Varieties of Democracy and Preferences for Economic Integration*

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Abstract

This paper develops and empirically tests a theory that explains the growing opposition to globalization by examining how democratic institutions mediate the redistribution of trade gains. Combining a factor proportions model of trade with a political economy model in which political power may be unevenly distributed, I model voters' decisions between a pro-trade and a protectionist party based on each party's expected tax policies, which determine voters' post-tax income. In this model, the winning party sets the tax rate, with the extent of redistribution determined by the strength of democratic institutions. Trade integration lowers the pre-tax income of trade losers, but it can raise their post-tax income if aggregate gains are redistributed effectively. The model predicts that in countries with strong democratic institutions, trade integration with lower-skilled trading partners reduces support for protectionism as redistribution mitigates the impact on trade losers. Conversely, in weaker democracies, inadequate redistribution results in increased support for protectionism. To test this prediction, I construct a panel dataset of 66 democracies from 1950 to 2020, incorporating variables of trade integration, voting patterns, and democracy levels. By using advancements in air transportation relative to sea routes as an instrument for trade integration, I confirm that trade shocks increase protectionist voting in weak democracies, while decreasing it in strong democracies.

JEL Classification: D7, D72, F5, F13, P16

Keywords: Trade Integration, Democracy, Protectionist Voting

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1 Introduction

Although globalization is often linked to economic prosperity, opposition to it has surged in democratic countries. Standard trade theories predict that trade integration heightens income inequality, which can fuel resistance to globalization based on individual skill levels (Rogowski, 1987) or shifts in social identity (Grossman and Helpman, 2018; Gennaioli and Tabellini, 2019). Yet, trade integration is also predicted to boost aggregate income,[1] thereby expanding the tax base and raising the potential for income redistribution. In this context, political conflict may arise, with trade winners resisting higher redistribution to protect the gains and trade losers advocating for more redistribution. Survey evidence confirms that trade losers are more likely to oppose trade integration if they perceive income redistribution as insufficient (Stantcheva, 2022).

In democracies, income redistribution is shaped by the balance of power within democratic institutions (Acemoglu and Robinson, 2006). Therefore, it is crucial to understand the specific economic mechanisms determined by the interaction of democratic institutions and trade integration. These issues are especially relevant today, as globalization seems to be retreating, and support for isolationist and protectionist parties is rising across democracies.[2]

In this paper, I develop a theory predicting that the impact of trade integration on protectionist voting is moderated by the strength of income redistribution under specific democratic institutions (see figure 1.1 for an intuition). To test this prediction empirically, I use a panel dataset of 66 democracies from 1950 to 2020, analyzing data on vote shares, democracy scores, and trade integration with high- and low-skilled trade partners.

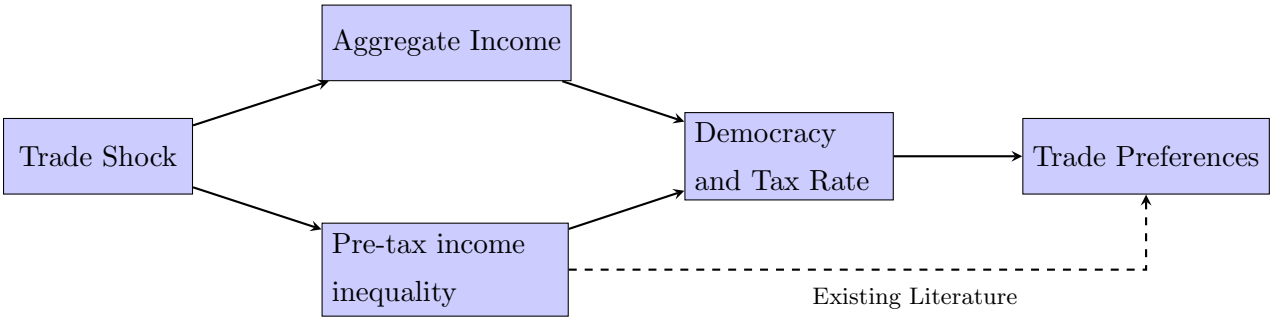

Figure 1.1: How democracy mediates trade shock effects

In the theoretical framework, I model pre-tax winners and losers using the Heckscher-Ohlin model with two factors of production and two goods in a small country. High-skilled workers are

[1] For empirical evidence, see Frankel and Romer (1999), Pascali (2017), and Feyrer (2019).

[2] Recent events like the US-China trade war and Brexit reflect a growing backlash against globalization. This opposition highlights a broader trend, including a decline in favorable views of globalization in the US between 2002 and 2014 (Pavcnik, 2017), rising support for isolationist and protectionist parties in both the EU and US (Colantone et al., 2022), and the rise of populism (Guriev and Papaioannou, 2020).

the economic elite,[3] and benefit from trade integration, while the less-skilled majority loses, despite an increase in aggregate income. Redistribution is modeled by adapting Acemoglu and Robinson (2006)'s two-groups model of redistribution, where the government taxes income and redistributes it via lump-sum transfers. I show that trade integration remains Pareto-efficient under the losers' preferred tax policy.[4]

I then model political competition as a game where the two ideological parties,[5] the Protectionist and Pro-trade, select the trade regime of autarky and free trade, respectively. Second, workers vote based on their preferred regime. Third, the winning party sets the tax rate. The tax rate is determined by maximizing a weighted sum of post-tax incomes of high and low skilled workers, where the weight reflects the political power of the winners within the given democratic institutions.[6] The equilibrium tax rate depends on the trade regime and the country's democracy level. Voters choose a party based on the post-tax incomes they expect under each party, considering democracy levels and their idiosyncratic preferences.

These assumptions allow us to derive the protectionist party's vote share as the probability that the difference in post-tax income between autarky and free trade compensates for individuals' idiosyncratic preferences. I analyze the effect of a trade shock,[7] which reduces losers' pre-tax income but expands the tax base, increasing the lump-sum transfer they receive. If the tax rate is sufficiently redistributive, losers will support the Pro-trade party. The degree of redistribution depends on the balance of power within the democratic institutions at the time of the shock. There exists a threshold level of democracy below which the benefits from protection (on pre-tax income) outweigh the benefits of redistribution (on post-tax income), leading to increased support for the protectionist party.

Finally, although democratic institutions are typically stable at the time of a trade shock, trade winners might attempt to manipulate them to secure their economic advantages. However, I show that under certain conditions, winners may refrain from further democratization if the gains from trade are insufficient to offset the increasing redistributive tax burden, leading to a preference for protectionism.

To empirically study if democracy mediates the impact of trade integration on support for

[3] Rogowski (1987, Chapter 1) suggests that trade winners can expand their political influence due to increased wealth, albeit in a different context.

[4] Gains from trade with redistribution are well-documented: Dixit and Norman (1980) and Dixit and Norman (1986) discuss Pareto improvements, while Antràs et al. (2017) examines costly redistribution.

[5] By ideological or partisan parties, I mean those that not only aim to win elections but also have distinct policy preferences (Calvert, 1985).

[6] In Acemoglu and Robinson (2006), democracy is represented by the weight given to the rich in this sum, reflecting their actual political power. It is a reduced-form micro-founded in models of lobbying, political contributions, partisan politics and ideological positions; see the appendix of Acemoglu and Robinson (2006) for a micro-foundation.

[7] As explained in Section 2, I model a trade shock as an increase in the stock of low-skilled labor of country 2.

globalization, I assemble a panel dataset of 66 democracies from 1950 to 2020. I measure trade integration exposure as changes in the trade-to-GDP ratio between consecutive elections. In line with the HO model, I assign a skill ratio to each trade partner (both origin and destination) and then aggregate bilateral trade flows to measure trade with, exports to, and imports from low- and high-skilled partners. These measures are based on a bilateral comparison of the relative skill ratios of the trading partners. Skill abundance is defined as the ratio of individuals with tertiary education to those without (Barro and Lee, 2013). Support for globalization is measured by the vote share of parties advocating for internal market protection in their manifestos, as recorded by the Manifesto Project Data Data (Volkens et al., 2020). Finally, I measure democracy using an indicator developed by Acemoglu et al. (2024), based on the Varieties of Democracy dataset. This indicator provides a comprehensive and high-quality measure of democracy by capturing the distribution of power across different groups (Acemoglu et al., 2024).

To identify the causal effect of changes in trade integration on political outcomes, I build on Feyrer (2019) by constructing an instrument that exploits the rising importance of air relative to sea transport since 1950. This instrumental variable strategy leverages geographic variation among country pairs that are differentially impacted by technological advances in air transportation, leading to a significant increase in the share of air freight (Hummels, 2007). To construct this instrument, I estimate a time-varying gravity equation (Anderson and Van Wincoop, 2003; Chaney, 2018) that allows the elasticity of trade with respect to sea and air distance between countries to change over time, while controlling for country-specific, time-invariant characteristics and shocks common to all countries. Using the estimated elasticities, I predict bilateral trade flows from 1950 to 2020 and aggregate these at the country level to obtain instruments for changes in trade with, exports to, and imports from low- and high-skilled partners.

Consistent with the theoretical model, my main finding reveals that the impact of changes in trade integration with low-skilled trade partners on the protectionist vote share is influenced by a country's democracy score: in "strong democracies", changes in trade with low-skilled partners tend to increase the protectionist vote share, while in "weak democracies", it decreases it. The magnitude of the result is substantial: when the democracy score improves by one standard deviation, a 10 percentage point increase in the change in the trade-to-GDP ratio with low-skilled partners[8] is associated with a 16.6 percentage point reduction in the protectionist party vote share. A one standard deviation in the democracy score is roughly equivalent to the difference in democracy levels between Hungary and Australia in 2010, or between Sweden and Latvia.

This effect is driven by changes in both exports to and imports from low-skilled trade partners. As predicted by the model, trade increases support for redistributive parties, particularly in "weak

[8]A one standard deviation increase in the trade-to-GDP ratio with low-skilled partners corresponds to an 8.8 percentage point change, so a 10 percentage point increase is slightly more than one standard deviation.

democracies" where these parties also advocate for trade protection[9]. In contrast, changes in trade with high-skilled partners show no significant effect, likely because the sample predominantly includes high-skilled countries.

The time-varying instrument addresses unobserved factors that vary across countries and over time, which could influence both changes in trade integration and protectionist party vote shares. Technological advances in air transportation, driven by geographic factors rather than protectionist policies, reduce concerns about reverse causation. However, three additional identification threats remain. First, changes in air versus sea distance could affect democracy scores. If trade winners alter democratic institutions to secure their gains, countries with larger increases in air distance compared to sea distance might experience greater declines in democracy scores and vote shares, potentially leading to an overestimation of the differential effects of trade shocks across countries with varying democratic scores. Second, countries with significant gains in air distance relative to sea distance may have been undergoing faster democratization. Third, both observable and unobservable country-level characteristics might influence vote shares and democracy scores during elections.

To address these concerns, I proceed as follows. First, I show that both reduced form estimates of democracy scores on predicted trade changes and 2SLS estimates on actual trade changes are not statistically significant, supporting the exclusion restriction.[10] I also use a 2SLS regression with lagged democracy scores to address potential endogeneity of current democracy. Second, I verify that democracy scores are not correlated with predicted trade integration with low- or high-skilled partners, ensuring that democratization waves do not coincide with air transportation improvements.[11]

I then assess the robustness and mechanisms of the results. First, the center of gravity (COG)—a weighted sum of vote shares by ideological score—shows similar patterns to vote shares, supporting the consistency of the findings.[12] Second, these findings are confirmed at the electoral constituency level within 14 EU countries.[13] Finally, I explore whether the rise in protectionist party vote share is due to new parties emerging or existing parties altering their platforms, finding that changes

[9]Contrary to previous empirical work discussed in Colantone et al. (2022), which found no support for the left, my analysis reveals significant effects by accounting for differences in democracy levels.

[10]Magistretti and Tabellini (2022) show that countries exposed to trade with democratic nations tend to democratize. Although I do not distinguish between trade with autocracies and democracies, my sample shows that trade with low- and high-skilled partners does not affect democracy scores.

[11]This finding aligns with Magistretti and Tabellini (2022), which also reports no significant correlation between predicted trade with democracies or autocracies and a country's democracy score.

[12]While vote share measures support for protectionist parties, the center of gravity (COG) captures shifts in the overall ideological center. COG results show weaker effects, which aligns with literature suggesting that trade shocks can increase polarization and prompt protectionist parties to adopt more free-market positions (e.g., Autor et al., 2020).

[13]Trade exposure is measured using import exposure to China at the district level and democracy at the country level, with instrumented flows from China to the EU based on US flows (Autor et al., 2013; Colantone and Stanig, 2018). As in the cross-country analysis, the protectionist left behaves as the model predicts.

in trade integration with low-skilled partners lead to platform shifts, while import exposure also results in the rise of new parties.

Related Literature This paper contributes to the theoretical literature on trade policy by introducing a novel perspective on how income redistribution shapes trade policy preferences, with democracy playing a key mediating role. This perspective complements traditional trade and politics theories (Rogowski, 1987) not only by examining pre-tax economic impacts but also on how democratic institutions influence policy responses post-tax. Additionally, while recent literature has examined the effects of rising educational attainment (Giordani and Mariani, 2022) and social identity (Gennaioli and Tabellini, 2019; Grossman and Helpman, 2018) on trade preferences, this paper offers an economic explanation and empirically validates how democratic institutions mediate these preferences.[14]

This paper also contributes to the empirical literature on trade and politics by examining how democracy mediates the effects of trade integration with high- and low-skilled partners on electoral outcomes. Previous studies have explored the direct effect of imports from China, a low-skilled partner, on electoral outcomes in the EU (Colantone and Stanig, 2018) and the US (Margalit, 2011; Feigenbaum and Hall, 2015; Autor et al., 2020). Several papers link the China shock to rising support for far-right parties in both regions (Dippel et al., 2015; Che et al., 2016). This paper further provides the first large-scale evidence on how the skill composition of trade flows shapes electoral outcomes across 66 democracies, complementing studies focusing on attitudes (Mayda and Rodrik, 2005; O'Rourke et al., 2001) or political preferences (Aksoy et al., 2024).[15]

Methodologically, this empirical investigation follows Feyrer (2019) in deriving a time-varying instrument for trade. Similarly, Pascali (2017) uses variations from the introduction of steam technology in shipping. Both studies, along with Frankel and Romer (1999), use time-varying instruments from gravity equations to estimate gains from trade. Magistretti and Tabellini (2022) adapt this approach to study institutional change, while Aksoy et al. (2024) examine its impact on political preferences. My empirical strategy is similar to the one in these works.

The rest of the paper is organized as follows. In the first part of the paper 2, I present the

[14]This paper contributes to the literature on trade and demand for redistribution, highlighting insecurity from international business cycles (Rodrik, 1998) and inequality predicted by the HO and Ricardo-Viner models (Cameron, 1978). Trade openness has been shown to increase government size and demand for economic assistance (Swank and Betz, 2003; Ventura, 2006). Consistent with Helpman (2011, Chapter 3), my model demonstrates that trade integration can be post-tax Pareto efficient. Although the Chinese shock literature finds no significant impact on the left (Colantone et al., 2022), I show that trade integration increases demand for redistribution, as reflected in the vote share of parties advocating for fair resource distribution.

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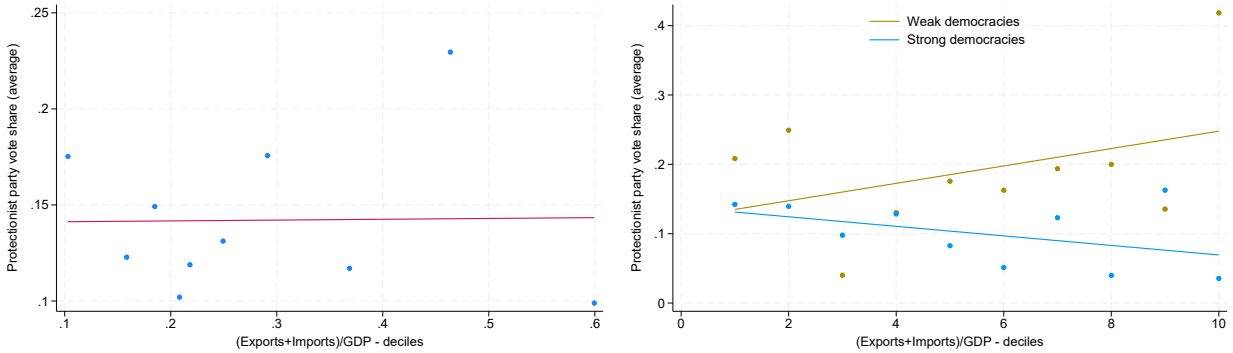
theoretical framework. Then, in the second part 3, I present the empirical investigation of the theoretical result.

2 Theory

Recent studies, as reviewed in the previous section, have highlighted how import shocks have increased polarization and opposition to globalization in exposed labor markets, strengthening the link between trade shocks and the demand for protectionist measures. However, panel (a) of Figure 2.1 shows that trade integration does not correlate with a higher or lower protectionist vote share across the 66 democracies in my sample. Interestingly, panel (b) reveals that the documented link between protectionism and trade integration appears only in countries with weaker democratic institutions. In countries with strong democratic institutions, the protectionist vote share correlates negatively with trade integration. This descriptive evidence raises the question of why trade preferences correlate so differently with trade openness depending on the strength of democratic institutions.



(a) All countries together **(b)** High and low capture

Figure 2.1: Note: The graph reports on the x-axis the deciles of $(exports + imports)/GDP$ (source: IMF), while on the y-axis the average protectionist party vote share by country and by trade decile. This vote share represents the cumulative share of votes for parties advocating internal market protection (source: Manifesto Project). In Panel (a), the vote share is averaged by country and by trade decile. In Panel (b), it is first averaged by country and then by trade decile, separated into strong and weak democracies. The Democracy score is a continuous indicator from the Varieties of Democracy dataset, with countries categorized into strong and weak democracies based on the median score.

In this section, I address this question by presenting a theory of trade preferences formation where the characteristics of democratic institutions play a central role. The model shows that when trade integration is post-tax Pareto efficient, the effect of trade-induced income inequality on protectionist voting is moderated by the strength of democracy and its influence over tax policy.

This section is organized as follows. In subsection 2.1, I use the Heckscher-Ohlin (HO) trade model to determine pre-tax winners and losers, as well as trade shocks. subsection 2.2 then introduces the political environment by adapting the two-groups model of redistribution from Acemoglu and Robinson (2006), where I derive agents' preferences regarding tax rates and discuss the impact

of trade on these preferences. subsection 2.3 presents two ideological parties with distinct trade regimes—one advocating autarky and the other free trade—and explains the timing of the political game and how each party sets its ideal tax policy under democratic institutions. In subsection 2.4, I define the voting rules and derive the vote shares of the Protectionist and Pro-trade parties. subsection 2.5 explores the existence and uniqueness of the equilibrium and examines how trade shocks and democracy affect vote shares. In subsection 2.6, I analyze how trade shocks may influence support for globalization, either enhancing or diminishing it depending on the level of democracy and its influence on the tax policy. Finally, in subsection 2.7, I consider the endogeneity of democracy, discuss its impact on the stability of results and the possibility of democratization.

2.1 Trade: winners and losers and a trade shock in HO

To model trade shocks, I use a Heckscher-Ohlin (HO) trade model with Cobb-Douglas technology and preferences. The model features two countries $c = \{1, 2\}$, two goods $i = \{x_c, y_c\}$, and two factors of production: low-skilled labor (L_1, L_2) and high-skilled labor (H_1, H_2). In each country, low-skilled workers are paid the wage w_c, and high-skilled workers receive r_c. I assume that country 1 is H-abundant relative to country 2, $\left(\frac{H_1}{L_1} > \frac{H_2}{L_2}\right)$, and that good x_1 is H-intensive relative to good y_1. While the analysis primarily focuses on country 1, the reverse is true for country 2. Additionally, I normalize the population of each country to 1, such that for country 1, $L_1 = 1 - H_1$. I also assume that low-skilled workers form the majority, i.e., $L_1 > \frac{1}{2}$, ensuring that, under majority voting, the median voter is a low-skilled worker. Given the Cobb-Douglas (CD) assumption and after normalizing the utility function,[16] I derive the Autarky (A) equilibrium real wages in country 1:

$$\frac{w^A}{P^A} = \frac{1}{(\theta^A)^\gamma} \quad \textit{and} \quad \frac{r^A}{P^A} = \left(\theta^A\right)^{1-\gamma} \tag{2.1}$$

Here, $\theta^A \equiv \frac{r^A/P^A}{w^A/P^A} = \frac{L_1}{H_1}\phi$ is the relative price, where $\phi \equiv \frac{\gamma}{1-\gamma}$, and $\gamma \equiv \frac{rH_1}{wL_1+rH_1} = \beta_x\alpha + \beta_y(1-\alpha)$ is the total cost-share of H_1 in country 1. Further, $\beta_x \equiv \frac{rH_{1x}}{wL_{1x}+rH_{1x}}$ and $\beta_y \equiv \frac{rH_{1y}}{wL_{1y}+rH_{1y}}$ are fixed parameters from the CD production function, representing respectively the cost share of H_1 in the production of good x_1, and the cost-share of H_1 in y_1. The parameter α, from CD preferences in consumption, represents the fixed expenditure share on good x_1. Finally, the price index is given by $P^A = \left(\theta^A\right)^{\alpha(\beta_x-\beta_y)}$. I assume that high-skill workers are the economic elite in autarky, i.e., $r^A > w^A$. This holds when $\theta^A > 1$, that is when the expenditure share on sector x_1 is sufficiently high, $\alpha > \frac{1/2-\beta_y}{\beta_x-\beta_y}$.[17]

[16] The utility function is normalized by $\frac{1}{\alpha^\alpha(1-\alpha)^{1-\alpha}}$, where α is the fixed expenditure share on good x from Cobb-Douglas preferences.

[17] From $\theta^A = \frac{L_1}{H_1}\phi$, $\theta^A > 1$ holds if $\alpha > \frac{1/2-\beta_y}{\beta_x-\beta_y}$, with $\frac{1/2-\beta_y}{\beta_x-\beta_y} < 1/2$ since $\beta_x > 1/2$ and $\beta_x > \beta_y$ in a relative H-abundant country. This requires the expenditure share on sector x_1 to be sufficiently high (although below 1/2), which I assume the case.

From Autarky to Free Trade. In the HO model, trade costs decrease from infinity in autarky (A) to zero in free trade (F) involving shifts in relative prices until they equalize. Specifically, the equilibrium relative price in the integrated economy falls between the relative prices observed in autarky in countries 1 and 2: $\frac{p^A_{x1}}{p^A_{y1}} < \frac{p^F_x}{p^F_y} < \frac{p^A_{x2}}{p^A_{y2}}$, where p^g_{ic} represents the price of good $i = x_c, y_c$ in country $c = 1, 2$ under regime $g = A, F$. Using the equilibrium values from equation B.1.1, the inequality in relative prices from country 1's perspective implies:

$$\frac{p^A_{x1}}{p^A_{y1}} < \frac{p^F_x}{p^F_y} \quad \Rightarrow \quad \left(\frac{L_1}{H_1}\phi\right)^{\beta_x - \beta_y} < \left(\frac{\bar{L}}{\bar{H}}\phi\right)^{\beta_x - \beta_y} \quad \Rightarrow \quad \theta^A < \theta^F$$

where $\theta^A \equiv \frac{L_1}{H_1}\phi$ and $\theta^F \equiv \frac{\bar{L}}{\bar{H}}\phi$ with $\bar{L} = L_1 + L_2$ and $\bar{H} = H_1 + H_2$. For a high-skilled abundant country, trade integration results in an increase in θ: high-skilled workers emerge as the 'winners' of globalization, while low-skilled workers the 'losers'.

Trade shocks in HO. In this analysis, trade shocks are defined as changes in θ^F, the relative price under free trade, primarily driven by shifts in the low-skilled labor force in country 2 (L_2). Although the transition from autarky to free trade is discrete, both $\theta^A \equiv \frac{L_1}{H_1}\phi$ and $\theta^F \equiv \frac{\bar{L}}{\bar{H}}\phi$ vary continuously with parameters such as factor endowments (L_1, L_2, H_1, H_2), technology (β_x, β_y) and preferences (α). Specifically, θ^F increases monotonically with L_2: as the supply of unskilled labor in country 2 rises, the relative price $\theta^F \equiv \frac{\bar{L}}{\bar{H}}\phi$ under free trade also rises, given that $\bar{L} \equiv L_1 + L_2$. This monotonic relationship simplifies the analysis by focusing on changes in θ^F without requiring separate comparative statics for L_2. Importantly, changes in L_2 and K_2 affect only the free-trade equilibrium and do not influence country 1's autarky equilibrium.[18]

Aggregate Income and Trade Integration. Finally, in HO, the impact of trade integration on total factor remuneration—and consequently on real total income $\frac{I}{P} = \frac{wL_1 + rH_1}{P}$—depends on the presence or absence of Factor Intensity Reversal (FIR).

Lemma 1. *Under Cobb-Douglas preferences, FIR does not occur, and $\beta_x > \beta_y$ always holds in country 1, ensuring that aggregate income increases with trade.*[19]

Proof. A detailed proof is provided in Appendix A.1. □

2.2 Redistribution, and trade

I now introduce the political environment. I nest the HO model into the two groups model of redistribution of Acemoglu and Robinson (2006). In country 1, the government taxes *nominal*

[18] While changes in preferences α and technology (β_x, β_y) can also generate trade shocks, these affect both the free-trade equilibrium and country 1's autarky equilibrium, introducing additional complexity into the comparative statics analysis.

[19] Since $\beta_x > \beta_y$ is always true under Cobb-Douglas preferences, sector x remains relatively intensive in high-skilled labor throughout the transition from autarky to free trade. This implies that the high-skill cost share in sector x exceeds that in sector y, ensuring aggregate income growth.

income (from equation 2.1), and redistributes the revenues from taxation as a lump-sum transfer T. Taxation generates a "Laffer curve" distortion denoted as $C(\tau)$,[20] with $C(t) = \frac{\tau^2}{2}$. The government budget constraint is expressed as:

$$T = \left(\tau - \frac{(\tau)^2}{2}\right) I.^{21}$$

Define real post-tax income of a low-skilled worker as:

$$\tilde{w} = \frac{(1-\tau)w + T}{P}.^{22}$$

First Order conditions lead to the low-skilled workers' optimal tax rate:

$$\bar{\tau} = 1 - \frac{w}{I}$$

This tax rate is an increasing function of θ. In fact, substituting equation the nominal income $w = 1/\theta^{\beta_y}$ and $I = wL_1 + rH_1$, I get $\bar{\tau}(\theta) = 1 - (L_1 + \theta H_1)^{-1}$, which is increasing in θ. In response to the trade-induced loss, the losers demand a higher tax rate as compensation, i.e., $\frac{\partial \bar{\tau}}{\partial \theta} > 0$. Winners optimal tax rate is null.

2.3 Political game: Political Parties and Democracy

In this Section, I introduce two ideological parties: the protectionist, which favors Autarky (A), and the Pro-trade, which supports Free Trade (F). These parties are ideological because they have strong, fixed preferences over policies.[23] The sequence of the political game is as follows: first, each party selects its preferred trade regime ($g = A, F$, representing Autarky and Free trade, respectively); second, high- and low-skilled workers cast their votes based on their preferred regime; third, the winning party sets the tax rate, which is influenced by the current level of democracy and its influence on the tax rate. This game is solved using backward induction, meaning that voters anticipate the future tax rate when making their decisions during the second step.

In step three of the game, the winning party $g = A, F$ chooses the tax rate that maximizes the

[20] The cost function has the properties such as $C' > 0$, $C'' > 0$, $C(0) = 0$, $C(1) = 1$ and $C : [0,1] \to \mathbb{R}_+$.

[21] Notice that the budget constraint is defined as $T = \frac{1}{n}\left[\sum_{i=1}^{n} \tau y^i - C(\tau) n \bar{y}\right]$, where $n = H_1 + L_1 (= 1)$, $y^i = w, r$ and $\bar{y} = wL_1 + rH_1$ is the average income. It is straight forward to show that $T = \left(\tau - \frac{(\tau)^2}{2}\right) I.$, with $I \equiv \bar{y}$, since $\sum_{i=1}^{n} \tau y^i = \tau\left(wL_1 + rH_1\right)$.

[22] The government redistributes both to high- and low-skilled workers, so that the transfer that actually accrues to a person is $\frac{T}{H+L} = T$, given the normalization of the population to one.

[23] Calvert (1985) demonstrates that when parties are ideological and prioritize their policy preferences over simply winning elections, the policy convergence predicted by the Median Voter Theorem (MVT) does not apply. Instead, parties propose policies aligned with their ideological preferences, and the election is won by the party whose platform is closest to the median voter's preferences.

following objective function:

$$\max_{\tau^g \in [0,1]} (1-\chi) L_1 \tilde{w}(\theta^g) + \chi H_1 \, \tilde{r}(\theta^g). \tag{2.2}$$

Equation 2.2 represents a weighted sum of the post-tax incomes of losers $\tilde{w}(\theta^g)$ and winners $\tilde{r}(\theta^g)$, with weights given by the share of losers L_1, the share of winners H_1, and the parameter χ. The parameter $\chi \in \left[0, \frac{1}{2}\right]$ captures the power of trade winners within the country's democratic institutions.[24] Changes in χ correspond to shifts in democracy, driven by the "de jure" and "de facto" political power exerted by trade winners through mechanisms such as political contributions, lobbying, networking, or even the use of violence. An increase in χ amplifies the influence of the winners in the objective function, thereby affecting the tax rate set by the two parties.[25] For now, I treat democracy as exogenous, implying that it is stable in the short run: winners cannot immediately adjust χ in response to trade-induced changes in their income. In Section 2.7, I will relax this assumption.

Since the two parties are ideological, they do not strategically interact in response to the regime proposed by the other. From the maximization of equation 2.2, the following lemma follows:

Lemma 2. *The optimal tax rate delivered by party $g = A, F$ is:*

$$\tau(\chi, \theta^g) = 1 - \frac{w^g}{I^g} \times A(\chi, \theta^g) \tag{2.3}$$

Proof. see appendix A.2. □

Here, $A(\chi, \theta^g) \equiv \frac{L_1(1-\chi)+\theta^g H_1 \chi}{L_1(1-\chi)+H_1 \chi}$ reflects the influence of the winners in determining the tax rate under the existing democratic institutions. When $\chi = 0$, the winners have no influence, and the tax policy aligns with the preferences of low-skilled workers, as predicted by the Median Voter Theorem (MVT), resulting in $\bar{\tau}(\theta^g)$. Conversely, when $\chi = \frac{1}{2}$, the winners exert full influence, leading to a tax rate that aligns with their preferences, $\tau\left(\chi = \frac{1}{2}, \theta^g\right) = 0$ of equation 2.2. As χ increases, the power of the winners grows, weakening democratic institutions and reducing the tax rate $\tau(\chi, \theta^g)$.

2.4 Voting Rule and the Vote Share

Anticipating the tax rate given by equation 2.3, proposed by the ideological party $g = A, F$, high- and low-skilled workers compare the post-tax income they would receive under each party in step

[24] This is based on the political equality model of Acemoglu and Robinson (2006)

[25] The parameter χ derives from micro-founded models that emphasize various institutional details, such as lobbying, relatively autonomous political parties, or swing voters. Given the ideological nature of the parties in this model, a lobbying framework is most fitting. In this setup, a party in power proposes policy based on contributions. For probabilistic voting or non-partisan politics, a similar form can be achieved without policy convergence. However, Acemoglu and Robinson (2006) provides micro-foundations only in cases of policy convergence (see pages 376–378).

2. Given a level of χ, this comparison for a low-skilled worker can be expressed as:

$$\tilde{w}\left(\tau\left(\chi,\theta^{A}\right)\right)-\tilde{w}\left(\tau\left(\chi,\theta^{F}\right)\right)\gtreqless\tilde{\sigma}^{i}$$

where $\tilde{\sigma}^{i}=\sigma_{A}^{i}-\sigma_{F}^{i}<0$ represents the difference in ideological benefits between the two parties for voter i. This difference reflects the trade-off between benefiting from indirect redistribution offered by protectionist policies and aligning, for example, with the nationalist values of a populist party. The assumption $\tilde{\sigma}^{i}<0$ implies that high-skilled workers still vote for the Pro-trade party. To ensure continuity in voting behavior, the distribution of the differential benefit $\tilde{\sigma}$ is assumed to follow a smooth cumulative distribution function $F(.)$ over $(-\infty,0)$ with an associated probability density function $f(.)$. Given that high-skilled workers vote for the Pro-trade party, the overall vote share of the protectionist party is determined by the fraction of low-skilled workers voting for it:

$$\pi_{P}\equiv Pr\left(\Delta\tilde{w}>\tilde{\sigma}^{i}\right)=F\left(\Delta\tilde{w}\right) \tag{2.4}$$

where $\Delta\tilde{w}=\tilde{w}\left(\chi,\theta^{A}\right)-\tilde{w}\left(\chi,\theta^{F}\right)$.

2.5 Trade shock & democracy: Existence and Uniqueness of the Equilibrium

The effect of a trade shock on the protectionist vote share π_P, can be decomposed into four main effects (as demonstrated in Section A.5). First, the *Pre-Tax Wage Effect* refers to the direct impact of trade on the pre-tax real wages of low-skilled workers (equation 2.1). According to the Heckscher-Ohlin theorem, a country exports goods that intensively use its relatively abundant factor and imports goods that use its scarce factor. As world prices adjust, the Stolper-Samuelson theorem predicts a decrease in real wages for low-skilled workers and an increase for high-skilled workers. Second, the *Pie Effect* describes how a trade shock increases overall economic output (lemma 1), which expands the tax base and the lump-sum transfer that LS workers receive. Third, the *Captured Tax Effect* refers to the reduction in lump-sum transfers due to the political power of winners over tax rates, which is influenced by existing democratic institutions. This influence can mitigate the Pie Effect by limiting the benefits that losers receive. Finally, the *Price Effect* relates to how in HO a trade shock increases the price index, which in turn negatively affects real income.

Depending on which effect predominates, a trade shock can either increase or decrease the proportion of low-skilled workers voting for P. The decomposition of the shock leads to the following lemma, necessary to the establish the existence and uniqueness of the equilibrium:

Lemma 3. *Low-skilled workers benefit from trade in a full democracy, meaning* $\tilde{w}\left(\chi=0,\theta^{A}\right)<\tilde{w}\left(\chi=0,\theta^{F}\right)$*, if the cost-share of the skill-intensive sector,* β_x*, is sufficiently high. Specifically, this*

occurs when $\beta_x > \underline{\beta_x}$, *where* $\underline{\beta_x} = \beta_y \left[\frac{\alpha I(I-P)-2w^2\alpha P}{\alpha I(I-P)+2w^2(1-\alpha)P}\right]^{-1}$.[26]

Proof. see appendix A.6. □

The condition $\beta_x > \underline{\beta_x}$ implies that, in a full democracy ($\chi = 0$), low-skilled workers' real post-tax income increases with trade integration if country 1 allocates enough high-skill labor H_1 in sector x_1 in which it has a comparative advantage. If the high-skill labor H_{1x} allocated to sector x_1 is more than $\underline{\beta_x}$, then post-tax income strictly increases with trade integration as the gains from trade are sufficiently high. This implies that the "Pie Effect" outweighs the "Pre-Tax Wage Effect". The following theorem provides the existence and uniqueness of an equilibrium:

Theorem 1. *Under condition 3, there exists a unique threshold level of democracy, denoted by* $\bar{\chi}$, *which determines the electoral outcome:*

- *The protectionist party is not elected (i.e.,* $\pi_P < \frac{1}{2}$*) if* $\chi < \bar{\chi}$.
- *The protectionist party is elected (i.e.,* $\pi_P > \frac{1}{2}$*) if* $\chi > \bar{\chi}$. [27]

Proof. see appendix A.6. □

Figure 2.2 offers a graphical representation of Theorem 1. The x-axis represents the level of democracy, while the y-axis represents the protectionist party vote share, π_P. At $\chi = 0$, the political system is fully democratic and not captured, aligning with the situation described in Lemma 3: the "Pie Effect" dominates the "Pre-tax Wage Effect", meaning that the redistributive power of the tax rate fully compensates the losers of trade. Consequently, the post-tax income under the Pro-trade party is one, and the fraction of losers voting for the protectionist party is zero. As χ increases, democratic institutions weakens and the redistributive power of the tax rate diminishes. This effect is more pronounced on the tax rate offered by the Pro-trade party compared to the Protectionist party, which offers a higher pre-tax wage under autarky. When $\chi = \bar{\chi}$, the fraction of losers voting for the Protectionist party reaches 50%, reflecting voter indifference between tax-based redistribution and trade protectionism. For $\chi > \bar{\chi}$, the median voter is better off under autarky than under free trade and the Protectionist party wins the election. Finally, this proposition follows:

Proposition 1. *Trade shocks increase the threshold value of democracy* $\bar{\chi}$*:* $\frac{d\bar{\chi}}{d\theta} > 0$.

[26] Lemma 3 addresses earlier literature on the benefits of trade when accompanied by redistribution. Helpman (2011) in Chapter 3 argues that, with lump-sum taxes and subsidies, everyone benefits from trade. However, lump-sum transfers are challenging to implement due to the information required. Dixit and Norman (1986) proposed a tax and subsidy design based on market information rather than individual-specific information to ensure post-tax gains from trade, despite the distortionary nature of such policies. Implementation remains challenging, as noted by Helpman (2011).

[27] Note that $\frac{1}{2}$ is chosen since the median voter is such that $M = \frac{n+1}{2} = \frac{1}{2}$. Consequently, if $\pi_P > \frac{1}{2}$, the protectionist party wins, as more than 50% of the population votes for the protectionist party.

Proof. see appendix A.8. □

This proposition implies that, at threshold level $\bar{\chi}$ –the level at which the protectionist party wins– the "Pie Effect" outweighs the "Pre-tax Wage Effect." Specifically, the redistributive power of the tax rate under free trade surpasses the benefits of trade protection on pre-tax income. Consequently, the threshold value $\bar{\chi}$ shifts to the right, requiring a higher level of χ for the protectionist party to win.

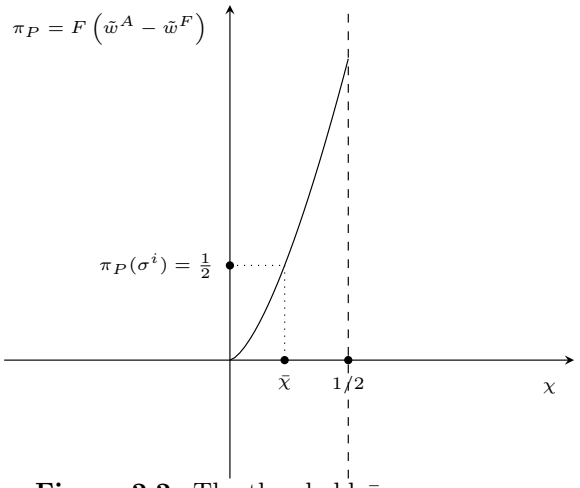


Figure 2.2: The threshold $\bar{\chi}$

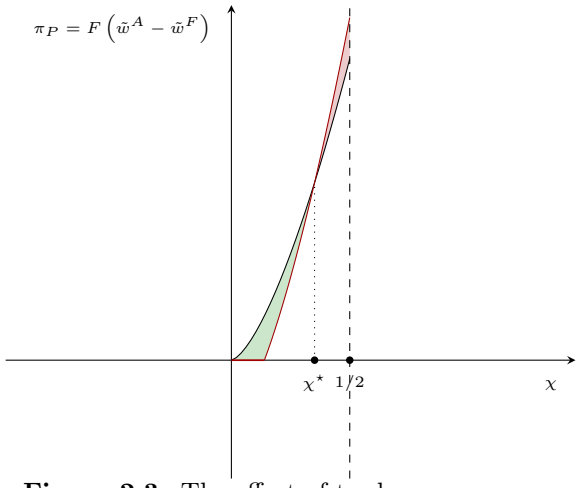


Figure 2.3: The effect of trade

2.6 Main Result: Trade Shocks, Democracy and Protectionist Support

Theorem 2. *There exists a threshold level of democracy $\chi^\star$ such that:*

- *The vote share of the protectionist P decreases with a trade shock, i.e., $\frac{\partial \pi_P}{\partial \theta} < 0$, if $\chi < \chi^\star$.*
- *The vote share of the protectionist P increases with a trade shock, i.e., $\frac{\partial \pi_P}{\partial \theta} > 0$, if $\chi > \chi^\star$.*

This threshold value is such that $\chi^\star > \bar{\chi}$, meaning that vote share increases only in settings where the P party is already in power.

Proof. see appendix A.7. □

Theorem 2 forms the key prediction of the model. It demonstrates that, once the protectionist party is in power, the effect of a trade shock on its vote share is influenced by the level of democracy in the country. Specifically, when democracy is less captured ($\chi < \chi^\star$), the "Pie Effect" outweighs the "Pre-Tax Wage Effect": the redistributive capacity of the tax rate can offset the negative impact of trade on low-skilled workers, leading to a reduction in support for the protectionist party. This is illustrated by $\chi < \chi^\star$ in Figure 2.3. Conversely, when the democratic system is heavily captured ($\chi > \chi^\star$), the "Captured Tax Rate" effect diminishes the "Pie Effect": trade protection becomes more attractive because the redistributive benefits from the tax system are insufficient to mitigate

the decline in pre-tax income caused by the trade shock, resulting in increased support for the protectionist party. This scenario is depicted by $\chi > \chi^\star$ in Figure 2.3.

2.7 Stability of the equilibrium: Democratization

Up to this point, democratic institutions, represented by χ, have been treated as exogenous, reflecting their short-term rigidity. In this section, I relax this assumption and explore the possibility of χ being endogenous. Specifically, high-skilled workers, who benefit more from free trade compared to autarky given a level of χ, might seek to influence the tax rate to make free trade more appealing to low-skilled workers. This implies that high-skilled workers could adjust χ to a level lower than $\bar{\chi}$ to ensure that the Pro-trade party wins the election. However, as demonstrated in Proposition 2, under certain conditions, high-skilled workers may find it disadvantageous to deviate from the equilibrium outcome. The proposition states:

Proposition 2. *Given an initial level of democracy χ_0 such that $\bar{\chi} < \chi_0 < 1/2$, high-skilled (HS) workers do not wish to democratize to achieve free trade when the cost-share of the skill-intensive sector, β_x, is within an intermediate range, i.e., $\overline{\beta_x} > \beta_x > \underline{\beta_x}$. Here, $\underline{\beta_x}$ is defined in Lemma 3, and* $\overline{\beta_x} = \beta_y \left[\left(\frac{\alpha \frac{I}{P}\left(\frac{I}{P}-1\right) - 2\frac{w^2}{P}\alpha \tilde{\Upsilon}(\chi,\theta)}{\alpha \frac{I}{P}\left(\frac{I}{P}-1\right) + 2\frac{w^2}{P}(1-\alpha)\tilde{\Upsilon}(\chi,\theta)} \right) + \frac{\partial \tilde{\Upsilon}(\chi,\theta)}{\partial \theta}\frac{w^2}{I} \right]^{-1}$.

Proof. see appendix A.9. □

Proposition 2 implies that when the level of democracy is such that the protectionist party wins election (χ_0), HS workers will not choose to democratize to achieve free trade if their post-tax income do not increase with trade integration. This happens when high skill labor (H_1) is not sufficiently allocated in the sector x_1 in which the country has a comparative advantage ($\overline{\beta_x} > \beta_x > \underline{\beta_x}$). In this case, the burden of taxation on HS workers' post-tax income outweighs the positive effect of trade integration on their pre-tax income, leading them to prefer the autarky regime with lower taxation over the free trade regime with higher taxation. However, if $\beta_x > \overline{\beta_x}$, HS workers will democratize to achieve free trade. With endogenous institutions, democratization may result from shocks affecting the model's underlying parameters, such as changes in preferences, technology, or factor endowments. For example, an external resource shock L_2 could influence winners' willingness to concede democratization.

2.8 Taking stock

This model reveals how democracy affects the impact of trade shocks on electoral outcomes. If democratic institutions enable efficient redistribution (for $\chi < \chi^\star$), a trade shock leads to a decrease in the protectionist vote share. This is because effective redistribution can mitigate the adverse impacts of trade shocks on low-skilled workers. As democratic institutions become more captured

(for $\chi > \chi^{\star}$), their capacity for effective redistribution diminishes. Consequently, the adverse effects of trade shocks are less offset, resulting in increased support for protectionist parties. In the next section, I test this prediction.

3 An empirical investigation

To investigate the predictions of the theory, I empirically analyze how variations in democratic institutions influence the effect of trade shocks on political support for protectionism. I commence by introducing the data used in Section 3.1. Section 3.2 delineates the empirical approach, and Section 3.3 presents the main results.

3.1 Data

International trade data. According to the model, the vote share of protectionist parties in the relatively high-skilled country is influenced by trade integration with the low-skilled partner, encompassing both exports and imports. Conversely, in the relatively low-skilled country, the vote share is responsive to trade with the high-skilled partner. The real world is more complex than a simple two-country model: each country has multiple trade partners, some with higher skill levels and others with lower skill levels. Therefore, an ideal empirical proxy for trade integration should capture both exports and imports, reflecting overall trade openness to high- and low-skilled partners. This analysis will also separately examine the contributions of exports and imports.[28] To construct these proxies, I will proceed as follows:

- **Bilateral Trade Data**: I obtain bilateral trade flows in goods and services from the IMF Direction of Trade Statistics for the years 1950-2020, covering 214 countries where data are available.[29] For each exporter-importer pair in each year, there are four trade measures: exports and imports reported by both countries. I first average the same trade flows reported by both the origin and destination countries. This averaging accounts for differences in reporting practices, such as the FOB (Free on Board) basis used by exporters and the CIF (Cost, Insurance, and Freight) basis used by importers. I then create three main aggregate measures of trade openness: (i) total trade (exports plus imports) as a percentage of GDP; (ii) imports as a percentage of GDP; and (iii) exports as a percentage of GDP.[30]

[28]The literature has examined labor market exposure to Chinese imports—characterized as low-skilled import flows—documenting various impacts: declines in employment and wages in the EU (e.g., Malgouyres, 2017) and the US (e.g., Autor et al., 2013); increased polarization in the US (e.g., Autor et al., 2020); and a rise in right-wing, protectionist parties in the EU (e.g., Colantone and Stanig, 2018) and in voting for trade bills in the US (e.g., Feigenbaum and Hall, 2015).

[29]Specifically, I use the CEPII database (Conte et al., 2022), version 202211.

[30]For robustness, I build a fourth measure following Baldwin and Taglioni (2007): I take the average of the logs of imports and the logs of exports, and I report results in appendix.

- **Skill Data**: I decompose these aggregate trade measures into flows with low-skilled and high-skilled partners using the Barro-Lee Educational Attainment Data (Barro and Lee, 2013). This dataset provides educational attainment information for 146 countries at five-year intervals from 1950 to 2010, detailing the distribution of educational attainment among adults aged 15 and over across seven schooling levels. Based on the Heckscher-Ohlin (HO) model, I define the skill abundance of country c as the ratio H_c/L_c: the number of people with tertiary education to the number of people with at most secondary education.[31]
- **Merging Trade and Skill Data**: I compute country-level trade flows with lower and higher skill trade partners by first assigning a skill ratio to each origin and destination country.[32] I then create a binary variable indicating whether the origin country has a higher skill ratio than the destination country for each pair and year. Since skill data are updated every five years, this binary variable is consistently applied over the subsequent four years. Using this binary variable, I aggregate trade flows by summing trade, exports, and imports separately for destinations with lower and higher skill ratios compared to the origin country. This approach provides separate totals for trade with low-skilled and high-skilled partners.

To build predicted trade, I use data on bilateral sea distance and air distance between country-pairs. I source the air distance data from CEPII. Air distance is the great circle distance between the capital cities of each country (Mayer and Zignago, 2011). I download the sea distance data from CEDRI institute (Bertoli et al., 2016). The database contains undirected bilateral maritime distances between 227 countries and territories. The relevant port(s) for countries with access to the sea are defined as the coastal region of a country which contains the highest number of shipping lines. The advantage of this dataset is that it includes landlocked countries, which are linked to the foreign port with the shortest road distance to their capital city. The length of the existing shortest sea route between the two ports is then computed.

Vote shares. I access data on the vote share of different parties, sourced from the Comparative Manifesto Project Database (MPD) (Lehmann et al., 2023). The MPD provides the ideological position of a party in a specific election by analyzing their manifestos for 66 democracies from 1920 to 2022. Following the methodology proposed by Lowe et al. (2011), I gauge the ideological stance of a party by computing the score using this formula:

$$Score_{\ell ct} = log(0.5 + z^{+}_{\ell ct}) - log(0.5 + z^{-}_{\ell ct}). \tag{3.1}$$

[31] In the dataset, this ratio corresponds to $\frac{lh}{lu+lp+ls}$, with lh for tertiary education and lu, lp, ls for no schooling, primary education, and secondary education, respectively.

[32] This step results in a reduction of trade partners based on the availability of skill data. Further, since skill data ends in year 2010, I assign to years between 2015 and 2020 the skill ratio of year 2010.

Here, c indexes countries, ℓ denotes parties, and t represents election year. The $Score_{\ell ct}$ variable is the ideological score for party ℓ in country c at election t, while $z^{+}_{\ell ct}$ and $z^{-}_{\ell ct}$ respectively indicate the number of positive and negative claims contained in the party's manifesto. The resulting variable spans from negative to positive values.

The model's main prediction is about the vote share of a party proposing trade protection. I thus compute the *protectionist* score, which relies on a variable called "Protectionism", divided into positive and negative claims.[33] The positive claims encompass favorable mentions of extending or maintaining the protection of internal markets by the manifesto or other countries. It includes mentions of tariffs, quota restriction and export subsidies. The negative claims, on the contrary, support the concept of free trade and open markets, calling for abolishing all means of market protection. The model also highlights the importance of redistribution in response to trade integration. I thus compute the vote share of parties proposing both protection and redistribution by combining the protectionist score and the equality score. The *equality* score is based on a variable called "Equality: Positive".[34] The claims cover the concept of social justice and the need for fair treatment of all people. This includes: (i) special protection for underprivileged social groups; (ii) removal of class barriers (iii) the need for fair redistribution of resources; (iv) the end of discrimination (e.g. racial).

I then define the vote share of a country as the cumulative sum of the vote share of parties which score strictly above 0 in a specific score:

$$VS_{ct} = \frac{\sum_{\ell : Score_{\ell ct} > 0} p_{\ell ct}}{\sum_{\ell=1}^{n} p_{\ell ct}}.^{35} \tag{3.2}$$

The "protectionist vote share", the main outcome, is the cumulative sum of those parties scoring positive on their *protectionist* score. The "protectionist left" is the cumulative sum of the vote share of those parties who score positive in their protectionist score and in their equality score. Robustness tests include the other proxies for protectionism coming from the literature (Burgoon, 2009; Colantone and Stanig, 2018), as discussed in the robustness Section of the paper.

Democracy. I employ a continuous index of democracy sourced from the Varieties of Democracy (V-DEM; Coppedge et al., 2021) dataset. V-DEM is a recent initiative that creates detailed and high-quality measures of democracy across over 200 countries from 1800 to the present. Unlike other available metrics, V-DEM gathers data on several dimensions, providing access to approximately 400 indicators. These indicators are constructed using both factual information from official documents, such as constitutions and government records, and subjective evaluations from multiple

[33] In the database, positive claims correspond to variable per406, while the negative to variable per407 of the MPD.

[34] this variable (per503) spans from negative to positive, where positive is pro-equality. It does not have a corresponding negative variable as for protectionism.

[35] I divide it by the total vote share as in few elections the total sum of vote shares does not reach unity. The vote shares gained by minor parties are sometimes missing.

experts on matters like political practices and adherence to legal norms. The indicators contribute to the construction of five distinct indices, each with a scale from zero to one, capturing different aspects of democracy: electoral, Pro-trade, participatory, deliberative, and egalitarian.[36] Following Acemoglu et al. (2024), I take the average of these five main components.

At the interSection of these five indicators lies a key dimension: how power is distributed across groups within a country. If a country's institutions fail to ensure equal access to power in any of these dimensions, certain groups will exert more influence than others in the political decision-making process, such as policy setting. This imbalance allows elite groups, who are most often the ones benefiting the most from globalization, to push through their preferred policies. The democracy score positively correlates with tax revenues – a key indicator of the tax base for redistribution –, as shown in Figure C.1, in line with the model mechanism.

Summary statistics. Table C.1 reports summary statistics for the main variables used in the analysis – Protectionist vote share, democracy score, changes in Trade to GDP (Panel A), Imports-to-GDP (Panel B) and Exports-to-GDP (Panel C). In the sample of 66 democracies for which electoral results are available as in the MPD data, the mean protectionist vote share is quite low (13%). This is due to the normalization to 0 of the vote share of those parties who score negative in their protectionist score, which drives down the mean. However, it varies a lot in the sample, with a standard deviation of 20%. The mean democracy score is 0.7. It exhibits large variation across countries and over time, with the lowest score being 0.12 and the highest being 0.9. The average change in Trade-to-GDP with, Imports-to-GDP from and Exports-to-GDP to both high and low skille countries between consecutive elections is positive. However, there is quite a bit of variations, with countries experiencing negative changes between elections. I have an unbalanced panel with the number of observation increasing over time.

[36](i) The *electoral component* includes measures of whether leaders are appointed through popular elections, the share of the population with suffrage, the absence of electoral irregularities (such as registration fraud, electoral violence, vote buying), and the extent to which parties (including opposition), press, and civil organizations can form and operate freely. (ii) The *liberal principle* comprises measures of the capability of government agencies (e.g., comptroller general, general prosecutor, judiciary) to exercise oversight over the executive and act independently, the extent of the executive's respect for the laws, citizen access to justice, secure property rights, freedoms of religion, freedom from forced labor, movement and physical integrity rights, and the number of chambers the legislature contains. (iii) The *participatory principle* measures the involvement of civil society organizations, the decentralization of candidate selection within parties, the extent to which the direct popular vote is utilized (e.g., referendums, plebiscites), and whether there are elected local and regional governments and their degree of freedom from unelected officials. (iv) The *deliberative component* combines information on how open public deliberations for important policy changes are, how public and reasoned elites' justifications for their positions are, whether they justify their arguments in terms of the common good, and whether they acknowledge and respect counterarguments. (v) The *egalitarian principle* measures the percentage of the population not living in areas where government officials' respect for civil liberties is significantly weaker, whether some social groups are in favorable positions in terms of such liberties or political power, and how universal means-tested programs, education, healthcare, and infrastructural spending are in the national budget.

3.2 Empirical strategy

3.2.1 Baseline Estimating Equation

To test whether democracy mediates the impact of trade shocks on the vote share as predicted by the model, I estimate:

$$VS_{c,t} = \gamma_c + \lambda_t + \beta_1 D_{c,t} + \beta_2\, \Delta T^{LS}_{c,t} + \beta_3\, \Delta T^{LS}_{c,t} \times D_{c,t} + \beta_4\, \Delta T^{HS}_{c,t} + \beta_5\, \Delta T^{HS}_{c,t} \times D_{c,t} + \epsilon_{c,t} \quad (3.3)$$

where $VS_{c,t}$ is the vote share of country c at election t. All regressions control for country and year fixed effects, γ_c and λ_t, and standard errors are clustered at the country level to control for within-country correlation in the error terms. The Δ represents changes between two consecutive elections, and serves as proxy for a trade shock. Furthermore, the ΔT can be:

- $\Delta \frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$ and $\Delta \frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$ as exports plus imports over gdp, a measure of the change in trade openness of a country.
- $\Delta \frac{IM^{LS}_{c,t}}{GDP_{c,t}}$ and $\Delta \frac{IM^{hS}_{c,t}}{GDP_{c,t}}$ as imports *from* low-skill and high skilled trade partners over gdp, respectively.
- $\Delta \frac{EX^{LS}_{c,t}}{GDP_{c,t}}$ and $\Delta \frac{IM^{hS}_{c,t}}{GDP_{c,t}}$ as imports *to* low-skill and high skilled trade partners over gdp, respectively.

3.2.2 Instrument of trade integration

Even after controlling for country-specific and time-fixed effects, OLS estimates of trade shocks on vote shares and democracy scores may remain biased. First, reverse causality is a concern, as past protectionist policies can affect trade integration between election cycles, creating a feedback loop among trade shocks, protectionism, and democratic institutions. For example, a trade shock in $t-1$ could prompt the ruling party at $t-1$ to implement stricter trade policies between $t-1$ and t, thereby altering the magnitude of trade shocks present in election t. This shock influences pre-tax inequality, aggregate income, and ultimately redistribution policies and electoral outcomes at t. Second, changes in trade integration could directly affect democracy scores. Theoretically, if trade beneficiaries shape institutions to protect their gains, increased trade openness may lead to declines in democracy scores and higher protectionist vote shares, potentially overestimating trade shocks' impact in countries with different democratic levels. This could result in an overestimation of the differential impact of trade shocks across countries with varying democratic scores. Lastly, both observable and unobservable country-level factors could simultaneously influence vote shares and democracy scores.

To address some of these concerns, I build on Feyrer (2019) and construct an instrument that leverages the growing importance of air transport relative to sea transport since 1950. This approach involves estimating regressions that control for country-specific, time-invariant characteristics and common global shocks. The instrumental variable strategy exploits geographic variation among country pairs, which are differentially impacted by technological advancements in air transportation relative to sea. Specifically, the trade increase due to air transport improvements is less pronounced for country pairs with similar air and sea distances (e.g., Japan and Australia) compared to pairs with significantly different distances (e.g., Japan and France).

The Gravity Steps: Deriving Predicted Trade. I estimate a time-varying gravity equation derived from an Armington set-up (Anderson and Van Wincoop, 2003; Chaney, 2018), allowing the elasticity of trade to change every year to capture technological diffusion in space, the main source of variability in the analysis. Similar to Feyrer (2019), I model the bilateral resistance term τ_{ijt}, which captures all pair-specific trade barriers (e.g., distance, common language, shared border, and colonial ties) in standard gravity model, as a function of sea and air distances:

$$ln(\tau_{ijt}) = \beta_t^{sea} ln(seadist_{ij}) + \beta_t^{air} ln(airdist_{ij}) \tag{3.4}$$

where $seadist_{ij}$ and $airdist_{ij}$ are, respectively, the sea and the air distance between country i and j, and the coefficients are allowed to vary over time.[37] Replacing 3.4 into standard gravity model, I estimate:

$$ln(trade_{ijt}) = \gamma_{it} + \varphi_{jt} + \psi_{ij} + \beta_t^{sea} ln(seadist_{ij}) + \beta_t^{air} ln(airdist_{ij}) + \upsilon_{ijt} \tag{3.5}$$

where trade can represent the sum of exports and imports[38], imports only, or exports only between country i and j in year t and γ_{it}, φ_{jt} and ψ_{ij} are exporter-year, importer-year and country-pair fixed effects, respectively. Country-pair fixed effects absorb any bilateral (time invariant) characteristic between countries, such as common language, colonial relationship, and common border. The country by year fixed effects control for any country-time specific characteristic that may impact bilateral trade and confound the effect of geographical distance. The gravity equation is estimated using the OLS estimator.

After estimating equation 3.5, I take the exponential of the predicted bilateral log of trade, and

[37] This is achieved by introducing a set of dummies such that each dummy is equal to the bilateral distance in a specific year and 0 otherwise. In total I introduce 70 sea-distance and 70 air-distance dummies. As aggregate trade flows contain information on goods shipped by boat and air, the increasing importance of air transport over time is captured by the time varying coefficients.

[38] For each exporter-importer pair, in each year, there are four measures of trade, namely exports and imports reported by both countries. Baldwin and Taglioni (2007), Feyrer (2019) consider the average of these four measures. My results are robust to using both methods.

for each origin i, I aggregate over all destination j as follows:

$$\widehat{trade}_{it} = \sum_{j \neq i} \omega_{(i)j} \left(\widehat{trade}_{ijt} \right) = \\ = \sum_{j \neq i} \omega_{(i)j} \left[e^{\beta_t^{sea} ln(seadist_{ij}) + \beta_t^{air} ln(airdist_{ij})} \right] \tag{3.6}$$

Following Feyrer (2019), I omit the fixed effects from 3.5 in the summation 3.6 to capture variation in trade flows driven solely by improvements in air relative to sea technology. However, this approach may reduce the strength of my predicted variable and weaken the instrument. To address this, I apply weights $\omega_{(i)j}$ that depend only on j's characteristics - in particular, the country's j population of year 1950 as in Feyrer (2019).[39] To predict trade integration with low- and high-skilled trade partners, I use the methods outlined in Section 3.1.

Differently from both Feyrer (2019) and Magistretti and Tabellini (2022), I allow the elasticities to change every year, rather than five, as elections data are not available every year. One may be worried that the yearly gravity does not capture the gradual diffusion of air technology over time. However, the estimated trade elasticities from equation 3.5 reported in Figure C.2 are consistent with the findings reported by Feyrer (2019): air transportation (blue dots) becomes more important over time relative to sea distance (red dots). In fact, while the elasticities with respect to sea distance remain flat from 1950 to 2020, the elasticity with respect to air distance becomes more negative. This highlights the increasing relevance of air transportation due to improvements in air technology.

Identifying Assumptions and Instrument Validity. Section C.1 of the empirical appendix reports first-stage results for Trade-to-GDP, Exports-to-GDP and Imports-to-GDP, and their interaction with the present democratic score.[40]

The time-varying instrument accounts for unobserved factors that vary across countries and over time, which could otherwise affect both changes in trade integration and the vote share of protectionist parties. Changes in improvements in air transportation technology, driven by geographic factors and not by individual countries or political parties, are unlikely to be influenced by any specific political entity, even in past elections. Therefore, these technological changes are not subject to concerns about reverse causation related to current or past protectionist policies.

However, three additional threats to identification remain. First, changes in air distance relative to sea distance might still impact a country's democracy score by changing winners' incentives.

[39] I also weight by the average trade share between countries i and j, relative to i's total trade during the first 5-years of available data, as in Magistretti and Tabellini (2022). My baseline IV is weighted by population, but the results remain robust with no weights or when using average trade share (though the instrument is weaker in the latter case).

[40] Note that since the trade flows data are directed, the gravity equation 3.5 for exports only and imports only predicts the same value. Thus, I use the same variation to identify movements in imports and exports.

Second, countries that experienced larger gains in air distance relative to sea distance with democratic partners may have been already undergoing faster democratization. Third, there may be observable and unobservable country-level characteristics that influence both the vote share and democracy score at the time of an election.

To address these concerns, I proceed as follows. First, table C.5 presents reduced-form estimates of the effect of democracy scores on changes in predicted trade (columns 1-3) and 2SLS estimates of the impact of changes in predicted trade through actual changes in trade (columns 4-7). The coefficients are consistently insignificant, which supports the exclusion restriction and suggests that changes in predicted trade influence the vote share solely through their effect on trade flows. I also estimate 2SLS regressions with the lagged democracy score from previous elections. By combining this lagged score with the instrumental variable (IV), I mitigate the potential endogeneity issue related to changes in present democracy. In fact, although lagged democracy score are less endogenous to the current trade shock, as the temporal reverse causality is broken through the use of the instrument.

Second, to check if democratization waves coincided with improvements in air transportation, relative to sea, I provide evidence that predicted integration with democracies is uncorrelated with the Democracy score indicator in figures C.3 and C.3. This finding is consistent with Magistretti and Tabellini (2022), who also report no significant correlation between predicted trade with democracies or autocracies and a country's current democracy score.

3.3 Main Results: How Democracy Mediates Trade Shocks Effects

Table 3.1 presents the results of the effects of trade integration with skilled and low-skilled trade partners, and its interaction with democracy, on the vote share of the protectionist party. Both the OLS (column 1) and 2SLS (column 2) estimates for the interaction between trade with low-skilled partners and democracy are negative and statistically significant. This supports the theoretical prediction that the impact of trade shocks depends on the country's level of democracy and its influence on tax rates. The coefficients from the baseline specification in column 2 imply that a one standard deviation increase in the trade-to-GDP ratio with low-skilled partners leads to a 5.1 percentage point (not statistically significant) decrease in the protectionist vote share for a country with average democracy levels. However, for a country with a democracy score one standard deviation above average, the same trade shock results in a 19.7 ($5.1 + 14.6$) percentage point decrease in the protectionist vote share.[41] To put this in perspective, a one standard deviation change in democracy roughly corresponds to the difference between Hungary and Australia in 2010, or between Sweden and Latvia.

[41]This effect is statistically significant, as indicated by the Wald test, which shows an F-statistic of 4.73 with a p-value of 0.035, rejecting the null hypothesis that the sum of these coefficients is zero.

Regarding trade integration with high-skilled partners, the OLS estimate for the interaction term is positive but imprecisely estimated. While the positive sign aligns with theoretical expectations, the insignificance of the effect may stem from the educational attainment characteristics of the sample of democracies, which are relatively more skill-abundant than their trade partners. Consequently, it is low-skilled workers, rather than high-skilled ones, who primarily drive the increase in the protectionist party's vote share.

Table 3.1: Main results

	Dependent Variable Protectionism (Prot.)			Dependent Variable Protectionism (Prot.)			Dependent Variable Protectionism (Prot.)	
	(1)	(2)		(3)	(4)		(5)	(6)
$D_{c,t}$	-0.066	-0.040	$D_{c,t}$	-0.071	-0.049	$D_{c,t}$	-0.063	0.068
	(0.049)	(0.069)		(0.047)	(0.071)		(0.048)	(0.127)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$	0.012	-0.051	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}}$	0.004	0.004	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}}$	0.013	0.055
	(0.011)	(0.051)		(0.009)	(0.034)		(0.011)	(0.042)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.032**	-0.146*	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.027**	-0.135***	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.022	-0.264**
	(0.015)	(0.078)		(0.012)	(0.049)		(0.016)	(0.099)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$	-0.004	-0.085	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}}$	-0.007	-0.077	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}}$	-0.003	-0.101
	(0.009)	(0.074)		(0.009)	(0.054)		(0.009)	(0.068)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.009	0.006	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.010	0.007	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.002	0.127
	(0.010)	(0.060)		(0.007)	(0.054)		(0.011)	(0.108)
N	556	556	N	556	556	N	556	556
SW-F weak id			SW-F weak id			SW-F weak id		
trade-LS	–	27.64	imports LS	–	76.81	exports LS	–	79.62
interaction LS	–	18.59	interaction LS	–	45.38	interaction LS	–	24.65
trade HS	–	24.08	imports-HS	–	43.47	exports HS	–	28.42
interaction HS	–	22.69	interaction HS	–	49.52	interaction HS	–	62.25

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Notes: The table presents the OLS and 2SLS results from equation 3.3, with all independent variables standardized. This standardization means the coefficients reflect changes in standard deviations of the independent variables. As a result, β_2, the coefficient on trade with low-skilled partners, is evaluated at the average democracy score.

Columns 3 to 6 of Table 3.1 report the OLS and 2SLS results for equation 3.1, separating trade exposure into changes in imports from (columns 3-4) and exports to (columns 5-6) low- and high-skilled partners, and their interaction with democracy. The coefficients for the interaction between both imports from and exports to low-skilled partners are negative and significant, indicating that both types of trade contribute to the overall impact of aggregate trade. Moreover, these effects are more precisely estimated, with 13.5 percentage points for imports and 26.5 percentage points for exports (columns 4 and 6, respectively).

The model also predicts a threshold level of democracy, $\chi^\star$, beyond which the effect of trade with low-skilled partners on vote share changes sign (Theorem A.7). To verify this, I analyze the

marginal effects of trade with low-skilled partners, defined as $\frac{\partial VS_{c,t}}{\partial T^{LS}_{c,t}} = \beta_2 + \beta_3 D_{c,t}$ from equation 3.3. Panel (a) of Figure C.5 displays these marginal effects on the y-axis, with the percentiles of the democracy score on the x-axis. As predicted, the impact of trade with low-skilled partners on vote share changes sign: in "weak democracies," the vote share increases, while in "strong democracies," it decreases. The theoretical representation of the theorem in Figure 2.3 closely mirrors the marginal effects shown in Panel (a). The effect is estimated with greater precision for imports from (Panel b) and exports to (Panel c) low-skilled trade partners. Finally, Figures C.6 and C.7 show the average positive and negative marginal effects of trade with and imports from low-skilled partners by country, respectively. These figures highlight which countries experience increases or decreases in their protectionist vote share.

Redistribution and protection. The model further predicts that in strong democratic contexts, losers will support free trade and demand redistribution. However, as democracy weakens and tax rates decline, more losers shift their support from Pro-trade to protectionist parties, substituting protection for redistribution. Thus, I expect protectionist parties advocating for redistribution to lose support in strong democracies (as Pro-trade parties gain) and gain support as democracy weakens. This is confirmed by the negative and statistically significant coefficient on interaction term between democracy and trade with low-skilled partners in Table C.8. It shows that trade shocks increase the vote share of protectionist left parties – i.e., advocating both protection and redistribution –in weak democracies, but decrease it in strong democracies. Figure C.8 further illustrates this through the marginal effects. Interestingly, the vote share of protectionist right parties – i.e., advocating protection and no redistribution – does not respond to trade shocks, suggesting that both redistribution and protection are seen as responses to trade shocks, as predicted by the theory (see Table C.9).

Robustness. First, I present in Table C.6 the results using the democracy level from previous elections. While the signs and magnitudes of the coefficients align with the contemporaneous model, the OLS results with the lagged democracy score are not statistically significant. In contrast, the 2SLS results for imports and exports remain significant, though slightly smaller in magnitude. One reason for the OLS insignificance could be that the lagged democracy score does not fully capture the immediate effects of trade shocks on vote shares. Another possibility is endogeneity: the lagged score may reflect earlier trade shocks and political dynamics. A lower past democracy score might have boosted protectionist support in previous elections, reducing the impact of trade shocks on current vote shares.

$$\chi_{c,t-1} \downarrow \rightarrow\ VS_{c,t-1} \uparrow \rightarrow\ \Delta T_{c,t} \downarrow \rightarrow\ \chi_{c,t} \uparrow \rightarrow\ VS_{c,t} \downarrow .$$

Using instrumental variables (IV) addresses this reverse causality. Technological improvements in air transportation alter the causal chain:

$$\chi_{c,t-1} \downarrow \rightarrow VS_{c,t-1} \uparrow \nrightarrow \Delta T^{IV}_{c,t} \uparrow \rightarrow \chi_{c,t} \downarrow \rightarrow VS_{c,t} \uparrow .$$

In this modified chain, trade flows from technological advancements are exogenous and unaffected by prior political dynamics. As a result, even with stronger past protectionist policies, the positive trade shock still increases vote shares, reflecting how weakening democratic institutions $\chi_{c,t-1} \downarrow$ affect current vote shares. This may explain the significance of the 2SLS results compared to the OLS. Finally, the smaller 2SLS coefficients with the lagged democracy score suggest that concerns about inflated differential effects, discussed in Section 3.2.2 are mitigated.

Second, I use as outcome variable the center of gravity (COG) of the protectionist party, defined as $COG_{ct} = \frac{\sum_{\ell=1}^{n} p_{\ell ct} Score_{\ell t}}{\sum_{\ell=1}^{n} p_{\ell ct}}$, computed using the protectionist score (see Section 3.1). While the vote share (equation 3.2) reflects the overall electoral support for parties endorsing a specific ideology, the COG represents a weighted average of all party positions, indicating the ideological center of the election. In columns 4 and 6 of Table C.10, 2SLS results show that imports from and export to low skilled partners significantly reduce the protectionist COG as democracy strengthens. Similarly, trade with low-skilled partners and its interaction with democracy display a negative coefficient, although statistically insignificant. This could be due to several factors. Consistent with the literature on trade shocks and polarization (e.g. Autor et al., 2020), trade shocks might increase polarization, causing parties with anti-protectionist views to shift towards more free-market positions as protectionist parties gain support. Indeed, the COG reflects shifts in the overall ideological center of the election. Thus, even if protectionist parties gain support, the COG might decrease if other parties adopt more extreme free-market positions. In Section D of the appendix I report results for other proxies used in the literature. Finally, in Section E of the appendix I report results from a 14 district-level analysis within 14 EU countries, exploiting the China Shock as exposure to imports from a relatively unskilled country.

Extensive vs intensive margins in support for protectionist parties. To determine whether the rise in protectionist vote share is driven by the formation of new parties or increased support for existing ones, I examine the number of protectionist parties as the dependent variable, as shown in Table C.11. The results reveal that new protectionist parties tend to form predominantly in weaker democracies undergoing changes in the trade-to-GDP ratio with low-skilled partners, while their numbers decrease in stronger democracies. Specifically, a one-standard-deviation increase in the trade-to-GDP ratio with low-skilled partners leads to a reduction of approximately 2.5 protectionist parties for every one-standard-deviation improvement in the democracy score. However, as indicated in Table C.12, improvements in democracy do not diminish the proportion of pro-

tectionist parties relative to the total, suggesting that shifts in party platforms—rather than new party formation—primarily drive the increased protectionist vote share. Conversely, imports from low-skilled partners more strongly drive the formation of new protectionist parties, while exports show no significant effect.

4 Conclusion

This paper examines how the interaction between trade integration and democracy influences support for globalization. I investigate this relationship through both theoretical and empirical approaches. The theory suggests that trade policy preferences are largely determined by post-tax income considerations. In fact, trade integration increases aggregate income and the potential tax base, resulting in political conflicts over income redistribution, under a specific set of democratic institutions. It follows that democracy indirectly affects trade policies via tax policy. The model predicts that protectionist sentiments arise in weak democracies, where the tax rate's redistributive capacity is inadequate to offset pre-tax income losses. In contrast, in strong democracies with effective redistribution, support for protectionism decreases.

Empirically, I test this prediction using a cross-country panel dataset from 1950 to 2020, leveraging advancements in air (relative to sea) transportation to identify exogenous shifts in trade with both low- and high-skilled partners. The results show that increased trade integration between elections reduces support for protectionist parties as democratic institutions strengthen. However, in weaker democracies, this effect reverses, with trade integration increasing protectionist support. This evidence indicates that strengthening democratic institutions and improving redistributive mechanisms can help curb protectionist tendencies and maintain support for open trade policies.

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A Theoretical appendix

A.1 Proof that trade increases total income (lemma 1)

In this Section I first provide the proof, and the the intuition behind the proof and the condition I obtain. The following 5 steps summarize the proof:

1. According to the HO theory, the equilibrium price in the integrated economy falls between the relative price in autarky of country 1 and 2. We can thus rank: $\frac{p^A_{x1}}{p_{y1}} < \frac{p^F_x}{p^F_y} < \frac{p^A_{x2}}{p_{y2}}$.

2. Using the equilibrium value of prices B.1.1, the inequality between the relative price in country 1 and country 2 implies that:

$$\begin{aligned} \frac{p^A_{x1}}{p^A_{y1}} &< \frac{p^F_x}{p^F_y} \\ \left(\frac{L_1}{H_1}\phi\right)^{\beta_x-\beta_y} &< \left(\frac{\bar{L}}{\bar{H}}\phi\right)^{\beta_x-\beta_y} \\ \theta^A &< \theta^F \end{aligned} \tag{A.1}$$

   where $\theta^A \equiv \frac{L_1}{H_1}\phi$ and $\theta^F \equiv \frac{\bar{L}}{\bar{H}}\phi$. From the perspective of a high-skill-abundant country, trade openness is indeed an increase in θ. Changes in θ: (i) also due to technical change or factor endowments shock (ii) in this toy model, trade raises real income everywhere - in the low-skill labor-abundant country, trade means a decrease in the relative price of X (need to verify that it indeed raises real income there as well).

3. Since $r^F = \left(\theta^F\right)^{1-\beta_y}$ and $w^F = \left(\frac{1}{\theta^F}\right)^{\beta_y}$, it implies that the relative price of factor in free trade is:

$$\rho^F = \frac{r^F}{w^F} = \theta^F \tag{A.2}$$

4. Thanks to the assumption of no factor intensity reversals (here with CD holds), there is a one to one correspondence between relative factor prices and relative good prices. This is true due to perfect competition: p=MC implies that $\frac{p_x}{p_y} = \left(\frac{r}{w}\right)^{\beta_x-\beta_y}$.

5. (Real) total income is:

$$\frac{I}{P} = \frac{wL_1 + rH_1}{\frac{\theta^{\alpha(\beta_x-\beta_y)}}{\alpha^\alpha(1-\alpha)^{1-\alpha}}}$$

$$= \frac{\frac{1}{\theta^{\beta_y}} L_1 + \theta^{1-\beta_y} H_1}{\frac{\theta^{\alpha(\beta_x-\beta_y)}}{\alpha^{\alpha}(1-\alpha)^{1-\alpha}}}$$

Taking the derivative with respect to trade inequality, θ:

$$\begin{aligned}
\frac{\partial I}{\partial \theta} &= -\frac{\beta_y L_1}{\theta^{\beta_y+1}} + \frac{(1-\beta_y)H_1}{\theta^{\beta_y}} \\
&= -\beta_y \left(\frac{L_1}{\theta^{\beta_y+1}} + \frac{H_1}{\theta^{\beta_y}} \right) + \frac{H_1}{\theta^{\beta_y}} \\
&= \frac{1}{\theta} \left(-\beta_y I + r H_1 \right) \\
&= \frac{I}{\theta} \left(-\beta_y + \gamma \right)
\end{aligned} \tag{A.3}$$

which is larger than 0 if $\beta_y < \gamma$, with $\gamma = \frac{rK}{I} = \beta_x \alpha + (1-\alpha)\beta_y$, where β_x is the value added of high-skill labor in sector X_c, for $c = 1, 2$. This condition can be restated as: $\beta_x > \beta_y$.

Then, for real income is:

$$\begin{aligned}
\frac{\partial \left(\frac{I}{P}\right)}{\partial \theta} &= \frac{\frac{\partial I}{\partial \theta} P - \frac{\partial P}{\partial \theta} I}{P^2} \\
&= \frac{1}{\theta} \frac{(-\beta_y I + r H_1) - \frac{\alpha(\beta_x-\beta_y)}{\theta} P}{P^2} \\
&= \frac{1}{\theta} \frac{(-\beta_y I + r H_1 - P\alpha\beta_x + \alpha\beta_y P)}{P^2} \\
&= \frac{1}{\theta} \frac{\beta_y(\alpha P - I) + r H_1 - P\alpha\beta_x}{P^2} \\
&= \frac{I}{\theta} \frac{\beta_y \left(\frac{\alpha P}{I} - 1\right) + \gamma - \frac{\alpha P}{I}\beta_x}{P^2} \\
&= \frac{I}{\theta} \frac{\beta_y \left(\frac{\alpha P}{I} - 1\right) + \beta_x \alpha + (1-\alpha)\beta_y - \frac{\alpha P}{I}\beta_x}{P^2} \\
&= \frac{\frac{\alpha I}{\theta} \left(1 - \frac{P}{I}\right) (\beta_x - \beta_y)}{P^2}
\end{aligned} \tag{A.4}$$

which is positive since $\beta_x > \beta_y$. This condition implies that total income is increasing in trade integration when factor intensity reversals do not occur. This is visible also from the one to one correspondence between relative factor and good prices: p=MC implies that $\frac{p_x}{p_y} = \left(\frac{r}{w}\right)^{\beta_x - \beta_y}$

Intuition

1. The condition $\beta_x > \beta_y$ is related to factor intensity reversal in HO.
   - Factor intensity reversal (FIR): ranking of good according to their factor intensity changes with different factor-price ratios.

- It depends on the curvature of the isoquant of the industry x and y. If they are too curved, the intersect twice in the H, L space. However, with CD the elasticity of substitution between factor is always 1, and factor intensity reversal never occurs since it is a constant and intersect just once for all factor price ratios. Then, when FIR never occurs, there is a one to one correspondence between relative price of goods and prices. For CD: $p_x/p_y = (r/w)^(\beta_x - \beta_y)$ if $\beta_x > \beta_y$.
- Recall that β_i is the cost share of high-skill labor in sector i. $\beta_x > \beta_y$ implies that the H-intense good is X, since its cost-share is larger.

2. Now, when we move from autarky to free trade, the relative price of good changes, and thus relative factor prices (one-to-one correspondence). This is equivalent to: $\theta^A < \theta^F$ (see document, this is actually trade integration). Since there is no factor intensity reversal with CD, $\beta_x > \beta_y$ holds, as well as the one to one correspondence between relative price of good and factors.

3. This guarantees that total income is always increasing with respect to the factor price changes, as it depends on factor prices: $wL + rK$. If factor reversal occurred, relative good price increases would result in relative factor price decreases, and total income would not necessarily always increases with integration.

A.2 Tax-rates proposed by parties

Post-tax income of group $\hat{y} = \hat{w}, \hat{r}$ is:

$$\hat{y} = (1-\tau)y + \left(\tau - \frac{\tau^2}{2}\right) I$$

Political parties maximize the following weighted sum with τ:

$$\max_{\tau^j \in [0,1]} (1-\chi) L_1 \hat{w}^j + \chi H_1 \, \hat{r}^j \tag{A.2.1}$$

The F.O.C. is:

$$-(1-\chi)L_1 w + (1-\chi)L_1(1-\tau)I\chi H_1 r + \chi H_1(1-\tau)I = 0$$

$$I(1-\tau)[(1-\chi)L_1 + \chi H_1] = [(1-\chi)L_1 + \theta\chi H_1]w$$

$$\tau(\chi, \theta) = 1 - \frac{w}{I} \times A(\chi, \theta) \tag{A.2.2}$$

where $A(\chi, \theta) \equiv \frac{L_1(1-\chi)+\theta H_1 \chi}{L_1(1-\chi)+H_1\chi} > 1$.

A.3 Post-tax income

I first rewrite real post-tax income of low-skill worker under any regime, and in presence of political capture χ as:

$$\tilde{w}(\chi,\theta) = \frac{1}{P}\left[(1-\tau(\chi))w + \left(\tau(\chi) - \frac{\tau(\chi)^2}{2}\right) I\right]$$

where $\tau(\chi) = 1 - \frac{w}{I} \times A(\chi,\theta)$ (see A.2). I substitute and rearrange:

$$\begin{aligned}
&= \frac{1}{P}\left[\frac{w}{I}A(\chi,\theta)w + \left(\frac{I - wA(\chi,\theta)}{I}\right)\left(1 - \frac{I - wA(\chi,\theta)}{2I}\right) I\right] \\
&= \frac{1}{P}\left[\frac{w^2}{I}A(\chi,\theta) + (I - wA(\chi,\theta))\left(1 - \frac{I - wA(\chi,\theta)}{2I}\right)\right] \\
&= \frac{1}{P}\left[\frac{w^2}{I}A(\chi,\theta) + \left(\frac{I^2 - w^2A(\chi,\theta)^2}{2I}\right)\right] \\
&= \frac{1}{P}\left(\frac{2w^2A(\chi,\theta) + I^2 - w^2A(\chi,\theta)^2}{2I}\right) \\
&= \frac{1}{P}\left(\frac{w^2A(\chi,\theta)(2 - A(\chi,\theta)) + I^2}{2I}\right) \\
&= \frac{1}{2P}\left(\frac{w^2}{I}\Upsilon(\chi,\theta) + I\right) \qquad \text{(A.3.1)}
\end{aligned}$$

where $\Upsilon(\chi,\theta) = A(\chi,\theta)(2 - A(\chi,\theta))$.

A.4 Properties of $\Upsilon(\chi,\theta)$

$\Upsilon(\chi,\theta)$ can be rewritten as:

$$\begin{aligned}
\Upsilon(\chi,\theta) &= A(\chi,\theta)(2 - A(\chi,\theta)) \\
&= \frac{L_1(1-\chi) + \theta H_1\chi}{L_1(1-\chi) + H_1\chi}\left(2 - \frac{L_1(1-\chi) + \theta H_1\chi}{L_1(1-\chi) + H_1\chi}\right) \\
&= \frac{L_1(1-\chi) + \theta H_1\chi}{L_1(1-\chi) + H_1\chi}\left(\frac{2L_1(1-\chi) + 2\chi H_1 - L_1(1-\chi) - \theta H_1\chi}{L_1(1-\chi) + H_1\chi}\right) \\
&= \frac{L_1(1-\chi) + \theta H_1\chi}{L_1(1-\chi) + H_1\chi}\left(\frac{L_1(1-\chi) - H_1\chi(\theta-2)}{L_1(1-\chi) + H_1\chi}\right) \\
&= \frac{L_1^2(1-\chi)^2 - L_1(1-\chi)H_1\chi(\theta-2) + 2L_1(1-\chi)\chi H_1 + L_1(1-\chi)H_1\chi(\theta-2) - \theta H_1^2\chi^2(\theta-2)}{\left[L_1(1-\chi) + H_1\chi\right]^2} \\
&= \frac{L_1(1-\chi)\left[L_1(1-\chi) + 2\chi H_1\right] - H_1^2\chi^2\theta(\theta-2)}{\left[L_1(1-\chi) + H_1\chi\right]^2}
\end{aligned}$$

Then:

a. $\Upsilon(\chi = 0,\theta) = 1$

b. $\Upsilon(\chi = 1/2, \theta) = \frac{L_1(L_1+2K_1)-H_1^2\theta(\theta-2)}{(L_1+H_1)^2}$

c. The derivative with respect to political capture χ is:

$$\begin{aligned}\frac{\partial \Upsilon(\chi,\theta)}{\partial \chi} &= \frac{\partial A(\chi,\theta)}{\partial \chi}[2 - A(\chi,\theta)] - A(\chi,\theta)\frac{\partial A(\chi,\theta)}{\partial \chi} \\ &= \frac{\partial A(\chi,\theta)}{\partial \chi}2[1 - A(\chi,\theta)] \\ &= -\frac{2K_1^2\chi(\theta-1)^2}{L_1^2(1-\chi+\chi H_1)^3} < 0\end{aligned}$$

d. The derivative with trade θ:

$$\frac{\partial \Upsilon(\chi,\theta)}{\partial \theta} = -\frac{2\chi^2K_1^2(\theta-1)}{L_1^2(1-\chi+\chi H_1)^2} < 0$$

A.5 Decomposing the effect of trade

Taking the derivative of $\tilde{w}(\chi,\theta) = \frac{1}{2P}\left(\frac{w^2}{I}\Upsilon(\chi,\theta) + I\right)$ with respect to trade θ; by defining nominal post-tax income as $\hat{w} = \frac{1}{2}\left(\frac{w^2}{I}\Upsilon(\chi,\theta) + I\right)$:

$$\begin{aligned}\frac{\partial \tilde{w}(\chi,\theta)}{\partial \theta} &= \frac{\frac{\partial \hat{w}}{\partial \theta}P - \frac{\partial P}{\partial \theta}\hat{w}}{P^2} \\ &= \frac{1}{2P^2}\left[\frac{\partial\left(\frac{w^2}{I}\right)}{\partial \theta}P\Upsilon(\chi,\theta) + \frac{\partial I}{\partial \theta}P + \frac{w^2P}{I}\frac{\partial \Upsilon(\chi,\theta)}{\partial \theta} - \frac{\partial P}{\partial \theta}\hat{w}\right] \\ &= \frac{1}{2P^2}\left[\frac{\frac{\partial w^2}{\partial \theta}IP\Upsilon(\chi,\theta) - \frac{\partial I}{\partial \theta}w^2P\Upsilon(\chi,\theta)}{I^2} + \frac{\partial I}{\partial \theta}P + \frac{w^2P}{I}\frac{\partial \Upsilon(\chi,\theta)}{\partial \theta} - \frac{\partial P}{\partial \theta}\hat{w}\right] \\ &= \frac{1}{2P^2}\left[\frac{\partial w^2}{\partial \theta}IP\Upsilon(\chi,\theta) - \frac{\partial I}{\partial \theta}w^2P\Upsilon(\chi,\theta) + I^2P\frac{\partial I}{\partial \theta} + w^2IP\frac{\partial \Upsilon(\chi,\theta)}{\partial \theta} - \frac{\partial P}{\partial \theta}\hat{w}\right] \\ &= \frac{1}{2P}\left\{\frac{\partial w^2}{\partial \theta}I\Upsilon(\chi,\theta) + \frac{\partial I}{\partial \theta}\left[I^2 - w^2\Upsilon(\chi,\theta)\right] + \frac{\partial \Upsilon(\chi,\theta)}{\partial \theta}w^2I - \frac{\partial P}{\partial \theta}\tilde{w}\right\}\end{aligned}$$

Then, the impact on the vote share is

$$\frac{\partial \pi_P}{\partial \theta} = -f(\cdot)\frac{\partial \tilde{w}}{\partial \theta} = -\frac{f(\cdot)}{2I^2P}\left[\underbrace{\frac{\partial w^2}{\partial \theta}I\Upsilon(\chi,\theta)}_{\substack{>0\\ \text{Pre-tax wage effect}}} + \underbrace{\frac{\partial I}{\partial \theta}(I^2 - w^2\Upsilon(\chi,\theta))}_{\substack{<0\\ \text{Pie effect}}} + \underbrace{\frac{\partial \Upsilon(\chi,\theta)}{\partial \theta}w^2I}_{\substack{>0\\ \text{Captured tax effect}}} - \underbrace{\frac{\partial P}{\partial \theta}\tilde{w}}_{\substack{>0\\ \text{Price effect}}}\right]$$

where $\Upsilon(\chi,\theta) = A(\chi,\theta)(2 - A(\chi,\theta))$.

A.6 Proof of lemma and theorem 1

A.6.1 Monotonicity

To proof that the fraction of voters π_P is monotononically increasing in χ, I exploit the normalization of the population to 1 and rewrite post-tax income as:

$$
\begin{aligned}
\tilde{w} &= \frac{1}{P}\left[[1-\tau(\chi)]w + \left(\tau(\chi) - \frac{\tau(\chi)^2}{2}\right) I\right] \\
&= \frac{1}{P}\left[w - \tau(\chi)w + \left(\tau(\chi) - \frac{\tau(\chi)^2}{2}\right) I\right] \\
&= \frac{1}{P}\left\{w + w\tau(\chi)\left[-1 + \left(1 - \frac{\tau(\chi)}{2}\right)(1 + H_1(\theta-1))\right]\right\} \\
&= \frac{1}{P}\left\{w + w\tau(\chi)\left\{-1 + \left(1 - \frac{(1-2\chi)H_1L_1(\theta-1)}{2(1-\chi-H_1+2\chi H_1)[1+H_1(\theta-1)]}\right)[1+H_1(\theta-1)]\right\}\right\} \\
&= \frac{1}{P}\left[w + w\tau(\chi)\left(\frac{-2(1-\chi-H_1+2\chi H_1) + 2(1-\chi-H_1+2\chi H_1)[1+H_1(\theta-1)] - (1-2\chi)H_1L_1(\theta-1)}{2(1-\chi-H_1+2\chi H_1)}\right)\right] \\
&= \frac{1}{P}\left[w + w\tau(\chi)\left(\frac{2(1-\chi-H_1+2\chi H_1)H_1(\theta-1) - (1-2\chi)H_1L_1(\theta-1)}{2(1-\chi-H_1+2\chi H_1)}\right)\right] \\
&= \frac{1}{P}\left(w + w\frac{(1-2\chi)H_1L_1(\theta-1)}{(1-\chi-H_1+2\chi H_1)[1+H_1(\theta-1)]}\frac{H_1(\theta-1)\left(2(1-\chi-H_1+2\chi H_1) - (1-2\chi)L_1\right)}{2(1-\chi-H_1+2\chi H_1)}\right) \\
&= \frac{\alpha^\alpha(1-\alpha)^\alpha}{\theta^\gamma}\left(1 + \frac{H_1^2(\theta-1)^2L_1}{2[1+H_1(\theta-1)]}B(\chi)\right) \qquad \text{(A.6.1)}
\end{aligned}
$$

where $B(\chi) = \frac{(1-2\chi)[1-H_1(1-2\chi)]}{(1-\chi-H_1+2\chi H_1)^2}$.

To show that the fraction π_P is monotonically increasing in χ, it suffices to proof that the function $f(\chi) \coloneqq \tilde{w}^P(\chi, \theta^A) - \tilde{w}^M(\chi, \theta^F)$ is increasing in χ:

I take the derivative of with respect to χ:

$$
\frac{\partial f(\chi)}{\partial \chi} = \frac{\partial B(\chi)}{\partial \chi}\left[\frac{\alpha^\alpha(1-\alpha)^\alpha}{(\theta^A)^\gamma}\left(1 + \frac{H_1^2(\theta^A-1)^2L_1}{2[1+H_1(\theta^A-1)]}B(\chi)\right) - \frac{\alpha^\alpha(1-\alpha)^\alpha}{(\theta^F)^\gamma}\left(1 + \frac{H_1^2(\theta^F-1)^2L_1}{2[1+H_1(\theta^F-1)]}B(\chi)\right)\right]
$$

First, it is straightforward to prove that $\frac{\partial B(\chi)}{\partial \chi} = -\frac{2\chi}{(1-\chi-H_1+2\chi H_1)^3} < 0$. Second, the square bracket terms it is positive if the condition in the lemma holds. The bracket-terms in fact compares the redistributive power of the tax rate under the two regimes. In the next paragraph, I show which is the condition for which it holds.

A.6.2 Existence (lemma 3)

For the equilibrium to exist, $f(\chi,\theta) \coloneqq \tilde{w}^P(\chi,\theta^A) - \tilde{w}^M(\chi,\theta^F)$ has to be negative at $\chi = 0$ and positive at $\chi = \frac{1}{2}$. I take the derivative with respect to θ, recalling that post-tax incomes under free trade are the only one affected by changes in trade θ. First, I rewrite here post-tax income:

$$\tilde{w}(\chi,\theta) = \frac{1}{2}\left(\frac{w^2}{IP}\Upsilon(\chi,\theta) + \frac{I}{P}\right)$$

The derivative of real post-tax income with respect to trade is:

$$\begin{aligned}
\frac{\partial\tilde{w}}{\partial\theta} &= \frac{1}{2}\left\{\frac{\partial\left(\frac{w^2}{IP}\right)}{\partial\theta}\Upsilon(\chi,\theta) + \frac{w^2}{IP}\frac{\partial\Upsilon(\chi,\theta)}{\partial\theta} + \frac{\partial\left(\frac{I}{P}\right)}{\partial\theta}\right\} \\
&= \frac{1}{2}\left\{\frac{\frac{\partial w^2}{\partial\theta}IP - w^2\left(\frac{\partial I}{\partial\theta}P + \frac{\partial P}{\partial\theta}I\right)}{I^2P^2}\Upsilon(\chi,\theta) + \frac{w^2}{IP}\frac{\partial\Upsilon(\chi,\theta)}{\partial\theta} + \frac{\partial\left(\frac{I}{P}\right)}{\partial\theta}\right\} \\
&= \frac{1}{2}\left\{\frac{\Upsilon(\chi,\theta)}{I^2P^2}\left[-\frac{2\beta_y w^2}{\theta}IP - \frac{w^2PI(\beta_y+\gamma)}{\theta} - \frac{w^2IP\alpha(\beta_x-\beta_y)}{\theta}\right] + \frac{w^2}{IP}\frac{\partial\Upsilon(\chi,\theta)}{\partial\theta} + \frac{\partial\left(\frac{I}{P}\right)}{\partial\theta}\right\} \\
&= \frac{1}{2}\left\{-\frac{2\Upsilon(\chi,\theta)w^2}{\theta IP}\left(\beta_x\alpha + \beta_y(1-\alpha)\right) + \frac{w^2}{IP}\frac{\partial\Upsilon(\chi,\theta)}{\partial\theta} + \frac{\frac{\alpha I}{\theta}\left(1-\frac{P}{I}\right)(\beta_x-\beta_y)}{P^2}\right\} \\
&= \frac{1}{2P}\left\{-\beta_y\left[\frac{(1-\alpha)2w^2\Upsilon(\chi,\theta)}{\theta I} + \frac{I\alpha\left(1-\frac{P}{I}\right)}{\theta P}\right] + \beta_x\left[-\frac{\alpha 2w^2\Upsilon(\chi,\theta)}{\theta I} + \frac{I\alpha\left(1-\frac{P}{I}\right)}{\theta P}\right] + \frac{w^2}{IP}\frac{\partial\Upsilon(\chi,\theta)}{\partial\theta}\right\}
\end{aligned}$$

Then, the $\frac{\partial f(\chi)}{\partial\theta} = -\frac{\partial\hat{w}^M(\chi,\theta^F)}{\partial\theta}$ is increasing in θ if:

$$\beta_x > \beta_y\left[\left(\frac{\alpha\frac{I}{P}\left(\frac{I}{P}-1\right) - 2\frac{w^2}{P}\alpha\Upsilon(\chi,\theta)}{\alpha\frac{I}{P}\left(\frac{I}{P}-1\right) + 2\frac{w^2}{P}(1-\alpha)\Upsilon(\chi,\theta)}\right) + \frac{\partial\Upsilon(\chi,\theta)}{\partial\theta}\frac{w^2}{I}\right]^{-1} \tag{A.6.2}$$

The bracket term (which is smaller than 1) implies that real low-skill wages increase in trade if gains from trade are sufficiently high: a bit more high-skill labor should be allocated in the X_1 sector ("pie effect" prevails on "nominal wage effect"). The second term is the "captured tax rate effect". As political capture increases, the tax rate decreases and low-skilled workers benefit less from the increase of the pie. Thus, given chi, even more high-skill labor needs to be allocated in the X_1 sector for them to benefit from trade.

Notice that condition A.6.2 when $\chi = 0$ is equal to:

$$\beta_y < \beta_x\left(\frac{\alpha I(I-P) - 2w^2\alpha P}{\alpha I(I-P) + 2w^2(1-\alpha)P}\right) \tag{A.6.3}$$

Further, when $\chi = \frac{1}{2}$, $\tilde{w} = \frac{w}{P}$, and the real nominal wage is always decreasing in θ.

Finally, notice that:

$$\frac{\partial \Upsilon(\chi,\theta)}{\partial\theta\partial\chi} = -\frac{4K_1^2\chi(\theta-1)}{(1-\chi+\chi H_1)^2} < 0 \tag{A.6.4}$$

The last condition implies that the effect of trade along χ is monotonic, and pass from negative to positive. This intuition is key for the proof of the next theorem.

A.7 Proof of theorem 2

1. In a full democracy ($\chi = 0$), losers are better off under free trade, i.e., $\frac{\partial \pi_P}{\partial \theta} < 0$, if $\beta_y < \beta_x \left(\frac{\alpha I(I-P)-2w^2\alpha P}{\alpha I(I-P)+2w^2(1-\alpha)P}\right)$ (see A.6.2).

2. In complete power ($\chi = \frac{1}{2}$), losers are better off under Autarky, i.e., $\frac{\partial \pi_P}{\partial \theta} > 0$ (see A.6.2).

3. Effect of trade is monotonic in political capture, i.e., $\frac{\partial^2 \pi_P}{\partial\theta\partial\chi} > 0$ (see A.6.4).

A.8 Proof of Proposition 1

To prove proposition 1, I report here the post-tax income rewritten using the normalization, i.e., equation A.6.1:

$$\hat{w}^M(\chi,\theta^F) = \frac{1}{(\theta^F)^{\beta_y}}\left(1 + \frac{H_1^2(\theta^F-1)^2L_1}{2[1+H_1(\theta^F-1)]}B(\chi)\right)$$

Now I define the threshold value $\bar{\chi}$ such that the function $\hat{w}^P(\bar{\chi},\theta^A) - \hat{w}^M(\bar{\chi},\theta^F) = 0$:

$$\frac{1}{(\theta^A)^{\beta_y}}\left(1 + \frac{H_1^2(\theta^A-1)^2L_1}{2[1+H_1(\theta^A-1)]}B(\bar{\chi})\right) - \frac{1}{(\theta^F)^{\beta_y}}\left(1 + \frac{H_1^2(\theta^F-1)^2L_1}{2[1+H_1(\theta^F-1)]}B(\bar{\chi})\right)$$

$$B(\bar{\chi}) = \frac{w^A - w^F}{\frac{w^F H_1^2(\theta^F-1)^2L_1}{2[1+H_1(\theta^F-1)]} - \frac{w^A H_1^2(\theta^A-1)^2L_1}{2[1+H_1(\theta^A-1)]}} \tag{A.8.1}$$

The right-hand side of A.8.1 is the ratio of the change in nominal wage (the pre-tax wage effect), and the pie effect in a full democracy. Since we know from A.6 that the pie effect prevails on the pre-tax wage effect if $\beta_y < \beta_x \left(\frac{\alpha I(I-P)-2w^2\alpha P}{\alpha I(I-P)+2w^2(1-\alpha)P}\right)$, it implies that the Right hand side is decreasing in θ.

Further, it is easy to show that $\frac{\partial B(\chi)}{\partial \chi} < 0$. Thus, as $\uparrow \theta$ then $\uparrow \bar{\chi}$.

A.9 Proof of Proposition 2

To proof proposition 2, I precede in two steps:

1. First, I need to proof that $\frac{\partial r(\chi,\theta)}{\partial \chi} > 0$. This implies that HS workers' post tax income increase with HS workers' political power.

2. Second, I ensure that $r(\chi = \frac{1}{2}, \theta^A) > r(\bar{\chi}, \theta^F)$. If this is true, HS workers are better off under autarky with no taxation, than under free trade at democracy level $\bar{\chi}$.

First step I exploit the normalization of the population to 1, rewrite total income as $I = r\frac{(1+H_1(\theta-1))}{\theta}$, the tax rate as $\tau = \frac{(1-2\chi)H_1L_1(\theta-1)}{2(1-\chi-H_1+2\chi H_1)\frac{(1+H_1(\theta-1))}{\theta}\theta}$ and rewrite post-tax income as:

$$
\begin{aligned}
\tilde{r} &= \frac{1}{P}\left[[1-\tau(\chi)]r + \left(\tau(\chi) - \frac{\tau(\chi)^2}{2}\right) I\right] \\
&= \frac{1}{P}\left[r - \tau(\chi)r + \left(\tau(\chi) - \frac{\tau(\chi)^2}{2}\right) r\frac{(1+H_1(\theta-1))}{\theta}\right] \\
&= \frac{r}{P}\left\{1 - \tau(\chi) + \tau(\chi)\left(1 - \frac{\tau(\chi)}{2}\right)\frac{(1+H_1(\theta-1))}{\theta}\right\} \\
&= \frac{r}{P}\left\{1 + \tau(\chi)\left[1 - \left(1 - \frac{\tau(\chi)}{2}\right)\frac{(1+H_1(\theta-1))}{\theta}\right]\right\} \\
&= \frac{r}{P}\left[1 + \tau(\chi)\left(-1\frac{+2(1-\chi-H_1+2\chi H_1)(1+H_1(\theta-1)) - (1-2\chi)H_1L_1(\theta-1)}{2\theta(1-\chi-H_1+2\chi H_1)}\right)\right] \\
&= \frac{r}{P}\left[1 + \tau(\chi)\left(\frac{-2\theta(1-\chi-H_1+2\chi H_1) + 2(1-\chi-H_1+2\chi H_1)(1+H_1(\theta-1)) - (1-2\chi)H_1L_1(\theta-1)}{2\theta(1-\chi-H_1+2\chi H_1)}\right)\right] \\
&= \frac{r}{P}\left(1 + \frac{(1-2\chi)H_1L_1(\theta-1)}{(1-\chi-H_1+2\chi H_1)[1+H_1(\theta-1)]}\frac{-L_1(\theta-1)(1-2\chi)\left[1+L_1(1-2\chi)\right]}{2\theta(1-\chi-H_1+2\chi H_1)}\right) \\
&= \alpha^\alpha(1-\alpha)^\alpha\theta^{1-\gamma}\left(1 - \frac{L_1^2(\theta-1)^2H_1}{2\theta[1+H_1(\theta-1)]}\tilde{B}(\chi)\right) \qquad \text{(A.9.1)}
\end{aligned}
$$

where $\tilde{B}(\chi) = \frac{(1-2\chi)[1+L_1(1-2\chi)]}{(1-\chi-H_1+2\chi H_1)^2}$.

The derivative of HS wage with respect to χ is:

$$
\frac{\partial r(\chi,\theta)}{\partial \chi} = -\frac{\alpha^\alpha(1-\alpha)^\alpha\theta^{1-\gamma}L_1^2(\theta-1)^2H_1}{2\theta[1+H_1(\theta-1)]}\frac{\partial \tilde{B}(\chi)}{\partial \chi} > 0 \qquad \text{(A.9.2)}
$$

where $\frac{\partial \tilde{B}(\chi)}{\partial \chi} = -\frac{2(1-\chi)}{(1-\chi-H_1+2\chi H_1)^3} < 0$.

Second step I need to compare $r(\chi = \frac{1}{2}, \theta^A) > r(\bar{\chi}, \theta^F)$. To do so I:

1. Rewrite post-tax HS wage as $r(\chi,\theta) = \frac{1}{2P}\left(\frac{w^2}{I}\tilde{\Upsilon}(\chi,\theta) + I\right)$.

2. Find the condition such that the derivative $\frac{\partial r(\chi,\theta)}{\partial \theta} > 0$, such that HS workers' post tax income increase with trade integration.

3. Then, when the condition in point 2 doesn't hold, I can rank $r(\chi = \frac{1}{2}, \theta^A) > r(\chi = \frac{1}{2}, \theta^F) > r(\bar{\chi}, \theta^F)$

4. Ensure that the condition holds.

I first rewrite real post-tax income of low-skill worker under any regime, and in presence of political capture χ as:

$$\tilde{r}(\chi,\theta) = \frac{1}{P}\left[(1-\tau(\chi))r + \left(\tau(\chi) - \frac{\tau(\chi)^2}{2}\right) I\right]$$

where $\tau(\chi) = 1 - \frac{w}{I} \times A(\chi,\theta)$ (see A.2). I substitute and rearrange:

$$\begin{aligned}
&= \frac{1}{P}\left[\frac{wr}{I}A(\chi,\theta) + \left(\frac{I - wA(\chi,\theta)}{I}\right)\left(1 - \frac{I - wA(\chi,\theta)}{2I}\right) I\right] \\
&= \frac{1}{P}\left[\frac{wr}{I}A(\chi,\theta) + (I - wA(\chi,\theta))\left(1 - \frac{I - wA(\chi,\theta)}{2I}\right)\right] \\
&= \frac{1}{P}\left[\frac{wr}{I}A(\chi,\theta) + \left(\frac{I^2 - w^2A(\chi,\theta)^2}{2I}\right)\right] \\
&= \frac{1}{P}\left(\frac{2wrA(\chi,\theta) + I^2 - w^2A(\chi,\theta)^2}{2I}\right) \\
&= \frac{1}{P}\left(\frac{2w^2\theta A(\chi,\theta) + I^2 - w^2A(\chi,\theta)^2}{2I}\right) \\
&= \frac{1}{P}\left(\frac{w^2A(\chi,\theta)(2\theta - A(\chi,\theta)) + I^2}{2I}\right) \\
&= \frac{1}{2P}\left(\frac{w^2}{I}\tilde{\Upsilon}(\chi,\theta) + I\right)
\end{aligned} \tag{A.9.3}$$

where $\tilde{\Upsilon}(\chi,\theta) = A(\chi,\theta)(2\theta - A(\chi,\theta))$.

Following a similar procedure of Section A.6.2, I take the derivative with respect to θ and obtain that $\frac{\partial r(\chi,\theta)}{\partial \theta} > 0$ iff:

$$\beta_x > \beta_y \left[\left(\frac{\alpha\frac{I}{P}\left(\frac{I}{P} - 1\right) - 2\frac{w^2}{P}\alpha\tilde{\Upsilon}(\chi,\theta)}{\alpha\frac{I}{P}\left(\frac{I}{P} - 1\right) + 2\frac{w^2}{P}(1-\alpha)\tilde{\Upsilon}(\chi,\theta)}\right) + \frac{\partial\tilde{\Upsilon}(\chi,\theta)}{\partial\theta}\frac{w^2}{I}\right]^{-1} \tag{A.9.4}$$

Finally I compare condition A.9.4 with condition A.6.3. In particular, I define

$$\overline{\beta_x} = \beta_y \left[\left(\frac{\alpha\frac{I}{P}\left(\frac{I}{P} - 1\right) - 2\frac{w^2}{P}\alpha\tilde{\Upsilon}(\chi,\theta)}{\alpha\frac{I}{P}\left(\frac{I}{P} - 1\right) + 2\frac{w^2}{P}(1-\alpha)\tilde{\Upsilon}(\chi,\theta)}\right) + \frac{\partial\tilde{\Upsilon}(\chi,\theta)}{\partial\theta}\frac{w^2}{I}\right]^{-1}$$

$$\underline{\beta_x} = \beta_y \left[\frac{\alpha I(I-P) - 2w^2 \alpha P}{\alpha I(I-P) + 2w^2(1-\alpha)P} \right]^{-1}$$

When β_x is such that $\overline{\beta_x} > \beta_x > \underline{\beta_x}$, the equilibrium is stable. I find that $\overline{\beta_x} > \underline{\beta_x}$ when:

$$\beta_y > \frac{S^H + \frac{\partial \tilde{\Upsilon}(\chi,\theta)}{\partial \theta} \frac{w^2}{I}}{S^L} \tag{A.9.5}$$

where $S^L \equiv \left(\frac{\alpha \frac{I}{P}\left(\frac{I}{P}-1\right) - 2\frac{w^2}{P}\alpha \Upsilon(\chi,\theta)}{\alpha \frac{I}{P}\left(\frac{I}{P}-1\right) + 2\frac{w^2}{P}(1-\alpha)\Upsilon(\chi,\theta)} \right)$ and $S^H \equiv \left(\frac{\alpha \frac{I}{P}\left(\frac{I}{P}-1\right) - 2\frac{w^2}{P}\alpha \tilde{\Upsilon}(\chi,\theta)}{\alpha \frac{I}{P}\left(\frac{I}{P}-1\right) + 2\frac{w^2}{P}(1-\alpha)\tilde{\Upsilon}(\chi,\theta)} \right)$.

Furthermore, define:

$$\beta_x^H = \beta_y \left[\left(\frac{\alpha \frac{I}{P}\left(\frac{I}{P}-1\right) - 2\frac{w^2}{P}\alpha \tilde{\Upsilon}(\chi,\theta)}{\alpha \frac{I}{P}\left(\frac{I}{P}-1\right) + 2\frac{w^2}{P}(1-\alpha)\tilde{\Upsilon}(\chi,\theta)} \right) + \frac{\partial \tilde{\Upsilon}(\chi,\theta)}{\partial \theta} \frac{w^2}{I} \right]^{-1}$$

$$\beta_x^L = \beta_y \left[\left(\frac{\alpha \frac{I}{P}\left(\frac{I}{P}-1\right) - 2\frac{w^2}{P}\alpha \Upsilon(\chi,\theta)}{\alpha \frac{I}{P}\left(\frac{I}{P}-1\right) + 2\frac{w^2}{P}(1-\alpha)\Upsilon(\chi,\theta)} \right) + \frac{\partial \Upsilon(\chi,\theta)}{\partial \theta} \frac{w^2}{I} \right]^{-1}$$

where the second comes from equation A.6.2. Then, $\beta_x^H > \beta_x^L$ if :

$$\beta_y > \frac{S^H + \frac{\partial \tilde{\Upsilon}(\chi,\theta)}{\partial \theta} \frac{w^2}{I}}{S^L + \frac{\partial \Upsilon(\chi,\theta)}{\partial \theta} \frac{w^2}{I}}. \tag{A.9.6}$$

B The HO equilibrium values

B.1 Autarky equilibrium values

The absolute equilibrium values are:

$$p_{xc}^* = \left(\frac{1}{\theta^A} \right)^{\beta_y - \beta_x} \frac{A_y}{A_x} \tag{B.1.1}$$

$$p_{yc}^* = 1 \tag{B.1.2}$$

$$w_c^* = \left(\frac{1}{\theta^A} \right)^{\beta_y} A_y \tag{B.1.3}$$

$$r_c^* = \left(\theta^A \right)^{1-\beta_y} A_y \tag{B.1.4}$$

$$X_c^* = \alpha L_c^{1-\beta_x} H_c^{\beta_x} \frac{(1+\phi)}{\phi^{\beta_x}} A_x \tag{B.1.5}$$

$$Y_c^* = (1-\alpha) L_c^{1-\beta_y} H_c^{\beta_y} \frac{(1+\phi)}{\phi^{\beta_y}} A_y \tag{B.1.6}$$

where $\phi = \frac{\beta_x\alpha+\beta_y(1-\alpha)}{1-[\beta_x\alpha+\beta_y(1-\alpha)]}$ and $\theta^A = \frac{L_c}{H_c}\phi$, β_g is the cost share of good g, α parametrizes preferences from a Cobb-Douglas (CD). A_y and A_x are TFP parameters coming from the CD production function. For sector X, this is: $X_c = A_x \left(\frac{H_c}{\beta_x}\right)^{\beta_x} \left(\frac{L_c}{1-\beta_x}\right)^{1-\beta_x}$ The relative values are:

$$p_i^* = \frac{p_{xc}}{p_{yc}} = \left(\theta^A\right)^{\beta_x-\beta_y} \frac{A_y}{A_x} \tag{B.1.7}$$

$$\rho_c^* = \frac{r_c}{w_c} = \theta^A \tag{B.1.8}$$

$$x_c^* = \frac{X_c}{Y_c} = \frac{\alpha}{(1-\alpha)} \left(\theta^A\right)^{\beta_y-\beta_x} \frac{A_x}{A_y} \tag{B.1.9}$$

B.2 FT equilibrium values

Solving the system using the same method as in autarky, and treating the two countries world as an integrated economy, I get the FT equilibrium values (denoted by $\star$):

$$p_x^F = \left(\frac{1}{\theta}\right)^{\beta_y-\beta_x} \frac{A_y}{A_x} \tag{B.2.10}$$

$$p_y^F = 1 \tag{B.2.11}$$

$$w^F = \frac{1}{\theta^{\beta_y}} A_y \tag{B.2.12}$$

$$r^F = (\theta)^{1-\beta_y} A_y \tag{B.2.13}$$

$$X^F = \alpha \bar{L}^{1-\beta_x} \bar{H}^{\beta_x} \frac{(1+\phi)}{\phi^{\beta_x}} A_x \tag{B.2.14}$$

$$Y^F = (1-\alpha) \bar{L}^{1-\beta_y} \bar{H}^{\beta_y} \frac{(1+\phi)}{\phi^{\beta_y}} A_y \tag{B.2.15}$$

I recall that $\phi = \frac{\beta_x\alpha+\beta_y(1-\alpha)}{1-[\beta_x\alpha+\beta_y(1-\alpha)]}$ and $\theta = \frac{\bar{L}}{\bar{H}}\phi$.

The optimal supply equations by country are:

$$X_c^{S\star} = \frac{1}{(\beta_x-\beta_y)} L_c \left(\frac{\varkappa}{\phi}\right)^{\beta_x} \left((1-\beta_y)\phi\frac{\varkappa_c}{\varkappa} A_x - \beta_y A_y\right) \tag{B.2.16}$$

$$Y_c^{S\star} = \frac{1}{(\beta_y-\beta_x)} L_c \left(\frac{\varkappa}{\phi}\right)^{\beta_y} \left((1-\beta_x)\phi\frac{\varkappa_c}{\varkappa} A_y - \beta_x A_x\right) \tag{B.2.17}$$

where I recall that $\varkappa = \frac{\bar{H}}{\bar{L}}$ and $\varkappa_c = \frac{H_c}{L_c}$.

And the optimal demand by country are:

$$X_c^{D\star} = \alpha L_c \left(\frac{\varkappa}{\phi}\right)^{\beta_x} \left(1 + \phi\frac{\varkappa_c}{\varkappa}\right) \tag{B.2.18}$$

$$Y_c^{D\star} = (1-\alpha)L_c\left(\frac{\varkappa}{\phi}\right)^{\beta_y}\left(1+\phi\frac{\varkappa_c}{\varkappa}\right) \tag{B.2.19}$$

And the optimal export and imports by country are:

$$Y_1^{S*} - Y_1^{D*} = \frac{\gamma(s_{K1}-s_{L1})}{(\beta_x-\beta_y)\phi^{\beta_y}}\bar{L}^{1-\beta_y}\bar{H}^{\beta_y} \tag{B.2.20}$$

$$X_1^{S*} - X_1^{D*} = \frac{\gamma(s_{K1}-s_{L1})}{(\beta_x-\beta_y)\phi^{\beta_x}}\bar{L}^{1-\beta_x}\bar{H}^{\beta_x} \tag{B.2.21}$$

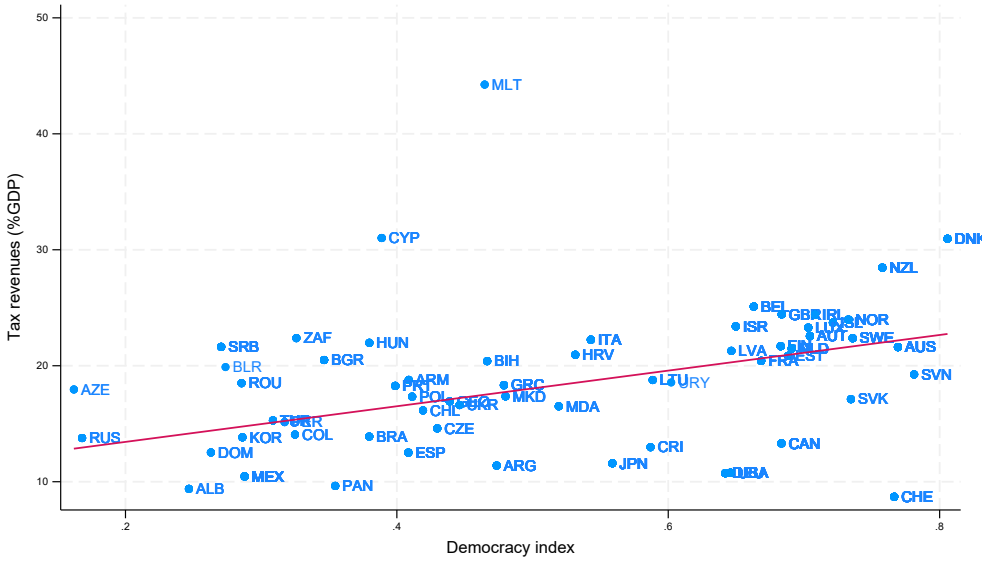
Hence if sector X is H-intensive ($\beta_x > \beta_y$) and country 1 is relatively H-abundant ($s_{K1} > s_{L1}$), expression B.2.21 is positive so that country 1 is an exporter of good X. This corresponds to the Heckscher-Ohlin Theorem: a country tends to export the good which is using relatively more of the factor that the country is relatively well endowed with.

C Empirical appendix

Table C.1: Descriptive Statistics

Variables	*Obs*	*Mean*	*St. Dev.*	*Min*	*Max*
Years	778	-	-	1950	2020
Prot. vote-share	723	0.132	0.205	0	1
Democracy score	769	0.700	0.157	0.116	0.890
Panel A: Trade-to-GDP					
Δ Trade with low-skilled	619	0.013	0.088	-0.558	0.587
Δ Trade with high-skilled	606	0.009	0.094	-0.639	0.562
Δ Trade with low-skilled - IV	651	-0.414	2.832	-40.431	17.914
Δ Trade with high-skilled - IV	635	-0.138	1.001	-14.911	4.225
Panel B: Imports-to-GDP					
Δ Imports from low-skilled	622	0.007	0.046	-0.270	0.308
Δ Imports from high-skilled	606	0.003	0.055	-0.312	0.357
Δ Imports from low-skilled - IV	651	-0.197	1.716	-24.548	11.621
Δ Imports from high-skilled - IV	635	-0.063	0.610	-8.897	3.877
Panel C: Exports-to-GDP					
Δ Exports to low-skilled	622	0.006	0.045	-0.304	0.278
Δ Exports to high-skilled	606	0.006	0.046	-0.328	0.243
Δ Exports to low-skilled - IV	651	-0.197	1.716	-24.547	11.620
Δ Exports to high-skilled - IV	635	-0.063	0.610	-8.898	3.876

Figure C.1: Correlation between the average democracy score and average tax revenues to gdp by country.



C.1 First-stages

Table C.2: First stage - sum of exports and imports

	(1) $\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$	(2) $\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	(3) $\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$	(4) $\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$
$\Delta\frac{(EX+IM)^{LS,IV}_{c,t}}{GDP_{c,t}}$	0.609**	0.184***	-0.692***	0.046
	(0.253)	(0.063)	(0.171)	(0.120)
$\Delta\frac{(EX+IM)^{LS,IV}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	0.334*	0.340***	-0.344**	-0.255*
	(0.173)	(0.054)	(0.156)	(0.138)
$\Delta\frac{(EX+IM)^{HS,IV}_{c,t}}{GDP_{c,t}}$	-0.971**	-0.401***	1.448***	-0.296
	(0.468)	(0.124)	(0.337)	(0.299)
$\Delta\frac{(EX+IM)^{HS,IV}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.507**	-0.269***	0.074	1.005**
	(0.214)	(0.088)	(0.301)	(0.398)
$D_{c,t}$	-0.199	0.179	0.216	-0.300
	(0.165)	(0.276)	(0.224)	(0.190)
Observations	556	556	556	556

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table C.3: First stage - imports

	(1) $\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}}$	(2) $\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	(3) $\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}}$	(4) $\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$
$\Delta\frac{IM^{LS,IV}_{c,t}}{GDP_{c,t}}$	0.564**	0.117	-0.536**	0.036
	(0.267)	(0.078)	(0.211)	(0.149)
$\Delta\frac{IM^{LS,IV}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	0.215	0.364***	-0.200	-0.305
	(0.169)	(0.062)	(0.187)	(0.193)
$\Delta\frac{IM^{HS,IV}_{c,t}}{GDP_{c,t}}$	-0.868	-0.279*	1.203***	-0.275
	(0.542)	(0.164)	(0.450)	(0.380)
$\Delta\frac{IM^{HS,IV}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.515**	-0.324***	-0.046	1.157**
	(0.242)	(0.106)	(0.408)	(0.551)
$D_{c,t}$	-0.147	0.092	0.161	-0.291*
	(0.148)	(0.250)	(0.182)	(0.166)
Observations	556	556	556	556

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table C.4: First stage - exports

	(1) $\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}}$	(2) $\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	(3) $\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}}$	(4) $\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$
$\Delta\frac{EX^{LS,IV}_{c,t}}{GDP_{c,t}}$	0.484*	0.135*	-0.524***	-0.126**
	(0.287)	(0.076)	(0.140)	(0.064)
$\Delta\frac{EX^{LS,IV}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	0.299*	0.234***	-0.316***	-0.170**
	(0.175)	(0.062)	(0.121)	(0.066)
$\Delta\frac{EX^{HS,IV}_{c,t}}{GDP_{c,t}}$	-0.724	-0.260	1.120***	0.188*
	(0.569)	(0.160)	(0.260)	(0.111)
$\Delta\frac{EX^{HS,IV}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.510**	-0.192	0.317*	0.492***
	(0.256)	(0.122)	(0.170)	(0.115)
$D_{c,t}$	-0.228	0.259	0.286	-0.271
	(0.178)	(0.309)	(0.257)	(0.234)
Observations	556	556	556	556

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure C.2: Gravity equation coefficients

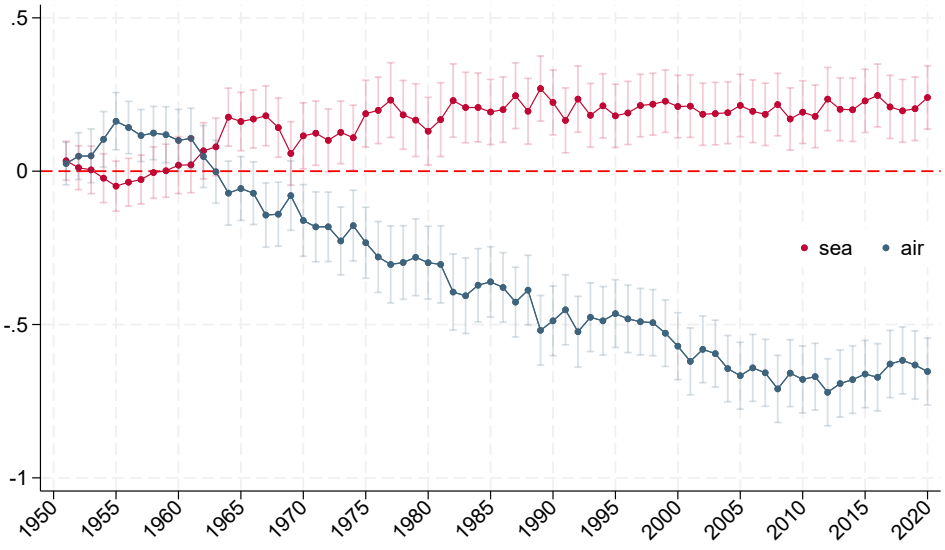


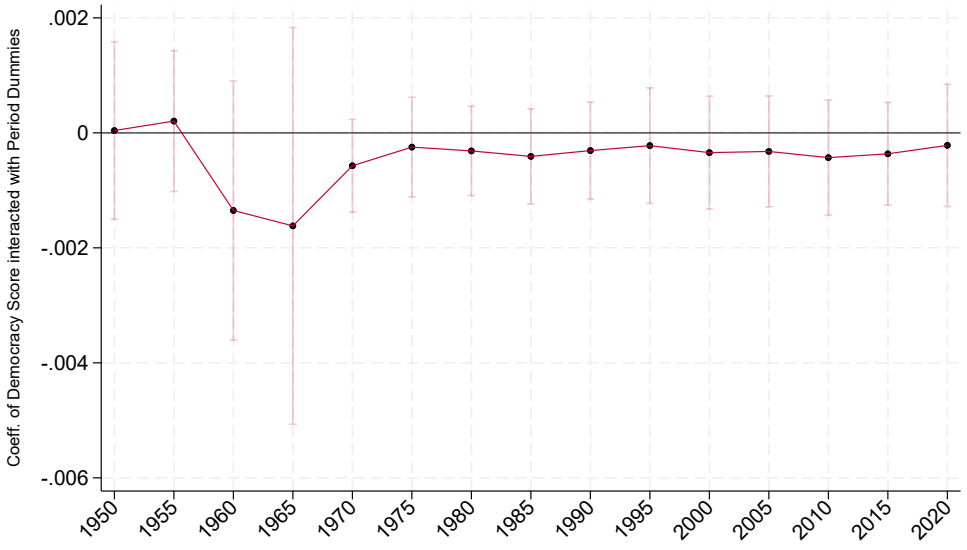
Table C.5: Democracy Score on Predicted Trade: Reduced and 2SLS Estimates

	Reduced Form				2SLS Estimates		
	Democracy Score				Democracy Score		
	(1)	(2)	(3)		(4)	(5)	(6)
$\Delta\frac{(EX+IM)^{LS,IV}_{c,t}}{GDP_{c,t}}$	-0.001			$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$	-0.003		
	(0.002)				(0.026)		
$\Delta\frac{(EX+IM)^{HS,IV}_{c,t}}{GDP_{c,t}}$	-0.002			$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$	0.020		
	(0.001)				(0.041)		
$\Delta\frac{IM^{LS,IV}_{c,t}}{GDP_{c,t}}$		-0.001		$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}}$		-0.020	
		(0.002)				(0.015)	
$\Delta\frac{IM^{HS,IV}_{c,t}}{GDP_{c,t}}$		-0.001		$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}}$		-0.024	
		(0.001)				(0.016)	
$\Delta\frac{EX^{LS,IV}_{c,t}}{GDP_{c,t}}$			-0.001	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}}$			-0.019
			(0.002)				(0.013)
$\Delta\frac{EX^{HS,IV}_{c,t}}{GDP_{c,t}}$			-0.001	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}}$			-0.012
			(0.001)				(0.010)
Obs.	630	630	630	Obs.	599	602	602
Trade LS				Trade LS	8.60	26.70	56.35
Trade HS				Trade HS	1.86	13.63	61.02

Standard errors in parentheses

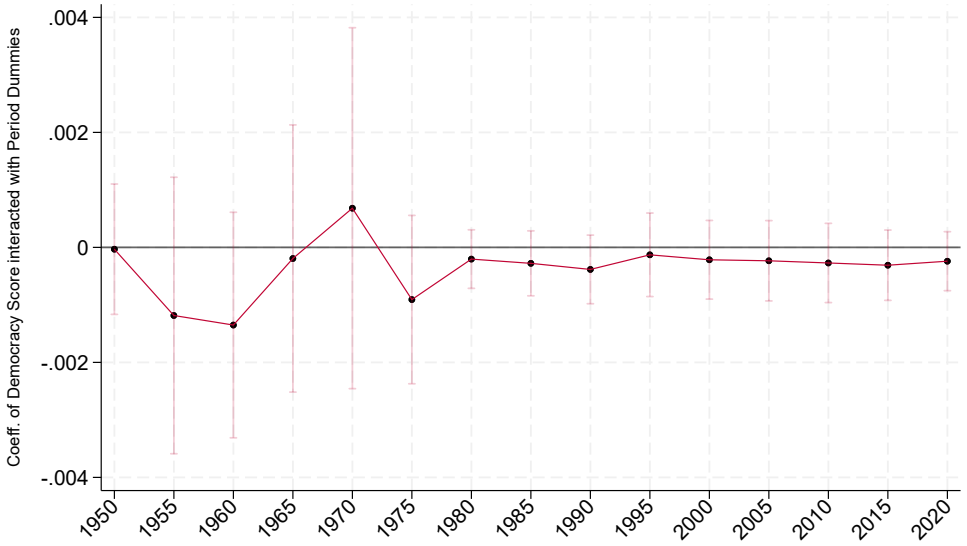
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure C.3: Predicted Trade with Low-skilled Partners and Democracy Score



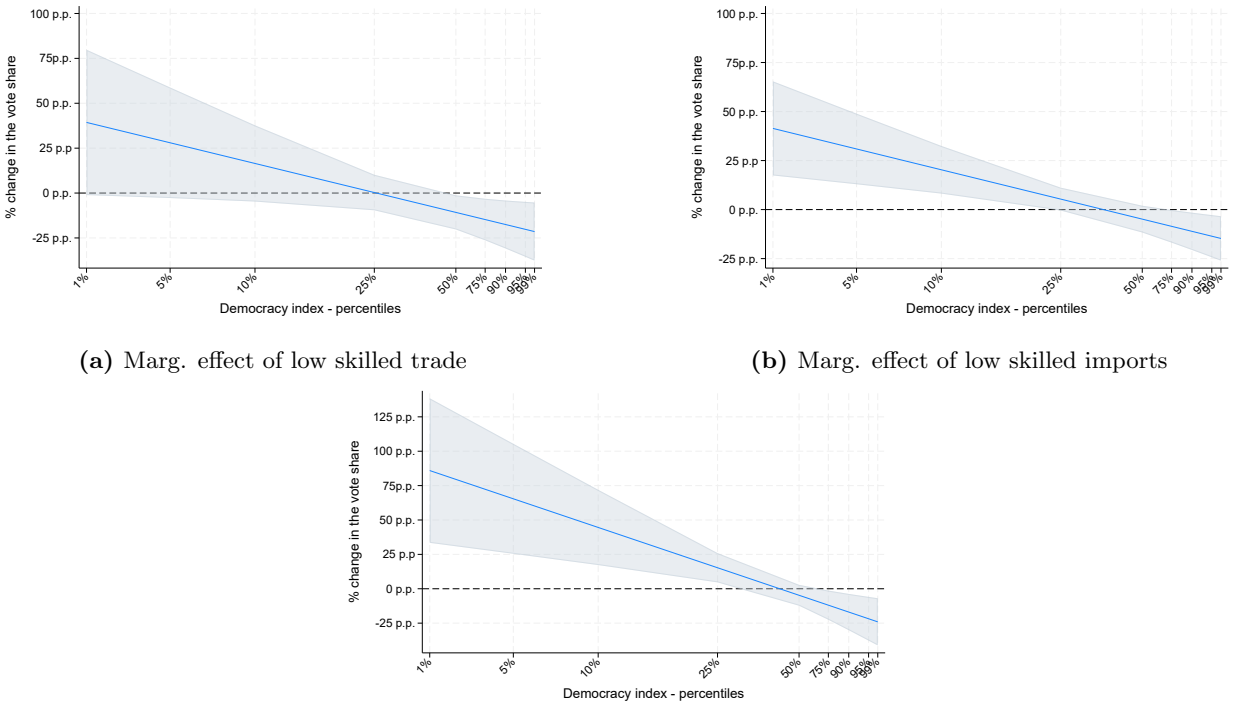
Notes: The figure plots coefficients (with 95% confidence intervals) on the interaction between period dummies and Democracy score, in regressions that control for country and election fixed effects. The dependent variable is the change in predicted trade with low-skilled trade partners relative to GDP. Standard errors are clustered at the country level.

Figure C.4: Predicted Trade with High-skilled Partners and Democracy Score



Notes: The figure plots coefficients (with 95% confidence intervals) on the interaction between period dummies and Democracy score, in regressions that control for country and election fixed effects. The dependent variable is the change in predicted trade with high-skilled trade partners relative to GDP. Standard errors are clustered at the country level.

C.2 Marginal effects



(a) Marg. effect of low skilled trade

(b) Marg. effect of low skilled imports

(c) Marg. effect of low skilled exports

Figure C.5: The 1 s.d. impact of flows from low-skilled partners on the protectionist party vote share. The y-axis displays the effect of imports from ls in p.p. change in the vote share at different level of the democracy index, from low score at 1%, to high score at 99%.

Figure C.6: Average Positive and Negative Marginal effects by country

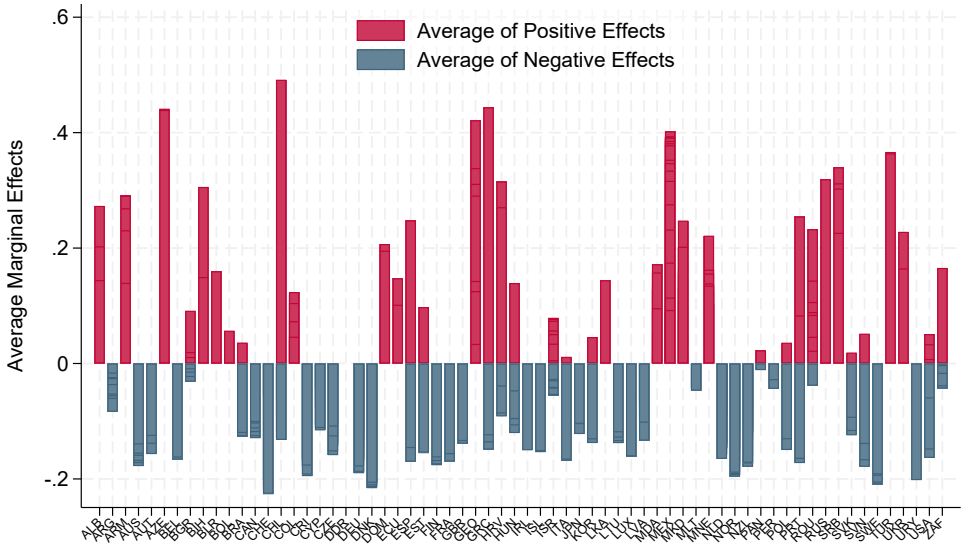
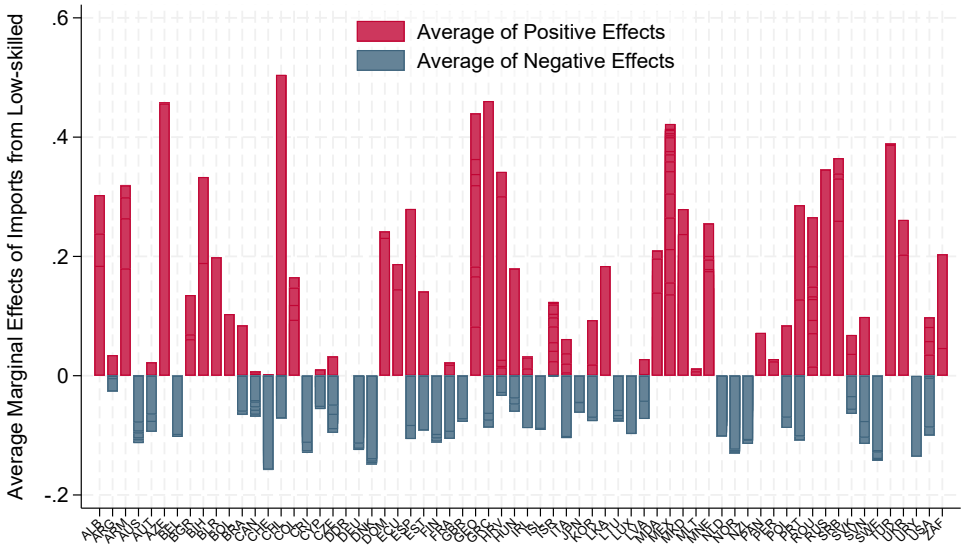


Figure C.7: Average Positive and Negative Marginal effects by country



C.3 Lagged and constant democracy

Table C.6: Lagged democracy

	Dependent Variable Protectionis m (Prot.)			Dependent Variable Protectionism (Prot.)			Dependent Variable Protectionism (Prot.)	
	(1)	(2)		(3)	(4)		(5)	(6)
$D_{c,t-1}$	-0.014	0.000	$D_{c,t-1}$	-0.012	-0.000	$D_{c,t-1}$	-0.013	0.071
	(0.028)	(0.041)		(0.027)	(0.037)		(0.030)	(0.137)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$	0.011	-0.043	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}}$	0.003	0.004	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}}$	0.013	0.033
	(0.012)	(0.051)		(0.010)	(0.028)		(0.011)	(0.037)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t-1}$	-0.027	-0.116	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t-1}$	-0.020	-0.109**	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t-1}$	-0.021	-0.256**
	(0.017)	(0.086)		(0.012)	(0.052)		(0.016)	(0.117)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$	-0.005	-0.048	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}}$	-0.007	-0.039	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}}$	-0.005	-0.087
	(0.010)	(0.074)		(0.009)	(0.042)		(0.010)	(0.063)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t-1}$	-0.006	0.036	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t-1}$	-0.007	0.041	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t-1}$	0.001	0.198
	(0.010)	(0.075)		(0.007)	(0.066)		(0.011)	(0.193)
N	556	556	N	556	556	N	556	556
SW-F weak id			SW-F weak id			SW-F weak id		
trade-LS	–	29.14	imports LS	–	73.87	exports LS	–	116.27
interaction LS	–	18.56	interaction LS	–	59.07	interaction LS	–	34.34
trade HS	–	24.75	imports-HS	–	54.28	exports HS	–	32.84
interaction HS	–	21.00	interaction HS	–	43.88	interaction HS	–	30.75

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table C.7: Left vote share

	Dependent Variable Left			Dependent Variable Left			Dependent Variable Left	
	(1)	(2)		(3)	(4)		(5)	(6)
$D_{c,t}$	-0.047	-0.008	$D_{c,t}$	-0.048	-0.007	$D_{c,t}$	-0.049	0.135
	(0.044)	(0.077)		(0.045)	(0.064)		(0.044)	(0.144)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$	0.014	-0.031	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}}$	0.024	0.168**	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}}$	0.004	0.214***
	(0.019)	(0.119)		(0.016)	(0.063)		(0.017)	(0.058)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	0.002	-0.159	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.007	-0.035	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	0.010	-0.244
	(0.023)	(0.106)		(0.019)	(0.098)		(0.018)	(0.168)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$	-0.005	-0.164	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}}$	0.002	0.012	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}}$	-0.013	-0.080
	(0.010)	(0.155)		(0.009)	(0.183)		(0.012)	(0.162)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	0.012	-0.033	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	0.010	0.077	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	0.013	0.204*
	(0.016)	(0.105)		(0.011)	(0.104)		(0.019)	(0.117)
N	556	556	N	556	556	N	556	556
SW-F weak id			SW-F weak id			SW-F weak id		
trade-LS	–	27.64	trade-LS	–	76.81	trade-LS	–	79.62
interaction LS	–	18.59	interaction LS	–	45.38	interaction LS	–	24.65
trade HS	–	24.08	trade HS	–	43.47	trade HS	–	28.42
interaction HS	–	22.69	interaction HS	–	49.52	interaction HS	–	62.25

Standard errors in parentheses

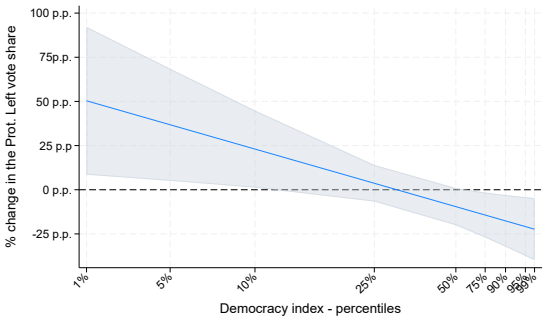
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table C.8: Protectionist Left

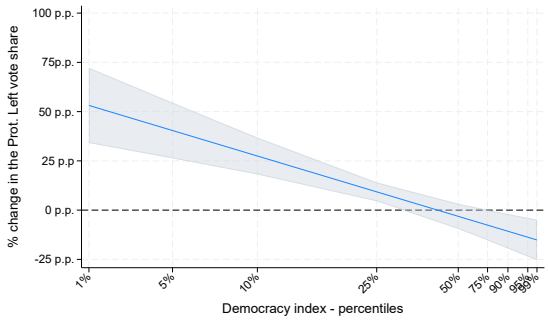
	Dependent Variable Prot. Left			Dependent Variable Prot. Left			Dependent Variable Prot. Left	
	(1)	(2)		(3)	(4)		(5)	(6)
$D_{c,t}$	-0.075	-0.037	$D_{c,t}$	-0.079*	-0.050	$D_{c,t}$	-0.074	0.091
	(0.045)	(0.078)		(0.044)	(0.079)		(0.044)	(0.158)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$	0.008	-0.028	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}}$	0.005	0.032	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}}$	0.007	0.098**
	(0.010)	(0.055)		(0.009)	(0.031)		(0.009)	(0.039)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.020*	-0.174**	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.021*	-0.164***	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.010	-0.340***
	(0.011)	(0.082)		(0.011)	(0.040)		(0.010)	(0.100)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$	-0.004	-0.097	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}}$	-0.005	-0.077	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}}$	-0.005	-0.105
	(0.008)	(0.068)		(0.008)	(0.055)		(0.009)	(0.064)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.004	-0.001	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.007	0.004	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	0.004	0.127
	(0.008)	(0.058)		(0.007)	(0.060)		(0.009)	(0.114)
N	556	556	N	556	556	N	556	556
SW-F weak id			SW-F weak id			SW-F weak id		
trade-LS	–	27.64	trade-LS	–	76.81	trade-LS	–	79.62
interaction LS	–	18.59	interaction LS	–	45.38	interaction LS	–	24.65
trade HS	–	24.08	trade HS	–	43.47	trade HS	–	28.42
interaction HS	–	22.69	interaction HS	–	49.52	interaction HS	–	62.25

Standard errors in parentheses

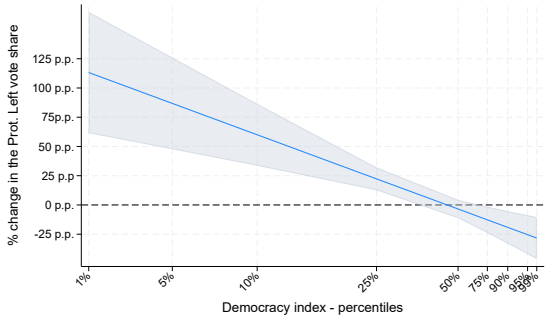
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$



(a) Marg. effect of low skilled trade



(b) Marg. effect of low skilled imports



(c) Marg. effect of low skilled exports

Figure C.8: The 1 s.d. impact of flows from low-skilled partners on the protectionist party vote share. The y-axis displays the effect of imports from ls in p.p. change in the vote share at different level of the democracy index, from low score at 1%, to high score at 99%.

Table C.9: Protectionist Right

	Dependent Variable Prot. Right			Dependent Variable Prot. Right			Dependent Variable Prot. Right	
	(1)	(2)		(3)	(4)		(5)	(6)
$D_{c,t}$	0.006	0.003	$D_{c,t}$	0.006	0.003	$D_{c,t}$	0.007	-0.003
	(0.007)	(0.009)		(0.007)	(0.008)		(0.006)	(0.017)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$	0.001	-0.020	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}}$	-0.000	-0.013	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}}$	0.002	-0.018
	(0.003)	(0.023)		(0.002)	(0.009)		(0.003)	(0.012)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.005	-0.004	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.002	0.011	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.006	0.029
	(0.004)	(0.031)		(0.002)	(0.019)		(0.005)	(0.033)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$	-0.001	-0.009	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}}$	-0.001	-0.008	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}}$	-0.001	-0.007
	(0.002)	(0.028)		(0.001)	(0.014)		(0.002)	(0.012)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.001	-0.002	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	0.000	0.001	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.002	0.005
	(0.002)	(0.019)		(0.001)	(0.012)		(0.002)	(0.021)
N	556	556	N	556	556	N	556	556
SW-F weak id			SW-F weak id			SW-F weak id		
trade-LS	–	27.64	trade-LS	–	76.81	trade-LS	–	79.62
interaction LS	–	18.59	interaction LS	–	45.38	interaction LS	–	24.65
trade HS	–	24.08	trade HS	–	43.47	trade HS	–	28.42
interaction HS	–	22.69	interaction HS	–	49.52	interaction HS	–	62.25

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table C.10: Robustness - Center of Gravity of Protectionism

	Dependent Variable COG Prot.			Dependent Variable COG Prot.			Dependent Variable COG Prot.	
	(1)	(2)		(3)	(4)		(5)	(6)
$D_{c,t}$	-0.026	0.008	$D_{c,t}$	-0.038	-0.014	$D_{c,t}$	-0.016	0.092
	(0.100)	(0.121)		(0.102)	(0.128)		(0.097)	(0.203)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$	-0.012	0.017	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}}$	-0.034	0.025	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}}$	0.005	0.104
	(0.037)	(0.169)		(0.030)	(0.103)		(0.033)	(0.118)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.048	-0.158	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.041	-0.234*	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.032	-0.416*
	(0.043)	(0.202)		(0.032)	(0.126)		(0.039)	(0.231)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$	-0.037	0.068	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}}$	-0.049*	0.100	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}}$	-0.025	0.097
	(0.028)	(0.199)		(0.025)	(0.136)		(0.024)	(0.106)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.032	0.089	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.046***	0.031	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.004	0.076
	(0.020)	(0.161)		(0.014)	(0.133)		(0.021)	(0.242)
N	556	556	N	556	556	N	556	556
SW-F weak id			SW-F weak id			SW-F weak id		
trade-LS	–	27.64	trade-LS	–	76.81	trade-LS	–	79.62
interaction LS	–	18.59	interaction LS	–	45.38	interaction LS	–	24.65
trade HS	–	24.08	trade HS	–	43.47	trade HS	–	28.42
interaction HS	–	22.69	interaction HS	–	49.52	interaction HS	–	62.25

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table C.11: Number of protectionist parties

	Dependent Variable			Dependent Variable			Dependent Variable	
	Prot. number			Prot. number			Prot. number	
	(1)	(2)		(3)	(4)		(5)	(6)
$D_{c,t}$	-0.344	0.629	$D_{c,t}$	-0.398	-0.286	$D_{c,t}$	-0.356	0.375
	(0.268)	(1.406)		(0.306)	(0.403)		(0.266)	(0.700)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$	0.113	-0.577	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}}$	0.076	0.051	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}}$	0.070	0.432
	(0.129)	(0.478)		(0.110)	(0.219)		(0.133)	(0.320)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.495**	-2.519**	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.462***	-1.189***	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.322	-2.138**
	(0.212)	(1.150)		(0.157)	(0.308)		(0.212)	(0.859)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$	-0.045	-1.661	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}}$	-0.090	0.157	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}}$	-0.021	0.221
	(0.072)	(1.714)		(0.067)	(0.365)		(0.078)	(0.366)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.185*	-0.033	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.176**	-0.124	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.080	0.267
	(0.100)	(1.255)		(0.078)	(0.350)		(0.101)	(0.540)
N	430	430	N	433	433	N	433	433
SW-F weak id			SW-F weak id			SW-F weak id		
trade-LS	–	27.64	trade-LS	–	76.81	trade-LS	–	79.62
interaction LS	–	18.59	interaction LS	–	45.38	interaction LS	–	24.65
trade HS	–	24.08	trade HS	–	43.47	trade HS	–	28.42
interaction HS	–	22.69	interaction HS	–	49.52	interaction HS	–	62.25

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table C.12: Mechanisms: Number of protectionist over total number of parties

	Dependent Variable			Dependent Variable			Dependent Variable	
	# of prot/total			# of prot/total			# of prot/total	
	(1)	(2)		(3)	(4)		(5)	(6)
$D_{c,t}$	-0.125***	0.052	$D_{c,t}$	-0.129***	-0.073	$D_{c,t}$	-0.122***	-0.038
	(0.040)	(0.300)		(0.042)	(0.069)		(0.038)	(0.106)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$	0.002	-0.076	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}}$	0.000	0.008	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}}$	-0.001	0.041
	(0.013)	(0.104)		(0.011)	(0.047)		(0.015)	(0.068)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.045**	-0.320	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.042***	-0.146***	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.032	-0.151
	(0.019)	(0.267)		(0.012)	(0.050)		(0.023)	(0.188)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$	-0.003	-0.301	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}}$	-0.004	-0.047	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}}$	-0.004	0.001
	(0.009)	(0.433)		(0.008)	(0.063)		(0.009)	(0.062)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.022**	0.059	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.020**	0.059	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.010	0.192
	(0.011)	(0.319)		(0.009)	(0.084)		(0.012)	(0.115)
N	430	430	N	433	433	N	433	433
trade-LS	–	24.93	trade-LS	–	73.55	trade-LS	–	69.65
interaction LS	–	9.96	interaction LS	–	103.01	interaction LS	–	24.81
trade HS	–	6.01	trade HS	–	54.54	trade HS	–	12.54
interaction HS	–	12.06	interaction HS	–	21.44	interaction HS	–	7.88

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

D Robustness: Other outcomes

Following Colantone and Stanig (2018), I compute the *nationalism* score and the *economic conservatism* score. The first is based on claims about the national way of life, traditional morality, law and order and multiculturalism. The second is based on claims on welfare state, free market economy and incentives, regulation and planning, and demand management.[42] As them, I will refer to this score as economic left to right, and I will compute three vote shares (also coupled with the protectionist score): the protectionist economic left, the protectionist economic right, and the economic left. I also compute the *Net Autarky* score, based on Burgoon (2009), which includes claims about protectionism, internationalism and the EU. Based on this score I will compute three vote shares (also coupled with the economic conservatism): the net autarky economic left, the protectionist economic right, and the economic left, and the nationalist autarky – a combination of the Nationalist and the Net Autarky score.

I analyze the impact of trade shocks on the COG of Nationalist Autarky,. Reassuringly, results align with the one on the vote share, as shown in table D.1.

Table D.1: Robustness - Center of Gravity of Nationalist Autarky

	Dependent Variable COG nas			Dependent Variable COG nas			Dependent Variable COG nas	
	(1)	(2)		(3)	(4)		(5)	(6)
$D_{c,t}$	-0.296	-0.195	$D_{c,t}$	-0.308	-0.269	$D_{c,t}$	-0.287	-0.022
	(0.211)	(0.358)		(0.207)	(0.258)		(0.212)	(0.359)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}}$	0.014	-1.103**	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}}$	-0.020	-0.342**	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}}$	0.038	-0.200
	(0.049)	(0.422)		(0.047)	(0.152)		(0.034)	(0.164)
$\Delta\frac{(EX+IM)^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.035	-1.039*	$\Delta\frac{IM^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.016	-0.581**	$\Delta\frac{EX^{LS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.032	-0.706*
	(0.075)	(0.568)		(0.077)	(0.249)		(0.046)	(0.392)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}}$	-0.012	-1.215	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}}$	-0.041	-0.463	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}}$	0.012	-0.349
	(0.047)	(0.724)		(0.043)	(0.294)		(0.043)	(0.282)
$\Delta\frac{(EX+IM)^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.022	-0.329	$\Delta\frac{IM^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	-0.037	-0.052	$\Delta\frac{EX^{HS}_{c,t}}{GDP_{c,t}} \times D_{c,t}$	0.004	0.216
	(0.053)	(0.393)		(0.048)	(0.201)		(0.047)	(0.340)
N	556	556	N	556	556	N	556	556
SW-F weak id			SW-F weak id			SW-F weak id		
trade-LS	–	27.64	trade-LS	–	76.81	trade-LS	–	79.62
interaction LS	–	18.59	interaction LS	–	45.38	interaction LS	–	24.65
trade HS	–	24.08	trade HS	–	43.47	trade HS	–	28.42
interaction HS	–	22.69	interaction HS	–	49.52	interaction HS	–	62.25

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

[42] For the computation of the Economic Conservatism (left-right) score, based on Equation 3.1, $z^{+}_{\ell ct}$ contains the number of claims coded in categories 401, 402, 414 and 505, while $z^{-}_{\ell ct}$ refers to codes 403, 404, 405, 409, 412, 413, and 504

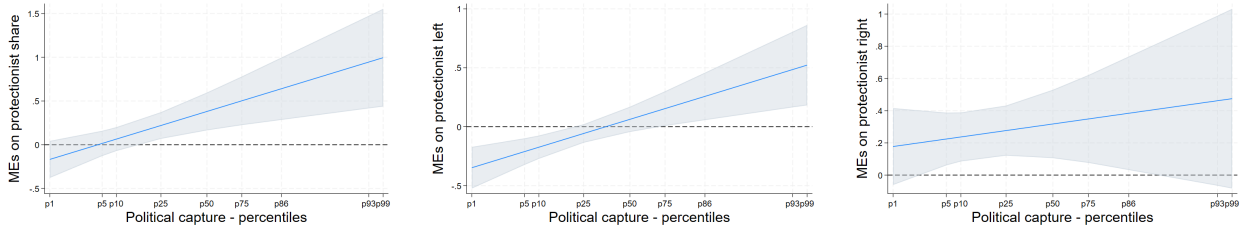
E Robustness: the China shock

In this Section, I use the data of Colantone and Stanig (2018) for year 1990-2000 and 2000-2007. As outcome variables, I analyze the same vote shares computed as described in the Data Section above, but at the electoral district level in 14 EU countries. The shock is now a measure of exposure to the China import like in Autor et al. (2013) at the NUTS2 level. I augment their empirical strategy by introducing the interaction between PC_{ct} and the china shock in their regression.[43] In particular, I estimate:[44]

$$VS_{cdt} = \beta_0 + \beta_1 \Delta IM_{cr(d)t} + \beta_2 \, D_{ct} \;\; \Delta IM_{cr(d)t} + f_{ct} + \epsilon_{cdt} \tag{E.0.1}$$

where c refers to country, d to district and t to time. PO_{cdt} is one of the district-level summaries defined above. The function $r()$ maps district d to its $NUTS$-2 region r. The f_{ct} are country-year fixed effects, which account for any unobservable characteristic across countries and time (election). As above, the variable D_{ct} is the democracy score. Since I introduce country-year fixed effect, the $E(PO|\Delta IM = 0, BCI_{ct} \neq 0)$ is absorbed. However, thanks to the country-year fixed effects, this specification implies that not only the the effect of trade is causally identified, but also the differential effect of trade at different level of political capture. In fact, any observable or unobservable which may influence political captured and votes hares, is now controlled for. As shown in figure E.1 and table E.1, results are in line with the cross country finding and the theoretical model. When exposed to a 1 s.d. increase in import exposure, electoral districts in the *most* captured EU country experience a 0.63 p.p. (5.538×0.1132754) increase in the protectionist party vote share, while those in the *least* captured economy do not. When focusing on the protectionist left, the electoral district in the *least* captured economies experience an actual decrease in the vote share, as predicted by the theory

Figure E.1: IV marginal effect of the import shock



[43] Rogowski and Flaherty (2020) already augment the Colantone and Stanig (2018) strategy with an interaction of the china shock with inequality. The find that exposed electoral district in more unequal countries experience an increase in the radical right share. In my analysis, I control of inequality and show that political capture is what matters.

[44] see appendix **??** for details

Table E.1: Main results - C&S

	OLS			IV		
	(1)	(2)	(3)	(4)	(5)	(6)
	Prot.	Prot. left	Prot. right	Prot.	Prot. left	Prot. right
$\Delta IM_{dc,t}$	0.235***	0.060*	0.175**	0.400***	0.078	0.323**
	(0.071)	(0.035)	(0.085)	(0.137)	(0.068)	(0.135)
$\Delta IM_{dc,t} \times PC_{c,t}$	4.874**	4.578***	0.296	5.538***	4.145***	1.393
	(2.256)	(1.416)	(2.746)	(2.041)	(1.418)	(2.106)
N	8179	8181	8179	7781	7782	7781
Stattrade				48.40	48.40	48.40
StatInteraction				56.05	56.05	56.05

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$