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**How Distributional Conflict over Public Spending Drives
Support for Anti-Immigrant Parties**

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How Distributional Conflict over Public Spending Drives Support for Anti-Immigrant Parties

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To what extent does immigration drive support for anti-immigrant populist parties and candidates? Previous research has hypothesized the existence of a welfare channel, in which individuals exposed to the potential fiscal costs of immigration, in the form of higher taxes and lower benefits, will be more supportive of anti-immigration parties. But evidence in support of this argument is scant. This paper builds on existing work in two ways. Theoretically, we distinguish between the cash and the in-kind components of public transfers, and argue that the latter are especially prone to generating distributional conflicts. Empirically, we leverage an EU legal directive that resulted in an exogenous increase in the intensity of competition between immigrants and natives over public housing in Austria. Our findings indicate that support for anti-immigrant parties is highly responsive to perceived scarcity resulting from immigrant receipt of in-kind benefits. More broadly, the findings suggest that the confluence of austerity measures and free movement in the EU may explain the far-right's recent electoral gains beyond its historic voting bloc.

The Great Recession, slow economic recovery, and successive migrant crises have combined to generate a fertile breeding-ground for right-wing populism in Europe (De Bromhead, Eichengreen and O'Rourke 2013; Hopkins 2010). While historically relegated to the political fringe (Mudde 2010), anti-immigrant parties have recently broken through: in Austria, the Freedom Party received 49% of votes in the 2016 presidential election, while in Sweden and the Netherlands, far-right parties are polling above 20%. Faced with the ostensible prospect of a shrinking pie and more seats at the table, voters appear to be turning against the European Union and the free movement principle in favor of parties that advocate a 'national preference' in access to jobs and social benefits.

Could perceived immigrant-native competition over scarce economic resources explain this recent wave of success? Empirically, this line of thinking treads on shaky ground. Research on anti-immigrant preferences finds only limited evidence that opposition to immigration is shaped by distributional conflicts over material goods (Hainmueller and Hiscox 2010, 2007; Lucassen and Lubbers 2012; Malhotra, Margalit and Mo 2013; Hatton 2016). A growing consensus is that economic theories of anti-immigrant sentiment miss the forest for the trees: non-material channels such as social identity, ethnocentrism and sociotropic reasoning do most of the heavy lifting (Hainmueller and Hopkins 2014).

We believe this conclusion to be premature, especially when it comes to explaining the recent success of anti-immigrant parties in Europe. Indeed, the case against material concerns suffers from a blind spot. While the majority of null findings are derived from studies that examine immigration's presumed impact on native workers' labor market prospects (the "job channel"), another important source of distributional conflict, namely immigration's impact on natives' *disposable income*, has received markedly less attention (Hainmueller and Hopkins 2014). In contexts where immigrants are net beneficiaries of transfers and services provided by the state, an inflow of migrants will exert adverse effects on public finances in the form of tax increases and benefit cuts. This "welfare channel" may fuel increased opposition to immigration in countries where the fiscal costs of immigration are higher, i.e. in countries where the welfare state is comparatively more generous and the immigrant population comparatively less skilled (Hanson, Scheve and Slaughter 2007; Mayda 2006; Facchini and Mayda 2009).¹ To overlook the welfare channel as a potential source of anti-immigrant sentiment is especially problematic in countries where the level and scope

¹ The majority of evidence testing this hypothesis is from the United States. Yet the restrictions on immigrants' access to benefits (introduced in 1996) imply that fiscal effects, by definition, are weak.

of social spending is at a historical high. In addition, recent trends in far right parties' electoral strategy indicate that their leaders have themselves identified the welfare channel as a potential engine for electoral growth. Breaking with their previous emphasis on the need to 'starve the beast', far right leaders in countries like France or Austria have now embraced the welfare state and put welfare chauvinism – in which social transfers are generous but limited to citizens – at the center of their platforms.

This paper takes several steps to demonstrate that the welfare channel plays an important, albeit conditional, role in shaping anti-immigrant sentiment. In line with Hanson, Scheve and Slaughter (2007) as well as Facchini and Mayda (2009), we emphasize the role of welfare state design in shaping the nature and extent of the immigrant-native distributional conflict. While existing research focuses on the redistributive consequences of social spending in the broadest sense, we focus more narrowly on the distinction between cash transfers and in-kind transfers such as education, health care, and housing. The latter consist of more than half of social spending in post-industrial democracies (Garfinkel, Rainwater and Smeeding 2006). In-kind transfers, we argue, should be especially prone to generating distributional conflict between immigrants and natives. First, their supply is constrained due to high fixed costs, and their consumption is geographically bounded. In-kind social transfers are thus susceptible to congestion: as the size of the consuming group increases, individual consumption falls both in quantity and quality. Second, in-kind transfers such as health care or education tend to be weakly means-tested, meaning that those who pay for the benefit are also those who receive it (Rothstein 1998). Under this design, fiscal adjustment plays out in a way that increases the salience and intensity of distributional conflicts (Malhotra, Margalit and Mo 2013).

In line with this framework and unlike extant studies that examine public spending 'in bulk', we favour a disaggregated approach to the welfare state. We distinguish components of social spending based on their likelihood of generating an anti-immigrant backlash driven by distributional concerns and consequently identify public housing in Austria as a most-likely case. To assess the degree to which perceptions of distributional conflicts over public housing drives opposition to immigration, we leverage plausibly exogenous variation in immigrants' access to public housing in Austria. In January 2006, a legal decision at the EU level forced Austrian municipalities to open public housing to foreign residents. By expanding the pool of potential beneficiaries at a stroke, this ruling generated clear distributional conflict between eligible immigrants and natives.

Using a difference-in-difference design, we examine whether support for populist anti-immigrant parties

increased among communities most affected by the directive. Our focus thus moves beyond short-term shocks to public opinion and towards the political consequences of immigrant-native distributional conflict over in-kind transfers. The results suggest a clear and substantive relationship between municipalities' relative exposure to distributional conflict and support for anti-immigrant parties. We underscore these findings with micro-level data from Vienna, where we precisely map all public housing complexes to local polling stations. The results suggest that support for anti-immigrant parties following the 2006 ruling sharply increased among voters reliant on public housing stock. Exploring the mechanism with additional data on housing diversity and rents, we argue that distributional conflicts influenced the native population in three ways: price, quantity, and quality. While the first two motives (price and quantity) apply to both cash and in-kind transfers, the third channel is uniquely relevant to locally-consumed in-kind transfers.

Empirically, this study complements previous work by Dancygier (2010) and Money (1999). While these studies rely on cross-sectional variation and case studies to document the role of distributional conflicts over locally-consumed public transfers, our empirical strategy goes further by leveraging exogenous variation to identify a substantive effect. Our results confirm the existence, under specific design conditions, of a politically substantive welfare channel. Theoretically, our framework brings under umbrella contributions that focus, though not explicitly, on distinct forms of social spending (Halla, Wagner and Zweimüller 2016; Dancygier 2010; Hanson, Scheve and Slaughter 2007; Facchini and Mayda 2009; Hainmueller and Hiscox 2007; Huber and Oberdabernig 2016). Given extant variation in the components of social spending, our framework also generates new predictions regarding the countries most and least likely to experience an anti-immigrant backlash driven by distributional concerns.

In the next section, we review the literature on the welfare channel and present our theoretical argument regarding the relevance of in-kind transfers in shaping opposition to immigrants via the “welfare channel”. Section 3 presents our research design. Section 4 and 5 present our results for Austria and Vienna, respectively. Section 6 investigates the individual-level motives driving our results. Finally, we discuss in section 7 the implications of our findings for existing research on the determinants of anti-immigrant sentiment, as well as for the future of the far-right in Europe.

Immigration and the Welfare State: Investigating the Welfare Channel

Several lines of research emphasize the role of distributional conflicts between immigrants and natives. In this section, we review work in political economy that explicitly identifies, both theoretically and empirically, conflict over taxers and social spending as a distinct source of anti-immigrant prejudice.

Existing Work

To model the fiscal consequences of immigration, existing research starts from a simple model of the welfare state as a combination of a flat rate tax t and a lump sum transfer $b(t)$. By design, the system is redistributive.² Immigration affects public finances by increasing the amount of revenue collected (assuming a non-zero employment rate) and by increasing the number of people this amount needs to be redistributed to. The net consequences of this fiscal adjustment will vary with the size and composition of the immigration inflow. The more immigrants who are net beneficiaries of redistributive transfers (because of low income and/or low market attachment), the higher the cost of fiscal adjustment to natives.

Within the native population, the group that pays the bulk of the adjustment costs depends both on the nature of fiscal adjustment (i.e. an increase in t versus a decrease in $b(t)$) and amount of redistribution implemented before the immigration shock.³ If fiscal adjustment holds $b(t)$ constant and triggers a tax increase, then high-earning native voters will be most affected, the more so the higher the pre-shock tax rate t . If fiscal adjustment holds t constant and triggers a benefit decrease, then low-earning native voters will be most affected.⁴ To test this argument, existing research has examined whether the level and determinants of anti-immigrant sentiment vary in predictable ways with a country's level of fiscal exposure to immigration, i.e. with the composition of immigration flows (high vs low skill) and with the extent of redistribution (proxied using GDP-standardized social spending or tax progressivity).

Findings are conflicting. In line with expectations, Hanson, Scheve and Slaughter (2007) find that support

² High-income individuals generate the bulk of the revenue collected through the flat tax rate, but the share they receive in transfers is only equivalent to their share of the population.

³ See Hanson, Scheve and Slaughter (2007); Facchini and Mayda (2009).

⁴ Under this simple social policy design, the adverse effect on the low-earning native population will also increase with t . Indeed, when redistribution is high, a larger share of low-earning natives' disposable income is "socialized" (i.e. a larger share is taken in taxes and replaced by an even larger share of transfers). A decline in $b(t)$ without a decline in taxes leaves low-earning individuals worse off, the more so, the higher t is.

for immigration declines in countries with higher fiscal exposure to immigration. Similarly, Facchini and Mayda (2008) find that support declines in countries where inflows of immigrants are more strongly skewed toward low-skilled immigrants. In both cases, cross-country differences in the preferences of high-income individuals are driving these results. The authors conclude that immigration-induced fiscal adjustment is mainly through a tax increase, at the expense of high-income groups. In contrast, Hainmueller and Hiscox (2010) find that this pattern does not hold across American states: in states with higher fiscal exposure, rich natives are *less* opposed to low-skilled immigration than rich natives in other states. “This,” they conclude, “indicates that concerns among poor natives about constraints on welfare benefits as a result of immigration are more relevant than concerns among the rich about increased taxes.”

Despite their firm theoretical basis, extant studies rely on research designs that make it hard to adjudicate between contradictory results. First, the intensity of immigrant-induced fiscal adjustment is not exogenous, making it harder to rule out the possibility that observed correlations are shaped by factors and mechanisms unrelated to the welfare channel. Second, and more crucially, these studies rely on the untested assumption that, in the cases they examine, immigration-induced fiscal adjustment, whatever form it takes, is a credible threat. However, there are many reasons to question this assumption, including the government’s reliance on deficits to finance increased spending and citizens’ misunderstanding of public finance.⁵ Finally, while observable implications depend on the nature of fiscal adjustment, in most of the existing work the latter is left undetermined *a priori*. Empirically, observed outcomes (e.g. the sign and size of the income gradient) are used to determine whether it is tax or benefits that are most affected by immigration. However, a more robust design should hold the nature of adjustment fixed without inferring it *a posteriori* from the empirical findings.

In sum, the literature on the welfare channel has made important theoretical contributions. However, in light of incomplete evidence, one cannot reject the null hypothesis that the welfare channel plays no substantive role in the rise of anti-immigrant sentiment, and by extension, anti-immigrant parties. The remainder of this paper aims at addressing this gap. To do so, we follow a two-step strategy. First, we propose a “disaggregated analysis” (Moene and Wallerstein 2001) of the welfare channel that takes into account the heterogeneity of social programs and identifies the conditions under which public spending is

⁵ More generally, treatments assume that migrants will prefer countries with high(er) economic growth, where the threat of fiscal adjustment might not be a credible one. In line with this expectation, Hainmueller and Hiscox (2010) cite direct evidence that American states which experienced growth in immigration also experienced lower increases in state income taxes.

more or less likely to affect anti-immigrant sentiment. Second, we build on this argument to identify a most-likely case and test the existence of the welfare channel using a research design that circumvents some of concerns previously highlighted.

The Welfare Channel: A Disaggregated Analysis

To understand the role of public spending in generating an anti-immigration backlash, we first examine the conditions under which a significant share of native voters will perceive a zero-sum relationship between immigrants' economic well-being and their own. The likelihood of zero-sum reasoning, we argue, varies across social programs depending on the nature of the transfer (i.e. in-kind versus in-cash) and according to benefit design (e.g. universal flat-rate or means-tested). In-kind programs, many of which are accessible to broad swathes of the income distribution, provide 'most likely' cases for a welfare-induced anti-immigrant backlash.

The combination of a flat tax rate t and a lump sum transfer $b(t)$ captures the redistributive consequences of taxes and transfers. However, this simple set up overlooks important variations in the ways in which governments conduct redistribution. They can do so through in-kind or through cash programs. Social programs also vary in the extent to which they target benefits to low-income households (Currie and Gahvari 2008; Korpi and Palme 1998). How does the nature and level of targeting of a given transfer affect the likelihood of a distributional conflict between immigrants and natives?⁶

Several features of in-kind transfers make them especially prone to politicized distributional conflicts. In-kind transfer are a class of social benefits for which supply is fixed in the short-term: building a new school or new public housing does not happen overnight and needs to be anticipated several years in advance. As a result, a population shock, such as a sudden inflow of immigrants, mechanically decreases per-capita benefit both in quantity (e.g. there are less slots available in existing schools) and quality (e.g. the average number of students per classroom increases). Because in-kind benefits are consumed locally and immigration is experienced locally, the environment is rich in informational cues that link a change in per-capita benefit to

⁶ In line with previous work, we assume that immigrants are on average net beneficiaries of social spending, receiving more in transfers than they contribute in taxes. We also assume that access to benefits is conditional on legal residency, not citizenship (Facchini and Mayda 2009). This was not always the case, but legal challenges in the 70s and 80s made this the norm across most European countries (Guiraudon et al. 1999).

immigration. In contrast, the receipt and consumption of cash transfers is not geographically constrained and the existence of a distributional conflict between immigrants and natives is harder to infer from opaque and complex adjustments in the government's budget.

Social programs also vary in the extent to which they tie benefits to past earnings, which affects the salience of distributional conflicts (Malhotra, Margalit and Mo 2013). When programs are universal or when they are only weakly means-tested, distributional concerns are likely to emerge among a larger share of the population. To understand the intuition behind this claim, we can start with the case of means-tested benefits. When benefits are targeted to the worse-off, the fiscal costs of immigration are concentrated solely on low-income recipients. Indeed, absent altruistic concerns among middle and higher-income voters, an increase in the preferred tax rate to compensate for an immigration-induced decline in benefit generosity is unlikely.⁷ In other words, immigration-induced fiscal adjustment will occur through benefit adjustment, not tax adjustment, and its cost will be concentrated on benefit recipients. In contrast, when benefits are universal or weakly means-tested, more people are affected. Indeed, the recipient pool is mechanically larger. In addition, voters are more likely to agree to a tax increase to limit the size of the decline in benefit. In other words, when benefits are universal or weakly means-tested, more people are affected as both tax-payers and users.

Implications for Empirical Tests of the Welfare Channel

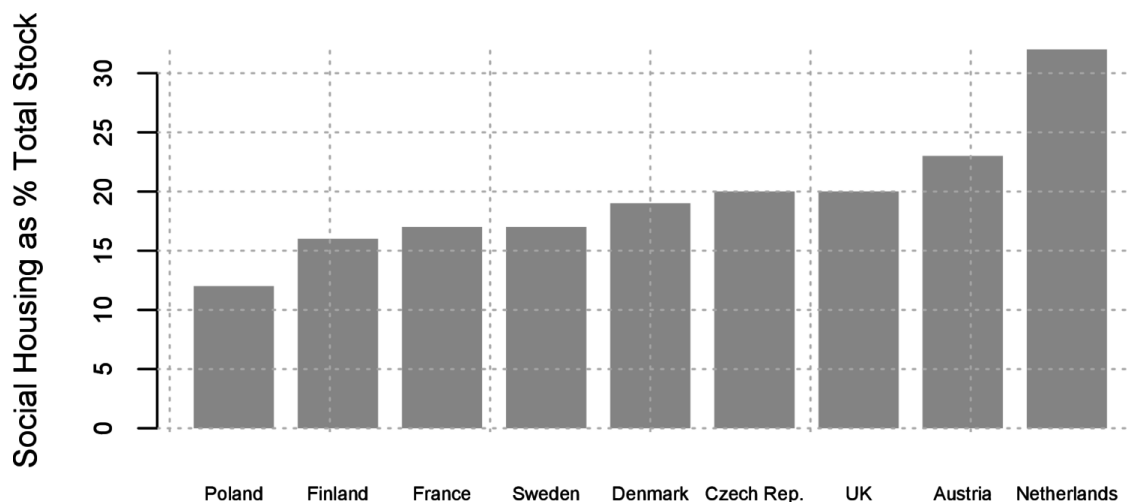
When testing for the existence of distributional conflicts over public spending, existing research tends to focus on aggregate outcome measures to capture the redistributive implications of the welfare state (Hanson, Scheve and Slaughter 2007). However, by not distinguishing between different types of transfers and the extent of benefit targeting, this approach makes it difficult to identify whether public spending does indeed generate a distributional conflict between natives and immigrants and who is likely to be affected. Research

⁷ Assuming a model of politics where income-maximization is the key motive and the median voter is pivotal, then a key parameter for understanding the policy consequences of immigration is the median to mean income ratio. In such framework, immigration decrease the mean income (McCarty, Poole and Rosenthal (2008) call this the *sharing effect*) relative to the median voter's income. In addition, the median voter is richer than the median resident (McCarty, Poole and Rosenthal (2008) call this the *disenfranchisement effect*). Consequently, the probability that the median voter will be a net beneficiary of redistributive spending and support a higher t will decrease as (low-skill) immigration increases (McCarty, Poole and Rosenthal 2008). In other words, immigration-induced fiscal adjustment will occur through benefit adjustment, not tax adjustment. This is especially likely to be the case when the welfare state is residual, i.e. mostly composed of means-tested social programs that exclude the median voter. For an extensive presentation of this line of reasoning see (McCarty, Poole and Rosenthal 2008: chap 4).

strategies need to address differences across programs in the visibility and salience of distributional conflicts. At a minimum, researchers should account for compositional differences in public spending.

Another solution – and the one favored in this paper – is to focus on specific social programs that can be *a priori* identified as most likely cases. In our view, public housing provides an ideal test of the in-kind channel. By nature it is a locally-consumed transfer with a supply that is fixed in the near term. Like many in-kind transfers, it is a minimally redistributive benefit targeted to the middle and lower middle class (e.g. unemployed workers are excluded) and partially funded by beneficiaries through rent increases. Thus, in line with goods subject to congestion, the net value of public housing declines as the pool of potential beneficiaries expands. Finally, public housing is particularly salient within the European context. In 2010, for instance, public housing units accounted for the majority of rental stock in nine European countries (Andrews 2011). Moreover, in contrast to other forms of allocation, the diversification of public housing stock entails a highly visible transfer to immigrant populations (Dancygier 2010).⁸

Figure 1: Total Public Housing Stock, 2008



Dol et al 2008

Yet an empirical investigation of the welfare channel requires more than policy specificity. A clear rejection of the null hypothesis that the welfare channel plays no substantive role in the rise of anti-immigrant sentiment requires a design that approximates the random assignment of voters to contexts with varying

⁸ Dancygier (2010) has documented violent interactions between immigrants and natives over access to high-quality public housing in London. Austrian public housing differs from Great Britain in that the latter is mainly targeted to low-income households. In addition, tax deductions and home ownership programs have facilitated exit, especially for the middle class. In France, public housing is also weakly means-tested, but of significantly poorer quality.

degrees of immigrant-native conflict over a universal in-kind benefit. Cross-sectional data does not allow to identify the effect of distributional concerns on anti-immigrant sentiment. Indeed, socio-demographic heterogeneity is not independent from local fiscal policy because residential decisions are influenced by sorting (Tiebout 1956). To address this concern, we leverage rulings by the EU Commission and the European Court of Justice, which present plausibly exogenous shocks to policies at the local level. Specifically, in order to assess the role of distributional conflict in shaping support for the far-right, we focus on an EU legal decision which required Austrian municipalities to open their public housing stock to immigrants in 2006, shortly before parliamentary elections.

Empirical Background: Public Housing in Austria

As in many European countries, public housing occupies a central role in the Austrian welfare state. As of 2010, 23% of all dwellings were governed by public housing programs. The capital, Vienna, possesses a particularly high concentration of units due to extensive post-war construction efforts spearheaded by the Social Democratic Party (SPOE). Although construction has slowed, as of 2011, 41.8% of the Viennese population resided in public apartments.⁹

Social housing is governed by the Laender (states), subject to federal legislation. Across all states, initial eligibility is weakly means-tested: applicants are subject to (relatively high) income limits and must provide evidence of on-going stable employment.¹⁰ Although initial access is governed by income requirements, individuals are able to continue their lease if their income subsequently increases beyond the eligibility threshold.¹¹ Upon meeting all requirements, applicants gain the legal right to access available public housing stock. In practice, however, the limited stock and slow pace of construction imply that individuals are subject to long waiting lists – often in excess of a year.¹² Upon gaining a lease, applicants can expect to pay approximately 40% less than the market rate.

The Austrian case is characterized by its historic exclusivity: initially, public apartments could only be

⁹ 2011 Austrian Census

¹⁰ In 2016, the annual income limit was set at 44,000 Euros for single individuals, and 66,000 for couples.

¹¹ However, if they wish to switch locations and apartments, they must re-qualify for the means-tested threshold.

¹² Applicants may cite preferences for particular public housing units, but in practice are often assigned the first available units. If individuals decline an offer to begin a lease, they are subsequently removed from the queue

allocated to Austrian citizens.¹³ 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.¹⁴ However, third country nationals (11% of the population in 2001) continued to lack the legal right to access public housing, regardless of length of stay or whether they possessed a permanent residence permit ?.

The barrier between immigrants and social housing was legally breached in 2003, when the European Union implemented Directive 2003/109/EC on the Long Term Residence of Third Country Nationals. Motivated in part by the systematic exclusion of immigrants from welfare benefits, the directive mandated member states to permit individuals with foreign residence permits to access social services and transfers. As a result, the Austrian parliament passed the Equal Treatment Law (Gleichbehandlungsgesetz Austria/BGBI I 66/2004) in 2004, which required Laender to implement access for third country nationals by January 23, 2006. In parallel, and partly to reduce the impact of the reform, the federal government passed a revised Residency Act in 2005 which significantly tightened the requirements for gaining a residence permit.

Following this mandate, each of the federal states implemented the directive between 2005 and 2006. Despite the lag between the federal legislation and the deadline, several states had not revised their social assistance laws by January 2006. In Styria for instance, municipal councils argued that due to the change in the Aliens Act, they would have to delay allocating apartments for a few months until they received clarity on how to document permanent residence status.¹⁵ In Vienna, the Social Democratic-led council implemented the revised guidelines by decree on January 23, but delayed revisions to the social assistance law until after the October 2006 elections.¹⁶ Although the Green party suggested that the delayed codification was an explicit attempt to reduce applications, the implementation of the EU directive nevertheless received substantial attention. The far right FPÖ campaigned on the legal change, which they termed a “Brussels diktat.” According to Heinz-Christian Strache, chairman of the FPÖ and member of the Vienna city council, the reform would imply that an additional 100,000 eligible foreigners in Vienna would have access to the stock of approximately 240,000 public apartments, placing pressure on working class Austrians.¹⁷

¹³ The Austrian government is not a signatory to several human rights treaties, such as the European Convention on Social and Medical Assistance, that were interpreted by domestic courts in other contexts to grant access to third country national

¹⁴ Limited migration from EU states prior to 2004 implied that this directive had a limited practical effect. In 2001, for instance, EU citizens comprised 2.5% of the Austrian population

¹⁵ “EU-Richtlinie wird umgesetzt: Ab heute sind alle Gemeindebauten für Ausländer offen.” News.at. January 23, 2006

¹⁶ Protocol: Wiener Landtag, 18th legislature, 6th meeting of 6 October 2006

¹⁷ Ibid.

Elsewhere, the town council of Graz (10,500 municipal flats) announced that “the opening of public housing must be accompanied by a housing [construction] offensive.”¹⁸

Although existing waiting lists implied that third country nationals did not begin receiving apartments until early 2007, the media coverage nevertheless created a perceived shock to the relative availability of public housing. In part, this was due to the size of the newly eligible population. In Austria, the group who gained eligibility (non-EU foreign residents) comprised 7.7% of the total population – approximately 1/3 of the size of the population in public housing. In Vienna, the share stood at 16.4%.¹⁹ As a social democratic councilor noted to the press, the changes implied that “waiting times, especially for larger apartments, would be longer [and] apartment seekers would be less likely to get their neighborhood preference.”²⁰ In Vienna, existing tenants were assured that their rents would not increase to finance construction costs, a promise that was violated shortly before the October 2006 elections.

Research Design

To assess whether distributional conflict over in-kind benefits drive support for anti-immigrant parties, we adopt a difference-in-differences design. Exploiting variation in public housing stock, we evaluate whether municipalities with high shares of social housing deviated from expected electoral trends. Specifically, we assess whether these areas voted more heavily for populist right-wing parties (FPÖ and BZÖ) in the legislative elections of October 1 2006, which directly followed the mandate to expand the beneficiary pool to include third country nationals.

The difference-in-differences design implies that the results will not be biased by any 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 reform, when compared municipalities with lower public housing stock. We view this assumption as plausible for two reasons. First, the era of extensive public housing construction in Austria (1920-1960) significantly predates contemporary political dynamics. Second, housing in Aus-

¹⁸ “Wien: Gemeindebau offen für Ausländer” Die Press. Nov 11, 2005

¹⁹ 2006 Census Projection Estimates.

²⁰ Ibid.

tria is widespread: although urban areas have a higher concentration of housing than rural areas, as of the 2001 Housing Census, 90.5% of Austrian municipalities had social housing units (2001 Buildings Census). Nevertheless, in the Appendix we relax this assumption by restricting the analysis to include only Austrian municipalities with sufficient public housing stock, with similar results.

Given that our dependent variable (change in vote share between the 2002 and 2006 elections) is aggregated at the municipal level, our design simultaneously captures direct and indirect effects of the reform. That is, it encapsulates the votes of those individuals residing in public housing, as well as the votes of those on the waiting list and those ineligible for the in-kind benefit. At this level of aggregation, the data does not allow us to conclude with confidence that those voters directly affected by the change increased their support for anti-immigrant parties. As a result, we conduct a subsequent micro-level analysis of polling stations in Vienna. In the Austrian capital, neighborhood-level shares of public housing residents range from 0 to 96% of eligible voters. This variation enables us to isolate the electoral behavior of voters with existing access to the public benefit.

Congestion and Support for Anti-Immigrant Parties

To assess whether the EU legal directive reshaped the political landscape, we draw on electoral results from the 1999, 2002, and 2006 legislative elections, as well as data extracts from the 2001 Austrian Population Census and the 2001 Housing and Building Census. From the census data, we obtained the percentage of inhabitants in each municipality ($n=2383$) without Austrian citizenship (% Foreign) as well as the percentage of residents of voting age living in public apartments (% Public).²¹

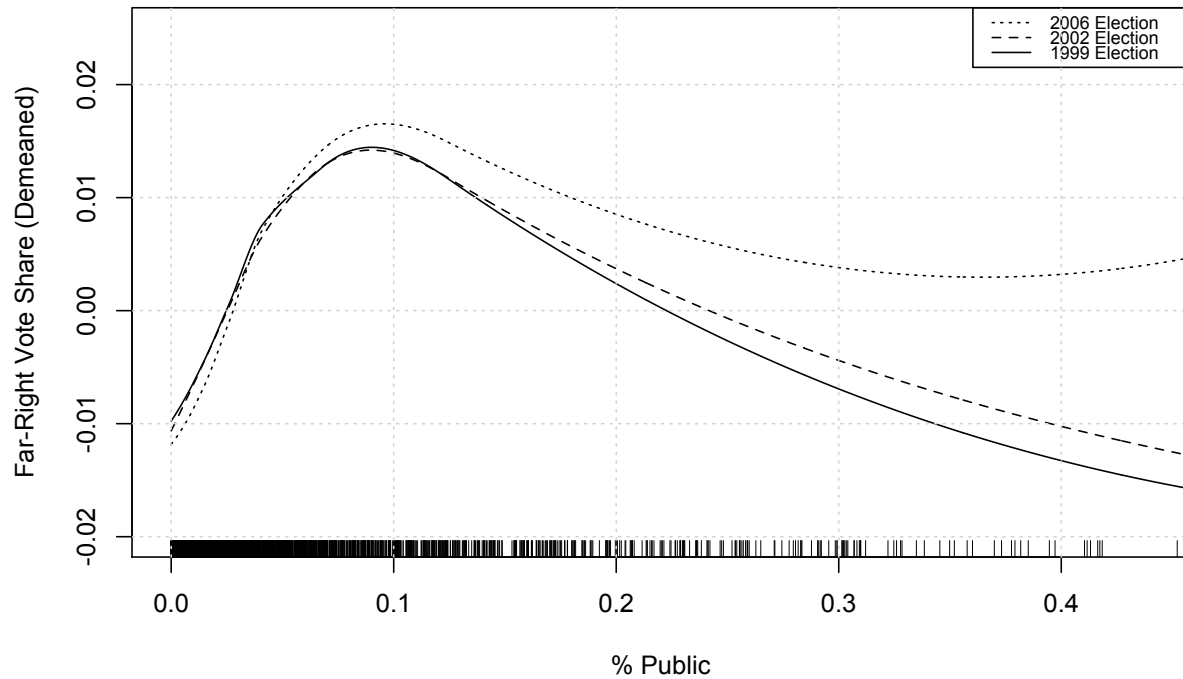
Figure 2 plots the demeaned vote share for far-right parties in each election, as a function of the proportion of residents in public housing within each municipality.²² Given that the median vacancy rate for Austrian public housing units is under 2%, these cities could expect to observe a mismatch between demands from beneficiaries and benefit supply.²³ The results indicate that the 2006 election was exceptional: while in 1999

²¹ Reliable population estimates were unavailable for 2006. Given limited construction in the period, we anticipate that the share of individuals living in public housing was relatively unchanged. We assume that changes in the share of foreign born across municipalities remain tightly correlated with relative levels in 2001.

²² We demean to provide clear comparisons regarding the distribution of votes across municipalities in each election. The dependent variable consists of votes for the FPÖ and the BZÖ. The BZÖ is a splinter party of the FPÖ: within our sample they only competed in the 2006 elections

²³ Vacancy data from 2001, applies to cities above 1000 population

Figure 2: Support for the Far-Right, Before and After the EU Legal Directive (By Public Housing)

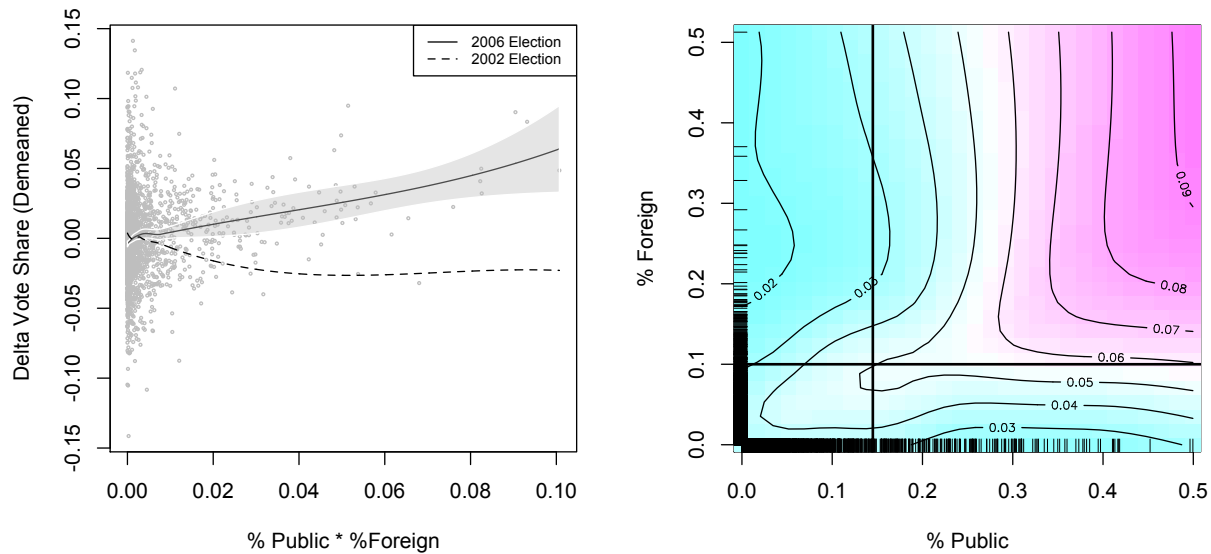


and 2002 municipalities with high shares of public housing tended to vote for the far-right at rates below the national average, in 2006, these municipalities deviated from this trend and voted in increased numbers for anti-immigrant parties.

We next assess whether the increased tendency to vote for the far-right was moderated by the presence of newly eligible foreign residents. According to our theoretical framework, we would expect voters in municipalities with high shares of public housing and foreign residents to face credible distributional conflict. In the left-hand panel of Figure 3, we plot the relationship between the change in radical right vote share (2006-2002) and a linear combination of public housing and foreign residents. In the right-hand panel, we relax the linearity assumption and use a non-parametric GAM approach to plot the interaction effect. Across both approaches, the interaction is significant: those municipalities characterized by potential resource competition were most likely to exhibit elevated support for the far-right. In substantive terms, a shift from the 20th to the 80th percentile on each measure was associated with a 5 percentage point increase in support for anti-immigrant parties.

Although this interaction suggests that the potential for distributional conflict was associated with a sharp

Figure 3: Effect of Public Housing and Foreign Settlement on Vote Share, Austrian Municipalities



Left: Local linear fit of the linear interaction between public housing and immigrant settlement, plotted against the change in support for anti-immigrant parties. *Right:* GAM interaction between public housing and immigrant settlement; contours represent expected change in support for anti-immigrant parties. Intersecting black lines represent the 80th percentile for each variable.

increase in the probability of voting for the far-right, it is necessary to rule out several alternate explanations for these findings.

First, it is possible that the increased support is driven by compositional factors unrelated to municipal public housing stock. For instance, if public housing density is closely correlated with local income levels, and low income voters were particularly likely to vote for anti-immigrant parties in 2006 (but not in prior years), the observed deviation from trends could be unrelated to the EU legal ruling. Yet given that public housing stock is widely available across the income distribution, the correlation with local socioeconomic characteristics is in fact quite weak.²⁴ As a result, controlling for sociodemographics at the local level does not influence the statistical or substantive significance of the interaction effect (see Table S1, Appendix). Similarly, examining census data, we find no evidence that, prior to 2006, immigrants differentially sorted across municipalities on the basis of public housing stock or far-right vote share.

Second, given that support for the far-right was low in the 2002 legislative elections, it is possible that increased support for far-right parties in 2006 represents a reversion to the mean. However, the available

²⁴ Correlation coefficients are 0.25 for income, 0.22 for employment, 0.21 for tertiary education.

evidence is inconsistent with this form of political cycle. As shown previously in Figure 2, historically-speaking, support for the far-right across Austrian municipalities was *inversely* related to public housing density. In 2006, the increased support among such municipalities thus represents a sharp break from prior trends.²⁵

Similarly, as shown in Table 1, placebo tests suggest that no interaction effect can be detected for electoral contests conducted prior to the implementation of the EU directive in 2006.

Table 1: Change in Support for Far-Right Parties, Austrian Municipalities

	Δ 2006-2002	Δ 2002-1999	Δ 1999-1995
% Public * % Foreign	0.346* (0.135)	-0.144 (0.199)	0.125 (0.170)
% Public	-0.004 (0.014)	0.038 (0.020)	0.074* (0.017)
% Foreign	-0.092* (0.017)	-0.070* (0.025)	-0.231* (0.021)
ln(Population)	0.008* (0.001)	-0.005* (0.001)	0.005* (0.001)
Constant	-0.019* (0.005)	-0.127* (0.008)	0.019* (0.007)

Note: *p<0.05

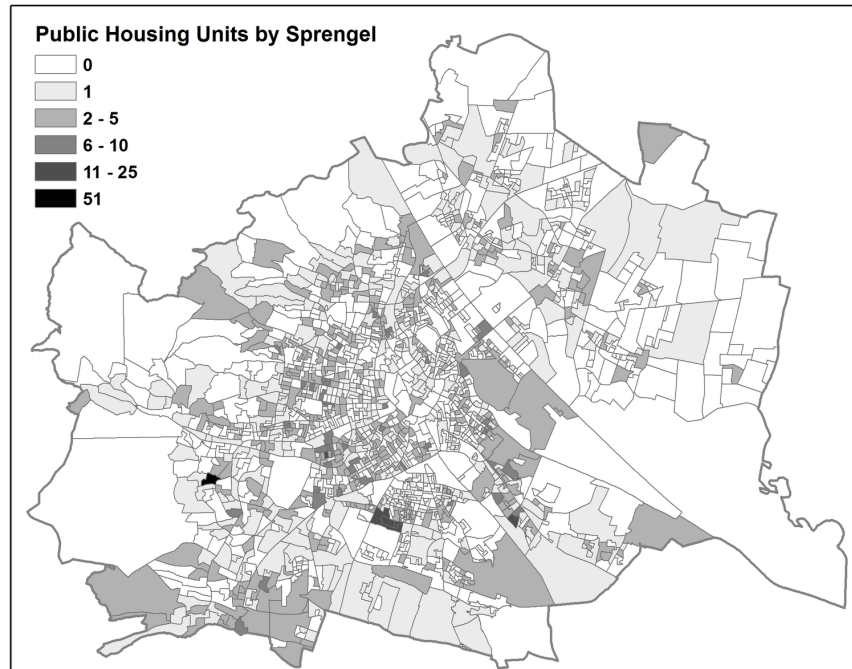
Vienna: Polling Station Data

Although the pattern of increased support for anti-immigrant parties following the legal reform is consistent with the theoretical perspective advanced in this paper, our analysis of aggregate municipal outcomes does not allow us to determine with confidence that the increased support for the far-right following the reform is driven by voters reliant on public housing. As a result, our aggregate findings are potentially subject to ecological inference bias. In order to address this concern, we draw on micro-level data from Vienna. The

²⁵ One alternative explanation that could not be fully ruled out by the difference-in-differences design is elite activation: namely, the argument that the FPOE and BZOE substantially changed their electoral platform to appeal to voters in these municipalities. However, we find no evidence of such a change: indeed, the FPOE had incorporated welfare chauvinism in their platform since the mid 1990s. Given that these appeals were differentially effective among a subset of voters in 2006, we view it as reasonable to assume that the difference lies in receptivity rather than message.

capital has the highest share of public housing stock in the country, at 42.8%, as well as a significant share of foreign citizens. Given that public housing units are asymmetrically dispersed across neighborhoods, the case provides us with the analytical leverage to isolate the effects of expanded eligibility criteria among particular subsets of voters.

Figure 4: Geocoded Public Housing Units, Vienna



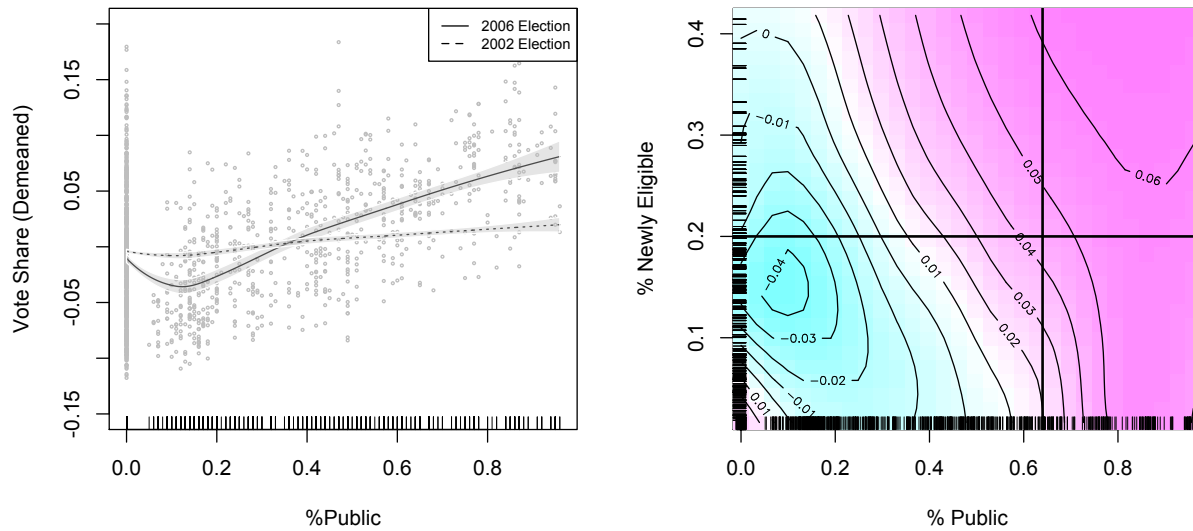
To maximize granularity, we obtained geodata on the location of all public housing apartments in Vienna ($n = 209,375$ apartments, 4,610 buildings), and matched each building to the appropriate polling station ($n=1,931$). Figure 4, above, maps the distribution of public housing by electoral ward. Given that multiple voters can reside in an apartment, we linked these boundaries to census-tract data on the number of adults (18 and over) living within public housing units. This approach allows us to credibly identify the percentage of voters in each electoral ward who reside in public housing (*% Public*): the share of such voters ranges from 0-96% across polling stations.²⁶

As demonstrated by the left-hand panel of Figure 5, Viennese voters residing in public housing units substantially increased their support for anti-immigrant parties in the 2006 elections. In the 2002 parliamentary elections, public housing was a poor predictor for vote choice: wards in which the majority residents resided

²⁶ See Appendix for details and alternate measures of public housing density.

in public housing were not significantly more likely to support far-right parties than those with no public housing units. However, following the legal reform, voters in public housing units shifted their votes to the FPÖ and BZÖ. As seen in Appendix Table S3, this tendency is robust to the inclusion of local covariates; furthermore, no such surge in support can be detected for the 2005 municipal elections, which preceded the legal change by a mere four months.

Figure 5: Effect of Public Housing on Vote Share: Vienna Polling Stations



Left: Local linear fit of share of voters in a ward residing in public housing, plotted against the change in support for anti-immigrant parties. *Right:* GAM interaction between public housing and newly eligible groups; contours represent expected change in support for anti-immigrant parties. Intersecting black lines represent the 80th percentile for each independent variable.

We next assess the possibility of an interaction between public housing and local diversity. Given that wards with a high volume of public housing units, by definition, did not include many foreign residents prior to the EU directive, we measure local diversity at the census-tract level ($n=241$).²⁷ Specifically, we measure the local percentage of non-EU permanent residents, who became eligible for public housing (subject to income limits) following the 2006 legal reform. The right-hand panel of Figure 5 uses a non-parametric GAM model to evaluate the interaction between this measure and public housing density. The results suggest that the majority of increased support for the far-right in 2006 can be explained by public housing density. However, these effects are heightened in census tracts where the remainder of residents do

²⁷ Perceptions of local diversity are likely to be formed at a higher level of aggregation than the ward. Depending on commuting patterns, it is plausible that individuals' perceptions of diversity may also be driven by city-wide demographics.

not hold Austrian citizenship. Moving from the 20th to the 80th percentile on each measure is associated with a 4.2 percentage point increase in support for anti-immigrant parties in the 2006 elections.

These results provide clear evidence that the EU-induced expansion in immigrant eligibility was associated with increased support for far-right parties. Moreover, consistent with the welfare channel argument, this tendency is strongest among those voters who formerly enjoyed exclusive access to the benefit and were thus susceptible to congestion. In the section that follows, we draw on additional data on Vienna's housing stock to investigate the causal mechanism.

Mechanism

The analysis of electoral outcomes in Austrian municipalities and Viennese wards indicate that voters residing in public housing increased their support for far-right parties following the implementation of the EU court directive. This size of this increase reflects local conditions: the higher the share of non-citizens — and thus the higher the shock to competition for access to public housing — the higher the share of votes for the far-right. Before drawing upon additional evidence to support this argument, we focus on two alternative explanations that could explain the change in local voting behavior.

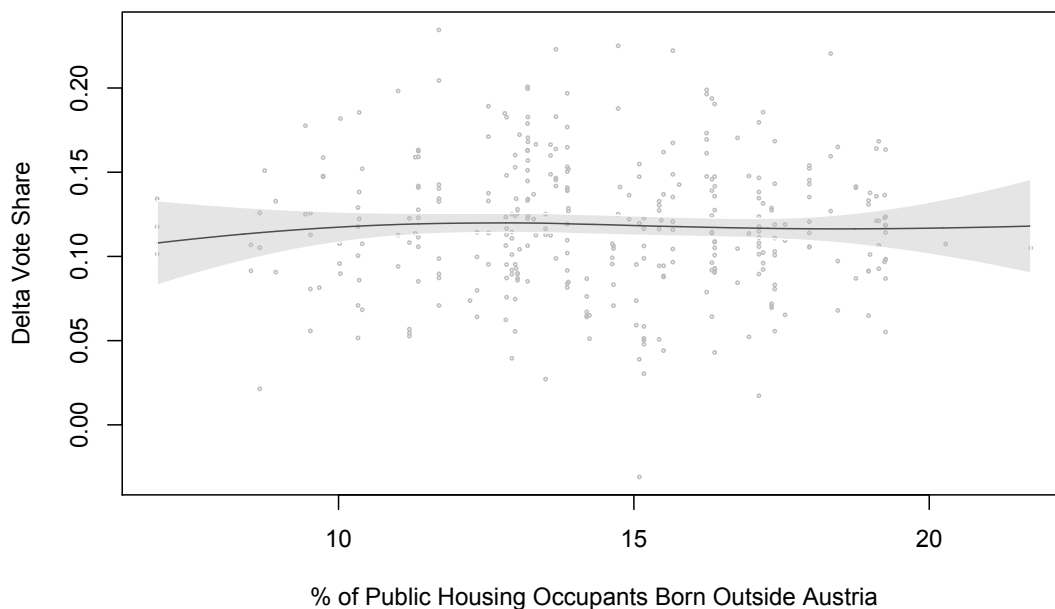
The first explanation concerns the possibility that individuals might derive utility from neighbors who share their language, values and customs, a preference that Card, Dustmann and Preston (2012) term “compositional amenities.” In other words, our results might be an artifact of the type of social benefit examined, namely one that is geographically bounded and necessitates direct interaction with other benefit recipients. Thus, the apparent zero-sum thinking in the face of a distributional conflict might simply be the expression of a parochial preference for homogeneity. While parochialism, as a causal explanation, is insufficient to account for the timing of the far-right, it may have been reactivated when residents of public housing faced the prospect of foreigners moving down the hall.

If parochialism is viewed as a latent preference that must be activated, this alternative explanation is not necessarily incompatible with the resource competition hypothesis. Indeed, increased competition not only implies reduced access to benefits, but may also reduce the chance of observing similar ‘winners.’ Nevertheless, we test this argument by examining how responses to the EU legal directive varied by the existing diversity present in housing blocs. Although prior to January 2006, third country nationals were

excluded from public housing, naturalized foreign-born citizens and EU long-term residents were able to access public apartments.²⁸ If support for the far-right is being driven by voters in public housing who value ‘compositional amenities’, we would expect voters in homogeneous housing units to respond more sharply to the legal change in an effort to preserve the status quo.

The data from Vienna suggests that this pattern does not hold. Figure 6 plots the change in support for far-right parties as a function of the existing diversity of each public housing unit, restricting the analysis to electoral wards where the majority of residents live in public housing.²⁹ No relationship is apparent: that is, individuals in relatively homogeneous housing blocks were just as likely to cast votes for the far-right as individuals living in diverse housing units. Unless the threshold necessary to activate a threat of local diversity is quite high, these results are inconsistent with a mechanism based on simple parochial tendencies.

Figure 6: Existing Housing Diversity and Support for the Far-Right



A second alternative explanation involves a variant of the group threat hypothesis, namely what Michael Dawson terms “linked-fate” Dawson (1995) In this view, support for anti-immigrant parties may emerge

²⁸ 83% of foreign-born citizens in public housing were naturalized Austrians born outside the EU, primarily from Turkey, Egypt, and former Yugoslavia

²⁹ Identifying the specific behavior of voters in public housing, as opposed to the effect of a legal shock on ward-level results, is subject to the ecological inference problem. Accordingly, we restrict the sample to areas with 50% or more of residents in public housing to reduce bias. Similar results are obtained with a 25% threshold and a 75% threshold

from a combination of sociotropic group-level reasoning (ie. if group A wins then group B loses) and voters viewing their own prospects as closely tied to the success of a larger group. From this perspective, the loss of housing exclusivity may have threatened the perceived position of native Austrians relative to immigrants, invoking a broad threat response.

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

In this analysis, we have examined the effects of the reform on voters who already have access to the scarce benefit – in this case a public housing lease. These individuals are net-beneficiaries of the social program and are assumed to be directly affected by the implementation of the EU directive. However, one might argue that public housing is unlike any other social transfer: once an individual gains access to a subsidized unit, she should no longer feel exposed to resource competition as her access to the scarce good is now secured. Instead, one should expect the greatest reaction among those voters who stand to benefit from accessing public housing and are currently on the waiting list. Although we do expect the response to be prominent among this group (they are also net-beneficiaries), the lack of individual-level data on enrollment in waiting lists precludes direct analysis. However, we are able to show that those already living in public housing were in fact directly affected by the EU legal directive via two distinct channels.

First, the legal directive affected the relative generosity of the benefit. Prior to 2006, average wait times in Vienna already exceeded one year. Following the 2006 reform, which granted approximately 100,000 Viennese foreign residents with access to public housing, the city council announced a building offensive. In the 2016 fiscal year, the government allocated an additional 535 million Euros to housing construction and renovation, funding a total of 10,200 new apartments in the city.³⁰ Although a portion of this renewed construction was funded via taxes, the public housing system was designed to raise the majority of construction and renovation costs from existing rents. Thus, while the Councilor for Public Housing, Walter Faymann,

³⁰ “Faymann: Erfolgsbilanz des Wiener Wohnbaus 2006.” Rathauskorrespondenz, Vienna, December 12, 2006.

assured citizens in May that existing rents would not be increased to finance the construction boom³¹, this promise was abandoned later in the year with the announcement that rents would be raised just prior to the legislative election. Depending on the location, increases ranged from an additional 5.0% to 5.7% per square meter. Given that the public housing program operates as a limited subsidy, this policy change may be viewed as an effective benefit decrease following immigrant-induced scarcity.

Second, the EU legal directive substantially reduced mobility among existing leaseholders. Given that applicants have an obligation to accept one of the first two apartments offered to them, many leaseholders are initially placed in undesirable neighborhoods within the city. As a result, turnover was traditionally high: in 2005 for example, 26,000 public apartments received new tenants. However, when seeking a new apartment, existing leaseholders are subject to the same requirements as new applicants: their income must not exceed mandated limits and they are subject to the waitlist. Following the large increase in the beneficiary pool, each of these conditions were threatened. Pending new construction, waiting lists in Vienna gradually ballooned to three years by early 2007.³² Facing increasingly lengthy waiting lists, middle-class leaseholders may have assigned a reasonable probability to the possibility that the existing income threshold would be decreased to reduce burden on the public housing system.

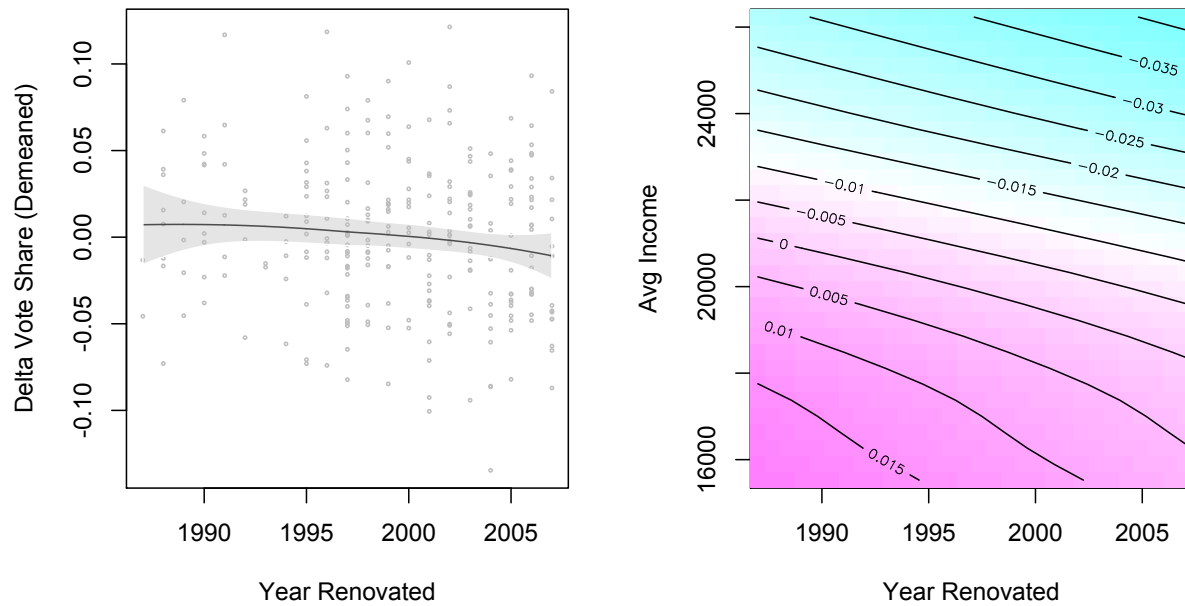
If support for the far-right is driven by a perceived benefit reduction, we should observe stronger reactions among leaseholders assigned to less desirable public housing units, given that the legal reform curtailed their subsequent mobility. Figure 7 evaluates this hypothesis by drawing on data on local neighborhood wealth and the renovation data of each public housing complex. The left-hand panel suggests a mild relationship between renovation dates and support for the far-right: individuals in newer, more desirable, units were less likely to shift their votes following the reform. This effect is strengthened when adding the interactive effect of neighborhood wealth (right-hand panel). Indeed, the non-parametric GAM model suggests that voters in less desirable units were most likely to cast votes for the far-right. Neither of the two alternative arguments mentioned above can account for this empirical pattern, providing additional evidence in favor of the materialist argument.

In sum, micro-level data from Vienna indicates that existing beneficiaries reacted to distributional conflict

³¹ "Migration: Gemeindebau: Ein Drittel Neo-Österreicher." *Die Presse*, May 17 2006

³² "Stadt muss günstige Wohnungen schaffen," *BBC News*, Region Graz, August 2, 2007

Figure 7: Public Housing Quality and Support for the Far-Right



by casting their votes in favor of parties championing excluding immigrants from benefits – the FPOE and BZOE. Given that this response entails voting along group-based lines, it is important to note that our argument does not claim that parochialism or xenophobia is entirely absent from this reaction. Rather, our results demonstrate a pathway that explains when parochialism will translate into a politically consequential behavior. One key contribution of this paper is thus to show that anti-immigrant policy preferences – such as welfare chauvinism – may be activated by perceived material threats.

Discussion

To address contradictory findings on the relationship between immigration, the welfare state and anti-immigrant sentiment, this paper has proposed a “disaggregated analysis” (Moene and Wallerstein 2001) of the welfare channel that accounts for cross-program differences in perceptions of distributional conflicts. Information acquisition regarding the material trade-offs between immigrants and natives is less costly when transfers are in-kind than when they are in-cash (Mettler 2011). This is especially likely if redistributive transfers are designed to include the middle class in addition to helping low-income individuals. Indeed, when transfers are in-kind, the material consequences of congestion are less likely to be mediated

by opaque and complex adjustments in the government’s budget. When transfers are not explicitly targeted to the worse off, a larger sharer of the population will be affected both as tax payers and as beneficiaries.

Having laid out important scope conditions for understanding the conditions under which immigration is more likely to generate substantive distributional conflict, we identify a most likely case in the example of public housing in Austria. Changes in the conditions of access to public housing induced by EU-level politics provide us with an opportunity to identify the local relationship between immigrant-native distributional conflicts and votes for anti-immigrant parties. To the best of our knowledge, this is the first study to provide a critical test of the welfare channel, combining the benefits of exogenous variation with process-tracing of a “most-likely case.”

Leveraging variation between municipalities and polling stations in Austria, we demonstrate that voters living in public housing were more likely to deviate from secular election trends and support the far right following the expansion of public housing to include immigrants. Moreover, we demonstrate that the increase is proportional to the size of the eligible foreign population. Additional robustness checks indicate that these results are not driven by compositional effects or the political cycle. Overall, our results strongly support the claim that concerns over immigrants’ access to public housing increased support for the far-right. The effect of this distributional conflict is substantive: support for the far-right rose by five percentage points within municipalities with substantial exposure to the EU legal decision.

The voting behavior we document appears to be rooted in economic concerns. Rent increases were a credible threat that materialized less than a year after the enforcement of the European directive. Competition over high-quality public housing also seems to matter. Still, we cannot fully rule out that prejudice driven by a preference for a culturally “homogeneous” lifestyle played no role. The cumulative effects of self-regarding material and other-regarding compositional concerns is a defining feature of in-kind benefits. Beneficiaries of in-kind transfer are compelled to confront the tension between paying lip-service to diversity and having to pay a personal price for racial and ethnic integration. This price includes both a material and non-material component. The non-material component is shaped by stereotypes, rooted in in-group bias, about immigrants and the externalities they impose on others. This combination points to the welfare

channel has one way for vote for the far right to expand beyond a low-educated "authoritarian" core.³³

We expect our findings to extend to social transfers beyond public housing. Indeed, public housing is not unique as a social transfer with supply fixed in the short-term, the consumption of which is based on residence and that benefits groups beyond the worse-off. Another most-likely candidate is public healthcare, such as the National Health Service in Great Britain. The NHS is accessible to anyone on the British territory and, by law, its consumption is geographically constrained. In a recent analysis, Becker et al. (2016) show that recent waves of Polish migration settled in rural and peri-urban areas, where public services have been chronically under provided. Consistent with the argument outlined in this paper, they demonstrate that lower-quality NHS service provision is associated with support for Brexit.

Our framework also highlights conditions under which the welfare channel is insufficient to play a role in an anti-immigrant populist backlash. It is not enough for a good to be locally-consumed as an in-kind transfer: the amount of targeting also matters. Countries where benefits are targeted to the working poor are unlikely to generate conflicts which will affect national politics. In this paper, we have only considered cases with some amount of redistribution, i.e. cases where low-income recipients are always among the beneficiaries of the transfer. In practice, many public transfers can be provided in a regressive way such that low-income individuals are *less* likely to access the benefit. In the case of in-kind benefits, this can be achieved through a combination of a decentralized funding and provision structure on the one hand, and residential sorting on the other. An illustrative case is public education in the United States. Assuming immigrants are low-income and have only limited residential mobility, the distributional effects of immigration will be hyper-concentrated among politically marginalized populations and remain low salience at the national level.

Our findings have implications beyond the literature on the welfare channel. First, our case study of public housing in Austria challenges the view that one can easily separate self-interested prejudice from prejudice driven by outgroup bias. Indeed, the fact that welfare chauvinism is relatively more developed among low-educated voters can be explained as much by this group's "authoritarian" and ethnocentric orientations, as it can be explained by its higher reliance on social transfers. Absent the former, a framing presenting

³³ Indeed, attitudinal data supports the claim that 'this time might be different:' while the first wave of expansion of the far-right (in the early 1990s) coincided with an increase in anti-immigrant sentiment ?, there is no evidence of such an increase in the most recent period (Hatton 2016).

immigrants as responsible for resource scarcity would most likely not have as much leverage. Absent the latter, the political consequences of the former are likely to be subdued.³⁴ The welfare channel also points to a new interpretation of the nature of “sociotropic thinking”, namely opposition to immigration rooted in concerns over immigrants’ impact on the country as a whole. Indeed, many sociotropic concerns might be better described as group-level reasoning concerning others’ net-contribution to pooled resources (Ostrom and Walker 2003; Ostrom 1998; Fehr and Schmidt 2006). These dynamics are particularly relevant in Europe, where the majority of the population expects to rely on social transfers at some point in the life-cycle (Pierson 1996). In other words, sociotropic thinking could be an artifact of the sheer scope of “cradle-to-grave” universal welfare states. What we deem as concern for society in this context may in fact be driven by Dawson’s concept of linked-fate: voters perceive their own economic well-being to be ultimately tied to the economic well-being of the welfare state. Recent evidence by Gerber et al. (2017) supports this claim. Overall, our findings indicate that material concerns still deserve to be front and center of future research on anti-immigrant sentiments. Interpreting anti-immigrant sentiment as evidence of prejudice and cultural stereotyping potentially disregards underlying grievances about continued access to social transfers in a context where fiscal adjustment has become a credible threat.

³⁴ Alba (2009) provides a thought provoking account of how prejudice can decline in times where distributional conflicts are limited. In line with our argument he focuses on an in-kind good, namely higher education. He describes America in the mid-20th century as a time when many ethnic and religious outsiders, among them Jews and Italians, finally gained full acceptance as members of the mainstream. Alba argues that the large-scale assimilation of white ethnics was a result of “non-zero-sum mobility,” which he defines as “the social ascent of members of disadvantaged groups that can take place without affecting the life chances of those who are already members of the established majority.” The 50s and 60s were a unique time period due to the expansion of state flag-ship universities that eased competition.

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Supplementary Materials

Table S1: Change in Support for the Far-Right: 2002-2006 (Municipalities)

	(1)	(2)	(3)	(4)
% Public * % Foreign	0.346 (0.135)	0.356 (0.171)	0.355 (0.171)	0.393 (0.172)
% Public	-0.004 (0.014)	-0.026 (0.015)	-0.025 (0.015)	-0.013 (0.015)
% Foreign	-0.092 (0.017)	-0.072 (0.018)	-0.072 (0.018)	-0.094 (0.018)
ln(Population)	0.008 (0.001)	0.007 (0.001)	0.007 (0.001)	0.008 (0.001)
% Tertiary Education		-0.014 (0.026)	-0.020 (0.029)	-0.023 (0.035)
% Unemployed		0.028 (0.040)	0.025 (0.040)	0.001 (0.041)
% Manufacturing			-0.003 (0.007)	-0.003 (0.007)
P25 Income		0.004 (0.001)	0.004 (0.001)	
Average Income				0.008 (0.001)
Constant	-0.019 (0.005)	-0.046 (0.007)	-0.044 (0.007)	-0.027 (0.007)

Standard errors in parentheses

Table S2: Change in Support for the Far-Right, 2002-2006
Municipalities with at least 5% Public Housing Stock

	(1)	(2)	(3)	(4)
% Public * % Foreign	0.794 (0.214)	0.767 (0.287)	0.750 (0.288)	0.789 (0.290)
% Public	-0.038 (0.022)	-0.065 (0.026)	-0.062 (0.026)	-0.053 (0.026)
% Foreign	-0.162 (0.042)	-0.127 (0.049)	-0.124 (0.049)	-0.140 (0.050)
ln(Population)	0.006 (0.001)	0.006 (0.001)	0.006 (0.001)	0.006 (0.001)
% Tertiary Education		-0.056 (0.044)	-0.088 (0.053)	-0.094 (0.062)
% Unemployed		0.051 (0.086)	0.036 (0.087)	0.012 (0.088)
% Manufacturing			-0.016 (0.014)	-0.014 (0.014)
P25 Income		0.000 (0.000)	0.000 (0.000)	
Average Income				0.000 (0.000)
Constant	0.006 (0.009)	-0.024 (0.012)	-0.019 (0.013)	-0.001 (0.013)

Standard errors in parentheses

Table S3: Change in Support for the Far-Right: Vienna Polling Stations

	Δ 2006	Δ 2006	Δ 2005 Municipal	Δ 2005 Municipal	Δ 2002	Δ 2002
% Public	0.048 (0.008)	0.033 (0.007)	0.011 (0.007)	0.003 (0.007)	-0.034 (0.008)	-0.023 (0.007)
% Newly Eligible	-0.154 (0.045)	-0.272 (0.040)	-0.129 (0.030)	-0.205 (0.028)	0.024 (0.036)	0.113 (0.035)
ln(Voters)		0.004 (0.008)		-0.004 (0.009)		-0.007 (0.009)
% Economically Active		0.049 (0.037)		0.063 (0.036)		-0.073 (0.033)
Average Income		-0.010 (0.001)		-0.006 (0.001)		0.007 (0.001)
Constant	0.099 (0.008)	0.251 (0.059)	-0.021 (0.006)	0.097 (0.056)	-0.171 (0.007)	-0.242 (0.060)

Standard errors in parentheses, clustered at the census-tract level.

Measuring Public Housing Density in Vienna

We used geodata from the Vienna city government to pinpoint the location of each public apartment building within electoral wards. Given that a) many individuals can reside within a single apartment, and b) not all residents are of voting age, we drew on additional data on the proportion of residents residing in public housing, aged 18 and over, at the census-tract level (2001 Austrian Housing Census). Electoral wards are nested within census tracts (n=241). For simplicity, we assumed that each ward's population composition mirrored that of the census-tract, except in cases where no public apartments were located within the ward. In these instances, the percentage of residents in public housing was rescaled to 0. Electoral wards that intersected multiple census tracts were dropped from the analysis.

As an alternate measure, we constructed a variable which measures the number of public apartments per registered voter, in each ward. Although this measure provides a more accurate indicator of the precise number of apartments within each ward, due to family composition, it is less accurate than the prior indicator at assessing the share of *voters* residing in public housing.

Table S4 and Figure S1 demonstrate that similar patterns are visible when using the flats per voter indicator.

Table S4: Change in Support for the Far-Right: Vienna Polling Stations

	Δ 2006 Parliamentary	Δ 2005 Municipal	Δ 2002 Parliamentary
Flats per Voter	0.053 (0.005)	0.022 (0.005)	-0.028 (0.004)
% Newly Eligible	-0.208 (0.028)	-0.148 (0.021)	0.093 (0.021)
ln(Voters)	0.003 (0.005)	-0.001 (0.005)	-0.004 (0.005)
% Economically Active	0.067 (0.028)	0.077 (0.021)	-0.094 (0.021)
Average Income	-0.007 (0.001)	-0.005 (0.000)	0.006 (0.000)
Constant	0.183 (0.040)	0.027 (0.032)	-0.221 (0.037)

Standard errors in parentheses, clustered at the census-tract level

Figure S1: Effect of Public Housing on Vote Share: Vienna

