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Neighbors and Friends: How Do Right-Wing Parties Compensate for Globalization?

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Abstract This paper explores the relationship between globalization and party positions accounting for potential differences between left- and right-wing parties. According to our theoretical priors we expect that parties respond to globalization in a different way depending on their ideology and social groups of representation. The empirical analysis is based on a panel model of 34 political parties in 17 Western European countries between 1970 and 2010. We find that right-wing parties move leftward in response to globalization while left-wing parties do not alter their position, or move rightward. Additionally, we find that parties ideological positions are affected by foreign parties' positions of the same ideological bloc giving support to party policy diffusion argument. The main findings appear remarkably robust to additional econometric techniques such as instrumental variables, Jackknife and methods that account for cross-sectional dependence. The findings in total give support for the existence of party system convergence towards left due to the right-wing party moderation.

Keywords party's position · globalization · partisan politics · panel data

JEL Classification H5 · F15

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1. Introduction

The positions that political parties strategically choose, have been the focus of debate in both economics and political science. A vast literature finds that parties in industrialized democracies respond to voter preferences (e.g. McDonald & Budge, 2005; Adams et al., 2004). Besides voter preferences, however, other factors related to economy and society can influence party competition. One of the most prominent such factors is higher economic integration (Adams et al., 2009; Ward et al., 2011). Economic integration, however, is only one aspect of a multifaceted phenomenon, i.e. globalization. Developed economies, especially in Western Europe, have undergone substantial changes in the social and political realm which may have influenced equally the position of political parties. With this paper, we contribute to the existing literature by examining the effect of various aspects of globalization on the positions that parties announce in their pre-election programs.

So far, the results of the relevant literature are mixed. Adams et al. (2009) and Haupt (2010) derive a significant effect of economic globalization on parties' ideological position. However, they find that this effect can be positive or negative depending on the measure of economic globalization. Ward et al. (2011) avoid this problem using the single KOF index for economic globalization,[1] finding that globalization moves parties in a rightward direction, only if the position of the median voter is relatively far to the left. The above studies indicate a meaningful relationship between economic globalization and party position, but the effect of multifaceted nature of globalization on parties remains unclear. We contribute to this literature by focusing on all facets of globalization, using the KOF indices for economic, social and political globalization and trying to find the effect of them on parties' positions, taking into account the differences among political parties related to their ideological bloc. To our knowledge this is the first paper that undertakes this task.

While "social globalization" applies to the communication among people from different countries, as well as informational and cultural flows among countries, the term "political globalization" refers to the participation of a country in the international political arena.[2] We argue that political parties are affected by the different dimensions of globalization (economic,

[1] KOF index for economic globalization includes trade flows, portfolio, foreign direct investment, tariff and barriers to trade and capital controls (Dreher, 2006a; Dreher et al., 2008a).

[2] Specifically, along the lines of Dreher (2006a) the economic globalization is related to actual economic flows and restrictions on trade and capital; the social globalization refers to information flows, personal contacts and cultural proximity; and the political globalization is related to the participation of the country in international agreements, organizations and missions.

social and political) because they are all linked with the functioning of the economy and behavior of the economic agents/voters. For example, as Rodrik (1998) has shown, economic globalization shapes both the economy and voters' preferences for economic and social policies. Along similar lines, social globalization changes the social coherence of a country, affecting voters' preferences about labor and social issues (Dreher and Gaston, 2007).

Even though globalization can have a direct effect on parties' positions, it can have an indirect effect by creating common ideological trends among parties in different countries (Kayser, 2009). For this reason, in our empirical model we go beyond the standard practice and add a variable that captures the positions of ideologically close parties in other European countries. As social, political and economic ties among European states become more pronounced, voters might be influenced by the behavior of their "neighbors". At the same time, parties might adopt similar positions as their peers in other countries. Recent studies in the so-called policy diffusion literature have found strong evidence that parties are responsive to policy positions of foreign incumbent parties (Böhmelt et al. 2016; Ezrow et al., 2017) while other studies have shown that parties respond to domestic rival parties of the same party-family (Adams and Somer-Topcu, 2009; Williams 2015). Our analysis complements these studies by evaluating if parties respond to foreign parties of the same ideological bloc either they were in government or not.

In addition, the findings suggest that the effect of globalization is not symmetric across parties indicating a party system convergence to the left due to the right-wing party moderation. This argument is consistent with the idea that globalization makes the positions of left-wing parties more attractive to voters (Walter, 2010); either because globalization increases the income volatility (e.g. Rodrik, 1998) or because it makes voters more flexible to social issues through the spread of ideas and culture. Thus, our analysis is related to a third strand of the literature; the Partisan Theory literature where numerous studies show that left- and right-wing parties have different response to economic conditions such as inflation, unemployment and economic integration (e.g. Hibbs, 1987; Herwartz and Theilen, 2014). Interestingly, some studies find that economic integration leads parties to converge in economic policies positions (e.g. Dorussen and Nanou, 2013; Ward et al., 2015) but they do not identify the direction (left or right) of this convergence.

The empirical analysis relies on a panel dataset of 34 political parties in 17 Western European countries, over the period 1970-2010. Our model specification considers a range of

unobservable characteristics by using party-level fixed effects to account for different constitutional and historical characteristics that led to the creation of each party. Additionally, we control for the possible influence of parties in other countries by including the average position of foreign parties. Finally, we add a set of control variables related to economic, demographic and political factors that may influence party position.

Our dependent variable is an additive left-right index of party ideological position coming from the Manifesto Project database[3] while as main independent variable, we use KOF globalization indices (economic, social, political and total) to estimate the multifaceted nature of globalization (Dreher, 2006a). The main findings suggest that party positions are affected by the different dimensions of globalization that create party system convergence, with right-wing parties moving leftward.

As time-varying omitted variables might bias our results, we use an instrumental variable (IV) approach which mitigates concerns of potential endogeneity. Our main instrument is motivated by Hickman and Olney (2011), who find that countries with higher levels of human capital tend to be more globalized. Thus, human capital index is used as instrument for globalization, which has zero correlation with parties' ideological positions and high correlation with globalization.[4] Likewise, comparable results are taken under additional robustness tests.

The rest of the paper is organized as follows. Section 2 discusses the main testable hypotheses. Section 3 describes the data and introduces the empirical specification. Section 4 presents the main empirical results while Section 5 includes the robustness check of our estimations. Finally, Section 6 summarizes the main points.

2. Theoretical Framework

The link between political parties and globalization has been examined by both economists and political scientists. An extensive literature has shown that economic globalization strongly affects social and economic policies (Cameron, 1978; Rodrik, 1997, 1998; Garrett, 1998; Adam and Kammas, 2007; Dreher et al., 2008b; Leibrecht et al., 2011). Similarly, studies have found a significant effect of social globalization on public spending and labor or redistributive policies (Dreher. 2006b; Berg and Nilsson, 2010; Meinhard and Potrafke, 2012). Nevertheless, the

[3] The additive left-right index, called *rile* by the Manifesto Project, subtracts the percentage of 13 aggregated left categories from 13 aggregated right categories (Budge et al., 2001). This index has been characterized as more reliable than any single coding category in the Manifesto Project by Mikhaylov, Laver & Benoit (2012).
[4] The correlation coefficient with both economic and social globalization is equal to 0.7.

estimated results are ambiguous and leave an opening for doubt about the precise effect of globalization on political parties.

While the focus of these studies is the political outcome after elections, our focus is on policy positions that every party takes prior to the elections. The governmental action, however, is directly connected to our analysis – which includes parties either participating in government or not – because governments are nothing else than political parties coming to power through their electoral programs. Our main hypothesis assumes that political parties respond to globalization in a different way depending on their ideology and party's identity.[5] A rich literature has addressed the importance of partisan responses to globalization. In this setting, left-wing parties are inherently ideologically distant from right-wing parties and appeal to different social group of voters (e.g. Hibbs, 1987; Boix, 1998; Hwang and Lee, 2014). While taking into account all dimensions of globalization we argue that globalization makes the positions of mainstream left-wing parties more attractive to the public, either in economic or/and social issues, so right-wing parties are motivated to move leftward in order not to lose support.

The rationale behind this argument is based on various studies which show that globalization increases the demand for left-wing policies, e.g. more social spending. For example, proponents of the so-called *compensation effect* argue that globalization creates insecurities, increases the demand for insurance against the external risk, and hence governments respond to this demand by expanding social spending (Rodrik, 1998; Burgoon, 2012). In this setting, political parties as agents respond by satisfying this demand. At the same time, voters as they become globally interconnected, they observe policies in other countries, e.g. redistributive policies, transfers, labor market policies, and they demand similar policies in their country.[6]

Consequently, there are good reasons to expect that globalization has a significant effect on party's ideological position; and this effect is conditioned to the ideological group in which party belongs. Since globalization erodes the support for (pro-market) right-wing parties, the latter respond by adopting positions closer to their rivals, i.e. (pro-redistributive) left-wing parties. To evaluate this argument, we propose the following testable proposition:

[5] The term *party's identity* refers to the ideological group of a party, e.g. social democratic, Christian democratic, conservative etc.

[6] For example, Meinhard and Potrafke (2012) have shown that social globalization has a positive influence on government spending, because people observe the government size in other countries and demand more expenditure in their country and government respond to this demand.

Globalization creates party convergence to the left due to the right-wing party moderation (*H1*).

Going one step further, we expect that the above hypothesis (denoted as H1) is robust across different dimensions of globalization, i.e. economic, social and political, since all of them affect equally the economic environment and voter perceptions. Therefore we expect that right-wing parties move leftward in an increase of economic, social or political globalization. This produces the following testable sub-hypothesis:

Party convergence towards left appears in any increase of economic, social or political globalization (*H1a*).

In the following sections, we evaluate the validity of the above hypotheses through an empirical analysis whose findings contribute to the literature, giving remarkable explanations for the emerging results.

3. Data and Empirical Specification

3.1. Measuring party position

We construct an annual panel dataset, where the cross-sectional units are 34 political parties across 17 Western European countries. The time period considered is from 1970 to 2010. We include two types of parties of each country, a Centre-left and a Centre-right party, which satisfy two mayor constraints. First, we consider only mainstream parties, as they are more credible in their electoral programs than niche parties (see Adams et al., 2006).[7] Electoral programs of mainstream parties consist of feasible positions as they are more likely to enter the government, and thus are subject to (post) electoral cost (Dorussen and Nanou, 2013). Secondly, we consider parties that have a long-standing representation in electoral competition by participating in at least four national elections from 1970 to 2010. We do so, because parties with long participation in elections have a bigger electoral cost than parties with short participation and they move their position more conscious and strategic. Given these two requirements we end up having more centrist parties. The extreme left and right parties of the sample fail at being considered as mainstream and they typically receive a relatively low vote share.

Given the above considerations we have Centre-left parties (typically Social democratic parties) and Centre-right parties (typically Christian democratic parties). In the case of Great

[7]Adams et al. (2006) have shown that mainstream parties respond to the environmental incentives while "niche" parties (e.g. Green, Communist) have a low responsiveness due to their strict policy beliefs.

Britain and France we use the Conservative parties as no Christian democratic parties have participated more than once in elections. The data for party's ideological bloc are based on the Manifesto Project classification of party families. All the included parties and descriptive statistics of the variables employed are presented in Appendix (see Table A1, A2).

In order to evaluate the testable hypotheses, we use a measure for party positioning on ideological scale (left-right) which is derived from the database of Manifesto Project[8] and has been used in numerous studies (e.g. Adams et al. 2009; Haupt 2010; Ward et al., 2011). This measure represents parties' ideological positions with registered references about a broad spectrum of policies related to state intervention in the economy, education and labor issues, social policies, nationalism and traditional values. These registered references are based on parties' electoral programs which are considered as well-researched and carefully executed attempts to shape election outcome by affecting the public (Green and Hobolt, 2008). We focus on party's ideological position because this measure captures the primary basis of political competition across national settings (Ezrow and Hellwig, 2014; McDonald and Budge, 2005) and reflects the image and differentiation of a party compared to another in all that issues which can be related with multifaceted phenomenon i.e., globalization.

Thus, the dependent variable is a measure, labeled as *party's ideological position*, which ranges from -100 (extreme left) to +100 (extreme right).[9] It shows the point of a party's position in ideological scale, according to its official electoral program (manifesto) at every national election.[10] The Manifesto Project database provides data about position of each party separately, even if the party belongs to a coalition. In general, a positive coefficient of this measure indicates a move to the right, implying policies in favor of market deregulation, retrenchments in crisis, reduction of welfare state or/and favor mentions for traditional values and national way of life. Instead, a negative coefficient indicates a move to the left which implies policies promoting market regulation, expansion of welfare state, favorable measures to labor groups, state intervention into the economy and internationalism.

[8] Budge et al. (2001), Klingemann et al. (2006), Volkens et al. (2016).

[9] This measure indicates the left-right position as given in Michael Laver and Ian Budge (1992) and is constructed by subtracting the aggregated categories related with left positions from the aggregated categories related with right positions. It includes quasi-sentences about welfare state, education, economic planning, market regulation, traditional moral values, nationalism and labor groups.

[10] Electoral programs are being written before every election and express party's position until the next elections when updated programs are being written. The position of a party is announced at the year of election and we assume that party keeps this position until the next election. As Imbeau (2009) mentions in most countries there is a link between the electoral program of a party and the policies that adopted by that political party after the elections.

3.2. Measuring globalization

Our main independent variables are the KOF globalization indices as developed by Dreher (2006a). We use the separate indices for economic, social and political globalization and an overall index which covers all these three dimensions of globalization.[11] The use of Dreher's indices helps us to estimate the effect of globalization in the economic, social and political fields which has been on the rise since the 1970s.[12]After all, as Dreher et al. (2008a) mentions "globalization is a process that erodes national boundaries, integrates national economies, cultures, technologies, governance and produce complex relations of mutual interdependence".

Specifically, the three indices of globalization are defined as: *economic globalization*, closely related with actual flows of trade, investments, income payments to foreign nationals and restrictions on trade and capital flows; *social globalization*, characterized by the communication among people from different countries (e.g. telecom traffic, stock of foreign population), information flows (e.g. internet users, international newspaper traded) and cultural proximity (e.g. trade books); and *political globalization*, expressed as the international political integration (e.g. number of international agreements and embassies in a country).[13] As the KOF indices are highly correlated, each of them is used in a separate regression.[14] However, an index comprising all three above indices is also used (denoted as *total globalization)*. All globalization indices range from 1 (minimum value of globalization) to 100 (maximum value of globalization).

As we have argued in the previous sections, globalization is also expected to work through the transmission of the ideology of neighboring parties. Therefore, besides the variable which directly measures globalization, empirical model includes a variable labeled as *foreign_party_position* to control if the position of a party depends on the positions of similar foreign parties, namely parties of the same ideological bloc. In simple terms, we control if the ideological position of a Centre-left (Centre-right) party in a country, e.g. Spain, is affected by the average of positions of Centre-left (Centre-right) parties in all other countries of the sample. Hence, *foreign_party_position* is the arithmetic average of the positions that similar foreign parties take and is expressed by the equation below:

[11] Dreher (2006a); updated in Dreher et al (2008a).
[12] Moreover, as can be seen from Table A.2 in Appendix the mean value of all the three globalization indices are quite high in our sample.
[13] For more information see Dreher (2006a).
[14] We run the model including all globalization indices in the same regression and the results remain unchanged.

$$\overline{A}_{jit} = \frac{\sum_{c \neq j, k \neq i} position_{ckt|ideology_j}}{n} \quad (1)$$

where the numerator shows the sum of the positions of parties, in all other countries except i, which belong in the same ideological group with party j. The denominator, n, represents the number of similar parties in other countries of the sample and is equal to sixteen (16).[15] We have also calculated the weighted average of parties' positions in other countries using as weight the inverse of the distance of GDP per capita between country i and k but the results remain the same.[16] However, the baseline specification includes the variable *foreign_party_position* ($\overline{A}_{jit}$) without weights as European parties can be affected by the common trend of parties in the rest of Europe, regardless of the level of GDP per capita or even more the geographical distance among countries.

In line with existing studies (Böhmelt et al., 2016), we have also calculated the average of positions of foreign incumbent parties (*foreign_incumbent_parties*) to control if successful foreign parties are more influential. This variable is the arithmetic average of similar foreign parties that were part of the government or government coalition during the last election year in their countries and it is used in estimates presented in Appendix (see Table A3). The data in incumbency status come from Döring and Manow (2016). Accordingly, the baseline model is formulated as follows:

$$Position_{jit} = b_0 + b_1 Globalization_{it} + b_2 leftxGlobalization_{it} + b_3 \overline{A}_{jit-1} + b_4 X_{it} + \gamma_j + \delta_t + \varepsilon_{jit} \quad (2)$$

where $Position_{jit}$ represents the ideological position of party j in country i at time t. The model is based on yearly data hence each party's position between elections is assigned its value at the last election.[17] As mentioned in study of Osterloh and Debus (2012), the positions included in parties' manifestos are strongly linked with the actual subsequent policies that are implemented during the period until the next elections. However, we re-estimate the core model including only

[15] The sample includes 34 parties, 17 left-wing and 17 right-wing parties, so the number of left-wing or right-wing parties in other countries except country i is equal to sixteen ($n = 16$).

[16] The estimated results with the weighted average are available upon request.

[17] Manifesto Project provides information for election years; therefore, in our model, which is based on yearly data, the position of each party is measured at every election year and remains the same until the next elections where takes a new value.

election years and the findings remain unchanged (see Table A4 in Appendix). $Globalization_{it}$ denotes the globalization rate in country i, where party j belongs, at time t and takes the value of only one index of globalization (economic, social, political or total) in each regression to avoid problems with multicollinearity. The term $leftxGlobalization_{it}$ is the interaction term between globalization and the dummy for center-left parties, which takes the value 0 for center-right parties and value 1 for center-left parties. Following Böhmelt et al. (2016) we assume that it takes time for a party to respond to positions of foreign parties and therefore we use the lag value of the average of parties' positions in other countries $\overline{A}_{jit-1}$. Finally, X_{it} includes the additional control variables of country i where party j belongs at time t and ε_{jit} is the error term.

To decide between the use of fixed effects or random effects we applied the standard Hausman test which showed that the appropriate specification is the fixed effects model. As the Hausman test shows that the proper specification is the Fixed Effects model, equation (2) includes party fixed effects γ_j to eliminate bias because of the effect of unmeasured that are strictly exogenous and, time effects δ_t. [18] Importantly, the dummy variable for left-wing parties ($left$) is not included in the model specification as a single independent variable because it is already included in party fixed effects γ_j.

3.3 Other independent variables

The rest of the independent variables follow the existing literature (see e.g. Dreher et al., 2008b; Meinhard and Potrafke, 2012). Specifically, we use control variables related to economic, demographic and political factors. Also following the rationale of the existing literature (see e.g., Adams et al., 2009; Haupt, 2010; Ward et al., 2011), we model party positions as a dynamic process by adding a lagged dependent variable which captures the position of the party at the previous national election. Therefore, we control for party position persistence in time as it is natural to assume that a party's past behavior has a high degree of correlation with its current ideological position.

Regarding the rest of the control variables, we first use the growth rate of GDP per capita (*growth*). The sign of this variable is a priori ambiguous; low growth rates may lead parties to move leftward to confront recession, but on the other hand leftist positions consistent with expansionary fiscal spending are more likely to come up at times of economic prosperity, i.e.

[18] We conclude that time effects are needed in our model test after applying an F test which indicate that time dummies are significant.

when growth rates are high (Dreher 2006a; Ezrow and Hellwig, 2014). The second control is the inflation rate (*inflation*) as measured by the GDP deflator. According to studies on Partisan Cycles (e.g. Alesina and Rosenthal, 1989; Herwartz and Theilen, 2014) higher rates of inflation affect mainly right-wing parties by moving them rightward in order to control inflation, and leave left-wing parties uninfluenced. For this reason, we also include the interaction term between inflation and left-wing parties (*leftxinflation*).

To take into account the level of development in every country, a country's relative income (*relative_income*) is included in the set of regressors. This variable is measured as the proportion of a country's GDP per capita in relation to the average sample GDP per capita. We also include a demographic variable, the age dependency ratio (*dependency*), which is measured by the number of persons in the age group 0-15 and 65+, as a ratio of the working age population. A higher rate of inactive population leads parties towards left with more social spending and measures favorable for vulnerable groups (Leibrecht et al., 2011). All the above controls are taken from the World Bank's Development Indicator Database.

The last control variable is related to political factors and electoral system of the country in which party belongs. This variable is the effective number of parties (*Eff_No_parties*) which weights the number of parties in the legislature by their vote share and is taken from the Armingeon et al. (2015) published dataset. The inclusion of this variable in the model captures the effect of changes in the institutional system in the same country across time (Dorussen and Nanou, 2013).[19] Generally, proportional systems tend to have more parties than non-proportional systems and parties' positions probably depend on whether they compete with multiple or few parties. However, we do not have an a priori expectation on the sign of this variable.

Finally, we estimate an additional dynamic fixed effects model with a lagged dependent variable which is formulated as follows:

$$Position_{jit} = b_0 + b_1 Position_{jit-1} + b_2 Globalization_{it} + b_3 leftxGlobdization_{it} + b_4 \overline{A}_{jit-1} + b_5 X_{it} + \gamma_j + \delta_t + \varepsilon_{jit} \quad (3)$$

Model in equation (3) is exactly the same with this one in equation (2), with the only difference the inclusion of the lagged dependent variable, $Position_{jit-1}$, which is the position of party j in country i at the previous national election.[20] Note that in our dataset the time length (T) of our

[19] The corresponding effect across countries is captured by the fixed effects estimator.
[20] Lagged dependent variable is frequently used to eliminate possible serial correlation in the residuals of the sample.

panel is greater than 35 and higher than the number of cross units, i.e. parties *(N)*. Hence, the "Nickell bias" (Nickell, 1981) is negligible as it diminishes with increasing time periods (Beck and Katz, 2011).[21]

4. Empirical Results

In this section we present the main results of the empirical model, as well as a variety of robustness tests in order to verify the validity of them. Our aim is to identify the aspects of globalization that affect political parties and find out the precise effect of them on parties' positions, controlling for partisan differences. All the regressions are estimated with time and party fixed effects and the standard errors are estimated as Robust Clustered Standard Errors in order to control for both heteroskedasticity and correlation of the error terms (Beck and Katz, 1995).

4.1. Baseline results

The main results are reported in Table 1, where the baseline equation (2) is estimated four times using a different index of globalization in each regression (total, economic, social and political). The estimates reported in columns (2), (4), (6), (8) include all the covariates introduced above, while those in columns (1), (3), (5), (7) include only the main independent variable and the interaction term with dummy for left-wing parties. As can be seen, the results remain significant even in regressions without control variables except the results for political globalization. However, R-squared is higher in regressions including the all the covariates indicating that the model is better specified with the inclusion of control variables.

[Table 1, here]

In the first two columns, we estimate the baseline model using the index of total globalization which covers all the three dimensions of globalization (economic, social and political). The coefficient of *Total_globalization* is statistically significant at the 1% level and the negative sign indicates that an increase of total globalization moves Centre-right parties to more left positions. On the other hand the coefficient of interaction term *Total_global.xleft* (1.341) has a positive sign and is of similar magnitude as the coefficient of *Total_globalization* (-1.104). Given that the effect of total globalization on Centre-left parties is the sum of coefficients of *Total_globalization* and *Total_global.xleft*, which seems to be small (-1.104 + 1.341 = 0.237), the implementation of an F-test is necessary to determine the significance of this effect. However,

[21] As T>N, a dynamic GMM estimator is not advisable (see Roodman, 2009).

the F-test fails to reject the null hypothesis, indicating that Centre-left parties remain unresponsive to total globalization. In substantive terms, a one standard deviation increase in total globalization is associated with an approximately one standard deviation leftward movement for Centre-right parties and with no movement for Centre-left parties.[22] Consequently, the results indicate that globalization leads Centre-right parties to adopt more left positions giving support to the *main hypothesis* (*H1*) about party system convergence towards left.

Regressions in the next columns suggest that the result of total globalization mentioned above is driven by all the dimensions of globalization – economic, social and political – since all indices of globalization appear statistically significant coefficients at the 1% and 5% level in all regressions (columns 3-8). These results give support to the *sub-hypothesis* (*H1a*) argument under which party system convergence towards left is robust across all the dimensions of globalization. Therefore, economic, social and political globalization are critical factors for shaping policy and politics as they affect party competition by leading to party system convergence.

More specifically, the coefficients of economic, social and political globalization have the same negative sign and statistical significance with those of total globalization; consequently, the estimated results for right-wing parties remain the same as above. Left-wing parties, on the other hand, do not alter their position in response to economic and political globalization[23] and they move rightward in response to social globalization since the sum of the coefficients of *Social_globalization* and *Social_global.xleft* is equal to 0.401 and statistically significant at the 5% level.[24] Therefore, right-wing parties appear a leftward movement in response to every dimension of globalization whereas left-wing parties remain irremovable in the face of economic and political globalization but make a rightward movement in response to social globalization. The leftward movement of Centre-right parties is relatively bigger than the corresponding rightward movement of Centre-left parties in response to social globalization, indicating a convergence towards left. The findings about Centre-left parties and economic globalization are consistent with those of previous studies which find that left-wing parties are less responsive to economic globalization than right-wing parties (Adams et al., 2009; Haupt, 2010).

[22] Specifically, a one standard deviation increase in total globalization (11.2) leads Centre-right parties to a 12.4-point leftward movement (i.e. 3/4 of standard deviation of Centre-right party's position).
[23] According to F-test the null hypothesis is not rejected in both cases, so the effect of economic and political globalization on Centre-left party's position seems to be insignificant.
[24] The statistical significance of the coefficient results from the implementation of an F-test which rejects the null hypothesis of insignificant coefficient at the 5% level.

Regarding the substantive magnitude of these effects, a one standard deviation increase in economic globalization leads right-wing parties to move their position 12-point towards left. The corresponding substantive effect of social and political globalization on Centre-right party's position is 8-point and 4-point, respectively, leftward movement.[25] On the other hand, left-wing parties do not show any movement in an increase of economic or political globalization but they move their position 6-point towards right in a one standard deviation increase of social globalization. Although the two types of parties move to opposite directions in the face of social globalization, the leftward movement of right-wing parties is greater than the rightward movement of Centre-left parties, indicating that right-wing parties come closer to the position of left-wing parties. Given that Centre-left parties remain in the same position or move rightward, whereas right-wing parties move leftward, a convergence between political parties emerges in response to every dimension of globalization.

Although all dimensions of globalization lead parties to converge in their positions, the explanation of the effect of each of them can be different, as every dimension of globalization is related to a different type of integration. For example, economic globalization imposes constraints on the potential positions that parties can adopt because it is perceived as threat by a big part of society which demand more left position in order to be secured (Rodrik, 1998). In simple terms, economic globalization makes the position of mainstream left-wing parties more attractive to voters who demand more left policies, such as state intervention, social sending expansion etc. Therefore, mainstream left-wing parties, such as social democrats, have no incentive to move rightward and at the same time they cannot move leftward due to the fear of capital flight abroad causing weakness of financing public expenditures. On the other hand, Centre-right parties possess positions in favor of middle and up class and they cannot move further to the right in response to economic globalization because they risk losing support from a part of middle class. Instead they need to move leftward in order to make their position more attractive to those of middle class that feel vulnerable against economic globalization.

The effect of social globalization, however, can be attributed to a different explication. While economic globalization creates insecurities, social globalization informs voters for possible externalities and facilitates the transmission of ideas, making the society more open to other cultures and foreign population. Therefore, Centre-right parties relax their ideological

[25] We mention the standardized coefficients because of allowing assessment of the relative size of the associations of independent variable with the dependent variable. The standard deviation of economic globalization is equal to 14.22, of social globalization is equal to 14.35 while standard deviation of political globalization is equal to 12.92.

position to appear more sensitive to social issues. However, at the same time social integration informs workers about the negative externalities, making them to recognize their limited bargaining power and hence union membership is reduced (Dreher and Gaston, 2007). Since union members are more linked with Centre-left parties, the latter move their position to the right because their target group of voters is reduced. Yet, a part of society might perceive social globalization as a threat for the nation and demand positions further to the right, but this group of people appeals to extreme right-wing parties which are niche parties and are excluded of our analysis.

Furthermore, the estimated results in Table 1 indicate the existence of an interaction among political parties from different countries, as the coefficient of the average of foreign parties' positions (*Foreign_party_position*) bears a statistical significant coefficient at the 1% level in all the regressions. In simple terms, this suggests that a Centre-left (Centre-right) party in a country is affected by the average of Centre-left (Centre-right) parties' positions in other European countries at the previous year. The negative sign, however, indicates that parties move their position in an opposite direction from the average of similar foreign parties at the previous year. This finding is contrary to expectations that European parties of the same ideological group obtain common positions, but is not irrational. Parties might try to separate themselves from the average in Europe, especially when the positions of similar parties in other countries are disapproved by society.

Considering that this effect might occur because the average of foreign parties' positions includes both incumbent and not incumbent parties, we re-estimate the model using the average of foreign incumbent parties only. The estimated results are presented in Table A3 (in Appendix) and indicate that parties try to separate themselves even from the average of similar incumbent European parties as all coefficients remain negative, statistically significant but with smaller values. We have performed a t-test for the significant difference between regression coefficients which indicate the existence of significant difference among them. Therefore, all foreign similar parties tend to be more influential than foreign similar incumbent parties as the coefficients are significant higher than the coefficients of foreign incumbent parties indicating a different result from this one of Böhmelt et al. (2016) who find that parties are respond to foreign incumbent but not to them of the same ideological bloc.

Regarding control variables, the inflation rate seems to have a positive and statistically significant coefficient at the 1% level for Centre-right parties, giving support to our expectations.

This result implies that higher inflation leads Centre-right-wing parties to further right positions in order to control inflation and avoid harmful distributive consequences for their target groups. In contrast, the interaction term of inflation rate with left-wing parties is negatively signed but statistically significant at the 10% level only in two regressions in columns (4) and (8), indicating that inflation have greater effect on right-wing parties (Hibbs, 1987). The rest of controls seem to have no effect on parties' position as they have insignificant coefficients in all regressions.

[Table 2, here]

Moving one step forward, in Table 2, we estimate the baseline specification with the inclusion of a lagged dependent variable. The results seem to remain the same with those of the baseline model in Table 1. Basically, the lagged dependent variable presents the position of a party at the previous election year, so it does not refer to a position of a fixed number of years ago (as it does in standard lagged dependent variable specifications), but to position at the last election, which varies across countries (Ward et al., 2011). However, the variable *previous position* does not turn out to be statistically significant, implying that political parties are not influenced by their position at the previous elections. This finding is not consistent with findings of previous studies (e.g. Adams et al., 2009; Ezrow and Hellwig, 2014) but this can be attributed to basic differences in model specification as we do not use differences of parties' position.[26]

4.2 Sensitivity analysis

In this sub-section we carry out an additional analysis in order to evaluate the robustness of our main findings for economic, social and total globalization. All the robustness tests explored with respect to the econometric approach applied. First we check if our results are influenced by cross-sectional dependence, i.e., the correlation among units (parties in our case). Second, we estimate our results using some alternative control variables and a Jackknife type analysis. Finally, we perform an instrumental variable approach in order to mitigate concerns for potential endogeneity or omitted variable bias.[27]

4.2.1 Testing for cross-sectional dependence

The first type of robustness test confirms that the existence of cross-sectional dependence does not cause problems in our estimates. In general, panel data sets are likely to appear cross-sectional

[26]Adams et al. (2009) and Ezrow & Hellwig (2014) using differences of parties' positions find that parties shift their position to the opposite direction from their shifts in the previous election.
[27] The baseline model and robustness tests have also been estimated with the inclusion of a lagged dependent variable and produce the same results; estimations are available upon request.

dependence due to common shocks or unobservable factors that become part of error term or due to pair-wise dependence in the disturbances (DeHoyos and Sarafidis, 2006). By performing the Pesaran's (2004) CD test we find it necessary to re-estimate the baseline model, correcting for cross-sectional dependence and ensuring that the main findings remain unchanged.

[Table 3, here]

Given that in our panel dataset the number of parties is equal to 34 while number of year is equal to 40, we re-estimate the main specification using Driscoll and Kraay estimator (see Driscoll and Kraay, 1998), which is robust to general forms of cross-sectional and temporal dependence (Hoechle, 2007).[28] Additionally, we estimate the baseline model with Panel Correct Standard Errors (PCSE) as well, which is a parametric method to correct contemporaneous cross-sectional dependence[29]. The estimated results are presented in Table 3, where the first four columns represent the Driscoll-Kraay estimates while the last four columns represent the PCSE estimates. Although the regressions include all the control variables, we present only these that are of interest. As we can see the empirical findings remain qualitatively identical to those depicted in Table 1, as all the variables appear similar coefficients, sign and statistical significance.

4.2.2 Alternative Controls and Jackknife estimations

The next robustness check is the use of alternative control variables such as unemployment rate and GDP per capita. In Table 4, columns (1) - (3) displays the baseline regression with the log of GDP per capita instead of both growth rate and relative income, while columns (4) - (6) show the same regression with unemployment rate instead of inflation rate. We also include an interaction term between unemployment and left-wing parties, as we do for inflation rate, because left-wing parties might respond to unemployment differently from right-wing parties (Hibbs, 1987). Note that we do not include unemployment and inflation rate in the same regression because they are correlated to each other according to Phillips Curve, as well as growth rate is related to unemployment rate via Okun's law. Results remain unaltered in every column in Table 4.

[Table 4, here]

[28] Estimated results are based on four-lag correction for autocorrelation including two-way fixed effects, however, results are robust to decrease the lag structure to three, two or one lags; estimates of other lag structures are available upon request.

[29] Both methods are robust to heteroscedasticity and autocorrelation. According to contemporaneous cross-sectional dependence the cross-sectional correlations are the same for every pair of cross-sectional units.

In Table 5 we replicate the fixed effects estimates of the baseline model, performing a Jackknife type analysis, by excluding one party each time. Columns (1) and (3) display the min and max value (respectively) of the coefficients of the main independent variable according to Jackknife estimates. Columns (2) and (4) present the political party that has the corresponding min and max value, while column (5) presents the estimated coefficient of our baseline model (see Table 1). As can be seen the estimated coefficients of total, economic, social and political globalization in Table 1 belong in the interval between their max and min value and the Jackknife exercise suggest that no single party drive the main results.

[Table 5, here]

4.2.3 Instrumental Variable (IV) Strategy

Most of the studies that examine the responsiveness of party's position do not perform an instrumental variable (IV) analysis supposing that the reverse causality issue cannot exist since they do not use implemented policies as regressors. Nevertheless, we consider important to deal with issue of omitted variable bias as well as reverse causality, i.e. the fact that globalization is affected by parties' positions. We do this through a 2SLS identification strategy, instrumenting for all types of globalization that are found to have a strong effect on parties' positions (i.e. total, economic, social and political globalization) and their interaction terms.

The challenge in our case is to find a valid instrument which is adequately correlated with all globalization indices and remain uncorrelated with parties' positions and the disturbances. It considers as challenge because KOF indices of globalization are components of a variety of variables, and that necessitates the use of an instrument that affects globalization but is not included in any of the indices of globalization. Given all the above, we use as an instrument the human capital index which is highly correlated with all indices of globalization (total, economic, social and political) with a correlation coefficient equal to 0.7 and zero correlated with parties' ideological positions.[30]

The motivation for choosing this instrument rests on studies that have found a positive relationship between globalization and human capital (e.g. Hickman and Olney, 2011). Countries with higher human capital tend to be more globalized either economically, socially or politically. Therefore, we expect a positive and statistically significant coefficient of human capital index in

[30] Human capital index (HCI) is based on years of schooling and comes from Penn World Table (8.0).

the first stage. Lastly, we use the lagged value of the instrumented variable as an additional instrument to increase the first stage fit.

[Table 6, here]

Table 6 presents the IV fixed effects regression with robust standard errors and year dummies. Panel A represents the second stage estimates, instrumenting globalization (total, economic, social and political) with human capital index *(HCI)* and one lag of globalization *(Globalization_t-1)*, as well as instrumenting the interaction term of globalization with the interaction term of human capital with dummy left *(HCIxleft)* and the interaction term of one lag of globalization with dummy left *(Globalization_t-1xleft)*. Although we include all the control variables of the baseline specification in IV model, we present only the independent variables of interest. Panel B represents the first stage estimates where instruments are regressed on instrumental variables. As we use interactions for globalization, we instrument both *globalization* and *globalizationxleft*. As we can see, the excluded instruments *F* statistic exceeds 10 at almost every regression,[31] indicating that the instruments are sufficiently strong (Staiger and Stocks, 1997).

Our theoretical priors are confirmed as the human capital index in the first stage has a positive and statistically significant coefficient, denoting that has a positive impact on globalization. In the second stage (Panel A) the coefficients of total, economic and social globalization, as well as their interaction terms with dummy left, remain the same in terms of both statistical significant and sign, as in our prior estimates. In addition, the coefficient of *Foreign_party_position* still has the same sign and statistical significant with this in Table 1 in all the regressions.

Regarding the validity of our instruments, in all regressions the Cragg-Donald F-statistic (*Cragg-Donald_F_stat.*) is above the critical values produced by Stock-Yogo, which implies the rejection of null hypothesis of weak identified model. In addition, the statistical significance of Kleibergen-Paap statistic (*K-P_rk_Lm_stat*) at the 1% level implies the rejection of underidentification assumption; therefore, the model is not underidentified. Finally, the whole results indicate that the main findings in Table 1 are strong and valid under many specifications and robustness tests.

[31] The F statistic (see estimate in Panel A) does not exceed 10 only in column (4) where political globalization is instrumented with human capital index.

5. Discussion and Conclusions

Since the mid-20th century, globalization has significantly increased especially in European countries, affecting the economic, social and political conditions in many levels. As the pace of globalization is quite intense, it is important to determine the effect of the multifaceted nature of globalization on political parties that seek to participate in the government. This paper explores the relationship between different dimensions of globalization – economic, social and political – and the ideological positions that parties strategically select in their electoral programs. We do so through a panel dataset of 17 Western European countries over the period 1970-2010 using fixed-effects estimates and robust clustered standard errors.

Considering the ideological principles of political parties and their target groups of voters the analysis accounts for potential differences in responsiveness to globalization among left- and right-wing parties. Three main findings derive from the empirical analysis. First, parties are found to respond differently to globalization depending on their ideological bloc, causing a party system convergence towards left. Specifically, Centre-right parties adopt more left positions in an increase globalization, whereas left-wing parties do not alter their position or move rightward. Second, all dimensions of globalization – economic, social and political – are found to be influential for parties' ideological positions.

Third, the empirical analysis gives support to another argument that benefits us to better understand the role of competition for parties. According to this, political parties respond to the average trend of foreign parties' positions of the same ideological bloc but they do not emulate them. The same result appears even when we account for the average of foreign incumbent parties which seem to be less influential. Thus, the findings indicate that parties do not consider the average of parties' positions in the rest of Europe as a successful strategic choice.

Although the main empirical model is based on an annual panel dataset we have also re-estimate the main specification including only election years verifying that the findings remain the same. We also test the robustness of fixed effects estimates carrying out additional econometric analysis. First, we ensure that the estimated results are not problematic to the existence of cross-sectional dependence which is likely to appear in panel datasets. Second, we test if the results remain the same under the use of alternative control variables. Next, we control if the estimates come from a single party by performing a Jackknife technique which excludes one party each time. Finally, we carry out an instrumental variable analysis dealing with the issue of omitted variable bias and reverse causality.

The analysis in total seems to be in contrast with the view held in the literature that globalization leads parties to more right positions (Rodrik, 1997; Garrett, 2001) and studies that find evidence about a convergence to the right (Ward et al., 2011) or no convergence (Haupt, 2010). Globalization of all aspects seems to lead parties to more left positions protecting the lower middle class that increasingly feel vulnerable to globalization. This evidence could help policy discussion about parties' responses to environment incentives such as domestic economic, social and political conditions.

The results taken all together suggest that parties choose their position influenced by all aspects of globalization. Thus, globalization is worth considering as multifaceted phenomenon since all dimensions (economic, social and political) are found to strongly affect party's positioning choice and hence have implications for party competition. Finally, there are several interesting questions to explore in future research, such as what are the implications for smaller parties in these systems. Based in this research and empirical analysis future studies can identify if the influence of globalization is equally strong for niche parties as well.

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Table 1 Party's position in response to globalization: Basic findings

	D.V: Party's Ideological Position							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total_globalization	-0.752**	-1.104***						
	(-2.500)	(-3.461)						
Total_global.xleft	0.574**	1.341***						
	(2.588)	(4.841)						
Econ._globalization			-0.647**	-0.869***				
			(-2.333)	(-3.253)				
Econ_global.xleft			0.525**	0.884***				
			(2.439)	(4.015)				
Social_globalization					-0.363**	-0.555***		
					(-2.114)	(-3.274)		
Social_global.xleft					0.476***	0.956***		
					(2.736)	(4.457)		
Politic_globalization							-0.316	-0.317**
							(-1.461)	(-2.103)
Political_global.xleft							0.308	0.421**
							(1.363)	(2.288)
Foreign_party_position		-2.317***		-1.944***		-2.091***		-1.617***
		(-5.454)		(-4.508)		(-5.622)		(-3.887)
Growth_rate		0.092		0.091		0.143		0.134
		(0.361)		(0.383)		(0.550)		(0.540)
Relative_income		-6.623		-8.461		-2.861		-3.886
		(-1.185)		(-1.273)		(-0.769)		(-0.729)
Inflation		0.481***		0.822**		0.566**		1.162***
		(2.814)		(2.673)		(2.534)		(3.665)
Inflation.xleft		-0.380		-0.881*		-0.383		-1.456***
		(-0.956)		(-1.962)		(-0.851)		(-3.209)
Dependency		-6.182		-3.861		0.969		-4.615
		(-0.284)		(-0.177)		(0.041)		(-0.162)
Eff_No._parties		0.844		0.778		1.102		0.866
		(1.012)		(0.936)		(1.279)		(0.939)
N	34	34	34	34	34	34	34	34
Observations	1288	1247	1288	1247	1288	1247	1288	1247
R-squared	0.14	0.25	0.13	0.23	0.13	0.24	0.10	0.19

Notes: All regressions include two-way fixed effects and are estimated with robust clustered standard errors. *t*-statistics in parentheses. *,**,*** denote statistical significance at 10%, 5%, 1%.

Table 2 Party's position in response to globalization, inclusion of lagged dependent variable

	D.V: Party's Ideological Position			
	(1)	(2)	(3)	(4)
Previous_position	-0.023 (-0.270)	-0.014 (-0.163)	-0.018 (-0.193)	0.031 (0.343)
Total_globalization	-1.182*** (-3.209)			
Total_global.xleft	1.470*** (4.597)			
Econ._globalization		-0.905*** (-3.239)		
Econ_global.xleft		0.914*** (3.645)		
Social_globalization			-0.609*** (-2.871)	
Social_global.xleft			1.056*** (4.061)	
Politic_globalization				-0.313* (-1.825)
Political_global xleft				0.399* (1.935)
Foreign_party_position	-2.410*** (-4.549)	-1.929*** (-3.644)	-2.140*** (-4.561)	-1.536*** (-3.050)
Growth_rate	-0.030 (-0.116)	-0.047 (-0.201)	0.025 (0.099)	-0.008 (-0.031)
Relative_income	-5.019 (-0.832)	-7.167 (-0.994)	-1.287 (-0.313)	-2.509 (-0.456)
Inflation	0.436** (2.081)	0.825** (2.257)	0.508* (1.919)	1.121*** (3.270)
Inflation.xleft	-0.382 (-0.879)	-0.943* (-1.866)	-0.356 (-0.691)	-1.469*** (-2.918)
Dependency	-1.987 (-0.089)	-1.295 (-0.057)	3.985 (0.167)	-3.659 (-0.135)
Eff_No._parties	0.853 (1.002)	0.729 (0.844)	1.060 (1.186)	0.700 (0.764)
N	34	34	34	34
Observations	1174	1174	1174	1174
R-squared	0.24	0.21	0.23	0.18

Notes: All regressions include two-way fixed effects and are estimated with robust clustered standard errors. t-statistics in parentheses. *, **,*** denote statistical significance at 10%, 5%, 1%.

Table 3 Correcting cross-sectional dependence

	D.V: Party's Ideological Position							
	Driscoll-Kraay estimates				Panel Correct Standard Errors (PCSE)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total_globalization	-1.104*** (-5.321)				-0.604*** (-3.239)			
Total_global.xleft	1.341*** (6.360)				0.780*** (4.560)			
Econ._globalization		-0.869*** (-4.940)				-0.742*** (-4.350)		
Econ_global.xleft		0.884*** (5.857)				0.647*** (3.883)		
Social_globalization			-0.555*** (-4.369)				-0.277*** (-2.619)	
Social_global.xleft			0.956*** (5.843)				0.582*** (4.988)	
Politic_globalization				-0.317*** (-2.823)				-0.206** (-1.974)
Political_global xleft				0.421*** (3.283)				0.35*** (2.658)
Foreign_party_posit.	-2.317*** (-8.681)	-1.944*** (-6.892)	-2.091*** (-7.893)	-1.617*** (-5.255)	-0.794*** (-4.373)	-0.658*** (-3.722)	-0.721*** (-4.085)	-0.580*** (-3.298)
N	34	34	34	34	34	34	34	34
Observations	1247	1247	1247	1247	1247	1247	1247	1247
R-squared	0.25	0.23	0.24	0.19	0.37	0.36	0.38	0.34

Notes: Regressions in the first four columns are estimated with Driscoll and Kraay standard errors, including two-way fixed effects and are based on four lags; nevertheless, the results are robust to decrease the lag structure to three, two or one lags. Regressions in the last four columns are estimated with panel correct standard errors (PCSE) including year and party dummies.

t - statistics in parentheses. *,**,*** denote statistical significance at 10%, 5%, 1%.

Table 4 Alternative independent variables

	D.V: Party's Ideological Position							
	Inflation and GDP per capita				Unemployment and GDP per capita			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total_globalization	-1.05***				-1.11***			
	(-3.563)				(-3.361)			
Total_global.xleft	1.34***				1.42***			
	(4.866)				(5.200)			
Econ_globalization		-0.81***				-0.96***		
		(-3.374)				(-3.581)		
Econ_global.xleft		0.88***				1.01***		
		(4.059)				(4.661)		
Social_globalization			-0.55***				-0.56***	
			(-3.320)				(-3.095)	
Social_global.xleft			0.95***				0.99***	
			(4.506)				(4.939)	
Politic_globalization				-0.32**				-0.44**
				(-2.106)				(-2.118)
Political_global xleft				0.42**				0.64**
				(2.265)				(2.266)
Foreign_party_posit.	-2.31***	-1.94***	-2.09***	-1.61***	-2.27***	-1.83***	-2.08***	-1.17**
	(-5.457)	(-4.524)	(-5.644)	(-3.896)	(-5.254)	(-3.995)	(-5.580)	(-2.623)
ln_GDP_per_capita	-12.20	-13.94	-9.17	-11.08	-17.77	-24.45*	-18.12	-20.50
	(-1.392)	(-1.345)	(-1.151)	(-1.034)	(-1.421)	(-1.713)	(-1.434)	(-1.223)
Inflation	0.43**	0.75**	0.54**	1.12***				
	(2.497)	(2.338)	(2.366)	(3.524)				
Inflation.xleft	-0.38	-0.88*	-0.38	-1.45***				
	(-0.964)	(-1.992)	(-0.855)	(-3.211)				
Unemployment					-0.06	-0.17	-0.23	-0.76
					(-0.157)	(-0.365)	(-0.495)	(-1.252)
Unemp.xleft					0.17	0.39	0.19	1.21
					(0.249)	(0.578)	(0.259)	(1.490)
N	34	34	34	34	34	34	34	34
Observations	1247	1247	1247	1247	1127	1127	1127	1127
R-squared	0.25	0.23	0.24	0.19	0.24	0.23	0.23	0.18

Notes: All regressions include two-way fixed effects and are estimated with robust clustered standard errors. *t* - statistics in parentheses. *,**,*** denote statistical significance at 10%, 5%, 1%.

Table 5 Jackknife Estimates

Regression with total globalization

	Min_coef.	Party	Max_coef.	Party	Estimated_coef.
	(1)	(2)	(3)	(4)	(5)
Total_globalization	-1.264***	Centre-right (Portugal)	-0.919***	Centre-right (Finland)	-1.104***
Total_global.xleft	1.160***	Centre-right (Finland)	1.450***	Centre-left (Austria)	1.341***
Foreign_parties	-2.421***	Centre-left (Luxembourg)	-2.011***	Centre-left (Finland)	-2.317***

Regression with economic globalization

	Min_coef.	Party	Max_coef.	Party	Estimated_coef.
	(1)	(2)	(3)	(4)	(5)
Econ_globalization	-0.948***	Centre-right (Greece)	-0.615***	Centre-right (Finland)	-0.869***
Econ_global.xleft	0.669***	Centre-right (Finland)	0.962***	Centre-left (Austria)	0.884***
Foreign_parties	-2.107***	Centre-left (Luxembourg)	-2.166***	Centre-right (Finland)	-1.944***

Regression with social globalization

	Min_coef.	Party	Max_coef.	Party	Estimated_coef.
	(1)	(2)	(3)	(4)	(5)
Social_globalization	-0.641***	Centre-right (Portugal)	-0.484***	Centre-right (Finland)	-0.555***
Social_global.xleft	0.846***	Centre-right (Finland)	1.039***	Centre-right (Belgium)	0.956***
Foreign_parties	-2.173***	Centre-left (Ireland)	-1.821***	Centre-left (Finland)	-2.091***

Regression with political globalization

	Min_coef.	Party	Max_coef.	Party	Estimated_coef.
	(1)	(2)	(3)	(4)	(5)
Politic_globalization	-0.458***	Centre-right (German)	-0.239	Centre-right (Greece)	-0.317
Politic_global.xleft	0.332	Centre-left (Finland)	0.552***	Centre-right (German)	0.421***
Foreign_parties	-1.739***	Centre-right (Luxembourg)	-2.166***	Centre-left (Finland)	-1.617***

Notes: Columns (1) and (3) present the min and max value (respectively) of coefficients of the independent variables according to Jackknife estimates. Columns (2) and (4) present the political party that has the corresponding value and Column (5) presents the estimated coefficients of our baseline model (see Table1) in order to verify that they belong in the interval between their min and max value. All regressions include two-way fixed effects and are estimated with robust clustered standard errors.

*,**,*** denote statistical significance at 10%, 5%, 1%

Table 6 Instrumental Variable Estimates

Panel A: Second-stage estimates with fixed effects and robust standard errors

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total_globalization	-1.481***				-1.259***			
	(-2.978)				(-7.733)			
Total_globalxleft	1.618***				1.435***			
	(8.141)				(9.009)			
Econ_globalization		-1.302***				-0.887***		
		(-2.990)				(-7.074)		
Econ_globalxleft		1.474***				0.886***		
		(7.949)				(7.182)		
Social_globalization			-1.286***				-0.670***	
			(-2.624)				(-6.332)	
Social_globalxleft			1.202***				1.035***	
			(7.801)				(9.180)	
Politic_globalization				-2.993**				-0.469***
				(-2.525)				(-3.591)
Pol_globalxleft				4.406***				0.579***
				(5.820)				(3.451)
Foreign_party_pos.	-2.496***	-2.397***	-2.378***	-3.577***	-2.375***	-1.991***	-2.236***	-1.693***
	(-9.424)	(-9.094)	(-9.114)	(-7.579)	(-9.791)	(-8.548)	(-9.615)	(-6.957)
Observations	1207	1207	1207	1207	1207	1207	1207	1207
F-stat_excl_instr[a]	48.44	37.46	17.49	4.17	557.41	3320	249.13	217.10
F-stat_excl_instr[b]	278.29	175.27	233.59	15.88	1567	3598	757.59	134.71
Cragg-Donald F-stat	38.06***	27.13***	12.77***	6.20*	1167***	2971***	776.7***	793.8***
K-P_rk_Lm-statistic	90.98***	65.84***	31.79***	8.79***	372.9***	413.1***	290.8***	214***

Panel B: First-stage estimates

	(1a) Total.glob	(2a) Econ.glob	(3a) Soc.glob	(4a) Pol.glob	(5a) Total.glob	(6a) Econ.glob	(7a) Soc.glob	(8a) Pol.glob
HCI	7.590***	8.825***	7.643***	5.794***	0.269	0.456	0.525	0.165
	(8.037)	(6.811)	(4.927)	(2.723)	(0.441)	(0.701)	(0.566)	(0.162)
HCIxleft	-0.781	-0.248	-0.944	-1.286	0.152	-0.018	-0.304	0.003
	(-0.754)	(-0.160)	(-0.557)	(-0.634)	(0.179)	(-0.023)	(-0.258)	(0.002)
Global_t-1					0.889***	0.945***	0.840***	0.846***
					(35.535)	(72.944)	(24.122)	(20.738)
Global_t-1xleft					-0.006	0.003	0.005	0.003
					(-0.219)	(0.204)	(0.116)	(0.052)

	(1b) Totalxleft	(2b) Econxleft	(3b) Socxleft	(4b) Polxleft	(5b) Totalxleft	(6b) Econxleft	(7b) Socxleft	(8b) Polxleft
HCI	-8.020***	-8.629***	-11.969***	-1.560	-0.108	0.573**	-0.802**	-0.366
	(-10.731)	(-9.720)	(-10.867)	(-1.538)	(-0.445)	(2.170)	(-2.026)	(-0.790)
HCIxleft	22.231***	25.629***	30.691***	7.774***	0.756	-0.439	2.148***	0.829
	(23.418)	(18.718)	(21.350)	(5.301)	(1.115)	(-0.746)	(2.598)	(0.990)
Global_t-1					-0.016	-0.003	-0.021***	0.007
					(-1.577)	(-0.377)	(-2.630)	(0.554)
Global_t-1xleft					0.916***	0.953***	0.891***	0.835***
					(41.240)	(78.562)	(30.628)	(18.579)

Notes: Panel A represents 2SLS estimates. *Cragg-Donald_F_stat*. is the Cragg-Donald weak identification test with the null hypothesis of weak identified model. *K-P_rk_Lm_stat* is the Kleibergen-Paap underidentification test with the null hypothesis of underidentified model. Panel B represents the first stage estimates and the excluded instruments *F* statistic. Every 2SLS estimate has two regressions on the first stage as we instrument both *globalization* and *globalizationxleft*, which reflect to columns (1a)-(6a) and (1b)-(6b), respectively. *Globalization_t-1* and *Globalization_t-1xleft* represent the type of globalization indicated in each column.

t - statistics in parentheses. *,**,*** denote statistical significance at 10%, 5%, 1%.

APPENDIX

Table A1 Parties included in the empirical analysis

Country	Left-wing Party	Right-wing Party
Austria	Social Democratic Party	People's Party
Belgium	Francophone Socialist Party	Christian People's Party
Denmark	Social Democratic Party	Christian People's Party
Finland	Social Democrats	Christian Union
France	Socialist Party	Union for French Democracy
Germany	Social Democratic Party	Christian Democrats
Great Britain	Labor Party	Conservative Party
Greece	Panhellenic Socialist Movement	New Democracy
Ireland	Labor Party	Family of Irish
Italy	Socialist Party	Christian Democrats
Luxembourg	Socialist Workers' Party	Christian Social People's Party
Netherlands	Labor Party	Christian Democratic Appeal
Norway	Labor Party	Christian People’s Party
Portugal	Socialist Party	Centre Social Democrats
Spain	Socialist Workers' Party	People’s Party
Sweden	Social Democratic Labor Party	Christian Democratic Community
Switzerland	Social Democratic Party	Christian Democrats

Note: Designations are taken from the Manifesto Project

Table A2 Descriptive Statistics

Variable	Mean	St. Dev.	Min	Max	Source
Party's position	-6.94	19.65	-58.11	78.85	Manifesto Project
Centre-Left parties	-18.74	14.90	-58.11	43.24	Manifesto Project
Centre-Right parties	5.53	16.04	-24.37	78.85	Manifesto Project
Total globalization	75.27	11.19	49.02	92.72	Dreher et al. (2006a)
Economic globalization	73.45	14.22	42.85	98.88	Dreher et al. (2006a)
Social globalization	69.99	14.35	36.73	91.25	Dreher et al. (2006a)
Political globalization	85.30	12.92	45.9	98.43	Dreher et al. (2006a)
Foreign parties' positions	-6.41	12.15	-32.61	12.47	Constructed
Growth rate	2.18	2.63	-8.71	13.62	World Bank
Relative income	1	0.44	0.25	2.82	Constructed
Dependency ratio	0.52	0.05	0.43	0.73	World Bank
Inflation rate	5.85	5.46	-5.2	27.21	World Bank
Effective No. parties	4.55	1.6	2.27	10.29	Armingeon et al. (2015)
GDP per capita	30548	13435	7487	86127	World Bank
Unemployment rate	6.09	3.74	0	20.06	OECD Economic Outlook (2013)

Table A3 Basic findings using the average of foreign incumbent parties

	D.V: Party's Ideological Position			
	(1)	(2)	(3)	(4)
Total_globalization	-0.978*** (-2.979)			
Total_global.xleft	1.013*** (3.886)			
Econ._globalization		-0.868*** (-2.991)		
Econ_global.xleft		0.786*** (3.444)		
Social_globalization			-0.430** (-2.583)	
Social_global.xleft			0.737*** (3.492)	
Politic_globalization				-0.271* (-1.874)
Political_global xleft				0.325** (2.177)
Foreign_incum_parties	-1.707*** (-5.985)	-1.655*** (-5.523)	-1.564*** (-5.958)	-1.402*** (-4.989)
Growth_rate	0.061 (0.254)	0.059 (0.256)	0.117 (0.470)	0.110 (0.466)
Relative_income	-6.566 (-1.251)	-8.669 (-1.512)	-2.352 (-0.643)	-3.427 (-0.702)
Inflation	0.469** (2.219)	0.735** (2.325)	0.573** (2.319)	1.087*** (3.323)
Inflation.xleft	-0.307 (-0.727)	-0.670 (-1.505)	-0.316 (-0.691)	-1.268*** (-2.950)
Dependency	-6.519 (-0.287)	-3.559 (-0.169)	0.257 (0.011)	-5.102 (-0.180)
Eff_No._parties	0.947 (1.098)	0.858 (1.046)	1.196 (1.365)	0.962 (1.067)
N	34	34	34	34
Observations	1247	1247	1247	1247
R-squared	0.24	0.24	0.23	0.20

Notes: All regressions include two-way fixed effects and are estimated with robust clustered standard errors. t-statistics in parentheses. *, **, *** denote statistical significance at 10%, 5%, 1%.

Table A4 Basic findings including only election years

	D.V: Party's Ideological Position			
	(1)	(2)	(3)	(4)
Total_globalization	-1.065**			
	(-2.598)			
Total_global.xleft	0.924**			
	(2.584)			
Econ._globalization		-0.668**		
		(-2.327)		
Econ_global.xleft		0.623**		
		(2.473)		
Social_globalization			-0.533**	
			(-2.189)	
Social_global.xleft			0.669**	
			(2.275)	
Politic_globalization				-0.289
				(-1.257)
Political_global xleft				0.283
				(1.169)
Foreign_party_position	-1.301***	-1.070**	-1.090***	-0.784**
	(-3.044)	(-2.594)	(-2.951)	(-2.152)
Growth_rate	-0.094	-0.109	-0.002	-0.070
	(-0.181)	(-0.211)	(-0.004)	(-0.133)
Relative_income	-18.224***	-15.665**	-13.096**	-13.521**
	(-3.002)	(-2.320)	(-2.676)	(-2.481)
Inflation	0.980***	1.336***	1.054**	1.582***
	(2.736)	(3.393)	(2.697)	(4.170)
Inflation.xleft	-0.383	-0.759*	-0.338	-1.124***
	(-0.943)	(-1.741)	(-0.733)	(-3.027)
Dependency	-56.753**	-51.049*	-49.253*	-56.917*
	(-2.212)	(-1.977)	(-1.860)	(-1.779)
Eff_No._parties	0.628	0.331	0.780	0.384
	(0.562)	(0.307)	(0.668)	(0.366)
N	34	34	34	34
Observations	351	351	351	351
R-squared	0.30	0.29	0.30	0.27

Notes: All regressions include two-way fixed effects and are estimated with robust clustered standard errors. t-statistics in parentheses. *, **, *** denote statistical significance at 10%, 5%, 1%.