Global Economic Integration and Nativist Politics in India

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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 $\rightarrow$ **internal migration**
- Liberalization-induced migration happens across Global South
    - China, India, Brazil, Mexico

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- Internal migration is politically contentious

- Nativist sentiment is widespread

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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

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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

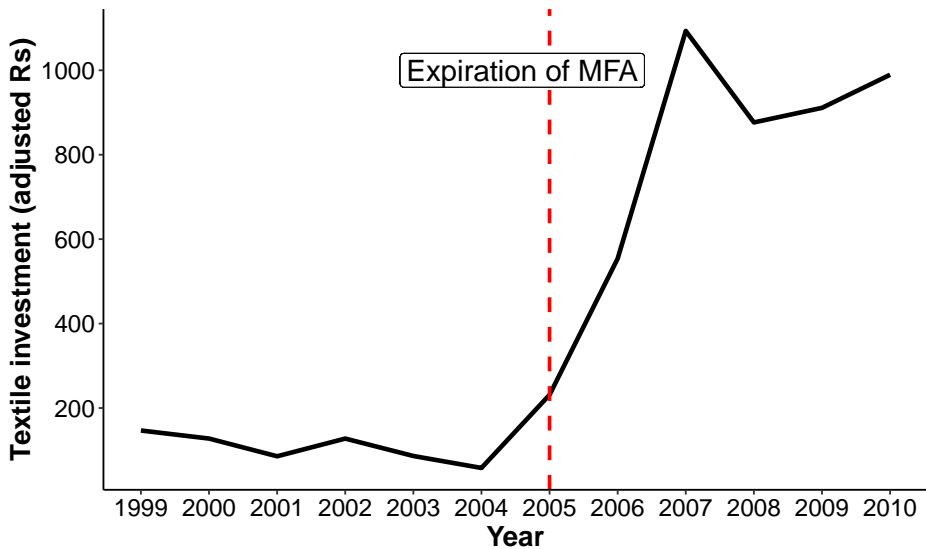- Result: **sudden, large expansion** of Indian textile sector

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Post-Liberalization, Textile Investment Surges

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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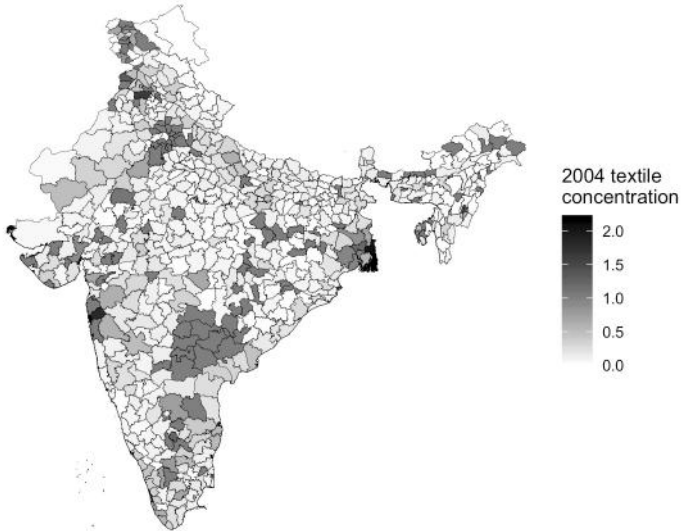   - Mechanism: exposure to shock $\uparrow$ immigration

Measurement

- Nativist violence: reported rioting crimes

- Liberalization exposure: pre-treatment textile employment

- Migration: district-level immigration in 2001-2005 and 2006-2010

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Geography of Textile and Apparel Production

2004 textile
concentration

2.0
1.5
1.0
0.5
0.0

Empirical Model

$Riots_{it} = TextileEmployment_{i2004} * PostLiberalization +$

$Population_{i2001} * \kappa_t + Employment_{i2001} * \kappa_t +$

$Literacy_{i2001} * \kappa_t + ScheduledCaste_{i2001} * \kappa_t + \theta_i + \kappa_t$

$\theta_i =$ district fixed effects

$\kappa_t =$ year fixed effects

Standard errors clustered by district

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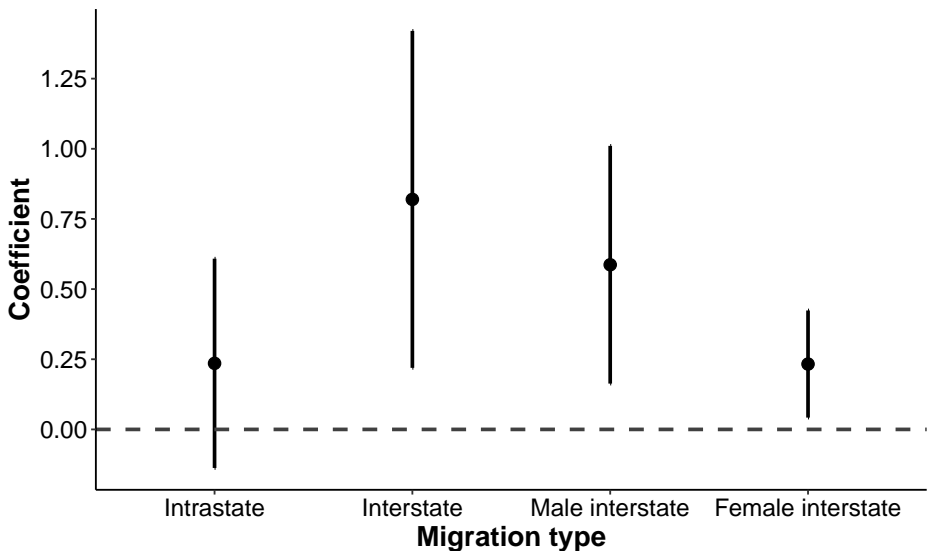$\theta_i =$ district fixed effects

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Liberalization Exposure Increases Rioting

	Dependent variable:	
	Riots	log(riots)
	(1)	(2)
$TextileEmp_{i2004} * Post_t$	0.250^{***}	0.214^{**}
	(0.066)	(0.097)
Controls	✓	✓
Observations	6,440	6,040
Number of districts	537	537
Estimation	PPML	OLS

$^*p < 0.1$; $^{**}p < 0.05$; $^{***}p < 0.01$.

Liberalization Exposure Increases Internal Migration

Riots Increase More in Higher-Immigration Districts

	Dependent variable:	
	Riots	log(riots)
	(1)	(2)
$TextileEmp_{i2004} * Post_t *$	0.051^*	0.072^*
$ImmigrationRate_{it}$	(0.031)	(0.039)
$TextileEmp_{i2004} * Post_t$	0.219^{**}	0.135
	(0.099)	(0.126)
Controls	✓	✓
Observations	6,416	6,021
Number of districts	535	535
Estimation	PPML	OLS

$^*p < 0.1;$ $^{**}p < 0.05;$ $^{***}p < 0.01.$

Liberalization and Nativist Electoral Politics

- Does ↑ nativism extend to the ballot box?

- Focus: Maharashtra's legislative assembly elections

    - 2004, 2009, 2014

- Outcome: constituency-level vote share for nativist parties

    - Shiv Sena (SS)

    - Maharashtran Navnirman Sena (MNS)

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Liberalization Exposure Increases Nativist Party Support

	Dependent variable: Nativist vote share
	(1)
$TextileEmp_{i2004} * Post_t$	5.860**
	(2.752)
Controls	✓
Observations	861
Number of districts	34

$^*p < 0.1$; $^{**}p < 0.05$; $^{***}p < 0.01$. 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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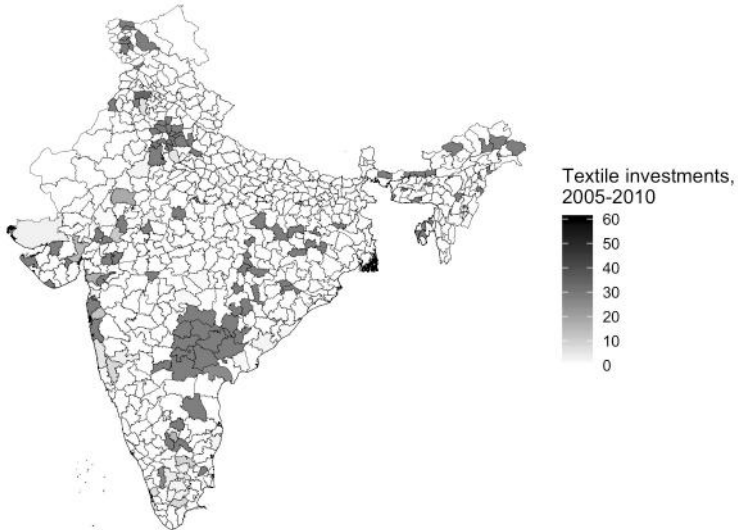- Yet may face anti-immigrant discrimination

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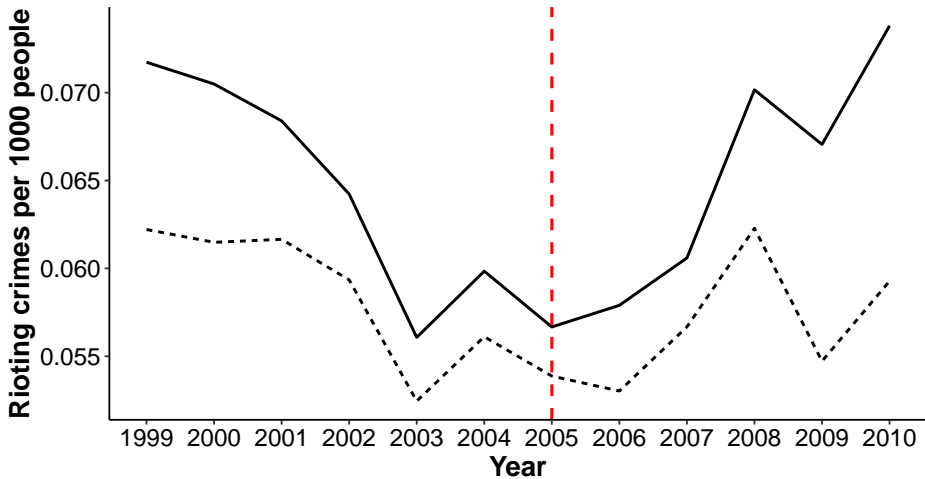- Yet may face anti-immigrant discrimination

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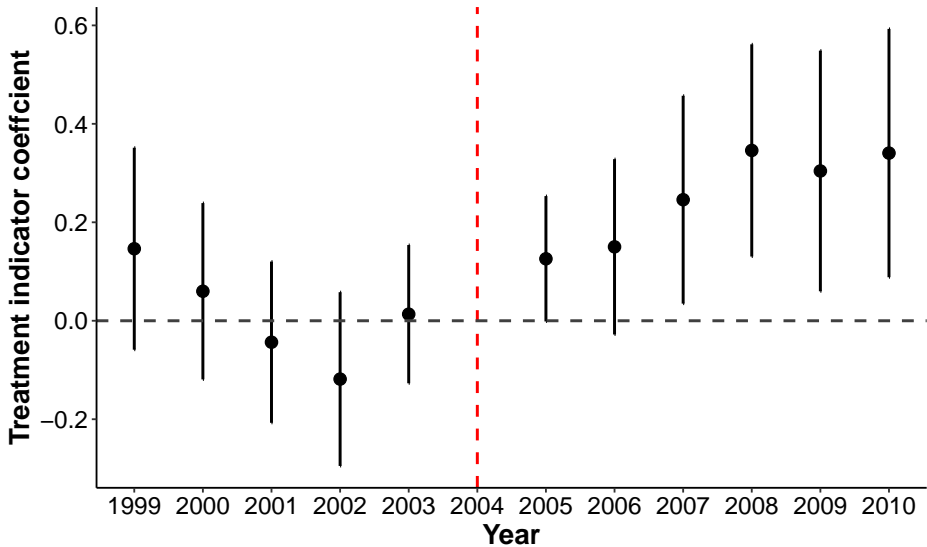# Geography of Post-Liberalization Textile Investment

Textile investments,
2005-2010
60
50
40
30
20
10
0

Rioting Crimes by Textile Concentration Size, 1999-2010

Textile concentration size — Above average -- Below average

Event Study Model

Robustness to Heterogeneous Treatment Effects

	Dependent variable:
	log(riots)
	(1)
$TextileEmp_{i2004} * Post_t$	0.90**
	(0.438)
Controls	✓
Observations	491

*p<0.1; **p<0.05; ***p<0.01.

Liberalization Exposure Does Not Increase Murders

	Dependent variable:	
	Murders	log(murders)
	(1)	(2)
$TextileEmp_{i2004} * Post_t$	−0.019	−0.028
	(0.045)	(0.058)
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

	Dependent variable:	
	Riots	log(riots)
	(1)	(2)
$TextileEmp_{i2004} * Post_t$	0.250***	0.232**
	(0.066)	(0.010)
Controls	✓	✓
Observations	5,876	5,838
Number of districts	537	546
Estimation	PPML	OLS

$^*p < 0.1$; $^{**}p < 0.05$; $^{***}p < 0.01$.

Liberalization Exposure Increases Textile Investment

	Dependent variable:	
	log(value)	log(projects)
	(1)	(2)
$TextileEmp_{i2004} * Post_t$	0.346^{**}	0.125^{**}
	(0.141)	(0.054)
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

	Machinery	Auto.	Metals	Chemicals	Pharmaceut.	Food	Furnit.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
$TextileEmp_{i2004}*$ $Post_t$	0.006 (0.016)	0.011 (0.021)	0.012 (0.014)	0.006 (0.016)	0.057^{**} (0.025)	0.012 (0.017)	0.0002 (0.011)
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

Dependent variable: log(projects)

$^*p < 0.1$; $^{**}p < 0.05$; $^{***}p < 0.01$. 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

	Dependent variable:	
	(1) SS vote share	(2) MNS vote share
$TextileEmp_{i2004} * Post_t$	1.493	4.367**
	(2.160)	(1.739)
Controls	✓	✓
Observations	861	861
Number of districts	34	34

$^*p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$. OLS.