Formal Jobs and the Cultural Right*

Antonio León
Bocconi University

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Abstract

The rise of culturally conservative politicians has been one of the most consequential political developments of recent decades. In large emerging democracies, this trend has coincided with significant reductions in poverty, partly driven by improvements in the allocation of labor. This paper hypothesizes that the reallocation of labor toward large firms—by fostering the growth of a conservative middle class—can help explain the rise of the cultural right. To test this hypothesis, the paper leverages geocoded administrative data and differential exposure to the rise of large firms as employers in Brazil. The findings show substantial increases in support for the cultural right, driven by low-income conservatives who experience upward mobility.

Keywords: Identity Politics, Informality, Large Firms

JEL Codes: D72, L25, O17

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1 Introduction

The rise of the cultural right—politicians who take strong conservative stances on issues such as migration and crime, including figures like Donald Trump and Jair Bolsonaro—has been one of the most consequential political developments of recent decades (Besley and Persson, 2019). Globally, this trend has shaped international trade. In advanced democracies, it has driven significant changes in migration policies. In emerging economies, it has coincided with debates over the resilience of democratic institutions. As a result, understanding the drivers of this trend has attracted considerable attention from both scholars and the broader public. A prominent explanation emphasizes the role of negative income shocks, arguing that the erosion of the middle class has fueled support for anti-establishment nationalists (e.g., Autor et al., 2020a; Fetzer, 2019; Algan et al., 2017). While this interpretation has received strong empirical support in developed countries (Rodrik, 2021), it does not align as neatly with patterns observed in large developing economies. In nations such as Brazil, India, Indonesia, and the Philippines, culturally conservative leaders have gained prominence not amid middle-class *decline*, but amid its *expansion*, driven in part by improvements in labor allocation (Erumban and de Vries, 2024; Our World in Data, 2022). This paper proposes an alternative explanation that complements existing accounts by exploring how rising middle classes can also underpin support for the cultural right.

The analysis centers on the reallocation of labor toward large firms—a defining feature of structural transformation in many developing economies—as a key mechanism linking economic transformation to the rise of culturally conservative politics. In these economies, labor is often allocated to small, low-productivity firms (Hsieh and Klenow, 2014, 2009). Shifting employment toward larger, more productive firms raises living standards and increases wages (Alfaro-Ureña et al., 2024; Méndez and Van Patten, 2022). The resulting income gains are particularly consequential for low-income workers, who are more likely to work in unproductive firms (Ulyssea, 2018). Importantly, these citizens typically have low levels of formal education (Ulyssea, 2018)—a strong predictor of cultural conservatism (Gethin et al., 2022). Consequently, they face a voting trade-off: on one hand, they would like to support the left because of its redistributive agenda; on the other, they would like to support the cultural right due to its strongly conservative stance on social issues. As these workers move into the middle class, their demand for redistribution declines (Alesina et al., 2018; Alesina and La Ferrara, 2005; Piketty, 1995). Given their pre-existing social attitudes—shaped largely by early socialization rather than current income (Alesina and Giuliano, 2015)—they shift their political allegiance from the left to the more conservative faction within the right. In this way, rising income allows them to vote in accordance with their moral values (Enke et al., 2025).

This paper tests this hypothesis in the context of Brazil (2003-2018), which offers three key advantages. First, Brazil is representative of the trend in support for the cultural right. In federal legislative elections, the vote share of parties characterized by the Chapel Hill Expert Survey as having a salient, conservative stance on cultural issues rose from 1% in 2006 to 20% in 2018. Second, Brazil experienced a surge in exposure to large firms as employers during this period. Using Autor et al. (2020b)'s 5,000-employee threshold to define large productive firms, their share of formal employment increased from 8% in 2003 to 12% in 2018. Heterogeneous exposure to this trend, shaped by large firms' baseline local labor market shares, enables a shift-share design (Goldsmith-Pinkham et al., 2020). The analysis captures incidental exposure to changes in employment in pre-existing establishments, leveraging firm-level policies that propagate across establishment networks (Hazell et al., 2025; Schubert et al., 2024). This approach is validated by a series of pre-trends tests, among other checks (Borusyak et al., 2025). Third, access to a wide range of data sources—including geocoded administrative data on elections (TSE), formal sector workers (RAIS), and welfare recipients (CadÚnico)—enables a detailed examination of the underlying mechanisms.

The paper finds that, on average, a 4 percentage point increase in large firms' labor market share—i.e., the observed change over the period—induces a 1.4 percentage point increase in the cultural right's vote share in legislative elections. This amounts to 7.4% of the total increase in support for the cultural right during the period. Three pieces of evidence suggest that this effect is mediated by the creation of a conservative middle class. First, survey evidence indicates that, in Brazil, low-education voters support redistributive policies while holding culturally conservative views. Second, administrative data show that the reallocation of labor toward large firms fosters upward mobility among these individuals: they become more likely to hold formal employment in large firms and less likely to be welfare recipients. Third, at a more granular level, the voting response is concentrated in ZIP codes that, at baseline, are both close to large-firm establishments and home to welfare recipients—precisely the areas where many of these workers transition into formal jobs. Consistent with a values-as-luxury-goods mechanism (Enke et al., 2025), voters in these localities shift their support from the left specifically toward the cultural right—with statistically insignificant effects on right-wing parties that are not conservative on social issues. Complementary analyses provide little evidence for alternative mechanisms, such as changes in political supply, voter composition, large firms' political behavior, unions' strength, or municipal redistributive expenditures. Taken together, these results provide direct empirical support for my hypothesis: the reallocation of labor toward large firms, by fostering the growth of a conservative middle class, can help explain the rise of culturally conservative politicians.[1]

[1]A back-of-the-envelope calculation suggests that, for every family out of poverty, 2.5 new votes for the cultural right are generated. This high conversion rate is consistent with a large presence of latent

This paper contributes to four main literatures. First, it contributes to a large and growing literature on the rise of right-wing populism. Prior research shows that *negative* income shocks—arising from import competition (Dippel et al., 2022; Autor et al., 2020a; Colantone and Stanig, 2018b,a; Algan et al., 2017), immigration (Docquier et al., 2025), austerity (Fetzer et al., 2023; Fetzer, 2019), and automation (Petrova et al., 2024)—can increase support for right-wing populism, potentially through a social-identity channel in which economically *displaced* voters shift their identification from economic to cultural dimensions (Bonomi et al., 2021).[2] My main contribution to this literature is to show that *positive* income shocks among low-income conservatives can also fuel the rise of the cultural right, potentially through a values-as-luxury-goods mechanism (Enke et al., 2025).[3] This mechanism complements existing explanations based on negative shocks and aligns more closely with the patterns observed in large emerging democracies.[4] Moreover, my findings help explain why these new political forces have expanded at the expense of center-left parties, whose support has traditionally relied on redistributive policies (e.g., Manacorda et al., 2011). In this regard, the two studies most closely related to mine are Cavalcante et al. (2023) and Ogeda et al. (2024), who document declines in support for left-wing parties in Brazil due to commodity export booms and trade liberalization, respectively. My contribution is to examine the effects of a distinct structural trend—increased exposure to large firms as employers—and to assess whether the decline in support for the left has been absorbed by the cultural right or the economic right, and for what reasons.

Second, this paper contributes to an emerging literature on identity politics (Gennaioli and Tabellini, 2025; Gethin et al., 2022; Besley and Persson, 2019). It has been found that changes in political *supply* might be a key driver of the increasing importance of the non-economic axis of political conflict (Longuet-Marx, 2025; Danieli et al., 2025). My main contribution to this literature consists in documenting that voter realignment—here, captured by working-class voters shifting from the left toward the cultural right—can occur due to changes in political *demand*, triggered by positive income shocks affecting conservatives.

conservatives living at the margin between poverty and the middle class.

[2] A different branch of the literature has studied the role of non-economic drivers of identity politics and populism, such as media Manacorda et al. (2025); Ahmed et al. (2025); Guriev et al. (2021), religion (Solá, 2025; Mello and Buccione, 2024), education (Cervera, 2024), and communal places (Wolton et al., 2025). A comprehensive review of the literature on populism is provided by Guriev and Papaioannou (2022).

[3] This connects this paper to research on how social mobility shapes preferences for redistribution (Alesina et al., 2018; Di Tella et al., 2007; Alesina and La Ferrara, 2005; Piketty, 1995). My contribution to this literature lies in showing that upward mobility among *culturally conservative* individuals can shift political support from the left toward the cultural right, in particular.

[4] According to Lipset (1959), the social foundation of right-wing populism—and its more extreme manifestation, fascism—lies in the lower-middle class. In developing nations, poverty reduction has expanded this group's share of the electorate; in developed countries, adverse income shocks have had a similar effect. Whether this can reconcile the divergent impacts of income shocks on support for the cultural right across the world is an open question.

Third, this paper contributes to an established and growing literature on the channels of political influence of large corporations in modern democracies (recently reviewed by Bombardini and Trebbi (2025)). It has been shown that large firms *actively* influence politics via lobbying (Bertrand et al., 2025; Prat et al., 2024; Moshary and Slattery, 2024), campaign contributions (e.g., Babenko et al., 2025), donations to non-profit organizations (Bertrand et al., 2021, 2020), and employee mobilization (Babenko et al., 2020; Hertel-Fernandez, 2017).[5] My contribution to this literature consists in uncovering an *indirect* channel through which large corporations affect politics; namely, their labor market effects on conservative voters.

Fourth, this paper relates to a large literature on the *economic* effects of large firms. In developed countries, where these firms hold relatively large labor market shares, the rise of large employers has been linked to reductions in the labor share (Autor et al., 2020b; De Loecker et al., 2020; Autor et al., 2017), wage stagnation (Deb et al., 2022), increased wage inequality (Deb et al., 2024; Haltiwanger et al., 2022), and lower wages (Schubert et al., 2024). Conversely, in developing countries, where labor is inefficiently allocated to small, unproductive firms (Ulyssea, 2018; Hsieh and Klenow, 2014, 2009), large firms have been linked to increased economic growth (Choi et al., 2024), employment and productivity (Alfaro-Ureña et al., 2022), living standards (Méndez and Van Patten, 2022), wages (Alfaro-Ureña et al., 2024), and firm performance (Macchiavello and Miquel-Florensa, 2019).[6] My results resonate with this literature, to which I contribute by studying effects on absolute upward social mobility among welfare recipients. In this regard, the most closely related paper to mine is Rosa (2024). I differ from this paper by exploring the political economy implications of increased exposure to large firms as employers and documenting effects on absolute upward social mobility among welfare recipients.

The remainder of this paper proceeds as follows. Section 2 describes the most relevant features of the institutional setting. Section 3 describes the data sources. Section 4 describes the empirical strategy. Section 5 presents the main results and discusses internal validity and robustness checks. Section 6 explores potential mechanisms and alternative interpretations. Section 7 concludes.

[5] Colonnelli et al. (2025) document substantial sorting along political preferences in Brazilian labor markets, which seem to be mostly driven by employers' preferences for like-minded employees. I do not find evidence that the rise of large firms as employers affected voting outcomes via their direct political behavior, such as employee mobilization or political discrimination when hiring.

[6] A small but growing literature documents evidence of labor market power in developing countries (Felix, 2024; Amodio et al., 2025). The positive effects on labor market outcomes presented in this paper are inconsistent with monopsony models.

2 Background

2.1 The Rise of the Cultural Right

Classifying Politicians. In the baseline definition, politicians are classified as belonging to the cultural right based on their party affiliation. Cultural right parties are identified in three steps (details are provided in Appendix B). First, I retain parties classified as right-wing according to Ogeda et al. (2024). Second, within this subset, I select parties that are more conservative on cultural than on economic issues, as measured by the Chapel Hill Expert Survey (CHES) (Martínez-Gallardo et al., 2022).[7] Third, I exclude non-programmatic parties that belong to the *centrão*, a bloc known for its weak ideological coherence. Applying these criteria yields a set of parties that consistently adopt conservative positions on cultural issues, such as abortion and equal marriage rights. These parties are closely associated with Brazil's conservative evangelical movement and with ex-president Jair Bolsonaro—often referred to as the "Trump of the Tropics" (Associated Press, 2019). Consequently, voters who prioritize a conservative cultural agenda are likely to view these parties favorably. Cultural right parties are represented in dark blue in Figure A1.

In robustness checks, I classify politicians as belonging to the cultural right based on their profession. Specifically, politicians engaged in religious professions—such as evangelical pastors—are classified as culturally right-leaning, given their typical alignment with conservative cultural positions. The paper's results remain unchanged under this alternative classification.

Using the baseline set of programmatic right-wing parties, I define the economic right as those that are more conservative on economic than on cultural issues, according to CHES.[8] These parties—shown in light blue in Figure A1—exhibit a clear pro-business orientation, advocating limited state intervention and market-friendly policies. Still, as Figures A2 and A3 show, these parties are not necessarily more conservative on economic issues than cultural right parties. The key distinction between the two right-wing factions lies instead in their stances on *sociocultural* issues, with economic right parties being considerably more progressive culturally. Because both factions are substantially more conservative on economic issues than left-wing parties, culturally conservative voters whose demand for redistribution declines may leave the left, aligning with the right's economic positions. Given the contrasting cultural orientations of the two factions, however, these voters are likely to shift specifically toward the cultural right.

[7] Results remain unchanged if I instead require parties to assign greater importance to cultural rather than economic issues.

[8] Results remain unchanged if I instead require parties to place greater importance on economic rather than cultural issues.

As a robustness check, I classify as economically right-leaning those politicians who are business owners, who typically align with pro-market positions. The results remain unchanged.

I classify as left-wing those parties identified as such by Ogeda et al. (2024). These parties are characterized by progressive positions on cultural issues and pro-redistribution views on economic matters. Figures A2 and A3 show this. Consequently, low-income conservatives may support these parties because of their redistributive stance, even while disagreeing with their cultural positions.

I classify as centrist those parties that are not identified as left-wing by Ogeda et al. (2024) and that do not belong to either the cultural or the economic right, according to my classification. These parties often rely on *emendas parlamentares*—federal budget amendments aimed at addressing local economic needs—to secure electoral support.

Further details on the classification algorithm and the full list of Brazilian parties are provided in Appendix B.

The Rise of the Cultural Right. This paper focuses on elections for federal deputy—i.e., members of the lower house of the federal legislature. These elections take place every 4 years. They directly affect policies set at national level, such as conditional cash transfers and expanded civil rights (e.g., abortion rights). Moreover, they are characterized by a large number of competing candidates and parties, allowing me to consistently measure support for different ideologies.

Figure 1 depicts the trend in the vote share of cultural right parties in these elections, during the analysis period (2003-2018). In this figure, I use my baseline classification method, based on experts' characterizations of Brazilian parties.[9] One can see that the cultural right vote share increases sharply: it starts at approximately 1 percentage point and ends at approximately 20 percentage points. As shown by Figure A4, this trend mirrors the patterns observed in presidential elections, culminating in the election of ex-president Bolsonaro in 2018. Notably, as depicted by Figure A5, it coincides with a reduction in support for left-wing parties. Thus, at least part of the increase in support for the cultural right may have come from previously left-wing voters.

[9]The main change in terms of political supply over time is the emergence of the conservative PSL, to which ex-president Bolsonaro became affiliated in 2018.

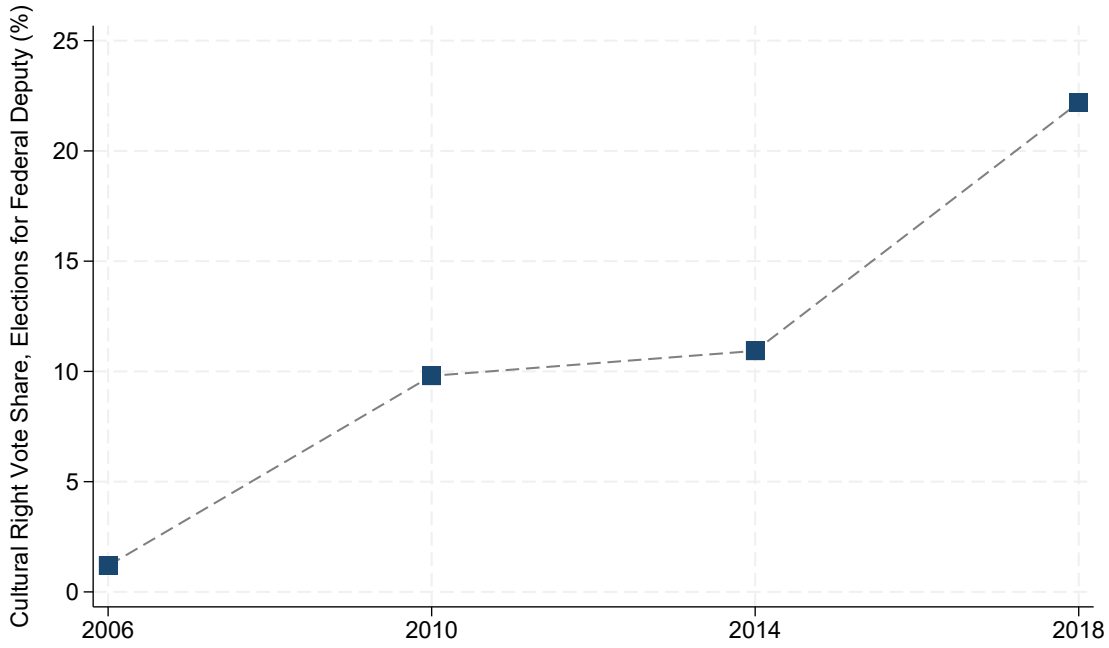


Figure 1: The Rise of the Cultural Right

Notes: This figure depicts the vote share for the cultural right over time. Federal deputies are members of the lower house of the federal legislature. I characterize parties' ideologies based on Ogeda et al. (2024) and the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022).

2.2 The Rise of Large Firms as Employers

Large Firms as Employers. This paper aims to study the effects of reallocating labor to large, productive firms. To do this, I use Autor et al. (2020b)'s employment cutoff for defining "superstar firms" in the absence of data on revenues or productivity. More specifically, to classify as a large firm, a firm must employ, across all its establishments in Brazil, at least 5,000 employees. Since this threshold is arbitrary, I experiment with alternative cutoffs that still generate a set of firms that are markedly "large" relative to others in the economy (results hold).[10] Finally, to arrive at a more homogeneous set of firms, I exclude a minority that are state-owned (3.69%). This gives a set of 784 unique large firms in the data. 68% of these firms employ in at least 2 of the 5 Brazilian regions, highlighting the fact that their establishments are spread out across the country.[11]

Table A1 documents the large-firm wage premium, within the formal sector, in Brazil. The analysis is based on data from RAIS on a random subsample of workers. When moving across columns, I progressively account for the fact that large firms might be: located in higher-paying markets, more likely to hire in more recent years, concentrated in

[10] The results of this paper are stronger under more stringent cutoffs, suggesting the importance of reallocating labor toward large, productive employers.

[11] The definition is not equivalent to identifying multinational enterprises (MNEs). Only 13.27% of firms that hire at least 5,000 employees nationally are MNEs.

higher-paying sectors, more likely to hire workers in higher-paying occupations, more likely to hire highly educated workers, and more likely to hire men (there is a sizable gender gap in Brazil). Column 4 shows that, even when accounting for all those margins of selection, working at a large firm is associated with 11.1% higher wages. This is consistent with an established literature on the large firm wage premium (e.g., Barth et al., 2018) and suggests that large firms are relatively good employers in Brazil. Furthermore, informal employers pay lower wages and are less likely to hire workers under formal contracts (Ulyssea, 2018), thereby avoiding legal requirements such as minimum-wage payments, unemployment insurance, pension contributions, and union recognition. Hence, Table A1 understates the extent to which large firms are relatively good employers, within the overall context of the Brazilian economy.

The Rise of Large Firms as Employers. Under the baseline definition of large firm, the share of formal employment in large firms steadily increased between 2003 and 2018, starting at approximately 8% and finishing at approximately 12%.[12] This aggregate trend is depicted in Figure 2. The dip in 2014 is largely driven by a corruption investigation ("Operation Carwash") that negatively affected large construction companies (Ferraz et al., 2023). This can be seen clearly in Figure A6, where I decompose the increase in large firms' labor market share by sector. There, one can also see that the aggregate increase in exposure to large employers in Brazil was mainly driven by firms in the private services sector (consulting and auditing), wholesale and retail and, to a lesser extent, food processing. These three sectors were the top 3 sectors in terms of hiring by large firms during the entire analysis period, accounting for almost 60% of employment in large firms in 2003 and 70% in 2018. Finally, Figure A7 shows that the growth in the labor market share of large firms was accompanied by an absolute increase in their total formal employment. This reflects the fact that the long-term increase in large firms' labor market share was mostly driven by increased employment in large firms, rather than reductions in formal employment in non-large firms.

[12] Although my baseline measure of exposure to large firms focuses on their share of formal-sector employment, the results remain robust when using formal employment in large firms as a share of the total population.

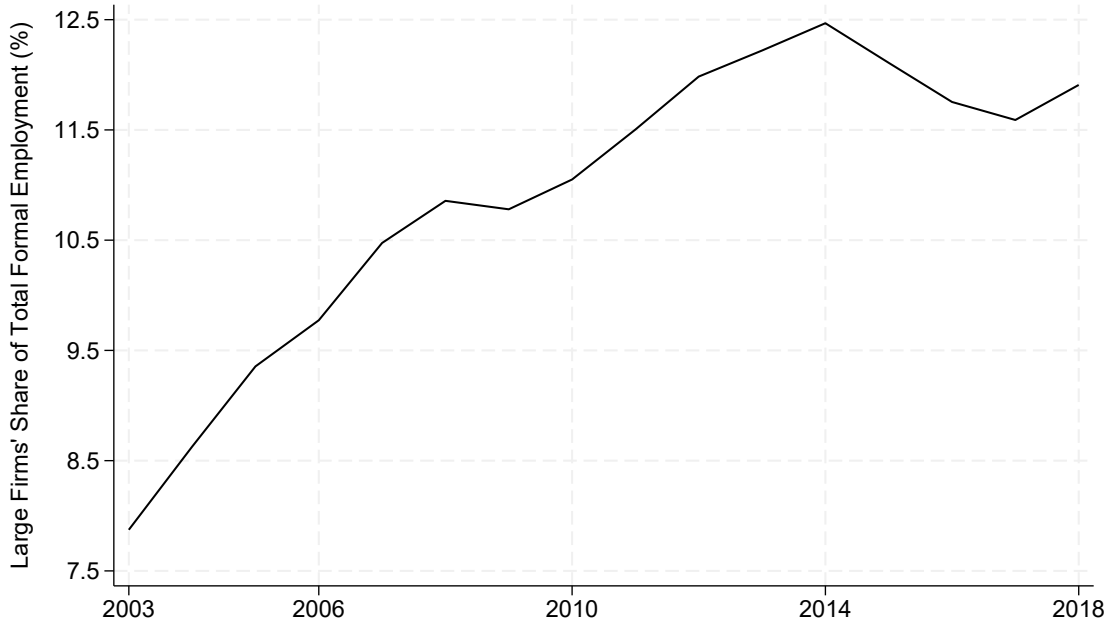


Figure 2: The Rise of Large Firms as Employers

Notes: This figure depicts the share of formal employment in large firms, over time. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. The data source is RAIS.

Figure 3 depicts the evolution, at labor-market-level, in large firms' labor market share. In this paper, labor markets are defined by microregions, collections of contiguous municipalities that can be seen as commuting zones (Ogeda et al., 2024; Dix-Carneiro and Kovak, 2017). It is visually clear that some areas were more affected than others by the rise of large firms as employers. For instance, while in the Center-West of the country the relevance of large firms as employers increased strongly, in more remote areas of the Amazon (such as those closer to Venezuela) this was not the case. The empirical strategy will leverage this differential exposure to the aggregate rise of large firms as employers in Brazil.

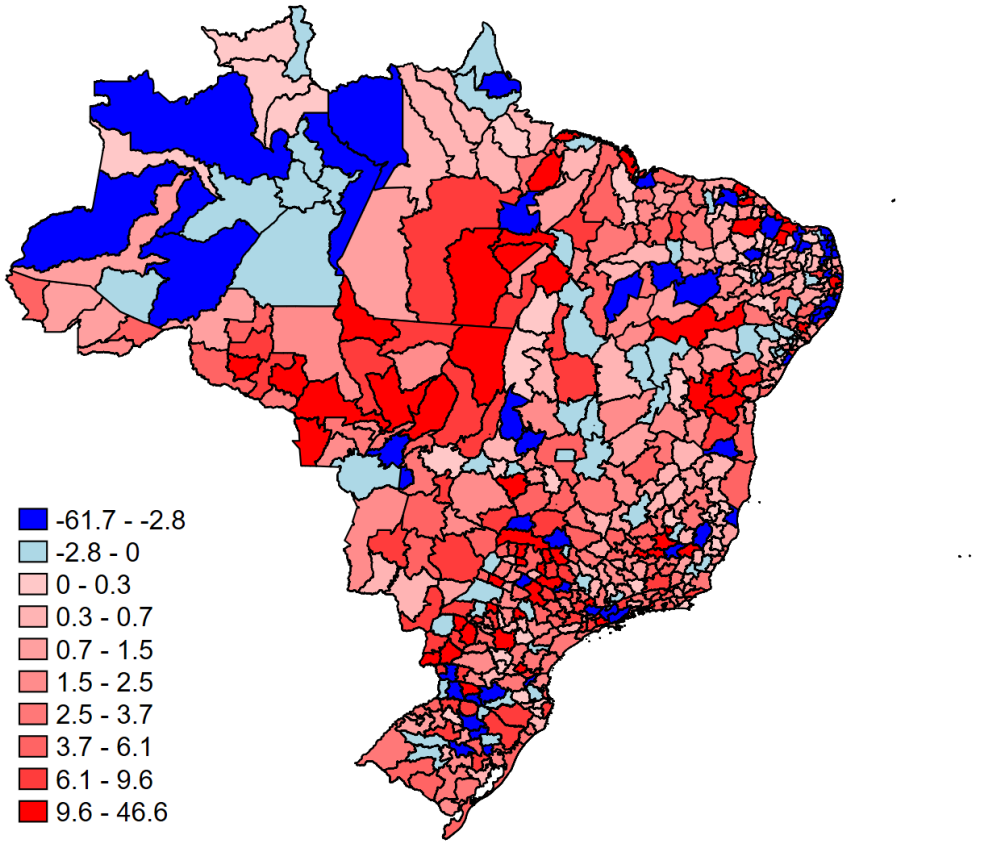


Figure 3: Change in Exposure to Large Firms as Employers, 2003–2018 (p.p.)

Notes: This figure depicts market-level changes in large firms' share of formal employment between 2003 and 2018, in percentage points. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. The data source is RAIS. Boundaries separate microregions, that can be seen as commuting zones in this context (Ogeda et al., 2024; Dix-Carneiro and Kovak, 2017). The color palette approximates deciles of changes in exposure to large firms as employers.

3 Data

3.1 Data Sources

National Elections. This paper obtains data on national elections from Brazil's Superior Electoral Court (TSE). These data contain detailed information on all candidates who ran for federal deputy in the 2006, 2010, 2014, and 2018 elections, including their local vote counts. The data are available at a highly granular level—the polling station. Over the analysis period, there are 377,036 unique polling stations distributed across 31,689 ZIP codes, which belong to 5,570 municipalities nested within 558 microregions (commuting zones or labor markets). Using the precise addresses of all polling stations from Hidalgo (2025), I compute vote shares at both the ZIP code and market levels. Access to the universe of candidacies allows me to compute political supply measures, such as the share of candidates who belong to the cultural right. Information on turnout rates and the

share of invalid (i.e., blank or null) votes allows me to compute proxies for changes in the composition of voters. TSE also provides information on campaign contributions. This allows me to study support for candidates that received campaign contributions from large firms. Finally, I compute each labor market or ZIP code's share of the total electorate, for an adequate weighting of the regressions.

Large Firms and Labor Markets. This paper obtains data on large firms and labor markets from Brazil's matched employer-employee dataset for the formal sector (RAIS). RAIS includes all salaried employment spells between 2003 and 2018, with detailed information on both employers and employees. RAIS allows me to track firms and establishments across space and time, which is crucial for identifying large firms, constructing the shift-share instrument, and measuring each firm's local labor market share. It also enables computation of labor market outcomes, such as market-level formal employment and formal sector earnings of low-education workers, which I leverage when analyzing mechanisms underlying voting effects. I merge RAIS with the RFB (Brazil's Internal Revenue Service) using firm identifiers to obtain all ZIP codes where each firm continuously operates.[13] This linkage allows me to compute the distance between any ZIP code in Brazil and the nearest large firm establishment, enabling me to exploit a gradient in exposure to the rise of large firms as employers, shaped by residential proximity (Manning and Petrongolo, 2017). Finally, I include measures of union strength, such as unionization rates, from Ogeda et al. (2024), allowing me to test whether union strength diminishes as exposure to large firms as employers increases.

Welfare Recipiency. This paper obtains data on welfare recipiency from Brazil's Ministry of Social Development (MDS) and the national welfare registry (CadÚnico). The MDS provides information on the total number of households receiving conditional cash transfers in each labor market over the full period of analysis (2003–2018), as well as publicly available data on the individual identifiers of all citizens receiving cash transfers in recent years. CadÚnico is a continuously updated federal registry that serves as the basis for multiple social programs and aims to include the universe of low-income families. This administrative dataset reports the ZIP code of residence and individual identifier for all registered individuals from 2012 to 2018. I merge these datasets using individual identifiers to link CadÚnico records to the publicly available MDS payment data for the Bolsa Família program. This linkage enables me to identify which individuals in CadÚnico receive conditional cash transfers. I use these data to analyze mechanisms in two ways. First, I characterize ZIP codes according to whether their residents—and, by extension, their voters—are welfare recipients. Second, because I can observe welfare recipients' individual identifiers, I link them to RAIS data to assess whether they obtain formal employment at large firms. This allows me to construct ZIP code–level measures

[13] This paper's empirical strategy does not leverage the plausibly endogenous entry and exit of large firms' establishments.

of absolute upward social mobility among welfare recipients.

Political Attitudes. This paper obtains data on low-SES voters' political attitudes from the LAPOP and Latinobarómetro surveys. These surveys are conducted annually across Latin American countries, are nationally representative, and cover the period between 2004 and 2018. The LAPOP surveys are designed and implemented by Vanderbilt University's Center for Global Democracy, while the Latinobarómetro surveys are produced by the Latinobarómetro Corporation, a Chilean non-profit organization. Both surveys include questions about respondents' educational attainment. The LAPOP survey includes questions about marriage equality and respondents' support for Brazil's most salient redistributive policy (Bolsa Família). The Latinobarómetro survey asks respondents about their views on issues such as abortion, cannabis regulation, and women's rights to work outside the home. These data enable me to descriptively examine whether low-SES Brazilians are "poor moral conservatives" (Enke et al., 2025): support redistribution while being culturally conservative.

Other Data Sources. This paper draws information on municipal redistributive expenditures from FINBRA, provided by Brazil's National Treasury. I classify as redistributive those expenditures budgeted under social assistance, such as spending on food baskets and income support programs. These data enable me to assess whether greater exposure to large firms as employers leads to higher municipal redistributive expenditures. Additionally, I use the 2000 and 2010 editions of the Census to retrieve market-level baseline characteristics, such as population, income per capita, and migration rates.

3.2 Descriptive Statistics

Analysis Datasets. Table A2 reports descriptive statistics for the two datasets used in the analysis. Panel A summarizes the first dataset, defined at the commuting-zone-by-election level. In line with the preceding discussion, I observe substantial variation in exposure to large firms as employers. Moreover, consistent with the high prevalence of informality among low-SES Brazilians, only 22% hold a formal job, while 54.6% are employed in any capacity. Panel B presents statistics for the second dataset, defined at the ZIP-code-by-election level. Notably, the distribution of the share of welfare recipients who obtain formal employment in large firms is quite skewed across ZIP codes. In the mechanism analysis, I show that the ZIP codes where welfare recipients experience this form of upward mobility are those located near large firms' establishments at baseline. This will allow me to examine whether the ZIP codes driving the increase in support for the cultural right are precisely those where low-income individuals experience upward mobility.

Survey Data. Low-SES voters in Brazil may face a trade-off when voting if they support redistributive policies but hold culturally conservative views (Enke et al., 2025). A

large literature documents that poorer individuals demand higher levels of redistribution (e.g., Di Tella et al., 2007). It has also been recently documented that lower levels of education predict cultural conservatism (Gethin et al., 2022). I leverage descriptive information from the aforementioned Latinobarómetro and LAPOP voter surveys to document that these patterns also hold in Brazil.

The Bolsa Família program is Brazil's main social assistance program, targeting low-income families nationwide. By 2012, it reached about one-quarter of the population with a budget of 0.6% of GDP (Gerard et al., 2025). It is arguably Brazil's most salient redistributive policy. Accordingly, I use support for this program as a proxy for support for redistributive policies more broadly. The LAPOP survey includes several questions related to attitudes toward Bolsa Família: "Do you think the government should increase the number of families that receive Bolsa Família, keep it as it is, reduce it, or end the program?"; "Do you think beneficiaries of the Bolsa Família program become complacent after receiving their benefits?"; "Do you think the program encourages beneficiaries to have more children?"; and "Do you think beneficiaries spend the money they receive on the wrong things?".

Panel A of Table 1 presents results from univariate OLS regressions in which the dependent variable is agreement with each statement, and the regressor is a dummy indicating whether the respondent lacks a high school degree, the proxy for low education used in this paper. These regressions include no controls and serve a purely descriptive purpose, testing whether mean attitudes differ significantly across education groups. Columns 1–4 show that individuals without a high-school degree are 13.7 percentage points more likely to support the Bolsa Família program; 5.4 percentage points less likely to believe it induces complacency; 9.2 percentage points less likely to think it encourages fertility; and 14.4 percentage points less likely to believe beneficiaries misuse the transfers. All differences are statistically significant at conventional levels. Overall, these patterns align with the view that low-SES Brazilians support redistribution.

Table 1: Descriptive Evidence on Low-SES Citizens' Political Attitudes

Panel A: Support for Redistribution	(1) Supports Bolsa Família (p.p.)	(2) Recipients are Complacent (p.p.)	(3) Recipiency Encourages Fertility (p.p.)	(4) Transfers are Spent Incorrectly (p.p.)
No High-School Degree	13.672***	-5.407*	-9.197***	-14.410***
	(1.032)	(2.831)	(2.979)	(3.025)
Observations	4,720	1,263	1,126	1,084
Control Group Mean	77.179	55.054	60.532	62.208
Panel B: Cultural Conservatism	(1) Equal Marriage Rights (p.p.)	(2) Abortion Rights (p.p.)	(3) Legalization of Cannabis Use (p.p.)	(4) Women Should Stay at Home (p.p.)
No High-School Degree	-10.904***	-8.244***	-8.899***	24.822***
	(1.226)	(1.102)	(2.283)	(2.113)
Observations	6,612	3,326	1,157	2,244
Control Group Mean	50.679	15.978	22.465	18.026

Notes: This table reports the results of univariate OLS regressions studying, descriptively, whether low-education Brazilians support redistribution and are culturally conservative, based on the LAPOP and Latinobarómetro surveys. I proxy support for redistribution with support for the Bolsa Família program, Brazil's main social assistance program and arguably its most salient redistributive policy. I proxy cultural conservatism via respondents' stance on four social issues. "Supports Bolsa Família" indicates that the respondent answered "increase" or "keep it as it is" to the following statement: "Do you think the government should increase the number of families that receive Bolsa Família, keep it as it is, reduce it, or end the Bolsa Família Program?". "Recipients are Complacent" indicates support above the midpoint of the survey scale for this statement: "Do you think that beneficiaries of the Bolsa Família program become complacent after receiving their benefits?". "Recipiency Encourages Fertility" indicates support above the midpoint of the survey scale for this statement: "Do you think that the Bolsa Família program encourages beneficiaries to have more children?". "Transfers are Spent Incorrectly" indicates support above the midpoint of the survey scale for this statement: "Do you think that beneficiaries of the Bolsa Família program spend the money they receive on the wrong things?". "Equal Marriage Rights" indicates support above the midpoint of the survey scale for this statement: "How strongly do you approve that same-sex couples can have the right to marry?". "Abortion Rights" indicates support above the midpoint of the survey scale for this statement: "How justifiable is abortion?". "Legalization of Cannabis use" indicates support above the midpoint of the survey scale for this statement: "Do you agree with the legalization of marijuana use?". "Women Should Stay at Home" indicates support above the midpoint of the survey scale for this statement: "Do you agree that it is better for the woman to stay at home and the man to work outside the home?". I use survey weights to weight the regressions. The surveys cover the period between 2004 and 2018. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

I proxy cultural conservatism via respondents' stance on four social issues: marriage equality, abortion, cannabis regulation, and women's rights to work outside the home. LAPOP asks respondents to answer the following question: "How strongly do you approve that same-sex couples can have the right to marry?". Latinobarómetro asks respondents to answer the following questions: "How justifiable is abortion?"; "Do you agree with the legalization of marijuana use?"; "Do you agree that it is better for the woman to stay at home and the man to work outside the home?".

Panel B of Table 1 reports results from descriptive univariate OLS regressions in which the dependent variable is agreement with each statement, and the regressor is a dummy indicating whether the respondent lacks a high-school degree. Columns 1–4 show that individuals without a high-school degree are 10.9 percentage points less likely to support equal marriage rights, 8.2 percentage points less likely to support abortion rights, 8.9 percentage points less likely to support the legalization of cannabis use, and 24.8 percentage points more likely to believe that women should stay at home. All differences

are statistically significant at conventional levels. Overall, these patterns are in line with the notion that low-SES Brazilians are culturally conservative.

Taken together, the descriptive patterns documented in this subsection are consistent with the notion that low-income Brazilians face a trade-off when voting. On one hand, they would like to support the left, due to its pro-redistribution platform. On the other hand, they would like to support the cultural right, due to its conservative agenda.

4 Empirical Strategy

Baseline Econometric Model. Large firms' share of total employment captures the degree to which the workforce is allocated in large, productive employers. In my baseline approach, I define this as $s^{LF}_{c,t} = \frac{L^{LF}_{c,t}}{L_{c,t}}$, where $L^{LF}_{c,t}$ is formal employment in large firms and $L_{c,t}$ is total formal employment.[14] In this expression, c stands for commuting zone and t for year. Thus, the baseline econometric model is as follows:

$$y_{c,t} = \alpha_c + \gamma_t + \beta \; s^{LF}_{c,t} + \varepsilon_{c,t}, \tag{1}$$

where $y_{c,t}$ denotes an outcome—in the main regression, a vote share—in commuting zone c and year t. α_c and γ_t are commuting zone and election-year fixed-effects respectively, and $\varepsilon_{c,t}$ is the error term.

This paper is interested in β, the causal effect of increased exposure to large firms as employers on vote shares. β is generally not identified via OLS estimation of Equation 1, since local unobserved trends that shape voting and large firms' labor market share might exist. For instance, large firms may actively try to open new establishments in commuting zones which are growing richer, and this income trend per se might reduce demand for redistribution.

Shift-Share Instrument. This paper leverages labor markets' incidental exposure to large firms as employers to address such issues. The approach has two key features. First, it removes the influence of changes in each firm's local labor market share that come from the entry and exit of establishments. Since these decisions are costly—and hence strategic—they should be endogenous to local income trends. Instead, I isolate the influence of firms' intensive margin decision of expanding or contracting employment in pre-existing establishments (Schubert et al., 2024). Second, it leverages the fact that, for large firms that operate across several labor markets, national-level policies exist (Hazell et al., 2025). These policies disseminate across the establishment network, irrespective of local trends.

Empirically, if one abstracts from entry and exit dynamics, large firms' labor market share is a sum of the degree to which each firm outpaced local hiring, weighted by each

[14] Results are robust to using total population as a denominator.

firm's baseline labor market share. A simple proof of this result can be found in Appendix B. Moreover, the result suggests a shift-share instrument of the following form, leveraging only information from large firms that continuously operate locally (i.e., $i \in \mathcal{I}^{\text{LF}}_{c,t-3,t}$):

$$z_{c,t} = \sum_{i \in \mathcal{I}^{\text{LF}}_{c,t-3,t}} s_{i,c,t-3} \left(\frac{1 + g_{i,t}}{1 + g_t} \right) \tag{2}$$

In Equation 2, $s_{i,c,t-3}$ is an exposure share, capturing the baseline local labor market share of large firm i in commuting zone c. Note that the granularity of these exposure shares—defined at the firm rather than sector level—lends them "specificity" (Goldsmith-Pinkham et al., 2020). This feature increases the likelihood that they specifically capture exposure to the rise of large employers—rather than, e.g., general exposure to specific industries. Moreover, this share is defined at $t-3$ for two reasons. First, to avoid weak-instrument bias that could arise from using longer lags (Borusyak et al., 2025).[15] Second, because this is the period right after the last national election, since national elections happen every four years. As such, the shift-share instrument pools several DIDs (Goldsmith-Pinkham et al., 2020), whereby some regions are predicted to be more versus less exposed to the aggregate rise of large firms as employers within each particular 4-year period.

In Equation 2, $g_{i,t} \equiv \frac{L_{i,t} - L_{i,t-3}}{L_{i,t-3}}$ is large firm i's country-wide growth in employment. Moreover, $g_t \equiv \frac{L_t - L_{t-3}}{L_{t-3}}$ is the overall growth in employment in Brazil. $\frac{1+g_{i,t}}{1+g_t}$ is a time-varying shift, capturing the degree to which large firm i's national-level hiring outpaced overall hiring in Brazil. In practice, I am instrumenting the degree to which large firm i's local hiring outpaced total local hiring with the degree to which its national-level hiring outpaced total national hiring. With this, I aim to capture firm-level policies that shape general hiring trends, as opposed to local hiring decisions that are plausibly endogenous to local trends (Hazell et al., 2025).

Instrument Validity. The relevance of this instrument comes from three different sources. First, national-level trends in hiring by large firms are highly predictive of local-level hiring trends (Hazell et al., 2025). Second, the shares effectively capture differential exposure to a given set of shifts: the national-level growth of large firm i as an employer disproportionately affects labor markets where it was a relevant employer at baseline. Third, a sizable portion of the evolution in large firms' labor market share comes from intensive margin changes in pre-existing establishments (Schubert et al., 2024). Accordingly, as will be shown later, this instrument is strong.

Regarding the exclusion restriction, this instrument leverages the differential exposure to a set of economic shocks (the national-level rise of each large firm), common across labor markets, that is created by the shares. I argue that these exposure shares are exogenous

[15] In robustness checks, I lag the shares further. Results hold qualitatively, but the instrument becomes weak.

to *changes* in the error term.[16] In this setup, as explained in Goldsmith-Pinkham et al. (2020) and Borusyak et al. (2025), this amounts to making a parallel trends assumption. Namely, in the absence of the rise of large firms as employers, voting outcomes in places predicted to be strongly vis-à-vis weakly exposed would have followed parallel trends. As will be shown later, a battery of tests support this key identifying assumption.

Estimating Procedure. I estimate Equation 1 by two-stage least squares, using $z_{c,t}$ as an instrument for $s_{c,t}^{LF}$. To recover effects that are nationally representative, I weight each commuting zone by its share of the national voting-age population, following Autor et al. (2020a). Because labor markets are defined at the commuting-zone level—the unit of treatment exposure—I cluster standard errors at that level.

5 Results

Large Firms as Employers and the Rise of the Cultural Right. Table 2 reports two-stage least squares estimates based on the specification described in Equation 1, where large firms' labor market share is instrumented using the shift-share instrument defined in Equation 2. Column (1) shows a positive but statistically insignificant effect on the vote share of all right-wing parties—that is, irrespective of whether they belong to the cultural or economic right. Columns (2) and (3) indicate negative but statistically insignificant effects on the vote shares of centrist and left-wing parties, respectively. Columns (4) and (5) reveal that the overall insignificant effect on the aggregate right-wing vote share masks substantial heterogeneity. Specifically, while the vote share of economic right parties declines (albeit insignificantly), the vote share of cultural right parties increases significantly. Quantitatively, a 4 percentage point increase in exposure to large firms as employers—the observed rise during the period—leads, on average, to a 1.4 percentage point increase in the vote share of cultural right parties. This corresponds to a 15% rise relative to the mean, and accounts for 7.4% of the total increase in support for the cultural right observed over the period (19 percentage points). Finally, the Kleibergen–Paap F-statistic is 18.6—well above the conventional cutoff of 10—indicating that the instrument is strong.

[16] Internal validity checks suggest that, under some adjustments, this design also generates exogenous shocks (Borusyak et al., 2025). Results hold, under such adjustments.

Table 2: Large Firms as Employers and the Rise of the Cultural Right

	(1)	(2)	(3)	(4)	(5)
	Vote Share in Legislative Elections (p.p.)				
	All Ideologies			*Right-Wing Parties*	
	Right-Wing	Center	Left-Wing	Cultural Right	Economic Right
Large Firms' Labor Market Share (4 p.p.)	0.527	-0.123	-0.404	1.427**	-0.900
	(0.869)	(0.736)	(0.621)	(0.579)	(0.727)
Observations	2,232	2,232	2,232	2,232	2,232
Dependent Variable Mean	26.413	42.401	31.187	9.350	17.063
Kleibergen-Paap F Statistic	18.604	18.604	18.604	18.604	18.604

Notes: This table presents two-stage least squares results for Equation 1, in which I instrument large firms' labor market share with the shift-share instrument (described by Equation 2). I rescale the variables for coefficients to be interpreted as the average effect of a 4 percentage point increase in large firms' labor market share—the observed change in the period. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. "Legislative elections" refers to elections for federal deputy (member of the lower house of the federal legislature). I characterize parties' ideologies based on Ogeda et al. (2024) and the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022). The regression sample includes all national elections between 2006 and 2018. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A3 reports OLS, first-stage, and reduced-form results, focusing on the cultural right vote share as dependent variable. The OLS estimate appears to be downward biased. Given the negative correlation between support for the left and local income levels in Brazil, a potential explanation is that large firms have been opening establishments in poorer, more remote areas of the country. If this hypothesis were correct, then the fact that the instrument only leverages intensive margin changes in employment would be crucial, for the purposes of identifying causal effects. Column 2 documents a strong positive correlation between large firms' labor market share and the shift-share instrument, in line with the large Kleibergen–Paap F statistic reported in Table 2. Column 3 reports reduced-form results.

Internal Validity Checks. Table A4 describes the results of a series of pre-trends tests, aimed at assessing the validity of the key identifying assumption. In the baseline approach, I focus on the change in cultural right vote share between the last and the second-to-last election—i.e., the pre-trend in voting outcomes.[17] Column 1 reports no effect on the pre-trend in voting outcomes. Column 2 documents that including the pre-trend in voting outcomes as a control does not change the magnitude or significance of the main result. Column 3 reports no correlation between the pre-trend in voting outcomes and the exposure shares. Column 4 documents no correlation between the pre-trend in voting outcomes and the exposure shares with the highest Rotemberg weights (Goldsmith-Pinkham et al., 2020). Figure A8 depicts these weights, aggregated to the sector-level (as

[17]Table A5 documents that the conclusions are robust to focusing on the cultural right vote share in the last election.

recommended by Goldsmith-Pinkham et al. (2020)). The final pre-trends test consists of arbitrarily discretizing the instrument and manually constructing a staggered differences-in-differences design with variation in treatment timing (Callaway and Sant'Anna, 2021). I provide details of this procedure in Appendix B. The results are reported in Figure A9. They show no pre-trends and positive, significant effects on the cultural right vote share. Taken together, these results support the parallel trends assumption.

I now assess the sensitivity of the results to the assumption that exposure shares are exogenous to changes in the error term. To this end, I apply several adjustments designed to strengthen exogeneity. Specifically, I (i) implement a leave-one-out correction that removes mechanical correlation between local shifts and local trends (Borusyak et al., 2025); (ii) restrict the analysis to large firms operating in at least two Brazilian regions, thereby exploiting variation that originates outside the focal commuting zone; and (iii) exclude large commuting zones, whose own trends are more likely to influence national shocks. Table A6 shows that, under these adjustments, the result remains significant, and it is in fact larger in magnitude than the one from the baseline analysis. This suggests that the conclusions might be robust to violations of the exogenous shares assumption.

Now, I evaluate whether one can interpret our estimates as local average treatment effects. Conceptually, compliers in this setting are commuting zones whose exposure to large employers would increase only if the large employers that already hired locally at baseline expand nationally, and would not increase if those same baseline employers do not expand nationally. This excludes, e.g., commuting zones that would have seen increased exposure regardless of national-level trends and baseline exposure (e.g., via the entry of large firms into the labor market), or commuting zones that would not have seen increased exposure regardless of national-level trends (e.g., those in which large firms did not hire at baseline). Goldsmith-Pinkham et al. (2020) provide a heuristic that helps assess whether the estimates can be interpreted in a local average treatment effect (LATE) fashion, if I do not assume that the effects of increased exposure to large employers are homogeneous across labor markets. I provide details of this procedure in Appendix B. Our results pass this check.

Robustness Checks. Table A7 studies the sensitivity of the results to the definition of large firm. More specifically, I experiment with less stringent (at least 1,000 or 3,000 employees) and more stringent (at least 7,000 or 9,000 employees) employment thresholds, in classifying a firm as large. In all columns, the results are statistically significant and the Kleibergen–Paap F statistics are above the conventional 10 cutoff, indicating the robustness of the main takeaway to the choice of employment threshold. Moreover, the point estimates are larger under more stringent thresholds. This suggests the importance of reallocating labor toward large, productive employers.

Table A8 studies the sensitivity of the results to the classification of right-wing

politicians as belonging to the cultural or economic right. In this exercise, rather than using information on candidates' party affiliation and experts' assessments of parties' ideological stances, I exploit information on candidates' professions. Under this candidate classification method, I find a 32% increase, relative to the mean, in the vote shares of candidates linked to the cultural right (Column 1). Conversely, I find zero effects (with negative point estimates) on the vote share of candidates linked to the economic right. Taken together, these results corroborate the main takeaway of the paper: the rise of large employers increases support for the cultural right.

Table A9 performs a series of additional robustness checks. Column 1 documents that local trends do not seem to drive the result, since results remain significant at conventional levels under the inclusion of population and income trends as controls. Column 2 documents that Operation Carwash (Ferraz et al., 2023) does not seem to drive the result, since excluding from the analysis firms in the oil or construction sectors does not change the magnitude or significance of the results. Column 3 documents that the commodity boom of the 2000s (Cavalcante et al., 2023) does not seem to drive the results, since excluding firms in tradable sectors increases the magnitude of the estimates, while preserving significance. Column 4 documents that I do not seem to be over-rejecting the null due to incorrect inference, since results remain significant when clustering the standard errors at a higher level of aggregation (the state). Column 5 documents that, when lagging the shares further, the point estimates become much larger in magnitude, lose statistical significance, and the F-statistic goes below the conventional 10 level. This suggests that the baseline approach avoids weak instrument bias. Column 6 documents that measuring exposure to large firms as formal employment divided by total population does not change the paper's main finding. Taken together, these exercises reinforce the interpretation of the results as robust.

6 Mechanisms

6.1 The Formation of a Conservative Middle Class

In this subsection, I examine whether the rise of large firms as employers lifts culturally conservative citizens out of poverty, contributing to the emergence of a conservative middle class. I address this question in two steps. First, I document that low-SES citizens are reallocated toward large firms. Second, I show that welfare recipiency declines.

The Reallocation of Low-SES Citizens Toward Large Firms. I begin by examining whether low-SES citizens are reallocated toward large firms, using data from RAIS. I approximate low-SES status by the absence of a high school degree, taking advantage of the strong correlation between income and formal educational attainment in

Brazil.[18] Because RAIS does not provide the population at risk—that is, the number of low-education citizens who could potentially take up work at large firms—I proxy for it using baseline information from the 2000 Census on the number of residents without a high school degree in each labor market.

The first outcome of interest is the share of low-education citizens employed in large firms and in other firms. I estimate specifications of the form described in Equation 1, instrumenting large firms' labor market share using the shift–share instrument. Panel A of Table 3 presents the results. Column (1) shows that a 4-percentage-point increase in large firms' labor market share—the observed rise in exposure to large firms as employers over the period—induces, on average, a statistically significant 1.3-percentage-point increase in the share of low-education citizens employed at a large firm, corresponding to a 76.26% increase relative to the sample mean. Conversely, column (2) shows that the same 4-percentage-point increase generates, on average, a statistically significant 1.21-percentage-point reduction in the share of low-education citizens employed at other firms, equivalent to 5.9% of the sample mean. These patterns indicate that the rise of large firms reallocates low-SES citizens from lower-quality to higher-quality employers. Column (3) further reports a positive, though imprecisely estimated, effect on the share of low-education citizens holding a formal-sector job, suggesting that some may be moving from unemployment or informal work into formal employment at large firms.[19]

[18] Table A10 reports this correlation, based on 2010 Census data.
[19] The results are entirely driven by labor markets with low migration rates.

Table 3: The Reallocation of Low-SES Citizens Toward Large Firms

Panel A: Formal Employment	(1)	(2)	(3)
	Share of Low-Education Citizens with a Formal Job (p.p.)		
	At Large Firms	*At Other Firms*	*At Any Firm*
Large Firms' Labor Market Share (4 p.p.)	1.301***	-1.212***	0.077
	(0.146)	(0.381)	(0.397)
Observations	2,232	2,232	2,232
Dependent Variable Mean	1.706	20.432	22.156
Kleibergen-Paap F Statistic	18.604	18.604	18.604
Panel B: Formal Sector Earnings	(1)	(2)	(3)
	Average Log Formal Sector Earnings of Low-Education Citizens		
	At Large Firms	*At Other Firms*	*At Any Firm*
Large Firms' Labor Market Share (4 p.p.)	0.095***	-0.088***	0.007
	(0.011)	(0.030)	(0.031)
Observations	2,232	2,232	2,232
Dependent Variable Mean	0.125	1.488	1.615
Kleibergen-Paap F Statistic	18.604	18.604	18.604

Notes: This table depicts two-stage least squares results for Equation 1, in which I instrument large firms' labor market share with the shift-share instrument (described by Equation 2). I rescale the variables for coefficients to be interpreted as the average effect of a 4 percentage point increase in large firms' labor market share—the observed change in the period. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. "Share of Low-Education Citizens with a Formal Job" denotes the proportion of individuals without a high-school degree who hold a formal job. "Average Log Formal Sector Earnings for Low-Education Citizens" denotes total log formal sector wages earned by individuals without a high-school degree divided by the baseline number of such individuals residing in the labor market. The columns "At Large Firms", "At Other Firms", and "At Any Firm", refer, respectively, to holding a formal job at or obtaining earnings from a large firm, other firms, or any firm. The regression sample includes all national elections between 2006 and 2018. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

To assess how this reallocation affects the formal-sector earnings of low-SES citizens, I now focus on the average log earnings of low-education workers employed in the formal sector. Panel B of Table 3 reports the corresponding estimates. Column (1) shows that a 4-percentage-point rise in large firms' labor-market share increases average formal-sector earnings of low-education workers in large firms by about 76 percent of the sample mean. Conversely, column (2) shows a statistically significant decline of roughly 6 percent of the mean for low-education workers employed at other firms. These results indicate that the rise of large firms as employers induces a shift in the source of formal-sector earnings for low-SES citizens—from lower-quality to higher-quality employers. Column (3) further shows a positive, though imprecisely estimated, effect on overall earnings. This is qualitatively consistent with wage gains within the formal sector resulting from the reallocation of labor toward higher-quality employers, as well as with potential earnings improvements among workers transitioning from informality or unemployment into large

firms.

Taken together, these results indicate that the rise of large firms as employers reallocates low-SES citizens toward better employers, potentially raising their earnings.

Large Firms as Employers and Welfare Recipiency. I now examine effects on welfare recipiency using data from Brazil's Ministry of Social Development (MDS). If the reallocation of low-SES citizens toward better employers lifts them out of poverty, welfare recipiency should decline. Because MDS does not provide information on the population at risk—that is, all households that could receive welfare transfers—I proxy for it using baseline data from the 2000 Census on the number of households in each labor market. The outcome of interest is therefore the share of households receiving cash transfers. I estimate specifications of the form described in Equation 1, instrumenting large firms' labor market share with the shift–share instrument.

Table 4 presents the results. A 4-percentage-point increase in large firms' labor market share leads, on average, to a statistically significant 1.13-percentage-point decline in the share of households receiving cash transfers, corresponding to a 4.9% reduction relative to the sample mean. These findings indicate that the rise of large firms as employers lifts low-SES citizens out of poverty.

Table 4: Large Firms as Employers and Welfare Recipiency

	(1)
	Share of Households Receiving Cash Transfers (p.p.)
Large Firms' Labor Market Share (4 p.p.)	-1.126**
	(0.474)
Observations	2,232
Dependent Variable Mean	22.943
Kleibergen-Paap F Statistic	18.604

Notes: This table depicts two-stage least squares results for Equation 1, in which I instrument large firms' labor market share with the shift-share instrument (described by Equation 2). I rescale the variables for coefficients to be interpreted as the average effect of a 4 percentage point increase in large firms' labor market share—the observed change in the period. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. "Share of Households Receiving Cash Transfers" refers to the total number of households receiving conditional cash transfers (Bolsa Família) divided by the total baseline number of households in the labor market, according to the 2000 Census. The regression sample includes all national elections between 2006 and 2018. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Taken together, the patterns reported in Tables 3 and 4 suggest that low-SES citizens benefit from the rise of large firms as employers: they are more likely to work for higher-

quality employers and less likely to rely on welfare. Moreover, when considered alongside the survey evidence in Table 1, these findings support the notion that the rise of large firms as employers contributes to the emergence of a conservative middle class.

Market-Level Back-of-the-Envelope. If I assume that the key channel through which the reallocation of labor toward large firms increases support for the cultural right is the creation of a conservative middle class—a point I discuss in detail below—I can provide a simple back-of-the-envelope calculation to illustrate the magnitude of this mechanism. Consider a hypothetical labor market with 100 families, each with two voting-age citizens, yielding a total of 200 voters. Table 2 shows that a 4 percentage point increase in large firms' labor market share—the observed change over the period—induces, on average, a 1.43 percentage point increase in the vote share of the cultural right. In the example, this translates to $200 \times 0.0143 = 2.86$ new votes for the cultural right. Table 4 indicates that the same increase in exposure to large firms as employers induces a 1.13 percentage point reduction in the share of families receiving conditional cash transfers. Thus, in the hypothetical market, $100 \times 0.0113 = 1.13$ families would stop receiving cash transfers. Taking the ratio of these effects, i.e., 2.86 new votes for the cultural right divided by 1.13 families out of poverty, I obtain 2.53. Thus, for every family lifted out of poverty, approximately 2.5 new votes for the cultural right are generated. This is a remarkably high conversion rate, consistent with a large presence of latent conservatives living at the margin between poverty and the middle class.

6.2 The Voting Behavior of Upwardly Mobile Conservatives

In this subsection, I examine whether the rise of large firms as employers increases support for the cultural right through the formation of a conservative middle class. To do so, I exploit my ZIP code–level data. Given the high degree of granularity—an average of 3,550 votes per ZIP code—and residential segregation along income lines, electoral outcomes in ZIP codes where welfare recipients resided at baseline serve as credible proxies for low-income citizens' voting behavior. Moreover, citizens living closer to large firms' establishments are likely more exposed to the labor market shock induced by the rise of large firms as employers (Manning and Petrongolo, 2017). Therefore, if the rise of large firms as employers increases support for the cultural right through the formation of a conservative middle class, we would expect the overall shift toward the cultural right to be driven by ZIP codes where welfare recipients lived at baseline and that are located near large firms' establishments—i.e., precisely where a conservative middle class is formed.[20]

[20]The main limitation of the ZIP code–level data is that they cover only the 2014 and 2018 elections. Table A11, which uses data at a higher level of aggregation but spans the full analysis period, shows that the shift to the cultural right is entirely driven by markets where large firms are intensive in low-education workers. In these markets, the rise of large firms as employers reallocates low-education workers toward large firms.

Large Firms as Employers and Absolute Upward Social Mobility. I begin by examining whether welfare recipients living closer to large firms' establishments at baseline experienced greater exposure to the rise of large firms as employers. Motivated by the results in Tables 3 and 4, my measure of absolute upward social mobility is the share of welfare recipients residing in a given ZIP code at baseline who, by the endline period, hold a formal job at a large firm. I estimate models of the following form:

$$y_{z,t} = \alpha_z + \gamma_t + \beta \; s_{c,t}^{SF} + \varepsilon_{z,t}, \tag{3}$$

where z stands for ZIP code, $y_{z,t}$ is an outcome (upward mobility rate, in the current analysis), α_z are ZIP code fixed effects, and I instrument for $s_{c,t}^{SF}$ using the commuting zone level shift-share instrument, as described by Equation 2.[21] I weight the regression by each ZIP code's share of the national voting-age population (following Autor et al. (2020a)) and cluster standard errors at the commuting-zone level.

To test for heterogeneous exposure, I estimate the model separately for ZIP codes that differ in their baseline proximity to large firms' establishments. Areas where welfare recipients lived at baseline but are located far from such establishments should be weakly exposed to the labor-market shock, implying no significant effect on upward mobility. In contrast, ZIP codes close to large-firm establishments should be more directly exposed, and I therefore expect a positive effect.

Table 5 presents the results of this analysis. Column 1 reports estimates for ZIP codes located close to large firms' establishments at baseline, while Column 2 reports estimates for ZIP codes located far from such establishments. Although the point estimate is positive in both subsamples, it is statistically significant only for ZIP codes near large firms. In these areas, a 4 percentage point increase in large firms' labor market share leads, on average, to a statistically significant 0.59 percentage point increase in the share of residents who were welfare recipients at baseline and had secured a formal job at a large firm by the endline. This corresponds to a 17.45% increase relative to the sample mean. These findings provide further evidence that the expansion of large firms as employers lifts low-SES individuals out of poverty. They also align with the notion that there is a geographical gradient in exposure to the market-level rise of large firms as employers, dictated by the distance between low-SES residents' homes and the location of large firms' establishments.

[21] Note that labor markets are not well-defined at the ZIP-code level. Therefore, a ZIP-code-level version of the instrument would not be appropriate.

Table 5: Large Firms as Employers and Absolute Upward Social Mobility

ZIP Codes Where Welfare Recipients Lived at Baseline	(1)	(2)
	Share Transitioning from Welfare to Formal Employment in Large Firms (p.p.)	
	ZIP Codes Close to Large Firms	*ZIP Codes Far from Large Firms*
Large Firms' Labor Market Share (4 p.p.)	0.586***	0.770
	(0.122)	(0.570)
Observations	169,228	170,792
Dependent Variable Mean	3.358	3.248
Kleibergen-Paap F Statistic	39.456	7.442

Notes: This table depicts two-stage least squares results for Equation 3, in which I instrument large firms' labor market share with the shift-share instrument (described by Equation 2). The regression sample only includes ZIP codes where welfare recipients lived, at baseline. I rescale the variables for coefficients to be interpreted as the average effect of a 4 percentage point increase in large firms' labor market share—the observed change in the period. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. "Share Transitioning from Welfare to Formal Employment in Large Firms" denotes the share, among all welfare recipients living in the ZIP code at baseline, that obtain a formal job at a large firm at endline. "ZIP Codes Close to Large Firms" denotes ZIP codes below the bottom tercile in terms of distance to the nearest large firm establishment. "ZIP Codes Far from Large Firms" denotes ZIP codes above the top tercile in terms of distance to the nearest large firm establishment. The regression sample includes the 2014 and 2018 national elections. All regressions include ZIP code and election fixed effects, and are weighted by the ZIP code's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Large Firms as Employers, Social Mobility, and the Cultural Right. I now leverage the geographical gradient in exposure and the granular voting data to test whether the overall shift toward the cultural right is driven by ZIP codes where a conservative middle class is formed. I estimate specifications of the form described in Equation 3, where the outcome variables are ZIP-code-level vote shares by ideological group.[22] As before, I instrument for $s_{c,t}^{SF}$ using the commuting-zone-level shift-share instrument (Equation 2). Motivated by the results in Table 5, I examine two subsamples. First, ZIP codes where welfare recipients reside at baseline, located close to large firms' establishments. In these areas, low-income conservatives experience upward mobility, so I expect voting outcomes to shift toward the cultural right. Second, ZIP codes where welfare recipients live at baseline, located far from large firms' establishments. In these areas, low-SES citizens are not lifted out of poverty, so, if my hypothesis holds, voting outcomes should not shift toward the cultural right.[23]

Table 6 presents the results of this analysis. Panel A reports estimates for ZIP codes located close to large firms' establishments at baseline, while Panel B reports estimates for ZIP codes located far from such establishments. Column 4 of Panel A documents a

[22]Some ZIP codes do not have a polling station. Since citizens vote near their residence, I assign to these ZIP codes the electoral outcomes of the nearest polling station.

[23]There are no voting effects in ZIP codes where welfare recipients do not reside. I discuss this in the next section.

large and statistically significant increase in support for the cultural right in ZIP codes where low-income conservatives experience upward mobility. Specifically, in these areas, a 4-percentage-point increase in large firms' labor market share leads, on average, to a statistically significant 3.08-percentage-point increase in the cultural right vote share, corresponding to a 16.42% increase relative to the sample mean. In contrast, Column 4 of Panel B shows a statistically insignificant effect on the cultural right vote share in ZIP codes where low-SES voters do not experience upward mobility. These findings are consistent with the idea that the overall shift toward the cultural right is driven by ZIP codes where a conservative middle class forms.

Table 6: Large Firms as Employers, Social Mobility, and the Cultural Right

ZIP Codes Where Welfare Recipients Lived at Baseline	(1)	(2)	(3)	(4)	(5)
	Vote Share in Legislative Elections (p.p.)				
	All Ideologies			*Right-Wing Parties*	
	Right-Wing	Center	Left-Wing	Cultural Right	Economic Right
Panel B: Located Close to Large Firms					
Large Firms' Labor Market Share (4 p.p.)	4.947***	-3.163**	-1.784**	3.082***	1.865
	(1.739)	(1.557)	(0.820)	(0.930)	(1.449)
Observations	169,228	169,228	169,228	169,228	169,228
Dependent Variable Mean	31.354	36.246	32.400	18.767	12.587
Kleibergen-Paap F Statistic	39.456	39.456	39.456	39.456	39.456
Panel A: Located Far from Large Firms					
Large Firms' Labor Market Share (4 p.p.)	3.338	-2.707	-0.630	0.642	2.696
	(2.830)	(2.056)	(1.727)	(2.148)	(1.903)
Observations	170,792	170,792	170,792	170,792	170,792
Dependent Variable Mean	31.749	37.347	30.904	19.732	12.017
Kleibergen-Paap F Statistic	7.442	7.442	7.442	7.442	7.442

Notes: This table depicts two-stage least squares results for Equation 3, in which I instrument large firms' labor market share with the shift-share instrument (described by Equation 2). The regression sample only includes ZIP codes where welfare recipients lived, at baseline. I rescale the variables for coefficients to be interpreted as the average effect of a 4 percentage point increase in large firms' labor market share—the observed change in the period. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. "Legislative elections" refers to elections for federal deputy (member of the lower house of the federal legislature). I characterize parties' ideologies based on Ogeda et al. (2024) and the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022). "Located Far from Large Firms" denotes ZIP codes above the top tercile in terms of distance to the nearest large firm establishment. "Located Close to Large Firms" denotes ZIP codes below the bottom tercile in terms of distance to the nearest large firm establishment. The regression sample includes the 2014 and 2018 national elections. All regressions include ZIP code and election fixed effects, and are weighted by the ZIP code's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

The rise in support for the cultural right in areas where upwardly mobile conservatives reside is accompanied by statistically significant declines in support for left-wing and centrist parties. More specifically, a 4-percentage-point increase in large firms' labor market share leads, on average, to a 3.16-percentage-point reduction in support for left-wing parties (8.7% of the mean) and a 1.78-percentage-point reduction in support for centrist parties (5.49% of the mean). As noted earlier, left-wing parties are closely associated with redistributive policies such as Bolsa Família, while centrist parties often rely on *emendas parlamentares*—federal budget amendments intended to address local economic needs. These patterns are consistent with a mechanism in which rising out of poverty reduces

culturally conservative individuals' demand for redistribution, prompting a shift toward the faction of the right that is more conservative on social issues. They also align with a values-as-luxury-goods mechanism (Enke et al., 2025), whereby individuals who escape poverty redirect their political support away from parties that primarily address material concerns and toward those that better reflect their moral values.

Taken together, the results in this subsection are in line with the idea that the reallocation of labor toward large firms, by fostering the growth of a conservative middle class, can help explain the rise of the cultural right.

6.3 Alternative Mechanisms

In this subsection, I exploit information on candidacies, turnout, migration, firms' campaign contributions, unions, and municipal government expenditures to empirically assess alternative mechanisms of the main result. Unless stated otherwise, I estimate the specification described by Equation 1, instrumenting large firms' labor market share with the shift-share instrument.

Other Voters. The rise of large firms as employers could increase support for the cultural right by altering the voting behavior of higher-SES citizens. To investigate this possibility, I focus on ZIP codes where no welfare recipients reside, at baseline. Given the granularity of the voting data and the strong residential segregation along income lines, electoral outcomes in these ZIP codes should serve as good proxies for the political behavior of high-SES voters. Thus, if changes in the voting behavior of higher-SES citizens mediated the shift toward the cultural right, I would expect to observe a corresponding increase in support for the cultural right in these areas. I estimate the model described in Equation 3 using this subsample. Table A12 presents the results. I find statistically insignificant effects on support for the cultural right—and for any other ideological group—within these ZIP codes. Although the Kleibergen-Paap F statistic is smaller in this subsample, so is the point estimate of the effect on the cultural right vote share: it amounts to a third of the one reported in Panel A of Table 6. Taken together, these findings suggest that changes in the political behavior of higher-SES voters are unlikely to be the main driver of the results.

Political Supply. The rise of large firms as employers may increase support for the cultural right by increasing the supply of conservative candidates. This could happen by alleviating credit constraints in running for office for conservatives. I investigate this possibility in two ways. First, I control for the share of candidates belonging to cultural right parties. Column 1 of Table A13 shows that the result holds. Second, leveraging the larger sample size of the ZIP code level regressions, I include a state-by-year fixed effect to the specification described by Equation 3. Since the supply of candidates to federal deputy is constant at the state-by-year level, this effectively removes the influence of political

supply. I instrument large firms' labor market share with the shift-share instrument. I focus on the same sample of Panel B of Table 6—i.e., ZIP codes where welfare recipients live, located close to large firms' establishments. Column 2 of Table A13 shows that the result holds, with a coefficient that is remarkably similar in magnitude and significance to that reported in Table 6. Taken together, these results suggest that changes in political supply may not fully account for the results.

Voter Composition. The rise of large firms as employers may increase support for the cultural right by increasing the share of conservatives among the electorate. I investigate this possibility in three ways. First, the rise of large firms as employers may alleviate commuting costs of voting, for conservatives. I test for this possibility using turnout rates as dependent variable. Column 1 of Table A14 shows a null result. Second, increased exposure to large firms as employers may alleviate the time costs of searching information about available candidates, for conservatives. I test for this potential mechanism using the share of invalid votes as dependent variable. Column 2 of Table A14 shows a null result. Third, the positive labor market effects triggered by the rise of large firms as employers may attract conservatives from other regions. To test for this possibility, I use Census information on baseline migration rates. Since there is persistence in migration rates (Card, 2009), this should capture a differential likelihood of attracting migrants. Columns 3 and 4 of Table A14 document that the results are entirely driven by locations with low migration rates. Taken together, these results suggest that changes in the composition of voters may not be driving the results.

Large Firms' Political Behavior. The rise of large firms as employers may increase support for the cultural right via large firms' political behavior. I investigate this possibility in two ways. First, due to employers' discrimination of applicants on political grounds (Colonnelli et al., 2025), a greater concentration of employment in large firms may increase voters' exposure to individuals who support large firms' preferred politicians. To test for this channel, I use as dependent variable the vote share of candidates financed by large firms—and hence connected to them. Column 1 of Table A15 reports a negative, albeit imprecisely estimated, coefficient. Second, large firms' increased labor market share may allow them to mobilize their employees politically (Babenko et al., 2020; Hertel-Fernandez, 2017). To investigate whether this mechanism is playing a role, I use the share of candidates financed by large firms as dependent variable. Column 2 of Table A15 reports a null result. Taken together, these results suggest that large firms' political behavior may not be a key mechanism underlying the results.

Unions' Strength. The rise of large firms as employers may increase support for the cultural right by weakening unions, which mobilize votes for the left (Ogeda et al., 2024). I implement four tests to investigate this possibility. The first three tests evaluate effects on different measures of union strength, all taken from Ogeda et al. (2024). Table A16

reports the results. In Column 1, unionization rates are the dependent variable; in Column 2, union density; in Column 3, average number of union employees. Although Column 2 and Column 3 show relatively large point estimates, all columns depict statistically insignificant results at conventional levels. In the fourth test, I study effects on the vote share of candidates belonging to parties connected to unions, using the classification of Brazilian parties along this dimension from Ogeda et al. (2024). Column 4 documents a null result of this test. Taken together, these results suggest that, while I cannot completely rule out a weakening of unions as a mechanism, it may not fully account for the results.

Municipal Redistributive Expenditures. The rise of large firms as employers may increase support for the cultural right by boosting municipal finances, thus increasing local pro-redistribution expenditures, and subsequently dampening demand for redistribution in federal elections. To investigate for this possibility, I use as dependent variable municipal expenditures on social assistance. Table A17 reports the result from this test. Although it is not a precisely estimated zero, the result is insignificant at conventional levels. This suggests that local redistributive expenditures may not be an important driver of the results.

7 Conclusion

This paper examines the rise of culturally conservative politicians—one of the most consequential political developments of recent decades. These political forces have reshaped global cooperation, influenced migration policies in advanced economies, and raised questions about the resilience of democratic institutions in emerging economies. I document that, in Brazil, the reallocation of labor toward large firms—by fostering the emergence of a conservative middle class—can help explain this trend. The findings suggest that the global ascendancy of the cultural right may arise from distinct mechanisms across contexts: in affluent countries, culturally conservative politicians may gain traction through the economic disillusionment of parts of the electorate, whereas in less affluent countries, their rise may reflect the formation of an upwardly mobile conservative middle class.

Future research might delve into the sources of this heterogeneity. According to Lipset (1959), the social base of right-wing populism—and its more extreme manifestation, fascism—lies in the lower-middle class. In developing nations, poverty reduction has expanded this group's share of the electorate; in advanced economies, adverse income shocks have had a similar effect. Whether this can reconcile the divergent effects of income shocks on support for the cultural right across contexts is an open question.

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Appendix A

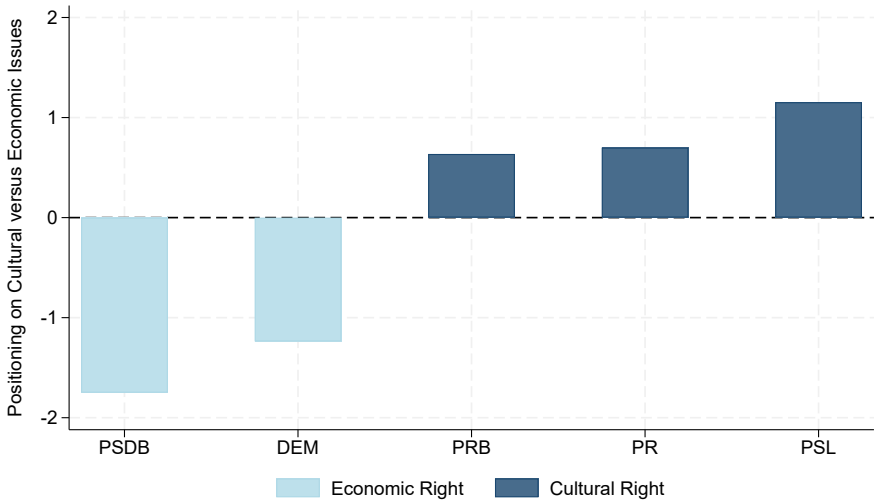


Figure A1: Criterion for Classifying Right-Wing Parties as Cultural or Economic

Notes: This figure documents right-wing parties' relative stance on cultural versus economic issues, according to the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022). Positive values indicate a more conservative stance on cultural vis-à-vis economic issues, while negative values indicate the opposite. PSDB was the main right-wing party in Brazil between 1994 and 2014, closely linked to Washington Consensus policies. DEM is a pro-business party. PRB and PR are parties with close links to evangelical churches. PSL was ex-president Jair Bolsonaro's party when he became president in 2018.

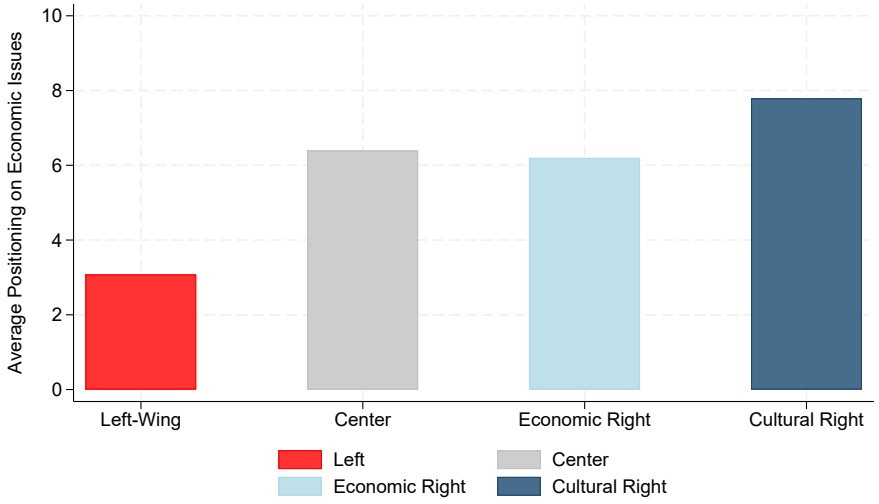


Figure A2: Average Positioning on Economic Issues

Notes: This figure documents different ideologies' stance on economic issues, according to the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022). Smaller values indicate a more interventionist stance; larger values indicate a more pro-market stance.

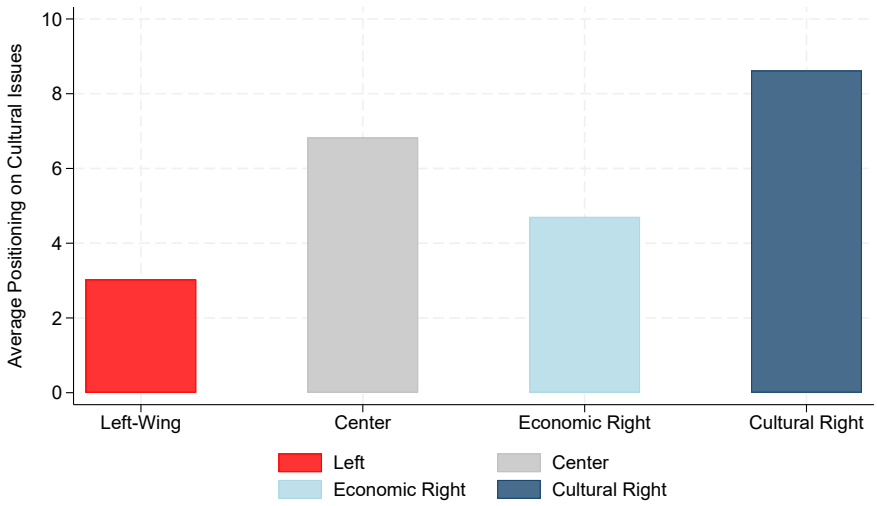


Figure A3: Average Positioning on Cultural Issues

Notes: This figure documents different ideologies' stance on cultural issues, according to the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022). Smaller values indicate a more progressive stance; larger values indicate a more conservative stance.

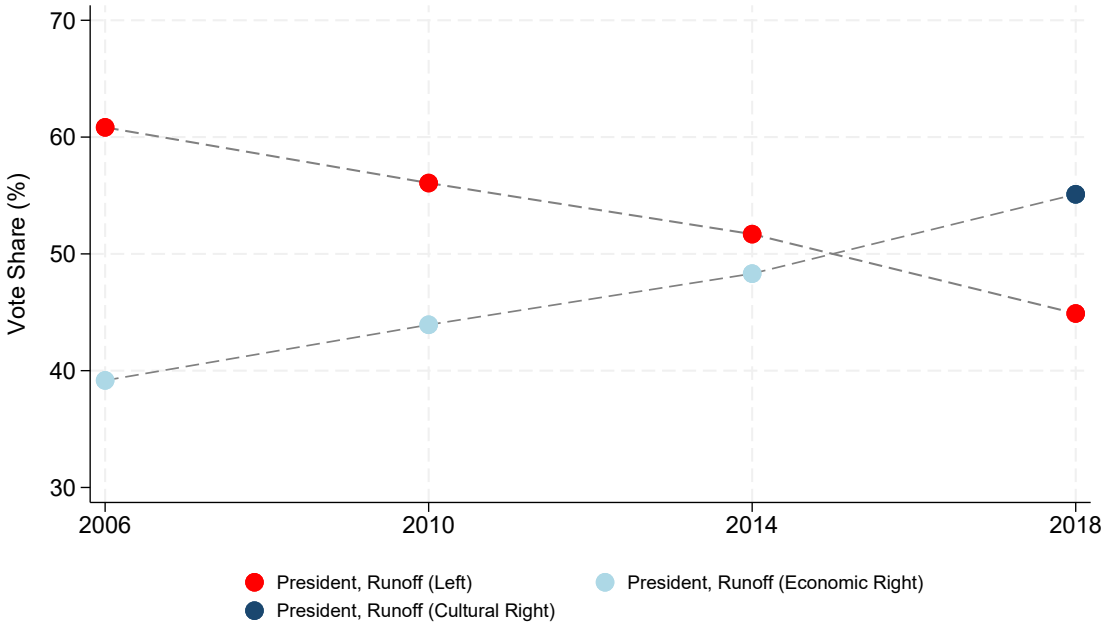


Figure A4: The Rise of the Cultural Right in Brazil - Elections for President

Notes: This figure documents vote shares for different ideologies in elections for president.

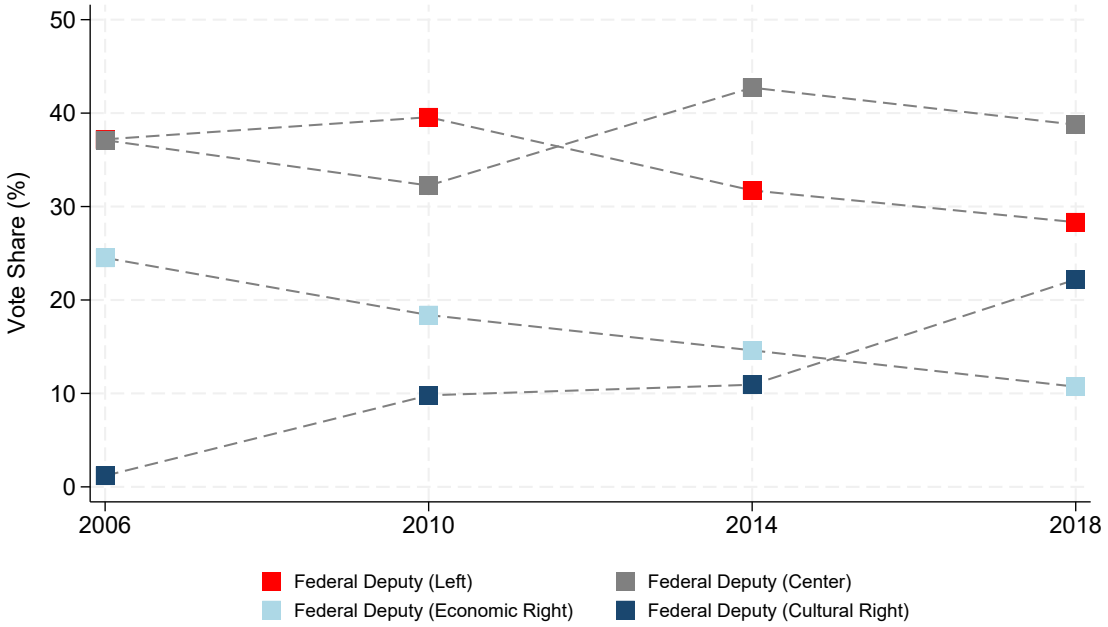


Figure A5: The Rise of the Cultural Right in Brazil - Elections for Federal Deputy, All Ideologies

Notes: This figure documents vote shares for different ideologies over time. Federal deputies are members of the lower house of the federal legislature. I characterize parties' ideologies based on Ogeda et al. (2024) and the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022).

Table A1: The Large-Firm Wage Premium in Brazil

	(1)	(2)	(3)	(4)
	Log(Wage)			
Large Firm	0.225***	0.170***	0.131***	0.111***
	(0.044)	(0.042)	(0.020)	(0.018)
Market and Year FE	No	Yes	Yes	Yes
Occupation and Sector FE	No	No	Yes	Yes
Education and Gender FE	No	No	No	Yes
Observations	1,472,304	1,472,304	1,472,304	1,472,304

Notes: This table characterizes large firms as employers in Brazil. The regression sample pools yearly 1% random subsamples of formal sector workers (2003-2018). The analysis focuses on working-age individuals (i.e., aged between 18 and 65) employed in the private sector. I deflate all wages to constant December 2022 Brazilian Real. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. The data source is RAIS. Standard errors, clustered at firm level, are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

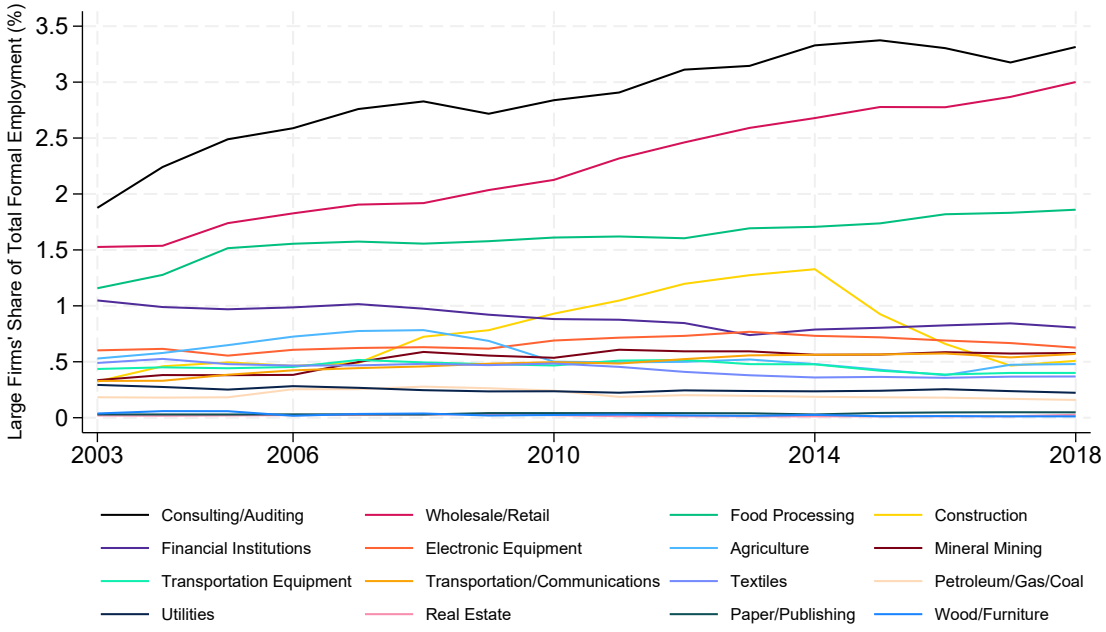


Figure A6: The Rise of Large Firms as Employers - By Sector

Notes: This figure documents the share of formal employment in large firms, over time, by sector. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. The data source is RAIS.

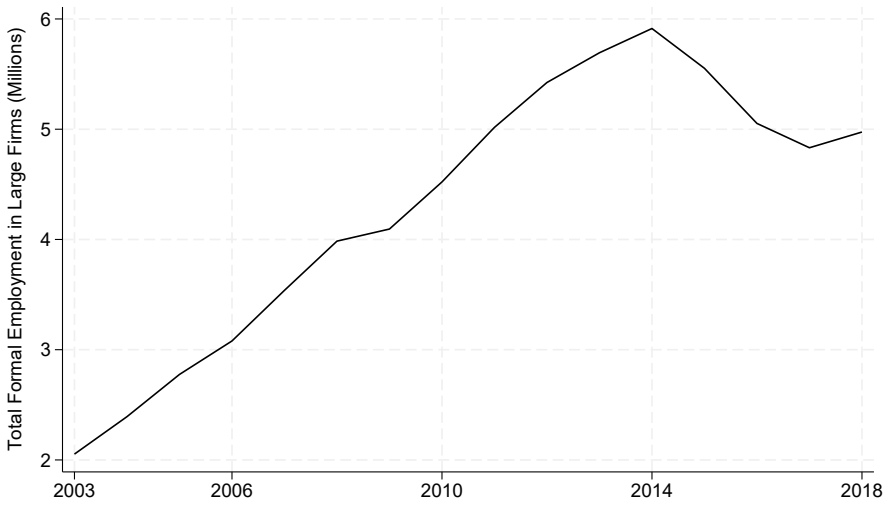


Figure A7: The Rise of Large Firms as Employers - Totals

Notes: This figure documents total formal employment in large firms, over time. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. The data source is RAIS.

Table A2: Descriptive Statistics

	Mean	SD	Min	p25	p50	p75	Max
Panel A: Commuting-Zone Level							
Large Firms as Employers							
Large Firms' Labor Market Share	0.068	0.088	0.000	0.011	0.035	0.095	0.736
Voting Outcomes							
Cultural Right Vote Share (Federal Deputy)	0.093	0.103	0.000	0.013	0.061	0.140	0.621
Economic Right Vote Share (Federal Deputy)	0.171	0.129	0.000	0.070	0.137	0.240	0.713
Left-Wing Vote Share (Federal Deputy)	0.312	0.136	0.029	0.207	0.300	0.408	0.803
Center Vote Share (Federal Deputy)	0.424	0.155	0.055	0.311	0.422	0.532	0.877
Low-Education Citizens							
Share with a Formal Job	0.222	0.177	0.001	0.072	0.191	0.329	1.000
Share with a Formal Job at a Large Firm	0.017	0.034	0.000	0.000	0.003	0.019	0.466
Share with a Formal Job at Other Firms	0.204	0.162	0.001	0.068	0.178	0.300	1.000
Welfare Recipiency							
Share of Households Receiving Cash Transfers	0.229	0.178	0.004	0.089	0.151	0.384	0.898
Panel B: ZIP-Code Level							
Welfare Recipients Living in the ZIP Code							
Share who Obtained a Formal Job at a Large Firm	0.034	0.120	0.000	0.000	0.000	0.000	1.000

Notes: This table reports descriptive statistics for the two analysis datasets. Means, standard deviations (SD), minimum (Min), 25th percentile (p25), median (p50), 75th percentile (p75), and maximum (Max) values are reported. Panel A refers to the first analysis dataset, defined at the commuting-zone-by-election-level. In this dataset, the number of observations is 2,232, corresponding to a balanced panel of 558 commuting zones across 4 election years (2006, 2010, 2014, and 2018). Panel B refers to the second analysis dataset, defined at the ZIP-code-by-election-level. In this dataset, the number of observations is 63,378, corresponding to a balanced panel of 31,689 ZIP codes across 2 election years (2014 and 2018).

Table A3: Large Firms as Employers and the Cultural Right - OLS, First-Stage, and Reduced-Form Results

	(1) *OLS*	(2) *First Stage*	(3) *Reduced Form*
	Cultural Right Vote Share (p.p.)	Large Firms' Labor Market Share (p.p.)	Cultural Right Vote Share (p.p.)
Large Firms' Labor Market Share (4 p.p.)	0.358		
	(0.253)		
Shift-Share Instrument (4 p.p.)		1.546***	0.551**
		(0.359)	(0.245)
Observations	2,232	2,232	2,232
Dependent Variable Mean	9.350	1.606	9.350

Notes: This table documents OLS, first-stage and reduced-form results for Equation 1. I rescale the variables for coefficients to be interpreted as the average effect of a 4 percentage point increase in large firms' labor market share—the observed change in the period. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. "Legislative elections" refers to elections for federal deputy (member of the lower house of the federal legislature). I characterize parties' ideologies based on Ogeda et al. (2024) and the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022). The regression sample includes all national elections between 2006 and 2018. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A4: Large Firms as Employers and the Cultural Right - Pre-Trends Tests

	(1) *Shift-Share Instrument*	(2)	(3) *Exposure Shares*	(4) *Exposure Shares — Top 3 Rotemberg*
	Lag Δ Cultural Right Vote Share	Cultural Right Vote Share	Lag Δ Cultural Right Vote Share	Lag Δ Cultural Right Vote Share
Large Firms' Labor Market Share	0.021	0.351**		
	(0.096)	(0.138)		
Lag Δ Cultural Right Vote Share		0.246***		
		(0.031)		
Exposure Share			0.033	-0.089
			(0.028)	(0.141)
Observations	2,232	2,232	31,190	5,295
Dependent Variable Mean	0.021	0.093	0.027	0.020
Kleibergen–Paap F Statistic	18.604	18.610	-	-

Notes: This table reports pre-trends tests of the main result, aimed at assessing whether the exposure shares are orthogonal to time-varying unobservable drivers of voting. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. I characterize parties' ideologies based on Ogeda et al. (2024) and the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022). The regression sample includes all national elections between 2006 and 2018. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

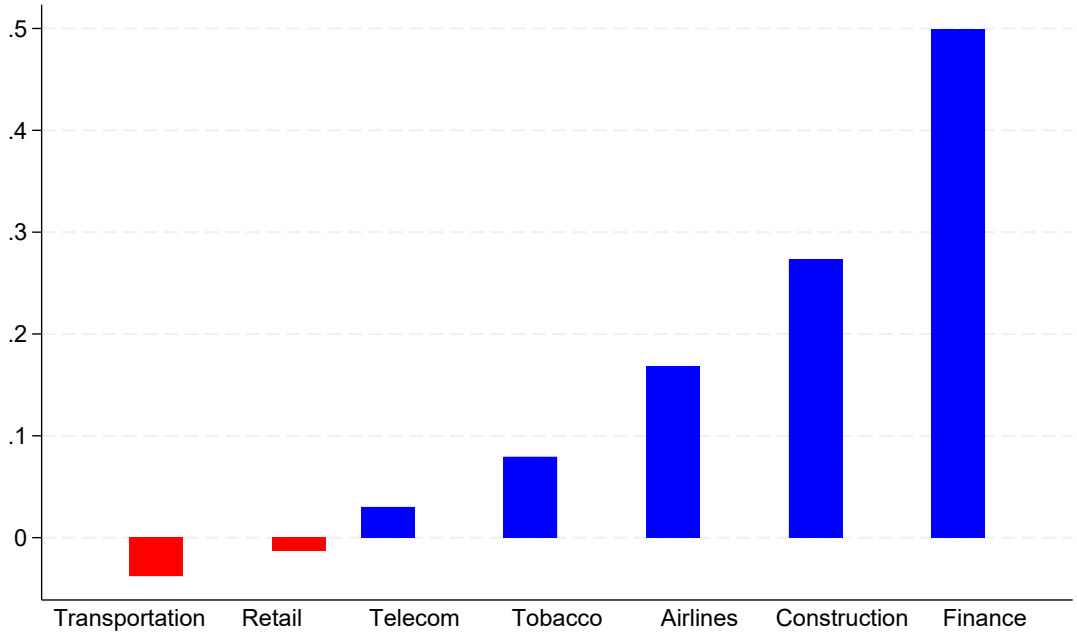


Figure A8: Sector-Level Rotemberg Weights

Notes: This figure reports sector-level Rotemberg weights (Goldsmith-Pinkham et al., 2020).

Table A5: Large Firms as Employers and the Cultural Right – Pre-Trends Tests (Levels)

	(1)	(2)	(3)	(4)
	Shift-Share Instrument		*Exposure Shares*	*Exposure Shares — Top 3 Rotemberg*
	Lag Cultural Right Vote Share	Cultural Right Vote Share	Lag Cultural Right Vote Share	Lag Cultural Right Vote Share
Large Firms' Labor Market Share	0.057	0.349**		
	(0.076)	(0.143)		
Lag Cultural Right Vote Share		0.130***		
		(0.038)		
Exposure Share			0.005	0.035
			(0.087)	(0.096)
Observations	2,232	2,232	6,566	5,295
Dependent Variable Mean	0.050	0.093	0.048	0.048
Kleibergen–Paap F statistic	18.604	18.610	–	–

Notes: This table reports pre-trends tests of the main result, aimed at assessing whether the exposure shares are orthogonal to time-varying unobservable drivers of voting. Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. I characterize parties' ideologies based on Ogeda et al. (2024) and the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022). The regression sample includes all national elections between 2006 and 2018. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A6: Large Firms as Employers and the Cultural Right - Relaxing the Exogenous Shares Assumption

	(1)
	Exogenous Shocks
	Cultural Right Vote Share
Large Firms' Labor Market Share	0.426*
	(0.232)
Observations	1,674
Dependent Variable Mean	0.094
Kleibergen–Paap F Statistic	4.207

Notes: This table reports the results of a test in which I evaluate the sensitivity of the results to assuming that the exposure shares are orthogonal to time-varying unobservable drivers of voting. Here, I (i) implement a leave-one-out adjustment, (ii) restrict the analysis to large firms that operate in at least 2 Brazilian regions, and (iii) exclude from the regression sample large commuting zones. The regression includes commuting zone and election fixed effects, and is weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A7: Robustness to the Definition of Large Firm

	(1)	(2)	(3)	(4)
	Non-SOE > 1k employees	*Non-SOE > 3k employees*	*Non-SOE > 7k employees*	*Non-SOE > 9k employees*
	Cultural Right Vote Share	Cultural Right Vote Share	Cultural Right Vote Share	Cultural Right Vote Share
Large Firms' Labor Market Share	0.165**	0.350**	0.411**	0.417**
	(0.070)	(0.153)	(0.171)	(0.179)
Observations	2,232	2,232	2,232	2,232
Kleibergen–Paap F Statistic	81.605	47.034	13.995	14.570
Dependent Variable Mean	0.093	0.093	0.093	0.093

Notes: This table presents results under different employment thresholds used to define large firms. The regression sample includes all national elections between 2006 and 2018. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A8: Robustness to the Definition of Cultural Right and Economic Right

	(1) *Cultural Right*	(2) *Economic Right*
	Clergy Vote Share	Business Owners Vote Share
Large Firms' Labor Market Share	0.032**	-0.023
	(0.016)	(0.154)
Observations	2,232	2,232
Kleibergen–Paap F Statistic	18.604	18.604
Dependent Variable Mean	0.004	0.087

Notes: This table presents results under an alternative politician classification method, based on candidates' professions. The regression sample includes all national elections between 2006 and 2018. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A9: Additional Robustness Checks

	(1) *Income and Population Trends*	(2) *Operation Carwash*	(3) *Commodity Boom*	(4) *Clustering at State Level*	(5) *Exposure Shares at t-7*	(6) *Total Population as Denominator of Large Firms' Labor Market Share*
	Cultural Right Vote Share	Cultural Right Vote Share	Cultural Right Vote Share	Cultural Right Vote Share	Cultural Right Vote Share	Cultural Right Vote Share
Large Firms' Labor Market Share	0.195*	0.350**	0.543*	0.357**	1.060	2.303***
	(0.110)	(0.150)	(0.316)	(0.141)	(0.651)	(0.837)
Observations	2,232	2,232	2,232	2,232	2,232	1,674
Kleibergen–Paap F Statistic	18.015	15.454	4.752	27.462	5.098	240.864
Dependent Variable Mean	0.093	0.093	0.093	0.093	0.093	0.092
Controls	Income and Population Trends	None	None	None	None	None
Sector	All	Excluding Construction and Oil	Excluding Tradable	All	All	All
Clustered S.E.	Commuting Zone	Commuting Zone	Commuting Zone	State	Commuting Zone	Commuting Zone

Notes: This table presents the results from additional robustness checks. The regression sample includes all national elections between 2006 and 2018. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A10: Low Levels of Education as a Proxy for Low Levels of Income

	(1)	(2)	(3)	(4)
	Extremely Poor (Bolsa Família)	Poor (Bolsa Família)	Poor (BPC-LOAS)	Poor (CadÚnico)
No High School	0.080***	0.152***	0.139***	0.254***
	(0.005)	(0.008)	(0.007)	(0.007)
Observations	10,639,528	10,639,528	10,639,528	10,639,528
Dependent Variable Mean	0.086	0.161	0.147	0.326

Notes: This table presents conditional correlations between low levels of education and low levels of income, based on data from the 2010 Census. "No High School" denotes not having a high-school degree. The dependent variables correspond to different definitions of poverty (IBGE, 2011). "Extremely Poor (Bolsa Família Criterion)" denotes being extremely poor, according to Bolsa Família criteria. "Poor (Bolsa Família Criterion)" denotes being poor, according to Bolsa Família criteria. "Poor (BPC-LOAS)" denotes being poor, according to BPC-LOAS (pensions for informal workers) criteria. "Poor (CadÚnico)" denotes being poor, according to CadÚnico (welfare registry) criteria. All regressions include commuting zone, gender, age, and race fixed effects. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A11: Large Firms as Employers, Formal Jobs, and the Cultural Right — Commuting Zone Level, All Elections

	(1) Share of Low-Education Citizens with a Formal Job (p.p.)	(2) Average Log Formal Sector Earnings of Low-Education Citizens	(3)	(4)	(5)	(6)
			Vote Share in Legislative Elections (p.p.)			
	In Large Firms	*At Large Firms*	*Cultural Right*	*Economic Right*	*Left-Wing*	*Center*
Panel A: High Baseline Intensity of Low-Education Workers, Large Firms						
Large Firms' Labor Market Share	39.842***	2.960***	18.526*	-12.180	-4.076	-2.270
	(4.362)	(0.356)	(9.458)	(16.361)	(17.912)	(15.600)
Observations	593	593	593	593	593	593
Dependent Variable Mean	3.563	0.261	8.284	17.987	31.209	42.521
Kleibergen–Paap F Statistic	33.386	33.386	33.386	33.386	33.386	33.386
Panel B: Low Baseline Intensity of Low-Education Workers, Large Firms						
Large Firms' Labor Market Share	-2.069	-0.153	-28.766	-23.149	-97.352	149.267
	(4.825)	(0.358)	(33.082)	(31.006)	(96.084)	(114.402)
Observations	576	576	576	576	576	576
Dependent Variable Mean	0.333	0.025	10.523	15.895	30.020	43.563
Kleibergen–Paap F Statistic	0.968	0.968	0.968	0.968	0.968	0.968

Notes: This table documents two-stage least squares results for Equation 1, in which I instrument large firms' labor market share with the shift-share instrument (described by Equation 2). I split the regression sample by average baseline intensity of low-education workers, for large firms. "High Baseline Intensity of Low-Education Workers, Large Firms" denotes commuting zones that are located above the top tercile of this variable. "Low Baseline Intensity of Low-Education Workers, Large Firms" denotes commuting zones that are located below the bottom tercile of this variable. "Share of Low-Education Citizens with a Formal Job" denotes the proportion of individuals without a high-school degree who hold a formal job. "Average Log Formal Sector Earnings for Low-Education Citizens" denotes total log formal sector wages earned by individuals without a high-school degree divided by the baseline number of such individuals residing in the labor market. The columns "At a Large Firm" refers to holding a formal job at or obtaining earnings from a large firm. "Legislative elections" refers to elections for federal deputy (member of the lower house of the federal legislature). I characterize parties' ideologies based on Ogeda et al. (2024) and the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022). The regression sample includes all national elections between 2006 and 2018. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A12: Effects on Voting in ZIP Codes where Welfare Recipients do not Live

ZIP Codes where Welfare Recipients do not Live	(1)	(2)	(3)	(4)
	Vote Share in Legislative Elections			
	Cultural Right	*Economic Right*	*Left-Wing*	*Center*
Large Firms' Labor Market Share	0.301	-0.152	-0.277	0.127
	(0.422)	(0.466)	(0.724)	(0.770)
Observations	29,596	29,596	29,596	29,596
Kleibergen–Paap F Statistic	2.708	2.708	2.708	2.708
Dependent Variable Mean	0.169	0.137	0.304	0.391

Notes: This table documents two-stage least squares results for Equation 3, in which I instrument large firms' labor market share with the shift-share instrument (described by Equation 2). The regression sample only includes ZIP codes in which welfare recipients do not live at baseline. "Legislative elections" refers to elections for federal deputy (member of the lower house of the federal legislature). I characterize parties' ideologies based on Ogeda et al. (2024) and the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022). Large firms are firms that hire more than 5,000 employees across all their establishments in Brazil, and are not state-owned. The country-wide rise in large firms' labor market share in the period was 4 percentage points. The regression sample includes the 2014 and 2018 national elections. All regressions include ZIP code and election fixed effects, and are weighted by the ZIP code's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A13: Alternative Interpretations - Political Supply

	(1)	(2)
	Vote Share in Elections For Federal Deputy	
	Cultural Right	*Cultural Right*
Large Firms' Labor Market Share	0.220**	0.339*
	(0.108)	(0.203)
Observations	2,232	169,228
Dependent Variable Mean	0.093	0.188
Kleibergen–Paap F Statistic	18.490	42.279
Controls	Share of Cultural Right Candidates	State-by-Year Fixed Effects
National Elections	2006-2018	2014-2018
Unit of Analysis	Commuting Zone	ZIP Code

Notes: This table investigates the role of changes in political supply in explaining the results. Column 1 reports results from the specification described by Equation 1, instrumenting large firms' labor market share with the shift-share instrument, and controlling for the share of candidates belonging to the cultural right. Column 2 reports results from the specification described by Equation 3, instrumenting large firms' labor market share with the shift-share instrument, and including a state-by-year fixed effect. "Legislative elections" refers to elections for federal deputy (member of the lower house of the federal legislature). All regressions include location and election fixed effects, and are weighted by the location's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A14: Alternative Interpretations - Voter Composition

	(1)	(2)	(3)	(4)
			Below-Median Migration	*Above-Median Migration*
	Turnout Rate	Share of Invalid Votes	Cultural Right Vote Share	Cultural Right Vote Share
Large Firms' Labor Market Share	-0.049	0.015	0.659**	0.182
	(0.052)	(0.055)	(0.306)	(0.183)
Observations	2,232	2,232	1,116	1,116
Dependent Variable Mean	0.772	0.062	0.093	0.093
Kleibergen–Paap F Statistic	18.604	18.604	6.569	52.546

Notes: This table investigates the role of changes in voter composition in explaining the results. All columns report results from the specification described by Equation 1, instrumenting large firms' labor market share with the shift-share instrument. "Share of Invalid Votes" refers to the share of votes that are cast as blank or null. "Cultural Right Vote Share" refers to the vote share for candidates belonging to the cultural right in elections for federal deputy (member of the lower house of the federal legislature). "Below-Median Migration" and "Above-Median Migration" refer, respectively, to commuting zones with above or below median baseline migration rates, as per the 2000 Census and the 2010 Census. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A15: Alternative Interpretations – Large Firms' Political Behavior

	(1)	(2)
	Elections For Federal Deputy	
	Vote Share of Candidates Financed by Large Firms	Share of Candidates Financed by Large Firms
Large Firms' Labor Market Share	-0.677*	-0.032
	(0.369)	(0.080)
Observations	1,674	1,674
Dependent Variable Mean	0.370	0.077
Kleibergen–Paap F Statistic	11.953	11.953

Notes: This table investigates the role of large firms' political behavior in explaining the results. All columns report results from the specification described by Equation 1, instrumenting large firms' labor market share with the shift-share instrument. The regression sample includes all national elections between 2006 and 2014 (in 2018, firms' campaign contributions were banned). Federal deputies are members of the lower house of the federal legislature. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A16: Alternative Interpretations – Unions' Strength

	(1)	(2)	(3)	(4)
	Measures of Union Strength			*Parties Connected to Unions*
	Unionization Rate	Union Density	Union Employees per (15-64) * 1000	Vote Share in Elections For Federal Deputy
Large Firms' Labor Market Share	-9.436	-0.037	-1.331	0.075
	(33.684)	(0.026)	(0.952)	(0.168)
Observations	908	1,816	1,816	2,232
Dependent Variable Mean	36.183	0.121	0.619	0.395
Kleibergen–Paap F Statistic	7.397	15.285	15.285	18.604
National Elections	2006 and 2014	2006-2018	2006-2018	2006-2018

Notes: This table investigates the role of a potential weakening of unions in explaining the results. All columns report results from the specification described by Equation 1, instrumenting large firms' labor market share with the shift-share instrument. Due to data constraints, the regression sample of column 1 only covers the 2006 and 2014 elections. Details on the construction of the union strength measures and on the set of parties connected to unions can be found in Ogeda et al. (2024). Federal deputies are members of the lower house of the federal legislature. All regressions include commuting zone and election fixed effects, and are weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Table A17: Alternative Interpretations – Municipal Redistributive Expenditures

	(1)
	Municipal Redistributive Expenditures
Large Firms' Labor Market Share	0.757
	(0.623)
Observations	2,224
Dependent Variable Mean	0.034
Kleibergen–Paap F Statistic	18.534

Notes: This table investigates the role of a potential increase in municipal redistributive expenditures in explaining the results. Results are based on the specification described by Equation 1, instrumenting large firms' labor market share with the shift-share instrument. "Municipal Redistributive Expenditures" denotes municipal expenditures on social assistance, deflated to constant December 2022 Brazilian Real. The regression includes commuting zone and election fixed effects, and is weighted by the commuting zone's share of the national electorate. Standard errors are clustered at the commuting zone level. Standard errors are in parentheses. Stars indicate significance levels: *** p<0.01, ** p<0.05, * p<0.1.

Appendix B

I) Classifying Brazilian Parties

In the baseline approach, I implement the following party classification algorithm:

1. Obtain the set of Brazilian left-wing parties from Ogeda et al. (2024) (see Table A.1. of their paper). These are the parties that I consider to be left-wing, in this paper. These parties are PT, PV, PPS, PCO, PCB, PPL, PDT, PSB, PSOL, PSTU, and PMN.

2. Based on the remaining set of parties (i.e., non-left-wing parties), keep only the parties that are characterized by the Chapel Hill Expert Survey (Martínez-Gallardo et al., 2022). This leaves us with these parties: DEM, MDB, PP, PR, PRB, PSD, PSDB, and PSL.

3. For every party in the remaining set (i.e., non-left-wing parties that are characterized by CHES), define the following measure: $galtan - lrecon$. In CHES, *galtan* is a measure of how progressive or conservative each party is in terms of its views on social and cultural values (Martínez-Gallardo et al., 2022). Larger numbers are associated with stronger conservatism. In CHES, *lrecon* is a measure of how interventionist or pro-market each party is, in terms of their stance on economic issues (Martínez-Gallardo et al., 2022). Larger numbers are associated with more right-wing economic views.

4. Use the $galtan - lrecon$ measure to differentiate between cultural right and economic right parties. This measure captures the degree to which each non-left-wing party is more conservative on cultural than on economic issues. Parties with positive values of the $galtan - lrecon$ measure are coded as belonging to the cultural right, while parties with negative values are coded as belonging to the economic right.

5. Exclude parties that belong to the *centrão*, a bloc known for not being ideologically coherent (internally or over time). Accordingly, these parties have low scores of *programmatism* in CHES: their positions on policy issues are not part of their strategy to mobilize electoral support. These parties are: MDB, PP, and PSD.

6. This leaves us with a group of ideologically right-wing parties, divided between those emphasizing economic liberalism and those emphasizing cultural conservatism. As shown in Figure A1, DEM and PSDB fall on the economic right, while PR, PRB, and PSL align with the cultural right. This division is institutionally coherent: the former are historically linked to business interests, whereas the latter are associated

with Brazil's conservative Pentecostal movement and former president Jair Bolsonaro. Notably, this set includes PSDB—the country's main right-wing party from 1994 to 2014—and PSL, Bolsonaro's party during his successful 2018 presidential campaign.

7. The remaining parties (i.e., the parties that do not belong either to the left or to the right) are what I consider to be centrist parties. After accounting for changes in parties' names over time, the set of centrist parties is: Avante, DC, MDB, PAN, PATRIOTA, PHS, PMB, PODE, PROS, PRP, PRTB, PP, PSD.

Notably, as highlighted in the paper, the results remain robust across two alternative methods for classifying politicians.

First, I differentiate cultural right and economic right parties based on the relative salience of *galtan* versus *lrecon* issues, capturing the extent to which each party prioritizes cultural over economic concerns (Martínez-Gallardo et al., 2022).

Second, I classify candidates using information about their professions: candidates holding a religious profession—as, e.g., evangelical pastors— are coded as belonging to the cultural right; business owners are coded as belonging to the economic right. The former are associated with the growing Brazilian Pentecostal conservative movement, whereas the latter reflect the historical engagement of business owners in pro-business politics.

II) Isolating the Intensive-Margin Source of Variation

Claim: Abstracting from the entry and exit of large firms, it can be shown that:

$$\boxed{s_{c,t}^{LF} = \sum_{i \in \mathcal{I}_{c,t-3,t}^{\text{LF}}} s_{i,c,t-3} \left(\frac{1+g_{i,c,t}}{1+g_{c,t}} \right)} \tag{4}$$

Proof: First, note that:

$$s_{c,t}^{LF} \equiv \sum_{i \in \mathcal{I}_{c,t}^{\text{LF}}} s_{i,c,t} \equiv \sum_{i \in \mathcal{I}_{c,t}^{\text{LF}} \cap \mathcal{I}_{c,t-3}^{\text{LF}}} s_{i,c,t} \; + \sum_{i \in \mathcal{I}_{c,t}^{\text{LF}} \setminus \mathcal{I}_{c,t-3}^{\text{LF}}} s_{i,c,t}$$

Now, note that $\sum_{i \in \mathcal{I}_{c,t}^{\text{LF}} \setminus \mathcal{I}_{c,t-3}^{\text{LF}}} s_{i,c,t}$ comes entirely from the entry of new establishments. Thus, to prove the claim, I need to show that:

$$\sum_{i \in \mathcal{I}_{c,t}^{\text{LF}} \cap \mathcal{I}_{c,t-3}^{\text{LF}}} s_{i,c,t} = \sum_{i \in \mathcal{I}_{c,t}^{\text{LF}} \cap \mathcal{I}_{c,t-3}^{\text{LF}}} s_{i,c,t-3} \left(\frac{1+g_{i,c,t}}{1+g_{c,t}} \right)$$

I do this by showing that, for every firm $i \in \mathcal{I}_{c,t}^{\text{LF}} \cap \mathcal{I}_{c,t-3}^{\text{LF}}$, $s_{i,c,t} = s_{i,c,t-3} \left(\frac{1+g_{i,c,t}}{1+g_{c,t}} \right)$. In fact:

$$s_{i,c,t} = s_{i,c,t-3} \left(\frac{s_{i,c,t}}{s_{i,c,t-3}} \right)$$

$$s_{i,c,t} = s_{i,c,t-3} \left(\frac{\frac{L_{i,c,t}}{L_{c,t}}}{\frac{L_{i,c,t-3}}{L_{c,t-3}}} \right)$$

$$s_{i,c,t} = s_{i,c,t-3} \left(\frac{\frac{L_{i,c,t}}{L_{i,c,t-3}}}{\frac{L_{c,t}}{L_{c,t-3}}} \right)$$

$$s_{i,c,t} = s_{i,c,t-3} \left(\frac{1 + \frac{L_{i,c,t} - L_{i,c,t-3}}{L_{i,c,t-3}}}{1 + \frac{L_{c,t} - L_{c,t-3}}{L_{c,t-3}}} \right)$$

$$s_{i,c,t} = s_{i,c,t-3} \left(\frac{1+g_{i,c,t}}{1+g_{c,t}} \right)$$

■

III) Event Study

The empirical distribution of commuting zone-level *changes* in the instrument is well-approximated by a normal distribution with mean 0. Thus, I use as control group commuting zones whose change in the instrument lies between the first and third quartiles in every period (i.e., for which changes in $z_{c,t}$ are sufficiently close to zero in every period). In the spirit of a staggered difference-in-differences design, I use as treatment group commuting zones whose change in the shift-share instrument lies between the first and third quartiles (i.e., for which changes in $z_{c,t}$ are sufficiently close to zero) in at least some initial periods, above the 80$^{\text{th}}$ percentile in some posterior period (i.e., relatively large and positive), and non-negative in subsequent periods. I then use the estimator provided by Callaway and Sant'Anna (2021). Figure A9 reports the results of the exercise.

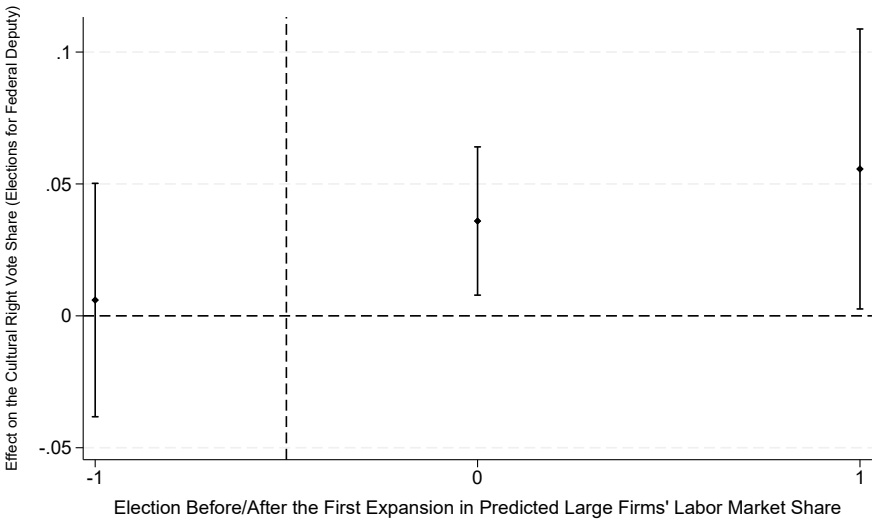


Figure A9: Event Study - Discretized Instrument

Notes: This figure depicts the results of the event study. Never-treated commuting zones are those whose change in the shift-share instrument lies between the first and third quartiles in every period. Ever-treated commuting zones are those whose change in the shift-share instrument lies between the first and third quartiles in at least some initial periods, above the 80$^{\text{th}}$ percentile in some posterior period, and non-negative afterwards. I use the estimator provided by Callaway and Sant'Anna (2021).

IV) LATE Interpretation

Goldsmith-Pinkham et al. (2020) provide a heuristic that helps us assess whether I am identifying local average treatment effects (LATEs). Conceptually, I would not be able to interpret the coefficients as LATEs if there were negative weights on commuting zone-specific coefficients. Although these weights cannot be estimated, Goldsmith-Pinkham et al. (2020) argue that a way to assess the potential quantitative importance of these negative weights is to split the exposure instruments into those with positive and negative Rotemberg weights and compare their weighted sums—i.e., the sum across sectors of the sector-specific coefficient multiplied by its Rotemberg weight. Then, if the weighted sum of the instruments with the negative Rotemberg weights is relatively large, it is more likely that there are negative weights on the location-specific coefficients that are important in the overall estimate. Reassuringly, in this application such a sum for instruments with positive Rotemberg weights equals 50.87, while the sum for instruments with negative Rotemberg weights equals -2.23. This suggests that I am effectively identifying the treatment effects for "complier" commuting zones.