Master in Institutions and Political Economy Master Thesis

# Master Thesis title:

Rent and Resentment: The Effect of Rental Burden on Populist Radical Right Support

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Master en Institucions i Economia Política

# Rent and Resentment: The Effect of Rental Burden on Populist Radical Right Support

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#### Master Thesis

**Abstract:** How does rental burden influence support for populist radical right parties? Existing theories suggest cultural and economic factors drive support for the populist radical right, but they often overlook the specific impact of housing costs. This thesis investigates the role of rental burden by analysing Germany's Mietpreisbremse policy using a Two-Way Fixed Effects regression and a Difference-in-Difference estimation on aggregate and micro-level data from 2013 to 2021. Findings indicate that a decrease in rental burden leads to reduced support for the populist radical right, specifically the AfD. This effect is driven by status anxiety and geotropic effects. Results suggest that affordable housing policies can mitigate political discontent and reduce the appeal of populist radical right parties.

**Keywords:** populist radical right, rental prices, political behaviour, status anxiety, economic voting, geotropic effects

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## 1 Introduction

Affordable housing remains a top concern for many Germans. Recent surveys consistently rank housing among the top three fears, with 60% of Germans expressing concern about housing affordability in 2023 (R+V Versicherung, 2024). This fear spans wider than Germany, in England 49% reported in a survey that their housing situation left them feeling hopeless (HSBC, 2024). The same goes for Czechia where, in 2020, 25% of tenants worried about the possibility of having to leave their homes within the next year. Meanwhile, in Italy, the proportion of tenant households in the private rental sector who are behind on rent payments increased from under 10% to 24% since the onset of the pandemic (Housing Europe, 2021).

This fear is a result of the significant housing crises the whole of Europe faced over the last decade. The rental burden, especially in urban centres, has risen sharply. In European Union countries, the proportion of individuals spending more than 40% of their income on rent increased from 22.5% to 28% between 2005 and 2018, exerting considerable financial pressure on the population (Eurostat, 2023). While homeowners saw a decrease in their share of income spent on housing from 18% in 2010 to 16% in 2019, for renters it increased from 28% to 31%. Renters in the private rental market are in a particularly precarious situation where 46% are at risk of needing to leave their accommodation in the next three months because they can no longer afford it (Eurofound, 2023). This growing rental burden and impact on a person's economic well-being coincided with a rise in the popularity and successes of populist radical right parties across the continent, raising the question of whether there is a causal relationship. This thesis, hence, aims to answer the question of whether changes in rental burden influence support for populist radical right parties. To answer this, I analyse Germany's Mietpreisbremse policy using Two-Way Fixed Effects and Difference-in-Difference methods on aggregate and micro-level data from 2013 to 2021.

Rental prices significantly impact economic security, which in turn may affect political behaviour. A large fraction of most people's income is spent on rent, making them vulnerable to economic fluctuations. Homeowners, on the other hand, benefit from owning a house, which acts as a form of financial stability and life insurance. This ownership provides a buffer against economic fluctuations, as they have a secure place to live. Renters, lacking this security, face greater economic vulnerability, which can hinder their ability to save and invest, widening the gap between renters and homeowners in terms of financial health. One of the consequences of such economic vulnerability may be manifested in the political behaviour of renters, potentially leading them to be more inclined to vote for the populist radical right.

The surge of populist radical right parties have reshaped the political landscape of many European countries. These parties often appeal to voters who feel marginalised by economic policies and disillusioned with mainstream political platforms. The intersection of economic hardship and political discontent raises critical questions about the determinants of populist radical right support. Analysing those drivers is essential for comprehending modern political dynamics.

Defining a populist radical right party can be challenging due to the interchangeable use of terms like 'extreme right,' 'far right,' and 'populist radical right.' These labels describe a similar group of parties, including parties like the French Front National, the Austrian Freedom Party, and the German Alternative für Deutschland (AfD) (Arzheimer, 2009; Bale, 2003; Golder, 2016; Lubbers et al., 2002; Mudde, 2015; Williams, 2010). These parties are characterised by a shared exclusionist, ethno-nationalist view of citizenship, as represented in slogans such as 'own people first' (Betz, 1994; Rydgren, 2005). This nativist stance advocates that states should be exclusively inhabited by members of the native group, viewing non-native elements as threats to a homogeneous nation-state (Mudde, 2015). The 'radical' label refers to their extreme positions on immigration and ethnic diversity (Abou-Chadi, 2016; Akkerman et al., 2016; Bos et al., 2010). Furthermore, key features of populist radical right parties include populism and authoritarianism. This populism involves anti-establishment rhetoric that pits the 'pure people' against the 'corrupt elite' (Carter, 2013; Mudde, 2015). Their authoritarianism emphasises law and order, traditional values, and strong leadership that reflects 'the will of the people' (Inglehart & Norris, 2016). In Western Europe, these parties are often labelled as 'anti-immigration,' whereas in Eastern Europe, the focus is more on territorial revisionism and perceived threats from ethnic minorities (Bustikova & Kitschelt, 2009; Minkenberg, 2017).

Previous research has identified numerous drivers of populist radical right support, primarily focusing on cultural and economic factors. A prominent explanation is cultural, where ethnic diversity and immigration levels predict anti-immigration attitudes and populist radical right support. Cultural attitudes like xenophobia and racism are significant predictors of populist radical right votes (Lubbers et al., 2002; Norris & Inglehart, 2019; Rydgren & Ruth, 2011). Additionally, economic insecurity plays a pivotal role. Factors such as unemployment risks, globalisation effects, educational disparities, and employment insecurity significantly predict voter shifts towards populist alternatives (Abou-Chadi & Kurer, 2021; Adler & Ansell, 2020; Algan et al., 2017; Autor et al., 2016; Colantone & Stanig, 2018; Ford & Goodwin, 2014; Guiso et al., 2017; Swank & Betz, 2003; Vlandas & Halikiopoulou, 2019). The impact of globalisation and technological advancements has exacerbated fears of job loss and wage stagnation among less-educated workers, driving them towards populist radical right parties that promise to protect national industries and restrict immigration. Nostalgic deprivation, rooted in a perceived loss of a more prosperous and stable past, drives voters towards the populist radical right as a form of protest against their current disenfranchisement (Adler & Ansell, 2020; Cramer, 2016; Gest, 2016; Hochschild, 2016; Streeck, 2017). Lower levels of subjective social status, reflecting feelings of disrespect or lack of recognition within the social hierarchy, are also associated with increased support for populist radical right parties (Gidron & Hall, 2017). Place-based drivers indicate that residents in rural and stagnant regions disproportionately support the populist radical right, attributed to socio-structural differences from residential self-selection (Patana, 2022; Rodríguez-Pose, 2018). Developments around an individual's housing significantly impact political behaviour, as housing insecurity affects economic and social stability, contributing to vulnerability and instability that can drive political behaviour (Burgard & Kalousova, 2012; Chyn, 2018; Collinson & Reed, 2018; Desmond, 2016; Desmond & Gershenson, 2017; Desmond & Shollenberger, 2015; Fetzer et al., 2023; Fowler et al., 2015; Humphries et al., 2019; Jacob & Ludwig, 2012; Van Dijk, 2019).

While much research has been conducted on the economic and cultural drivers of populist radical right support, there is a lack of in-depth research on individual economic drivers, such as the impact of the rental burden. Patana (2022) found a significant positive relationship between rising rents and votes for populist radical right parties, as well as hostile attitudes towards migrants. Abou-Chadi et al. (n.d.) observed that higher local rent levels boost support for populist radical right parties, especially among long-term residents in suburban and urban areas with low to moderate incomes. Fetzer et al. (2023) examined the impact of housing assistance cuts in the UK, revealing that the resulting unaffordability shock increased financial distress, evictions, property crimes, and homelessness. These studies have shown that there seems to be a relationship between rental burden and (political) behaviour; however, the methodologies of these studies do not allow us to assume a causal relationship. This thesis aims to fill a gap in the literature by providing additional evidence of a causal relationship between rental burden and support for the populist radical right. Furthermore, this study is novel in that it sheds light on various possible mechanisms, examining not only existing rental prices but also the effects of policies that governments may implement to reduce rental costs. It is also among the few papers that assess the impacts of rental market interventions on political behaviour.

Germany presents an excellent case for this analysis due to its variation in rental prices and recent policy changes. While rental prices were relatively stable in the 1990s and 2000s, from the 2010s onwards, rental prices surged. Primarily, urban areas like Berlin and Munich witnessed rental price increases of 70% to 100% between 2008 and 2018 (Breidenbach et al., 2022). Following these increases, the federal government decided to adopt the Tenancy Law Amendment Act (Mietrechtsnovellierungsgesetz), which came into effect on June 1, 2015. This law allows federal states to enforce a rent brake in municipalities with significant rent increases. It limits new contract rents to no more than a 10% increase above the local comparative rent index in addition to the general cap of 20% on rent increases over three years. This policy represents a useful case for this analysis as the implementation of the policy and the adoption of a rent brake were inconsistent across federal states and municipalities. Some federal states have not made any use of this policy, and others have chosen not to implement it in certain municipalities. This leads to large variations in rental prices between German municipalities. Breidenbach et al. (2022) found that this policy was successful in reducing rents in affected municipalities and, hence, offers an ideal treatment to proxy for rental decreases. In addition, Germany offers a great case as about half of the German population rents, which is high above the European average of 30%.

My analysis surrounds the largest populist radical right party in Germany, the German Alternative für Deutschland. While post-war Germany has long been an exception in Europe for not having a populist radical right party at the federal level, the AfD has gained significant traction in recent years. Founded in 2013, it gained success quickly, appealing to voters through a platform that combines economic dissatisfaction with nationalist and anti-immigration rhetoric (Fetzer et al., 2023). The AfD was established by a group of conservative academics, economists, and business leaders who were critical of the Euro and the financial policies of the European Union. The party underwent significant ideological shifts, increasingly emphasising nationalist and anti-immigration rhetoric. This shift was marked by internal conflicts and changes in leadership, leading to the departure of some founding members. The AfD's current platform includes strong anti-immigration policies, criticism of multiculturalism, and calls for more direct democracy. The AfD first gained electoral success in the 2013 federal elections, narrowly missing the 5% threshold required to enter the Bundestag. However, it made significant gains in the 2014 European Parliament elections and various state elections. In the 2017 federal elections, the AfD entered the Bundestag for the first time, securing 12.6% of the vote and becoming the third-largest party. The AfD has seen particularly strong support in eastern Germany and among voters who feel economically and culturally disenfranchised. Due to a culmination of recent scandals, including allegations of receiving illegal campaign donations and associations with extremist groups and ideas, the AfD has been expelled from their European Union parliament group "Identity and Democracy" (Guardian, 2024).

To provide evidence for a relationship between rental burden and support for the populist radical right, I use both aggregate and micro-level data from 2013 to 2021. I use primarily election data, real estate data and micro-level survey data from the German Socioeconomic Panel (SOEP). I start by conducting a Two-Way Fixed Effects regression, estimating the impact of the share of income spent on rent on the likelihood of voting for the AfD. To find evidence for a causal relationship, I use a Difference-in-Difference Design to assess the impact of the Mietpreisbremse. First, I examine differences in the vote share of the AfD between municipalities in which the rent brake was active and in which it was not. Then I turn to micro-level data and conduct a similar Difference-in-Difference. Because the data from the Socioeconomic Panel is restricted due to privacy and data protection concerns, I can only determine the district in which each respondent resides and not the municipality. Since the rent brake is adopted at the municipality level, I use the share of renters that live in a municipality with the rent brake compared to the total number of renters in the district as a treatment intensity to proxy for the likelihood of a renter being affected by the rent brake in each district.

I find a significant relationship between the rent brake and a reduction in support for the AfD both when using aggregate and micro-level data. The impact seems to increase with time and is especially strong among renters. As Fetzer et al. (2023) and Abou-Chadi et al. (n.d.) have already suggested, I now can confirm that there is indeed a causal relationship between rental burden and support for the populist radical right.

I, furthermore, assess the underlying mechanisms of this relationship, focusing on the demandside drivers of radical right support. The main assumption of my mechanism is that the rental burden increases discontent in people and translates into political unrest. This political unrest then leads to support for radical right parties through the following mechanisms. The first mechanism is status anxiety, which suggests that voters are driven by the fear of a decline in the social hierarchy. Economic changes can make voters anxious about losing their social status, leading them to oppose mainstream parties. Renters facing unaffordable housing or moving to less desirable areas may experience a decline in status (Bolet, 2021; Elchardus & Spruyt, 2016; Gidron & Hall, 2017; Mutz, 2018; Steenvoorden & Harteveld, 2018). The second mechanism, economic voting, and pocketbook voting involves voters basing their decisions on the economic experiences of the incumbent or mainstream parties. High rental costs make renters more likely to punish incumbents or mainstream parties perceived as ineffective, potentially turning even stable voters toward radical right parties promising economic relief (Ansell et al., 2022; Healy et al., 2017; Lewis-Beck, 1985; Stewart & Clarke, 2017). Hence, I expect a negative effect of the rent brake on support for the AfD as it may enhance economic relief. The last mechanism, geotropic effects, emphasises geography and community in shaping preferences, through altruism and learning effects. High-rent areas may see communal discontent leading to radical right support. Reducing rents could alleviate this and lower support for radical right parties (Kinder & Kiewiet, 1981). The analysis suggests two key mechanisms: status anxiety and geotropic effects. Following the rent brake, status anxiety appears to improve as societal attitudes and trust improve, with renters benefiting more than homeowners, who may fear status loss. However, this does not consistently translate into AfD support, and further research is needed to confirm these findings. Additionally, political preferences seem influenced by community well-being. The altruism effect indicates that homeowners turn away from the AfD due to improved communal conditions. Lastly, there is no significant evidence that individuals reward incumbents or mainstream parties when their economic situation improves.

The thesis is structured as follows. First, I provide an overview of previous research on the determinants of populist radical right support. Next, I outline my theoretical argument and possible mechanisms. This is followed by a detailed explanation of the case of Germany and the Mietpreisbremse. I then describe the data and variables used in the analysis. An explanation of the methodology follows, detailing how the relationship and possible mechanisms are examined. The results of the analysis are then presented. The thesis ends with concluding remarks including limitations and suggestions for future research.

## 2 Determinants of Populist Radical Right Support

A growing body of literature has explored the determinants of support for populist radical right parties, suggesting a complex interplay of cultural and economic factors. The literature primarily mentions economic conditions, suggesting that high unemployment rates, economic downturns, and job insecurity drive people towards parties that promise strong protectionist policies and economic revitalisation (Abou-Chadi & Kurer, 2021; Held & Patana, 2023). Higher levels of income inequality are also reported to lead to dissatisfaction with the status quo and a search for alternatives that promise radical change (Beckmann et al., 2020).

Next to economic reasons, sociocultural factors play a significant role. Previous literature has found that the fear of losing cultural identity due to immigration and globalisation can push voters towards parties that emphasise nationalism and anti-immigration stances (Adler & Ansell, 2020; Gidron & Hall, 2017). Generally, cultural attitudes such as xenophobia and racism seem to be significant predictors of populist radical right votes (Lubbers et al., 2002; Norris & Inglehart, 2019; Rydgren & Ruth, 2011). Also, people who strongly identify with their national or ethnic group may be more inclined to support parties that promote those identities. Identity threats can lead to more conservative political attitudes as people derogate out-groups to maintain their social identity (Branscombe et al., 1999; Tajfel & Turner, 2004).

Moreover, political circumstances seem to push people towards the radical right. Disillusionment with traditional political parties and a perception that they are corrupt or ineffective can lead voters to seek alternatives in more radical parties (Gest et al., 2018).

Demographic factors have also historically influenced radical right support. Populist radical right voters are often found among younger men. Also, individuals with lower levels of education have been found to increase support for populist radical right parties, possibly due to differing levels of exposure to diverse viewpoints and critical thinking skills (Ford & Goodwin, 2010; Häusermann, 2020). However, following the large successes of radical right parties, these characteristics no longer suffice in explaining the determinants for radical right parties (Allen & Goodman, 2021).

Furthermore, media and communication seem to play a significant role in shaping voting behaviour. Consumption of certain types of (social) media, particularly those that spread ideologies or conspiracy theories, can influence voting behaviour (Gest, 2016; Inglehart & Norris, 2017; Kaufmann, 2016). Parties use distinct rhetoric to mobilise support, framing issues in ways that resonate with voters' anxieties and grievances, such as national sovereignty, cultural preservation, and economic protectionism. Populist rhetoric attacking the "corrupt" elite on behalf of the "common people" is particularly effective (Laclau, 2006; Müller, 2017).

In addition, the strategic adjustment of party platforms explains the successes of parties. Populist radical right parties often adopt positions that advocate for social protection, which are not traditionally considered right-wing. By doing adapting their platforms they capitalise on prevailing economic, social, and cultural issues. This strategic flexibility helps them attract a broader base of support (Held & Patana, 2023).

Specific local issues, such as regional economic disparities or localised cultural conflicts, can also influence voting. Different authors highlight the significant impact of place-based drivers on populist radical right support, showing that residents in rural and stagnant regions disproportionately support the populist radical right (Patana, 2022; Rodríguez-Pose, 2018). This trend is attributed to socio-structural differences from residential self-selection (Abou-Chadi et al., n.d. Maxwell, 2019). Historical legacies also seem to impact radical right parties. Regions with a history of nationalist movements tend to have a stronger base for such parties (Patana, 2022; Rodríguez-Pose, 2018).

Finally, developments around individuals' housing seem to have large impacts on (political) behaviour. Firstly, housing insecurity significantly affects economic and social stability, with evictions leading to declines in consumption, access to credit, deteriorating health, hindering academic progress, and labour market performance issues (Burgard & Kalousova, 2012; Chyn, 2018; Collinson & Reed, 2018; Desmond, 2016; Desmond & Gershenson, 2017; Desmond & Shollenberger, 2015; Fetzer et al., 2023; Fowler et al., 2015; Humphries et al., 2019; Jacob & Ludwig, 2012; Van Dijk, 2019). Housing insecurity is not only a marker of economic distress but also exacerbates social and psychological stress, contributing to a sense of vulnerability and instability that can drive political behaviour. Research into the effects of housing insecurity on political behaviour remains scarce, yet emerging studies suggest that there are links.

In particular, high housing prices and homeownership correlate with conservative voting behaviour and political engagement (Ansell, 2014; Beckmann et al., 2020; Scheve & Slaughter, 2001; Verberg, 2000). Scholars find a positive effect on politically conservative attitudes towards redistribution. (Ansell, 2014, 2019). Fears of asset depreciation possibly drive homeowners towards anti-free trade and protectionist stances in non-competitive industry areas (Scheve & Slaughter, 2001), with growing unaffordability boosting conservative right support among homeowners

#### (Ansell & Cansunar, 2021).

Moreover, recent studies have begun to assess the relationship between rental prices and political behaviour. Held and Patana (2023) use individual-level panel data to examine how rising rents correlate with votes for populist radical right parties and hostile attitudes towards migrants. They find a significant positive relationship between increasing rents and support for these parties, as well as hostile attitudes towards migrants. Similarly, Abou-Chadi et al. (n.d.) estimate the effect of rental prices on voting behaviour, finding that rising local rent levels increase support for radical right parties. This effect is particularly pronounced among longterm residents in suburban and urban areas, and among voters with low to moderate household incomes. However, due to the chosen methodologies, these two studies cannot confirm a causal relationship between rental burden and political behaviour. Fetzer et al. (2023) approach the issue from a different angle by examining the impact of rental burden due to a housing assistance cut in the UK in April 2011. This program aimed to help low-income households with rental expenses in the private market. They find that the unaffordability shock from the cut led to increased financial distress, evictions, property crimes, insecure temporary housing arrangements, statutory homelessness, and rough sleeping.

This thesis aims to contribute to the literature by providing evidence of a causal relationship between rental prices and political behaviour and exploring mechanisms that previous studies have not yet examined. This research is novel in that it not only investigates rental prices but also examines potential policies aimed at reducing rental costs. Furthermore, it is one of the few studies assessing the political impacts of rental market interventions.

## 3 Rental Burden and Political Behaviour

My theoretical argument draws from the literature on populism and housing. The central premise is that rental prices significantly affect an individual's economic well-being. Rent often consumes a large fraction of an individual's income, and if rental prices surge, disposable income diminishes. As previous literature has shown economic circumstances of the individual, their community or their society, has impacts on political behaviour (Abou-Chadi & Kurer, 2021; Inglehart & Norris, 2016; Stewart & Clarke, 2017; Vlandas & Halikiopoulou, 2019). Following traditional firstdimension politics, it would be expected that voters with lower disposable income turn towards redistribution and left-leaning parties. A second-dimension politics perspective, on the other hand, suggests a shift towards radical or populist parties. These parties may exploit economic grievances by attributing blame to elites, immigrants, or external entities, thereby resonating with voters who feel disenfranchised or economically insecure. Hence, the main expectation is that changes in rental burden will influence political behaviour, with an increase in rental burden increasing the likelihood of voting for the populist radical right. Conversely, a decrease in rental burden is expected to reduce the likelihood of voting for the populist radical right, as improved economic conditions mitigate the grievances that drive support for these parties.

This thesis will primarily focus on the demand-side drivers of radical right support: status anxiety, economic voting, and geotropic effects.

As part of the first mechanism, status anxiety, individuals fear a decline in the social hierarchy. As (De Botton, 2008) first conceptualised, "status anxiety" refers to the distress or unease individuals may experience due to their perceived position or potential loss of it in the social hierarchy. It encompasses feelings of insecurity, dissatisfaction, or worry about not measuring up to societal expectations or norms regarding status and recognition. Status anxiety often influences attitudes towards trust and distrust as well as perceptions of foreigners. Those experiencing status anxiety may show strong favouritism towards their in-group, seeking validation and security from higher-status individuals or groups. Conversely, there can be heightened distrust towards out-groups perceived as lower in status, stemming from fears of competition for limited resources or threats to social standing. This anxiety can also manifest in attitudes towards foreigners, sometimes leading to xenophobia or nationalism as individuals seek to protect their perceived status and cultural identity from perceived threats posed by newcomers. Economic developments and possible deterioration cause anxiety about losing one's social status relative to the people around them. When renters face larger rent burdens or are forced to change their living situation, they experience or feel threatened by a status decline. Under these conditions, resentment thrives and, together with populist rhetoric, renters may resort to populist radical right parties. Research has also shown that if such a culture is adopted, it is difficult to reverse (Bolet, 2021; Elchardus & Spruyt, 2016; Gidron & Hall, 2017; Mutz, 2018; Steenvoorden & Harteveld, 2018). This mechanism suggests a heterogeneous effect between renters and homeowners. If rental prices increase, renters may fear a status decline while homeowners are either not affected or may even experience a status increase through increased rental income or asset appreciation. If rental prices decrease, renters may reduce their support for populist radical right parties, while homeowners may increase it.

The second mechanism is economic voting or a pocketbook explanation, which entails that voters base their political choices on the economic experiences of incumbent and mainstream parties. This entails that individuals facing economic improvements tend to support the incumbent or mainstream parties, even if they are not directly responsible for these improvements. Conversely, when individuals face economic hardship, they tend to stray away and punish the incumbent or mainstream parties (Ansell et al., 2022; Lewis-Beck, 1985). While economic voting focuses more generally on economic conditions, pocketbook voting surrounds more the individual's economic experience (Stewart & Clarke, 2017). An increased rental burden can be a trigger for such economic hardship and lead to dissatisfaction with the incumbent or mainstream parties. Especially, rapid increases can exacerbate this response. This mechanism suggests a heterogeneous effect between renters and homeowners. Renters may face economic hardship following rental price surges, while homeowners may benefit from such increases and continue to support incumbent or mainstream parties. When rental prices decrease, we could expect renters to reduce their support for radical right parties while homeowners may increase it.

The third demand-side mechanism is based on geotropic effects. Reeves and Gimpel (2012) introduced the concept of 'geotropic' effects to explain how voters' perceptions of the national economy are shaped by their everyday local economic experiences. This is different to the first two mechanisms as it does not revolve around a person's personal economic experience. It instead entails that people base their political decisions largely on their environment and community. This mechanism incorporates two main effects. The first effect, the learning effect, suggests that community and geography provide information about potential economic outcomes for the individual. Individuals may view rental price increases in their surroundings and already adjust their political preferences while they themselves are not or not yet affected by rental price increases (Kinder & Kiewiet, 1981). This also suggests a heterogeneous effect between renters and homeowners, as the latter is not negatively affected by increases in rental prices. While renters may fear an increase in their own rent, homeowners will in most cases not be affected by it. The second effect, the altruism effect, is based on the idea that an individual prioritises their community's well-being over their personal utility. Individuals may observe rental price burdens affecting people in their surroundings and adjust their political preferences and behaviour accordingly (Kinder & Kiewiet, 1981). This effect is not expected to be heterogeneous but rather assumes renters and homeowners to behave in similar ways.

In addition to demand-side mechanisms, there are two noteworthy supply-side mechanisms

that may explain the increased support for the radical right based on party behaviour. First, party platform shifts may result in increased support for the populist radical right. Centre parties have recently shifted to the right and, hence, diminished the appeal of centre-left parties to their traditional working-class base. This left a vacuum for populist radical right parties, which made them adjust their economic platforms leftwards. Populist radical right parties are now advocates for job creation and social protection, which under tight rental markets may also include housing policy. This may lead voters who traditionally voted more for centre-left parties to now feel better represented by populist radical right parties (Chou et al., 2021).

Secondly, populist rhetoric seems to play a large role in this relationship. Populist radical right parties often employ a cultural frame to economic issues and, for example, present economic issues as caused by immigrants. Housing market competition, therefore, may be attributed to an increasing number of immigrants (Baele et al., 2023; Caiani & Della Porta, 2011; Froio, 2018; Held & Patana, 2023). Additionally, their rhetoric often revolves around standing up for the people who have been forgotten by the elites (Müller, 2017), leading people who feel that the burdens of rental prices have not been adequately tackled by mainstream parties, to resort to populist radical right alternatives.

While these mechanisms form the core focus of this thesis, this list is not exhaustive. There are many additional mechanisms that may influence the relationship between rental prices and support for populist radical right parties. It is likely that this relationship is driven by a combination of factors rather than a single mechanism, collectively pushing individuals towards populist radical right support.

## 4 The case of Germany and the Mietpreisbremse

For a causal analysis, Germany presents a unique and valuable case due to its high proportion of tenants, with 53.3% of Germans renting (Statistisches Bundesamt, 2024), and a recent policy that aims to reduce rental prices in certain areas. Following large rental price increases, the German federal government enacted the Tenancy Law Amendment Act (Mietrechtsnovellierungsgesetz, MietNovG), which came into force on June 1, 2015. This legislation enabled federal states to implement a rent cap in tight rental markets. This rent control measure, known as Mietpreisbremse, restricts rental prices of new contracts to be no more than 10% above the local comparative rent index. The legislation defines "tight markets" based on four criteria to determine where this rent brake should be applied. Among these criteria are that rent levels in the municipality increase faster than the national average and the average rent burden ratio (share of income spent on rent) is higher than the national average. Additionally, population growth in the municipality must be outpacing new housing construction, and there must be a low vacancy rate, indicating high demand for rental properties. Each federal state in Germany has the authority to decide whether to implement the rent brake in municipalities that meet these criteria. The implementation period is fixed at up to five years, after which the market conditions must be reassessed.

Despite the criteria outlined, the application of the rent brake has been inconsistent across Germany. Not all federal states have made use of the rent brake to date; in others, the responsible regional courts have overturned it due to formal errors.

The effectiveness of the rent brake has been greatly debated since its introduction. Research by Breidenbach et al. (2022) suggests that rents have indeed decreased post-implementation. The authors employ a Triple Difference-in-Difference approach and find that municipalities enforcing the rent brake experienced an approximate 5% rent reduction, with specific types of housing seeing reductions as high as 9%. Another study by Deschermeier et al. (2017), employing a Difference-in-Difference approach, found a 2.7% decrease in rents in affected areas compared to unaffected ones.



Figure 1: The Share of Renters Affected by the Mietpreisbremse for each district.

## 5 Data and Variable Description

#### 5.1 Aggregate Data

The empirical analysis relies on two main data sources. Firstly, I use data on the results of federal elections at the municipal level sourced from the Regional Database Germany (Regional addatenbank Deutschland). In German federal elections, voters cast two votes. The first vote (Erststimme) elects a direct candidate from the voter's electoral district. The second vote (Zweitstimme) determines the distribution of seats in the Bundestag and is arguably more impacting, as it represents a vote for a party rather than a candidate. The second vote is used in this analysis as it better reflects general party preferences.

To ensure that the observed effects are driven solely by changes in rental burden, various control variables are included. Following previous literature, two popular explanations for populist radical right support are migration and employment risk (Abou-Chadi & Kurer, 2021; Coffé et al., 2007; Inglehart & Norris, 2017). Therefore, I control for the proportion of foreign residents relative to the total population in each municipality to account for migration effects. Average

income is included to capture economic factors that could influence both the rental market and political tendencies. Additionally, pre-treatment rent levels are controlled for by using data from the RWI-GEO-RED dataset on rental prices from the RWI - Leibniz Institute for Economic Research. This dataset includes all residential properties listed for sale or rent on the leading German real estate platform ImmobilienScout24. I use the variable "rent excluding utilities in EUR" as an indicator for rental prices, as this measure is standard in rental agreements and avoids distortions from fluctuating energy prices. Zip codes are used as place identifiers, aggregated using a municipality identifier based on the German Municipal Directory. To account for differences between urban and rural areas, the total population is included, as it can influence both housing market dynamics and political behaviour. Further controls include the share of the employed population to account for labour market influences, the share of high school dropouts to account for educational differences, and public transport accessibility based on the ÖV-Atlas by Agora Verkehrswende, indicating the frequency of bus or train departures in relation to the area (Verkehrswende, 2023).

#### 5.2 Micro-Level Data

The second main data source used for the analysis at the individual level is the German Socio-Economic Panel (SOEP), a representative longitudinal survey of private households in Germany conducted annually since 1984. As of 2015, approximately 14,000 households and 30,000 individuals participated in the survey, which includes sociological, economic, psychological, demographic, health, and geographical questions. For my first analysis, I use the variables "Amount of Rent Minus Heating Costs" and "Monthly Household Net Income" as independent variables which are part of the Generated Household Data. These are matched with individual data from the survey. Household-level data is preferred due to its availability and because aggregated household incomes and rents provide a more accurate measure of the overall rental burden. As dependent variables, I use the variables "Partei Bundestagswahl," which reports the chosen party voted in the federal election in the previous year, and "Parteineigung," which displays the party preference. It corresponds to the question "Which party do you tend to support?". In both questions, respondents can also answer with two parties. I code both as dummies which then indicate a full or partial vote or preference for the AfD.

To ensure that the estimated effect is driven solely by housing market developments, various time-variant controls are included. I include controls for employment status, current education, and income from the Socio-Economic Panel to control for other possible influences on voting behaviour based on the previous literature (Gingrich & Ansell, 2012; Häusermann, 2020). Unfortunately, due to limitations in data availability, I cannot control for further confounders.

#### 5.3 Variables for the Mechanism

For the mechanism of status anxiety, I use various variables to capture the different dimensions of status anxiety and its impact on individual well-being, social attitudes, and psychological states, based on the findings of previous literature by Delhey and Dragolov (2014) and Layte and Whelan (2014). The variables used are: "Life Satisfaction," "Positive Attitude Towards Myself," "Pessimistic About Future," "Not Feeling Lonely," "Worried Often," "Thinking About Money Daily," "Nowadays Can Trust People," and "Openness Towards Foreigners."

"Life Satisfaction" is coded on a scale from 1 to 10, with 1 indicating low life satisfaction and 10 indicating very high life satisfaction. It provides a measure of an individual's overall wellbeing and perceived quality of life. "Positive Attitude Towards Myself" is coded on a scale from 1, indicating full agreement, to 7, indicating complete disagreement. To facilitate interpretation of the results, I rename this variable to "Negative Attitude Towards Myself." Self-perception is a component of status anxiety, as a negative self-view can be the result of anxiety related to their social status. "Frequency of Being Worried in the Last 4 Weeks" is a dummy variable indicating whether the respondent reports being worried often or very often. This variable captures frequent worrying, which is a direct symptom of anxiety and status anxiety. "Thinking About Money Daily" is a dummy variable indicating whether the respondent thought about money daily. Financial concerns are a significant component of status anxiety, reflecting worries about economic stability and social mobility. I also use the variable "Confident About Future," coded on a scale from 1 to 4, with 1 indicating that the respondent feels the statement applies to them and 4 indicating it does not apply. I renamed this variable to "Pessimistic About Future," such that a higher value indicates that the respondent feels the statement applies to them. Outlook on the future signals an individual's optimism or pessimism, which can be significantly influenced by perceived social status and related anxieties. "Feeling Lonely" is coded similarly, and I renamed it to "Not Feeling Lonely," such that a value of 1 indicates that the respondent feels lonely frequently and 4 that the respondent does not feel lonely. Social isolation and loneliness are closely linked to status anxiety, as individuals with stronger status anxiety may feel more isolated from their peers or left alone by society. The same coding scheme applies to the variable "Nowadays Cannot Trust Anyone," which I renamed to "Nowadays Can Trust People," such that a higher value indicates agreement with the statement. Trust in others is a key aspect of social capital and community cohesion, which can be undermined by status anxiety. Lastly, I use "Caution Towards Foreigners," coded on a scale from 1 to 4, with 1 indicating full agreement and 4 indicating complete disagreement. I renamed this variable to "Openness Towards Foreigners," such that a higher value indicates agreement with the statement. Attitudes towards foreigners can reflect broader social and cultural anxieties, which are often increased by concerns about social status.

#### 5.4 Mietpreisbremse

Data on where the rent brake was successfully adopted is obtained from the respective laws of the federal states. Since some federal states have overturned the policy after its initial introduction, I will only take into account municipalities where the Mietpreisbremse was in force continuously between 2015 and 2021. To calculate the share of renters affected by the rent brake for the treatment intensity, I use data from the Regional Database Germany (Regionaldatenbank Deutschland), which publishes information on the composition of the housing market in different municipalities.

## 6 Method

#### 6.1 Regression Evidence

To assess the association between rental burden and a shift towards populist radical right parties, I conduct a two-way fixed effects regression using data from the Socioeconomic Panel. The key explanatory variable is the proportion of household income spent on rent. The first outcome variable is a binary variable indicating whether the individual expressed a preference for the AfD. The second outcome variable is a binary variable indicating whether the individual reported voting for the AfD in the most recent federal election. To ensure that the respondent based their vote on the rental burden during the time of election, I used a lagged outcome variable, aligning the vote made in the previous year with the reported share of income spent on rent in the same year. The model includes individual fixed effects, time fixed effects, and district fixed effects. Additionally, I account for the following time-varying covariates: current employment status, household income, and current educational enrollment.

AfD Preference<sub>it</sub> = 
$$\beta_1 \frac{R_{ht}}{I_{ht}} + \delta_i + \lambda_t + \alpha_d + X_{it} + \varepsilon_{it}$$

AfD Vote<sub>*it*</sub> = 
$$\beta_1 \frac{R_{ht-1}}{I_{ht-1}} + \delta_i + \lambda_t + \alpha_d + X_{it} + \varepsilon_{it}$$

#### 6.2 Causal Evidence

To provide evidence for a causal relationship, I employ a Difference-in-Difference strategy to assess the impact of the Mietpreisbremse which was adopted in 2015. The main assumption underlying a Difference-in-Difference estimation is the parallel trends assumption. Given that the AfD only became a party in 2013, there was only one election before the treatment in 2015, which complicates the validation of parallel trends for AfD-specific voting behaviour.

To address this, I plot the pre-treatment vote shares of multiple far-right parties, including AfD, NPD, REP, DVU, pro Deutschland, Die Rechte, and III. Weg. These plots demonstrate clear parallel trends in the pre-treatment period, implying that without treatment, the developments would have continued in parallel (see Figure 1 in the appendix).

#### 6.2.1 Difference-in-Difference with Aggregate Municipality-Level Data

First, I conduct a Difference-in-Difference analysis using aggregate data to compare municipalities that adopted a rent brake (treatment group) with municipalities that did not (control group). The outcome variable in this estimation is the vote share of the AfD in federal elections in municipality m in the year t. Instead of introducing a post-treatment variable, I introduce a vector of year dummies to estimate whether the treatment had a lasting effect. Since the rent brake was primarily adopted in tight rental markets, I include a vector of time-variant controls. These controls are total population, share of foreigners, average income, pre-treatment average rent, public transport accessibility, share of the population employed, and share of students leaving school without a diploma. The year 2013 is used as the pre-treatment reference year. The estimation equation is defined as follows:

AfD vote share<sub>mt</sub> = 
$$\beta_1 \text{MPB}_m + \beta_2 \text{Years}_t$$
  
+  $\beta_3 (\text{MPB}_m \times \text{Years}_t)$   
+  $X_{mt} + \varepsilon_{mt}$ 

#### 6.2.2 Difference-in-Difference with Data from the German Socio-Economic Panel

To obtain a more granular understanding of the impacts, I employ a second Difference-in-Difference approach using micro-level data from the Socioeconomic Panel. This dataset is available only through remote execution with a district identifier, which locates each participating household. Since the rent brake is implemented at the municipality level, it is not possible to directly distinguish between control and treatment groups. To estimate the impacts, I utilise a treatment intensity measure. This measure is defined as the share of renters living in municipalities exposed to the rent brake within each district d. This metric indicates the likelihood of individuals being directly affected by the rent brake. The mean share of renters affected in a district is 0.19.

Share of Renters affected<sub>d</sub> = 
$$\frac{\text{Number of affected renters}_d}{\text{Total number of renters}_d}$$

For the Difference-in-Difference analysis, the outcome variable is a binary variable indicating either the vote or preference for the AfD. I include a vector of year dummies to assess the impact over time. Additionally, I incorporate individual fixed effects and district fixed effects. Furthermore, I control for individual time-variant confounders, namely employment status, current education status, and income. For the analysis of the vote for the AfD, I use 2014 as the pre-treatment reference year. For the analysis of preference for the AfD, I use 2015 as the pre-treatment reference year, as the Mietpreisbremse was adopted in June 2015, and the implementation by federal states took some time. I also split the sample into renters and owners to understand whether there are heterogeneous effects. The estimation equation is defined as follows:

$$\begin{aligned} \text{AfD}_{it} &= \beta_1 \text{Renters Affected}_d + \beta_2 \text{Years}_t \\ &+ \beta_3 (\text{Renters Affected}_d \times \text{Years}_t) \\ &+ \delta_i + \lambda_d + X_{it} + \varepsilon_{it} \end{aligned}$$

#### 6.3 Mechanisms

#### 6.3.1 Status Anxiety

The first mechanism, status anxiety, leads to overall perceptions of threats, loss of control, and inequality. If rental prices affect voters through this mechanism, we should observe changes in such attitudes or behaviours. To understand whether such distress is present, I employ the same Difference-in-Difference design and use variables that represent personal dissatisfaction and attitudes towards oneself and society. I include the following variables as outcome variables: "Life Satisfaction", "Negative Attitude towards Myself," "Pessimistic About Future," "Not Feeling Lonely," "Worried Often", "Thinking About Money Daily," "Nowadays Can Trust People," and "Openness Towards Foreigners." Depending on the data availability, I use 2013 and 2015 as pretreatment reference years. I also split the sample into renters and owners to understand whether we see heterogeneous effects. I add individual fixed effects and district fixed effects and control for individual time-variant confounders. The equation follows the Difference-in-Difference equation from above.

> Status Anxiety<sub>it</sub> =  $\beta_1$ Renters Affected<sub>d</sub> +  $\beta_2$ Years<sub>t</sub> +  $\beta_3$ (Renters Affected<sub>d</sub> × Years<sub>t</sub>) +  $\delta_i + \lambda_d + X_{it} + \varepsilon_{it}$

#### 6.3.2 Economic Voting

The second mechanism, economic voting or pocketbook voting, will be tested by examining the changes in party preference following the introduction of the rent brake. If voters base their votes and preferences on previous economic circumstances, individuals should reward the incumbent when rent is reduced through a rental market intervention. For the pocketbook explanation, this effect should only be observed among renters, as individuals living in their own houses should not experience a change in their economic situation when rental prices change. On the other hand, when individuals base their decisions on the overall economic well-being, there should be no difference between renters and homeowners. To test this, I run the same Difference-in-Difference as for the main analysis but with a dummy indicating a preference for different parties as outcome variables. I use the German parties that have continuously been voted into the Bundestag in recent years. I use 2015 as a pre-treatment reference year. To prevent endogeneity, I include individual fixed effects and district fixed effects and account for individual time-variant confounders. I also split the sample into renters and owners to understand whether we see heterogeneous effects. The equation follows the Difference-in-Difference specification from above.

Party Preference<sub>it</sub> = 
$$\beta_1$$
Renters Affected<sub>d</sub> +  $\beta_2$ Years<sub>t</sub>  
+  $\beta_3$ (Renters Affected<sub>d</sub> × Years<sub>t</sub>)  
+  $\delta_i + \lambda_d + X_{it} + \varepsilon_{it}$ 

#### 6.3.3 Geotropic Effects

For the last mechanism, geotropic effects, I provide evidence based on the heterogeneous impact between renters and homeowners. I rerun the same Difference-in-Difference as specified above with a subset of only homeowners. This can provide evidence primarily on the altruism effect. If homeowners react similarly to the rent brake as renters, this suggests that individuals base their support more on the economic well-being of their surroundings than their own. However, it can also indicate a learning effect, as the rent brake may give cues on the stability of the housing market or the prospects of renting.

## 7 Results

#### 7.1 Main Analysis

Table 1 presents the results of the two-way fixed effects regression assessing the impact of household rental burden on the preference and vote for the AfD. The coefficients for both models—AfD Vote and AfD Preference— are very small and not statistically significant. This suggests that there is insufficient evidence to confirm a relationship between an individual's household rental burden and support for the populist radical right.

The lack of significant results could be attributed to several factors. To further investigate this issue, I will approach the question from a different angle by observing the impacts of the rent brake.

Table 1:	Two-Way	Fixed	Effects:	Share of	of Income	$\operatorname{spent}$	on Rent	and A	fD Vote	and A	ΔfD	Pref-
erence												

			Depende	ent variable:			
		AfD Vote		AfD Preference			
	(1)	(2)	(3)	(4)	(5)	(6)	
Income Rent Ratio	$\begin{array}{c} 0.00000326\\ (0.0000279) \end{array}$	$\begin{array}{c} 0.00000170\\ (0.0000293)\end{array}$	$\begin{array}{c} 0.00000165 \\ (0.0000292) \end{array}$	$\begin{array}{c} -0.00000204\\ (0.00000294)\end{array}$	$\begin{array}{c} -0.00000195\\(0.0000293)\end{array}$	-0.00000164 (0.00000294)	
Time Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	
District Fixed Effects	No	Yes	Yes	No	Yes	Yes	
Individual Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	
Individual Controls	No	No	Yes	No	No	Yes	
Observations	22,911	22,911	22,911	139,255	139,255	139,255	
$\mathbb{R}^2$	0.0407	0.0989	0.0995	0.0314	0.0563	0.0564	
Adjusted $\mathbb{R}^2$	0.0406	0.0876	0.0881	0.0312	0.0519	0.0519	
Residual Std. Error	0.19397	0.19262	0.19260	0.07512	0.07436	0.07436	

Note: Standard Errors clustered at the individual level are reported in parentheses. The income Rent Ratio depicts the share of income spent on rent. AfD Preference and AfD Vote are each dummy variables equalling 1 if AfD was chosen. \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

The results of the Difference-in-Difference analysis examining the impact of the rent brake on the vote share of the AfD presents a different picture, showing that the rent brake has a significant negative effect on the vote share of the AfD. This effect becomes more pronounced over time, decreasing the percentage vote share of the AfD by approximately 1.2 percentage points two years after the introduction and by 5.7 percentage points six years after.



Figure 2: Difference-in-Difference: Mietpreisbremse and AfD Vote Share. Note: This figure shows the estimated developments of the vote share of the AfD between municipalities that adopted the Mietpreisbremse and municipalities that did not. No controls have been added and error bars represent standard errors.

	Dependent va	riable: AfD vote share
	Refere	nce Year: 2013
	(1)	(2)
Mietpreisbremse (MPB)	0.510***	1.239***
	(0.047)	(0.098)
2017	6.420***	5.470***
	(0.045)	(0.043)
2021	10.197***	7.643***
	(0.150)	(0.099)
$MPB \times 2017$	$-1.205^{***}$	$-0.298^{**}$
	(0.123)	(0.126)
$MPB \times 2021$	$-5.682^{***}$	$-3.228^{***}$
	(0.255)	(0.217)
Constant	3.074***	$2.647^{***}$
	(0.012)	(0.530)
Municipality Controls	No	Yes
Observations	$24,\!600$	12,031
$\mathbb{R}^2$	0.438	0.598
Adjusted $\mathbb{R}^2$	0.438	0.598
Residual Std. Error	4.172	2.546

Table 2: Difference-in-Difference: Vote Share of the AfD

Note: Standard Errors clustered at municipality level are reported in parentheses. Municipality Controls are the proportion of foreign residents, average income, pre-treatment rent levels, total population, the share of the population that is employed, the share of high schoolers leaving school without a diploma, and public transport accessibility. \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

The analysis with micro-level data from the German Socio-Economic Panel examining the impact of the rent brake on the likelihood of preferring the AfD shows that the rent brake had a negative effect. Starting from 2017, two years after the introduction, there is a significant negative effect of the rent brake, meaning that people were less likely to support the AfD. For the subset of renters, this effect only becomes significant in 2018 with a value of -0.017 and is again higher for renters compared to the full dataset (-0.014 in 2018). While the effect increases in magnitude in the aggregate voting data, we can see that using individual-level data on preferences results in more fluctuation. It ranges from -0.008 in 2017, peaks in 2019 at -0.02, and then decreases in magnitude to -0.011 in 2021.

		Deper	ndent variab	le: Vote for	AfD	
			Reference 1	Year: 2014		
	Rente	ers + Homeo	owners	F	Renters Only	
	(1)	(2)	(3)	(4)	(5)	(6)
Renters Affected	-0.011	-0.410	-0.393	-0.038	0.191	0.186
	(0.017)	(0.219)	(0.219)	(0.027)	(0.206)	(0.207)
2018	$0.047^{***}$	$0.047^{***}$	$0.047^{***}$	$0.060^{***}$	$0.058^{***}$	$0.059^{***}$
	(0.003)	(0.003)	(0.003)	(0.005)	(0.005)	(0.005)
Renters Affected $\times$ 2018	-0.032***	-0.032***	-0.032***	-0.041***	-0.039***	-0.040***
	(0.005)	(0.005)	(0.005)	(0.008)	(0.008)	(0.008)
District Fixed Effects	No	Yes	Yes	No	Yes	Yes
Individual Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Individual Controls	No	No	Yes	No	No	Yes
Observations	39,017	39,017	39,017	$18,\!621$	$18,\!621$	$18,\!621$
$\mathbb{R}^2$	0.030	0.060	0.060	0.039	0.109	0.110
Adjusted $\mathbb{R}^2$	0.030	0.052	0.053	0.039	0.097	0.098
Residual Std. Error	0.176	0.175	0.175	0.189	0.187	0.187

Table 3: Difference-in-Difference: Vote for the AfD

Note: Standard Errors clustered at the individual level are reported in parentheses. AfD Vote is coded as equal to 1 if the respondent reported having voted for the AfD in the last federal election. Individual controls are employment status, whether the individual is currently receiving education and income. \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

The likelihood to vote in favour of the AfD shows a similar significant negative effect. As shown in Table 3, for each unit increase in treatment intensity, the probability of an individual voting for the AfD decreases by 0.032 in 2018. This suggests that voters in districts where all renters were exposed to the rent brake are 0.032 less likely to vote for the AfD compared to those where the rent brake was not present. The effect is even stronger among renters, with roughly a 0.04 decrease.

Interestingly, the effect on the likelihood of voting for the AfD is larger than on the preference for the AfD. This could be due to economic improvements reducing the need to vote for populist radical right parties, while cultural aspects of the AfD, such as national identity, immigration, and Euro-scepticism, continue to resonate with some voters. Thus, ideological support may persist even as economic grievances lessen.

The delayed consolidation of the effect could be attributed to several factors. The impacts of rental burden on political behaviour may take time to manifest, as rental contracts and economic adjustments do not occur immediately. Renters may not experience the policy's effects immediately as renters may not move or negotiate a new rental contract directly after the introduction of the rent brake. Additionally, housing issues gained more political attention after the 2017 elections, increasing awareness and concern among the electorate. This gradual shift in political behaviour reflects the increased prominence of the rental burden in public discourse.

Renters seem to react more strongly to the policy compared to homeowners, likely because they are more affected and informed about rental policies and the Mietpreisbremse. As renters began to experience benefits such as stabilised or reduced rent increases, their economic pressures eased, potentially decreasing their support for populist radical right parties, suggesting that an individual's economic experience influences political behaviour.

These differences may also be driven by spill-over effects. By using a treatment intensity, I also include municipalities or individuals as (partially) treated in the analysis who were not directly exposed to the rent brake. By doing this, I also consider possible spillovers within the districts. This is especially relevant within districts as different municipalities are near each other, leading to a higher likelihood of interaction and interdependence. Renters and homeowners frequently move between nearby municipalities, and housing market conditions in one municipality can quickly affect neighbouring ones. Additionally, political sentiments can diffuse more easily within smaller, contiguous areas compared to larger entities such as provinces or regions.

The reason why there is no effect in the two-way fixed effects regression may be because individuals do not base their political support on their household's rental burden but rather on their own or their community's. This suggests that there may be a geotropic effect present. Additionally, it could be that individuals with higher incomes tend to rent more expensive places, resulting in a relatively higher rental burden. However, since they are wealthier, they still have sufficient disposable income after paying rent.

These results confirm a causal relationship that previous works by Held and Patana (2023) and Abou-Chadi et al. (n.d.) already indicated and rental burden clearly impacts support for the populist radical right.



Figure 3: Difference-in-Difference: Renters Affected by the Mietpreisbremse and Preference for the AfD.

Note: This figure shows the estimated developments of the likelihood of preferring the AfD between respondents residing in districts where all renters were exposed to the Mietpreisbremse and districts where no renters were exposed. No controls have been added and error bars represent standard errors.

	Dependent variable: Preference for AfD									
			Reference I	Year: 2015						
	Rente	ers + Homeor	wners		Renters Only					
	(1)	(2)	(3)	(4)	(5)	(6)				
Renters Affected	0.001	-0.604	-0.605	0.004	-0.524	-0.527				
	(0.006)	(0.359)	(0.359)	(0.009)	(0.360)	(0.360)				
2013	$-0.014^{***}$	$-0.014^{***}$	$-0.014^{***}$	$-0.017^{***}$	$-0.017^{***}$	$-0.017^{***}$				
	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)				
2014	$-0.006^{***}$	$-0.006^{***}$	$-0.006^{***}$	$-0.008^{***}$	$-0.008^{***}$	$-0.008^{***}$				
	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)				
2016	$0.015^{***}$	$0.015^{***}$	$0.015^{***}$	$0.024^{***}$	$0.025^{***}$	$0.025^{***}$				
	(0.002)	(0.002)	(0.002)	(0.004)	(0.004)	(0.004)				
2017	$0.010^{***}$	$0.010^{***}$	$0.010^{***}$	$0.012^{***}$	$0.011^{***}$	$0.011^{***}$				
	(0.002)	(0.002)	(0.002)	(0.004)	(0.004)	(0.004)				
2018	0.023***	$0.023^{***}$	$0.023^{***}$	$0.036^{***}$	$0.035^{***}$	$0.036^{***}$				
	(0.002)	(0.002)	(0.002)	(0.004)	(0.004)	(0.004)				
2019	0.025***	0.025***	0.025***	0.036***	$0.035^{***}$	0.035***				
	(0.002)	(0.002)	(0.002)	(0.005)	(0.005)	(0.005)				
2020	0.019***	0.019***	0.019***	0.032***	0.031***	0.031***				
	(0.002)	(0.002)	(0.002)	(0.005)	(0.005)	(0.005)				
2021	0.013***	0.013***	0.013***	0.023***	0.023***	0.023***				
	(0.002)	(0.002)	(0.002)	(0.005)	(0.005)	(0.005)				
Renters Affected $\times 2013$	-0.000	-0.001	-0.001	-0.001	-0.002	-0.002				
	(0.004)	(0.004)	(0.004)	(0.007)	(0.007)	(0.007)				
Renters Affected $\times 2014$	0.000	0.000	0.000	0.002	0.002	0.002				
	(0.004)	(0.003)	(0.003)	(0.005)	(0.005)	(0.005)				
Renters Affected $\times 2016$	-0.005	-0.005	-0.005	-0.009	-0.009	-0.009				
	(0.004)	(0.004)	(0.004)	(0.007)	(0.007)	(0.007)				
Renters Affected $\times 2017$	$-0.008^{**}$	$-0.009^{**}$	$-0.009^{**}$	-0.005	-0.006	-0.006				
	(0.004)	(0.004)	(0.004)	(0.006)	(0.006)	(0.006)				
Renters Affected $\times 2018$	$-0.014^{***}$	$-0.014^{***}$	$-0.014^{***}$	$-0.017^{**}$	$-0.017^{**}$	$-0.017^{**}$				
	(0.004)	(0.004)	(0.004)	(0.008)	(0.008)	(0.008)				
Renters Affected $\times 2019$	$-0.020^{***}$	$-0.020^{***}$	$-0.020^{***}$	$-0.020^{***}$	$-0.020^{***}$	$-0.020^{***}$				
	(0.004)	(0.004)	(0.004)	(0.007)	(0.007)	(0.007)				
Renters Affected $\times 2020$	$-0.017^{***}$	$-0.017^{***}$	$-0.017^{***}$	$-0.023^{***}$	$-0.024^{***}$	$-0.024^{***}$				
	(0.004)	(0.004)	(0.004)	(0.007)	(0.007)	(0.007)				
Renters Affected $\times 2021$	$-0.011^{**}$	$-0.011^{**}$	$-0.011^{**}$	$-0.013^{*}$	$-0.014^{*}$	$-0.014^{*}$				
	(0.005)	(0.004)	(0.004)	(0.008)	(0.008)	(0.008)				
District Fixed Effects	No	Yes	Yes	No	Yes	Yes				
Individual Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes				
Individual Controls	No	No	Yes	No	No	Yes				
Observations	82,088	82,088	82,088	34,100	34,100	34,100				
$\mathbb{R}^2$	0.012	0.025	0.025	0.017	0.042	0.042				
Adjusted $\mathbb{R}^2$	0.011	0.020	0.020	0.016	0.033	0.033				
Residual Std. Error	0.191	0.208	0.208	0.201	0.219	0.219				

Table 4: Difference-in-Difference: Preference for the AfD

Note: Standard Errors clustered at the individual level are reported in parentheses. AfD Preference is coded as equal to 1 if the respondent chose the AfD as their preferred party. Individual controls are employment status, whether the individual is currently receiving education and income. \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

### 7.2 Mechanism

As we have seen above, the rent brake had a negative effect on the support for the AfD. To find out why this happened, I now turn to the mechanisms. To assess the first mechanism, status anxiety, I estimate the impact of a reduction in the rental burden on the different feelings and thoughts of the respondents towards society and their psychological state. As shown in Table 5, it seems that life satisfaction increased one year after the introduction of the rent brake. The effect on "Negative Attitude towards Myself" is not significant immediately after the introduction. However, six years later, there is a positive significant coefficient indicating that respondents have a more negative attitude towards themselves six years after the rent brake. Furthermore, there is a significant negative effect on feelings of loneliness, indicating that respondents feel lonelier after the rent brake is adopted. However, it is only significant with a p-value of 0.1. Furthermore, the rent brake seems to have a significant positive effect on "Nowadays Can Trust People" and "Openness Towards Foreigners", suggesting that respondents become more trusting and less cautious towards foreigners. Pessimism about the future, the frequency of being worried, and the frequency of thinking about money do not seem to be impacted by the rent brake.

When examining the heterogeneous effects between renters and homeowners (see Tables B.1 and B.2), there is no substantial difference. The largest difference is present when looking at the negative attitude towards oneself. While the effect for renters and the whole sample was not significant in 2016, homeowners exhibited a significant and large change with a coefficient of 3.26. As the negative attitude towards oneself is measured on a scale from 0 to 7, this is a large change suggesting that, following the rent brake, homeowners, experience a strong worsening in their attitude towards themselves. Renters seem to experience a similar effect five years later in 2021 when the negative attitude towards oneself changes by 4.17 following the rent brake and renters become more negative about themselves. Due to multicollinearity, some of the years for the subset with homeowners had to be omitted. Homeowners seem to experience a stronger impact on "Openness Towards Foreigners"; however, the difference in coefficients is relatively small. Nevertheless, homeowners seem to become more open towards foreigners than renters.

Based on the results we can see that there is some evidence that status anxiety seems to be affected by the rent brake. People seem to improve their attitudes towards their community and others in general, aligning with previous literature on how economic security, equality, and institutional trust positively impact prosocial behaviour (Damian, 2019; Evers & Gesthuizen, 2011; Schröder & Neumayr, 2023; Tolsma et al., 2009). However, personal attitudes and feelings worsen following the reduction of rental burden which is contrary to previous literature that found that financial well-being and stability enhance mental well-being and self-esteem (Hassan et al., 2021).

It is striking that the attitude towards oneself seems to differ largely between renters and homeowners. While homeowners a deterioration in their attitude towards themselves shortly after the introduction of the rent brake, renters only exhibited a similar change six years later. One reason could be that homeowners perceive the rent brake as a potential threat to the value of their property. If rental income is a part of their financial planning, a rent brake could reduce the expected returns on their investment, leading to anxiety about their financial stability and future wealth. Homeowners might, also, interpret the rent brake as a signal of government intervention in the housing market, which could be perceived as an indication of broader economic issues. This might lead to a sense of insecurity about the stability of the economy and their financial position. The introduction of one form of regulation might create concerns about the possibility of further regulatory measures, causing immediate stress and negative self-perception. Furthermore, homeowners might compare themselves to renters who are directly benefiting from the rent brake. This comparison could lead to feelings of unfairness or a perceived loss of status, especially if homeowners feel that their financial sacrifices of buying housing are not being acknowledged or rewarded. This suggests that the rent brake may increase status anxiety among homeowners. Homeowners may fear the loss of their status as there is a potential loss in the value of their property. However, as we see in table B.2 of the appendix, this does not seem to translate directly into support for the AfD. For renters, the rent brake may initially provide relief and positive feelings due to the immediate reduction in rental burden, which can improve their shortterm financial situation and alleviate stress. Over time, the initial positive effects might wear off as renters adapt to their new financial situation, leading to a re-evaluation of their broader economic and social status.

The results suggest that there may be an effect on status anxiety following the rent brake as feelings towards society improve but personal attitudes decline, especially among homeowners. This suggests a complex relationship between economic relief and psychological well-being; however, more detailed evidence is necessary to confirm this.

			Dep	endent varia	ıble:			
	Life Satisfaction	Negative Attitude towards Myself	Pessimistic about Future	Not Feeling Lonely	Worried Often	Thinking About Money Daily	Nowadays Can Trust People	Openness Towards Foreigners
	2015 (1)	2015 (2)	Referen 2013 (3)	ce Years: 2013 (4)	$2015 \\ (5)$	2013 (6)	2013 (7)	2013 (8)
Renters Affected	-1.197	0.513	0.352	2.024***	0.015	-0.084	0.210	1.758***
2013	(1.103) -0.009 (0.013)	(0.516)	(0.420)	(0.708)	(0.170) -0.003 (0.002)	(0.364)	(0.542)	(0.460)
2014	-0.090*** (0.012)				(0.002) -0.001 (0.002)			
2016	$-0.034^{***}$ (0.012)	$-0.218^{***}$ (0.051)			$0.006^{***}$ (0.002)			
2017	-0.086***	-0.186***			0.002			
2018	(0.013) $-0.032^{**}$ (0.014)	(0.060) $-0.231^{**}$ (0.126)	$0.166^{***}$	$-0.057^{***}$	(0.002) -0.002 (0.002)	$-0.019^{***}$	$0.019^{**}$	$0.052^{***}$
2019	(0.014) $0.029^{**}$ (0.014)	-0.366*** (0.133)	(0.009)	(0.011)	(0.003) -0.002 (0.003)	(0.004)	(0.008)	(0.008)
2020	(0.014) $0.056^{***}$ (0.014)	-0.063*** (0.013)			(0.003) $0.032^{***}$ (0.003)			
2021	(0.014) -0.024 (0.017)	(0.013) -1.881*** (0.481)			0.003 (0.003)			
Renters Affected $\times$ 2013	0.033	(0.401)			-0.002			
Renters Affected $\times$ 2014	0.027				-0.001			
Renters Affected $\times$ 2016	(0.028) $0.068^{**}$ (0.028)	0.071			(0.000) (0.003)			
Renters Affected $\times$ 2017	(0.023) 0.043 (0.030)	(0.111) -0.045 (0.125)			-0.002			
Renters Affected $\times$ 2018	0.011 (0.031)	-0.271	0.030	$-0.045^{*}$	-0.002	-0.007	$0.044^{**}$	$0.053^{***}$
Renters Affected $\times$ 2019	-0.054*	-0.097	(0.024)	(0.020)	0.000	(0.005)	(0.020)	(0.010)
Renters Affected $\times$ 2020	-0.014	-0.031			-0.009			
Renters Affected $\times$ 2021	(0.033) -0.056 (0.039)	(0.031) $1.581^{**}$ (0.637)			(0.007) -0.001 (0.007)			
District Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Individual Fixed Effects Observations	Yes 220,342	Yes 47,033	Yes 37,944	Yes 37,944	Yes 191,930	Yes 42,835	Yes 47,070	Yes 46,980
$\mathbb{R}^2$	0.005	0.028	0.024	0.074	0.005	0.023	0.025	0.027
Adjusted R <sup>2</sup> Residual Std. Error	$0.004 \\ 1.231$	$0.021 \\ 0.859$	$0.019 \\ 1.947$	$0.067 \\ 0.983$	$0.003 \\ 0.227$	$0.017 \\ 0.307$	$0.018 \\ 0.809$	$0.021 \\ 0.987$

#### Table 5: Difference-in-Difference: Status Anxiety

Note: Standard Errors clustered at the individual level are reported in parentheses. Negative Attitude Towards Myself is coded on a scale from 1 (completely applies) to 7 (does not apply at all). Life Satisfaction is coded on a scale from 0 (low) to 10 (high). Pessimistic about the Future and Not Feeling Lonely are based on a scale from 1 (completely applies) to 4 (does not apply at all). Worried Often is a dummy, equalling 1 if the respondent has been worried often or very often in the last four weeks. Thinking about money daily is a dummy variable equalling 1 if the respondent has indicated that they worry daily. Nowadays Can Trust People and Openness Towards Foreigners are coded on a scale from 1 (Totally Agree) to 4 (Totally Disagree). and a scale from 1 (Totally Agree) to 4 (Totally Disagree). \*p < 0.1; \*\*p < 0.05; \*\*\*p < 0.01

To provide evidence on the second mechanism, economic voting or pocketbook explanation, and to determine whether individuals reward the incumbent or mainstream parties following improvements in their economic situation, I examine the preference for the incumbent or other mainstream parties in Germany. In Table 6, we see the changes in party preference attributed to the rent brake. It is important to note that from 2013 until 2021, the government consisted of the grand coalition of CDU/CSU and SPD, who also adopted the Mietpreisbremse together.

From this analysis, we can see that the rent brake had no significant impacts on the incumbent and mainstream parties for the full dataset. Based on the results of table 6, we can only observe changes in the AfD. The incumbent CDU/CSU does not seem to be affected and the other incumbent SPD shows pre-trends when considering the whole dataset.

When we look at the subset for renters, we see that the preference for the Greens has increased

following the rent brake. In 2019, the likelihood of preferring the Greens increased by 0.055. We also see that the respondents are less likely to be in favour of one of the incumbent parties, the SPD. The other parties do not seem to experience any effect. For homeowners, the preference for the SPD increased following the rent brake three years post-treatment. A similar increase is observed for die Linke in 2016 and 2018. The Greens and other parties do not seem to be affected among homeowners.

The reason why renters may stray away from the SPD and instead towards the Greens may be because they feel that the rent brake was insufficient in providing relief. This may also explain the delayed onset in that renters waited to expect an improvement which was then not realised. Turning towards the Greens may be a consequence of the party's strong stance on the topic of rental burden, which resonates with renters' concerns. Homeowners increasing their support for the incumbent SPD may be due to homeowners prioritising economic stability and broader fiscal policies more generally, leading to a positive evaluation of the Mietpreisbremse. It is also possible that homeowners may observe the policy as beneficial and desirable without experiencing the effects themselves, while renters may evaluate it as insufficient.

The delayed impact may result from the fact that rental contracts are not negotiated yearly or that rental burdens gained importance during or following the elections.

Overall, these findings are not fully conclusive but indicate that the losses of the AfD cannot be attributed to the voters rewarding the incumbent or other mainstream parties. This is in line with what the previous papers have found on the relationship between rental prices and political behaviour (Abou-Chadi et al., n.d. Held & Patana, 2023)

	Dependent variable:									
	AfD	CDU/CSU	SPD	Green	FDP	Linke				
			Reference Ye	ear: 2015						
	(1)	(2)	(3)	(4)	(5)	(6)				
Renters Affected	-0.603*	0.096	0.044	0.277	0.082	-0.059				
	(0.359)	(0.136)	(0.121)	(0.199)	(0.073)	(0.140)				
2013	-0.014***	0.004	-0.003	$0.017^{***}$	0.004***	-0.015***				
	(0.002)	(0.003)	(0.004)	(0.003)	(0.002)	(0.004)				
2014	-0.006***	0.010***	0.002	-0.001	-0.001	-0.001				
	(0.002)	(0.003)	(0.003)	(0.002)	(0.001)	(0.003)				
2016	$0.015^{***}$	-0.001	-0.017***	0.004	0.007***	-0.021***				
	(0.002)	(0.003)	(0.003)	(0.003)	(0.002)	(0.003)				
2017	0.010***	-0.001	$0.007^{**}$	-0.018***	0.013***	0.001				
	(0.002)	(0.003)	(0.004)	(0.003)	(0.002)	(0.004)				
2018	0.023***	-0.013***	-0.024***	0.002	0.019***	-0.022***				
	(0.002)	(0.004)	(0.004)	(0.003)	(0.002)	(0.004)				
2019	0.025***	-0.028***	-0.055***	0.047***	0.016***	-0.055***				
	(0.002)	(0.004)	(0.004)	(0.004)	(0.002)	(0.004)				
2020	0.019***	-0.012***	-0.065***	0.058***	0.006***	-0.064***				
	(0.002)	(0.004)	(0.004)	(0.004)	(0.002)	(0.004)				
2021	0.013***	-0.029***	-0.048***	0.044***	0.025***	-0.055***				
	(0.002)	(0.005)	(0.005)	(0.005)	(0.003)	(0.005)				
Renters Affected $\times$ 2013	-0.001	0.008	-0.021**	0.020**	-0.002	-0.020**				
	(0.004)	(0.008)	(0.009)	(0.008)	(0.004)	(0.009)				
Renters Affected $\times$ 2014	0.000	-0.004	$-0.012^{*}$	$0.012^*$	0.002	-0.010*				
	(0.004)	(0.007)	(0.008)	(0.007)	(0.003)	(0.008)				
Renters Affected $\times$ 2016	-0.005	-0.004	-0.001	0.006	-0.003	0.008				
	(0.004)	(0.007)	(0.008)	(0.007)	(0.003)	(0.008)				
Renters Affected $\times 2017$	-0.009**	-0.002	-0.007	0.002	0.003	0.007				
	(0.004)	(0.007)	(0,009)	(0.002)	(0.004)	(0,009)				
Benters Affected $\times$ 2018	-0.014***	-0.007	-0.003	0.008	0.002	0.012				
	(0.004)	(0.008)	(0,009)	(0.009)	(0.004)	(0.009)				
Renters Affected $\times$ 2019	-0.020***	-0.006	-0.017	0.036***	0.005	-0.013				
	(0.004)	(0,009)	(0.011)	(0.010)	(0.000)	(0.010)				
Benters Affected $\times 2020$	-0.017***	0.000	-0.005	0.015	0.007	-0.001				
	(0.004)	(0,009)	(0.000)	(0.010)	(0.001)	(0.001)				
Benters Affected $\times$ 2021	-0.011**	-0.001	-0.022**	0.033***	0.004	-0.014				
	(0.004)	(0.011)	(0.011)	(0.011)	(0.006)	(0.012)				
District Fixed Effects	Ves	Vec	Vec	Ves	Ves	Veg				
Individual Fived Effects	Vec	Veg	Ves	Vee	Vec	Vec				
Observations	81 879	81 879	81 879	81 879	81 879	81 879				
R <sup>2</sup>	0.025	0.015	0.025	0.035	0.017	0.025				
Adjusted $\mathbb{R}^2$	0.020	0.010	0.020	0.000	0.011	0.020				
Residual Std Error	0.020	0.485	0.021	0.001	0.010	0.021 0.467				

Table 6: Difference-in-Difference: Economic Voting

Note: Standard Errors clustered at the individual level are reported in parentheses. Party Preference for each party is coded as equal to 1 if the respondent chose the respective party as their preferred party. \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

For the last mechanism, geotropic explanations, I turn to the heterogeneous effects and examine the subset of only homeowners. We see here that also for homeowners the probability of voting for the AfD decreases by 0.026. A similar trend is seen when looking at preferences. In 2016, the likelihood of preferring the AfD decreased by 0.008, peaked at -0.026 in 2019, and then reduced to -0.016 by 2021. This effect is slightly lower compared to the subset with renters.

These findings provide evidence that geotropic effects play a role in this relationship, suggesting that people's voting behaviour is not solely driven by their own economic well-being. While the impact of the rent brake is larger in magnitude for renters, the effect remains clearly negative for homeowners. The heterogeneous effects imply an altruism effect, where homeowners, despite not facing the immediate threat of rising rents, adjust their preferences. Additionally, this could indicate a learning effect, where homeowners interpret them as a signal of a generally more stable housing market or the prospect of renting in the future. This goes in line with the previous literature arguing the impact of geotropic factors in the relationship between housing and populism (Adler & Ansell, 2020; Reeves & Gimpel, 2012).

	Dependent variable:									
		AfD Vote		Af	D Preferen	ce				
	Refe	rence Year:	2014	Refer	ence Year:	2015				
	(1)	(2)	(3)	(4)	(5)	(6)				
Renters Affected	0.020***	0.038***	0.038***	0.013***	0.014***	0.014***				
	(0.006)	(0.003)	(0.003)	(0.004)	(0.005)	(0.005)				
2013				-0.013***	-0.013***	-0.013***				
				(0.002)	(0.002)	(0.002)				
2014				-0.005***	$-0.005^{***}$	-0.005***				
				(0.002)	(0.002)	(0.002)				
2016				$0.010^{***}$	$0.010^{***}$	$0.010^{***}$				
				(0.002)	(0.002)	(0.002)				
2017				$0.010^{***}$	$0.010^{***}$	$0.010^{***}$				
				(0.002)	(0.002)	(0.002)				
2018	$0.038^{***}$	$0.038^{***}$	$0.038^{***}$	$0.017^{***}$	$0.017^{***}$	$0.017^{***}$				
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)				
2019				$0.019^{***}$	$0.019^{***}$	$0.019^{***}$				
				(0.003)	(0.003)	(0.003)				
2020				$0.012^{***}$	$0.012^{***}$	$0.012^{***}$				
				(0.002)	(0.002)	(0.002)				
2021				$0.008^{***}$	$0.008^{***}$	$0.008^{***}$				
				(0.003)	(0.003)	(0.003)				
Renters Affected $\times$ 2013				0.000	0.000	0.000				
				(0.005)	(0.005)	(0.005)				
Renters Affected $\times$ 2014				-0.003	-0.003	-0.003				
				(0.005)	(0.005)	(0.005)				
Renters Affected $\times$ 2016				-0.008**	-0.008**	-0.008**				
				(0.004)	(0.004)	(0.004)				
Renters Affected $\times$ 2017				$-0.015^{***}$	$-0.015^{***}$	$-0.015^{***}$				
				(0.005)	(0.005)	(0.005)				
Renters Affected $\times$ 2018	-0.026***	-0.026***	-0.026***	-0.021***	-0.021***	-0.021***				
	(0.007)	(0.007)	(0.007)	(0.005)	(0.005)	(0.005)				
Renters Affected $\times$ 2019				-0.026***	-0.026***	-0.026***				
				(0.005)	(0.005)	(0.005)				
Renters Affected $\times$ 2020				-0.018***	-0.018***	-0.018***				
				(0.005)	(0.005)	(0.005)				
Renters Affected $\times$ 2021				-0.016***	-0.016***	-0.016***				
				(0.005)	(0.005)	(0.005)				
District Fixed Effects	No	Yes	Yes	No	Yes	Yes				
Individual Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes				
Individual Controls	No	No	Yes	No	No	Yes				
Observations	20,394	20,394	20,394	47,772	47,772	47,772				
$\mathbb{R}^2$	0.023	0.029	0.029	0.009	0.010	0.010				
Adjusted $\mathbb{R}^2$	0.023	0.027	0.027	0.009	0.008	0.008				
Residual Std. Error	0.163	0.163	0.163	0.094	0.094	0.094				

Table 7: Difference-in-Difference: Vote and Preference for AfD - Homeowners Only

Note: Standard Errors clustered at the individual level are reported in parentheses. AfD Vote is coded as equal 1 if the respondent reported to have voted for the AfD in the last federal election. AfD Preference is coded as equal to 1 if the respondent chose the AfD as their preferred party. \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

## 8 Conclusion

This thesis has explored the relationship between rental burden and support for populist radical right parties. By employing a Two-Way Fixed Effects regression and a Difference-in-Difference analysis using both aggregate and micro-level data from between 2013 and 2021, I provide evidence that there is a causal relationship between rental burden and support for the populist radical right.

The implementation of the Mietpreisbremse resulted in a significant reduction in support for the Alternative für Deutschland, the largest populist radical right party in Germany. This effect became more pronounced over time, indicating that rental market interventions can have a lasting impact on political behaviour. My analysis suggests that various mechanisms are at play. Status anxiety appears to be a factor as attitudes and trust towards people improve, especially among renters. Homeowners exhibit increasing status anxiety following the policy, however, this does not translate into support for the populist radical right. Additional evidence is needed to fully confirm this. There is also evidence that individuals base their political preferences more on the economic well-being of their community than on their own well-being. Both renters and homeowners adjusted their preferences in response to community-level changes in rental prices, suggesting a mix of altruism and learning effects. The analysis could not find that economic voting is at play in this relationship. While there is a reduction in the support for the AfD, respondents do not seem to generally increase their support for incumbent or mainstream parties. These results highlight the importance of place-based economic conditions in shaping political behaviour.

The findings have important implications for policymakers. It underscores the critical role of rental policies in shaping political landscapes. By alleviating rental burdens, governments can not only improve economic conditions but also strengthen democratic norms and reduce the appeal of populist radical right movements.

While this thesis provides robust evidence for a causal relationship between rental burden and populist radical right support, there are limitations and further questions that future research could address. First, the inability to pinpoint exact municipality-level data for the respondents of the German Socio-Economic Panel may obscure some local effects. Future studies could benefit from more precise geographic data. Another limitation is that I cannot fully disentangle the impact of rental market policy from the actual reduction in rental burden. Further research could address this by using a different treatment intensity that accounts for the resulting reduction in rental prices. Furthermore, the analysis of the mechanisms could be enhanced with more detailed survey questions regarding status anxiety, economic voting and geotropic factors. Another issue with the survey is that respondents may not answer truthfully. When asked about voting behaviour or party preference, survey participants may be inclined to lie. Particularly when it comes to radical right parties, respondents may not answer truthfully or may lie due to the social stigma surrounding their vote. Further research could also examine more in detail the supply-side drivers of this relationship, such as the rhetoric of populist radical right parties. While this thesis has shed some light on why people move towards the right, future research could investigate further why people do not move to radical left parties. Lastly, it would be interesting to see how this relationship behaves in countries where the share of renters is much lower, and more people own their houses or where populist radical right parties have been established for a longer period.

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# Appendix A Parallel Trends: Vote Shares of German Radical Right Parties



Figure A.1: Vote Shares of far-right parties in the pre-treatment period. Note: This figure shows the developments of the vote shares of the populist radical right and other far-right parties, with error bars representing standard deviation. Far-right parties: AfD, NPD, REP, DVU, pro Deutschland, Die Rechte, III. Weg.

## Appendix B Status Anxiety - Heterogeneous Effects

			Depe	ndent var	iable:			
	Life Satisfaction	Negative Attitude towards Myself	Pessimistic about Future	Not Feeling Lonely	Worried Often	Thinking About Money Daily	Nowadays Can Trust People	Openness Towards Foreigners
	2015 (1)	2015 (2)	Referenc 2013 (3)	e Years: 2013 (4)	$2015 \\ (5)$	2013 (6)	2013 (7)	2013 (8)
Renters Affected	-0.896	-0.827	0.550	-0.634	-0.276**	0.671	0.024	0.034**
2013	(1.298) -0.048 <sup>**</sup> (0.021)	(0.791)	(0.588)	(0.418)	(0.124) -0.006 (0.004)	(0.375)	(0.015)	(0.014)
2014	-0.116***				-0.005			
2016	-0.029	0.432			0.003			
2017	-0.071***	-0.485**			-0.001			
2018	-0.043*	-0.222	0.160***	-0.034*	-0.005	-0.010	0.024	0.034**
2019	(0.022) 0.029	(0.153) -0.380***	(0.017)	(0.020)	(0.004) -0.003	(0.006)	(0.015)	(0.014)
2020	(0.023) $0.137^{***}$	(0.144) -0.058**			(0.004) $0.024^{***}$			
2021	(0.024) 0.015 (0.028)	(0.023) -1.607*** (0.383)			(0.005) -0.005 (0.005)			
Renters Affected $\times$ 2013	(0.023) $0.108^{**}$ (0.042)	(0.000)	0.004		0.004			
Renters Affected $\times$ 2014	0.064 (0.039)		0.008		0.008 (0.008)			
Renters Affected $\times$ 2016	(0.000) $0.067^{*}$ (0.039)	-0.489	0.010 (0.009)		0.010			
Renters Affected $\times$ 2017	0.029	(0.043) (0.316)	0.007		0.007			
Renters Affected $\times$ 2018	0.016	-0.216 (0.324)	(0.009) (0.035)	$-0.064^{*}$	(0.005) (0.005)	-0.016	0.032	$0.059^{**}$
Renters Affected $\times$ 2019	-0.047	(0.324) 0.011 (0.280)	0.002	(0.038)	0.002	(0.013)	(0.031)	(0.028)
Renters Affected $\times$ 2020	-0.094**	0.001	0.006		0.006			
Renters Affected $\times$ 2021	(0.046) -0.090 (0.054)	(0.045) $4.165^{***}$ (0.464)	(0.010) 0.005 (0.011)		(0.010) 0.005 (0.011)			
District Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Individual Fixed Effects Observations	Yes 111 973	Yes 27 500	Yes 17 823	Yes 17 840	Yes 93.010	Yes 21.263	Yes 23/499	Yes 23 530
R <sup>2</sup>	0.008	27,500	0 102	0.077	0.007	0.029	23,433	23,339
Adjusted $B^2$	0.005	0.043	0.091	0.065	0.007	0.020	0.033	0.033
Residual Std. Error	1.296	1.714	1.074	1.324	0.249	0.332	1.102	1.011

Table B.1: Difference-in-Difference:	Status	Anxiety -	Renters	Only
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Note: Standard Errors clustered at the individual level are reported in parentheses. Worried Often is a dummy, equalling 1 if the respondent has been worried often or very often in the last four weeks. Life Satisfaction is coded on a scale from 0 (low) to 10 (high). Thinking about money daily is a dummy variable equalling 1 if the respondent has indicated that they worry daily. Pessimistic about the Future, Not Feeling Lonely, and Able To Cope are based on a scale from 1 (completely applies) to 4 (does not apply at all). Nowadays Can Trust People and Openness Towards Foreigners are coded on a scale from 1 (Totally Agree) to 4 (Totally Disagree). Negative Attitude Towards Myself is coded on a scale from 1 (completely applies) to 7 (does not apply at all). \* p<0.1; \*\*p<0.05; \*\*\*p<0.01

			Dep	endent varia	ıble:			
	Life Satisfaction	Negative Attitude towards Myself	Pessimistic about Future	Not Feeling Lonely	Worried Often	Thinking About Money Daily	Nowadays Can Trust People	Openness Towards Foreigners
	2015 (1)	2015 (2)	Referen 2013 (3)	ce Years: 2013 (4)	$2015 \\ (5)$	2013 (6)	2013 (7)	2013 (8)
Renters Affected	-0.472***	0.770**	-0.825***	-0.071***	0.690***	0.017	-0.395	0.201
2013	(0.056) 0.035** (0.016)	(0.365)	(0.012)	(0.014)	(0.011)	(0.012)	(0.248)	(0.574)
2014	(0.016) -0.067***							
2016	(0.015) - $0.039^{**}$ (0.015)	-0.403			$0.009^{***}$			
2017	-0.107***	(11100)			(0.000)			
2018	(0.016) -0.024 (0.017)		$0.175^{***}$	$-0.071^{***}$	0.000	$-0.026^{***}$	$0.026^{**}$	$0.065^{***}$
2019	(0.017) 0.023 (0.017)		(0.012)	(0.014)	(0.003) (0.000)	(0.003)	(0.010)	(0.011)
2020	-0.031*	$-0.070^{***}$			(0.003) $0.039^{***}$ (0.004)			
2021	$-0.065^{***}$	(0.010)			(0.004) $0.008^{***}$ (0.004)			
Renters Affected $\times$ 2013	-0.091**		-0.007		(0.004)			
Renters Affected $\times$ 2014	(0.044) -0.009 (0.041)		-0.013					
Renters Affected $\times$ 2016	(0.041) $0.067^{*}$ (0.040)	$3.268^{***}$	-0.003					
Renters Affected $\times$ 2017	(0.040) 0.032 (0.042)	(1.103)	-0.010					
Renters Affected $\times$ 2018	(0.042) 0.011 (0.046)		(0.005) (0.058) (0.036)	-0.013		0.008	0.041	$0.070^{**}$
Renters Affected $\times$ 2019	-0.010		(0.000)	(0.040)		(0.010)	(0.020)	(0.000)
Renters Affected $\times$ 2020	(0.047) 0.018 (0.047)	-0.065			$-0.020^{**}$			
Renters Affected $\times$ 2021	(0.011) -0.078 (0.061)	(0.017)			(0.010) -0.002 (0.011)			
District Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Individual Fixed Effects Observations	Yes 100-205	Yes 22 306	Yes 20.119	Yes 20.138	Yes 98 891	Yes 21 569	Yes 22.886	Yes 22.884
$R^2$	0.005	0.012	0.057	0.013	0.007	0.011	0.010	0.016
Adjusted R <sup>2</sup>	0.005	0.009	0.055	0.010	0.005	0.009	0.008	0.013
Residual Std. Error	0.821	1.338	0.821	0.863	0.203	0.282	0.787	0.771

### Table B.2: Difference-in-Difference: Status Anxiety - Homeowners Only

According total. Entry0.0211.000.0210.0210.0230.2030.2230.7870.771Note: Standard Errors clustered at the individual level are reported in parentheses. Negative Attitude Towards Myself is coded on a scale<br/>from 1 (completely applies) to 7 (does not apply at all). Life Satisfaction is coded on a scale from 0 (low) to 10 (high). Pessimistic about<br/>the Future and Not Feeling Lonely are based on a scale from 1 (completely applies) to 4 (does not apply at all). Worried Often is a dummy,<br/>equalling 1 if the respondent has been worried often or very often in the last four weeks. Thinking about money daily is a dummy variable<br/>equalling 1 if the respondent has indicated that they worry daily. Nowadays Can Trust People and Openness Towards Foreigners are coded<br/>on a scale from 1 (Totally Agree) to 4 (Totally Disagree).\* p < 0.1; \*\* p < 0.05; \*\*\* p < 0.01</td>

## Appendix C Economic Voting - Heterogeneous Effects

	Dependent variable:								
	AfD	CDU/CSU	SPD	Green	FDP	Linke			
			Reference Ye	ear: 2015					
	(1)	(2)	(3)	(4)	(5)	(6)			
Renters Affected	-0.526	0.079	0.108	0.167	0.056	-0.033			
	(0.360)	(0.148)	(0.164)	(0.262)	(0.048)	(0.203)			
2014	$0.009^{***}$	$0.011^{**}$	0.004	0.001	-0.002	-0.001			
	(0.003)	(0.005)	(0.006)	(0.004)	(0.002)	(0.006)			
2015	$0.017^{***}$	0.001	$-0.018^{***}$	-0.001	$0.007^{***}$	-0.026***			
	(0.003)	(0.006)	(0.006)	(0.004)	(0.003)	(0.007)			
2016	$0.041^{***}$	0.001	$-0.018^{***}$	-0.001	$0.007^{***}$	-0.026***			
	(0.005)	(0.006)	(0.006)	(0.004)	(0.003)	(0.007)			
2017	$0.028^{***}$	0.008	0.004	$-0.016^{***}$	$0.010^{***}$	-0.008			
	(0.005)	(0.006)	(0.007)	(0.005)	(0.003)	(0.007)			
2018	$0.052^{***}$	-0.009	-0.031***	0.004	$0.017^{***}$	-0.034***			
	(0.005)	(0.007)	(0.007)	(0.006)	(0.003)	(0.007)			
2019	$0.052^{***}$	-0.023***	$-0.058^{***}$	$0.047^{***}$	$0.015^{***}$	-0.065***			
	(0.006)	(0.007)	(0.008)	(0.006)	(0.004)	(0.008)			
2020	$0.048^{***}$	-0.003	-0.073***	$0.051^{***}$	$0.010^{***}$	-0.076***			
	(0.005)	(0.007)	(0.008)	(0.007)	(0.003)	(0.009)			
2021	$0.040^{***}$	-0.026***	$-0.044^{***}$	$0.046^{***}$	$0.020^{***}$	$-0.059^{***}$			
	(0.005)	(0.009)	(0.010)	(0.008)	(0.004)	(0.010)			
Renters Affected $\times$ 2014	0.003	0.001	-0.020	0.019	0.005	-0.026***			
	(0.006)	(0.010)	(0.012)	(0.012)	(0.005)	(0.015)			
Renters Affected $\times$ 2015	0.002	-0.009	-0.002	0.016	0.006	-0.022**			
	(0.007)	(0.010)	(0.012)	(0.010)	(0.004)	(0.013)			
Renters Affected $\times$ 2016	-0.008	-0.009	-0.002	0.016	-0.001	0.006			
	(0.008)	(0.010)	(0.012)	(0.010)	(0.005)	(0.013)			
Renters Affected $\times$ 2017	-0.004	-0.008	-0.010	0.010	0.005	0.004			
	(0.007)	(0.011)	(0.013)	(0.011)	(0.006)	(0.014)			
Renters Affected $\times$ 2018	$-0.015^{*}$	-0.012	-0.016	0.021	0.006	0.002			
	(0.008)	(0.013)	(0.014)	(0.013)	(0.007)	(0.015)			
Renters Affected $\times$ 2019	$-0.018^{**}$	-0.018	-0.024	$0.055^{***}$	0.008	-0.019			
	(0.009)	(0.013)	(0.015)	(0.014)	(0.007)	(0.016)			
Renters Affected $\times$ 2020	$-0.022^{***}$	-0.002	-0.004	$0.033^{**}$	0.004	0.001			
	(0.008)	(0.013)	(0.015)	(0.015)	(0.007)	(0.016)			
Renters Affected $\times$ 2021	-0.012	-0.002	-0.033**	$0.043^{**}$	0.006	-0.019			
	(0.008)	(0.015)	(0.017)	(0.018)	(0.009)	(0.019)			
District Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes			
Individual Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes			
Observations	$34,\!100$	$34,\!100$	34,100	$34,\!100$	$34,\!100$	$34,\!100$			
$\mathbb{R}^2$	0.042	0.030	0.034	0.052	0.029	0.038			
Adjusted $\mathbb{R}^2$	0.033	0.021	0.025	0.043	0.020	0.029			
Residual Std. Error	0.219	0.497	0.468	0.416	0.198	0.506			

Table C.3: Difference-in-Difference: Economic Voting - Renters Only

Note: Standard Errors clustered at the individual level are reported in parentheses. Party Preference for each party is coded as equal to 1 if the respondent chose the respective party as their preferred party. p<0.1; p<0.05; p<0.01

	Dependent variable:					
	AfD	CDU/CSU	SPD	Green	FDP	Linke
	Reference Year: 2013					
	(1)	(2)	(3)	(4)	(5)	(6)
Renters Affected	0.014***	-0.007	0.006	-0.017	$0.012^{*}$	-0.011
	(0.005)	(0.012)	(0.013)	(0.013)	(0.007)	(0.013)
2013	-0.013***	0.002	-0.004	0.015***	$0.007^{***}$	-0.012***
	(0.002)	(0.004)	(0.004)	(0.004)	(0.002)	(0.004)
2014	-0.005***	0.009***	-0.000	-0.001	-0.001	-0.001
	(0.002)	(0.003)	(0.003)	(0.003)	(0.002)	(0.004)
2016	0.010***	-0.004	-0.017***	0.007**	0.007***	-0.020***
	(0.002)	(0.004)	(0.004)	(0.003)	(0.002)	(0.004)
2017	0.010***	-0.006	0.006	-0.016***	0.014***	0.003
	(0.002)	(0.004)	(0.004)	(0.004)	(0.003)	(0.004)
2018	0.017***	-0.014***	-0.023***	0.003	$0.019^{***}$	-0.019***
	(0.003)	(0.005)	(0.004)	(0.004)	(0.003)	(0.005)
2019	0.019***	-0.029***	-0.055***	0.048***	0.017***	-0.053***
	(0.003)	(0.005)	(0.005)	(0.005)	(0.003)	(0.005)
2020	0.012***	-0.015***	-0.063***	0.063***	0.005	-0.060***
	(0.002)	(0.005)	(0.005)	(0.005)	(0.003)	(0.005)
2021	0.008***	-0.035***	-0.049***	0.046***	0.028***	-0.055***
	(0.003)	(0.006)	(0.006)	(0.006)	(0.004)	(0.006)
Renters Affected $\times$ 2013	0.000	0.004	-0.012	0.010	-0.006	-0.001
	(0.005)	(0.010)	(0.011)	(0.010)	(0.005)	(0.012)
Renters Affected $\times$ 2014	-0.003	-0.010	-0.001	0.011	-0.004	0.008
	(0.005)	(0.009)	(0.010)	(0.009)	(0.005)	(0.011)
Renters Affected $\times$ 2016	-0.008**	0.004	0.006	-0.008	-0.008	0.021**
1000000 1000000 // 2010	(0.004)	(0.009)	(0.010)	(0.009)	(0.005)	(0.010)
Renters Affected $\times 2017$	-0.015***	-0.001	0.006	-0.014	0.003	0.024**
	(0.005)	(0.010)	(0.012)	(0.011)	(0.007)	(0.012)
Renters Affected $\times$ 2018	-0.021***	-0.007	0.027**	-0.007	-0.002	0.042***
	(0.005)	(0.012)	(0.012)	(0.012)	(0.007)	(0.013)
Renters Affected $\times$ 2019	-0.026***	-0.003	0.001	0.015	0.001	0.011
	(0.005)	(0.013)	(0.001)	(0.014)	(0.001)	(0.011)
Renters Affected $\times$ 2020	-0.018***	-0.008	0.007	-0.001	0.009	0.015
	(0.010)	(0.013)	(0.001)	(0.014)	(0.007)	(0.014)
Benters Affected $\times$ 2021	-0.016***	-0.005	-0.004	0.015	0.006	0.004
10010010 11100000 / 2021	(0.005)	(0.015)	(0.015)	(0.015)	(0.010)	(0.015)
District Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Individual Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	47,772	47.772	47.772	47,772	47.772	47.772
$\mathbb{R}^2$	0.010	0.011	0.025	0.028	0.013	0.023
Adjusted $\mathbb{R}^2$	0.008	0.008	0.023	0.026	0.011	0.021
Residual Std. Error	0.184	0.513	0.454	0.419	0.242	0.482

Table C.4: Difference-in-Difference: Economic Voting - Homeowners Only

Note: Standard Errors clustered at the individual level are reported in parentheses. Party Preference for each party is coded as equal to 1 if the respondent chose the respective party as their preferred party. \*p<0.1; \*\*p<0.05; \*\*\*p<0.01