Intergenerational Mobility and The Rise of Populism

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1 Introduction

In the general elections of March 2018 Italian citizens expressed their support for the two main anti-establishment parties, the former Northern League (NL)[1] and the Five Star Movement (5SM), leading to the formation of a populist government. Despite this alliance, the political proposals of the two parties differ on several grounds raising uncertainty about the Italian position on the European and international scene[2].

The Northern League represents the traditional anti-élite and xenophobic right-wing populism. This party was founded with the purpose of obtaining the secession of Northern Italy from the rest of the country and obtained its first electoral success at national level in the general elections of 1992. Its rise took place in concomitance with the distrust of Italians towards the traditional politics involved in the national corruption scandal of "Tangentopoli". In this context, the NL stood out as the paladin of the fight against the corrupted Italian and European bureaucracy and the excessive public spending of Southern Italy. Therefore, this party demands political legitimacy, favoring the abandonment of the European Union and promising lower taxation, a more conservative welfare state and anti-immigration policies.

The latter, the Five Star Movement, founded by the comedian Beppe Grillo, is a different kind of populism which gained the first electoral success in 2013 and whose categorization as left-wing or right-wing party is still difficult (Rodrik [2018]). It appeals to the virtuous part of the population, the "common citizens", who should be protected against the "evils", meaning the political and economic elite as well as the European institutions. With its slogan "each person is worth one", it demands some forms of direct democracy and support for the poorest classes, gaining great consent among the share of dissatisfied traditional left-wing citizens. However, the non-charismatic leadership of the party and the different views among its party members on several issues, such as immigration, have determined its departure from the extremist anti-europeanism of its founder.

Despite the structural differences of these two parties, this coalition comes as no surprise for a country considered the "candle of populism in Europe" (Jones et al. [2016]). Indeed, the historic roots of Italian populism are dated back to the late 60s with the first anti-establishment non-parliamentary movements organized by students and workers. Afterwards, in the 90s, this populist feature of

[1] This party has been renamed "League" in 2018 (source: http://www.ilgiornale.it/news/politica/salvini-cambia-pelle-lega-nord-e-padania-1487821.html) , but since our analysis starts in 1987, we call it with its original name.

[2] The majority of the information in this section comes from Chiapponi [2016] and Bulli [2016]

Italian politics became permanent with the advent of parties, such as Berlusconi's party (Forward Italy (Forza Italia)), characterized by a strong leadership and a populist platform.

In light of the historical background and the recent events of Italian politics, this paper aims at identifying the main drivers of the support for these extremist parties. While a branch of the literature has proved that the employment status and the strength of the recent economic events have determined the rise of populism in the US and Europe (e.g. Autor et al. [2016a], Colantone and Stanig [2018a] and Algan et al. [2017]), another line of the literature has investigated the impact of intergenerational mobility and of its perception on the voting behavior (e.g Alesina et al. [2018], Lee et al. [2018]). In this context, we further explore the relation between the perception of intergenerational mobility and the support for extremist parties in Italy and in Europe. In particular, from the Italian survey of SWG (conducted in 2018) and the European data of International Survey Programme (conducted between 1987 and 2009) we take as proxy of the perception of intergenerational mobility the respondent's belief of his occupational position with respect to his father. We compare this perception with the actual level of intergenerational mobility, constructed on the basis of the European Socio-Economic Classification (ESeC) and with the data of the European Social Survey (period 2002-2016). Afterwards, focusing our attention on the Italian case, we firstly analyze the impact of both indexes (perceived and actual level of intergenerational mobility) on the vote in favor of the two Italian populist parties. In order to eliminate the endogeneity characterizing the perception of intergenerational mobility, we instrument it with the cumulative sum of the two-years Chinese import growth between 1992 and 2006, gathered from the dataset of Colantone and Stanig [2018a]. Indeed, these shocks, through their long-lasting effects on the labor market (Autor et al. [2016b]), could have a negative impact on the perceived intergenerational mobility.
Overall, from this analysis we conclude that there is a great variation of the level of perceived and actual intergenerational mobility across Italian regions and European countries. In particular, it seems that in the past Italian citizens were less pessimistic than in 2018. When we analyze the impact of the perceived mobility as well as the actual socio-economic intergenerational mobility on the vote in favor of the populist parties, we find that a lower perception of economic (social) intergenerational mobility favors a greater support for the NL, while no statistically significant effect is found when we consider the 5SM as well as the actual level of intergenerational mobility.

The instrumental variable partially confirms the previous results suggesting that the Chinese import growth is a strong instrument for the perception of intergenerational mobility and this last one induces Italian citizens to cast their vote in favor of the most protectionist and anti-european party.

The paper is structured in the following way. Section 2 provides a review of the related economic literature. Section 3 describes the datasets used for our analysis and the procedure followed for the construction of the index of socio-economic mobility. In Section 4 we analyze the trends in the perception of intergenerational mobility in Italy and Europe through a comparison with its actual levels. Moreover, we assess the political implications as well as its relation with the import shocks. The identification strategy based on the instrumental variable is explained in detail in Section 5. Finally, in Section 6 we conclude our analysis stressing the strengths and weaknesses of our approach and providing future possible lines of research.

2 Literature Review

This thesis lies at the intersection of two streams of the current literature review. The former is related to the impact of intergenerational mobility on voting preferences, while the latter investigates the main drivers of the recent rise of populism in Europe. In this section, we illustrate the state of the academic research in these two areas.

The relation between intergenerational mobility and policy preferences has been widely investigated both theoretically and empirically. In particular, numerous studies have tried to assess how expectations on future income can impact the demand for redistributive policies. In this regard, Benabou and Ok [2001], according to the "prospect of upward mobility" (POUM) hypothesis, claim that even poor rational agents can be in support of high redistribution if they expect their future or their offspring's income to be above the mean. Similarly, Piketty [1995] proves that in the long-run the redistributive preferences of a rational agent are determined by his own mobility experiences. In particular, the past history of left-wing voters has induced them to supply less effort and require higher taxation. On the other hand, according to the theoretical findings of Alesina and Angeletos [2005], the desire for "social justice" or fairness, rather than an erroneous cost-benefit analysis, could be the main determinant of the different levels of taxation between countries. Indeed, Amer-

icans, who believe to live in a fair society where effort is rewarded, prefer a lower level of taxation than Europeans, who think that their economic position and success depend on luck.

On the other hand, the empirical studies show contrasting results. Indeed, while the traditional branch of the literature has found a stable trend in intergenerational mobility over time both in the the US and in Europe (e.g. Chetty et al. [2014] and Clark and Cummins [2014]) and no effect of this factor on the vote in favor of redistributive policies and party affiliation (Clark and D'Angelo [2010]), the results of a recent study on the Brexit vote report a strong effect of intergenerational mobility on voting behavior (Lee et al. [2018]). In particular, middle-aged citizens living in areas with low upward intergenerational mobility and greater exposure to import shocks from China were more likely to vote in favor of "Leave". In contrast, the young generation living in areas with low intergenerational mobility, high unemployment and great isolation was more likely to abstain.
The importance of local surroundings has been stressed also by Alesina and La Ferrara [2005], who introduced an index for the perception of intergenerational mobility based not only on the personal past history, but also on the level of mobility of the neighborhood. More specifically, by analyzing the GSS dataset, they find that individuals with a lower perception of intergenerational mobility are more inclined to vote in favor of redistributive policies.
Similar results emerge from recent randomized control trials. In this regard, the work of Alesina et al. [2018] firstly discovers that Americans tend to overestimate the actual level of intergenerational mobility, while Europeans are too pessimistic about the chances of getting out of poverty. Secondly, through the use of some interactive cards, the authors run an experiment that shifts the perception of intergenerational mobility by making the treated individuals more pessimistic. The study finds that more pessimistic left-wing respondents ask for more redistribution, while no shift in policy preferences appears for right-wing respondents. These results are in contrast with the earlier findings of Kuziemko et al. [2015] who analyze the connection between the perception of inequality and preferences for redistributive policies. By conducting an interactive and customized informational experiment through Amazon's Mechanical Truck, the authors find that concerns about the level of inequality are very sensitive to information. Nevertheless, an increase in the perception of inequality incentivizes the demand for estate taxation but it has no effect with respect to other redistributive policies. This is mainly due to the lack of trust in government, which makes respon-

dents less willing to rely on political intervention even under unfavorable scenarios.

Finally, this paper is strictly related to the expanding economic literature exploring the demand-side drivers of the recent rise of populism in the US and Europe. In this context, on one hand, some scholars stress the relevance of the cultural backlash, meaning a cultural "silent" shift of values which has favored multiculturalism and cosmopolitism among the younger generation as well as greater resentment for the loss of traditional values among the elderly population. This last effect, together with social-demographics characteristics, leads to more support for populist leaders (Inglehart and Norris [2016]). On the other hand, a branch of the empirical literature finds that structural market changes (i.e. lower participation rate and longer unemployment spells) generated by import-competition from cheap labor-force countries (Autor et al. [2013] and Autor et al. [2016b]) has raised inequality and economic uncertainty by reducing the support for incumbent parties and favoring the rise of political polarization and nationalistic attitudes (Rodrik [2018] , Autor et al. [2016a], Jensen et al. [2016]). In particular, the China's WTO access in 2001, with the consequent rise in import shocks in the manufacturing sector, has reshaped the political preferences in Europe leading to the support for Brexit (Colantone and Stanig [2018b]) and for far-right parties (Colantone and Stanig [2018a]). Furthermore, financial globalization, represented by a greater volatility of capital, can favor a populist attitude through two impacts on the labor market (Rodrik [2018]). Firstly, through the different speeds of adjustment between capital and labor, capital changes in concomitance with economic crises can increase the economic burden suffered by low-skilled and immobile workers. Secondly, the volatility of capital induces governments to reduce corporate taxes at the expense of higher labor taxation. Finally, the last line of the literature has found that the economic crisis, with the increasing unemployment and labor insecurity, has generated distrust towards the political class leading to the creation of a populist radical-right pole besides the traditional left-wing and right-wing parties. (Algan et al. [2017] and Lorenzini et al. [2016]).

3 The Data

The analysis carried out in this paper makes use of three individual-level surveys containing information about the perception of intergenerational mobility, the actual levels of socio-economic

mobility and voting preferences for a sample of European countries and, in particular, for Italy. All this information is integrated with regional data from the Eurostat and from the dataset of Colantone and Stanig [2018a].

3.1 Data for the Perception of Intergenerational Mobility

The main datasets for the perception of intergenerational mobility are the SWG and the Social Inequality module of the International Social Survey Programme.
The former is a survey conducted in Italy by SWG, an Italian market research company, that gathered information about the respondents' vote in the national elections of March 2018. In particular, 837 Italian individuals with age 18 and above were surveyed in November 2018. Besides indicating the party for which they voted in March, the respondents had to answer to the two following questions:

Please think about your present job (or your last one if you don't have one now). If you compare this job to the job your father had when you were (14/15/16), would you say that the level of ***economic status (social) status*** *of your job is (or was):*

1. *Much higher than your father's*
2. *Higher*
3. *About equal*
4. *Lower*
5. *Much lower than your father's*
6. *I never had a job*
7. *I don't know what my father did / father never had a job / never knew father / father deceased*

Following Alesina and La Ferrara [2005], we use this answer as an index of the perception of intergenerational mobility which indicates, not only the respondent's opinion about his position with respect to the father, but also his expectations about the future position of the next generation. Indeed, respondent's personal past history can determine his perceptions about the future. In particular, we define: *Perception of Downward Economic (Social) Mobiliy* if the respondent answered 4 or 5, *Perception of No Economic (Social) Mobility* if the respondent answered 3 and

Perception of Upward Economic (Social) Mobility if the respondent answered 1 or 2. From this survey we take also the individual-level data concerning the socio-economic characteristics of the respondents.

The latter dataset, the Social Inequality module of International Survey Programme (ISSP), is a pooled cross-sectional individual-level survey conducted worldwide and covering the period from 1987 to 2009 with four waves (1987, 1992 , 1999 and 2009). From this survey we select the following question as a proxy of the perception of intergenerational mobility and we categorize it as the previous questions:

Please think about your present job (or your last one if you don't have one now). If you compare this job to the job your father had when you were (14/15/16), would you say that the level of status of your job is (or was):

1. *Much higher than your father's*
2. *Higher*
3. *About equal*
4. *Lower*
5. *Much lower than your father's*
6. *I never had a job*
7. *I don't know what my father did / father never had a job / never knew father / father deceased*

This question was asked in all four waves of the Social Inequality module and for a wide range of countries so we can compare the evolution of the perception of mobility over time in Italy and in other European countries. In particular, our comparison will focus on Austria, France, Germany, Italy and Sweden.

Furthermore, we gather additional information about the respondent's personal details.

3.2 The European Social Survey and The Index for Intergenerational Mobility

The European Social Survey (ESS) represents the third dataset used in order to analyze the actual level of the socio-economic intergenerational mobility across countries and over time. Since we aim to explore the link between intergenerational mobility and voting behavior, we make use of the two

core modules, the *Socio-demographic* and *Political* module.

In accordance with the methodology applied for the ISSP dataset, we select the same group of countries as before: Austria, France, Germany, Italy and Sweden. However, only France, Germany and Sweden present data for all waves, while in Austria and Italy the surveys have been conducted only in few years (i.e. all years with the exception of 2012 for Austria and 2002, 2004, 2012 and 2016 for Italy).

In contrast with the previous datasets that do not provide information about the actual levels of intergenerational mobility, the ESS contains partial information related to the occupational status of the respondents and of their fathers (Table A.2 and A.3 in Appendix A).

Thus, following the procedure applied by Bukodi et al. [2017] , we create an index of the actual level of intergenerational mobility by ranking the respondents and their fathers according to the European Socio-Economic Classification (ESeC)[3]. The ESeC is a categorical socio-economic classification (SEC) created in order to provide a unified system of classification of the social position across European countries. This allows to stratify the society into 10 categories on the basis of the information about the occupation and the employment status of the individual.

The *socio-demographic* module provides all the variables necessary for the creation of the ESeC of the respondent, while we have only a general categorization of the occupation of the respondent's father when the respondent was 14 years-old (i.e. see Tables A2 and A3 in Appendix A). Therefore, in order to create the ESeC also for the respondent's father, we firstly integrate our core dataset with other data gathered by the project *"Improving the Measurement of Social Background in the European Social Survey"*[4]. This last dataset, the ESS-DEVO dataset, covers the first five waves of the ESS (2002-2010) and it complements our dataset with the occupational status of the respondent's father together with his employment status and relations. Consequently, we are able to rank also the respondent's father according to the ESeC for the first five waves of the ESS.

However, the focus of our research is mainly devoted to the Italian case and including only the first five waves of the ESS would mean excluding half of the waves where Italy was a participating country. For this reason, we decided to exploit the information related to the father's occupation that

[3]The creation of the index is done by using the derivation material provided in a a do-file format from https://www.mzes.uni-mannheim.de/d7/en. Other derivation material can be found on the website of the Institute for Social And economic Research of the Essex University: https://www.iser.essex.ac.uk/archives/esec

[4]The dataset is available on the website of Harry Ganzeboom : http://www.harryganzeboom.nl/ESS-DEVO/index.htm

is present in all waves of ESS to create an ESeC for the father that covers all the waves. This new categorization maintains the nine working categories of the ESeC but it assigns the respondents' fathers to their respective categories only on the basis of the more general information available from the core ESS. More information about the procedure applied for the creation of this ESeC is available in the Appendix A.

Finally, on the basis of the methodology applied by Bukodi et al. [2017] , we group the nine ESeC categories into five categories which rank the socio-economic status of the respondent and the father. These categories are called *ESeC general* and they determine a specific social status. Therefore, if the respondent is in a different *ESeC general* with respect to his father, this means that there is a change in social status across generations (dotted lines in Table A1 indicate this change).

The measure of intergenerational mobility is built on the basis of the difference between the respondent's social-economic position and the father's position:

$$\textit{Intergenerational Mobility} = \textit{ Respondent's ESeC general } - \textit{Father's ESeC general}$$

Since there are five general categories of ESeC, this index can take a value between -4 to +4 where all the values below zero indicate *downward mobility*, zero implies *no mobility* and all the values above zero mean *upward mobility*. Therefore, we have created an index of intergenerational mobility based on the difference in socio-economic status between generations and extremely similar to the index used for the perception of intergenerational mobility. In particular, this feature allows us to directly compare these indexes and for this reason we prefer it with respect to other indexes of intergenerational mobility (e.g. intergenerational wealth mobility, intergenerational earnings mobility etc.).

3.3 Chinese Import Shocks and Regional Data

In order to apply our identification strategy on the SWG dataset, we collect Chinese import shocks for Italy from the dataset *Analysis District Level.dta*[5] of Colantone and Stanig [2018a]. This dataset has been used to assess the impact of the Chinese import shocks on the vote in favor of radical-right

[5]The dataset is available on the following website:
https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/NRAQRH

parties for a sample of 15 Western European democracies, by instrumenting the China's import shocks to Europe with the China's import shocks to the US. The dataset contains information about the election data at the district level for 76 national general elections together with the ideology score of the parties (e.g. nationalism, economic conservatism etc.) for the period 1988-2007. Moreover, for the same time span, the dataset reports the following variables: the import shocks from China to Europe, Chinese import shocks to the US, other sources of globalization (financial globalization and imports from Europe) and regional characteristics (NUTS2 level). In particular, the import shocks are available at regional level (NUTS2 level) and they are created by weighting the two-year import growth from China to Italy according to the regional industrial specialization (NACE level). In this way, stronger shocks are assigned to regions that are more specialized in the manufacturing sector (Colantone and Stanig [2018a]). For Italy we have the import shocks calculated over the two years preceding all general elections taking place between 1988 and 2007. Since five general elections are held during this time period (1992, 1994, 1996, 2001, 2006), we have five observations for each region. Finally, in order to strengthen our exclusion restriction and independence assumption, we also collect regional variables (NUTS2 level) from the Eurostat as well as the Gini index from the OECD. Stat. All these variables are selected for the most recent available year (i.e. 2017 for the Eurostat and 2013 for the OECD.Stat).

4 Descriptive Evidence

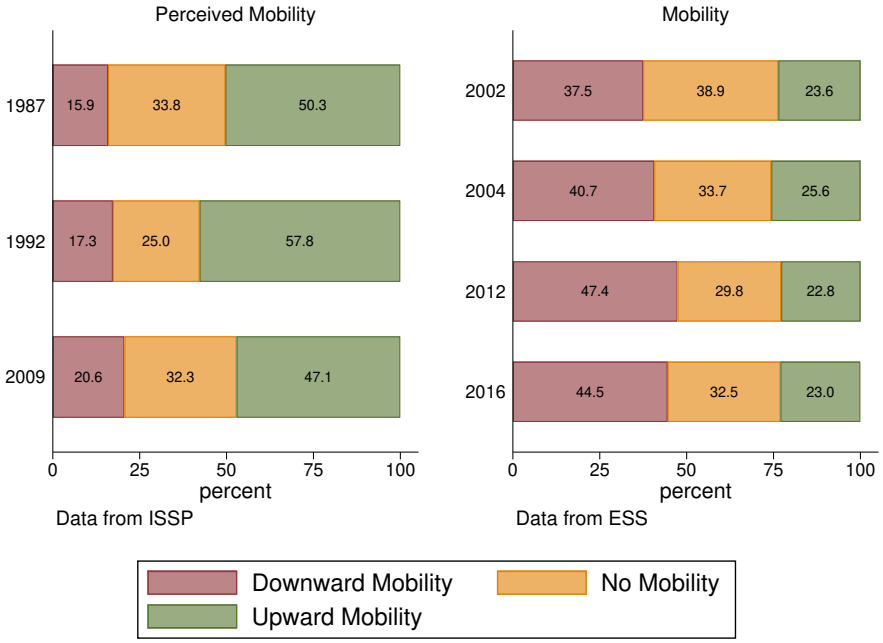
As Section 2 explains, the current economic literature has discovered that the perception of economic mobility differs from its actual levels. In particular, while Americans tend to be optimistic, Europeans are characterized by their pessimistic view (Alesina et al. [2018]).
However, from the analysis of the ISSP and SWG we find a great heterogeneity of the perception of intergenerational mobility also across Italian regions and European countries. In particular, these perceptions seem to be correlated with the voting behavior as well as to the globalization shocks.

4.1 Intergenerational Mobility in Italy and in Europe

Turning our attention to the Italian case, Figure 1 a slight increase in the perception of upward mobility between 1987 and 1992, represented by a rise in the proportion of respondents believing

to have an occupational status superior to their fathers. However, this positive trend was only apparent and not long-lasting.

Figure 1: Trends in Perceived and Actual Intergenerational Mobility in Italy



Indeed, the proportion of respondents claiming an inferior status to their fathers was always increasing, reaching its peak of 20 per cent in 2009. Furthermore, as Figure 1 shows, this trend in perceptions matches the actual development of intergenerational mobility. In this regard, on the basis of the measure of socio-economic mobility previously described, we find that the proportion of respondents located in a lower ESeC than their fathers constantly rose between 2002 and 2012, with a remarkable jump of approximately 7 percent during the period of the economic crisis. This is in line with the pattern registered by the ISSP data, but, a comparison between the graphs reveals that the share of the randomly selected respondents experiencing upward mobility (approximately 20 per cent in all waves of ESS) is much lower than those perceiving an improvement of the occupational status with respect to their fathers (approximately 40 per cent in the ISSP waves). Overall, the ESS and ISSP suggest that, in contrast with the previous studies (Alesina et al. [2018]), in the past Italian citizens overestimated the level of upward intergenerational mobility.

On the other hand, as the data from SWG reports (Figure B1), in 2018 approximately fifty percent of the Italian citizens surveyed perceived a downward economic intergenerational mobility, while

this proportion amounted only to approximately 30 percent for the social intergenerational mobility. These results lead to three conclusions. Firstly, in comparison with the data from ISSP, in 2018 we notice an increase in the perception of downward mobility with a larger proportion of respondents believing to have a lower occupational status than their fathers and, at the same time, a strictly smaller proportion denying any kind of occupational change with respect to the previous generation. Secondly, when we consider the eighth wave of the ESS (i.e. 2016) and SWG, we notice that the perceptions of intergenerational mobility are more in line with its actual levels, even if an overestimation of the upward intergenerational mobility is present. Thirdly, it is noteworthy that the belief of living in an economically immobile society, rather than socially immobile is more widespread.

The Italian data also confirm a great heterogeneity of intergenerational mobility across regions and age groups. In fact, Figure B1 suggests that the current perception of social downward mobility is higher in the Southern regions with respect to the other parts of the peninsula. In contrast, when we consider the economic status, North-West Italy ranks among the areas with the highest shares of perceived downward mobility. Surprisingly, the historical data from ISSP show a different trend (Figure B2). Indeed, the Southern regions had the lowest percentage of respondents perceiving upward mobility in 1987, but, together with the North-Western regions, they were the least affected over time. Thus, they ended up to be among the regions with the lowest downward mobility in 2009. In particular, Central and North-Eastern Italy experienced the most dramatic changes between 1999 and 2009 supporting the fact that Italian pessimism emerged before/ at the beginning of the economic crisis in these regions, while after 2009 in the South. These trends are partially in line with the evolution of the socio-economic intergenerational mobility (Figure B3). Indeed, the actual level of downward mobility rose in concomitance with the economic crisis especially in Northern and Central Italy, but after 2012, these values experienced a drop in all regions, except in the South. Overall, these trends seem in line with the economic performance of Italian regions. Indeed, while the Northern regions are showing a slow return to the pre-crisis unemployment rates (expected in 2024), the South will not reach the pre-crisis rates before 2018[6].

[6]Source: https://www.prometeia.it/prometeiamio/int/ourthinking/south-italy-unemployment-above-2008-levels?UT=MIO-nostraVisione-articolo

At the European level the ISSP reports contrasting results. In accordance with the Italian trends (Figure B4), Austria and Germany experienced a steady rise in the perception of downward mobility in concomitance with the economic crisis, while Sweden displays a slight decrease in perceived downward mobility. Moreover, the analysis across age categories highlights that the young Italian population was the one that experienced the most remarkable rise in perceived negative mobility. Finally, excluding Sweden and France, these trends in perceptions are in line with the evolution of the actual level of intergenerational mobility, which displays a jump in concomitance with the economic crisis for almost all countries (Figure B5). Summing up, this analysis confirms the great heterogeneity characterizing both the perception as well as the actual level of intergenerational mobility in Europe. In particular, it addresses the rise of perceived downward mobility together with its actual levels in the majority of the European countries under consideration as well as among the young Italian population. The next section will investigate the relation between intergenerational mobility and populism.

4.2 Chinese import competition

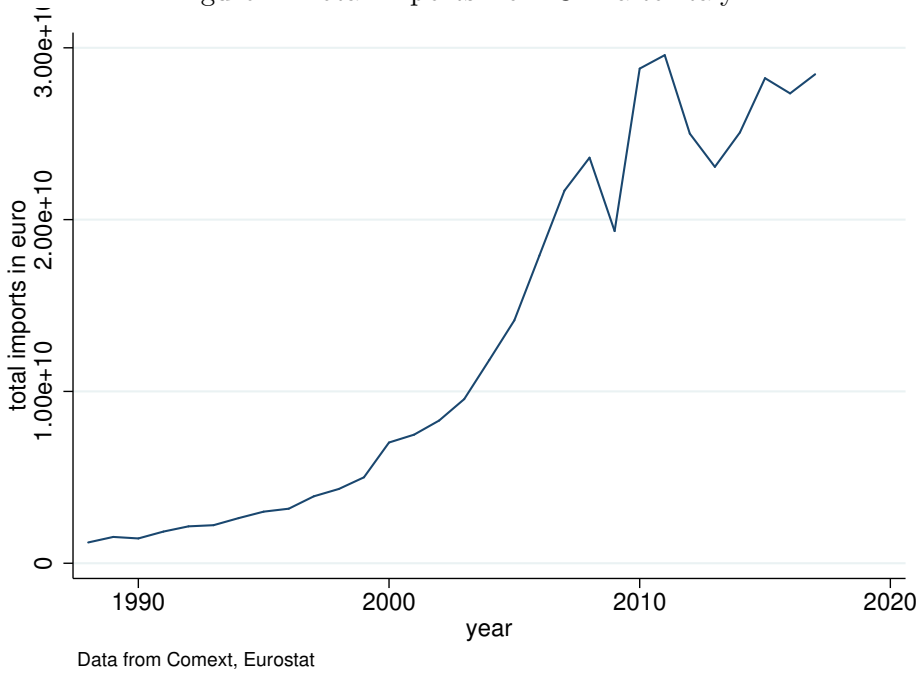
What are the possible drivers of the perception of intergenerational mobility? Our analysis covers a considerably long period of time (1987-2009, 2002-2016, 2018) during which several events took place: the European financial and sovereign-debt crisis, the globalization shock, the terroristic attacks and the immigration crisis (summer-autumn 2015).

Among all these potential drivers of the perceived mobility, we focus our attention on the import competition from China. In fact, in concomitance with the first rise of a negative perception of intergenerational mobility in Italy (1992- 2009), Colantone and Stanig [2018a] registered an increase in the two-year import shocks from China to Italy, in particular in the manufacturing and electronic sector. This import growth hit the country between 1988 and 2006, leading to further competition at regional level and creating winners and losers from trade. In particular, we consider this event as an *"exogenous driver of divergence in economic performance across regions"* (Colantone and Stanig [2018a], p.28) capable of generating "concerns" and economic fears among the population. In this regard, empirical evidence from the US shows that these Chinese imports are able to reshape the labor market by raising the level of unemployment and decreasing the participation rate with long-run effects (Autor et al. [2016b]). Consequently, we expect this general economic

uncertainty, associated with greater import competition, to generate the perception of living in a more insecure and distressed society with respect to the past generation. Indeed, empirical evidence from Southern Europe shows that a main driver of this "cyclical pessimism" is the state of the labor market and, especially, the youth unemployment rate [7]. Moreover, the empirical data from SWG confirm that unemployed individuals are more likely to perceive a lower level of intergenerational mobility (Figure B10 and B11). Consequently, if trade openness has this impact on perceptions, the correlation between pessimism and imports should be evident not only over time, but also across regions according to the industry shares.

The analysis of Italian data seems to confirm our hypothesis: in line with the trends registered from ISSP and SWG, the total value of imports from China experienced a constant rise before 2006, followed by an increasing, but more fluctuating trend (Figure 2). More specifically, when we

Figure 2: Total imports from China to Italy



disaggregate the data at NUTS1 level (Figure B6), we notice that the rise of imports was stronger in the Northern and Central regions, which also experienced a steeper increase in the perception of downward intergenerational mobility with respect to the South (Figure B2).

[7] The empirical evidence comes from several studies and surveys : http://www.brownpoliticalreview.org/2017/02/vicious-cycle-pessimism-youth-unemployment-southern-europe

The empirical evidence from the SWG data partially supports these findings. Indeed, in Figure B7, an analysis within each NUTS1 finds a positive correlation between the shares of respondents perceiving a downward economic mobility and the cumulative sum of import shocks between 1992 and 2006 (only North-West Italy reports a negative and strong correlation). On the other hand, this relation changes signs in the majority of the regions when we consider the perception of social downward mobility (Figure B8). This implies that import shocks have a stronger positive effect in terms of economic perceptions rather than social perceptions and this is in line with our previous argument suggesting the impact of import shocks through the labor market. Finally, it seems that macro-regional characteristics play an important role in determining the strength and direction of this relation, so, by controlling for regional characteristics , we may find a stronger correlation.
Finally, the trend and regional variation of income competition, that reflect those of the perceived mobility, make it an appealing instrument for the perception of intergenerational mobility, as we explain in the next section.

5 Empirical Analysis

In this section, we want to provide further empirical evidence about the impact of the perception of intergenerational on voting behavior. In particular, we decide to focus our analysis on the SWG and ESS datasets. Indeed, given the great heterogeneity of the perceived and intergenerational mobility across regions, we believe that it is important to carry out our analysis considering the regional characteristics at NUTS2 level (also in view of our instrumental variable approach). This is not possible with the ISSP data since we have regional information only across 4 Italian macro-regions. Moreover, despite the possibility of gathering some individual-level data about the political vote from the ISSP (through an integration with a second dataset), this information is available only for two years for Italy (1992 and 2009), it is coded in different ways (we have the political vote in 1992, while political preferences in 2009) and in 1992 neither the NL nor 5SM are coded as parties. Therefore, assessing the impact of intergenerational mobility on the rise of these two populist parties before 2009 is not feasible and we decide to focus our analysis on the post-crisis period (i.e. 2018), at least for the perception of intergenerational mobility.

5.1 The Baseline Model for the Perception of Intergenerational Mobility

In order to test the empirical evidence from the SWG data, we specify our baseline model for the perception of economic and social mobility:

$$\textit{Populist Party}_{\ i,r} = \alpha + \beta\ \textit{Index of Perception of Economic (Social) Mobility}_{\ i,r} + X_{i,r}\gamma_1' + X_r\gamma_2' + \epsilon_{i,r} \tag{1}$$

where Populist Party $_{i,r}$ is a dummy indicating whether the respondent ,i, located in the NUTS2, r, voted in favor of one of the two anti-establishment parties in the elections of March 2018. Thus, the dependent variable can take two forms $\textit{Northern League}_{i,r}$ or $\textit{Five Star Movement}_{i,r}$. Moreover, we specify two indexes for the perception of economic (social) mobility:

1. $\textit{Downward Economic (Social) Mobility}_{i,r}$ a dummy indicating whether the respondent perceives a downward economic (social) mobility with respect to the father

2. *Perception of Economic (Social) Mobility* $_{i,r}$, a five-digit scale index of the perception of mobility where 1 stands for "Occupational status much higher than my father" and 5 "Occupational status much lower than my father"

$X_{i,r}$ is a set of variables that control for some individual-level characteristics that could affect the vote in favor of populist parties. In particular, we control for the age of the respondent, with the dummy $young_{i,r}$, indicating whether the respondent has an age below 35; for the level of education with the dummy $degree_{i,r}$, taking value equal to one if the respondent has a degree and for the sex of the respondent with the dummy $female_{i,r}$. Moreover, according to the specification proposed by Alesina et al. [2018], we control for the current occupational status of the voter with three dummies: $unemployed_{i,r}$ that indicates whether the respondent has not a job but he is looking for one, $worker_{i,r}$ that takes value equal to one if the respondent is a blue-collar worker in a factory and $private_{i,r}$, which indicates whether the respondent works in the private sector. Moreover , given the great regional variation of intergenerational mobility (see section 4) and the empirical evidence showing the relevance of location in the vote in favor of populist parties (Lee et al. [2018]), we address the importance of adding regional variables, X_r. In this regard, $\textit{Big City}_{\ municipality}$ takes value equal to one if the population density at municipality level is above 100, 000 inhabitants. Moreover, we have also four variables at NUTS2 level that control for regional differences

and strengthen the independence and exclusion restriction of the instrumental variable that we are going to employ. More specifically, *Fdi Inflows* $_r$, controls for the growth level of foreign direct investments at regional level. Since only national data are available, we employ the variable used by Colantone and Stanig [2018a] that calculate the fdi inflows growth by weighting for the industrial share at the regional level. This variable guarantees that we control for financial globalization, which is one determinant of populism (Rodrik [2018]), but, at the same time, it has a completely different meaning with respect to the future instrumental variable that we are going to use (Colantone and Stanig [2018a]). For this variable, we calculate the mean growth over the period 1992-2006 and, in line with previous literature, we expect that in regions more open to financial globalization respondents are more likely to vote in favor of a populist party (Rodrik [2018] and Colantone and Stanig [2018a]). Furthermore, *Employment share high tech* $_r$ controls for the regional employment level in high tech industries. In this way we control for the current industrial characteristics of the region as well as for the level of industrial innovation and well-being of the region. *Employment share foreign born* $_r$ indicates the share of foreign workers in a region. Since the Northern League is a strong opponent of immigration, we expect a positive sign of this coefficient, at least for the dependent variable *Northern League* $_{i,r}$. We add also the variable *gini before taxes*, since the level of inequality, rather than the intergenerational mobility can be a determinant of the political vote. Finally, we include the dummies for the NUTS1 regions and we apply clustered standard errors at NUTS2 level in order to detect any possible correlation of the individual-level characteristics at regional level. In this way we address the strong regional cultural and social differences in Italy.

Table 1 reports the results of the baseline model (1). It is outstanding that the perception of intergenerational mobility matters only for the Northern League. Firstly, we notice that the coefficients of our main independent variable of interest are significant and positive in equations (4)-(8). In particular, those perceiving a downward economic (social) mobility are, approximately, 10 (11) percentage points more likely to vote in favor of this party and this coefficient can be rejected with 1 (5) per cent level of confidence. On the other hand, when we consider the five-digit index of the perception of intergenerational mobility, we find out that only the perception of social mobility is highly significant, at 1 per cent level, while the economic index can be rejected only with 10 per cent

Table 1: Reduced form from SWG

	(1) 5SM	(2) 5SM	(3) 5SM	(4) 5SM	(5) NL	(6) NL	(7) NL	(8) NL
Downward Mobility Economic	0.0457				0.0991***			
	(0.0447)				(0.0301)			
Perception of Economic Mobility		0.0255				0.0284*		
		(0.0169)				(0.0157)		
Downward Mobility Social			-0.0481				0.112**	
			(0.0469)				(0.0466)	
Perception of Social Mobility				0.00385				0.0468***
				(0.0185)				(0.0144)
female	0.0928	0.0879	0.0887	0.0905	0.0350	0.0323	0.0430	0.0419
	(0.0703)	(0.0689)	(0.0757)	(0.0748)	(0.0207)	(0.0201)	(0.0290)	(0.0288)
young	0.0344	0.0293	0.0487	0.0482	0.0425	0.0441	0.0586	0.0559
	(0.0320)	(0.0319)	(0.0337)	(0.0321)	(0.0321)	(0.0341)	(0.0413)	(0.0410)
degree	-0.0889**	-0.0888**	-0.102***	-0.101***	-0.0746*	-0.0728*	-0.0600	-0.0609
	(0.0372)	(0.0375)	(0.0340)	(0.0343)	(0.0370)	(0.0372)	(0.0385)	(0.0383)
unemployed	0.0249	0.0134	0.0628	0.0530	-0.00723	-0.0152	0.0246	0.0137
	(0.0870)	(0.0895)	(0.0903)	(0.0868)	(0.0802)	(0.0805)	(0.102)	(0.107)
worker	0.0815	0.0773	0.100	0.0946	-0.0656	-0.0661	-0.0616	-0.0626
	(0.0677)	(0.0695)	(0.0679)	(0.0678)	(0.0479)	(0.0476)	(0.0440)	(0.0438)
private sector	-0.0873	-0.0869	-0.0674	-0.0748	0.0127	0.0219	0.0189	0.0164
	(0.0581)	(0.0577)	(0.0675)	(0.0663)	(0.0310)	(0.0316)	(0.0319)	(0.0315)
big city	-0.0134	-0.0135	-0.00822	-0.0116	0.0289	0.0299	0.0214	0.0209
	(0.0617)	(0.0607)	(0.0632)	(0.0623)	(0.0657)	(0.0639)	(0.0716)	(0.0717)
fdi inflows	4.004***	3.969***	3.344**	3.436**	2.206	2.057	2.147	2.009
	(1.389)	(1.352)	(1.372)	(1.366)	(1.376)	(1.364)	(1.478)	(1.393)
employment share high tech industry	-0.0608	-0.0637	-0.0541	-0.0548	-0.00263	-0.00558	-0.00992	-0.0101
	(0.0394)	(0.0386)	(0.0412)	(0.0410)	(0.0194)	(0.0196)	(0.0213)	(0.0206)
employment share foreign born	0.0170	0.0178	0.0139	0.0142	-0.00111	-0.000238	0.00112	0.000957
	(0.0136)	(0.0133)	(0.0145)	(0.0146)	(0.00625)	(0.00620)	(0.00647)	(0.00624)
gini before taxes	2.057	1.998	2.048	1.981	-0.632	-0.632	-0.337	-0.532
	(1.971)	(1.976)	(1.834)	(1.844)	(1.080)	(1.096)	(1.098)	(1.035)
NUTS1 level dummies	YES	YES	YES	YES	YES	YES	YES	YES
Constant	-2.169	-2.223	-1.907	-1.910	0.212	0.136	-0.0382	-0.00481
	(1.575)	(1.544)	(1.531)	(1.545)	(0.610)	(0.613)	(0.609)	(0.583)
Observations	505	505	503	503	505	505	503	503
R-squared	0.088	0.091	0.092	0.090	0.069	0.061	0.071	0.077

Notes: Robust and clustered standard errrors in parentheses. P-value: *** p<0.01, ** p<0.05, * p<0.1

level of confidence. In particular, if the index of the perceived economic (social) mobility increases by one point (i.e. higher perception of downward mobility) the respondent is approximately 3 (5) percentage points more likely to vote for the NL. This is a quite large magnitude in comparison with the previous index (see regressions 5 and 7 in Table 1). Indeed, the shift of the perception by one position along the scale generates an effect on the voting behavior which is approximately one

third (one half) of the effect generated by having a lower status than the father. Thus, it seems that, not only perceiving a lower occupational status with respect to the father, but also being a slightly more pessimistic increases the chances to vote in favor of a nationalistic and far-right party. On the other hand, the perception of intergenerational mobility is not a main factor determining the vote in favor of 5SM. Indeed, despite the positive sign of the coefficient for the majority of the regressions (1)-(4) (only regression (3) has a negative sign), their magnitude is strictly smaller in comparison to regressions (4)-(8) and we cannot reject the null hypothesis. For this party, the educational level of the respondent and regional variables seem more relevant factors. In fact, it receives a great support from those who have a lower education and from voters living in regions with a greater financial openness. Finally, we notice that, with the exception of the *gini before taxes* that has a negative sign when the dependent variable is the NL , all the other regional variables have the expected signs. Moreover, the signs of most individual-level variables are not significant for both parties, but they differ, meaning that these two radical parties target two different subsamples of the population. The 5SM is supported by the low-educated, and low-paid workers working in the regional areas, while the NL by the low-educated citizens working in the private sector.

5.2 The Model for Intergenerational Mobility in Italy

Given the empirical results concerning the effect of the perception of intergenerational mobility in Italy (Section 5.1) and the previous comparison with the actual level of intergenerational mobility (Section 4), we specify the following model in order to assess the correlation between this last variable and voting preferences expressed in the ESS:

$$\textit{Populist Party}_{\,i,r} = \alpha + \beta\ \textit{Index of Socio-Economic Intergenerational Mobility}_{\,i,r} + X_{i,r}\gamma_1' + X_r\gamma_2' + \epsilon_{i,r} \tag{2}$$

In this equation, the dependent variable $\textit{Populist Party}_{i,r}$ is always a dummy indicating whether the respondent has a policy preference for the Northern League or the Five Star Movement. Given the empirical evidence (Figure B10) suggesting that immobility rather than downward mobility is correlated with the vote in favor of populist parties, we use as index of socio-economic mobility the dummy, $\textit{Low Mobility}_{i,r}$, taking value equal one if there is negative or no mobility (i.e. our index of intergenerational mobility takes value less or equal zero), and *Intergenerational Mobility*, the eight-

digit index described in section 3.2. Moreover, $X_{i,r}$ is a set of individual level variables. As before, we control for the sex, age, education, unemployment[8] and occupational status. However, since the ESS dataset provides more information at the individual level, following Alesina et al. [2018], we control also for the party affiliation with the variable *left wing*$_{i,r}$, distinguishing between right-wing or left-wing respondents, and for the family background, with the dummy *immigrant son*$_{i,r}$, indicating whether at least one of the respondent's parents is an immigrant. Finally, we control for regional characteristics and time with NUTS1 and year dummies (we have four waves for regressions with dependent variable *Northern League*$_{i,r}$, while only the last two waves for the variable *Five Star Movement*$_{i,r}$) and we cluster at NUTS2 level.

Table 2 reports the results. We can immediately notice that the actual level of intergenerational mobility does not have any significant coefficient. In particular, we expect a positive sign for

Table 2: Reduced form from ESS

	(1) 5SM	(2) 5SM	(3) NL	(4) NL
Low Mobility	-0.0390		0.00822	
	(0.0364)		(0.00685)	
Intergenerational Mobility		0.00862		-3.68e-05
		(0.0105)		(0.00105)
Observations	679	680	1,546	1,546
R-squared	0.037	0.029	0.117	0.117

Robust and clustered standard errors in parentheses. P-value: *** p<0.001, ** p<0.05, *p<0.1

Low Mobility and a negative sign for *Intergenerational Mobility*, but the regressions for the 5SM have opposite signs. On the other hand, for the NL the coefficients have the expected signs but they are approximately equal to zero and still insignificant. Therefore, in contrast with the empirical evidence from Britain Lee et al. [2018] , we find that the actual level of intergenerational mobility does not favor the rise of anti-establishment parties in Italy.

Finally, we observe that all other coefficients have the same signs as in the previous regressions. In

[8]We use an unemployment dummy that takes value equal one if the respondent has been unemployed in the last 5 years.

particular, the family origins are statistically significant, implying that it is necessary to apply an empirical strategy in order to eliminate any kind of endogeneity from regression 1.

5.3 The Chinese Imports as Instrumental Variable

Overall, from the previous subsections, we conclude that the perception of economic and social mobility matters only for the voters of the NL, but there is not any statistical significant correlation when we consider the actual level of intergenerational mobility.

Nevertheless, we cannot claim any causal effect yet. Indeed, there could be some factors that we could not control for in regression (1), which, by affecting both the voting behavior and the perception of intergenerational mobility, could bias our results. For instance, the educational achievement could fail to control for the IQ level of the respondent leading to a negative bias.[9] Indeed, this last variable could negatively affect the vote in favor of anti-establishment parties as well as realign the perception of intergenerational mobility to its actual levels (i.e. increasing the perception of downward mobility). On the other hand, the perception of inequality and the actual level of intergenerational mobility could be positively correlated with our index of perception of intergenerational mobility and also affect positively our dependent variable, generating an upward bias[10]. Moreover, we were not able to control for other characteristics related to the family background, the exposure to media and specific cultural differences that could play an important role in the voting decision. Finally, we cannot exclude the risk of reverse causality. In fact, the exposure to the political campaigns of these anti-establishment parties, characterized by a strong anti-élitism and criticism towards the traditional political classes, could affect the perceived intergenerational mobility since these perceptions seem to be highly affected by the informational content (*Kuziemkoet al.* [2015]).

Given these considerations, we try to solve the concern of endogeneity and reverse causality by instrumenting the perception of intergenerational mobility with the cumulative import growth from China in the period 1992-2006. Indeed, this variable seems to satisfy the three basic properties of a good instrumental variable (Angrist and Pischke [2014] and Wooldridge [2002]): *first stage* or *partial correlation* (i.e. ($corr(x, z) \neq 0$, where x is the endogenous variable and z our instrument); *independence assumption* (the instrument should be "as good as" randomly assigned) and the *ex-*

[9] We assume a positive relationship between our independent variable and voting behavior (according to the coefficients of regression 1), while a negative relationship between our independent variable and the IQ level.

[10] In this case, we assume that we use indexes for intergenerational mobility which are indexed as our perception of intergenerational mobility, so higher values mean lower mobility.

clusion restriction (i.e. $E(z|\epsilon) = 0$, the instrument should affect the outcome only through our endogenous variable).

Regarding the first requirement, we explained in section 4.2 that import shocks are positively correlated (partially) with the downward perception of intergenerational mobility and we will provide the reader with all the necessary tests to confirm that we are using a strong instrument. Regarding the other two requirements, as suggested by Angrist and Pischke [2014], we have added all individual and regional controls in our baseline regression that guarantee the validity of the instrument. In particular, the *fdi inflows* and the *employment shares in high tech industries* can be correlated with Chinese imports growth since they are a measure of the degree of openness of the region as well as of the industrial composition. Moreover, in order to guarantee the exclusion restriction we have controlled for the unemployment status, the employment share of foreign borns and the level of inequality. Indeed, import competition, due to its effects on the labor market (Autor et al. [2016b] ,Autor et al. [2013]), could affect the political vote through these variables. Finally, we should also address the fact that a large branch of the current literature is studying the direct effects of import competition on the vote in favor of populist parties (e.g. Autor et al. [2016a], Colantone and Stanig [2018a]). In order to avoid any direct effect of imports on the vote in favor of the NL, we exploit the time lag by using the import growth in 1992-2006 as instrument for the perceptions of intergenerational mobility in Italy in 2018. Indeed, the imports should still represent an exogenous driver of economic performance in the long-run due to the low speed of adjustment of the job market (Autor et al. [2016b]), therefore the perceptions of voters should still be affected by these shocks, but, the direct association between imports and political vote is expected to vanish. This hypothesis is also supported by the recent electoral campaign of the NL, during which the main issues addressed in terms of foreign policy were related to the immigration crisis, the relationship with the EU and the protection against terrorism[11]. Indeed, the greatest shock in terms of Chinese imports took place in 2001, so we expect the political campaigns in proximity of this event to be more focused on issues related to cheap-import competition, leading voters more affected by imports to favor the rise of nationalistic parties. On the other hand, for the political campaigns of 2018, the economic fears due to the effects of Chinese competition should still guarantee the support for protectionist policies. Finally, our regional controls should detect

[11]On this website, it is possible to find the related document: https://www.leganord.org/programma-politiche

any possible correlation between the current import shocks from China and the vote in favor of a nationalistic party by controlling for the openness of the region as well as the industry composition.

Therefore, we estimate the following two-stage least squares model for the data from SWG, with the first stage:

$$\textit{Index of perception of Economic (Social) Mobility}_{i,r} = \alpha_0 + \phi \ \textit{import shocks}_r + X_{i,r}\gamma_0' + X_r\delta_0' + \epsilon_{0i,r} \tag{3}$$

and the second stage:

$$\textit{Northern League}_{i,r} = \alpha_1 + \beta_1 \textit{Index of Perception of Economic(Social) Mobility}_{i,r} + X_{i,r}\gamma_1' + X_r\delta_1' + \epsilon_{1i,r} \tag{4}$$

As we can see from the table 3, the results are in line with our expectations. Indeed, by firstly considering the first stage, we notice that we have a strong instrument with a positive coefficient, meaning that individuals living in regions more affected by import shocks in 1992-2006 are those that are currently experiencing a lower perception of intergenerational mobility. In particular, by following the suggestions of Angrist and Pischke [2014], we test the strength of our instrument by looking at the Kleinbergne-Paap F statistic and we check whether we have a valid instrument by comparing its values to the critical values provided by Stock and Yogo. Moreover, we also report the effective F statistics proposed by Olea and Pflueger (Olea and Pflueger [2013]), which controls for heteroscedasticity, serial correlation and clustering. As table 3 reports, we have a strong instrument only for three of our regressions, since Chinese imports are not a good predictor of the $\textit{Downward Social Mobility}_{i,r}$. More specifically, in the first stage $\textit{import shocks}_r$ reports the greatest coefficient in regression 1, confirming our hypothesis that imports mainly affect the perceived economic mobility through their effects on the labor market (in reality, regression 3 reports a much larger coefficient but we cannot rely on the validity of our instrument). Indeed, one percent increase in imports growth raises the probability of perceiving downward mobility by 5.31 percentage points, confirming the strong effect of our instrument, in light of the great heterogeneity of our instrument[12]. By considering the second stage, we notice that the coefficients of the perception of intergenerational mobility are still positive and highly significant (i.e. we can reject the null

[12]Cumulative import shock varies with minimum value of 0.009 to maximum value of 0.39.

Table 3: 2SLS results for SWG data

	(1) NL	(2) NL	(3) NL	(4) NL
Downward Economic Mobility	0.974***			
	(0.312)			
Perception of Economic Mobility		0.422***		
		(0.134)		
Downward Social Mobility			2.061***	
			(0.620)	
Perception of Social Mobility				0.448***
				(0.0829)
NUTS1 Dummies	YES	YES	YES	YES
Constant	0.520	-0.438	-0.224	0.190
	(0.697)	(0.485)	-1.619	(0.846)
Observations	505	505	503	503
First stage				
import shock	5.3059***	2.298566***	1.122593***	5.167978***
	(.6791841)	(.3226943)	(.312442)	(.6546445)
R_squared	0.1418	0.1222	0.0944	0.1080
Observations	505	505	502	502
Kleibergne-Paap F statistic	61.154	50.842	12.936	62.449
Montiel-Plueger Effective F statistic	55.615	46.234	11.567	55.839

Robust and clustered standard errors in parentheses. P-value: *** p<0.01, ** p<0.05, * p<0.1

hypothesis with 1 per cent confidence level). Moreover, the value of the coefficients is higher than in the reduced form, suggesting a greater impact of the perception of intergenerational mobility on the vote in favor of the NL. Indeed, those that perceive downward mobility are approximately 97 per cent more likely to vote for the NL rather than for another party, while an increase of one position on the five-digit scale has approximately half of the previous effect. This strong effect is also confirmed by some of our robustness checks (Tables B3 and B4). Indeed, by considering the cumulative import shocks only for the years 1992-2001, we still find that we have a strong instrument in most of the regressions and that the perception of downward mobility still positively affects the vote in favor of the NL. This strengthens our previous results since, thanks to the extended time lag, the exclusion restriction should be more valid. On the other hand when we consider the cumulative import shocks for the years 1992-1996, this effect on voting behavior vanishes and we do not have a strong instrument anymore. This confirms our hypothesis that the perceptions of downward mobility have been strongly affected by the strong growth in Chinese imports following

the China's entrance in the WTO, therefore the variation of these shocks across Italian regions between 2001 and 2006 are more strongly correlated with the heterogeneity of perceptions.

Finally, as we can see from the previous regressions, import shocks represent a strong instrument for the perceptions of intergenerational mobility, however we decided not to use it as an instrument for the actual level of intergenerational mobility. This decision is due to four reasons. Firstly, we believe that the endogeneity characterizing this last variable can be detected more easily through the use of control variables. Indeed, according to the economic literature, regional characteristics, such as neighborhood (Chetty et al. [2015]), and family characteristics (Erola et al. [2016]), which are included in our regression (i.e. NUTS1 dummies and *immigrant son*$_{i,r}$), are the main drivers of this variable. On the other hand, perceptions are still affected by regional characteristics (Figures B1 and B2) and events (i.e. strong variation between perceptions and imports), but they are also highly dependent on unobservable individual-level factors. This feature emerges from the randomized control trials of Alesina et al. [2018] and Kuziemko et al. [2015] where perceptions have been shifted through the use of informational content. Secondly, in the reduced form (regression 2), we analyzed the effect of intergenerational mobility on voting behavior both over time and across Italian regions. Colantone and Stanig [2018a] performed an individual-level analysis on the first waves of the ESS for a sample of European countries and they found a strong effect of Chinese import shocks on the voting in favor of far-right parties. Therefore, using Chinese imports as the instrument for intergenerational mobility is not possible, at least for the first two waves of the ESS, since the exclusion restriction could be violated. Given the previous points and the small and statistically insignificant coefficients of the reduced form (regression 2), we followed the advice of Angrist and Pischke [2014] (Ch. 3, pag.146): *" If you can't see it in the reduced form, it ain't there"*, and we decided to focus our attention on the reduced forms with significant coefficients.

6 Conclusions

On the basis of the empirical literature exploring the effects of the perception of intergenerational mobility on voting behavior (Alesina et al. [2018]) and the recent studies trying to identify the main drivers of the populist backlash (e.g. Autor et al. [2016a], Rodrik [2018]), this thesis aims at assessing the impact of the perceived and actual levels of intergenerational mobility on the vote in

favor of the two Italian populist parties, the Northern League and the Five Star Movement. Indeed, despite their victory in the general elections of March 2018 and the formation of a populist coalition, these parties differ on several grounds: the former is characterized by a strong nationalism and anti-europeanism, while the latter has a more moderate position in terms of foreign policy. These differences raise some questions about the possible factors favoring the rise of these two parties. From an analysis of the recent Italian data, it emerges that the supporters of the NL have a much lower perception of intergenerational mobility. In particular, our reduced form estimations confirm that the perception of downward mobility has a positive and highly statistically effect only on the vote in favor of the NL. Moreover, this variable, together with the actual levels of intergenerational mobility, reports a great variation across regions and age groups. In particular, we notice that, across Italian macro-areas, the trend of the perception of downward intergenerational mobility reflects the variation in import shocks from China. Regions that experienced a greater import growth of Chinese products between 1992-2006 are those reporting a steep rise in the perceived downward mobility since 1992 and that currently have higher proportions of citizens perceiving an economic deterioration of their occupational position with respect to their fathers. Given the previous studies assessing the strong effects of cheap import competition on the labor market, we use the Chinese shocks as an instrument for our endogenous variables. Indeed, we assume that import competition is an exogenous driver of economic performance across regions that, by raising unemployment and job insecurity, generates economic fears, lowering the perception of intergenerational mobility. Consequently, this shift in perceptions favors the support of anti-establishment and nationalistic parties. The identification strategy confirms our previous results: lower perception of intergenerational mobility favors the vote for the NL. In particular, our instrument seems a good predictor of the perceived economic mobility rather than the perceived social mobility. Finally, we try to assess the impact of the actual level of intergenerational mobility on voting preferences by creating an index of intergenerational mobility on the basis of the ESeC. However, in contrast with a recent analysis of British data Lee et al. [2018] , we find no statistically significant effect of the socio-economic intergenerational mobility on the support for the Italian populist parties.

Overall, with this empirical analysis, we try to explore a new branch of the economic literature stressing the difference between intergenerational mobility and its perception. In particular, we provide further empirical evidence from Italy by analyzing the recent political events and finding

that only perceptions play a relevant role in voting preferences. Nevertheless, our identification strategy is based on the use of Chinese import shocks as an instrument for our endogenous variable, therefore the lack of one of the three requirements that guarantee the its validity would bias our results. In particular, the exclusion restriction is the one that generates more concerns. Indeed, despite the regional and individual-level controls, there could be some factor through which our instrument may affect the dependent variable. In particular, we stress the relevance of the perception of the level of inequality that could differ from its actual levels and at the same time be correlated both with our instrument and the political vote. Moreover, due to the lack of data, we are not able to control for the actual level of intergenerational mobility in the baseline model 1, thus we can not check whether perceptions still matter if we consider not only the level of inequality but also the the level of intergenerational mobility.

Finally, given our results, we encourage further investigation of other drivers of the perception of intergenerational mobility, such as migration flows and media exposure. In particular, we suggest further exploring whether the the political campaigns of populist parties, characterized by a strong rhetoric, may be a main source of the change in perceptions and the increased pessimism.

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