How Distributional Conflict over In-Kind Benefits Generates Support for Far-Right Parties

Does granting immigrants access to the welfare state increase support for far-right parties? This paper makes two contributions to this debate. Theoretically, we narrow the focus to welfare programs that provide benefits in-kind. Because they are prone to congestion, in-kind programs are vulnerable to localized demand shocks that can activate distributional conflict between natives and immigrants. Empirically, we identify the impact of distributional conflict on national electoral outcomes by leveraging an exogenous shock to welfare eligibility criteria. Focusing on an EU directive which forced Austrian municipalities to open public housing to previously excluded immigrants, we demonstrate that the reform sharply increased support for far-right parties with welfare chauvinist platforms. Data on housing diversity, quality, and rents suggest this response was largely driven by material concerns among affected voters. Our findings provide novel evidence that distributional conflict accelerated the rise of far-right parties in countries with substantial in-kind welfare programs.
Over the past decade, far-right parties have moved from the fringe to the center of Western democratic politics. Recent studies highlight a variety of precipitating factors, ranging from the economic consequences of free-trade (Colantone and Stanig 2018a, b) and financial crises (Hobolt and Tilley 2016; Funke et al. 2016) to demographic changes induced by migration shocks (Barone et al. 2016; Halla et al. 2017; Dinas et al. 2019). When demographic and economic shocks combine, they can generate perceptions of zero-sum competition between natives and immigrants over social transfers. Seeking to exploit these distributional concerns, far-right parties have increasingly adopted welfare chauvinist platforms that advocate for closed borders and closed welfare states.

Although research has demonstrated that many citizens resent immigrants’ access to the welfare state (Van Oorschot 2006; Ford 2016; Cappelen and Midtbø 2016; Alesina et al. 2018), it remains unclear whether citizens facing distributional conflict over social transfers are in fact more likely to turn to far-right parties. To date, studies have found limited evidence that exclusionary sentiment is directly linked to natives’ reliance on welfare benefits (Heizmann et al. 2018; Kros and Coenders 2019) or personal exposure to the fiscal costs of immigration (Card et al. 2012; Hainmueller and Hopkins 2014). Similarly, research that assesses whether local competition over economic resources generates support for parties with exclusionary platforms has returned conflicting results (Golder 2003; Arzheimer 2009; Rydgren and Ruth 2011; Sipma and Lubbers 2018).

This paper seeks to clarify the conditions under which immigrant access to social transfers can be expected to generate meaningful increases in support for far-right parties. While previous literature focuses on immigration’s aggregate impact on the welfare state, we highlight the distinction between cash and in-kind transfers. The latter, we argue, are vulnerable to localized demand shocks that activate distributional conflict between natives and immigrants, and in turn, mobilize support for far-right parties with welfare chauvinist platforms.

In-kind transfers are ubiquitous across Europe, ranging from public housing pro-
grams to nationalized health systems. Because their consumption is geographically bounded and their supply is constrained in the short-run, in-kind transfer programs are susceptible to congestion. These characteristics imply that an increase in immigrant beneficiaries affects the perceived availability and quality of the benefit. In cases where the congestion of in-kind goods can be plausibly linked to the local immigrant population, we argue that affected voters will be more likely to turn to parties that defend their right to be ‘first in line’ to access public benefits. In contrast, when benefits are provided in-cash, the costs of increased enrollment are dispersed across taxpayers and further mitigated by governments’ capacity to run deficits. As a result, recipients of in-cash benefits are less likely to experience increased demand as a credible threat to their well-being.

While there is evidence that competition over in-kind benefit programs can generate localized conflict between immigrants and natives (Dancygier 2010), it remains unclear whether immigrant-induced congestion plays a central role in shaping national electoral outcomes. Identifying this effect is empirically challenging for two reasons. First, given that immigrants and natives can sort across locations, cross-sectional analyses are potentially subject to selection bias. Second, while exogenous population shocks such as EU accession or migrant crises, offer the possibility to instrument for an increase in local welfare congestion, these shocks are effectively a compound treatment with multiple consequences for localities (e.g., via changes in local ethnic composition).

We address these concerns by leveraging an exogenous change to immigrant eligibility criteria for a large-scale in-kind welfare program. In Austria, a quarter of all households rely on the public housing system. In 2006, an EU legal directive forced Austrian municipalities to open public housing to previously ineligible immigrants. By expanding the pool of potential beneficiaries, this ruling generated a downstream increase in congestion directly attributable to the immigrant population, without immediately altering immigrant settlement patterns. Using a difference-in-differences design, we assess whether support for far-right parties increased among municipalities most af-
fected by the EU directive. The results suggest a clear relationship between the intensity of welfare congestion and support for far-right parties in the 2006 legislative elections. Moreover, this pattern persisted into the 2008 elections, pointing to a sustained effect of distributional conflict on electoral outcomes.

As with any study examining aggregate electoral outcomes, ballot secrecy implies the absence of individual-level data on voting behavior, making it difficult to isolate the mechanisms underpinning the municipal-level results. Consequently, we extend our analysis to Vienna, where we precisely map public housing units to electoral wards. The small size of geographic units enables us to contrast neighborhoods dominated by public housing with other districts. Exploring the mechanism with additional data on diversity and housing quality, we demonstrate that voters’ opposition was plausibly linked to material concerns surrounding the availability of public housing.

Conventional wisdom holds that generous welfare programs reduce economic insecurity, dampening the electoral potential of populist right-wing parties (Rodrik 1997; Swank and Betz 2003; Colantone and Stanig 2018b; Fetzer 2019). Our findings indicate that this claim does not hold true for all aspects of the welfare state. Following demand shocks, competition over in-kind benefits can activate distributional conflict that increases support for far-right parties advancing welfare chauvinist platforms. In addition to identifying the electoral consequences of this phenomenon, this paper also provides new evidence on the mechanism underpinning voters’ response. While prior research has argued that opposition to immigration is largely a function of national-level sociotropic and cultural concerns (Hainmueller and Hopkins 2014), our findings suggest that local conditions and self-regarding motives remain important in mobilizing increased support for far-right parties.
Immigration, the Welfare State and Support for Far-Right Parties

The electoral rise of far-right parties has coincided with a shift in political platforms: while many were founded as anti-welfare and anti-tax parties, they have recently become self-appointed champions of the welfare state (Schumacher and Van Kersbergen 2016). Party rhetoric typically highlights immigration’s unsustainable fiscal costs and criticizes mainstream parties for extending benefits to immigrants ahead of securing natives’ access (De Koster et al. 2013; Otjes et al. 2018). For many voters, this “welfare chauvinist” turn may be appealing for moral (Oorschot 2000; Kootstra 2016) and cultural reasons (Van der Waal et al. 2010; Reeskens and Van Oorschot 2012; Alesina et al. 2018). Yet as argued by Kitschelt (1997: 262), voters’ support for welfare chauvinist platforms may also be a self-interested calculation to safeguard their access to the welfare state.

This rationale should be especially prevalent among those directly exposed to immigration’s impact on the welfare state. Empirically, however, it remains unclear whether voters facing distributional conflict over social transfers are more likely to support welfare chauvinist platforms. Studies that use skill levels or labor market status to proxy for the propensity of becoming a welfare recipient have generally returned mixed results. For instance, while Mewes and Mau (2012) find that low-skill workers are more likely to support a closed welfare state, Heizmann et al. (2018) find that subjective, rather than objective, measures of economic risk play a greater role in shaping welfare chauvinist attitudes. Studies that directly examine attitudes among welfare beneficiaries, such as Kros and Coenders (2019), similarly find limited evidence that they are more likely to express exclusionary sentiments. This null result, they conclude “corroborates previous research” showing that personal exposure to the economic consequences of immigration broadly defined has little bearing on one’s attitude towards immigrants.¹

¹ A related literature on anti-immigrant preferences focuses on exposure to immigration’s aggregate fiscal consequences, with similarly conflicting results (Hanson et al. 2007; Hainmueller and Hiscox 2010).
Recent research suggests that attitudes towards immigration and redistribution are highly stable.\(^2\) From this perspective, the limited evidence linking economic conditions to welfare chauvinist attitudes may be less informative, especially when coupled with high baseline levels of welfare chauvinism within many national contexts (Van Oorschot 2006; Ford 2016). Yet even if core political attitudes remain relatively stable, distribu-
tional conflict can play an important role in raising the *electoral salience* of welfare chau-
vinism. Indeed, the ethnic competition literature has long argued that far-right parties stand to benefit when economic conditions deteriorate within diverse contexts (Golder 2016).\(^3\) Although this argument has received empirical support (Golder 2003; Jesuit et al. 2009), the findings remain contested: in a recent meta-analysis, Sipma and Lubbers (2018) demonstrate that only a quarter of studies examining this hypothesis find a statistically significant interaction between local economic conditions and the size of the immigrant population. Moreover, when present, this relationship is often substantively weak (Rink et al. 2008; Rydgren and Ruth 2011; Stockemer 2017).

This uncertainty may be an artifact of aggregated research designs. First, the concep-
tion of the economic resources at stake is relatively coarse, and reliance on the welfare state tends to be inferred from skill-levels or unemployment rather than measured di-
rectly. Second, the intensity of distributio nal conflict is rarely exogenous, implying that it is difficult to rule out the possibility that electoral responses are shaped by factors un-
related to competition over welfare benefits. Finally, and most importantly, studies tend to assume the presence of zero-sum competition without specifying the circumstances in which immigrant enrollment in social programs will present a credible threat to natives’ material well-being.

\(^2\) See for instance Maxwell (2019) and O’Grady (2019)

\(^3\) A separate line of research has documented a correlation between economic insecurity and support for far-right parties (Gidron and Mijs 2019; Fetzer 2019), but does not examine the mediating role of immigration.
Distributional Conflict over Social Spending: Identifying Points of Conflict

When will voters perceive immigrant access to welfare benefits as a credible threat? Although prior studies have focused on the aggregate impact of immigration on the welfare state, the degree to which voters will be affected varies according to program design. A key distinction is whether a social policy is provided in-kind (e.g. public housing, healthcare) or in-cash (e.g. housing vouchers, tax credits subsidizing private health insurance). We argue that demand shocks to in-kind benefits are more likely to concentrate adjustment costs on current and potential beneficiaries, mobilizing a subset of voters to support far-right parties with welfare chauvinist platforms.

Survey evidence suggests that a plurality of European citizens resent immigrant access to social benefits (Mewes and Mau 2012; Alesina et al. 2018). However, in the case of in-cash programs, we argue that voters are less likely to perceive immigrant enrollment as a credible threat to their own continued access. First, distributional implications are unlikely to be acute, and government borrowing and budget adjustments imply that demand shocks are routinely addressed without corresponding cuts to benefit levels. Second, the public’s misunderstanding of public finance entails that voters face difficulties in calculating how immigration will directly impact their personal income.

In contrast, distributional conflict surrounding in-kind benefits is visible and the implications of immigrant enrollment less opaque. Unlike cash benefits, the supply of in-kind benefits is fixed in the short run: building a new school, community center, or housing unit requires long-term investment and planning (Dancygier 2010). Moreover, their consumption is geographically bounded, implying that exit options are limited to local market-based alternatives. In-kind programs are thus prone to congestion. As the size of the local eligible population increases, the probability that a native voter will be able to access a given benefit program declines (availability effect). Expanding the eligible population also influences the perceived value of the benefit for current beneficiaries (quality effect). First, since many in-kind programs are funded and administered locally,
an increase in the eligible population generally leads to a reduction in the average benefit (e.g. more students per class), or an increase in fees. Second, given that in-kind benefits are experienced collectively, these material concerns may be compounded by non-material considerations. For instance, an increase in ethnic diversity can generate an additional decline in perceived quality for a subset of ethnocentric citizens who favor more homogeneous environments (Card et al. 2012).

Because in-kind goods are consumed locally, the consequences of congestion will be readily apparent within voters’ residential contexts. Moreover, voters are likely to encounter immigrants within the brick-and-mortar locations where in-kind benefits are delivered (i.e., schools, housing units, hospitals, and municipal offices). As a result, the local environment provides voters with an informational shortcut to identify immigration as the proximate cause of — or solution to — congestion. Building on social psychology, which finds that group boundaries are activated by competition and scarcity (Tajfel 1982), we expect that a subset of voters within these communities will channel this discontent into electoral support for parties that advocate restricting immigrants’ access to the welfare state.4

This prediction follows from the assumption that electoral behavior is a function of both policy preferences and preference intensity (Arrow 2012). Indeed, research shows that preferences over policies that “directly affect (a voter’s) rights, privileges, or lifestyle in some concrete manner” (Howe and Krosnick 2017: 328) are more intense, implying that they will exert more influence on a voter’s political behavior than preferences over policies that do not directly affect them (Carsey and Layman 2006). In other words, while personal exposure to distributional conflict might not predict the full range of

4 While this reaction will be especially intense among current and future beneficiaries, this does not imply that others voters within the community will be unresponsive. Indeed, the local delivery of in-kind benefits means that these programs are often central to communities. Congestion may thus trigger a response among voters concerned about the general quality of life within their community.
citizens who support closed welfare states, we argue that it remains important in explaining when voters will update the intensity of these preferences and translate them into electoral support for parties with welfare chauvinist platforms.

We expect far-right parties to be the main beneficiaries of this tendency. Although mainstream parties have recently co-opted aspects of these parties’ anti-immigrant agenda, far-right parties continue to exert issue ownership over welfare chauvinism. Indeed, as argued by Ennser-Jedenastik (2016) and Otjes et al. (2018), restricting immigrants’ access to the welfare state is a natural extension of these parties’ nativist, populist, and authoritarian ideology. Nevertheless, the degree to which far-right parties will benefit is a function of political opportunity structures (Arzheimer and Carter 2006) and the positioning of mainstream parties (Minkenberg 2013). According to Meguid (2005), the most advantageous opening for the Far Right is when mainstream parties take a principled stance against exclusionary policies. In practice, mainstream parties’ decision to oppose a closed welfare state will vary (Bale et al. 2010; Schumacher and Van Kersbergen 2016), influencing the extent to which the Far Right can electorally capitalize. Nevertheless, avoidance of the issue or principled opposition tends to be the prevailing stance: conservative parties cannot always credibly commit to defending citizens’ social benefits (Afonso 2015), and the mainstream left may be reluctant to ostracize an emerging immigrant electorate (Dancygier 2017). Given consistent branding, we expect voters with intense welfare chauvinist preferences to preferentially turn to the Far Right over mainstream parties that temporarily adopt a chauvinist strategy.

While there is reason to expect that congestion will increase support for far-right parties, few studies empirically isolate the causal effect on electoral outcomes. First, it is difficult to directly measure the consequences of immigrant enrollment in benefit programs. Second, given that immigrants and natives can sort across geographic areas, studies that rely on cross-sectional data are subject to significant selection bias. In theory, researchers can leverage large exogenous population shocks to approximate an increase
in congestion (Halla et al. 2017; Barone et al. 2016; Becker et al. 2016). However, this design cannot isolate the direct consequences of pressure on in-kind benefits given that a migration shock is a compound treatment which may affect political behavior via alternate channels.

In this paper, we improve on prior designs by leveraging an exogenous shock to eligibility criteria for a prominent in-kind benefit program in Austria. Spatial variation in benefit provision and immigrant settlement at the time of the legal reform implies that the shock differentially affected voters. Using a difference-in-differences design, we estimate the substantive effect of welfare congestion on national electoral outcomes. Our design is most closely linked to Dancygier (2010), who leverages differential control over the assignment of public housing to evaluate how resource competition affects majority-minority ethnic conflict in four British cities. While our approach builds on this study, our design permits us to isolate the electoral consequences of immigrant enrollment in social programs net of other confounders. In addition, we move beyond the local setting to estimate how welfare congestion has influenced the success of far-right parties within national parliamentary elections.

**Public Housing in Austria**

As in many European countries, public housing occupies a central role in the Austrian welfare state. In 2011, 23% of dwellings were governed by public housing programs. The capital, Vienna, which accounts for nearly a third of Austria’s population, possesses a particularly high concentration of beneficiaries (43%) due to extensive post-war construction efforts by the Social Democratic Party (SPÖ).

Austria’s housing program is not narrowly targeted to the poor, but rather seeks

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5 2011 Austrian Building and Housing Census. Public housing includes dwellings owned by local governments, as well as those owned by limited-profit housing associations. In Appendix A.1, we discuss the differences between the two types of housing and implications for our analysis.
to provide for the housing needs of the middle and lower classes. Initial eligibility is only weakly means-tested: formally, 80-90% of households are eligible (Scanlon et al. 2014: 11). Applicants must be an existing resident of a municipality, and dwellings are allocated according to wait-lists based on point systems measuring household size, age, income, and current living conditions. However, individuals are able to continue their lease if their income subsequently increases beyond the eligibility threshold (Reinprecht 2014). The absence of concentrated poverty, as well as the high quality of housing units, entail that public housing remains attractive to middle-class households. At the time of the legal reform, individuals living in public housing could expect a rental price that was, on average, 10 to 20% cheaper than comparable units in the private sector (Baumgartner 2013). Congestion is thus likely to affect a large group of voters who do not view the private sector as a viable substitute.

The Consequences of the EU Legal Directive

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

The barrier between immigrants and social housing was legally breached in November 2003, when the European Union implemented Council Directive 2003/109/EC. Motivated in part by the systematic exclusion of immigrants from welfare benefits, the directive mandated member states to permit individuals with residence permits to access social services. As a result, the Austrian parliament passed the Equal Treatment Law in

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6 Eligibility and residency conditions vary across municipalities. In Vienna, applicants must have been a legal resident for two years and have a demonstrable need for improved housing.

7 See Appendix A.1 for additional background information.
2004, which required states to implement access for third-country nationals by January 23, 2006. Following this mandate, each of the federal states implemented the directive between late 2005 and January 2006.\footnote{Three cities unilaterally granted access to foreign residents prior to the reform. We remove these municipalities from the subsequent analysis.}

The reform had immediate consequences for citizens hoping to enter public housing. Shortly after implementation, the expected time on the waitlist in Vienna increased to three years.\footnote{BBC News, Region Graz, 2.08.2007} The decrease in availability also had implications for the mobility of current beneficiaries. Applicants have an obligation to accept one of the first two offered apartments, and many leaseholders are initially placed in undesirable neighborhoods. As a result, turnover was traditionally high: in 2005 for example, 26,000 public apartments in Vienna received new tenants. However, when seeking a new apartment, existing leaseholders are subject to the waitlist. Facing longer waiting times, leaseholders could expect that the possibility of upgrading their housing situation in the near future would be minimal.

The legal change also affected the value of public housing for current and future beneficiaries. First, and most directly, the reform increased rents. Anticipating high demand for rent-controlled public housing, local policymakers responded by pledging a "housing [construction] offensive" shortly after the reform.\footnote{Die Presse, 11.11.2005} Although a portion was funded via taxes, the public housing system is designed to raise the majority of revenues from existing rents. Thus, while the Vienna city government assured citizens in May that existing rents would not be increased to finance the construction boom\footnote{Die Presse, 17.05.2006.}, this promise was abandoned later in the year with the announcement that rents would be raised just prior to the legislative election.\footnote{Depending on the category of apartment, increases ranged from an additional 5.0\% to 5.7\% per square meter.} Second, the reform increased the likelihood that new
entrants to public housing would be drawn from low-income immigrant backgrounds. For the subset of voters concerned with “compositional amenities” (Card et al. 2012), this diversification may have been viewed as a decline in neighborhood quality.

Given the size of the newly eligible immigrant population, the reform had an immediate impact on the relative availability of public housing. In contrast, wait-lists implied that the long-term consequences on the quality of public housing had not yet been fully realized when citizens cast their votes in October 2006. However, as discussed below, these issues were highly politicized in the electoral campaign. In evaluating how voters in affected municipalities responded to the legal directive, we thus examine the combination of the realized and anticipated effects of congestion.

Political Context

According to our argument, voters exposed to distributional conflict over in-kind benefits should be more likely turn to parties with welfare chauvinist platforms. In Austria, this niche was occupied by the FPÖ and its splinter party, the BZÖ. The FPÖ is widely recognized as pioneering a shift from free-market policies towards a platform combining the robust defense of welfare benefits with a closed welfare state (Ennser-Jedenastik 2016; Afonso and Rennwald 2018). The public housing reform provided an opening for the FPÖ to further signal its commitment to welfare chauvinism. In an official press release, the FPÖ argued that the "completely undemocratic" decision would generate a "social explosion of the first order."13 Heinz-Christian Strache, chairman of the FPÖ, noted that the provision meant an additional 100,000 foreigners in Vienna would gain access to public apartments.14 Given the expected increase in waiting lists, Strache argued that "as a traditional citizen, it is difficult to avoid the impression that one is the very

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13 FPÖ Press Release, 01.03.2006.
14 Protocol Wiener Landtag, 06.10.2006.
last to be considered when municipal services are needed.”  

In addition to introducing legislative motions to overturn the reform, the FPÖ’s 2006 manifesto proposed that third-country nationals be stripped of social welfare rights within the first three years of residence, and deported if they relied on welfare benefits thereafter.

These appeals generated challenges for mainstream parties. The main competitor to the Far Right’s anti-immigrant stance was the traditional conservative party, the ÖVP. In 2000, the ÖVP entered into a coalition with the FPÖ, which dissolved in April 2005. As part of this process, the ÖVP co-opted aspects of the FPÖ’s anti-immigration agenda, most notably by tightening the asylum regime (Bale et al. 2010). However, the ÖVP’s strongly pro-EU stance and its economic platform led it to advance immigrant integration policies in lieu of welfare chauvinism. As early as 2003, the ÖVP publicly supported the opening of public housing, and campaigned for the measure throughout 2006 (Appendix A.5). In contrast, while the SPÖ eventually supported the opening of public housing as a condition of EU membership, concerns over the loss of working class votes led the party to minimize the issue in the campaign. Overall, far-right parties were the only competitor in the legislative elections that simultaneously advanced an anti-immigrant and welfare chauvinist platform.

**Empirical Strategy**

To assess whether distributional conflict over public housing drives support for far-right parties, we adopt a difference-in-differences design. Leveraging variation in the share of adults living in public housing at the time of the reform, we first evaluate whether

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16 Protocol Wiener Landtag, 25.01.2006
17 FPÖ 2006 Election Manifesto.
18 The BZÖ also opposed the expansion of housing eligibility (Appendix A.5), and proposed welfare chauvinist policies that conditioned benefit access on strict adherence to an integration program.
voters in affected municipalities exhibited increased support for far-right parties (FPÖ and BZÖ) in the legislative elections of October 1, 2006, which followed the mandate to expand the beneficiary pool to include third-country nationals. In this analysis, the public housing stock proxies the extent to which a municipality relies on the public sector to meet its housing needs. Given high demand for public housing units, we expect that this variable will not only capture the prevalence of current beneficiaries, but will also be positively correlated with the proportion of citizens concerned with the future availability of public housing. The municipal-level estimates thus capture the total effect of congestion on the voting behavior of both groups. We subsequently relax this assumption and leverage fine-grained data from Vienna to isolate effects among current and potential beneficiaries.

The difference-in-differences design implies that the results will not be biased by unobserved time-invariant factors at the municipal level which may otherwise affect political support. However, the specification relies on the assumption that municipalities with high levels of public housing would exhibit parallel electoral trends in the absence of the 2006 reform when compared to municipalities with lower public housing stock. This assumption is plausible for two reasons. First, the era of extensive public housing construction in Austria significantly predates contemporary political dynamics. Second, public housing in Austria is widespread. Although urban areas have a higher concentration than rural areas, as of the 2001 Housing Census, 90.5% of Austrian municipalities had social housing units. As a result, variance is largely in terms of degree rather than in kind. Observed trends across municipalities bear these assumptions out: as demonstrated in Appendix B.2, we fail to reject the hypothesis that municipalities with different levels of public housing, but similar levels of foreign settlement, followed parallel electoral trends prior to the legal directive.
Results: Austrian Municipalities

Using registry data, we obtained the percentage of inhabitants in each municipality (n=2383) who were third-country nationals in January 2006 (see Appendix B.1). From the 2001 Census, we measure the relative importance of the public housing sector using the percentage of residents of voting age (18+) living in such units.\(^{19}\)

We begin by evaluating trends using a non-parametric approach, which requires limited assumptions concerning the functional form of the relationship between our explanatory variables and far-right vote share. The left-hand panel of Figure 1 plots the change in vote share for far-right parties as a function of the proportion of adults in public housing.\(^{20}\) The results demonstrate that the 2006 election was exceptional: while in prior elections the level of public housing did not significantly predict changes in support for far-right parties, in the 2006 elections, municipalities with a high share of residents in public housing deviated from this trend and voted for far-right parties at elevated rates.\(^{21}\)

We next assess whether the tendency to vote for far-right parties was amplified by the presence of third-country nationals. In the right-hand panel of Figure 1, we use a generalized additive model (GAM) to flexibly plot the relationship between the intensity of the distributional conflict (% Non-EU Residents) and its prevalence (% in Public Housing). The results are presented as a contoured heat map; crossing a contour line alters the point estimate, while darker colors indicate larger increases in far-right vote share be-

\(^{19}\) Data on public housing occupancy is available in 10-year intervals. In the analysis that follows, we assume that public housing in 2001 reflects the situation in 2006, given limited construction during the period. We do not average 2001 and 2011 estimates because the latter are post-treatment.

\(^{20}\) We demean to provide clear comparisons regarding the distribution of votes across each election. The dependent variable is vote share for the FPÖ and BZÖ. As a robustness check, we measured only FPÖ vote share, with similar results.

\(^{21}\) Although the largest effect sizes are visible at the tails, these municipalities contain a significant share of the electorate: 19.4% live in municipalities with >30% public housing (See Appendix Figure A1).
Figure 1: Effect of Public Housing and Foreign Settlement on Municipal Vote Share

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

between 2002 and 2006. The results align with expectations: citizens in municipalities with high public housing stock and a sizable non-EU population were most likely to exhibit increased support for far-right parties following the expansion of housing eligibility. In contrast, municipalities that did not face a credible threat (low non-EU population) or that did not have many affected native residents (low public housing share), did not display elevated support for far-right parties following the reform.

To obtain interpretable point estimates, we use a parametric specification. Given that the observed relationship between public housing and vote share is approximately linear (Figure 1, left-hand panel), we model the share of public housing within a municipality as a continuous treatment. In order to evaluate how the marginal effect of housing differs
across levels of diversity, we use the share of third-country nationals as a moderator.\textsuperscript{22} To avoid strong functional form assumptions (Hainmueller et al. 2019), we divide the moderator into three discrete bins corresponding to the level of non-EU population at the time of the reform.\textsuperscript{23} We then fit the following first differences model:

$$\Delta \text{VoteShare}_{i,06-02} = \alpha + \theta PH_i + \sum_{p=1}^{3} (\gamma_p \text{NonEU}_{ip} + \beta_p (PH_i \times \text{NonEU}_{ip})) + \mu X_i + \epsilon_i$$

where VoteShare indicates the percentage vote share for far-right parties in municipality $i$, PH represents the share of public housing, NonEU is a dummy variable indicating each bin, $p$, of non-EU resident population, and $X$ is a vector of covariates measured during the year of the reform.\textsuperscript{24}

The main estimate of interest is the marginal effect of public housing within municipalities where the size of the newly eligible immigrant population presented a credible threat. The marginal effects in the first column of Table 1 suggest that among municipalities with a high share of third-country nationals (>10%), an additional 10% of public housing stock is associated with a 1.46, plus or minus 0.24, percentage point increase in vote share for far-right parties following the reform. Substantively, this implies that the expected difference in vote share between municipalities at the 20th and 80th percentile of public housing is 3.56 percentage points.\textsuperscript{25} Given that the baseline change in support for far-right parties between 2002 and 2006 was 3.71 percentage points, this represents a

\textsuperscript{22} Appendix B.4 and B.5 demonstrate that similar results are obtained from a fully interacted linear model, as well as a semi-parametric model with interacted bins. Appendix B.12 demonstrates that the results hold when including spatial lags for third-country nationals and public housing.

\textsuperscript{23} The distribution of third-country nationals is left-skewed. We therefore use discrete bins to assist substantive interpretation of the results. Appendix B.6 demonstrates that the results are robust to using alternative bins.

\textsuperscript{24} Similar results are obtained using a panel specification with state-level time trends (Appendix B.3). We adopt a first differences specification in the main text because not all covariates are consistently available across elections.

\textsuperscript{25} Within the top bin, the 20th and 80th percentile values for public housing stock are 5.8% and 30.2%, respectively.
twofold increase in relative support within strongly affected municipalities.

**Table 1: Marginal Effect of a 10% Change in Public Housing on Vote Share, 2002-2006**

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<th>(3)</th>
<th>(4)</th>
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<td>0.21</td>
<td>0.20</td>
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<td>(0.11)</td>
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<td>5-10%</td>
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<td>0.93*</td>
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<td></td>
<td>(0.11)</td>
<td>(0.12)</td>
<td>(0.12)</td>
<td>(0.13)</td>
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<tr>
<td>&gt; 10%</td>
<td>1.46*</td>
<td>1.47*</td>
<td>1.40*</td>
<td>1.31*</td>
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<td></td>
<td>(0.24)</td>
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**Covariates**

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<td></td>
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Robust standard errors in parentheses. n=2374 municipalities.
* p < 0.05

Before proceeding, we rule out several alternative explanations for these findings. First, increased support for the Far Right could be driven by compositional factors correlated with, but substantively unrelated to, the provision of public housing. For instance, if public housing density is linked to local income levels, and low income voters were particularly likely to vote for far-right parties in 2006 (but not in prior years), the observed deviation from trends could be unrelated to the reform. Accordingly, the right-hand side of Table 1 examines if our results are robust to controlling for features of the electorate often associated with support for far-right parties. Column 2 demonstrates that differences in the electorate’s education and income levels, as well as features of the local economy (unemployment rate and the manufacturing sector’s employment share)
do not appear to be driving our results.\textsuperscript{26} Similarly, the results are robust to controlling for local social, health, and educational spending (column 3). Finally, areas with the largest demand shock may also be areas with the largest increase in immigrant population between the two elections. As demonstrated by Hopkins (2010), swift demographic change can translate into anti-immigrant sentiment, especially if immigration is a politically salient issue. Column 4 shows that our results are robust to controlling for changes in the size of the Turkish and Yugoslav foreign-born population between 2002 and 2006, groups which have traditionally attracted hostility from voters.\textsuperscript{27}

An alternative explanation is that the results are driven by secular electoral trends. First, given that support for far-right parties was relatively weak in the 2002 legislative elections, it is possible that increased support in 2006 represents a reversion to the mean. However, the available evidence is inconsistent with a simple electoral reversal. As shown in Appendix B.2, support for far-right parties across Austrian municipalities was consistently lower in areas with the highest public housing density prior to the reform. Appendix B.9 also demonstrates that the changes in political support we document in 2006 persisted through the 2008 legislative elections. Second, given that the ÖVP and FPÖ governing coalition dissolved, it is possible that the surge in support is driven by temporary backlash against the ÖVP. However, as seen in Appendix B.8, the increase in support occurred at the expense of both the ÖVP and the SPÖ. Finally, it is possible that the observed response was driven by hostility to EU expansion, which occurred in May 2004.\textsuperscript{28} To evaluate this possibility, Appendix B.10 reports placebo checks for provincial

\textsuperscript{26} Covariate coefficients are visible in Appendix B.11. More generally, given that public housing stock is available across the income distribution, the correlation with local socioeconomic characteristics is weak. Correlation coefficients are 0.25 for income, 0.22 for employment, 0.21 for tertiary education.

\textsuperscript{27} While many are naturalized citizens, 19.6\% of the Non-EU population in 2006 were Turks, while 47\% were from former Yugoslavia. Since the main specification controls for non-EU population, we adjust for differences in levels as well as changes over time.

\textsuperscript{28} Austria implemented visa restrictions on accession countries, which expired May 2011.
elections that occurred after the EU expansion, but before the implementation of the reform. The results demonstrate that there is no detectable increase in support for far-right parties within municipalities with high public housing stock prior to the reform. Similarly, Appendix B.8 demonstrates that these municipalities were no more likely to support Hans-Peter Martin’s List, a single-issue party which ran on a Euroskeptic platform (Hobolt and Spoon 2012).

Next, we evaluate an additional implication of the congestion hypothesis. If the argument holds, we would expect effect sizes to be larger in municipalities with comparatively less slack in the public housing sector prior to the reform. In these settings, more citizens will be affected by congestion due to longer wait-lists (availability effect), and local governments will face pressure to construct additional units to meet demand, resulting in downstream rent increases and less frequent renovations (quality effect).

Although comparable data on wait-lists is unavailable, we proxy spatial variation in relative demand by measuring the composition of the private housing market. Regardless of other eligibility criteria, citizens who own their dwellings are unlikely to seek access to public housing. As a result, the pool of potential beneficiaries will scale with the share of citizens relying on rentals to meet their housing needs. Appendix B.7 evaluates this implication by interacting municipal public housing stock with the proportion of rentals within the private sector. The results demonstrate that effect sizes are elevated in settings where public housing stock is accompanied by a significant share of citizens living in private rentals.

While assessing rental shares proxies the prevalence of citizens who may seek to benefit from public housing in the future, it does not measure the relative attractiveness of the public housing sector. For instance, if public housing is more expensive than private alternatives, demand may be low even in areas with a sizable portion of eligible beneficiaries. To measure these dynamics, we examine the price differential between private and public housing using household-level data from the Austrian Microcensus.
This representative sample of 1% of households records the county of residence as well as information on housing costs. Due to sample size limitations, we pool data from 2000 to 2003, adjusting for inflation.\textsuperscript{29} For each county, we calculate the average monthly rent, per square meter, separately for private and public apartments.\textsuperscript{30} Given coarse data, we discretize this variable and assess whether the price gap is above or below the national median. Figure 2 descriptively plots how the price differential mediates effect sizes, while Appendix B.7 demonstrates similar findings using a parametric specification. Consistent with our argument, we find that our results are driven by areas where public housing is particularly valuable relative to private rentals. Viewed together, the rental and price analyses suggest that the effects of congestion were more pronounced within municipalities with higher relative demand for public housing prior to the reform. This relationship cannot be accounted for by theories that emphasize sociotropic or cultural concerns without reference to congestion and its concentrated material costs.

**Results: Electoral Wards in Vienna**

To further assess the underlying mechanism, we focus on Vienna, where 42.8% of residents live in public housing. Leveraging fine-grained data on housing stock, we examine how voting behavior maps onto the spatial distribution of current and potential beneficiaries, and evaluate the degree to which the electoral response is shaped by voters’ preference for homogeneous neighbors.

We first focus on voters living in public housing at the time of the reform. This analysis draws on geodata on the location of public housing units (n= 209,375 apartments, 4,610 buildings) matched to electoral wards (n=1,920). Given that multiple voters can

\textsuperscript{29} This yields a median of 181 households per county (Appendix A.2). Q4 2003 is the last quarter geographic identifiers are available. We acknowledge that rental prices may have shifted in the interim.

\textsuperscript{30} Appendix A.3 suggests that this price gap is not driven by housing quality.
Local linear fit, 95% confidence intervals. ‘Above Median’ indicates areas where the price of private apartments is comparatively more expensive than public units.

As demonstrated by the left-hand panel of Figure 3, patterns in Vienna mirrored those across the country as a whole: wards with a high proportion of residents in public housing units substantially increased their support for far-right parties in the 2006 elections. Importantly, this trend is not observed in prior electoral cycles. As seen in Appendix C.3, this tendency is robust to the inclusion of local covariates, indicating that compositional effects are unlikely to be driving the results.

We next assess whether there is an interaction between public housing and local diversity. The right-hand panel of Figure 3 uses a generalized additive model (GAM) to
evaluate the interaction between the percentage of third-country nationals at the census-tract level (n=241) and public housing density. The results suggest that the majority of variation can be explained by public housing. However, these effects are nevertheless heightened in census tracts where a sizable share of residents are third-country nationals, indicating that immediate surroundings matter in shaping perceptions of the congestion shock. A binned first difference estimate suggests that wards with at least 60% of adults in public housing increased their support for far-right parties by 5.0 percentage points, plus or minus 1.6, relative to wards with 0-10% of residents in public housing (See Appendix C.3).\textsuperscript{31}

**Figure 3**: Effect of Public Housing on Anti-Immigrant Voteshare: Electoral Wards in Vienna

*Left:* Local linear fit between public housing and the change in support for anti-immigrant parties between 2002 and 2006 (demeaned), 95% confidence intervals. *Right:* GAM interaction between public housing and immigrant settlement; contours represent the change in support for anti-immigrant parties between 2002 and 2006 (deamaned). Crossing a contour line alters the point estimate; darker colors indicate larger increases.

The reform also had implications for current beneficiaries in the form of reduced

\textsuperscript{31} A linear specification (Appendix C.5) provides substantively similar estimates.
mobility. If this mechanism is active, we should observe stronger reactions among leaseholders assigned to less desirable public housing units at the time of the reform, given that the legal reform curtailed their subsequent ability to upgrade. Appendix C.7 evaluates this implication by drawing on data on neighborhood real estate prices and the renovation date of each public housing complex. Consistent with this mechanism, the results suggest that beneficiaries living in less desirable units were most likely to cast votes for far-right parties following the reform.

Beyond current beneficiaries, a second group impacted by the reform were citizens who may rely on public housing in the future. Although isolating these voters is challenging given the absence of spatial data on wait-lists, we proxy this group by measuring fixed characteristics of the private rental market. We first measure the share of rented apartments within a district, given that voters who already own dwellings are unlikely to apply. Second, we measure the relative size of dwellings. In Vienna, entrance into the wait-list is a function of a points system, in which the size of the applicants’ current apartment plays a central role. Drawing on census-tract level data on privately rented apartments, we measure the percentage of voters living in non-studio apartments less than 60 sq. meters in size, which is the size class most associated with crowded living conditions. In Figure 4, we use an interacted GAM specification to examine how these two factors relate to support for far-right parties, within wards lacking public housing. The results suggest that while wards with a high share of owners were less likely to shift their support, wards with a high share of renters and small average apartment sizes voted at elevated rates for far-right parties following the reform. As seen in Appendix C.8, this relationship holds using a regression framework with socio-economic controls.

Finally, we examine the extent to which responses were driven by a preference for neighbors who share one’s language, values, and customs (Card et al. 2012) by assessing the existing diversity in housing blocs. Although third-country nationals were excluded from public housing prior to January 2006, naturalized foreign-born citizens and EU
GAM interaction between the share of renting apartments and apartment size; contours represent the change in support for far-right parties between 2002 and 2006 (deamaned). Crossing a contour line represents a change in the point estimate; darker colors indicate larger increases. Fit only in wards without public housing (n=848).

long-term residents were able to access public apartments. If support for far-right parties is driven by voters in public housing who primarily value compositional amenities, we would expect voters in homogeneous housing units to respond more sharply to the legal change in an effort to preserve the status quo.

Based on the available data, this pattern does not hold. Figure 5 plots the change in support for far-right parties as a function of the existing diversity of each public housing unit, restricting the analysis to districts where the majority of residents live in public housing. No relationship is apparent: that is, individuals in relatively homogeneous housing blocks — who could expect dramatic changes in composition after the reform — were just as likely to respond as individuals living in diverse housing units.

If concerns over compositional amenities do not explain the behavior of people cur-

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32 83% of foreign-born citizens in public housing were naturalized Austrians born outside the EU, primarily from Turkey, Egypt, and former Yugoslavia.
33 Similar results are obtained with a 25% threshold and a 75% threshold (Appendix C.9).
Local linear fit between foreign-born occupants of public housing and changes in vote share, with 95% confidence interval.

Currently in public housing, it could nevertheless affect neighbors who are wary of immigrants moving to public housing within their neighborhood. In Appendix C.9, we assess this possibility by evaluating the explanatory power of the share of foreign-born within each ward. The results indicate that in areas with public housing, homogeneous neighborhoods were not more likely to switch their support to far-right parties than diverse neighborhoods with similar public housing stock. Viewed together, these patterns suggest that compositional concerns did not dominate the observed response.

Conclusion

In recent years, far-right parties have emerged as the most vocal proponents of welfare chauvinism. Yet to date, there is limited evidence that support for these parties is directly linked to the distributional consequences of immigrants accessing the welfare state. Successive failures to empirically document this relationship have led researchers to favor theories emphasizing the role of concerns over the cultural impact of immigration on the
country as a whole (Hainmueller and Hopkins 2014; Van der Waal et al. 2010). Without disputing the latter’s importance, our results show that self-regarding and material motives remain important in explaining the rapid rise of far-right parties with welfare chauvinist platforms.

In examining the aggregate impact of immigration on the welfare state, prior studies have overlooked important heterogeneity in the delivery of social programs. In contrast to benefits delivered in cash, in-kind benefits are highly susceptible to congestion from demand shocks. Given delayed adjustment in supply, the threat of congestion is credible and unlike other types of distributional conflict, its implications for one’s own living conditions are straightforward. If congestion can be linked to immigration, we expect current and future beneficiaries of in-kind benefits to shift their support to far-right parties advancing welfare chauvinist platforms.

To test this argument, we implement a design that isolates the causal effect of the congestion of in-kind benefits on national electoral outcomes. While prior studies examining demand shocks have largely focused on variation in immigrant flows, this approach introduces the possibility that the observed effects are an ethnocentric reaction to immigrants, broadly writ, rather than to the material consequences of immigrants accessing the welfare state. In contrast, our design exploits a demand shock linked to an exogenous shift in welfare eligibility criteria that imposed concentrated costs on a sizable portion of the electorate.

The results demonstrate that the municipalities and electoral wards most affected by the legal reform were likely to deviate from secular election trends and increase their support for far-right parties in the 2006 legislative elections. This effect is substantive: we find that among diverse municipalities with high public housing stock, the change in support for far-right parties between 2002 and 2006 was nearly double the rate observed in municipalities with comparable diversity but lower public housing stock. Similarly, the Vienna analysis indicates a five percentage point increase in electoral support within
wards where a majority of citizens reside in public housing. Robustness checks indicate that these results are not driven by compositional effects, the political cycle, or an increase in the share of stigmatized immigrants.

Although we cannot fully rule out a preference for neighborhood homogeneity, the voting behavior we document appears rooted in economic concerns. First, effect sizes are elevated in municipalities where public housing is especially attractive relative to other options. Second, we find no effect of the reform in diverse areas that do not rely on public housing. Finally, the data on existing diversity within Viennese housing suggest that concerns about increasing diversity did not play a leading role in driving the observed shifts in support for far-right parties. Similarly, we can rule out a nation-wide nativist reaction to the principle of immigrant access to public benefits among current recipients. Indeed, if this mechanism had been active, areas with no immigrants but a large public housing stock would have also been affected.

We expect these findings to apply to other classes of in-kind transfers. Public housing is not unique as a social transfer with supply fixed in the short-term. Another likely candidate is public healthcare. Consistent with the argument outlined in this paper, Becker et al. (2017) demonstrate that lower-quality NHS service provision is associated with support for UKIP and Brexit. More broadly, there are two mechanisms through which the share of the population affected by distributional conflict will increase. The first is a country-wide immigration shock of the kind experienced by many states following EU enlargement, and more recently, via humanitarian asylum policies. Austerity-driven benefit cuts provide a second trigger by influencing the supply of a given in-kind benefit. In some cases, immigrants might be perceived as directly ‘responsible’ for demand shocks (e.g. a refugee crisis). In other cases, their mere presence in a context of austerity can motivate an exclusionary turn to welfare chauvinist platforms.

In addition to documenting a pathway through which distributional concerns influence electoral outcomes, our results also have implications for literature on the mediating
role of the welfare state. According to prevailing arguments, a comprehensive system of social protection lessens economic insecurities induced by free trade and globalization and consequently weakens support for far-right parties. Yet in an environment where globalization also translates into large population movements, welfare states with a large in-kind component can also become the source of distributional conflict that increases support for far-right parties advancing welfare chauvinist platforms. Interpreting these electoral shifts exclusively through the lens of cultural backlash potentially disregards voters’ underlying concerns about access to social benefits in a context where fiscal adjustment has become a credible threat.

Finally, these findings have direct policy implications. In many European countries, immigrants’ social rights were extended in an era when conflict over social benefits was only weakly salient. However, the Great Recession and humanitarian crises have exacerbated perceived tensions between open borders and open welfare states, leading to clashes between member states seeking to impose new eligibility criteria and European Union institutions (Cappelen and Midtbø 2016). Our results suggest support for welfare chauvinist parties may have been accelerated by the EU’s active defense of immigrant rights.
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