimulate convergence between Italy’s South and the more developed North. Other place-based



programs (e.g. Law 488/92) were devoted a slightly different area, given by 8 Southern regions (so called “Mezzogiorno”, see yellow regions in Figure 1). Another nice feature of the design is that EU funds are assigned to central and regional authorities while our units of analysis are (much smaller) municipalities: this enables us to well balance at the cutoff many observable characteristics between treated and control units.

Information on spending is taken from the OpenCoesione database, which provides very detailed geo-referenced information of all projects targeted by the 2007–2013 EU regional policy. We collapsed data on disbursements at the municipality level. Figure 2 (Panel A) shows the geographical pattern around the border of the average per capita spending over the 2008–2012 period, which precedes the 2013 election of our focus. As expected, Convergence Objective regions received a substantial amount of funding, while the other areas were less covered by transfers.

## *2.2 Defining populism*

Our dependent variable is the populist intensity of political preferences at the 2013 Italian general parliamentary election. We focus on elections for the lower house of the legislature (Chamber of Deputies), in light of its broader political involvement (i.e., all Italian citizens over the age of 18 have the right to vote). Data on electoral outcome at the municipality level come from the Ministry of Interior. Available information includes number of votes for each party, invalid ballot papers, and total eligible population.

We identify the degree of populism for each party by relying on the anti-establishment score developed by Inglehart and Norris (2019). That study exploits the 2014 Chapel Hill Expert Survey (CHES), in which 337 political scientists rate on a 0-10 scale the positioning of 268 parties (those with seats in parliaments; 13 for Italy) on a large number of issues. Inglehart and Norris (2019) focus on 13 policy areas: (1) views on democratic freedoms and rights (0 = Libertarian/Postmaterialist, 10 = Traditional/Authoritarian), (2) position on civil liberties vs. law and order (0 = Strongly promotes civil liberties, 10 = Strongly supports tough measures to fight crime), (3) position on social lifestyle (e.g. homosexuality; 0 = Strongly supports liberal policies, 10 = Strongly opposes liberal policies), (4) views

on immigration policy (0 = Fully opposed to a restrictive policy on immigration, 10 = Fully in favor of a restrictive policy on immigration), (5) support for multiculturalism (0 = Strongly favors multiculturalism, 10 = Strongly favors assimilation), (6) position towards ethnic minorities (0 = Strongly supports more rights for ethnic minorities, 10 = Strongly opposes more rights for ethnic minorities), (7) stance towards nationalism (0 = Strongly promotes cosmopolitan rather than nationalist conceptions of society, 10 = Strongly promotes nationalist rather than cosmopolitan conceptions of society), (8) salience of anti-establishment and anti-elite rhetoric (0 = Not important at all, 10 = Extremely important), (9) importance of reducing political corruption (0 = Not important at all, 10 = Extremely important), (10) position on improving public services vs. reducing taxes (0 = Fully in favor of raising taxes to increase public services, 10 = Fully in favor of cutting public services to cut taxes), (11) views on deregulation (0 = Strongly opposes deregulation of markets, 10 = Strongly supports deregulation of markets), (12) position on redistribution of wealth from the rich to the poor (0 = Fully in favor of redistribution, 10 = Fully opposed to redistribution), (13) stance on state intervention in the economy (0 = Fully in favor of state intervention, 10 = Fully opposed to state intervention).

By means of a factor analysis, they summarize these items along three dimensions, each measured on a standardized 100-point scale. The first dimension reflects items (1)-(7) and is an authoritarianism score capturing preferences towards a strictly ordered society in which infringements of authority are to be punished severely. The second dimension is linked to items (8)-(9) and measures the anti-establishment ideology that considers society to be ultimately separated into two homogenous and antagonistic groups – the “pure people” and the “corrupt elite” – and argues that politics should be an expression of the will of the people. The last score is related to items (10)-(13) and has to do with the left-right positioning. Our measure of populism (*Populism<sub>p</sub>*) is the second dimension, that capturing anti-establishment attitudes. This choice is motivated by the fact that the other candidate score – the authoritarianism one – seems not well suited to capture the Italian setting in 2013. In Italy, authoritarianism has been very well established since the rise of fascism, overlapping with right-wing spectrum of the political scenario. On the contrary, we want to capture the new component of populist vote, that related to the resentment of people against the elite that is the novel populist

perspective (Gennaioli and Tabellini, 2018). In an additional exercise, we test whether the Structural funds treatment impacts on authoritarianism too and find that this is not the case.

Figure 3 shows the anti-establishment score at the party level. Five Stars Movement is the most populist party, followed by Rivoluzione civile (Civil Revolution), an electoral coalition including Rifondazione comunista (Communist Refoundation Party) and other minor extreme left-wing parties.

With the parties' populism intensity in hands, we then map them into municipalities using the shares of votes that party  $p$  received in municipality  $i$  at the 2013 general election:

$$Populism_i = \sum_p share_{ip} * Populism_p.$$

Figure 2 (Panel B) shows the variability in populism across municipalities.

In a robustness exercise, we also used the 0-1 classification by Inglehart and Norris (2019), according to which a party is labelled as populist if its overall score is at least 50.<sup>3</sup> Accordingly, we consider  $\overline{Populism}_i = \sum_p share_{ip} * \overline{Populism}_p$ , where  $\overline{Populism}_p$  is a dummy equal to one if the party  $p$  is populist. Table 1 shows the main descriptive statistics on the outcome variable and on the key regressors.

### 2.3 Political landscape

Modern populist instances made their appearance in Italy's political landscape with the general election held in 2013. At that election, the Five Stars Movement, founded in 2009, gained 25.6% of the popular vote, corresponding to 109 seats (out of 630) at the Chamber of Deputies. The share of parties whose populist score is at least 50 (see footnote 3) was equal to 63%. The boom of a populist

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<sup>3</sup> Parties coded as populist are the Movimento Cinque Stelle (Five Stars Movement), Rivoluzione civile (Civil Revolution), Lega Nord (Northern League), Sinistra Ecologia Libertà (Left Ecology Freedom), Fratelli d'Italia (Brothers of Italy), Partito Democratico (Democratic Party), Centro Democratico (Democratic Centre). Our core results are confirmed if we raise the cutoff to 60, 75, 90.

party on the national scene was quite a shocking event. Figure 4 depicts the time series for the Google Trends related to Italian queries for the word “populism”. It suggests that for a long period before the general election (held on 24<sup>th</sup> and 25<sup>th</sup> February 2013) there was not so much interest in the term “populism”; after the election, that attention boomed. Also note that the rise of Italy’s populism precedes the date of the Brexit referendum (23<sup>rd</sup> June 2016) and that of the election of Donald Trump (8<sup>th</sup> November 2016). Indeed, there were very few signs that losers’ discontent might have evolved in protest voting.

### 3. Identification strategy

Throughout the paper we adopt a parametric spatial RDD at the municipality level. We focus on the border separating Molise and Lazio on the Northern side to Puglia and Campania on the Southern side (see Figure 1). Populism is regressed on the treatment status, a second-degree polynomial in latitude and longitude and border fixed effect (see Dell, 2010):

$$Populism_i = \alpha_0 + \alpha_1 T_i + f(latitude_i, longitude_i) + \varphi_b + \varepsilon_i \quad (1)$$

where  $Populism_i$  is defined above,  $T_i$  is a dummy variable equal to one if municipality  $i$  belongs to a Convergence Objective region and zero otherwise,  $f(latitude_i, longitude_i)$  is a second-order degree polynomial in latitude and longitude,<sup>4</sup> and  $\varphi_b$  are border fixed effects that capture heterogeneity related to the position along the border. As robustness checks we estimate equation (1) after substituting  $f(latitude_i, longitude_i)$  with a second-degree polynomial in (Euclidean) distance from the border, allowing for varying slopes on the two sides. We further show that our results are confirmed using a nonparametric approach.

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<sup>4</sup> Gelman and Imbens (2019) advise against the use of higher-order degree polynomials; in Section 4.3 we also check that our results are robust to the choice of polynomial order.

We also consider a variation on equation (1) in which the regressor of interest is the continuous and potentially endogenous treatment given by disbursements that, in turn, is regressed on the Convergence Objective status in a 2SLS framework. Namely, we estimate:

$$Populism_i = \beta_0 + \beta_1 \ln(disbursements_i) + f(latitude_i, longitude_i) + \varphi_b + \mu_i \quad (2)$$

$$\ln(disbursements_i) = \gamma_0 + \gamma_1 T_i + g(latitude_i, longitude_i) + \tau_b + \sigma_i \quad (3)$$

where  $disbursements_i$  is the average disbursement per capita over the five-year period before elections,  $g(latitude_i, longitude_i)$  is a second-order degree polynomial in latitude and longitude, and  $\tau_b$  are border fixed effects. The model in equations (2)–(3) takes into account that: (i) all municipalities receive some treatment, even if it relies on very different endowments, and (ii) the intensity of treatment also differs within treated regions. Equations (1) and (2)–(3) are estimated on different samples: within 75/50/25 km of the border (Figure 5), and within 50 km of the border, but excluding municipalities whose distance is less than 10 km, to check that potential spatial spillovers do not drive our results. To take into account potential spatial dependence, in all specifications standard errors are corrected using the Conley (1999)'s procedure; following Colella et al., (2019), we use radius = 10 km, which maximizes the standard error of the key coefficient in the baseline specification with discrete treatment.

The idea behind our spatial RDD approach is that, through the border, only the treatment status changes with this discontinuous jump, while all the other characteristics are evenly distributed. Under this condition, it is possible to separate the effect of the policy from everything else (Black, 1999). It is well known that the RDD is deemed preferable to other non-experimental methods because if the units of the analysis (in our case the Italian municipalities) are unable to precisely manipulate the forcing variable, the variation of the treatment around the border is randomized as though the municipalities had been randomly drawn on just one or the other side of the boundary (Lee, 2008).

Before moving to the results, we note that our sample is made of “losers” from recent, large economic shocks. The total growth rate of GDP in real terms in the decade before 2013 general election equals -7.5% for provinces near the border, the 35<sup>th</sup> percentile of the distribution. The economic performance was much worse than that referred to the winners. For example, the province of Monza, located in the North of the country near Milan, grew by 11.7% (90<sup>th</sup> percentile). Milan (98<sup>th</sup> percentile) by 22.5%. This reassures on the fact that our sample is well suited for our research questions since we focus on relief/compensation across the “losers”.

## **4. Results**

This section starts by illustrating some preliminary evidence that motivates the RDD approach (Section 4.1). Then, it provides the baseline results (Section 4.2) and substantiates them with full-fledged robustness and placebo analyses (Section 4.3). Two tests aimed at quantifying the potential bias stemming from compound treatment effects are shown in Section 4.4. Then, we rule out the concern that EU funds buy pro-European attitude, which, in turn, may be correlated with populism and explore the impact on authoritarianism. We also study some mechanisms through which the effect percolates on political preferences, looking at the winners and losers of the political competition, and the specific modalities through which EU money reaches the local communities (Section 4.5). Finally, we provide some far-from-the-threshold calculations intended to corroborate the far-from-the-threshold external validity of our local estimates (Section 4.6).

### *4.1 Preliminary tests*

In Table 2 we show two noteworthy features of our data, supporting the research question and paving the way for the subsequent analysis. First, we run an RDD regression at the municipality level using disbursements from EU regional policy as dependent variable. In particular, we consider average per capita spending in the five years before the 2013 general election (2008–2012). These “first-stage” results always confirm the relevance of the treatment: crossing the border implies around a 120% jump in EU transfers (column 1), equal to € 125 (column 2; 1% of the disposable

income per capita of the treated areas). In column 3 we show that control units are not compensated with different forms of public transfers: 2008-2012 average municipal government's per capita expenditures are balanced across the cutoff. Then, we test the possible confounding role of the 2013 reform of the Domestic Stability Pact (DPS), which widened the number municipalities potentially subject to an augmented fiscal discipline by lowering the threshold of exposed municipalities from 5,000 to 1,000 inhabitants. Though this has the potential to influence local expenditure in terms of dynamics and composition (Grembi et al., 2016), in column 4 we show that the share of municipalities that have changed status is balanced across the cutoff. In the last five columns we finally show the balancing properties for local political business cycle, as well as for mayors' observable characteristics (gender, education, age): in all cases, the balancing conditions are met.

Table 3 shows that, at the same time, treated and controls units are equally exposed to those shocks that the established literature pointed out as populism's economic drivers: immigration, competition from China, the introduction of Euro, fiscal austerity, robotization.<sup>5</sup> Taken together, the pieces of evidence in Tables 2 and 3 highlight the essence of our exercise: comparing units that are similarly hit to fiscal and economic shocks bringing to the populist backlash but that differ with respect the economic cushion provided by the public funds.

Table 4 completes the picture about the validity of the spatial RDD as a credible identification strategy in our setting. If the variation in the Convergence Objective status near the edge is approximately

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<sup>5</sup> Immigration (Barone et al., 2016) is measured as the ratio between immigrants and total population in 2001. Exposure to the China shock (Autor et al., 2020) is measured as  $\sum_k \frac{L_{ik} \Delta M_k^{ITA}}{L_i L_k}$ , where  $\Delta M_k^{ITA}$  is the yearly average change in imports from China to Italy observed in sector  $k$  over the 2008–2013 period,  $L_k$  is Italian employment in sector  $k$  in 2001,  $L_{ik}$  is the employment in municipality  $i$  and sector  $k$  in 2001, and  $L_i$  is the total employment in municipality  $i$  in 2001. Exposure to the euro shock is proxied by  $\sum_k \frac{L_{ik}}{L_i} (1 - \vartheta_k) \Delta REER$ , where  $\vartheta_k$  is the sectoral skill intensity in manufacturing sector  $k$  taken from Bugamelli et al. (2010) (lower sectoral skill content implies higher sensitivity to price competition);  $\Delta REER$  is the annual change of the real effective exchange rate of the Italian currency in the 2008–2013 period, whose positive values indicate appreciation and, thus, loss of competitiveness. Exposure to fiscal discipline is proxied by  $\sum_k \frac{L_{ik}}{L_i} \rho_k$ , where  $\rho_k$  is the sectoral dependence on public spending computed as the share of the final demand that is acquired by the public sector according to the 2005 Input-Output accounts. Exposure to robotization (Acemoglu and Restrepo, 2018) is measured as  $\sum_k \frac{L_{ik} \Delta R_k^{ITA}}{L_i L_k}$  where  $\Delta M_k^{ITA}$  is the change in the operational stock of industrial robots between 2002 and 2012.

randomized, it follows that all other “baseline covariates” – those variables determined prior to the start of the policy – should be continuous around the threshold. We focus on a large number of variables that should capture most of the heterogeneity at the municipality level. Overall, no jump occurs at the threshold for a number of geographic features (columns 1–3) and demographics (columns 4–5). At the same time, human and social capital, which are potentially correlated both with EU disbursements and populism, are balanced (columns 6–7). The next four columns reassure that neither plant density, sectoral composition nor difference in firm size may drive the results (columns 8–12). Column 13 shows that the broadband diffusion, another potential confounder (Guriev et al., 2019; Manacorda and Tesei, 2020; Schaub and Morisi, 2020), is the same at the cutoff; the same holds for institutional quality (column 14).<sup>6</sup> We finally check that lagged political preferences are the same on the two sides of the threshold. Ideally, one would like to see that lagged *Populism* is balanced; unfortunately, the 2013 CHES-based score cannot be straightforwardly applied to previous elections because the political scenario was very different. For example, the populism issue was basically very low in the public debate before 2013 general election (see Subsection 2.3). However, as suggested by Colantone and Stanig (2019) some populist traits were common across right parties since the mid-1990s. Hence, we use the share of right-wing votes at 2006 general election (the last one before the programming cycle 2007-2013 started) as the dependent variable. Again, the balancing RDD assumption is met (column 15). Another lagged variable that could predict populism is the weight of extreme parties, which does not change at the cutoff (column 16).

#### 4.2 Main results

Table 5 provides our baseline results. They refer to two different parametric models and for each of them we use bandwidths of varying size (75 km, 50 km and 25 km, respectively). Our dependent variable is *Populism*. In columns 1 to 3, we report results from equation (1). Our findings suggest that the impact of the transfers on populism is sizable. For the 50 km bandwidth, which we will consider as our benchmark, crossing the Convergence Objective border implies a reduction of 5.0 p.p. in

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<sup>6</sup> De Angelis et al. (2018) measure institutional quality in Italian municipalities by the number of days between the Central state’s deadline for the approval of a local tax (TASI) and the date of adoption that changes at the municipality level. The underlying idea is that the earlier a local administration is able to update the rules on local taxation, the more it is efficient.



*Populism*. This effect corresponds to about 9% of the mean of *Populism* (101% of its standard deviation). The impact is highly significant and robust across the various bandwidths. The second model, in columns 4 to 6, makes use of the actual (log) per capita disbursements received by the municipality and instruments them using the Convergence Objective status (see equations (2)–(3)). The first stage F-statistics is always largely reassuring, and the second stage effect is estimated to be of a magnitude similar to those of the previous experiments: if we increase EU funds by one standard deviation, *Populism* decreases by four-fifths of its standard deviation.

Table 6 shows nonparametric estimates obtained using local linear regressions,<sup>7</sup> in which we use Euclidean distance from the border as forcing variable. The estimator for the Convergence Objective status effect is computed using the procedure developed in Calonico et al. (2014) and Calonico et al. (2017). Reassuringly, the estimated impacts are very near the ones derived with parametric specifications.

Before moving ahead, we can now discuss two relevant points related to the interpretation of our results. First, we show that financial transfers injected by the EU regional policy toward Italian lagging areas have had the ability to reduce populist voting. How can this result be rationalized? The estimate in Table 2, column 2, indicates that voters living in treated units receive an additional aid equal to 125 euros per capita, which turns out to be a relevant relief for the marginal voter. In order to better appreciate the size of the economic support, note that it is equal to 1% of disposable income per capita in the treated regions, as well as three times the money people received in 2019 according to citizens' income scheme (42 euros per capita), the most important program that Italy recently designed to alleviate poverty. On the other hand, in the case of Italy EU money had modest effect on regional convergence (see, for instance, Ciani and de Blasio, 2015), so suggesting that people react to money per se as short-term relief, regardless of its long-term effect on economic growth.<sup>8</sup>

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<sup>7</sup> Using different orders of the local polynomial does not significantly affect the results (estimates are available upon request).

<sup>8</sup> We experimented with some proxies of economic development (employment, plants, and population) and we had never been able to find positive effects of the policy (results are available upon request).

Second, one aspect that is important to keep in mind is that EU funds have been around for years before the onset of populism (see Section 2). They are not a redistributive response to the rise of populism. An obvious question arises: why do EU money matter for populism precisely in this historical juncture? The answer moves from Gennaioli and Tabellini (2018), who argue that, in the last years, the key dimension of the political conflict has changed. The old redistributive conflict between left and right, which triggered a demand for protection through the welfare state, has been substituted by a new cleavage between nationalist and anti-elitist versus cosmopolitan and progressive positions, with adverse economic shocks pushing voters towards populist instances. Interestingly, relevant social groups have changed too: from workers vs capitalists to skilled/urban/elite (the “winners”) vs unskilled/rural/people (the “losers”). Against such a changing political landscape, it may well be the case that in the past funds did not shape political preferences (see Table 4, columns 15-16), while nowadays they soften economic shocks so reducing populism.

#### *4.3 Robustness checks*

Next, we probe the robustness of our results. We start by using the specification of Table 5, column 2, as the benchmark. In Table 7, column 1, we change our measure of populism, and use the share of votes for populist parties according to the 0–1 definition of Inglehart and Norris (2019). We find that transfers still impact negatively on the outcome, and the effect is highly significant. In column 2, we drop the observations close (10 km) to the two sides of the border. This exercise ensures that our findings are not driven by the relocation or commuting of people across the Convergence Objective boundary. Results are nicely confirmed, thus validating the identification strategy. As discussed by Lee and Lemieux (2010), because of its local-randomized nature, it is not necessary to include additional controls in an RDD setting to obtain consistent estimates. However, doing so might improve the precision of the estimates in small samples (Imbens and Lemieux, 2008). In column 3 we add as controls all the variables used as dependent variables in Table 2, columns 3-9, and in Tables 3-4. The results show that including additional controls has few consequences on the core point estimate. Next, we worry that we might erroneously attribute some underlying spatial trends in populist voting to the crossing of the Convergence Objective status border. To lessen this concern, we replicate our baseline specifications by using fake borders. To be sure, in column 4 we consider a

false border (50 km north of the true border) within non-Convergence Objective areas, while in column 5 we consider a false border (50 km south of the true border) within Convergence Objective territories. The results clearly suggest that we are not mistakenly capturing something different from the impact of the EU programs. Column 6 confirms our results using a different statistical unit of analysis (local labor market) that might better accommodate measurement errors stemming from spending spillovers across municipalities. Column 7 presents the estimated impact after replacing the latitude and longitude polynomial with a second-degree polynomial in the Euclidean distance to the border (we allow the slopes of the polynomial to be different across the cutoff). Although the coefficient is smaller, the result remains qualitatively unchanged.<sup>9</sup> Finally, Columns 8-9 show that the choice of polynomial order does not affect our findings.

Then, we move to the 2SLS specification (Table 8). Yet again, we change the measure of our outcome variable (column 1), drop the observations in the 10 km safety belt (column 2), and add the baseline covariates (column 3). In columns 4 and 5 we average disbursement by EU programs over a period, respectively, of four and three years (in the baseline, this measure refers to a five-year average). Column 6 reports results using local labor market as statistical units. Finally, in column 7 we use Euclidean distance as forcing variable, while in columns 8-9 the polynomial order is assumed to be linear or cubic, respectively. The results of these robustness checks do not alter our main findings.

#### *4.4 Discussion on compound treatment*

Thus far we have shown that, when crossing the Convergence Objective border, *Populism* shows a significant drop, which we interpret as the effect of the EU regional policy. As anticipated, the border we focus on provides us with important advantages with respect to identification challenges. However, our border has a small overlap with one of those previously employed under the regional policy, namely that between Lazio and Campania (see Figure 1). To make sure that our findings are not driven by such overlap, we rerun baseline regressions after excluding municipalities located in

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<sup>9</sup> Figure 6 depicts the canonical RDD graph that shows the downward jump of *Populism* at the cutoff. Unreported evidence (available upon request) shows that the results with the univariate forcing variable are very stable if we replace Euclidean distance with travel distance.

Lazio (north of the overlapped border) as well as those located in Campania whose distance from the border with Molise is larger than 50 kilometers. Table 9, which mimics Table 5 shows that our findings are stable to this check.

Besides the role of the legacy of historical borders, another concern may be motivated by the fact that the cutoff upon which our inference rests on coincides with that separating Italy's regional jurisdictions. We think that the consequent risk of compound treatment is very low because the hypothetical omitted variable jumping at the threshold should not be correlated to any of the variables that we show are balanced and, at the same time, should be correlated with the outcome. Nevertheless, such a claim can be tested as follows. First, we construct a pool of 405 controls that includes variables used as outcomes in Table 2, columns 3-9, and in Tables 3-4 (excluding quality of institutions, due to missing values), their squared values and all two-way interactions. Then, we select them by means of a double selection procedure based on LASSO procedure (Belloni et al., 2014). Finally, we rerun our baseline regression (1) including as additional controls only variables selected at the previous stage. This way, we are implicitly "controlling", in a non-linear fashion, for a huge number of potential omitted variables that have to do with concurrent economic shocks, geography, demography, human and social capital, sectoral composition and firm size, digital divide, political economy features, as well as their interactions. As expected, the coefficient for the treatment variable is very stable (-5.228, standard error = 0.704).

In what follows, we offer further evidence on the compound treatment concern by testing whether changing administrative region without changing treatment status, implies a change in populist voting. We run two exercises. In the first one, we keep the sample as similar as possible to that used so far and, hence, focus on the border between Lazio and Molise (neither of which are in the Convergence Objective) and the one between Campania and Puglia (both in the Convergence Objective). After stacking the two samples, we assume that the (fake) treatment is assigned to municipalities located in Molise and in Puglia, whose municipalities are compared with those in Lazio and Campania, respectively. Table 10 shows that in the absence of a discontinuity in transfers, crossing the regional border does not carry with it any change in local political preferences toward

populism. This result holds for various distances from the borders (columns 1–3), and when we restrict the sample to those municipalities that also belong to the sample used in our baseline regressions (columns 4–6).

In the second exercise, in which we gain generalizability but lose comparability, we push forward the same idea and repeat the RDD test for all borders separating pairs of Italian regions. After excluding main islands (Sicily and Sardinia), as well as other special status regions (Valle d’Aosta, Trentino-Alto Adige, Friuli-Venezia Giulia) that receive larger amounts of transfers from the central government, we are left with 21 borders. For each border, we rerun the reduced-form regression with a 50-km bandwidth. Needless to say, we can not be sure that for all 21 borders balancing conditions like those shown in Section 4.1 hold. For example, consider two neighboring regions (A and B); if A, relative to B, is more specialized in some manufacturing sector and some global idiosyncratic shock hits that sector, then the following economic downturn in A might translate in a positive jump in voters’ anti-establishment attitude when moving from B to A. Other confounders are possible, such as local political scandals before elections, etc. In order to minimize the confounding role of baseline covariates, we run the spatial RDD exercises controlling for all variables whose balancing is shown in Table 2, columns 3-9, and in Tables 3-4 (analogously to Table 7, column 3). Since we are interested in the existence of discontinuities, irrespective of the sign that has no economic meaning, we take the absolute value of the estimated coefficients. Results, shown in Figure 7, are largely reassuring: the effect at the Convergence Objective threshold turns out to be by far the largest, about 5 times the average values recorded at fake cutoffs (1.2).<sup>10</sup> 16 out of 21 jumps are statistically undistinguishable from 0, while in the remaining 5 cases some local confounder is likely to be at work.

#### *4.5 Interpretation and further results*

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<sup>10</sup> Computed as weighted average of betas for 21 fake thresholds with weights equal to the inverse of the beta’s variance (Disdier and Head, 2008).

We have shown that EU structural funds lowers populism. Our interpretation is that in the treated units the populist content of vote is lower because economic insecurity is lower, thanks to disbursements from the EU. However, an alternative potential explanation may be at work. If people living in the Convergence Objective municipalities would be fully aware that funds come from the EU, they could simply react by increasing their pro-European attitude. In equilibrium, if this attitude is correlated with *Populism*, the underlying story and the related policy implications would be somehow different. For example, fiscal expansions differently funded would not exert the same effect on *Populism*. In order to disentangle between the two competing interpretations, we exploit information on European integration taken from the 2014 CHES. Namely we run a factor analysis on the following variables: (1) overall orientation of the party leadership towards European integration; (2) position of the party leadership on whether Italy has benefited from being a member of the EU; (3) position of the party on the powers of the European Parliament; (4) position of the party on the internal market; (5) position of the party on EU regional policy; (6) position of the party on EU foreign and security policy; (7) position of the party on EU authority over member states' economic and budgetary policies. Note that these pieces of information are not used to estimate *Populism*. We then build *pro-Europe<sub>p</sub>* as the first factor, normalized on a [0-100] scale;<sup>11</sup> *pro-Europe<sub>p</sub>* is finally mapped into municipalities by means of the vote shares. The first two columns in Table 11 show that EU funds do not have any effect on *pro-Europe*: this result strongly supports our view that funds matter as they alleviate economic distress, so broadening the main policy implication of our exercise.<sup>12</sup>

As stated above, our interpretation is that the role of EU funds as populism determinant emerges in a particular historical juncture in which relevant shocks hit the Western societies and, at the same time, the political spectrum has shifted from the traditional redistributive conflict towards a new conflict between conservative versus cosmopolitan views. A slightly different explanation is that

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<sup>11</sup> *Pro-Europe* equals 100 for Civic Choice, 87.7 for Democratic Party, 86.6 for Aosta Valley, 84.6 for South Tyrolean People's Party, 83.9 for Union of the Centre and for Democratic Centre, 73.0 for New Centre-Right, 51.0 for Forward Italy, 36.2 for Left Ecology Freedom, 25.6 for Civil Revolution, 16.5 for Brothers of Italy, 2.4 for Five Stars Movement, 0 for Northern League.

<sup>12</sup> Our results are at odds with those in Borin et al. (2021), who addresses the question of whether the EU redistributive policy (negatively) affects Euroscepticism (as measured by the European social survey) in European regions and finds that, in their data, it is the case.

people show their disappointment towards political parties that ruled the country during previous years by casting their vote for the Five Stars Movement – the main new (opposition) party at 2013 general election – and that EU funds interact with this trend. Mind that these two explanations are not easy to disentangle because the Five Stars Movement is also that ranking first in the populism score. However, in order to see if our data support this alternative interpretation, in columns 3 and 4 of Table 11 we consider the share of votes for this new party as dependent variable. The estimated coefficient is negative but much smaller than that referred to populism, and its precision is low so that it does not reach the usual significance levels: in our sample, the hypothesis that people’s anger translates towards new parties instead of anti-elite instances is not supported. In addition, this last result on the share of Five Stars Movement shows also that it is an imperfect proxy variable for the anti-establishment content of vote, as Figure 3 highlights.

In Table 11 we also consider a different dimension of the populist milieu. As noted above, Inglehart and Norris (2019) propose another score based on CHES data that refers to a taste for authoritarianism, another face of populism that is much more rooted in the Italian history. It is interesting to see if EU funds shape also this component. Table 11, columns 5-6, shows that this is not the case. This result is consistent with the interpretation of our findings: the recent upsurge of populism is something that has to do with the gap between “common citizens” and the “elite” and EU funds are a relief for that, while nationalism has probably different drivers. It can also help to explain why Eastern European countries receive a huge amount of EU funds but, at the same time, are featured with a strong nationalism: receiving public transfer changes the negative feeling toward the elite but do not shape the demand for authoritarian politicians.

Now, we provide some insight on the mechanism underlying our results. *Populism* is the share of votes to populist parties, where populism intensity is measured on a [0–100] scale. It is interesting to see whether the detected negative effect comes from an effect on the numerator, the denominator or a combination of both. Table 12 provides the breakdown. After controlling for the log of voting-eligible population, EU transfers have a negative discernable impact on the log of the absolute number of populist votes: in the treated municipalities they go down by more than 18% (column 1;

see also column 4). However, non-populist votes (defined for each party as the complement to 100 of *Populism*) do not benefit from such a drop (columns 2 and 5). On the other hand, EU money slows down the log of number of total valid votes (columns 3 and 6), thereby decreasing voter turnout. These results suggest that economic aids alleviate somehow the potential populist voter so that he/she refrains from express his/her protest at polls. This result is consistent with recent research showing that part of the success of populists comes from their larger ability to increase mobilization of disillusioned voters (e.g. Gennaro et al., 2021).

Finally, we provide a breakdown of the impact according to the types of transfers. We can distinguish between incentives to households and firms, public works and current expenditures of local administrations (Table 13). All of them seem to contribute to the slowdown of populist instances, suggesting that money matters per se, irrespective of the channel through which it goes to territories. The magnitude of the estimated coefficient is significantly lower in the first column, probably because disbursements related to public works are more likely to spillover to different municipalities.

#### *4.6 Inference far from the threshold*

As it is well known, the RDD setting allows unbiased estimates of the treatment effect only at the threshold, while the impact of the treatment on infra-marginal municipalities may also be of interest. In what follows we make use of Angrist and Rokkanen's (2015) conditional independence assumption (CIA) to see whether our estimated treatment effect is stable for away-from-the-cutoff municipalities. The idea of the CIA is to break the relationship between treatment status (Convergence Objective) and outcomes by means of a number of covariates such that, conditional on them, outcome is independent of the running variable (distance). The vector of covariates is then used to identify counterfactual values for the outcome variables of interest.

Choosing such covariates is equivalent to identifying the omitted variables in a regression of populism on distance from the border. We do that by means of a double selection procedure based on LASSO



(Belloni et al., 2014): starting with 412 potential controls,<sup>13</sup> we finally select 8 variables. CIA tests are reported in Table 14, which shows the results from five estimation windows of various widths from 10 to 50 km (that cover the whole baseline sample). The 30 km bandwidth is the largest one for which the CIA is satisfied, while in the 40 km bandwidth there is evidence of CIA violations on the right side. We are not able to provide a far-from-the-threshold inference for distances further than 40 km. With these results in hand, Table 15 shows the regression of *Populism* on the Convergence Objective treatment dummy and the selected covariates. In column 1, we show the benchmark estimate obtained by estimating equation (1) in which  $f(\text{latitude}_i, \text{longitude}_i)$  is substituted by the forcing variable (distance measured in km).<sup>14</sup> Overall, estimates suggest that the estimated treatment effect is rather stable within 40 km, ranging from -4.6 to -6.2 percentage points, compared to -5.5 estimated at the cutoff.

## 5. Concluding remarks

In recent years, a number of economic shocks such as globalization and the Great Recession have hampered economic well-being in Western countries and the distribution of the resulting costs has been uneven, especially across regions. Losers complained by embracing populism as a reaction to their rising economic insecurity. A pertinent question then is to what extent redistribution is able to counteract the appeal of populist views. We have studied the case of EU cohesion policy in a spatial RDD framework applied to Italian municipalities. Some previous evidence – based on the case of Brexit – suggests that regional aid has little role, implicitly inferring that cultural causes might be the source of discontent insofar as alleviating economic insecurity through aid does not seem to matter. This paper shows that that the previous conclusion drawn from the example of Brexit has no general validity, arguably because of the very special features of the Brexit case that might limit the generalizability of findings grounded on it.

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<sup>13</sup> We use the variables employed as outcomes in Table 2, columns 3-9, and in Tables 3-4 (excluding quality of institutions, due to missing values), their squared values and two-way interaction, together with seven border fixed effects.

<sup>14</sup> Note that such benchmark estimates differ from that shown in Table 7, column 7, which is obtained by controlling for a second-degree polynomial in distance (measured in km) with varying slopes.

We have shown that financial transfers injected by the EU regional policy toward Italian lagging areas have had the ability to reduce the anti-establishment component of populism. Our findings also highlight that the authoritarian component of populism is not sensitive to funds and that money matters per se, irrespective of the specific channels – investment or consumption-oriented – through which it is injected toward local communities. This aspect seems to be consistent with the idea that the potential protest voter needs short-term support, and the long-term consequences of the transfers (e.g. their consistency with public sector fiscal equilibria) are considered as second-order issues.

We believe that our findings are very interesting for the current debate on the political consequences of economic difficulties in Western countries. Populist forces tend to maximize their short-term political dividend by suggesting a number of recipes pointing to de-globalization; however, the consequences of such policies might be even more unequally distributed. On the contrary, we argue that redistribution policies should be reinforced as a necessary complementary pillar of the traditional liberal package that neatly separates production and distribution of income.

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## Tables and figures

**Table 1: Descriptive statistics**

Panel A: Whole country – treated and untreated municipalities						
VARIABLES	Units	Observations	Mean	Standard dev.	Min	Max
Populism	Percentage points	7,883	60.640	4.975	33.005	81.951
Convergence Obj.	0-1	7,883	0.268	0.443	0	1
Disbursements	Average euros per capita 2008-2012	7,883	56.046	100.238	0.000	3,399.317
Panel B: Whole country – treated municipalities						
VARIABLES	Units	Observations	Mean	Standard dev.	Min	Max
Populism	Percentage points	2,113	57.581	5.178	34.988	73.600
Convergence Obj.	0-1	2,113	1	0	1	1
Disbursements	Average euros per capita 2008-2012	2,113	143.064	139.980	8.648	3,399.317
Panel C: Whole country – untreated municipalities						
VARIABLES	Units	Observations	Mean	Standard dev.	Min	Max
Populism	Percentage points	5,770	61.760	4.395	33.005	81.951
Convergence Obj.	0-1	5,770	0	0	0	0
Disbursements	Average euros per capita 2008-2012	5,770	24.179	52.586	0.000	1,216.906
Panel D: 50km sample – treated and untreated municipalities						
VARIABLES	Units	Observations	Mean	Standard dev.	Min	Max
Populism	Percentage points	560	57.634	4.995	39.933	73.373
Convergence Obj.	0-1	560	0.532	0.499	0	1
Disbursements	Average euros per capita 2008-2012	560	103.448	187.104	6.303	3,399.317
Panel E: 50km sample – treated municipalities						
VARIABLES	Units	Observations	Mean	Standard dev.	Min	Max
Populism	Percentage points	298	55.146	4.280	39.933	66.618
Convergence Obj.	0-1	298	1	0	1	1
Disbursements	Average euros per capita 2008-2012	298	146.490	234.337	28.326	3,399.317
Panel F: 50km sample – untreated municipalities						
VARIABLES	Units	Observations	Mean	Standard dev.	Min	Max
Populism	Percentage points	262	60.464	4.181	47.037	73.373
Convergence Obj.	0-1	262	0	0	0	0
Disbursements	Average euros per capita 2008-2012	262	54.492	89.273	6.303	975.389

**Table 2: Exposure to EU funds (first stage), to concurrent public spending, and to local electoral cycle**

Dep. var.	Exposure to EU funds		Local public spending		Local electoral cycle				
	(1) Ln(disburs.)	(2) Disbursm.	(3) Municipal Exp.	(4) Change in DSP	(5) Years to next munic. election	(6) Second term	(7) Mayor: female	(8) Mayor: graduate	(9) Mayor: age
Conv. Obj	1.234*** (0.182)	124.5*** (30.8)	-15.9 (275.0)	0.0272 (0.0832)	0.0626 (0.265)	0.0159 (0.0825)	-0.0277 (0.0440)	0.058 (0.651)	-2.127 (1.631)
Sample Avg	4.091	103.4	1,312	0.491	2.957	0.347	0.0599	14.49	51.93
Obs	560	560	560	560	559	501	501	501	501

The dependent variables are: Ln(disbursements per capita) (col. 1), Disbursements per capita (col. 2), 2008-2012 average municipal government's per capita expenditure (col. 3), a dummy variable for change in the DSP (col. 4), Years to municipal elections as of the end of 2012 (col. 5), Share of second terms at municipal level as of the end of 2012 (col. 6), a dummy variable for female mayor as of the end of 2012 (col. 7), Years of mayor's formal education as of the end of 2012 (col. 8), Mayor's age as of the end of 2012 (col. 9). The estimation method is OLS. The bandwidth is 50 km. All specifications include a second-degree polynomial in latitude and longitude and 7 border fixed effects. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 3: Exposure to economic drivers of populism**

Dep. var.	(1) Share of immigrants	(2) Exposure to China	(3) Exposure to euro	(4) Exposure to fisc. discip.	(5) Exposure to robots
Conv. Obj	0.0047 (0.0044)	-0.0016 (0.0023)	-1.548 (3.471)	0.0021 (0.0053)	-1.116 (0.883)
Sample Avg	0.0318	0.0149	21.37	0.0380	4.698
Obs	560	560	560	560	560

The dependent variables are: Share of immigrants over population in 2001 (col. 1), Exposure to China import competition (col. 2), Exposure to euro (col. 3), Exposure to fiscal discipline (col. 4), Exposure to robotization (col. 5). The estimation method is OLS. The bandwidth is 50 km. All specifications include a second-degree polynomial in latitude and longitude and 7 border fixed effects. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 4: Balance checks**

Dep. var.	Geography			Demography		Human & social capital	
	(1) Seaside	(2) Altitude	(3) Slope	(4) Population	(5) Aging index	(6) Share of graduates	(7) Social capital
Conv. Obj	-0.0156 (0.0536)	-35.45 (56.88)	13.78 (102.5)	549.5 (1602)	5.669 (31.32)	-0.259 (0.362)	0.0206 (0.0347)
Sample Avg	0.0393	449.9	622.6	5,749	181.8	4.715	0.0339
Obs	560	560	560	560	560	560	560

The dependent variables are: Seaside municipality (col. 1), Altitude (col. 2), Max altitude - min altitude (col. 3), Population (col. 4), Aging index (col. 5), Share of graduates (col. 6), Social capital, proxied by the of existence of an organ donation organization (col. 7). All the dependent variables are measured in 2001. The estimation method is OLS. The bandwidth is 50 km. All specifications include a second-degree polynomial in latitude and longitude and 7 border fixed effects. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.



**Table 4: Balance checks (continued)**

Dep. var.	Structure of the local economy					Digital divide, Quality of institutions		Past political preferences	
	(8) Plant density	(9) Share industry	(10) Share construction	(11) Share services	(12) Share small firms	(13) Digital divide	(14) Quality of institutions	(15) Share right-wing votes	(16) Share extreme votes
Conv. Obj	4.159 (6.010)	-2.253 (3.739)	-0.440 (1.939)	2.196 (3.296)	0.339 (0.503)	-0.0913 (0.0833)	-9.591 (7.853)	-3.294 (3.475)	0.830 (1.033)
Sample Avg	16.39	20.80	14.26	64.17	98.86	0.620	29.47	45.92	8.553
Obs	560	560	560	560	560	560	397	560	560

The dependent variables are: Number of plants per sq. km. (col. 8), Share of employees in industry (col. 9), Share of employees in construction (col. 10), Share of employees in services (col. 11), Share of employees in firm with less than 20 employees (col. 12), a dummy variable equal to one if there is no full broadband access in 2013 (col. 13), Quality of institutions in 2012 (proxied by the indicator in De Angelis et al., 2018, col. 14), Average share of votes for right-wing parties in 2006 general election (col. 15), Average share of votes for extreme parties in 2006 general election (col. 16). Right-wing parties are: Alleanza Nazionale, Centro Cristiano Democratico-Centro Democratico Unito, Fiamma Tricolore, Forza Italia, Il Popolo della Libertà, La Destra - Fiamma Tricolore, Lega Nord, Movimento per l'Autonomia - Alleanza per il Sud, Nuovo Psi, Unione dei Democratici Cristiani e Democratici di Centro, Unione di Centro. Extreme parties are: Alternativa Sociale Mussolini, Azione Sociale con Alessandra Mussolini, Comunismo, Comunisti Italiani, Destra Nazionale, Fiamma Tricolore, Forza Nuova, Fronte Nazionale, La Destra - Fiamma Tricolore, Partito Comunista dei Lavoratori, Partito di Alternativa Comunista, Rifondazione Comunista. All the dependent variables in columns (8)-(12) are measured in 2001. The estimation method is OLS. The bandwidth is 50 km. All specifications include a second-degree polynomial in latitude and longitude and 7 border fixed effects. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 5: Baseline results**

Dep. var.	(1) Populism	(2) Populism	(3) Populism	(4) Populism	(5) Populism	(6) Populism
Conv. Obj	-5.197*** (0.956)	-5.062*** (0.942)	-4.124*** (1.043)			
Ln(disburs.)				-4.042*** (0.856)	-4.104*** (0.896)	-3.537*** (1.023)
Bandwidth	75km	50km	25km	75km	50km	25km
Est. method	OLS	OLS	OLS	2SLS	2SLS	2SLS
F first-stage				162.6	100.2	46.3
Observations	834	560	269	834	560	269

The dependent variable is Populism. The estimation method is OLS except for columns 4-6 in which Ln(disbursements) is instrumented with the Convergence Obj. status (2SLS). All specifications include a second-degree polynomial in latitude and longitude and 7 border fixed effects. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 6: Nonparametric estimates**

Dep. var.	(1) Populism	(2) Populism	(3) Populism	(4) Populism	(5) Populism	(6) Populism
Convergence Obj	-5.411*** (0.579)	-5.487*** (0.579)	-5.487*** (0.698)	-4.411*** (0.912)	-4.056*** (0.912)	-4.056*** (1.082)
Method	Conventional	Bias-corrected	Robust	Conventional	Bias-corrected	Robust
Observations	7,093	7,093	7,093	2,261	2,261	2,261
Optimal bandwidth	113.0 km	113.0 km	113.0 km	43.3 km	43.3 km	43.3 km
Effective observations	1,155	1,155	1,155	469	469	469

The dependent variable is Populism. The nonparametric estimator of the Convergence Obj. status effect is computed using the procedure developed in Calonico et al. (2014) and Calonico et al. (2017). The choice of the bandwidth is based on the optimal bandwidth choice proposed by Calonico et al. (2014). In columns 1 and 4, estimates do not account for the possibility of the linear fitting bias; in columns 2-3 and 5-6 estimates account for the presence of the linear fitting bias following the bias-correction procedures proposed by Calonico et al. (2014). In columns 1-3 the initial sample is made of all Italian mainland municipalities; in columns 4-6 the initial sample is made of all mainland Italian municipalities whose distance from the border is lower than 300 km. Triangular kernel. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 7: Robustness checks on the reduced form**

Dep. var.	(1) Populism	(2) Populism	(3) Populism	(4) Populism	(5) Populism	(6) Populism	(7) Populism	(8) Populism	(9) Populism
Convergence Obj	-8.770*** (1.714)	-7.112*** (1.109)	-6.238*** (0.834)			-5.793*** (0.901)	-3.566*** (1.288)	-5.284*** (1.005)	-4.898*** (0.954)
Fake ob. 1 north				0.053 (0.944)					
Fake ob. 1 south					0.559 (1.185)				
Distance < 10 exc.	N	Y	N	N	N	N	N	N	N
Addition. controls	N	N	Y	N	N	N	N	N	N
Statistical units	Munic.	Munic.	Munic.	Munic.	Munic.	LLMs	Munic.	Munic.	Munic.
2° deg. pol.	Lat-lon	Lat-lon	Lat-lon	Lat-lon	Lat-lon	Lat-lon	Distance	Lat-lon	Lat-lon
Poly. order	2nd	2nd	2nd	2nd	2nd	2nd	2nd	1st	3rd
Observations	560	455	356	537	528	42	560	560	560

The dependent variable is Populism, except for columns 1 in which populism is measured according to the Inglehart and Norris (2019)'s classification. The estimation method is OLS. The bandwidth is 50 km; in column 2 municipalities whose distance from the border is lower than 10 km are excluded. All specifications include a second-degree polynomial in latitude and longitude (except for column 7 in which that polynomial is substituted with a second-degree polynomial in km distance with varying slopes, and for columns 8-9 in which that polynomial is respectively linear and cubic) and 7 border fixed effects. In column 3 we also control for the set of variables used as outcomes in Table 2, columns 3-8, and in Table 3. In column 4 (5) the fake threshold is obtained by adding (subtracting) 50 km to the original forcing variable. The statistical unit of analysis is municipality except for column 6 in which it is local labor market. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 8: Robustness checks on the 2SLS estimation**

Dep. var.	(1) Populism	(2) Populism	(3) Populism	(4) Populism	(5) Populism	(6) Populism	(7) Populism	(8) Populism	(9) Populism
Convergence Obj	-7.110*** (1.578)	-4.910*** (1.098)	-4.982*** (0.838)	-3.943*** (0.844)	-3.323*** (0.654)	-4.807*** (1.844)	-3.073** (1.427)	-4.528*** (1.108)	-4.077*** (0.966)
Distance < 10 exc.	N	Y	N	N	N	N	N	N	N
Addition. controls	N	N	Y	N	N	N	N	N	N
Expenditure lags	5y	5y	5y	4y	3y	5y	5y	5y	5y
Statistical units	Munic.	Munic.	Munic.	Munic.	Munic.	LLMs	Munic.	Munic.	Munic.
2° deg. pol.	Lat-lon	Lat-lon	Lat-lon	Lat-lon	Lat-lon	Lat-lon	Distance	Lat-lon	Lat-lon
Poly. order	2nd	2nd	2nd	2nd	2nd	2nd	2nd	1st	3rd
F first-stage	100.2	63.9	80.5	114.4	143.3	12.3	33.9	91.9	75.6
Observations	560	455	356	560	560	42	560	560	560

The dependent variable is Populism, except for columns 1 in which populism is measured according to the Inglehart and Norris (2019)'s classification. The estimation method is 2SLS: Ln(disbursements) is instrumented with the Convergence Obj. status. The bandwidth is 50 km; in column 2 municipalities whose distance from the border is lower than 10 km are excluded. All specifications include a second-degree polynomial in latitude and longitude (except for column 7 in which that polynomial is substituted with a second-degree polynomial in km distance with varying slopes, and for columns 8-9 in which that polynomial is respectively linear and cubic) and 7 border fixed effects. In column 3 we also control for the set of variables used as outcomes in Table 2, columns 3-8, and in Table 3. In column 4 (5) disbursements are averaged over 4 (3) years before the election. The statistical unit of analysis is municipality except for column 6 in which it is local labor market. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 9: Robustness to the exclusion of the border share with other place-based policies**

Dep. var.	(1) Populism	(2) Populism	(3) Populism	(4) Populism	(5) Populism	(6) Populism
Conv. Obj	-5.719*** (1.201)	-4.526*** (1.264)	-3.641*** (1.353)			
Ln(disburs.)				-6.379*** (1.532)	-5.281*** (1.173)	-3.855** (1.509)
Bandwidth	75km	50km	25km	75km	50km	25km
Estim. method	OLS	OLS	OLS	2SLS	2SLS	2SLS
F first-stage				59.5	36.6	21.7
Observations	717	465	228	717	465	228

The dependent variable is Populism. The sample excludes municipalities located in Lazio while those in Campania are included on the basis of their distance from the border with Molise. The estimation method is OLS in columns 1-3 and 2SLS in columns 4-6 in which Ln(disbursements) is instrumented with the Convergence Obj. status. All specifications include a second-degree polynomial in latitude and longitude, and border fixed effects. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 10: Continuity at other regional borders**

Dep. var.	(1) Populism	(2) Populism	(3) Populism	(4) Populism	(5) Populism	(6) Populism
Fake treatment	1.406 (1.240)	1.991 (1.489)	1.661 (2.111)	0.236 (1.272)	0.997 (1.443)	1.322 (2.048)
Bandwidth	75km	50km	25km	75km	50km	25km
Obs included in the baseline	N	N	N	Y	Y	Y
Observations	663	378	161	441	296	138

The dependent variable is Populism. Fake treatment is a dummy variable equal to 1 if the municipality is located in Molise or Puglia and 0 if is located in Lazio or Campania. The estimation method is OLS. All specifications include a second-degree polynomial in latitude and longitude, and border fixed effects. Conley spatial HAC standard errors (radius = 10 km) are in parentheses. In columns 4-6 the sample is restricted to municipalities in the baseline sample in Table 4. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 11: Populism components**

Dep. var.	(1) Pro-Europe	(2) Pro-Europe	(3) Share Five Stars Movement	(4) Share Five Stars Movement	(5) Authorit.	(6) Authorit.
Convergence Obj	0.135 (1.203)		-1.997 (1.491)		-0.770 (1.014)	
Ln(disburs.)		0.110 (0.981)		-1.618 (1.222)		-0.624 (0.865)
Est. method	OLS	2SLS	OLS	2SLS	OLS	2SLS
F		100.2		100.2		100.2
Observations	560	560	560	560	560	560

The dependent variable is Pro-Europe in columns 1 and 2, the vote share for Five Stars Movement in columns 3, 4, and the authoritarianism component of Populism in columns 5 and 6. The estimation method is OLS in columns 1, 3, 5 and 2SLS in columns 2, 4, 6 in which Ln(disbursements) is instrumented with the Convergence Obj. status. The bandwidth is 50 km. All specifications include a second-degree polynomial in latitude and longitude and 7 border fixed effects. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 12: Adjustment mechanism**

Dep. var.	(1) Ln(pop. votes)	(2) Ln(non-pop. votes)	(3) Ln(total votes)	(4) Ln(pop. votes)	(5) Ln(non-pop. votes)	(6) Ln(total votes)
Convergence Obj	-0.181*** (0.021)	0.0354 (0.0330)	-0.0898*** (0.0174)			
Ln(disburs.)				-0.148*** (0.027)	0.0289 (0.0265)	-0.0734*** (0.0190)
Est. method	OLS	OLS	OLS	2SLS	2SLS	2SLS
F				98.6	98.6	98.6
Observations	560	560	560	560	560	560

The dependent variable is Ln(total number of populist votes) in columns 1 and 4, Ln(total number of non-populist votes) in columns 2 and 5, Ln(total number of valid votes) in columns 3 and 6. The estimation method is OLS in columns 1-3 and 2SLS in columns 4-6 in which Ln(disbursements) is instrumented with the Convergence Obj. status. The bandwidth is 50 km. All specifications include a second-degree polynomial in latitude and longitude, Ln(voting-eligible population) and 7 border fixed effects. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 13: Different types of expenditures**

Dep. var.	(1) Populism	(2) Populism	(3) Populism
Ln(disburs.)	-0.976*** (0.206)	-1.850*** (0.544)	-3.568*** (0.720)
Disbursements related to:	public works	transfers	public proc.
F	117.3	50.7	240.3
Observations	560	560	560

The dependent variable is Populism. The estimation method is 2SLS in which Ln(disbursements) is instrumented with the Convergence Obj. status. The bandwidth is 50 km. All specifications include a second-degree polynomial in latitude and longitude and 7 border fixed effects. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 14: Conditional independence tests**

Dep. var. Window	(1) Populism Convergence Obj = 0 (control municipalities)	(2) Populism Convergence Obj = 1 (treated municipalities)
10 Km	-0.030 (0.173) N = 55	0.104 (0.293) N = 49
20 km	-0.053 (0.066) N = 113	-0.096 (0.116) N = 98
30 km	-0.019 (0.030) N = 166	-0.086 (0.053) N = 147
40 km	0.016 (0.022) N = 215	-0.074* (0.038) N = 205
50 km	0.019 (0.013) N = 259	-0.065*** (0.023) N = 297

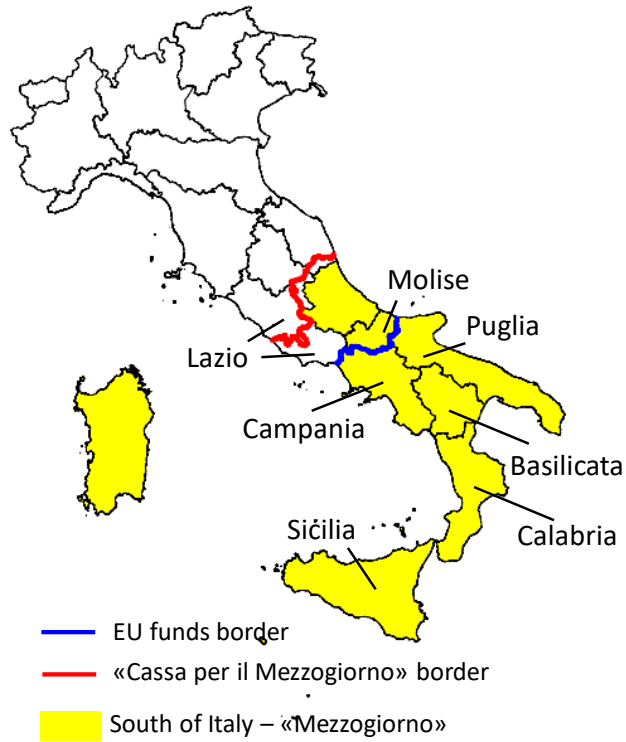
The dependent variable is Populism. The Table reports the coefficient of distance (measured in km) in different sample to the left (Convergence Obj = 0) and to the right (Convergence Obj = 1) of the cutoff. All specifications include: aging index\*share of votes for right-wing parties in 2006 general election, altitude\*share of votes for right-wing parties in 2006 general election, share of employees in industry sector\*share of votes for extreme parties in 2006 general election, plant density\*exposure to fiscal discipline, plant density\*share of employees in buildings sector, year to elections\*plant density, and two border fixed effects; all these controls have been selected by means of a double selection LASSO procedure. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Table 15: Treatment effect far from the cutoff**

Dep. var.	(1) Populism	(2) Populism	(3) Populism	(4) Populism	(5) Populism
Convergence Obj	-5.524*** (1.098)	-4.623*** (1.131)	-5.374*** (1.079)	-6.134*** (0.972)	-6.226*** (0.883)
The effect is measured at the following distance from the cutoff	0 km	10 km	20 km	30 km	40 km
Observations	560	104	211	313	420

The dependent variable is Populism. The estimation method is OLS. Column 1 include distance from the border (km) and seven border fixed effects. Columns 2-5 include: aging index\*share of votes for right-wing parties in 2006 general election, altitude\*share of votes for right-wing parties in 2006 general election, share of employees in industry sector\*share of votes for extreme parties in 2006 general election, plant density\*exposure to fiscal discipline, plant density\*share of employees in buildings sector, year to elections\*plant density, and two border fixed effects; all these controls have been selected by means of a double selection LASSO procedure. Conley spatial HAC standard errors (radius = 10 km) are in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

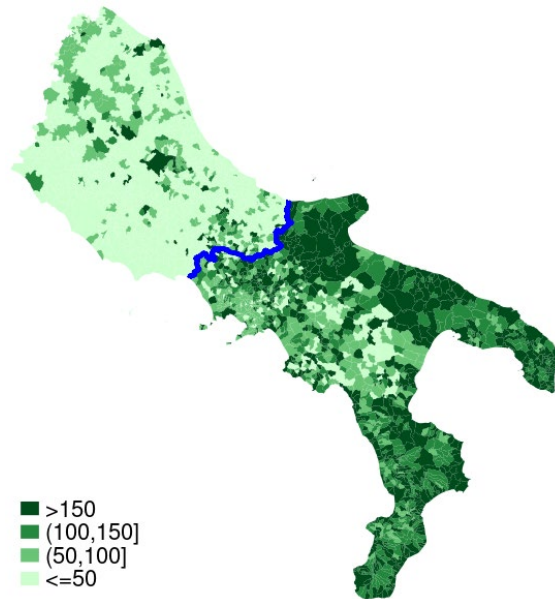
**Figure 1: Convergence Objective regions in Italy 2007-2013**



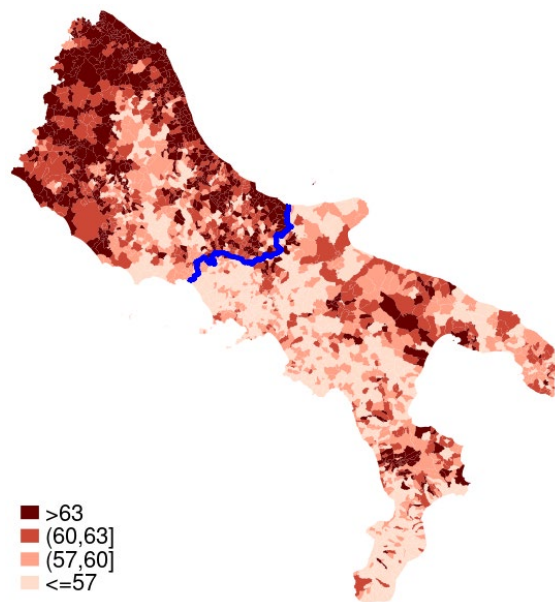
The map shows the Italian regions. The blue line indicates the boundary separating the Convergence Objective from the other areas. The red line indicates the border of the "Cassa per il Mezzogiorno" area, in force during the period 1950-1992.

**Figure 2: Regional Transfers and Local Voting Behavior**

**PANEL A: Transfers from EU regional policy (per capita/year euros)**

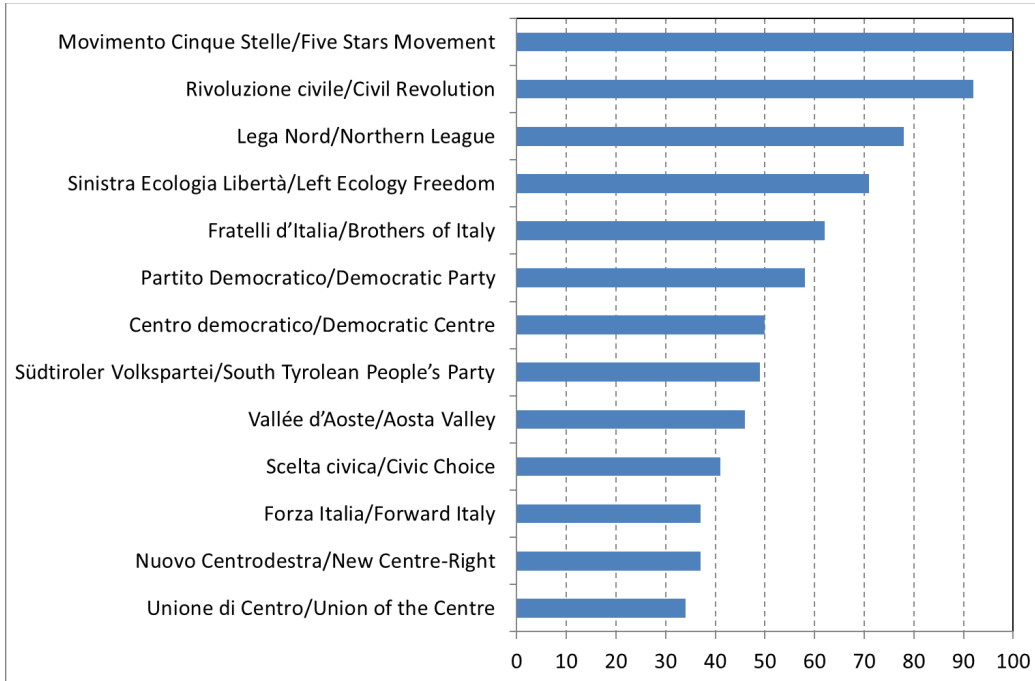


**PANEL B: Populism**



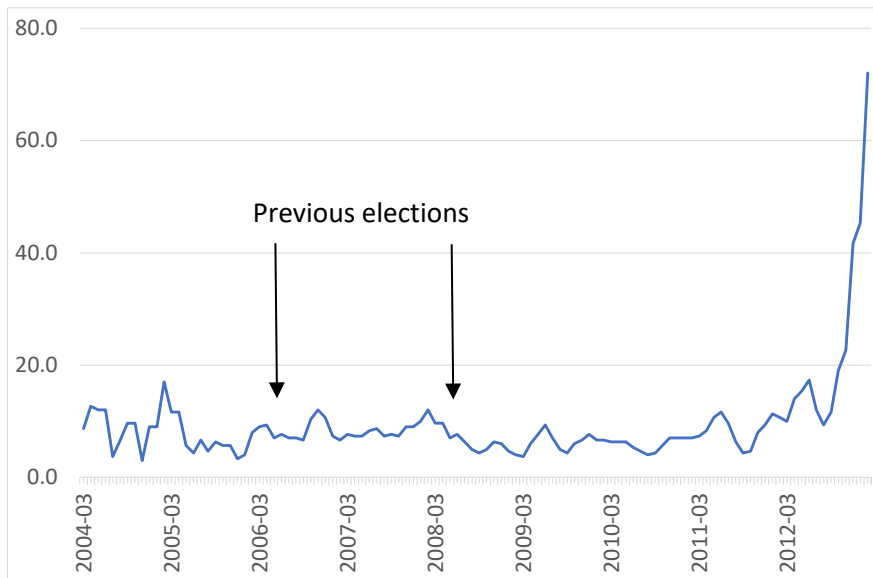
Panel A reports spending by EU regional policy during the years 2008-2012 (i.e. the five years before the 2013 general election) in the group of regions nearest to the Convergence Objective border. Panel B report the index of Populism measured in the 2013 general election (see Section 3.2). In both cases, the blue line indicates the boundary separating the Convergence Objective from the other areas.

**Figure 3: Populism scores at the party level**



The figure shows the anti-establishment score at the party level in 2013 (source: Inglehart and Norris, 2019).

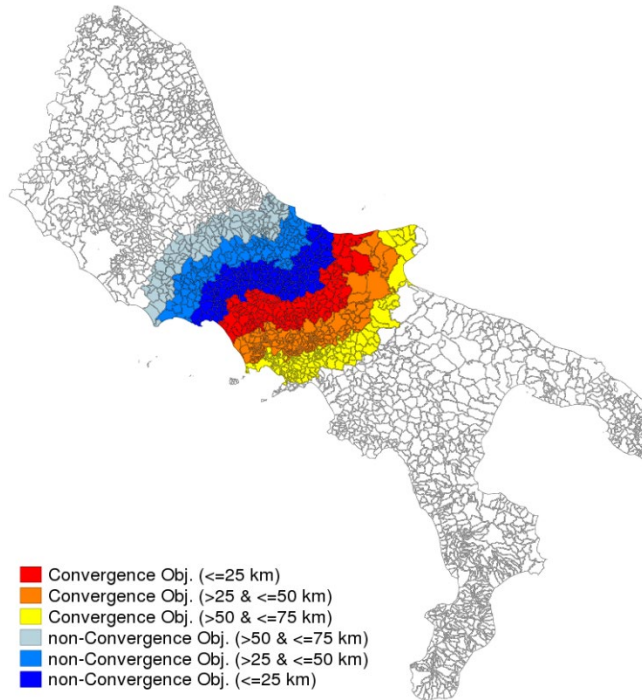
**Figure 4: Google trend for "Populismo"**



The figure shows the Google Trend Index for the word "Populismo"

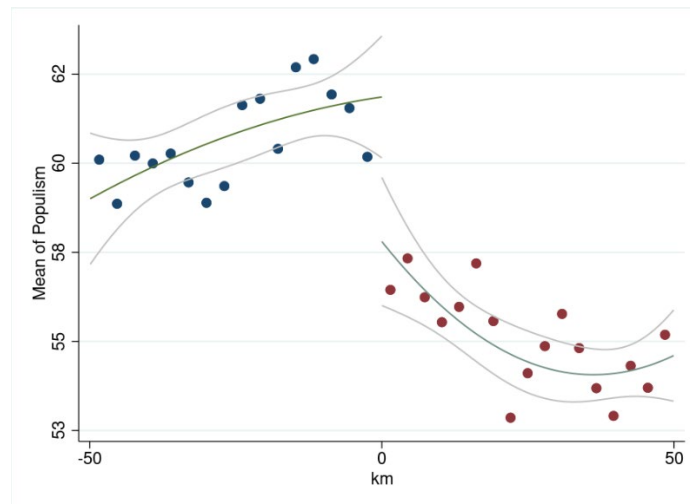


**Figure 5: Municipalities in the estimation sample**



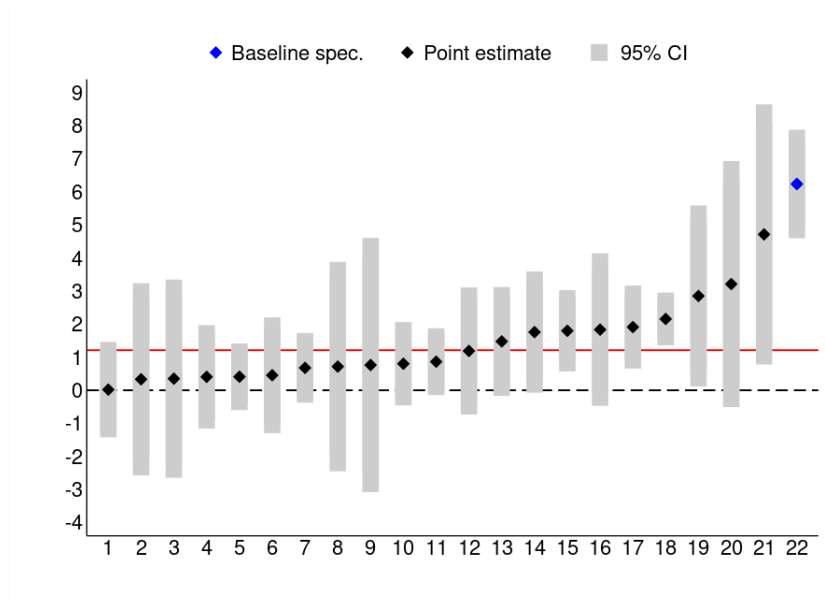
The map reports the sample of municipalities which are obtained using bandwidths of varying size (75km, 50km, 25km, respectively) around the Convergence Objective border.

**Figure 6: Graphical representation of the decrease in populism at the cutoff**



The figure reports the quadratic fit of Populism as a function of the distance from the Convergence Objective border, together with 95% confidence intervals. The bandwidth is 50 km. The number of bins is computed as  $\min\{\sqrt{N}; 10 \cdot \ln(N)/\ln(10)\}$ , where  $N$  is the number of observations.

**Figure 7: RDD estimates for all possible regional borders**



Each diamond represents the absolute value of the estimated jump in *Populism* at different regional borders. The blue diamond refers to the border separating Convergence Objective regions. The other borders considered on the x-axis are: 1=Abruzzo-Lazio; 2=Marche-Toscana; 3=Campania-Basilicata; 4=Marche-Umbria; 5=Lombardia-Emilia-Romagna; 6=Umbria-Lazio; 7=Veneto-Emilia-Romagna; 8=Basilicata-Calabria; 9=Campania-Puglia; 10=Emilia-Romagna-Toscana; 11=Piemonte-Lombardia; 12=Toscana-Lazio; 13=Piemonte-Liguria; 14=Abruzzo-Molise; 15=Emilia-Romagna-Marche; 16=Marche-Abruzzo; 17=Toscana-Umbria; 18=Lombardia-Veneto; 19=Emilia-Romagna-Liguria; 20=Toscana-Liguria; 21=Basilicata-Puglia. The red line is the weighted average of betas for 21 fake thresholds with weights equal to the inverse of the beta's variance. Vertical bars indicate 95% confidence intervals.