# Economic Losers and Political Winners: Sweden's Radical Right *

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August 2018

**Abstract**

We study the rise of the Sweden Democrats, a radical-right party that rose from negligible size in 2002 to Sweden's third largest party in 2014. We take a starting point in two key economic events: (i) a series of policy reforms in 2006-2011 that significantly widened the disposable-income gap between "insiders" and "outsiders" in the labor market, and (ii) the financial-crisis recession that doubled the job-loss risk for "vulnerable" vs "secure" insiders. On the supply side, the Sweden Democrats over-represent both losing groups relative to the population, whereas all other parties under-represent them, results which also hold when we disaggregate across time, subgroups, and municipalities. On the demand side, the local increase in the insider-outsider income gap, as well as the share of vulnerable insiders, are systematically associated with larger electoral gains for the Sweden Democrats. Theese findings can be given a citizen-candidate interpretation: economic losers (as we demonstrate) decrease their trust in established parties and institutions. As a result, some economic losers became Sweden-Democrat candidates, and many more supported the party electorally to obtain greater descriptive representation. This way, Swedish politics became potentially more inclusive. But the politicians elected for the Sweden Democrats score lower on expertise, moral values, and social trust – as do their voters – which made local political selection less valence oriented.

Keywords: Political Selection, Radical Right, Populism.

*We thank participants in a CIFAR program meeting, conferences at Nottingham, Munich, Rotterdam, Oslo, BI, Helsinki, Warwick, and Tinos, and seminars at Berkeley, IIES, TSE, and Uppsala for helpful comments. We also thank Maarten Goos, Alan Manning, and Anna Salomons for kindly sharing their Routine Task Index data, Olof Bäckström for sharing the code for the SELMA labor-market status model, and Jens Rydgren for sharing valuable research. Finally, we gratefully acknowledge financial support from the Central Bank Tercentenary Foundation and the Swedish Research Council.

# 1 Introduction

In the last two decades, many developed democracies have seen a marked strengthening of radical right parties, a trend that manifests itself across continents and electoral systems. To name a few examples, radical-right parties are numerous in Europe, politicians on the radical right take part in the governments of Austria, Finland, Hungary, Italy, Poland, Slovenia, and the US, and such politics is resurging in Australia, Israel, and Japan. These new political entrants share some broad features. Most of them stress traditional values, law and order, and glorify past times. Their programs are typically nationalistic, nativistic, and push a populist anti-immigration and anti-establishment message – indeed, some of them challenge the core values of liberal democracy. Many books and articles have been written about the radical-right, populist movement in political science and sociology – see Rydgren (2018) for a set of broad overviews.

The rise of the radical right has also attracted the attention of economists, who have mostly attributed the rise to unemployment and other forms of economic insecurity stemming from trade and technology shocks (e.g. Autor, Dorn, Hanson, and Majlesi (2016), Dippel, Gold, and Heblich (2015), Che, Lu, Pierce, Schott, and Tao (2016), Colantone and Stanig (2018)). While persuasive, these arguments fall short of explaining why the radical right should benefit politically. Economically stricken voters could support parties – typically on the left – who have traditionally opposed globalization and favored redistributive policies that could protect voters against those very shocks. Another strand of the literature argues that economic shocks can diminish trust in established institutions and that this explains the demand for populism (Guiso, Herrera, Morelli, and Sonno (2017), Algan, Guriev, Papaioannou, and Passari (2017)). The work on trust may explain why adverse economic shocks work against established parties, but it fails to address why new and more extreme leftist parties would not be the main political beneficiaries. Moreover, and perhaps more importantly, why would distrusting voters take any political party – old or new, moderate or extreme – seriously.

In this paper, we argue that economic grievances and diminished trust make political platforms less credible. In the spirit of citizen-candidate models, economically aggrieved groups themselves will have stronger motives to enter into politics. Moreover, only candidates who – through personal hard-changing personal traits – can credibly commit to representing the disgruntled segments of the electorate. To put it succinctly, economic shocks and an associated trust deficit create a supply of, as well as a demand for, representatives who share personal traits with their voters. This will raise descriptive representation of the economic losers.

**Our object of study** To shed light on this hypothesis, we study Sweden's radical-right party, the Sweden Democrats, whose recent meteoric rise provides an ideal case study. The national support for this party stood at only 2.9 percent as late as in the 2006 election. But by the 2014 election, the party's vote share grew by 10 percentage points, and at the time of writing – a week ahead of the September 2018 election – it is polling around 20 percent. While other countries have witnessed similar electoral success among radical-right parties, Sweden with its unusually rich data, provides a unique opportunity to characterize the individual profile of politicians as well as their voters, which is central to our argument.

The core of our analysis offers, to our knowledge, the first systematic study of the individual characteristics of the politicians who enter politics via a populist party. To structure our analysis, we classify all local Swedish politicians – and all other Swedes – on the basis of their labor-market status during the last two decades. This classification closely reflects two key economic events in Sweden during the dozen years of Sweden Democrat growth.

The first is the sequence of "make-work-pay" reforms that a newly elected center-right government pursued in 2006-2011. We find that these reforms on average raised by a whopping 20 percent the

gap in disposable income between "outsiders" and "insiders", where the distinction between different individuals reflect their labor-market status, as measured by the SELMA model (Kindlund and Biterman 2002).

The second event is the recession following the financial crisis. We find that this downturn doubled the risk of job loss among "vulnerable" relative to "secure" insiders, where the distinction between different individuals reflect the tasks performed in their occupation, as measured by the Routine Task Intensity index (Goos, Manning, and Salomons 2014). Based on these classifications, we compare each party's aggregate (average) elected representatives to the Swedish population.

**Main findings** Our key finding is that the Sweden Democrats over-represent both outsiders and vulnerable insiders, while all other parties – including the political left – under-represent these groups in favor of secure insiders. Moreover, the same patterns of descriptive representation hold when we disaggregate across time, across subgroups of outsiders, and across municipalities: whenever groups of economic losers (or the losses they incur) are particularly large, the Sweden Democrats offer them more over-representation.

Voters for the Sweden Democrats also appear to demand this descriptive representation. We show that having many voters from either group of (relative) economic losers in a particular location – a municipality or a precinct – is closely associated with a quickly growing vote share for the Sweden Democrats. While we do not claim to identify a causal relation, the close correlation between the vote share for Sweden Democrats and the shares of outsiders and vulnerable insiders suggests that large (relative) economic losses or large (relative) economic insecurity is associated with voting for the populist radical right.

We do not, however, interpret the association between groups defined by economic losses and Sweden Democrat voting as saying that the chain of effects behind populist voting is strictly economic. On the contrary, we stress that the changing supply of politicians reflects a depreciation of trust in the establishment. To this end, we show that the rise in electoral support for the Sweden Democrats temporally coincides with a clear divergence in trust in government institutions, including political parties, between labor-market outsiders and insiders. It is intuitive that candidates who themselves share the economic traits of disgruntled voters may stand a better chance to bridge this trust gap. In terms of the building blocks of standard political-economics models, the politicians that enter the growing ranks of Sweden-Democrat councilors thus look more like "citizen candidates," whose appeal is their own socioeconomic profile, than "Downsian candidates," whose appeal is their proposed platform.

**Richer explanations and the role of immigration** As with all complex phenomena, simple explanations are unlikely to be wholly satisfactory, and our account may work in combination with others. In particular, we do not stress attitudes towards immigration, a frequent focus in studies of populist voting that stress substantive rather than descriptive representation. But we do include immigration in the analysis, as many radical-right parties – including the Sweden Democrats – express strong anti-immigration views. However, the 2002-2014 rise of the Sweden Democrats coincides with a *higher* tolerance for immigration of the average Swede. The divergent anti-immigration attitudes between insiders and outsiders do not mimic the patterns of divergent support for the Sweden Democrats as clearly as the divergent trust in government institutions. Moreover, the share of immigrants at the municipal or precinct level neither predicts voting for the Sweden Democrats, nor explains away the association between the presence of (relative) economic losers and support for the Sweden Democrats.

These results suggest that anti-immigration rhetoric may play more of an instrumental role in

electoral strategy. With diminished trust in established parties, a rhetoric so clearly at odds with the inclusiveness values of the traditional political class signals an uncompromising opposition to the establishment, and this complements the credibility attained by citizen candidates.

Richer theories may link immigration to changes in political identification and cleavages. Economic shocks could lead low-income natives from a social identification with class and support for redistribution, to an identification with the nation and support for tax cuts and restricting immigration, even at a utility cost (Shayo 2009). Similarly, disgruntled economic losers may socially identify more strongly with their own in-group. If these voters put the blame for their predicament on out-groups, they may be attracted by a party that is anti-establishment as well as anti-immigration. Other explanations along similar lines posit that a long-standing, latent, anti-immigrant stance may interact with economic shocks to drive populist voting (Inglehart and Norris (2017), Gidron and Hall (2017)).

These explanations all involve some behavioral features. In the spirit of Occam's razor, our explanation based on descriptive representation accounts for the observed rise of Swedish populism via a parsimonious view of electoral politics. Richer explanations may add to this view, but our goal is take a simple first step to make sense of the patterns in the data.

**Implications** Our finding that the rise of the Sweden Democrats raises the representation of economically aggrieved voters implies that the entry of the party contributes to a more inclusive political class. But we also show that, relative to other parties, the politicians elected from the Sweden Democrats score lower on a number of other traits which many would consider valence characteristics – such as expertise, moral values, and social trust. In this way, their entry may begin to reorient representation in Swedish local politics from the positive selection on ability that we have recently documented elsewhere (Dal Bó, Finan, Folke, Persson, and Rickne 2017). For a few variables where we can measure the same characteristics among voters with declared party sympathies, we find that the lower scores of Sweden-Democrat politicians apply to their voters as well, which reinforces the citizen-candidate interpretation.

**Organization of paper** The next section gives some more background on Swedish elections, on the Sweden Democrats, and on earlier research about their electoral supporters. We also discuss the sizeable international literature on voting for populist radical-right parties. Our bottom line is that a nuanced explanation of their success might combine economic events and other forces. Section 3 discusses our data and, in particular, defines the two groups of economic losers and the losses they have incurred vis-a-vis other groups during the last dozen of years – i.e., during the era of Sweden Democrat growth. Section 4 examines the supply side, who becomes a Sweden Democrat, using individual data from registers and our own survey instruments. Section 5 turns to the demand side of politics – i.e., to voting for the Sweden Democrats. Section 6 gives our common interpretation of the supply-side and demand-side results, offers some additional support from this interpretation, and discusses how Sweden-Democrat and other-party politicians differ in other dimensions. Section 7 offers a brief conclusion. Some auxiliary material – on data and on additional empirical results – are collected in a Web Appendix.

# 2 Background

In this section, we first present some facts on Sweden's electoral system. Then, we briefly paint the history of the Sweden Democrats. We present a selective survey of earlier research on who votes

for the populist radical right in Sweden and elsewhere. Based on this discussion, we suggest how economic losses together with social forces may create electoral support for the radical right.

**Swedish elections** Every four years, Sweden runs elections for its 290 municipalities, 20 counties, and the nation. All elections take place on the second Sunday in September with a turnout between 80 and 90 percent. In each election, citizens cast a separate party ballot, a ranked list with a large number of candidates. Based on the election results, 13,000 municipal-council members, 1,100 county councilors, and 349 members of parliament, are appointed. The supply-side analysis in Section 4 focuses on the local politicians elected in the first set of elections, while the demand-side analysis in Section 5 focuses on the first and third set of elections (see further discussion below).

In Sweden's proportional-representation (PR) system, seat shares in the municipal councils and the national parliament closely trace the vote shares of political parties. Since 1998, voters can also cast an optional preference vote for one candidate. But as only about a third of all voters exploit this option, this reform has only allowed a handful of politicians from lower ranks to bypass the party's list order and win a seat.[1]

**History of the Sweden Democrats** The Sweden Democrats were founded in 1988. In its early days, the party was a marginal force in Swedish politics. It won political representation for the first time in 1991, with two municipal council seats. Although a bit stronger in some regions, its national vote share until 1998 was only about 1 percentage point. In the 2006 election, its support in the national parliamentary elections reached 2.9 percent, still below the 4-percent threshold to gain the first seat. But the party broke this threshold in 2010 by earning 5.7 percent of the national vote. Another major breakthrough was the 2014 election, when the Sweden Democrats became the third largest party with a 12.9 percentage-point vote share, and considerably higher support in some municipalities.

Figure 1 shows the number of seats won by the party over time at the three levels Swedish politics. Despite its recent success – and differently from its sister parties in many other European countries – the Sweden Democrats has generally been denied essential political influence. However, in half a dozen municipalities the party did play an essential role in putting a governing coalition in place after the 2014 election (Aftonbladet 2014).

[Figure 1 about here]

The Sweden Democrats faced some problems in finding candidates for their party lists, especially during the beginning of the party's success (see **[reference(s)]**). In many municipalities, the party was therefore largely constrained by a self-selected supply of local entering members to fill their electoral ballots. The characteristics of the elected and non-elected candidates are thus likely to reflect self-selection into the new party, rather than screening by party leaders.

As described in Widfeldt (2008), the party initially grew out of an organization known as "Keep Sweden Swedish" (Bevara Sverige Svenskt, BSS). Over time, the Sweden Democrats moderated their political stance from biological racism towards cultural national chauvinism. They currently argue that social conflicts ensues when people from different cultures attempt to live together (Widfeldt 2008). In the early 2010s, nationalism was formally replaced by social conservatism, putting more emphasis on traditional family values and on law and order (Rydgren 2018). Recent work on European-wide party ideologies has classified the Sweden Democrats as a typical radical-right party

[1] This reflects voter "abstention" from the optional vote, a concentration of votes for candidates at the top of the ballot, and high thresholds. See Folke, Persson, and Rickne (2016) for a thorough analysis of the preference-vote system and its consequences.

(Rydgren (2007), Rydgren (2018)) and as part of the "populist right" (van Kessel (2015), Norris and Inglehart (2018)).

**Political stance** Like other radical-right parties, the Sweden Democrats adopt an anti-establishment stance, while appealing to a nostalgic picture of Sweden's past drawn from the construct of the "people's homestead", a 1920s Social Democratic concept that emphasizes working-class employment, nuclear families, and a strong welfare state.

The Sweden Democrats also argue that (non-white) immigration takes a large toll on the public finances and threatens job prospect for natives. Consistent with this, a main political priority of the party is to restrict immigration (Erlingsson, Loxbo, and Öhrvall 2012). In the national parliament, the party often votes with the center-right bloc. But its stance on tax and labor-market issues is more ambiguous. A left-leaning think-tank concludes that for the 2010-2014 election period

> "the Sweden Democrats are ambivalent [on tax issues]. The party wants to spend like a left-wing party, but tax like a right-wing party" :. the party thinks that it can solve this equation by lowering immigration and international aid" (Tanksmedjan Tiden 2014).

In municipal politics, the Sweden Democrats have often supported center-right coalitions on tax cuts and privatization, warned of an Islamization of cities and neighborhoods, and demanded "multicultural financial statements" that would describe the local budget by separately earmarking money spent on natives and immigrants (Wingmar 2011). The party also emphasizes law and order, challenges multi-cultural education and feminist-inspired pedagogical frameworks, and often strives to direct more resources towards elderly care (Mulinari and Neergaard 2017).

**Who votes Sweden Democrat?** Survey data shows that Sweden Democrat voters have a similar demographic profile as other radical-right parties, with an overweight of men, people of working-class, and with a short education (Sannerstedt (2014), Erlingsson, Loxbo, and Öhrvall (2012), Oskarson and Demker (2015), Jylhä and Strimling (2018)). The party's voters are also less trusting of politicians, political institutions, the court system, and news media than voters of other parties (SCB 2011, Jylhä and Strimling (2018)).

Earlier research disagrees somewhat on the role of economic vulnerability. With administrative data, Dehdari (2018) finds that layoff notifications among low-skilled native workers during the financial crisis increased the Sweden Democrats' vote share in the precinct of the notified workers. A weak labor-market attachment among the party's voters is also shown by high self-reported support among the unemployed, people on disability pension, and people on long-term sick leave (Erlingsson, Loxbo, and Öhrvall (2012), Sannerstedt (2014), Jylhä and Strimling (2018)). Some scholars argue that, as these categories together do not make up a majority of the party's voters, economic insecurity cannot be a major driver of the party's rise (Sannerstedt (2014), Sannerstedt (2015), Jylhä and Strimling (2018)). Section W1 in the Web Appendix discusses these results with regard to survey design and sample stratification.

Data from surveys and exit polls suggests that most of those who cast their ballots for the Sweden Democrats would otherwise vote for one of the two dominant parties, the Social Democrats and the Conservative party. Inflows were larger from the Social Democrats between 2006 and 2010, and from the Conservatives between 2010 and 2014 (SCB 2011, 2016).[2] On a left-to-right scale, Sweden-

[2]Another possibility is mobilization via higher turnout (even though turnout in Swedish elections, around 85 percent, is internationally very high). A direct test in our data reveals that turnout did not go up significantly in municipalities where the Sweden Democrats made their largest gains. This evidence is not definitive, however, as turnout could counterfactually have fallen without the gains of the Sweden Democrats.

Democrat voters put themselves somewhere in the middle of the ideological spectrum (Sannerstedt 2015).

**Who vote for Radical-Right populist parties, more generally?** A wide range of theories purport to explain the dramatic rise of the radical right in Western democracies, accompanied by hundreds, maybe thousands, of empirical papers.[3] In the following, we comment briefly on the main theoretical arguments, refer to reviews of the empirical literature, and reserve more specific quotes for the empirical work most closely related to our own argument.

Two theoretical arguments for the rise of the radical right appear relatively uncontroversial. The first one says that a back-bone of support grew out of long-term changes of differential life chances. Economic and social modernization brought about expanded higher education, shifts from industry to public and service sectors, and more gender (and racial) equality. These shifts reduced the relative wellbeing of men, industrial workers, lower strata of white-collar workers, the unemployed, and the lower-educated (Betz (1994), Ignazi, Ignazi, and Press (2003), Minkenberg (2000), Kriesi, Grande, Lachat, Martin, Bornschier, and Frey (2006); see also Inglehart and Norris (2017), and Kimmel (2013) on gender). A sense of being worse off than deserved created nostalgia for the past in these groups, which all tend to be over-represented among radical-right voters.

The second theoretical argument says that politics changed with economic and social modernization: the ideology of established parties converged (Kitschelt (1995), Kitschelt and McGann (1997), Carter (2005), Brug, Fennema, and Tillie (2005)) and Social-Democratic parties turned their agenda more towards well-established blue-collar workers (e.g., Rueda (2005)). Platform convergence produced voter detachment from established parties and opened an ideological space that allowed the radical right to mobilize on the socio-cultural dimension.

Additional arguments appear necessary to understand why the radical right expanded more in some countries than in others. In Sweden, e.g., economic and social modernization has gone on for many decades since World War II, while the Sweden Democrats did not appear as a significant force until very recently. Some scholars try to explain these cross-country differences by appealing to variation in the ideology or leadership of the radical-right parties themselves, or to variation in political corruption spurring anti-establishment votes (see the review in Rydgren and Arzheimer (2018)).

Two further drivers have received considerable attention in the literature: immigration and economic insecurity. Anti-immigration attitudes are, by far, the largest self-reported reason for radical-right voting (e.g., Oesch (2008), Ivarsflaten (2008)). But do immigrants themselves trigger such voting, or do economic insecurities trigger anti-immigrant sentiments (regardless of immigrant numbers or activities)? Following Allport (1954), advocates of the so-called contact hypothesis hold that more immigrants bring more tolerance, if frequent encounters build harmony and understanding. But more immigrants competing for the same jobs or the same funds from a social program, may raise hostility between in-groups and out-groups – see e.g., Barth (1998), Olzak (1992), and Quillian (1995), and adaptations to economics by e.g., Scheve and Slaughter (2001), and Mayda (2006).

On the empirical side, single and cross-country studies find that high rates of immigrants, Muslims, or asylum seekers are positively correlated with anti-immigrant sentiment and radical-right voting (see the recent review by Billiet, Meuleman, and De Witte (2014), or Sekeris and Vasilakis (2016)). A plausible causal link exists for rural Danish municipalities (Dustmann, Frattini, and Preston (2013)), and polarized voting is related to inflows of labor-market competitive migrants in Norway (Finseraas, Røed, and Schøne 2017). Economic insecurity is also associated with stronger

[3]As of July 2018, Kai Arzheimer's bibliography on the Radical Right in Western Europe stands at 743 articles (http://www.kai-arzheimer.com/extreme-right-western-europe-bibliography)

anti-immigrant sentiments (shown in the European Social Survey by Billiet, Meuleman, and De Witte (2014), and Guiso, Herrera, Morelli, and Sonno (2017)). Importantly, the most economically vulnerable exaggerate immigrant numbers, which triggers further anti-immigrant sentiments (Alesina, Miano, and Stantcheva (2018)).

Our empirical analysis shows that the share of immigrants across districts is not related to the vote share of Sweden Democrats, despite our experimenting with various specifications and measures of immigrant presence. As a result, we find little support for the contact hypothesis either in its positive or negative form (i.e., more immigration contact leads to acceptance vs. rejection due to job competition).

Another proposed mechanism behind the link between economic insecurity and radical-right voting is the perception that immigrants crowd out natives in the use of government finances (Borjas 1999). A link between economic insecurity and anti-immigrant sentiments means that downward pressure on national budgets can trigger radical-right voting. Perceived or real budget conflicts become more salient with scarcer public revenues (Olzak 1992). Lackluster economic growth, austerity politics, reduced redistribution, or weakened public services can hence produce radical-right votes – especially in groups that lose out. Ongoing research on UK politics indeed ties austerity policies to UKIP and pro-Brexit voting (Fetzer 2018). Concerns about the fiscal cost of immigration may well dominate labor-market concerns (Dustmann and Preston (2004), Facchini and Mayda (2009)). Indeed, a recent survey of 2,000 Sweden Democrat voters shows that a whopping 98 percent of respondents agree with "immigration is too costly for public finances", but only just over a third agree with "it is a problem that immigrants take jobs from native-born Swedes" (Jylhä and Strimling (2018), Figure 3.2). Such perceptions of a public-finance conflict also appear in Sweden-Democrat proposals and campaigns.[4] Stereotypes about cultural distances, welfare dependencies, and weak work ethics of immigrants may also depress the taste for redistribution among natives (Alesina, Miano, and Stantcheva 2018). As noted above, one of standard local-politics proposals by Sweden Democrats is an "immigration-sensitive budget" reporting on the local costs of immigration.

A relevant dimension of our analysis is the time frame over which shocks are considered. As mentioned earlier, some authors rationalize voting for the radical right as stemming from long-dormant traits that are activated by erosion in living standards (Inglehart and Norris (2017) or Gidron and Hall (2017)). Other authors argue that a short-term decline in economic prospects can undercut trust in institutions and the political establishment, but may not by itself cause radical-right voting (Algan, Guriev, Papaioannou, and Passari (2017), Knigge (1998), and Mutz (2018)). Our own analysis emphasizes that the tax *cum* social-insurance reforms and the financial-crisis recession from the mid-2000s imposed large relative losses on people in certain groups, leading in short order to an increased supply and demand for new candidates met by the Sweden Democrats. The differential effect of these shocks may shed new light on some controversies in the literature. Low economic status may produce radical-right voting, but this can be more pronounced for groups on a downward relative trajectory than groups on an upward trajectory, like women or public-sector workers.

# 3 Data and Group Divisions

In this section, we describe the data that we analyze in the paper. Following the discussion in the previous section, we also classify the population into different groups tied to being a relative loser,

[4]Before the 2010 election, a party commercial featured burka-clad women with strollers winning a running race for the national budget against senior ladies with walkers. The message – a culturally distinct group crowds out support for vulnerable Swedes – could not be clearer. The video was censored by Swedish Public TV, which helped make it viral.

or not, from two key economic events in the last dozen years, namely a set of significant tax and benefits reforms pursued in 2006-2011 and the recession associated with the world financial crisis that hit Sweden in 2008.

**Data sources** The empirical analysis in this paper is based on individual-level data (although we frequently aggregate it to a higher level). Our first dataset encompasses all elected and non-elected individual candidates running for national or municipal political office during the period of 1982-2010. Prior to every election, each political party must report its ordered list, with personal identification codes for the politicians it enumerates. These lists are kept by Statistics Sweden or, in some cases, by regional electoral authorities. After each election, another record is created with a complete account of all elected politicians from each party. Altogether, our sample consists of over 200,000 unique individuals, of which about 50,000 are elected. Electoral results are linked to our dataset from records kept by the Swedish Electoral Agency. These give us the vote shares for every party in every election.

The politician data are linked to several administrative registers from Statistics Sweden for the population (aged 16+). For most variables, our data holds annual records from 1979 to 2012 for everybody in the entire population, about 14 million unique men and women. The data contain precise information on demographic and social background variables (e.g., age, sex, education level, and occupation). Given this information, we can precisely characterize how the personal traits of politicians relate to those in the entire population.

The Multigenerational Register identifies parent-child relations, where we use only biological parents. Because the income data begins in 1979, it is truncated. Nevertheless, we observe father's income in 1979 for 78 percent of the politicians elected after 2002.

Various types of annual earnings for the entire population are available from the Swedish Tax Authority. We also have universal annual information about the individual sector of employment for the whole period. As occupations are only recorded on a yearly basis from 2003, we complement the occupation data with earlier information from Censuses (from every fifth year).

Finally, we supplement these register data with data from a variety of surveys (see further discussion below). Of special note is a survey of the universe of current local politicians, which was carried out in 2017 by a subset of the authors in collaboration with a group of University of Gothenburg political scientists (KOLFU 2017). This survey had a response rate of 69 percent and asked local politicians a number of questions about their preferences, motivations, and personality traits (see Section 5 below). In the same year, a subset of the same questions were posed to a random sample of Swedish voters together with questions about their party sympathies, in a survey conducted together with another set of Gothenburg political scientists (SOM 2017).

**"Make-work-pay" reforms** The election in September 2006 ended twelve years of Social Democratic rule. A coalition of center and right parties took power, under the lead of the Conservative Party. It ran on a program of tax cuts, coupled with measures against the alleged misuse of social-entitlement programs, to "make work pay".

This program was gradually implemented over six years through different pieces of legislation. A hallmark of the reforms was a series of labor-income tax cuts, along the lines of an Earned Income Tax Credit (EITC). Taxes on earned income were thus cut in five steps, once per year in 2007, 2008, 2009, 2010, and a fifth time in 2011 after the center-right coalition's re-election to a second term. For a person at Sweden's median income, these tax cuts meant about 10 percent higher level of disposable income.

To finance the tax cuts and incentivize work vs. non-work, the coalition also held back ex-

penditures in endowment programs and social insurance. Some prominent policies included lower unemployment benefits, lower sickness-insurance benefits, and lower early-retirement benefits, as well as stricter rules for claiming the two latter types of support. A more indirect way of cutting benefits was to index various social insurances to nominal prices while real wages were rising, or to introduce nominal caps for benefit levels. Such policies had already been introduced by earlier Social Democratic governments (in the 1990s for sickness insurance, and in 2002 for unemployment insurance).

A fully intended consequence of the make-work-pay agenda was to raise the disposable-income gap between people with and without work (Bengtsson, Edin, and Holmlund (2014), ISF 2014, MoF 2017). The lower taxes for the employed made retirees relatively worse off. To compensate for this, retirees obtained tax cuts worth 50 percent of the EITC. More well-to-do retirees were also buoyed by abolished property and wealth taxes.

Whether and to what extent the reform agenda increased employment is an open question. Employment has only risen marginally, and obviously the financial-crisis recession confounds analysis of this issue. Swedish labor economists have argued that the universal structure of the earned-income tax credit defies robust evaluation methods (Edmark et al 2016).

**Labor-market insiders vs. outsiders** How do we use the register data to determine the individuals who lost out, at least in relative terms, from the make-work-pay reforms? In defining prospective economic losers, it is natural to start with each individual's labor-market status. To do so, we borrow from earlier research and distinguish between *insiders* and *outsiders* based on the Social Exclusion and Labor Market Attachment (SELMA) framework, developed by Kindlund and Biterman (2002) and Bäckman and Franzén (2007). Following this framework, we classify individuals as insiders (in SELMA called core members) of the labor force if their labor income exceeds 3.5 "basic amounts" (SEK 156,800 in today's prices, about USD 18,700) in each one of the last three years.[5]

Other individuals are classified as outsiders, which make up 35-40 percent of the grown-up population during our period of analysis. Following the SELMA framework, outsiders can be further divided into subgroups based on their sources of income.[6] *Students* are defined by receipt of student benefits and enrollment in higher education (those involved in military training are also included among students). *Retiree* status is based on age and age-related pension receipts. Those in *unstable employment* have a combination of income from labor and other sources, such as unemployment benefits or sick leave, over the last three years. Individuals on *extensive sick leave* are those with at least 90 days of such leave in at least two of the past three years. Those on a *disability pension* have received early-retirement benefits above a certain threshold. Finally, *excluded from the labor market* are individuals who have suffered extensive unemployment (at least 180 days in two out of the past three years), who have been economically inactive (an income below 0.5 benchmark amounts in all three years), or who have recently immigrated to Sweden.

We extend the SELMA classification in two ways. First, throughout the analysis we keep students separated from the rest of the outsiders. Second, we check whether retirees have received any "guaranteed pension," a program that supplements low pensions (e.g., due to a low past income level or a short residence time in Sweden). We define low-income retirees as those who receive a nonzero guaranteed pension supplement and consider them part of the outsiders – those without a guaranteed pension are classified as high-income retirees and as part of the insider group.

[5]The benchmark amount is updated each year for inflation and used in various Swedish social insurance programs. An income exceeding 3.5 benchmark amounts is expected to cover nearly all full-time jobs in minimum-wage sectors. Only a handful of occupations in the hotel and restaurant services would fall below the cutoff (Social Rapport 2010).

[6]The model also uses information on age, year of immigration, and year of death. Details of the exact categorization are given in the Web Appendix, Table W1.

**Outsider losses of disposable income** We can now compute how the tax cuts and benefit austerity measures impact the disposable incomes of the outsiders relative to the insiders of the labor market. The result is illustrated in Figure 2, which plots average disposable incomes for insiders and outsiders from 1995 (taken as the benchmark year for both groups) to 2012. Prior to 2002 the average incomes of insiders and outsiders moved largely in parallel. In 2006, the income gap of the two groups had widened by about 7-8 percent (relative to 1995).

[Figure 2 about here]

From 2006, the income gap widens sharply. One clearly sees a hike of average insider disposable income due to the first EITC tax cuts in 2007 (the effects of later tax cuts are confounded with the effects of the financial crisis), as well as a cut in average outsider income due to the benefit austerity in 2008. By 2012, the cumulative relative deterioration of average outsider income since 2005 amounts to about 20 percent.

To the right of the time-series plot, Figure 2 displays the difference in disposable income growth relative to insiders for different subgroups of outsiders from 2005 to 2012. Outsiders who had unstable work, a disability pension, or remained unemployed all faced cuts of about 20 percent or more. The outsiders farthest away from a stable job thus faced the largest cuts in their relative disposable income.

**Vulnerable vs. secure insiders** Even if we restrict attention to those with a regular job, not all insiders share a similar situation in the labor market. In particular, they face different risks of losing their job due to technological change, outsourcing, or general business downturns. To classify workers in this dimension, we again follow earlier research – this time by Autor (2013), Autor and Dorn (2013), and Goos, Manning, and Salomons (2014), who distinguish occupations with different Routine Task Intensity (RTI) defined by the typical tasks they entail. Specifically, occupations whose holders perform many (few) routine tasks, compared to manual or abstract tasks, have a high (low) RTI. We would expect individuals in such occupations to be more exposed in periods of high rates of job loss.

How do we identify such individuals in our register data? These data include 2-digit occupation (ISCO) codes for each employed person. Using the RTI-indexes from Goos, Manning, and Salomons (2014), we pool all individuals with such an occupation code in 2002-2012 and compute the median RTI value. We then define a *vulnerable* insider as an insider (by the earlier definition), who has an occupation with an RTI-index above the median. By contrast, we label those working in occupations with a below-median RTI-index *secure* insiders.

**Job loss risks for 2006 insiders** Figure 3 plots the average job-loss risks over time for individuals with insider status in 2006. For each year on the horizontal axis, the vertical axis displays the share of these 2006 insiders who had non-zero unemployment benefit payments in that year. As the figure shows, the vulnerable insiders face a higher average job loss, especially after the financial crisis. Thus the secure insiders do not see any substantial increase in unemployment from a level of about 4 percent in 2008. On the other hand, the risk of job loss for the vulnerable insiders goes up to more than double that number and stays above 7 percent until the end of the sample.

[Figure 3 about here]

# 4 The Supply Side

In this section, we exploit the rich individual-level data to examine who becomes a Sweden Democrat. In particular, we are interested in assessing the extent to which representatives of the party for municipal councils resemble the groups of voters who were most afflicted by the two key economic events described above. We compare Sweden Democrat politicians with those from other parties – on average, across time, across subgroups of insiders and outsiders, and across municipalities with different populations.

## 4.1 Supply of Candidates by Groups

**Elected candidates – on average and over time** The upper panel of Figure 4 shows the composition of the population, and elected local politicians from the Sweden Democrats, all other parties (except the Left Party), and the Left Party.[7] The latter party is singled out, as one might think that voters facing disposable-income losses or larger unemployment risk would naturally turn to the left. The shares in this bar graph are computed as an average over the 2002-2014 electoral periods.[8] As the bar to the very left shows, between 35 and 40 percent of the population are outsiders, while between 15 and 20 percent are vulnerable insiders. On the whole, these two groups of economic losers thus make up about half of the adult population.

The Sweden Democrats over-represent each one of these groups such that together they supply about 60 percent of the party's local councilors. The other parties instead under-represent the two losing groups, which only add up to about 35 percent of the other parties' representatives; on the flip-side of this is a massive over-representation of the secure-insider group: 40 percent of the representatives vs. 20 percent of the electorate. The Left Party is similar to these other parties in this respect, as are the Social Democrats (not shown).

[Figure 4 about here]

The lower panel of the figure shows the same composition data broken up into each of the four election years from 2002 to 2014. The population composition does not change much, except for a marginal decline in the number of outsiders. The outsider representatives of the Sweden Democrats decline over time, but this is compensated by an increased share of vulnerable insiders, especially after the two recession-stricken election periods at the end. Overall, this maintains the two losing groups at roughly 60 percent of the party's representatives. The other parties (now including the Left to keep the figure simple) decrease their share of outsiders over time, such that the two groups of economic losers only encompass 30 percent of their elected representatives in 2014. Thus the other parties do not appear to adapt the candidates on their ballots to the electoral gains of the Sweden Democrats.

**A measure of Sweden Democrat over-representation** So far, we have only considered the decomposition of party candidates in the whole country into the broad groups defined in Section 3. We now refine this analysis in different ways. First, we disaggregate representation into different subgroups of outsiders (and insiders) – recall the discussion around Figure 2. To carry out this analysis, we estimate the following regression for the full sample of politicians from each subgroup $g$

$$L^g_{i,t} = \beta^g SD_{i,t} + \mathbf{Z}_{i,t} + \varepsilon^g_{i,t}.$$

[7] We have also performed the analysis in this section on the full ballots of nominated candidates, rather than on the candidates elected from these ballots. If anything, the results we report below gets stronger with this wider definition of representation.

[8] Since our individual data ends in 2012, we have to impute an individual's 2014 group status from her 2012 data.

Here, $L_{i,t}^g$ is a dummy variable for councilor $i$ in group $g$ and election $t$, and $SD_{i,t}$ is a dummy for $i$ being a Sweden Democrat politician. We also add indicators, $\mathbf{Z}_{i,t}$, for gender, age, and education, as the Sweden Democrats field less women (25.5 vs. 43.5 percent), more under-35 (23 vs. 13 percent), more retired (23 vs. 16 percent), and less tertiary-educated (25 vs. 48 percent) candidates than the other parties.

We use the resulting estimates to define measures of relative Sweden-Democrat supply. For each $g$, we thus compute

$$\frac{\beta^g}{E(L_{i,t}^g) \text{ in other parties}} - 1.$$

This measure takes a value of 0 if the Sweden Democrats have the same share of elected candidates from subgroup $g$ as do other parties. It takes a positive (negative) value if the party over-represents (under-represents) the group. For instance, a value of 1 would correspond to a 100-percent over-representation.

**Comparing representation by subgroups** The uppermost part of Figure 5 plots the resulting over-representation measures, which are ordered by the economic losses in 2005-2012 relative to secure insiders (recall Figure 2). The black dots in the figure show the average measures estimated without controls (and their 95-percent confidence intervals), while the gray dots show the estimates when we control for covariates $\mathbf{Z}_{i,t}$.

The left part of the figure confirms that the Sweden Democrats under-represent secure insiders and over-represents vulnerable insiders, as we had already learned. The right part of the figure is more interesting. Even though the estimates are not completely monotonic, the largest Sweden-Democrat over-representation – on the order of five times the other parties – is found for the early retired and the unemployed/economically inactive, the two subgroups with the largest economic losses vs. secure insiders.

[Figure 5 about here]

One may suspect that these results do not apply to the top local politicians. However, the two lower panels of the figure show that this suspicion is false. The over-representation for the top names on the list (in the middle panel) is, if anything, higher than for candidates lower down the list (in the lower panel).

**Comparing representation by local populations** Next, we relate the elected councilors of the Sweden Democrats and the other parties to the composition of the municipality population. The left panel of Figure 6 looks at outsiders: the horizontal axis plots the binned share of outsiders in the municipality population, while the vertical axis plots the same share among the elected politicians from the Sweden Democrats (filled circles) and from all other parties (unfilled triangles). The dotted line marks the adjusted 45-degree line, where the population and representation shares coincide. We see a clear shift of the two clouds of points, with other parties under-representing outsiders at all population shares and the Sweden Democrats (mostly) over-representing them. Moreover, other parties at best increase their representation of outsiders at the same pace as their share in the municipality goes up, while the Sweden Democrats appear to raise the outsider share at a faster pace.

[Figure 6 about here]

The same general pattern is clearly visible in the right panel of the figure, which provides the analogous information for the vulnerable-insider share.

As shown in the Web Appendix (see Section W4), a very similar pattern emerges when the vertical axes instead measure the shares of outsiders and vulnerable insiders among the *nominated*, rather than elected, candidates on the ballots (see the top row of Figure W4).

**Summing up** The results presented thus far suggest that the Sweden Democrats offer considerably more local representation to the two groups of relative economic losers than do the other parties in the Swedish political system. This is not only true on average, but also when outsiders are disaggregated into subgroups by their relative losses, and when the aggregate body of politicians are disaggregated into municipalities by their population shares of losing groups. As discussed in Section 2, the candidates elected from on the Sweden Democrat side is more likely to reflect new entrants that self-select into the party than strategic screening by the party.

Of course, the Sweden Democrat gains of vote shares and seat shares came at the expense of other parties, meaning that while the two losing groups did become better represented in Swedish local politics over the last dozen years, the gains of the party decreased the representation of some other groups, notably women and immigrants from non-OECD countries.

# 5 The Demand Side

In this section, we study how the gains of Sweden Democrat votes relate to the classification of relative economic losers made in Section 3 and exploited in the supply analysis of Section 4. Based on that classification, we define two measures to analyze how the local gains of the Sweden Democrat votes relate to local groups of economic losers. In computing them, we start from the individual data and aggregate these to the level of a specific locality for a specific time period. To gauge the local relative income losses of outsiders vs. insiders, we use the inequality measure

$$ineq_{m,t} = \frac{N^{out}_{m,t}}{N_{m,t}} \cdot \frac{I^{in}_{m,t}}{I^{out}_{m,t}} \ .$$

The first term on the right-hand side reflects the share of outsiders in the total (voting-age) population of locality $m$ (a municipality or a voting precinct) and election period $t$, and the second term is the local ratio of the disposable incomes of insiders vs. outsiders. To gauge the local share of vulnerable insiders in locality $m$ and election period $t$, we simply define

$$share_{m,t} = \frac{N^{vul}_{m,t}}{N^{in}_{m,t}}.$$

**National and municipal insider-outsider inequality** The left part of Figure 7 shows the time-series graph for insider-outsider inequality from Figure 2, overlaid with the Sweden Democrat overall vote share in the national parliamentary elections. The timing of the reforms, and the widening of the income gap between insiders and outsiders coincides with the sharp acceleration of electoral support for the Sweden Democrats after the 2006 elections.

[Figure 7 about here]

Beyond these aggregate trends, we find an analogous relation in the cross-sectional variation across municipalities. In the right part of Figure 7, we plot the growth in Sweden Democrat vote shares between 2002 and 2014 on the vertical axis against the growth in income inequality between insiders and outsiders over the same period on the horizontal axis – i.e., $ineq_{m,2014} - ineq_{m,2002}$. These

data are binned: each dot corresponds to five municipalities. We see a strong positive relationship, such that Sweden Democrats gain the most votes where outsiders lost the most, meaning in the municipalities with the highest growth in insider-outsider inequality.

**National and municipal vulnerable insiders** Figure 8 turns to the other group distinction, namely vulnerable vs. secure insiders. The left part of the figure shows the time-series graph for the job-loss among the 2006 insiders from Figure 3, which – as in Figure 7 – is overlaid with the Sweden Democrat vote share in the parliamentary elections. The party gains the most in those electoral periods when the difference in unemployment risk between the vulnerable and secure insiders is the highest.

[Figure 8 about here]

The right part of the figure shows the cross-sectional pattern across (binned) municipalities. As in Figure 7, we put the growth in Sweden Democrat vote shares between 2002 and 2014 on the vertical axis. But now the horizontal axis shows the level of the 2006 share of vulnerable insiders. We use the level because this share is relatively constant over time and may imply different pressure on vulnerable insider jobs over time depending on the state of the (local) business cycle. As in Figure 7, we observe a strong positive relation, such that the Sweden Democrats gain the most votes where the most insiders are threatened by job loss, meaning the municipalities with the highest shares of vulnerable insiders.

**Geography of losing groups and Sweden Democrat support** An important question is whether the cross-sectional correlations that emerge from Figures 7 and 8 just capture some general regional covariation. To shed some light on this possibility, Figure 9 displays how the most important variation underlying these figures is distributed over Sweden's geography. The left map show the quartiles of growth in the Sweden Democrat vote share across Sweden's 290 municipalities with darker color indicating larger growth of populist votes. The map indicates some regional clustering, but also quite a bit of spatial variation, even among neighboring municipalities.

[Figure 9 about here]

The middle map in Figure 9 shows the geographic variation corresponding to the horizontal axis in Figure 8 – in the 2006 share of vulnerable insiders. The general pattern is again one of partial regional clustering, and comparing this map to the left one we observe some covariation, especially in the inland area West of the Stockholm region (Bergslagen), in the Western areas bordering Norway next to Sweden's largest lake (Vänern), and in the South-East (Småland).

Finally, the right map shows the spatial variation of inequality growth – the horizontal-axis variable in Figure 7. Again, some areas with high inequality growth appear to coincide with high growth of Sweden Democrat vote shares, including some municipalities in the very South of Sweden (Skåne). Comparing the middle and right map suggests that municipal inequality and the share of vulnerable insiders are positively, but far from perfectly, correlated. The simple correlation coefficient between the two variables is 0.36.

**Precinct-level variation** Next, we consider correlations at a more disaggregated level. The smallest unit for which we can gauge voting outcomes is the precinct. Sweden has about 5,600 precincts, with an average population of about 1,200 voters. Figure 10 illustrates the within-municipality correlation between the Sweden Democrat vote share and insider-outsider inequality as well as the share of

vulnerable insiders. The figure thus shows the variation that remains after removing the municipality mean from the variable on each of the axes. From the top, the three rows of plots refer to the 2002, 2006, and 2010 elections, respectively.[9] Vertically, the left column shows the inequality/vote-share correlation, while the right column shows the vulnerable-insider share/vote-share correlation.

[Figure 10 about here]

The 2002 correlations in the top plots are quite weak. This is natural, given that the Sweden Democrats were not much of a political factor in that election. But the correlations for 2006 and, especially, 2010 are stronger and decisively positive. These precinct-level correlations are further *prima facie* evidence of heavier economic losses, or many economic losers, being associated with stronger electoral support for the Sweden Democrats.

**Vote-share regression specification** Let us turn to more systematic evidence on the correlation patterns with strong Sweden-Democrat electoral support. To do so, we turn to (OLS) regression analysis.

Denote the Sweden Democrat vote share in municipality $m$ and election $t$ by $vs_{m,t}$. Our main specification regresses this dependent variable on inequality and the vulnerable-insider share, where the effect of latter is allowed to differ across periods ($\eta_t$ is a binary election-period indicator). Specifically, we estimate the following equation

$$vs_{m,t} = \alpha \cdot ineq_{m,t} + \sum \beta_t \cdot \eta_t share_{m,t} + \eta_t + \mathbf{X}_{m,t}\lambda + \delta_m + \varepsilon_{m,t} \ .$$

To (non-parametrically) remove the aggregate time trend in the Sweden-Democrat vote, we always include election-period fixed effects, $\eta_t$. To estimate the effect of within-municipality variation, we sometimes include municipality fixed effects, $\delta_m$.

Some of our specifications hold constant municipality-level variables that are known, or believed, to correlate with Sweden-Democrat voting. We thus include a control vector $\mathbf{X}_{m,t}$ that includes the shares of foreign born, tertiary educated, and employed in main industrial sectors (1-digit SNI level). We cluster the standard errors at the municipality level. Finally, to facilitate interpretation $ineq_{m,t}$ is as measured as a $z$-score.

**Basic regression estimates** Table 1 reports a basic set of regression estimates. Column (1) shows that the simple cross-sectional correlations of the Sweden-Democrat vote share with insider-outsider inequality and with the vulnerable-insider share are both positive and precisely estimated. Within-municipality estimates appear in column (2). The association of the vote share with inequality is now stronger. But the association with the vulnerable-insider share drops to zero, as the municipality fixed effects absorb most of the variation in these slow-moving shares.

[Table 1 about here]

Column (3) shows that the previous association is retrieved when we replace the municipality fixed effect with municipal controls. Interestingly, the immigrant share in the municipality – its coefficient shown in the bottom row – is not associated at all with electoral support for the Sweden Democrats. The same is true when we add municipality fixed effects in column (4), a specification

[9] Since our individual data stops in 2012, we cannot compute the inequality and share variables by precinct for the 2014 election.

which otherwise yields results similar to those in column (2). Below, we further discuss the influence of different measures of immigrants.

Column (5) allows the association between Sweden-Democrat voting and the share of vulnerable insiders to be period-dependent. As expected, this reproduces the association seen in the earlier figures, with positive estimates for the two elections following the financial-crisis recession (the 2006 election is used as the reference category).

All in all, these results strongly indicate that the Sweden Democrats gained the most votes in municipalities where outsiders faced the largest drop in incomes relative to insiders, and where the most vulnerable insiders risked losing their jobs in the financial-crisis recession. The associations are statistically precise and quantitatively non-trivial. For example, the estimated coefficient on inequality in column (5) implies that a within-municipality rise of insider-outsider inequality by one standard deviation – corresponding to about half the average national increase from 2005 to 2012 – is associated with an increase in the Sweden-Democrat vote share of 0.6 percentage points, on top of the national trend for the party.

We note that the inequality results are driven much more by the change in insider/outsider inequality than the relative shares of the outsider group. This is shown explicitly in the Web Appendix (see Table W2), which splits up the inequality variable in the share of outsiders and the income differences between the two groups.

**Robustness to measurement of inequality** The estimates presented in Table 1 potentially suffer from omitted-variable bias. At least for the inequality measure, we can find a more exogenous source of variation, which relies on the national policy reforms described in Section 3. Specifically, instead of the earlier municipality measure

$$ineq_{m,t} = \frac{N^{out}_{m,t}}{N_{m,t}} \cdot \frac{I^{in}_{m,t}}{I^{out}_{m,t}},$$

we can use

$$ineq^{B}_{m,t} = \frac{N^{out}_{m,2006}}{N_{m,2006}} \cdot \frac{I^{in}_{t}}{I^{out}_{t}}.$$

That is, we replace the concurrent outsider share by the fixed 2006 outsider share, and the local insider-outsider income ratio in every period with its national counterpart. The resulting specification is thus like the reduced form of a Bartik-style IV-design, with national insider-outsider inequality plus the set of initial shares as an instrument for local inequality. We do not pursue such an IV-analysis though, because it is unlikely to satisfy the exclusion restriction.

Column (1) in Table 2 shows that association of the Sweden-Democrat vote share with $ineq^{B}_{m,t}$ is positive and precisely estimated. Column (2) shows that the most general specification from column (5) in Table 1 still holds up with this alternative inequality measure. Moreover, the estimated relationship between a one standard deviation larger inequality and the Sweden-Democrat vote share is more than four times larger with this measure than with the raw measure used in Table 1.

[Table 2 about here]

The results could also be biased by including in our measure of inequality, immigrant residents who are poorer than natives and vote less for the Sweden Democrats. We thus adjust the inequality measurement by dropping all non-OECD immigrants from the calculation. We also adjust the vote share for the Sweden Democrats by dropping non-European immigrants to calculating the share of SD votes in the Europe-born population. This calculation also takes account of lower rates of voting

eligibility and turnout among the non-Europe immigrants. As shown in column (3) of Table 2 this does not change the estimates from the most demanding specification of Table 1 in column (5). (Section W2 of the Web Appendix describes these adjustments in detail, and Table W3 replicates all the results in Table 1).

**Robustness to level of elections** So far, all our graphs and estimates rely on municipal (or precinct) votes in the *national parliamentary* elections. We believe this is natural, given our stress on national policy reforms as a driver of inequality. But it is still interesting to check whether the same results hold up in *municipal council* elections, especially as our analysis in Section 4 was focused on the politicians appointed via these local elections. Column (4) in Table 2 shows that this is indeed the case, when we rerun the specification in column (5) of Table 1, using as the dependent variable the Sweden-Democrat vote share in the municipal-council election. (Table W4 in the Web Appendix replicates all the results in Table 1, with this alternative dependent variable)

**Evidence from survey data** We have estimated correlations at either the municipal or precinct level – the level of aggregation for which we observe actual vote shares. As an additional robustness check, we can also use individual-level survey data to estimate the association between labor market status and support for the Sweden Democrats.[10] The advantage of survey data is that we can estimate individual correlations, which are not subject to ecological fallacy. The disadvantage is that we have to rely on stated preferences and that these data lack the richness of the administrative data. As a result, we can only compare outsiders vs. insiders, and cannot further distinguish vulnerable insiders. But if vulnerable insiders behave similar to outsiders – as the more aggregate results suggest – our comparisons are likely to be underestimates.

Figure 11 shows the shares of survey respondents (to the repeated surveys conducted by the SOM-institute) who support the Sweden Democrats over time, distinguishing between insiders and outsiders. Panel A plots the responses in levels, whereas Panel B plots the insider-outsider differences (and their 95% confidence intervals) after adjusting the estimates for basic socio-demographic characteristics: gender, education, age, and citizen status.[11]

The figure displays a sharp rise in Sweden-Democrat support starting in 2002, as well as clear divergence in support among outsiders and insiders and outsiders after 2006, precisely when outsiders began to lose out in disposable incomes (relative to insiders) due to the make-work pay reforms. By 2011-2014, the difference in support for Sweden Democrats between outsiders and insiders is as much as 68 percent (0.11 versus 0.07). Although these results rely on stated party sympathies, they are consistent with the voting results presented above.

[Figure 11 about here]

**Robustness to specification and measurement of immigration** A salient result from our basic regression analysis is that the municipality's immigrant share is never significantly correlated with voting for the Sweden Democrats, once we include our measures tied to losing groups. Moreover, the association between these measures and Sweden Democrat vote shares are not sensitive to including immigration. Given the large attention paid to immigration in the literature on populist voting discussed in Section 2, we have tried to measure the influence of immigration – and the prospective

[10]The SOM survey is the largest annual Swedish voter survey, with a nationally representative sample of 3,400 respondents annually in the 16-85 age interval. We use data for five election periods, giving us a total of 80,207 respondents between 1995 and 2014.

[11]The unadjusted difference are virtually the same and can be seen in the Web Appendix Table WX, along with model specifications.

competition between immigrants and natives – in a variety of ways. These alternative specifications are discussed in the Web Appendix (see Section W2). In particular, we allow the immigration share to enter as an interaction effect with the inequality and vulnerable-insider share variables (see Table W5). This does not change the main results, although we can see that the relationship between the share of vulnerable insiders and support for the Sweden Democrats is stronger in municipalities with a higher share of immigrants.

Alternatively, we add as right-hand-side variables the share of insiders in industries, or occupations, with a large immigrant share, the shares of immigrants from different regions in the world, the share of immigrants in the commuting zone (rather than the municipality), and the flow of immigrants into the municipality since the last election (rather than the stock in the municipality). The estimation results (see Table W6) show that none of the immigration variables meaningfully changes the magnitude or the statistical significance of the coefficients on insider/outsider inequality or the share of vulnerable insiders from the basic analysis. The only alternative immigration variable that is significantly correlated with the Sweden Democrat vote share is the share of immigrants in the commuting zone.

**Immigrant attitudes in survey data** We can also use data from repeated surveys from SOM to compare how attitudes of insiders and outsiders towards refugees have changed over time since 1995. Figure 12 has the same layout as Figure 11. Panel A depicts, by labor-market status, the share of respondents who agree, at least partly, with the statement that Sweden should accept fewer refugees. It shows that on average 50 percent of outsiders agree that Sweden should accept fewer refugees, and that this percentage has stayed relatively constant over time. In contrast, anti-refugee sentiments declined over time for insiders, starting at above 50% during the 1995-1998 term to slightly above 40% in 2011-2014.

Panel B displays the difference between insiders and outsiders after accounting for basic demographics. We see that this gap in immigrant attitudes has been widening over time, but there is no noticeable trend break in 2006 like the one we saw in Figure 11 for supporting the Sweden Democrats.

[Figure 12 about here]

**Robustness to additional control variables** In addition to these robustness checks, we follow the research discussed in Section 2, by adding other variables that have been found to correlate with voting for radical-right populist parties elsewhere. As detailed in the Web Appendix (again, see Section W2), we thus include variables meant to capture the local effect of globalization, local media coverage of immigration issues, local crime statistics, and local election and party system variables, such as political polarization and mainstream politicians attitudes towards immigration. The latter is measured via a survey of local politicians and is thus based on the stated attitudes and policy positions of the politicians themselves.

The estimation results (in Table W7) shows that our main results on the association between the Sweden Democrat vote share and insider/outsider inequality and the share of vulnerable insiders are robust to including all these additional variables, one by one. When we include all the variables together the same holds true, except for when we add the controls for stated attitudes and policy positions of the politicians, which renders the inequality variable insignificant. But this non-robust specification is also the most unreliable one, as it is estimated only for two election periods, since the politician measures are only available for those periods.

**Summing up** We do not pretend to have nailed a causal relation in the data. But it is hard to escape the clear and robust associations between the Sweden Democrat electoral gains at the

municipality, precinct, and individual levels and the relative economic losses incurred since the mid-2000s in the same localities. Such correlations exist for the local income losses of outsiders relative to insiders, as well as for the share of vulnerable relative to secure insiders.

# 6 Interpretation and Implication

In this section, we do two things. First, we take stock of the results in Sections 4 and 5, and suggest a common interpretation (Subsection 6.1). Second, we investigate some other differences between the politicians elected for the Sweden Democrats, and discuss their implications (Subsection 6.2).

## 6.1 A Citizen-Candidate Interpretation

Overall, the patterns of candidate entry into the Sweden Democrats and the results on voting suggest a simple "citizen-candidate" interpretation. Individuals belonging to the two groups of disgruntled economic losers felt disenfranchised from the established parties and became more likely not only to vote for the Sweden Democrats, but also to join and engage in the party.

**Possible mechanisms** We can imagine voters from the losing groups having many sources of local information in electoral campaigns, and otherwise, about which types of candidates run for which parties. We can also imagine them comparing the candidate composition of different printed party ballots, which typically display the name, age, place of residence, and occupation, for each candidate on each party list. Either way, they would discover quite a few more members of their in-group among the Sweden Democrat candidates, which reinforces their inclination to vote for this party: as in the citizen-candidate model, politicians from the same group can more credibly promise to pursue these voters' interest after the election.[12] A possible result of this kind of interplay between voters and candidates from the losing groups is a "vote-candidate multiplier" that would further enhance the Sweden Democrat vote share.

The income losses or greater economic insecurity relative to others, followed by the subsequent decline in their trust in established parties, may lead these economic losers to not only identify more strongly with others in the same predicament, but to also put the blame for this situation on out-groups such as the domestic establishment or immigrants. This, in turn, may make in-group members more receptive to the Sweden Democrats' political program, and its anti-establishment, anti-immigrant message. As a result they are more likely to join the party or to cast their ballot in its favor.

This interpretation of the results may also help us understand why variation in measures of immigration does not seem to drive voting for the Sweden Democrats: the party's anti-immigration message is first and foremost a convenient rhetorical device, but its effectiveness does not reflect direct exposure to immigrants, or direct competition from immigrants about jobs or public budgets.

**Additional support for the interpretation** The inability of parties to commit to a particular platform plays a central role in models of "citizen-candidates". If members of the losing groups grow to distrust the government or mainstream, established political parties, this could lead them to join politics themselves in an anti-establishment party, or to vote for a party that can offer descriptive representation for their own group. To test this interpretation, we use the SOM survey data on

[12] See Osborne and Slivinski (1996) and Besley and Coate (1997) for the original formulations of this model.

attitudes and policy preferences to estimate the following regression

$$A_{i,t} = \alpha_1 O_i + E_t + \sum \beta_t (O_i \times E_t) + \mathbf{X}_{i,t}\gamma + \epsilon_{i,t}.$$

The dependent variable $A_{i,t}$ is an indicator for whether individual $i$ surveyed in election period $t$ expressed a particular attitude or preference. Among the independent variables, $O_i$ is an indicator for whether individual being an outsider, $E_t$ is an indicator for each election cycle, and vector $\mathbf{X}_{i,t}$ measures socio-demographic characteristics of the respondent that we interact with the election-period indicators.

In Figure 13, we plot the coefficients $\beta_t$, along with their 95% confidence intervals, for a series of outcomes. The coefficients are estimated from regressions with a basic set of demographic controls (i.e., gender, indicators for education, citizen status, age, and age squared) over the period of 1995 to 2014, with the baseline category being the 1999-2002 term. In the Web Appendix Table WX, we present alternatives estimates to the equation above for different model specifications. In our most saturated model, we control flexibly by election period for gender, education levels, citizen status, and age.[13] All the patterns in Figure 13 hold up under these alternative specifications.

[Figure 13 about here]

Panels A-E, show our estimates of the relationship between outsider status and trust in government institutions. Except in Panel E, the dependent variable in each plot is an indicator for whether the individual expressed "pretty low" or "very low" trust in the given institution. The dependent variable in Panel E measures generalized trust in others, which has a scale of 0 to 10. Overall, outsiders are much less trusting of government institutions, including political parties. Moreover, this relative gap in attitudes between insiders and outsiders grows considerably after 2006, which exactly coincides with the economic shocks (the policy shifts and the financial crisis) and the rise of the Sweden Democrats. With the exception of trust in municipal boards, this distinct pattern is present across the various types of government institution (e.g. executive branch, parliament, political parties). As a placebo check, we also estimate the same set of specifications using trust in non-government institutions as dependent variables, and do not find similar patterns (results available upon request).

**Attitudes among politicians and voters by party** For generalized trust in 2017, we can compare the survey responses by local politicians from different parties, who were asked exactly the same question (KOLFU 2017) as a random sample of Swedish voters, who were also asked to state their party sympathies (SOM 2017). We can thus check whether the attitudes of politicians from a certain party are congruent with the attitudes of voters who say that they support this party. Figure 14 shows the results of this check (the measure is normalized to a scale between 0 and 1). As before, we compare the Sweden Democrats with all other parties, with average politician scores on the horizontal axis and average voter scores on the vertical axis.

[Figure 14 about here]

As the graph shows, voters for parties other than the Sweden Democrats display the same high levels of generalized trust as those normally measured in Sweden (the 0.65 score corresponds to 6.5 on a 1-10 scale). The local politicians elected from these parties have even higher trust than their voters – the unfilled triangle is placed below the 45-degree line. Sweden-Democrat voters and politicians alike score considerably lower than their other-party analogs. But now the roles are reversed: the

[13] All of these controls enter non-parametrically, with the exception of age, which does include a quadratic term.

politicians are less trusting than the voters, such that the filled circle sits to the left of the 45-degree line. The difference in trust between the politicians from the Sweden Democrats and the other parties is a whopping 1.3 standard deviations.

We can also compare politicians and voter responses to a questions about their morality as measured by honesty-humility index. We find a similar pattern, although here the difference between Sweden Democrats and the others are smaller, both for voters and for politicians (see Figure WY in the Web Appendix).

These results lend further support to our earlier citizen-candidate interpretation of the Sweden Democrat rise by showing that auxiliary attitudes held on the demand and supply sides of politics are congruent. On average, Sweden Democrat voters and politicians do not just belong to the same labor-market groups of the Swedish population. They also appear to share a common outlook on other aspects of life, in the cases where we have comparable measures.

## 6.2 Other Traits of Politicians

We have shown that the Sweden Democrats offer far greater descriptive representation than other Swedish political parties to the population groups that fared the worst following the make-work-pay reforms and the financial-crisis recession. In this subsection, we further compare the councilors elected from different parties with respect to other personal traits. In particular, we compare their social background, policy expertise (previous political experience, public-sector jobs, or tertiary education), public-service motivation, morality, and their generalized trust in other people. In terms of the data sources discussed in Section 3, some of these variables are measured via administrative registers, others via the special survey (KOLFU 2017) directed to the universe of local politicians.

**Social background** Figure 15 summarizes the incomes of politicians elected in the 2002-2014 local elections and their fathers in 1979 (on average thus roughly at the same stage of the life cycle as the current politicians).[14] Incomes for both politicians and their parents are related to the respective population distribution of income. Consider first the middle plot in the bottom row, which shows the 1979 distribution of income – in terms of population *percentiles* – across the fathers of current politicians in all parties except the Left Party and the Sweden Democrats. To simplify the comparison, we also show the population distribution in 1979 as a black line – by the percentile definition, this is a uniform distribution with a density of 0.01. Clearly, the fathers of these other-party politicians are close to a replica of the Swedish population in their own generation.[15]

Consider next the right-bottom plot for the fathers of recently elected Left-Party politicians. This is a smaller sample so the distribution looks a little more jagged, but still close to the distribution for all fathers, except possibly for a shortfall at the very highest and lowest levels of income. The fathers of Sweden Democrat politicians in the left bottom plot look quite similar to the fathers of the Left-Party politicians and thus to the whole population. On average, today's Sweden Democrat politicians are thus selected from a representative sample of social backgrounds.

[Figure 15 about here]

The top row of the figure for the incomes of current politicians shows a different pattern. The incomes of the politicians of the other parties and the Left Party clearly over-represent higher income levels, a fact emphasized by Dal Bó, Finan, Folke, Persson, and Rickne (2017) as one (of

[14] We can also look at mothers of politicians with similar results **[is this correct?]**

[15] Another way to say this, stressed in Dal Bó, Finan, Folke, Persson, and Rickne (2017), is that the social mobility into Swedish local politics appears very high.

several) indications of meritocratic selection in Swedish politics.[16] In contrast, the Sweden Democrat politicians stand out by over-representing low income percentiles and under-representing high income percentiles.

These results suggest that Sweden Democrat politicians do not primarily differ from other-party politicians in their social background, but rather by their own incomes being tilted towards those in the lower end of society. Of course, this is consistent with the earlier results that Sweden Democrat politicians over-represent the groups that we have identified as relative economic losers in recent times.

**Other traits** Figure 16 compares politicians from different parties on a set of variables that many would consider valence characteristics on the aptitude for local politics. The graph to the left shows the difference in the shares of Sweden-Democrat and other-party politicians who have, in turn, previous political experience as a councilor, job experience in the public sector, and a tertiary education. The difference in political experience is about -20 percentage points (20 percent vs. 40 percent), which is a natural disadvantage for a newer party. Note that only 1.5 percentage points of the Sweden Democrat councilors have previously appeared on the ballot for another political party. Thus they do not appear to be Downsian opportunists who are motivated by election as such, but have failed to achieve it in other parties. The differences in other expertise variables are larger: compared to Sweden-democrat politicians, other-party politicians are 30 percentage points more likely to have job experience in the public sector, and similarly for having completed a tertiary education

[Figure 16 about here]

The right graph in the figure shows differences in a few other traits, all measured in terms of standard deviations (in the sample of politicians). The left-most dot shows the difference in the earnings score, an ability measure based on the residuals estimated from a rich Mincer equation estimated for the whole population. This score was developed by Besley, Folke, Persson, and Rickne (2017) and also used by Dal Bó, Finan, Folke, Persson, and Rickne (2017). Since we know that the Sweden Democrats are more often outsiders, we compare the earnings score only for politicians that belong to labor-market insiders as defined in Section 3 – i.e., those with a stable income from a job. Among these insiders, Sweden Democrat politicians still score 0.7 standard deviations below that of the politicians of other parties.

While the earnings score is computed from register data, the remaining scores in the figure come from our survey among local politicians (KOLFU 2017); with fewer participants, the confidence intervals are thus a bit wider. First we consider public-service motivation, measured via the survey developed by Kim, Vandenabeele, Wright, Andersen, Cerase, Christensen, Desmarais, Koumenta, Leisink, Liu, Palidauskaite, Pedersen, Perry, Ritz, Taylor, and De Vivo (2013), and computed from the answers to a battery of questions about private and altruistic motives. On average, Sweden-Democrat politicians score 0.6 standard deviations below the politicians of other parties. Next we look at a measure of morality, based on the so-called HEXACO module of questions developed by Lee and Ashton (2004) to construct an index for honesty and humility. Sweden-Democrat politicians again score lower than those of other parties, now by about 0.3 standard deviations. The last comparison concerns the well-known question about generalized trust in others, where Sweden-Democrats politicians score as much as 1.3 standard deviations lower than politicians from other parties.

[16] As a reminder, these incomes reflect market incomes of politicians as almost all local representatives do not draw a political salary. To the extent they do, we either drop them from the sample, or consider their income ahead of their first political full-time appointment.

As these comparisons show, the Sweden Democrats not only represent other groups in society than the established political parties, but their representatives also carry different qualifications, attitudes, and outlooks on life.

# 7 Final Remarks

We study the Sweden Democrats, a radical-right populist party in Sweden, and its recent success. On the demand side of politics, we mostly expand earlier research on how occupations and job losses may help shape populist votes (Rydgren and Arzheimer (2018), Autor, Dorn, Hanson, and Majlesi (2016), Dehdari (2018)), by identifying groups of losers from two main economic events during the period when the electoral support for the Sweden Democrats expanded. Our most novel result here is that the local consequences of an important set of national policy reforms are a main correlate of local populist votes. We also show that the rise of the Sweden Democrats took place as the trust of voters in government diverged depending on their economic status.

More importantly, our paper is the first to systematically analyze the supply side of a major populist party, using individual-level data for the locally elected representatives of the growing Sweden Democrats. We exploit the same subgroup disaggregation as in the demand-side analysis and show that the Sweden Democrats over-represent the losing groups, while other parties under-represent them.

Together, these findings rhyme with what we have called a citizen-candidate interpretation, namely that the disgruntled groups not only support the Sweden Democrats electorally, but also join their ranks as members and run as political candidates. Our interpretation is that in the presence of economic grievances and diminished trust, political platforms lose credibility. And in the spirit of citizen-candidate models, proposals are credible when entering candidates share socioeconomic traits with voters, and thus appear committed to representing them faithfully. In sum, the economic shocks and the trust deficit create both a supply and a demand for descriptive representation. We have also seen that elected local Sweden-Democrat politicians differ from local politicians of other parties in a number of other dimensions. In particular, they score lower on a number of personal traits and attitudes that many would consider valence variables in politics.

In one sense, the Sweden Democrats thus appear to fulfill a traditional role of new parties in democracies, namely to provide representation to some previously under-represented groups (at the same time, they offer less representation to other social groups, like women and non-OECD immigrants). In another sense, the new populist party appears to threaten the positive selection on ability in Sweden's local democracy that we have recently documented elsewhere (Dal Bó, Finan, Folke, Persson, and Rickne 2017).

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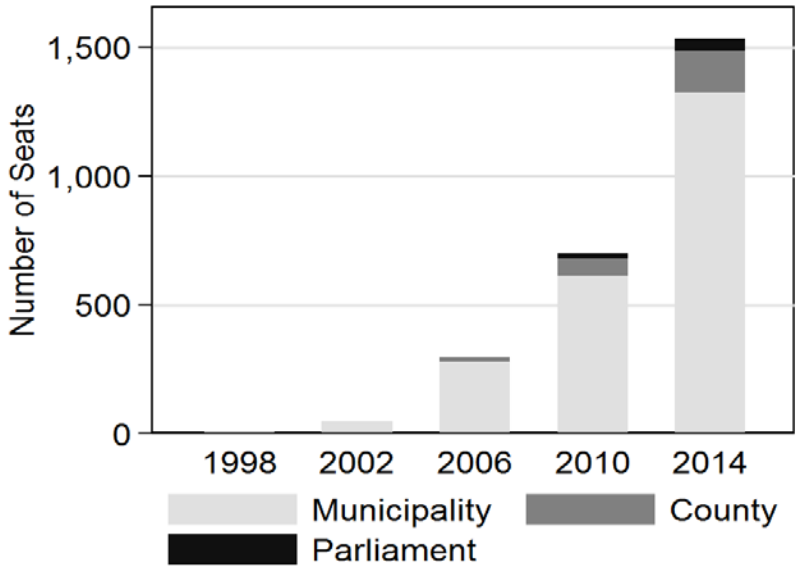



Figure 1  Seats won by the Sweden Democrats 1998-2014

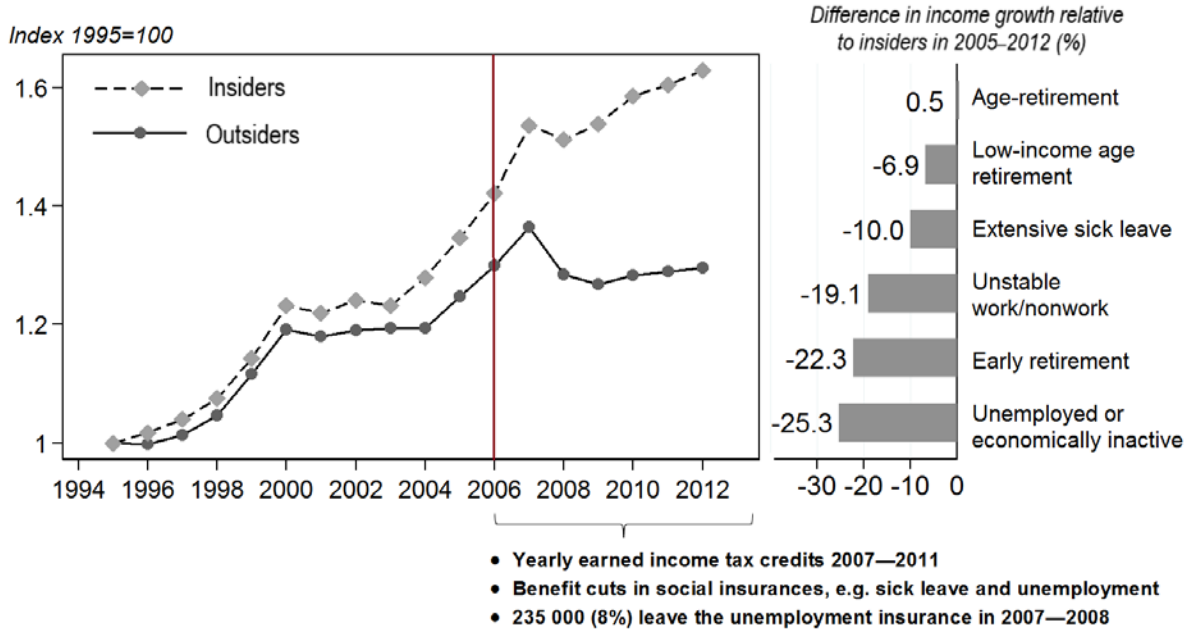



Figure 2 Disposable income for outsiders and insiders 1995-2012

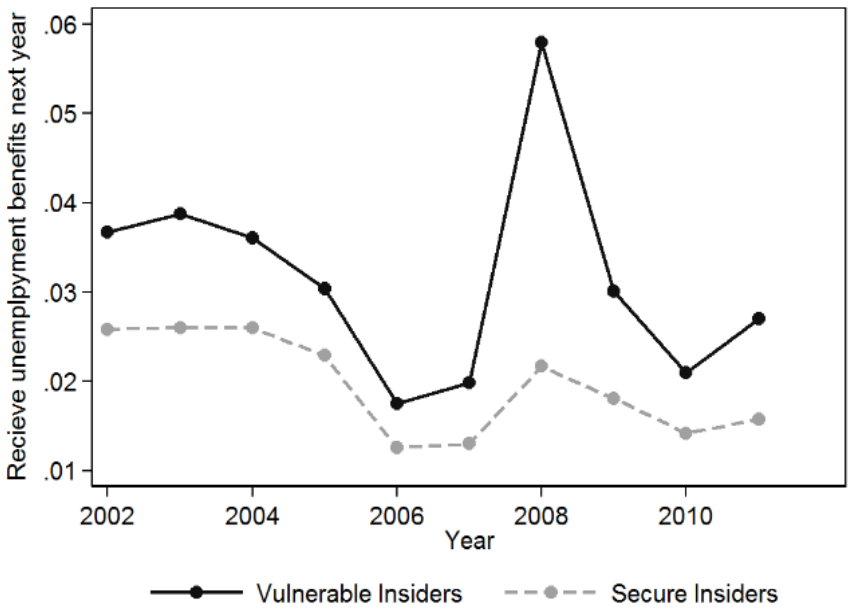



Figure 3 Share of vulnerable and secure insiders receiving unemployment benefits 2002-2011

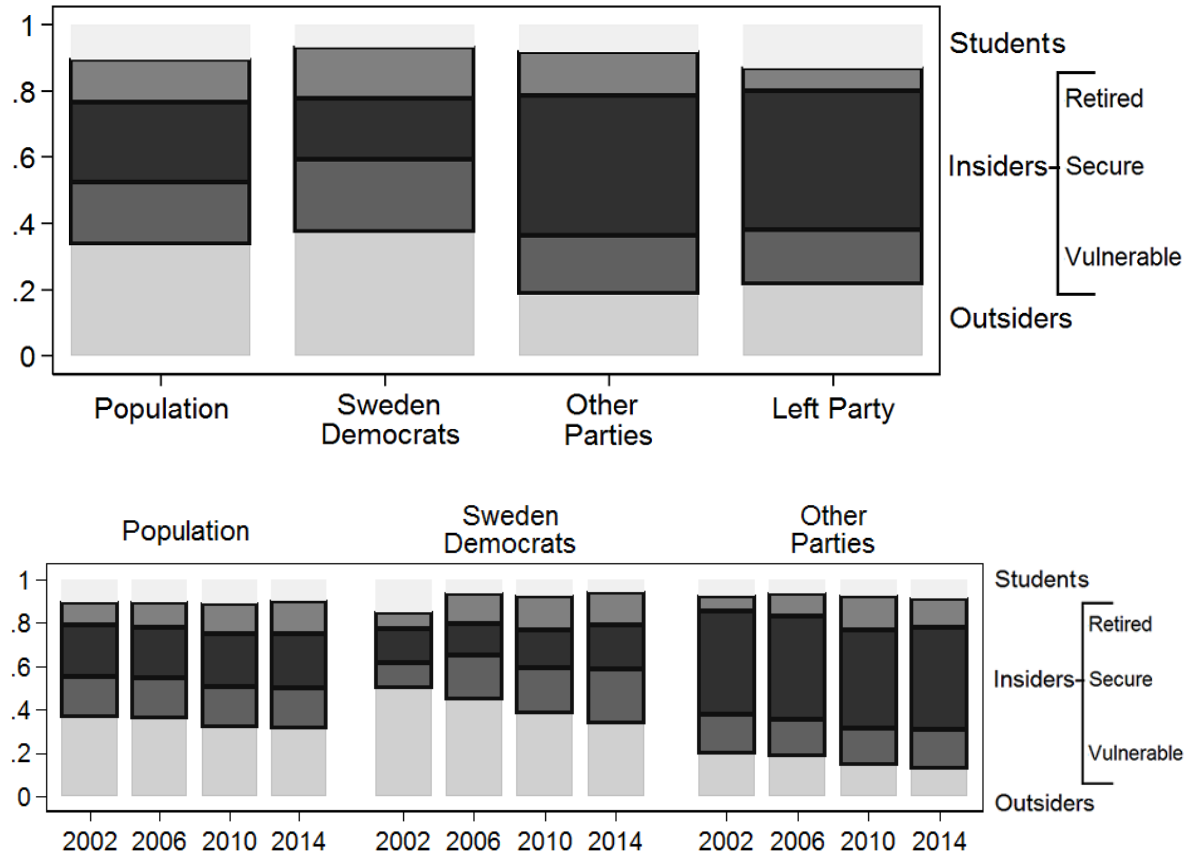



Figure 4 Composition of population compared to representatives of SD, Left Party and other parties, average 2002-2012 (upper figure) and by election period (lower figure)

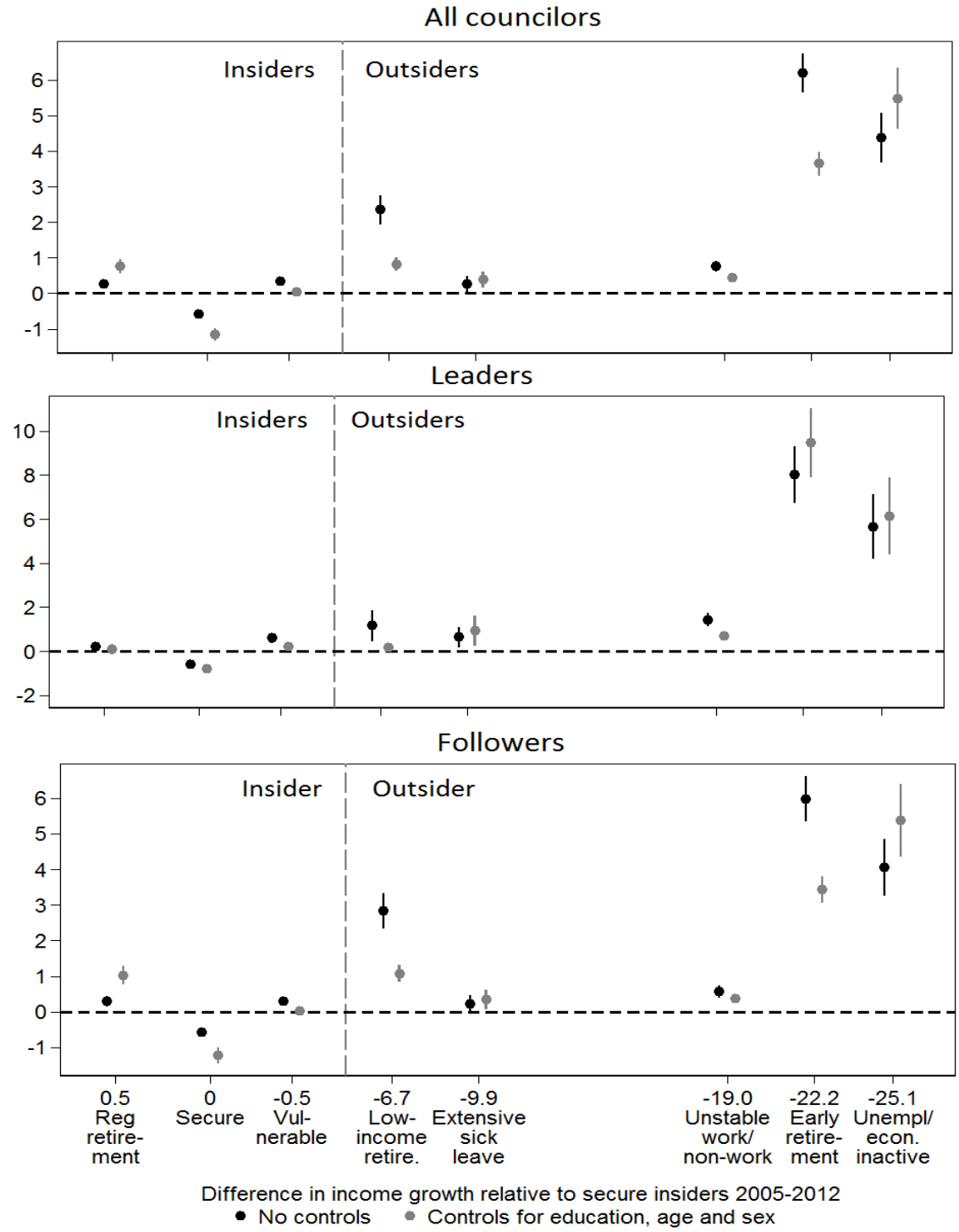



Figure 5 Estimates of over-representation in SD compared to other parties for labor-market subgroups. All elected councilors (upper figure), list leaders (middle figure), and followers (bottom figure)

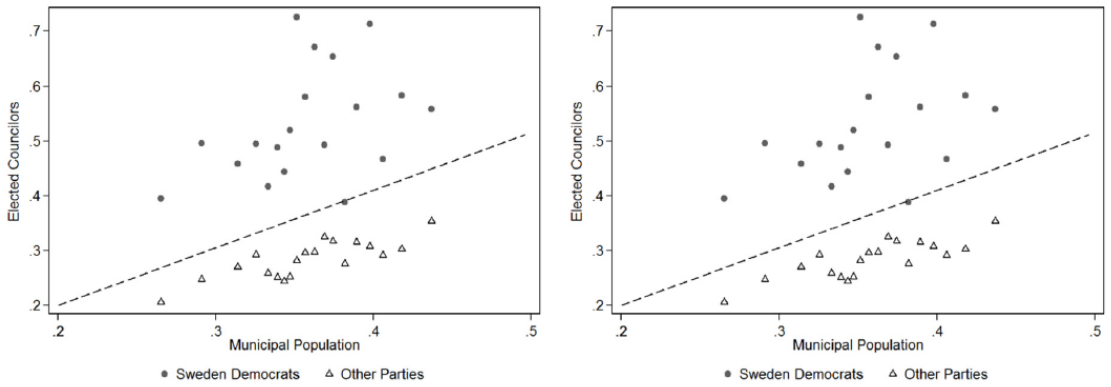



Figure 6 Share of outsiders (left) and share of vulnerable insiders (right) among elected councilors and the municipal population

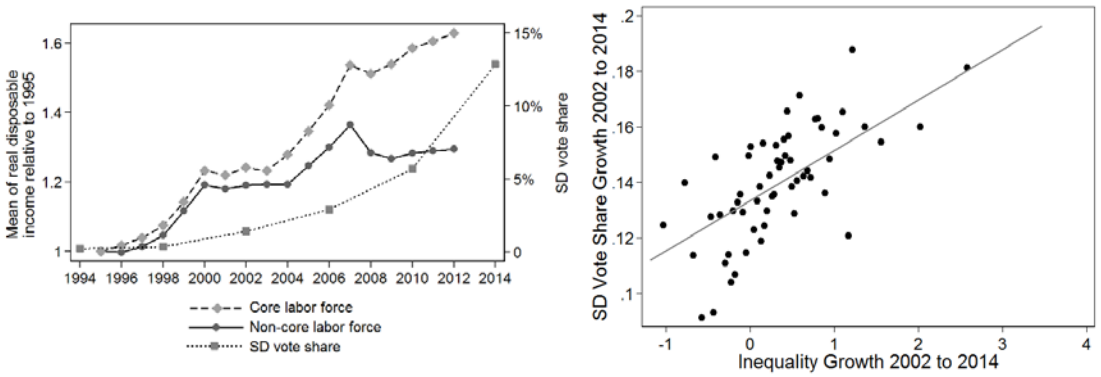



Figure 7 Inequality growth and growth of the Sweden Democrats

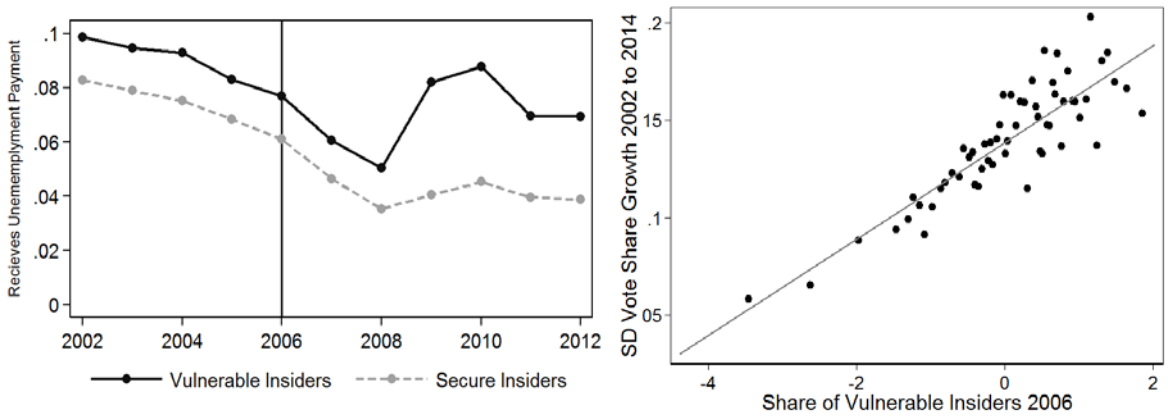



Figure 8 Share of vulnerable insiders and growth of the Sweden Democrats

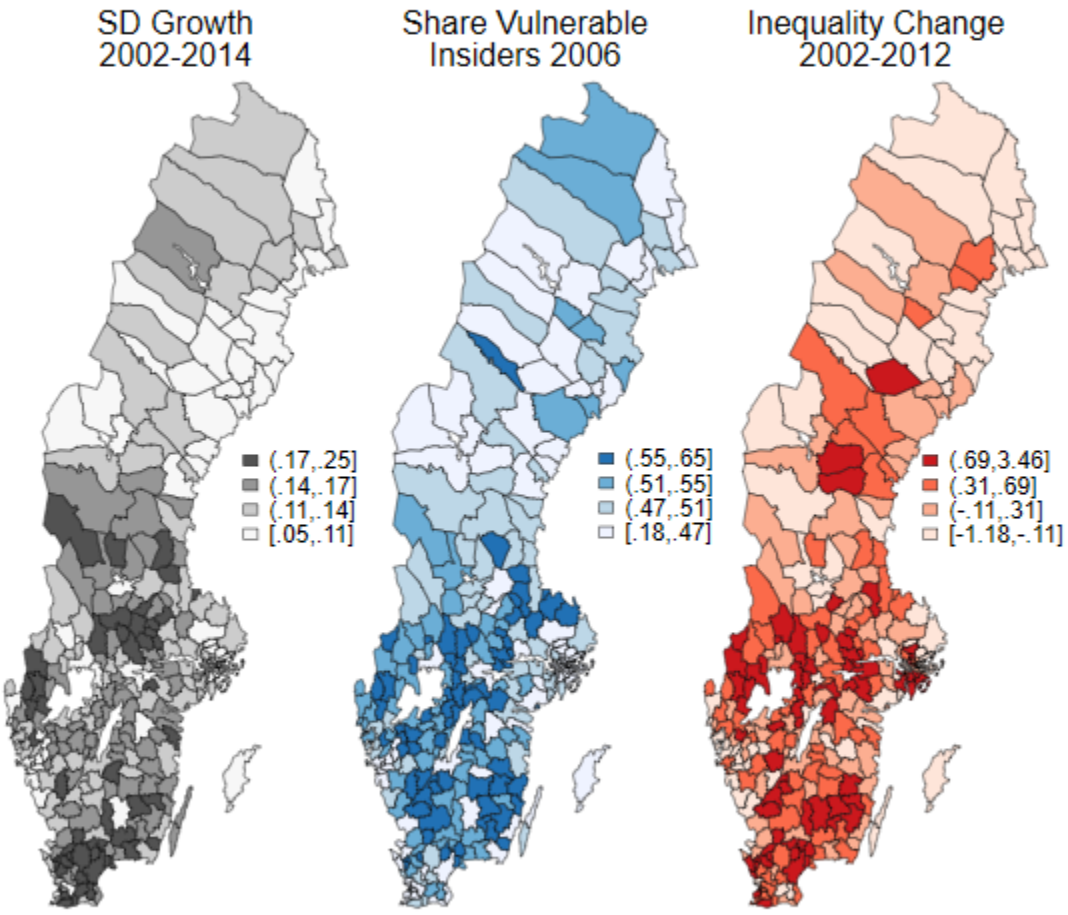



Figure 9 Geographical distribution the Sweden Democrat's growth 2002-2014, share of vulnerable insiders 2006, and growth of inequality 2002-2012

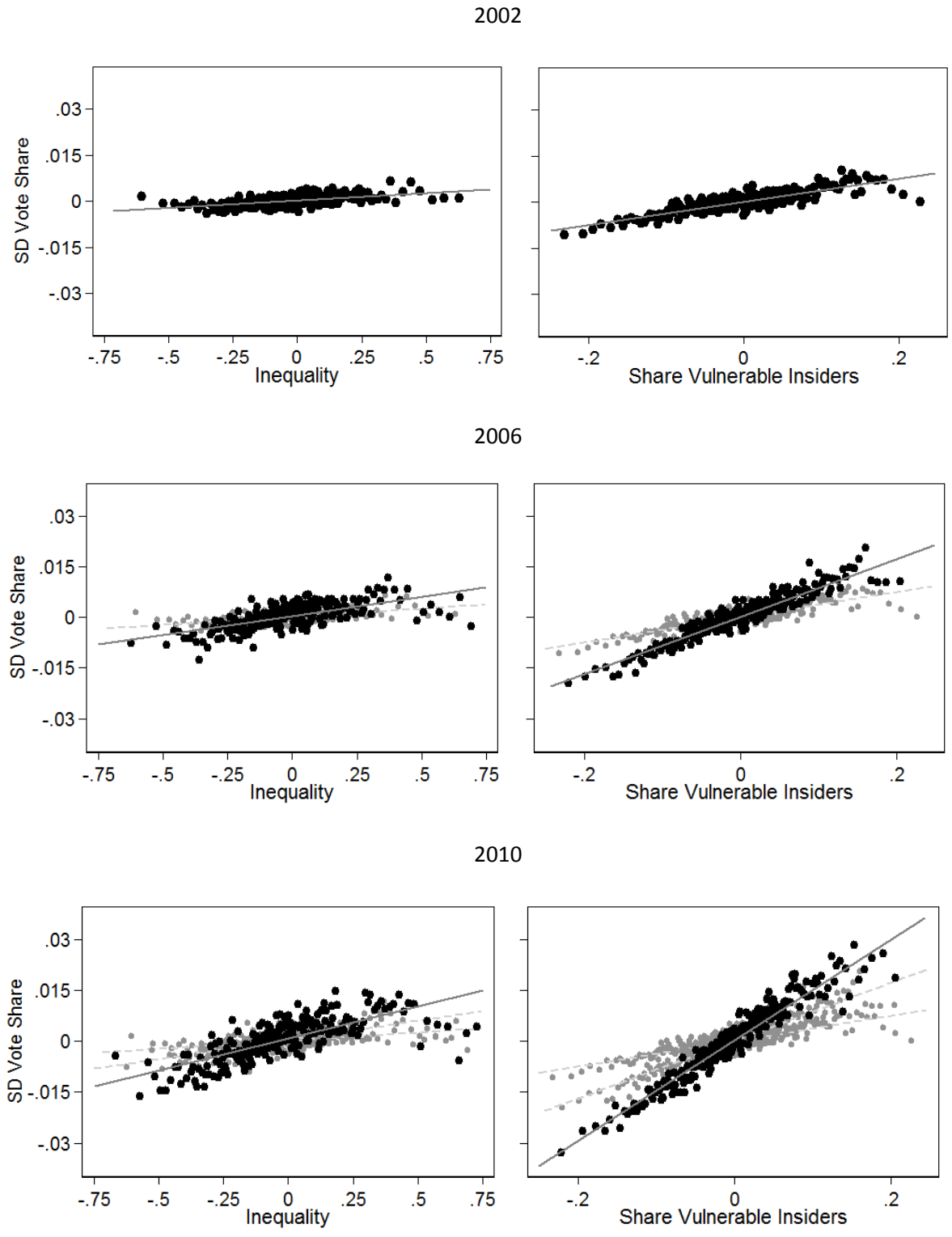
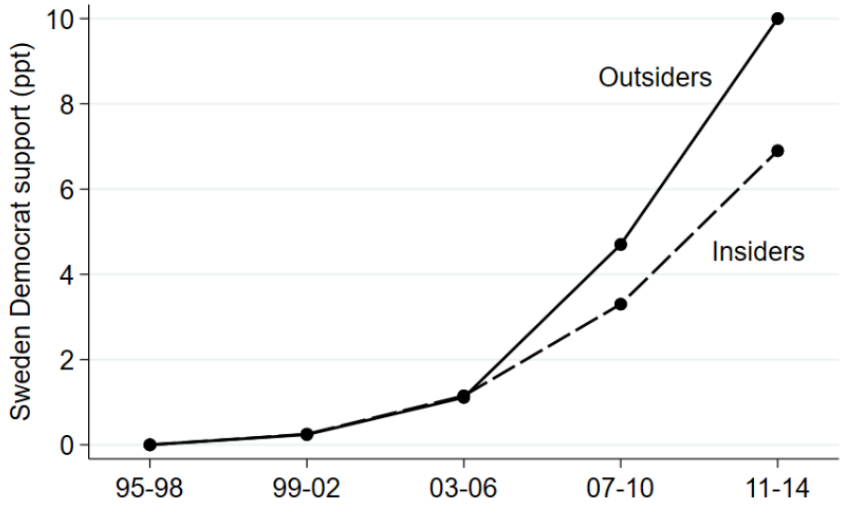
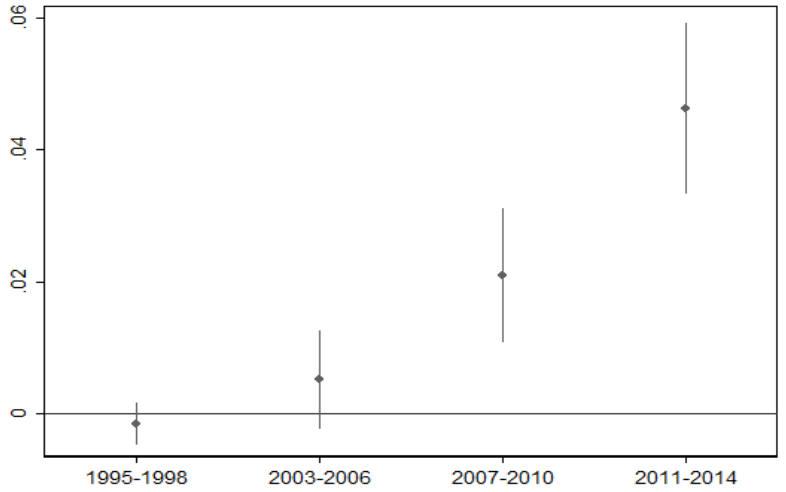



Figure 10 Within-municipality precinct-level variation in SD vote share, inequality and share of vulnerable insiders

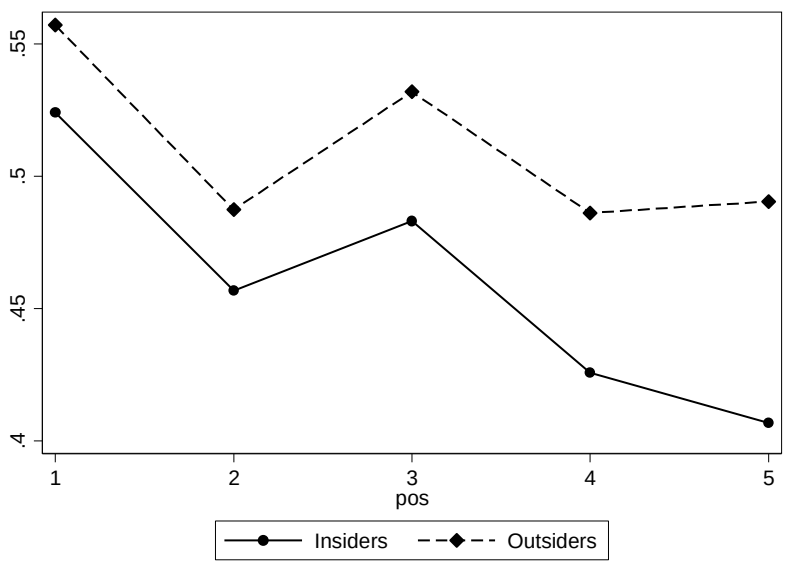



Panel A: Sweden Democrat support over time for insiders and outsiders

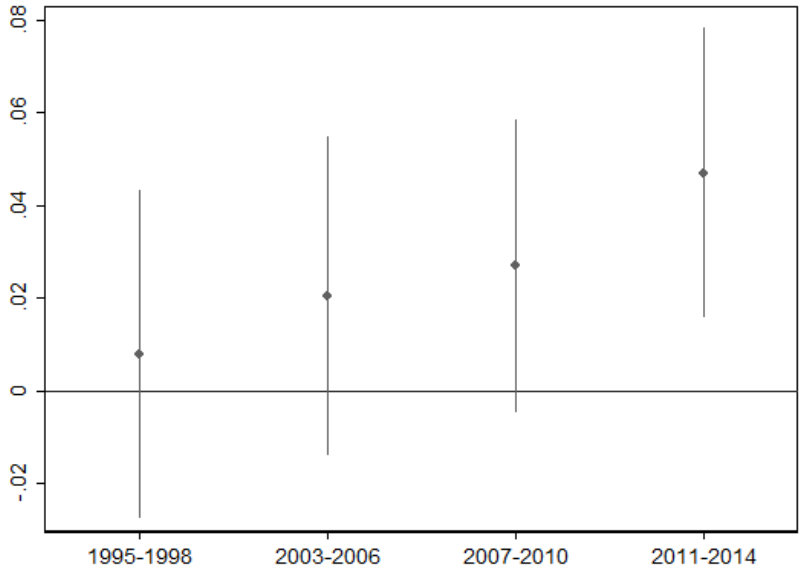



Panel B: Difference in Sweden Democrat support over time between insiders and outsiders

Figure 11. Support for the Sweden Democrats by Insider-Outsider status

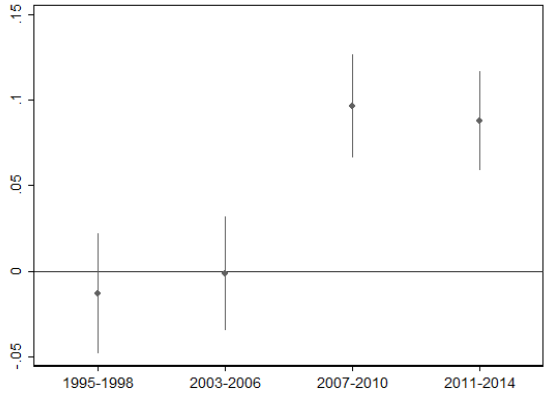



Panel A: Support for reducing refugees over time for insiders and outsiders

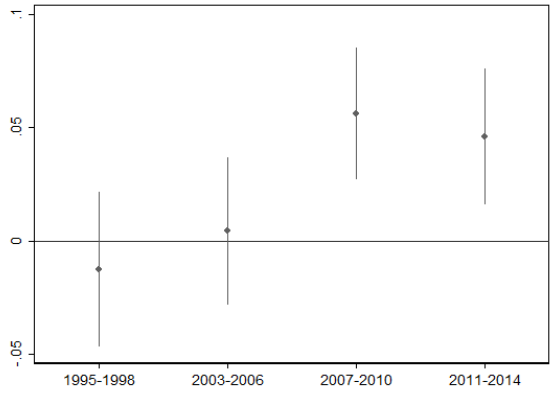



Panel B: Difference in support for reducing refugees over time between insiders and outsiders

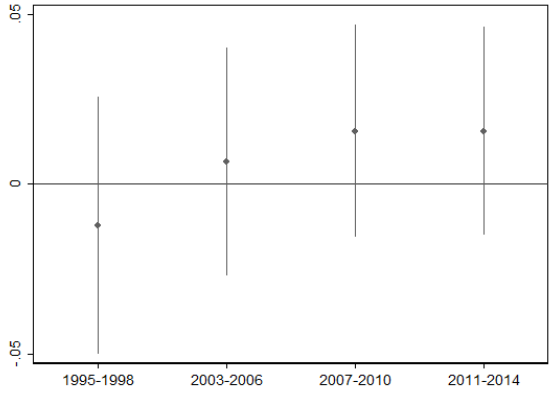
Figure 12: Support for Refugees by Insider-Outside status



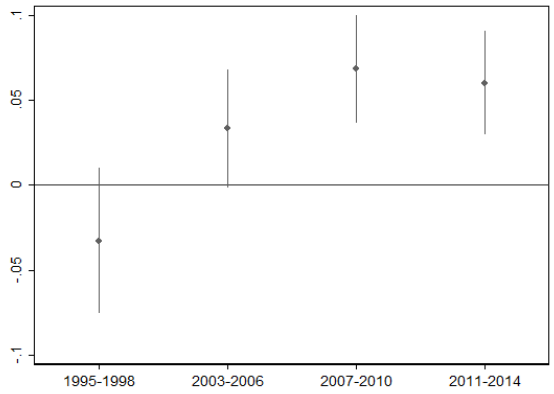

Panel A: Low Trust in Executive Branch



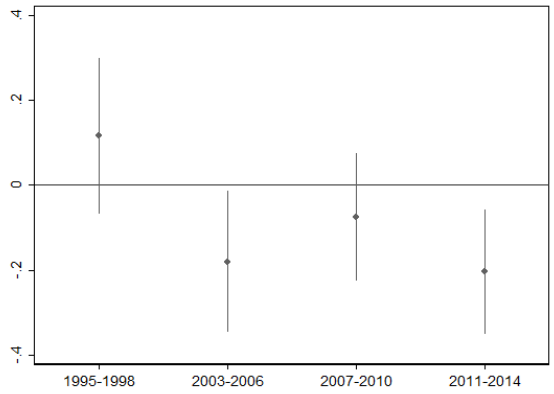

Panel B: Low trust in Parliament




Panel C: Low Trust in Municipal Boards




Panel D: Low Trust in Political Parties




Panel E: Generalized Trust in Others

Figure 13: Trust in Government Institutions by Insider-Outsider Status

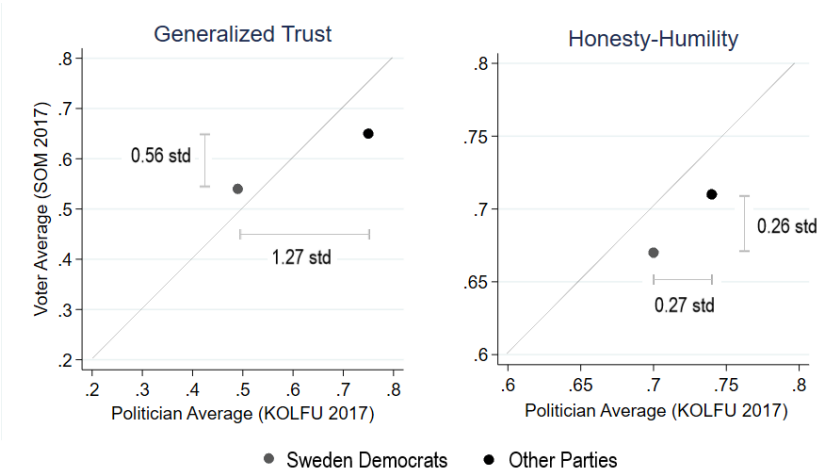



Figure 14 Trust of elected councilors and self-identified voters for Sweden Democrats and other parties

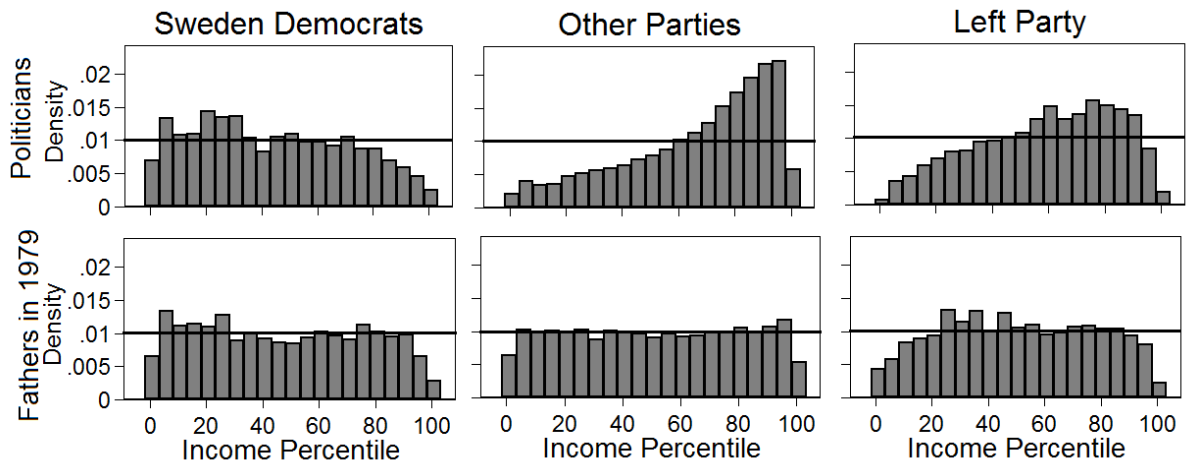



Figure 15 Income percentile of politicians elected between 2002 and 2014 (upper figures) and their fathers in 1979 (lower figures)




Figure 16 Traits of elected councilors of Sweden Democrats compared to councilors of other parties

Table 1 Basic regression results for local parliamentary elections

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Inequality | 0.51*** | 1.27*** | 0.59*** | 0.81*** | 0.59** |
| | (0.13) | (0.29) | (0.23) | (0.28) | (0.28) |
| Share vul.ins. | 0.12*** | -0.03 | 0.10** | -0.02 | |
| | (0.01) | (0.08) | (0.04) | (0.08) | |
| D2002*Share vul.ins. | | | | | -0.05*** |
| | | | | | (0.01) |
| D2010*Share vul.ins. | | | | | 0.04*** |
| | | | | | (0.01) |
| D2014*Share vul.ins. | | | | | 0.22*** |
| | | | | | (0.04) |
| Immigrant share | | | 0.02 | -0.08 | -0.04 |
| | | | (0.05) | (0.12) | (0.11) |
| Observations | 1,159 | 1,159 | 1,159 | 1,159 | 1,159 |
| Election FE | x | x | x | x | x |
| Municipality FE | | x | | x | x |
| Municipal controls | | | x | x | x |

Notes

Table 2 Robustness of basic regression results to measurement of inequality and level of elections

| | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Inequality | 3.82*** | 2.62** | 0.65** | 1.02** |
| | (1.20) | (1.11) | (0.29) | (0.42) |
| D2002*Share vul.ins. | | -0.05*** | -0.05*** | -0.06*** |
| | | (0.01) | (0.01) | (0.02) |
| D2010*Share vul.ins. | | 0.04*** | 0.04*** | 0.05*** |
| | | (0.01) | (0.01) | (0.02) |
| D2014*Share vul.ins. | | 0.20*** | 0.23*** | 0.18*** |
| | | (0.03) | (0.04) | (0.04) |
| Observations | 1,159 | 1,159 | 1,159 | 1,159 |
| Election FE | x | x | x | x |
| Municipality FE | x | x | x | x |
| Municipal controls | x | x | x | x |

Notes: Bartik inequality, 2006 share of outsiders times national insider/outsider inequality rather than current inequality (cols (1),(2)) and local results in municipal rather than national parliamentary elections (col (3))