Global Economic Integration and Nativist Politics in India

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October 23, 2021
What explains the global success of nativist political movements?
Is Globalization a Culprit?

In advanced economies: Yes.

- Import competition $\rightarrow$ dislocation and status threat
- Result: nativist backlash

In emerging economies: No.

- Global economic integration $\rightarrow$ $\uparrow$ employment and wages
- Why should globalization $\rightarrow$ nativist backlash?
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Globalization Drives Nativism In Emerging Economies

- Liberalization creates *concentrations of opportunity*
- Liberalization → *internal migration*
- Liberalization-induced migration happens across Global South
  - China, India, Brazil, Mexico
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- Labor mobility fuels **nativist grievances**
- Internal migration is politically contentious
- Nativist sentiment is widespread
- Politicians appeal to nativism for electoral gain
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Case: India

- **India**: 5th largest economy, largest electoral democracy
- **Focus**: textiles and apparel
- **Majority of textile and apparel workers are interstate migrants**
- **Often belong to marginalized communities**
Case: India

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The Multifiber Arrangement (MFA)

- Protectionist multilateral agreement on textiles and apparel
- Plan: gradual phaseout, 1995-2005
- But in India: 40% of production relieved of quotas overnight
- Result: sudden, large expansion of Indian textile sector
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Post-Liberalization, Textile Investment Surges

![Graph showing textile investment trends from 1999 to 2010. The graph indicates a significant surge in investment post-liberalization, with a notable increase in 2005, the year of MFA expiration.](image-url)
Empirical Analysis

- Difference-in-differences research design
- Indian administrative districts, 1999-2010
- Heterogeneous exposure to post-liberalization shock
- Hypothesis: exposure to shock $\rightarrow$ nativist violence
  - Mechanism: exposure to shock $\uparrow$ immigration
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Measurement

- Nativist violence: reported rioting crimes
- Liberalization exposure: pre-treatment textile employment
- Migration: district-level immigration in 2001-2005 and 2006-2010
Measurement

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Geography of Textile and Apparel Production
Empirical Model

\[ \text{Riots}_{it} = \text{TextileEmployment}_{i2004} \times \text{PostLiberalization} + \]
\[ \text{Population}_{i2001} \times \kappa_t + \text{Employment}_{i2001} \times \kappa_t + \]
\[ \text{Literacy}_{i2001} \times \kappa_t + \text{ScheduledCaste}_{i2001} \times \kappa_t + \theta_i + \kappa_t \]

\[ \theta_i = \text{district fixed effects} \]
\[ \kappa_t = \text{year fixed effects} \]

Standard errors clustered by district
Empirical Model

\[
\text{Riots}_{it} = \text{TextileEmployment}_{i2004} \times \text{PostLiberalization} + \\
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\text{Literacy}_{i2001} \times \kappa_t + \text{ScheduledCaste}_{i2001} \times \kappa_t + \theta_i + \kappa_t
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    Literacy_{i2001} \times \kappa_t + ScheduledCaste_{i2001} \times \kappa_t + \theta_i + \kappa_t
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\[ \text{Literacy}_{i2001} \times \kappa_t + \text{ScheduledCaste}_{i2001} \times \kappa_t + \theta_i + \kappa_t \]

\[ \theta_i = \text{district fixed effects} \]

\[ \kappa_t = \text{year fixed effects} \]

Standard errors clustered by district
Liberalization Exposure Increases Rioting

<table>
<thead>
<tr>
<th></th>
<th>Dependent variable:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Riots</td>
</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>$TextileEmp_{i2004} \times Post_t$</td>
<td>0.250***</td>
</tr>
<tr>
<td></td>
<td>(0.066)</td>
</tr>
</tbody>
</table>

Controls

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
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</thead>
<tbody>
<tr>
<td>Observations</td>
<td>6,440</td>
<td>6,040</td>
</tr>
<tr>
<td>Number of districts</td>
<td>537</td>
<td>537</td>
</tr>
<tr>
<td>Estimation</td>
<td>PPML</td>
<td>OLS</td>
</tr>
</tbody>
</table>

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. 
Liberalization Exposure Increases Internal Migration

![Graph showing coefficient trends for different types of migration: Intrastate, Interstate, Male interstate, Female interstate. The graph indicates higher coefficients for Interstate and Male interstate migration compared to Intrastate and Female interstate.]
Riots Increase More in Higher-Immigration Districts

<table>
<thead>
<tr>
<th></th>
<th>Dependent variable:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Riots</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td>$\text{TextileEmp}_{i2004} \times \text{Post}_t$*</td>
<td>0.051*</td>
</tr>
<tr>
<td>$\text{ImmigrationRate}_{it}$</td>
<td>(0.031)</td>
</tr>
<tr>
<td>$\text{TextileEmp}_{i2004} \times \text{Post}_t$</td>
<td>0.219**</td>
</tr>
<tr>
<td></td>
<td>(0.099)</td>
</tr>
<tr>
<td>Controls</td>
<td>✓</td>
</tr>
<tr>
<td>Observations</td>
<td>6,416</td>
</tr>
<tr>
<td>Number of districts</td>
<td>535</td>
</tr>
<tr>
<td>Estimation</td>
<td>PPML</td>
</tr>
</tbody>
</table>

*p <0.1; **p <0.05; ***p <0.01.*
Does nativism extend to the ballot box?

Focus: Maharashtra’s legislative assembly elections


Outcome: constituency-level vote share for nativist parties

- Shiv Sena (SS)
- Maharashtran Navnirman Sena (MNS)
Liberalization and Nativist Electoral Politics

- Does \( \uparrow \) nativism extend to the ballot box?
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  - Maharashtrian Navnirman Sena (MNS)
## Liberalization Exposure Increases Nativist Party Support

<table>
<thead>
<tr>
<th>Dependent variable: Nativist vote share</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
</tr>
<tr>
<td><strong>TextileEmp}_{i2004} * Post_t</strong></td>
</tr>
<tr>
<td>5.860**</td>
</tr>
<tr>
<td>(2.752)</td>
</tr>
</tbody>
</table>

- Controls: ✓
- Observations: 861
- Number of districts: 34

\[ *p < 0.1; **p < 0.05; ***p < 0.01. \text{ OLS.} \]
Takeaways

- Globalization can fuel nativism via its economic *benefits*
- New mechanism: liberalization-induced internal migration
- Nativism can limit the returns to globalization for workers
- Marginalized groups attracted by global opportunity
- Yet may face anti-immigrant discrimination
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Geography of Post-Liberalization Textile Investment
Rioting Crimes by Textile Concentration Size, 1999-2010

Rioting crimes per 1000 people

Year

Textile concentration size

Above average

Below average
Event Study Model

![Graph showing treatment indicator coefficient over years from 1999 to 2010. The x-axis represents the years, and the y-axis represents the treatment indicator coefficient. The graph includes error bars for each year.](image-url)
Robustness to Heterogeneous Treatment Effects

<table>
<thead>
<tr>
<th>Dependent variable:</th>
<th>log(riots)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td>$TextileEmp_{i2004} \times Post_t$</td>
<td>0.90**</td>
</tr>
<tr>
<td></td>
<td>(0.438)</td>
</tr>
<tr>
<td>Controls</td>
<td>✓</td>
</tr>
<tr>
<td>Observations</td>
<td>491</td>
</tr>
</tbody>
</table>

*p<0.1; **p<0.05; ***p<0.01.
## Liberalization Exposure Does Not Increase Murders

<table>
<thead>
<tr>
<th>Dependent variable:</th>
<th>Murders</th>
<th>log(murders)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TextileEmp$_{i2004} \times Post_t$</th>
<th>$-0.019$</th>
<th>$-0.028$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$(0.045)$</td>
<td>$(0.058)$</td>
</tr>
</tbody>
</table>

- **Controls**: ✓ ✓
- **Observations**: 6,545 6,518
- **Number of districts**: 546 546
- **Estimation**: PPML OLS

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. 
# Results Robust to Exclusion of Low-Riot Districts

<table>
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<th>Dependent variable:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Riots</td>
<td>log(riots)</td>
</tr>
<tr>
<td>(1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TextileEmp\textsubscript{i2004} \times Post\textsubscript{t}</td>
<td>0.250***</td>
<td>0.232**</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.066)</td>
<td>(0.010)</td>
</tr>
<tr>
<td>Controls</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>5,876</td>
<td>5,838</td>
<td></td>
</tr>
<tr>
<td>Number of districts</td>
<td>537</td>
<td>546</td>
<td></td>
</tr>
<tr>
<td>Estimation</td>
<td>PPML</td>
<td>OLS</td>
<td></td>
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## Liberalization Exposure Increases Textile Investment

<table>
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<tr>
<th></th>
<th>Dependent variable:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>log(value)</td>
</tr>
<tr>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td>TextileEmp$_{i2004} \times Post_t$</td>
<td>0.346**</td>
</tr>
<tr>
<td></td>
<td>(0.141)</td>
</tr>
</tbody>
</table>

Controls: ✓ ✓

Observations: 6,516 6,545
Number of districts: 546 546

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. OLS.
## Liberalization Doesn’t Increase Investment in Other Sectors

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$\text{TextileEmp}_{2004}$*</td>
<td>0.006</td>
<td>0.011</td>
<td>0.012</td>
<td>0.006</td>
<td>0.057**</td>
<td>0.012</td>
<td>0.0002</td>
</tr>
<tr>
<td>$\text{Post}_t$</td>
<td>(0.016)</td>
<td>(0.021)</td>
<td>(0.014)</td>
<td>(0.016)</td>
<td>(0.025)</td>
<td>(0.017)</td>
<td>(0.011)</td>
</tr>
</tbody>
</table>

| Controls   | ✓          | ✓      | ✓      | ✓          | ✓            | ✓    | ✓      |
| Observations | 6,545     | 6,545  | 6,545  | 6,545      | 6,545        | 6,545| 6,545  |
| No. of districts | 546      | 546    | 546    | 546        | 546          | 546  | 546    |

$p < 0.1$; $** p < 0.05$; $*** p < 0.01$. OLS.
Liberalization Does Not Increase Imports

■ Alternative explanation: imports of raw/intermediate goods drive import competition

■ World Bank Enterprise Surveys
  ■ Identifies Indian exporting textile firms
  ■ Asks % of inputs sourced locally vs. via imports

■ Exporters source >90% of inputs locally, pre- and post-liberalization

■ No evidence of rising import competition in exposed districts
## Nativist Vote Share - Splitting SS and MNS

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>(1) SS vote share</td>
</tr>
<tr>
<td>TextileEmp_{i2004} * Post_{t}</td>
<td>1.493 (2.160)</td>
</tr>
<tr>
<td>Controls</td>
<td>✓</td>
</tr>
<tr>
<td>Observations</td>
<td>861</td>
</tr>
<tr>
<td>Number of districts</td>
<td>34</td>
</tr>
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