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Infrastructure Expansion, Tourism, and Electoral Outcomes

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Abstract

This paper examines the electoral impact of increased foreign tourism, using data from Croatia. Exploiting exogenous variation in travel times to coastal municipalities from improved road infrastructure, I show that foreign tourism reduces nationalist voting and increases the center-left vote share. This effect is partly due to manufacturing spillovers and demographic shifts within municipalities. Further complementing these findings, individual-level survey data indicates that workers within the hospitality sector are more likely to hold left-wing views. I further show that this is likely driven by economic concerns, rather than the diffusion of socially liberal views.

JEL classification codes: D72, F63, L83, O18, Z32

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I. Introduction

The hospitality sector accounts for around 10% of global GDP, and supports over 300 million jobs worldwide (Aksoy et al. 2022). In many countries, this sector relies heavily on foreign tourism. The last decades have seen a rapid increase in foreign tourism globally, partially driven by significant infrastructure investments in tourism-dependent countries and lower barriers to international travel. While the economic benefits of tourism are well-known, there has been considerably less attention directed towards analyzing the political effects of increased tourism. This is despite its significance as a form of market integration closely tied to globalization.

In this paper, I study the voting effects of increased tourism, using data from Croatia beginning in 1999 and ending in 2019. The Croatian economy is highly dependent on tourism, with foreign tourists accounting for around 20% of the country's GDP. This is by far the highest share in the European Union (Orsini and Ostojić 2018). During the time period considered in the paper, the number of nights realized by foreign tourists in Croatia quadrupled, from 21 million in 1999 to 84 million in 2019. The analysis examines the electoral outcomes of the national conservative HDZ and the social democratic SDP parties, using data from all municipalities in the country's southern Dalmatia region. This region accounts for about half of the country's annual foreign tourist nights. Specifically, I match municipality-level data on vote shares with data on the number tourism nights made by foreign visitors. To the best of my knowledge, this is the first paper to study the electoral effects of tourism.

A significant obstacle for any causal interpretation in this context is the endogeneity of tourism rates, since they are likely to be affected by local political decisions. To address this issue, I use that the increase in tourism rates happened concomitantly with the expansion of an important highway linking northern Croatia with Dalmatia. As the expressway was constructed in multiple phases, there exists year-to-year variation in travel times to various Dalmatian cities. The key identifying assumption is that the new highway decreased travel times, thus contributing to increased tourism. However, recognizing that road construction itself may be affected by political decisions, I do not rely on actual travel times. Instead, I utilize hypothetical least cost paths (LCPs) between nodal cities in the country, and assume that the construction cost of the expressway increases with the elevation and slope of the terrain surrounding each municipality. This is plausibly exogenous with respect to electoral outcomes, and I show that the travel time to each municipality on the LCP is a strong predictor of that municipality's tourism rate: shorter travel times are associated with higher tourism rates.

I then proceed by applying a dynamic panel model to causally estimate the effects on the HDZ and SDP vote shares from increased tourism exposure. This identification strategy accounts for both the endogeneity of tourism rates, the autoregressive dynamics

of voting, as well as time and municipality fixed effects. The results suggest that an increase in foreign tourist nights is associated with decreasing support for the nationalist HDZ. A standard deviation increase in the tourist rate decreases HDZ voting by around 0.15 standard deviations. Similarly, the vote share of the SDP increases in response to tourism. Taken together, these findings indicate that growth in tourism rates are negatively related to nationalist voting, and positively related to center-left vote shares.

To evaluate mechanisms, I first show that the increase in tourism caused spillovers to manufacturing employment. This finding is expected, given that several previous studies have shown that services liberalization, such as though lower barriers to tourism, increases local manufacturing output (Fernandes and Paunov 2012; Arnold et al. 2016; Faber and Gaubert 2019). Additionally, I show that the increase in tourism led to a decrease in the ethnic Croat population in tourism-dependent areas. This is likely to be an important channel behind the voting results, since ethnic Croats, as opposed to Croatian citizens belonging to ethnic minorities, are more likely to vote for a Croat nationalist party such as the HDZ. Previous research has also emphasized the importance of such compositional amenities when explaining political outcomes at the municipality level (Card et al. 2012; Barone et al. 2016). However, in the setting studied in this paper, both the manufacturing spillovers and the demographic changes are moderate in magnitude: a one standard deviation increase in the tourism rate increases manufacturing employment by around five percent, while the same increase in the tourism rate leads to a one percent decline in the ethnic Croat population. Thus, manufacturing spillovers and changes in municipality ethnic composition are likely not the only explanations as to why electoral outcomes changed in response to tourism.

Instead, I turn to individual-level data to examine whether workers in the hospitality sector, which expanded in response to increased tourism rates, are more left-wing. Using the results of annual, nationwide survey in Sweden, to which the respondents are selected randomly, I show that workers in the hospitality sector are more likely to identify themselves as left-wing, and are more positive towards immigration. Importantly, these findings hold after controlling for respondent's gender, age, education level, and ethnic background.

Why are hospitality workers more left-wing and more supportive of immigration? I examine two possible mechanisms. One potential explanation is the contact hypothesis, according to which interactions between natives and foreigners can reduce prejudice and increase support for pro-immigration policies (Allport 1954; Finseraas et al. 2019; Steinmayr 2021). In the context of the hospitality industry, native workers have considerable opportunity to interact with foreigners, both in the form of tourists but also among their coworkers. An alternative channel is related to the individual advantages of immigration for workers within the hospitality sector. For instance, labor shortages are a common issue in this sector, especially during peak seasons. Immigrant workers could potentially

fill these gaps, and native workers may recognize that immigration plays an important role in maintaining job stability. In addition, many hospitality jobs offer limited job security, with a significant number of workers on temporary contracts. Pro-immigration policies, and the improvement of labor conditions for workers on temporary contracts, have, at least historically, been more associated with left-wing ideologies.

Using the same survey, I show that workers in the hospitality sector are more positive towards redistribution, less likely to support tax cuts, and more likely to support a six-hour workday. However, these workers are not more likely to hold positive views about immigrants themselves. As an example, they are not more positive towards having an immigrant marrying into their family. Taken together, these findings suggest that workers in the hospitality sector are more economically left-wing, rather than having socially liberal views. To address the concern that the individual-level results from Sweden might not be applicable to the Croatian context, I show that a similar, municipality-level relationship between tourism and far-right voting exists in Sweden. This finding suggests that the relationship between tourism exposure and right-wing voting may not be limited to Croatia only, and gives further credence to the relevance of the individual-level findings.

This paper makes a number of contributions. First, it adds to the growing literature on the impact of infrastructure projects, such as the expansion of roads and railroads, on economic outcomes (Duranton et al. 2014; Faber 2014; Campante and Yanagizawa-Drott 2018; Gibbons et al. 2019; Asher and Novosad 2020; Banerjee et al. 2020; Söderlund 2024). A related body of work explores the long-term outcomes of historical infrastructure expansions, of which a subset concentrate on infrastructure expansions stemming from colonial activity (Jedwab and Moradi 2016; Donaldson 2018), while others study historical infrastructure expansions in Western countries (Andersson et al. 2023; Berger and Prawitz 2024). Infrastructure projects are also likely to have political ramifications, and several studies have explored the influence of infrastructure investments on voting behaviors. For instance, Autobahn building in 1930s Germany increased support for the Nazi party, while highway building in Turkey in the early 2000s increased support for the incumbent, right-wing Justice and Development Party (Voigtländer and Voth 2021; Akbulut-Yuksel et al. 2024). This paper shows that the construction of the highway connecting nothern Croatia with Dalmatia has significantly increased foreign tourism to Dalmatia. Consistent with the stylized fact that virtually all tourists to the region are beach tourists, this increase has been driven by coastal municipalities.

Secondly, it contributes to the broader social science literature on the consequences of tourism. A wide range of studies have shown that tourism is positively related to economic growth (Ghali 1976; Durbarry 2004; Sequeira and Nunes 2008; Gawande et al. 2009; Ahmad et al. 2020; Nocito et al. 2023), and that this effect is larger in magnitude in developing and transition economies, compared to developed countries (Lee and Chang

2008). Similarly, a number of recent papers have studied the effect of tourism on, for instance, CO2 emissions (Gao et al. 2021; J. Zhang and Y. Zhang 2021), entrepreneurship (Thomas et al. 2011), and migration (Santana-Gallego and Paniagua 2022). Many of the conclusions reached within this literature can be applied to the service sector in general, since tourism is an important part of trade in services (Breinlich and Criscuolo 2011; Canova and Ciccarelli 2012). I extend this literature by examining the role played by increased foreign tourism in shaping electoral outcomes.

Finally, the paper contributes to the growing literature on the radical right. Many of these studies have focused on Western far-right parties, and whether various aspects of globalization affect natives' voting outcomes. For example, one set of studies has focused on the growth of right-wing populist parties in response to low-skilled immigration (Halla et al. 2017; Dustmann et al. 2019), and import competition (Colantone and Stanig 2018; Autor et al. 2020). Another set of studies has shown that far-right voting declines in response to higher exports (Dippel et al. 2022), and high-skilled immigration (Moriconi et al. 2019). This paper complements previous findings by showing that increased exposure to foreign tourism, which is also a consequence of globalization, contributes to decreased nationalist voting. Unlike most existing research, I focus on nationalist movements in a transition country, noting that these parties often diverge ideologically from right-wing populist movements in developed nations (Mudde 2017; Iyer and Shrivastava 2018).

The rest of the paper is structured as follows. Section II provides some historical background to Croatian politics, as well as to the Croatian tourism industry. Section III describes the data. Section IV presents the empirical strategy, as well as the results. Section V discusses potential mechanisms, and Section VI concludes.

II. Setting

II.A. Political Background

After World War II, Croatia became part of the Socialist Federal Republic of Yugoslavia, which was a one-party state under Josip Broz Tito, consisting of five constituent republics in addition to Croatia: Bosnia and Herzegovina, Macedonia, Montenegro, Serbia, and Slovenia. The death of Tito in 1980 created a power vacuum in the country, especially since he had no clear successor. Croatia, as the wealthiest republic alongside Slovenia, sought increased autonomy. However, 12% of the population consisted of ethnic Serbs[1], most of which strongly opposed any Croatian secession from Yugoslavia, primarily due to historical reasons. During World War II, the occupying Axis powers established a puppet state in Croatia and Bosnia-Herzegovina, led by the so-called Ustaše regime. This regime

[1]This figure is based on the 1991 census; however, due to ethnic cleansing during the war, the Serb population decreased to less than 5% by 2021.

was responsible for the deaths and deportations of hundreds of thousands of non-Croats, chiefly Serbs, Roma, and Jews. Consequently, any Croatian nationalist tendencies were met with skepticism in areas dominated by Serbs. Conversely, many Croats feared that the Serbian Communists, led by Slobodan Milošević, intended to annex parts of Croatia in order to establish an ethnically cleansed "Greater Serbia" (Stabreit 1993). These fears were exacerbated by Milošević's frequent use of Serb nationalist rhetoric.[2] The internal quagmire in Yugoslavia coincided with the downfall of communism in Eastern Europe, and increasing popular demands for democracy in the East Bloc.

The HDZ (*Hrvatska demokratska zajednica*, lit. "Croatian Democratic Community") was formed in 1989 by Franjo Tuđman, a former historian and Yugoslav Army general. In 1990, the first multi-party elections were held in all constituent republics in Yugoslavia, including in Croatia. The HDZ received 205 out of 356 seats, enough to gain a majority, whereas the ruling Communists became the second-largest party. The HDZ success was not well received in Serb-dominated areas, with many regarding the party as the successor to the Ustaše movement. In the months following the election, the political situation in Croatia deteriorated, with violent clashes between Croatian police and Serbs. Croatia declared independence in 1991, following a referendum boycotted by the Serbs. A few months later, the Serb-dominated areas seceded from Croatia by declaring independence. These events triggered the Croatian War of Independence, which lasted until 1995, ending in the defeat of the Serbian separatists.

Since the war, the HDZ has dominated Croatian politics. While it has gradually adopted a more pro-European stance, abandoning most of its nationalist rhetoric, it is still the most right-wing mainstream party in the country, and DellaVigna et al. (2014) describe the modern HDZ as "moderately nationalist." The HDZ has led every government except for 2000–2003 and 2011–2015. During these periods, the government was led by the SDP (*Socijaldemokratska partija Hrvatske*, "Social Democratic Party of Croatia"), which is the successor to the Communist Party, and is main center-left party. In all, these two parties tend to receive around 60–70% of the national vote.[3] Besides the HDZ and SDP, the Croatian political landscape is relatively fragmented, characterized by the frequent emergence and dissolution of new parties. However, these parties are all relatively small in comparison to the HDZ and SDP.

[2]The most notorious example of which was the so-called *Gazimestan speech* in June 1989, during which Milošević "could not exclude" the possibility of upcoming "armed battles."

[3]In the period considered in this paper, the lowest combined vote share for the HDZ and SDP was 56%, which happened in the 2000 election. Their highest combined vote share was in the 2016 election, reaching 70%.

II.B. The Croatian Tourism Industry

In 1990, the year prior to the outbreak of the war, Croatia welcomed approximately five million foreign visitors.[4] Together, these tourists realized about 31 million nights. By 1996, amid the devastating consequences of the war on the country's tourism industry, the number of foreign visitors had plummeted to only 2.6 million.[5] However, in the late 1990s, the Croatian tourism industry started a gradual recovery. Particularly, the country was promoted as a cheaper alternative more traditional Mediterranean destinations such as Greece, Italy, and Spain (Svedlund 2004). By 2019, the total number of foreign tourists had increased to 17.4 million, who stayed for a total of 84.1 million nights. The region of Dalmatia stands for around half of the total tourist nights. Figure 1 illustrates the growth the number of foreign tourist nights in Croatia overall and in the region of Dalmatia specifically.

During the late 1990s, a major obstacle for any significant growth in tourism numbers was the country's dilapidated infrastructure. For instance, there was no southern railway beyond Split, the capital of Dalmatia, and the second-largest airport in Dalmatia was damaged by artillery fire during the war. Additionally, in 1996, the Croatian four-lane highway network extended only 395 km (245 mi). Since a majority of tourists were from countries with close road proximity, expanding the road network became a key priority.[6]

A typical route for tourists to Dalmatia coming from nothern and central Europe involves passing Zagreb, the capital and an important nodal city for road traffic, before continuing southward. A highway section linking Zagreb to Karlovac, 55 km (35 mi) to the south, was built in the 1970s. However, reaching Split and the Dalmatian coastline demanded an additional 300 km (185 mi) on a congested, single-lane highway. To address this problem, construction began on a new southward highway, the A1, in 2000. The first stretch, between Karlovac and Split, opened for traffic in 2005. Additional sections along the Adriatic coast were built in subsequent years. This expansion significantly shortened travel time between Zagreb and the coastal regions. For instance, the journey from Zagreb to Makarska, one of the most visited towns in Dalmatia, decreased from over six hours to just four and a half hours by 2013. As of 2024, the A1 has reached the border with Bosnia and Herzegovina, just north of the city of Metković. The overall distance from the nothern node, Karlovac, to Metković is approximately 450 km (280 mi).

[4]This figure does not include tourists from the other constituent republics of Yugoslavia, which would be considered foreign tourists after 1991.

[5]Data source: Croatian Ministry of Tourism and Sports.

[6]In 1999, the top five countries of origin among foreign tourists were Germany, Italy, Slovenia, the Czech Republic, and Austria, all of which are easily reachable by car.

III. Data

III.A. Tourism Data and Construction of the Instrument

Croatia consists of 20 counties, four of which are located in Dalmatia. In turn, Dalmatia consists of 131 municipalities. Since the region constitutes a significant portion of Croatia's coastline, it attracts almost half of all foreign tourist nights in Croatia, despite having less than one-quarter of the country's population. The tourism data encompasses the total number of nights spent by foreign tourists in hotels, apartments, hostels, private lodgings, and camping sites. As foreign tourists to Dalmatia are primarily beach tourists, cities and villages located further offshore have limited potential to attract tourists. This creates significant variation in tourism exposure among municipalities. For instance, in 2019, out of the 131 municipalities, 13 had no recorded foreign tourist nights, while the city of Dubrovnik, which has a population of 40,000, recorded over four million foreign tourist nights.

As argued previously, tourism rates are likely to be influenced by local political decisions, and consequently, endogenous.[7] To account for this, I use the construction of the A1 as an instrument for the tourism rate. To avoid potential concerns about the highway construction being affected by political decisions, I do not use the travel times directly. Instead, I employ terrain data to compute the least-cost paths (LCPs) between Karlovac and Split, and between Split and the southern node of Metković, situated on the border with Bosnia and Herzegovina. This procedure involves three steps. First, to establish the cost function, I utilize data on elevation and slope gradients, with costs increasing with rising slope values. The second step involves applying the Dijkstra (1959) algorithm to identify the routes that minimize costs. Finally, I calculate the distance from Karlovac to each municipality, and use the legal speed limit, 130 kmh (80 mph), to compute the travel time T from Karlovac to the municipality on the hypothetical least-cost path. Then, the instrument Tourism potential for municipality m and election year t can be defined as

$$\text{Tourism potential}_{mt} = \begin{cases} T_{mt}^{-1} & \text{if coastal municipality} \\ 0 & \text{otherwise} \end{cases}$$

Thus, for coastal municipalities, a reduction in travel time will increase the tourism potential of that municipality. The instrument also acknowledges that inland municipalities inherently possess minimal potential to attract beach tourists, irrespective of any reductions in travel time. Empirically, the average tourism rate in coastal municipalities is more than 100 times larger than the average tourism rate in inland municipalities, the latter

[7] For a detailed discussion on the influence of local political processes on the positioning of roads and railroads, see Burgess et al. (2015) or Bonfatti et al. (2021).

being only slightly above zero.[8] Figure 2 displays the least-cost path network connecting the three nodes: the northern node of Karlovac, the regional capital Split, and the sputhern border town of Metković. Figure 3 provides an illustration of the first-stage, plotting the relationship between the tourism potential and the actual tourism rates. Visually, there exists a clear relationship between the endogenous variable and its instrument, both in levels and in differences. Section IV.A estimates the first-stage formally.

III.B. Election Data and Survey Design

The processing of the election data is straightforward: I use municipality-level results of parliamentary elections, starting in 2000 and ending in 2020. During these years, there were seven parliamentary elections, namely in 2000, 2003, 2007, 2011, 2015, 2016, and 2020. I proceed by matching the election data with the previous year's tourism outcomes and inverse travel times. In other words, the 2000 parliamentary election results are matched with the 1999 tourism rate, the travel time from Karlovac in 1999, and so on.

I complement the election data with individual-level survey data. Since Croatia lacks high-quality nation-wide surveys on political attitudes, I use data from an annual survey in Sweden, known as the *SOM survey*.[9] The SOM survey has two distinct advantages compared to similar surveys from other countries. First, the survey is distributed randomly to households, using the Swedish adult population as the sampling frame. This randomness is important for statistical inference. Second, the sample size is large, currently around 20,000 sampled individuals per year. This allows for both occupation-wise and municipality-wise breakdown of individual responses. In the context of this paper, the goal is to examine whether those working in the hospitality sector are different politically from other groups. Several of the questions in the survey ask respondents to provide answers using a Likert scale, which implies that responses are measured on an interval scale, typically ranging from "strongly disagree" to "strongly agree". The total sample size consists of 97,715 observations collected between 2005 and 2018. I classify respondents based on their occupation as either working in the hospitality sector or not. Details on which occupations are considered part of the hospitality sector can be found in Online Appendix B. In total, 3.67% of the respondents are classified as working in this sector.

[8]For all time periods, the average number of foreign tourism nights per capita was 0.77 in inland municipalities, and 83.0 in coastal ones. See also Table A.1 of Online Appendix A.

[9]Shorthand for *Samhälle, Opinion, Medier*, "Society, Opinion, Media".

III.C. Data on Municipal Characteristics and Summary Statistics

In addition to the political outcome variables, I use a number of municipality-specific controls included to avoid any confounding from underlying local effects. These include the population size, the employment rate, the percentage of ethnic Croats, as well as the share of highly-educated residents, defined as the number of residents with a tertiary degree divided by the total population. Table A.1 of Online Appendix A presents the summary statistics for these variables, as well as for the tourism and election data. The tourism rate is shown separately for coastal and inland municipalities. Online Appendix B provides further insights about the data, including the data sources.

IV. Empirical Analysis

This section outlines the empirical strategy and main findings concerning the relationship between tourism and electoral results. To demonstrate the relevance of tourism potential as an instrument for tourism rates, I begin by presenting the results from the first stage analysis.

IV.A. First-Stage Results

Visually, from the top panel of Figure 3, there seems to exist a strong relationship between the tourism potential of the municipality and the actual tourist rate. Table 1 reports the results when regressing the standardized tourism rate on the standardized tourism potential for each year, that is, estimating the following specification:

$$\text{Tourism rate}_m^t = \alpha_m^t + \gamma \text{Tourism potential}_m^t + \boldsymbol{\theta}' \boldsymbol{X}_m^t + \varepsilon_m^t \tag{1}$$

for municipality $m = 1, \ldots, 131$, and years $t = 1999, 2002, \ldots, 2019$. Recall that the tourism rate and tourism potential are calculated for the year preceeding each election year. In this specification, α_m^t is the intercept, $\boldsymbol{X}_m^t$ is a vector of municipality-specific controls, and ε_m^t is the error term. The first results column in Table 1 includes no further controls, while the second column includes the municipality-specific controls. These controls, which include population, employment rate, percentage of Croats, and the share of highly-educated residents, will also be utilized in the main analysis. As expected, the first-stage results indicate a positive relationship between the tourism potential and the tourism rate. On average, when including controls, a standard deviation higher tourism potential is associated with around 0.7 standard deviations higher tourism rate. These coefficients are all significant at the 1% level.

To mitigate concerns about potential geographical influences on the strength of the

instrument, Table A.2 of Online Appendix A reports the results after including controls for municipality elevation, longitude, and latitude. In this context, a potential issue could arise if the first-stage estimates are disproportionately influenced by specific municipal geographical traits, for instance, if the instrument were weaker for municipalities situated at higher elevations. Including these controls yields only minor changes in the first-stage coefficients.

IV.B. Empirical Strategy and Main Results

Having established that the tourism potential is a strong predictor of the tourism rate, this section presents the main results on the relationship between tourism and HDZ voting. Figure 4 plots the relationship graphically, where the horizontal axis gives number of tourism nights per capita, and the vertical axis gives the centered HDZ vote share.[10] There seems to exist a negative relationship between the two variables: higher tourism rates are associated with lower HDZ vote shares. Formally, the analysis proceeds as follows. Since election results tend to be highly persistent between time periods, I estimate the dynamic panel model

$$\text{HDZ}_{mt} = \lambda_m + \phi\text{HDZ}_{m,t-1} + \beta\text{Tourism rate}_{m,t-1} + \mathbf{\Pi}'\boldsymbol{X}_{i,t-1} + \mu_t + u_{mt} \tag{2}$$

where λ_m is the municipality fixed effect, ϕ is the autoregressive term, $\text{Tourism rate}_{m,t-1}$ is tourism exposure in municipality m at time $t-1$, μ_t is the election year fixed effect, and u_{it} is an idiosyncratic error term. We would expect the estimate $\hat{\beta}$ of β to be negative, as an increase in tourism should contribute to lower nationalist voting. In the model above, the endogenous tourism rate is instrumented by the tourism potential described previously.

Table 2 reports the results. The first two specifications suppress the lagged HDZ vote share, and use only the tourism rate without further controls. Column (1) shows the OLS results, while column (2) gives the IV estimates, with the tourism rate instrumented with the tourism potential. Columns (3) and (4) present the system GMM estimates (Blundell and Bond 1998) when including the lagged HDZ vote share; column (3) includes only municipality and year fixed effects, while (4) includes time-dependent controls for municipality population, employment rates, the share of ethnic Croats, and the share of residents with tertiary education. All GMM specifications utilize the tourism potential as an instrument for the endogenous tourism rate. Regardless of specification, the results indicate that there is a significant and negative relationship between tourism rates and

[10] This procedure involves subtracting the national average HDZ vote share from the HDZ vote share of the municipality, which is done to account for year-by-year variation in the national HDZ vote share unrelated to tourism. The main analysis will utilize year fixed effects for the same purpose.

HDZ voting. When including the lagged dependent variable, the results suggest that one standard deviation higher tourism rate lowers HDZ voter support by about 0.11 to 0.13 standard deviations. Expressed in terms of percentages, a one standard deviation increase in the tourism rate decreases HDZ voting by around 7.0 percent when excluding the controls, and by 5.0 percent when including them.

Table 3 displays the results obtained by substituting the HDZ vote shares on the left-hand side of equation (2) with the vote shares of their chief rivals, the social democratic SDP. The results indicate a positive relationship between tourism and SDP voting. More precisely, when including the full set of controls, a one standard deviation increase in the tourism rate is linked to approximately a 0.15 standard deviation increase in the SDP vote share. This coefficient is significant at the 5% level. Numerically, the increase in the SDP vote share is slightly larger in magnitude compared to the HDZ decrease.

I cluster standard errors at the county level, of which there are four in Dalmatia. To account for the low cluster size, Tables 2 and 3 present the results using wild-bootstrap adjusted p-values, with bootstrap weights drawn from the Webb distribution. This distribution has been shown to perform well when the number of clusters is low (Webb 2023). Section IV.C perform various robustness checks related to the calculation of the standard errors.

IV.C. Robustness

1. *Alternative IV Strategy*

A potential issue arises if there are time-varying omitted variables affecting both the HDZ vote share and tourism rates. An alternative IV strategy, proposed by Acemoglu et al. (2019), involves using the the leave-one-out mean of the endogenous variable, in this case the regional tourism rate, as an instrument for the tourism rate in each municipality. As regions, I use the four counties that constitute Dalmatia. Then, formally, let $m \in \mathcal{M}_c$ be a municipality in county c, and S_c denote the size of the county, that is, the total number of municipalities in c. The instrument Z_{mt} can then be written

$$Z_{mt} = \frac{1}{S_c - 1} \sum_{j \in \mathcal{M}_c \setminus \{m\}} \text{Tourism rate}_j \tag{3}$$

Thus, Z_{mt} is the jackknifed average of the tourism rate in county c, leaving out municipality m. This allows us to redefine the tourism potential for municipality m at time t as

$$\text{Tourism potential}_{mt} = \begin{cases} Z_{mt} & \text{if coastal municipality} \\ 0 & \text{otherwise} \end{cases}$$

The validity of this approach hinges upon two critical assumptions. First, it assumes that the tourism rate of municipality m is influenced by regional tourism waves. This

assumption is likely to be satisfied, as several studies indicate a strong correlation between tourism growth and agglomeration economies (Capone and Boix 2008; Yang and Fik 2014).

The second assumption is the exclusion restriction. In this context, it posits that, conditional on the lagged HDZ vote share and the municipality and year fixed effects, the regional leave-out-one tourism rate has no direct impact on the HDZ vote share in that municipality. Alternatively stated, it suggests that the regional tourism rate only affects the local HDZ vote share through its influence on the local tourism rate. Testing this assumption is more challenging, particularly due to the limited research on the link between tourism and political outcomes. Nevertheless, prior work by Bonhomme and Manresa (2015) has shown that another political variable, the probability of regional democratization waves, is unrelated to changes in regional GDP.[11] By extension, given the significant role played by the tourism industry in the local GDP of Croatian coastal municipalities, it is reasonable to assume that there exists very little direct correlation between regional tourism waves and local HDZ voting patterns. The results are presented in Table A.3 of Online Appendix A. One standard deviation higher tourism rate decreases the HDZ vote by 0.11 standard deviations, when using the full set of controls. This represents only a minor change compared to the estimates when using the highway-based instrument.

2. *Further Robustness Checks*

This section discusses a number of additional robustness checks. It could be of interest to provide the OLS and IV results for the main specification, in which the tourism potential is used as an instrument for tourism rates, and where the lagged vote shares are included as independent variables.[12] Table A.4 of Online Appendix A provides these results, clustering standard errors by county, as well as applying the Conley (1999) procedure, which corrects the standard errors by adjusting for spatial autocorrelation. All coefficient estimates remain highly significant with these changes, with only slight changes in the magnitudes of the estimated coefficients compared to GMM.

We may also re-estimate the main GMM results using Huber-White (robust) standard errors. For column (3) of Table 2, the robust standard error is equal to 0.042, which gives a p-value of 0.001. For specification (4), which includes the full set of controls, the robust standard error is 0.036, which is equivalent to a p-value of 0.003. For the GMM estimates of the SDP vote share in Table 3, the equivalent p-values are 0.052, and 0.001, without and with the full set of controls, respectively. Taken together, these results suggest that,

[11] See also Acemoglu et al. (2019) and Delis et al. (2020) for further discussions and empirical implications of this finding.

[12] Recall that Tables 2 and 3 displayed the OLS and IV results without including the lagged dependent variables.

overall, clustering by county gives the most conservative p-values.

Another potential source of bias arises from the variation in HDZ and SDP outcomes depending on differential levels of pre-highway HDZ vote share levels. To exclude this possibility, I interact year fixed effects with dummies for the quintile of the 2000 HDZ vote share rank of the municipality. Subsequently, these additional variables are incorporated as controls in the primary specification. This process allows for a comparison of municipalities with similar pre-highway levels of HDZ voting. As reported in Table A.5 of Online Appendix A, the inclusion of these controls results in a moderate decrease of the magnitudes of the coefficients. Using the full set of controls, the coefficient estimate $\hat{\beta}$ for the effect on the HDZ vote share is now –0.05, and for the effect of the SDP vote share, $\hat{\beta}$ is estimated at 0.07. Still, both coefficients are statistically significant.

Table A.5 of Online Appendix A additionally reports the results of several subsample exclusion tests. First, I exclude all municipalities where Croats are the minority. In areas dominated by Serbs, there is greater variation in the HDZ and SDP vote shares, which is likely to attributed to the frequent formation and dissolution of Serbian-minority-interest parties.[13] Removing these municipalities changes the coefficient estimates only marginally, and the main results continue to hold. Second, I verify that the results are not affected by war-era dynamics, by removing municipalities that were under rebel control at some point during the war.[14] Removing these municipalities increases the absolute value of the estimated coefficients $\hat{\beta}$ for both parties, particularly for the SDP. This suggests that the decrease in the HDZ vote share and the rise in the SDP vote share due to increased tourism are partially attenuated by the remembrance of the war.

V. Evidence on Mechanisms

So far, the empirical analysis has established that higher tourism exposure is associated with lower vote shares for the HDZ, and higher vote shares for the SDP. The following section considers three potential mechanisms behind these findings, namely manufacturing spillovers, native resettlement in response to tourism, and the presence of left-wing sentiments among workers in the hospitality sector.

[13]Take, for example, the municipality of Ervenik, which is 97% Serb. In 2003, the SDP received 54.2% of the vote, but plummeted to 4.2% four years later. This shift is likely due to the emergence of a Serb-interest party, absent in 2003, which received close to 90% of the vote in 2007.

[14]This is the case for 32 of the 131 municipalities (24%), most of which are rural areas in the northern part of Dalmatia. The concern here is that in these municipalities, parties other than the nationalist HDZ may be at a disadvantage, due to collective remembrance of the war. For a discussion about collective remembrance of historical atrocities, see Fouka and Voth (2023). For insights into voting persistence following temporary shocks, see Bechtel and Hainmueller (2011) or Mehic (2023).

V.A. Manufacturing Employment

A possible reason for why higher tourism rates affect voting behavior is spillovers to the manufacturing sector. The increased tourism resulting from highway construction can, in turn, boost industrial output through at least two channels. The first channel is directly associated with the construction of the highway. Since road construction reduces travel times, it subsequently lowers transportation costs for firms, potentially leading to increased production and employment. The second channel relates to indirect spillovers stemming from the presence of tourists. This includes enhancing local firms' access to business services, facilitating business networks, and increasing the demand for locally manufactured goods, as suggested by Faber and Gaubert (2019). Both of these mechanisms can shift voter preferences. In addition, the first channel could pose a threat to the exclusion restriction of the instrument. The reason for this is that the reduction in travel times stemming from the construction of the highway should impact HDZ voting only through its impact on the tourism rate. If this requirement is not satisfied, we cannot causally interpret the main findings of the paper.

1. *Infrastructure Investment and Manufacturing Employment*
To examine whether the construction of the highway increased manufacturing employment directly instead of through spillovers from tourism, I instrument the actual travel time from Karlovac to each municipality with the travel time when using the LCP. As outcome variable, I use the percentage change in the number of residents employed in manufacturing in each municipality for each election year. If there were an effect of travel times on manufacturing employment directly, we would expect a negative coefficient, since a decrease in travel times would increase manufacturing employment. The results of this regression are presented in Panel A of Table A.6 of Online Appendix A. The coefficient estimates are close to zero in magnitude and statistically insignificant, which also holds after the inclusion of the full set of controls. Alternatively, I utilize the first difference of the unstandardized travel times as the independent variable, where a one-unit change represents a one-minute reduction in travel time. These findings are presented in Panel B of Table A.6 of Online Appendix A. Once again, the coefficients are small in magnitude and statistically insignificant. Taken together, these results suggest that we cannot assert that the construction of the highway directly led to increased manufacturing employment. This also implies that this channel is not likely to pose a substantial threat to the exclusion restriction of the instrument.

2. *Spillovers on Manufacturing Employment from Tourism*
Another potential channel that could account for the voting results involves indirect effects from tourism. To explore this possibility, I regress the percentage change in the

number of jobs in manufacturing for each time period on the tourism rate of each municipality, again instrumented with the tourism potential. If indeed there were spillover effects from tourism to manufacturing, we would expect positive coefficients, since higher tourist rates would lead to a higher share of the workforce employed in manufacturing. Table A.7 of Online Appendix A reports these results. As expected, there are positive effects of tourism on manufacturing employment. A standard deviation higher tourism rate increases manufacturing employment by around 4 percent when including the full set of controls.

Since decreased travel times are significantly associated with manufacturing employment growth only when used as an instrument for tourism rates, this suggest that the effects on manufacturing employment from tourism work through the spillover mechanism described previously. This is also likely to affect voting outcomes. However, while the coefficient is significant, its magnitude is relatively small in economic terms. Additionally, it is unclear why it is the right-wing vote specifically that has been negatively impacted by the rise in tourism rates. With this in mind, I turn to investigating two additional mechanisms: changes in municipality ethnic composition resulting from tourism, and the possibility that workers in the hospitality sector, which has expanded as a result of increasing tourism, hold more left-wing views. These two channels may provide additional explanations for the shift in voting preferences away from the right-wing.

V.B. Native Response to Tourism

Another potential channel involves compositional changes within the municipalities, such as ethnic Croats "voting with their feet" in response to tourism. Specifically, if nationalist or conservative Croats relocate from coastal areas as a result of the increase in tourism, this could lead to a reduction in HDZ vote shares in municipalities experiencing the influx of tourists. Conversely, it might result in an increase in HDZ vote shares in inland municipalities. Possible reasons for this may be, for instance, taste-based discrimination, or increasing rents and house prices making it difficult for natives to remain in their current accommodations.[15] To test this mechanism, I regress the percentage change in total population and the percentage change in the number of ethnic Croats, respectively, on the tourism rate for each time period.

Table 4 reports these results. While a one standard deviation increase in the tourism rate increases the population in the municipality by around 2.5 percent, it decreases the number of ethnic Croats in the municipality by around one percent. Hence, the entire

[15]The first year for which there is county-level data on average house and apartment prices is 2017. Between 2017 and 2022, the average price per square meter for apartments in the four counties that constitute Dalmatia rose by 27% in real terms. Data source: Croatian Ministry of Construction, Spatial Planning and State Property.

tourism-related increase in municipality population is driven by foreign nationals and Croatian nationals of other ethnicity than Croat. This channel would also explain why the increase in tourism has been disadvantageous for the right-wing, since ethnic Croats are more likely to vote for the nationalist HDZ compared to Croatian citizens belonging to other ethnic groups.

V.C. Individual-Level Evidence

As a final potential channel, this section investigates whether workers in the hospitality sector have more left-wing views, using individual-level evidence from the Swedish SOM survey described earlier. If this were the case, it could provide an alternative explanation for the increase in the left-wing vote from higher tourism rates. I will also discuss the issue of generalizability of Swedish survey data to the Croatian context.

1. *Political Alignment of Workers Within the Hospitality Industry*

I begin by assessing responses to three questions about the political views of workers in the hospitality sector. These questions include, first, a general question about the respondent's placement on a subjective left-right scale. Then, I examine the respondent's opinions on two issues where left- and right-wing parties typically hold contrasting viewpoints in most European countries. These issues involve whether immigration rates should be reduced, and the extent to which healthcare should be managed by private firms.[16] I then proceed by matching respondents' professions with their views on each of the statements. Thus, I estimate

$$\text{Support statement}_i^j = \beta_0^j + \beta_1 \text{Employed in tourism}_i + \boldsymbol{\beta}' \boldsymbol{X}_i + u_i^j \tag{4}$$

for each individual i and statement j, *Employed in tourism*$_i$ is an indicator variable taking the value unity if the individuals works in the hospitality sector, and zero else, and $\boldsymbol{X}_i$ is a set of controls, specifically the respondent's age, gender, whether the respondent has higher education than high school, and whether the respondent's parents were born outside of Scandinavia. I also include a survey year fixed effect.

Table 5 presents the results of these regressions. Notably, those working in the hospitality sector exhibit a left-leaning tendency, placing themselves about 0.1 standard deviations more to the left on a 1–5 Likert scale. They were also 0.09 standard deviations less inclined to support reduced immigration rates, and 0.13 standard deviations less inclined to support healthcare sector privatization. Importantly, both of these findings are highly statistically significant.

[16] Privatization is generally a significant political issue in the countries of former Yugoslavia. Unfortunately, there is no question in the SOM survey on privatization in general.

2. *Mechanisms Explaining the Political Alignment of Hospitality Workers*

Why are workers in the hospitality sector more likely to be left-wing? This subsection explores two potential channels. One potential explanation is the contact hypothesis, according to which interactions between natives and foreigners can foster more positive attitudes, reduce prejudice, and increase support for pro-immigration policies. In the context of the hospitality industry, native workers have considerable opportunity to interact with foreigners, not only in the form of tourists but also among their coworkers. In most nations, immigrant comprise a sizable share of the workforce in the hospitality sector.[17] This close contact can lead to greater acceptance of immigration.

An alternative mechanism is related to the individual advantages of immigration for workers within the hospitality sector. For instance, labor shortages are a common issue in this sector, especially during peak seasons. Immigrant workers could potentially fill these gaps, and native employees may recognize that immigration plays an important role in maintaining job stability and availability. Therefore, if this alternative mechanism holds true, it suggests that individuals employed in the hospitality sector are more likely to lean left-wing and hold positive views towards immigration, as it benefits them personally by bolstering job security and conditions. In addition, many hospitality jobs offer limited job security, with a significant number of workers on temporary contracts. This contrasts the situation in other sectors, such as manufacturing. The improvement of labor conditions for workers on temporary contracts has, at least historically, been more associated with left-wing ideologies.

Tables A.8 and A.9 of Online Appendix A present the OLS results from regressing the standardized agreement with, in total, nine additional statements on the indicator variable for being employed in the hospitality sector. The five statements in Table A.8 of Online Appendix A in are more on economic left-right issues, including whether the respondent is in favor of a six-hour workday, in favor of raising unemployment insurance (UI) benefits, in favor on raising taxes overall and on the sales tax on alcohol, respectively, as well as whether the respondent is afraid of losing their job. The first two statements, as well as the question about raising the sales tax on alcohol, and the question about the fear of job loss, are positive and significant. The question about raising taxes overall is positively related to employment in the hospitality sector, but statistically insignificant. Overall, however, these findings suggest that workers in the hospitality sector are more likely to adhere to left-wing economic stances.

The four statements in Table A.9 of Online Appendix A relate to the authoritarian–libertarian axis, namely whether the respondent is in favor of strengthening LGBTQ

[17]Between January 1, 2023, and September 30, 2023, more than 130,000 working permits to non-EU citizens were awarded in Croatia, of which around 40,000 were in the tourism sector. Data source: Croatian Statstics Agency.

rights, whether the respondent has a positive view of Islam, if the respondent would be positive towards an immigrant marrying into the person's family, and whether the respondent believes that people of certain races are more intelligent than others, respectively. With the exception of the final question, the magnitude of these coefficient estimates are all close to zero after including controls, and statistically insignificant. The final question, that is, if the respondent believes that individuals belonging to a certain racial group are more intelligent than others, is negative and significant at the 10% level. Overall, these findings suggest that the contact hypothesis only plays a limited role in explaining the political alignment of hospitality workers. Instead, the salience of left-wing orientation among these individuals appears to be influenced primarily by economic considerations.

3. *Generalizability of Individual-Level Results*

A caveat to note with this analysis is that Sweden and Croatia are distinct countries, which means that not all individual-level conclusions may readily apply to the Croatian context. To address this concern, I perform a robustness check using data on vote shares and hospitality sector employment rates obtained from all 290 municipalities in Sweden. Specifically, I regress the municipality-level change in the share of employed in the hospitality sector between 2014 and 2018 on the change in the vote share of the right-wing populist Sweden Democrats (SD) party.[18]

Table A.10 of Online Appendix A reports these results. I include the same set of controls used in the individual-level analysis aggregated on the municipal level and measured in 2014, namely the share of residents with higher education, the share of residents with migrant background, the average age of the residents of the municipality, as well as the share of women. In a separate regression, I add additional, pre-change controls for population and crime rates. These results suggest that a similar, negative relationship between tourism employment and right-wing voting exists also in the Swedish context: a one standard deviation increase in the hospitality sector employment rate, decreases the SD vote share by 0.09 standard deviations. While we should refrain from interpreting these coefficients causally, the results in this section provide at least some additional support to the relevance of the previous individual-level findings.

[18]The municipality-level hospitality employment data comes from the Swedish Statistics Agency. The average share of a municipality's workforce employed in the hospitality sector is 3.64% according to their definition, which is very close to the share (3.67%) as reported in the individual-level data. Note that the denominators in both the Statistics Agency data and survey data represent the total population of each municipality, not the total working-age population.

VI. Concluding Remarks

In recent decades, global foreign tourism has grown significantly, driven by factors such as reduced barriers to foreign travel and infrastructure investments in tourism-dependent countries. This paper has shown that increased foreign tourism in Croatia has contributed to lower levels of national conservative voting. Concomitantly, the vote share of the center-left has increased. These results are likely to be driven, in part, by manufacturing spillovers and compositional changes within municipalities. In addition, I show that another plausible channel is the salience of left-wing views among workers within the hospitality industry.

There are several policy implications of this study. First, while most previous studies have shown that infrastructure investments tend to favor the incumbent party, this paper suggests that this is not always the case. In the Croatian case, the vote share of the HDZ declined in areas where tourism rates increased in response to the highway expansion, even though it was the incumbent party for most of the time period considered. Second, politicians often prioritize short-term spending for quick electoral gains, despite the possibility of long-term negative impacts (Healy and Malhotra 2009). This paper indicates that more longer-term investments, such as infrastructure, can cause permanent shifts in the electorate, in this case away from nationalists, and significantly boost the economy via increased tourism.

A limit of this analysis is the scarce availability of high-quality individual-level survey data in the Croatian context, which makes it challenging to further disentangle the various potential mechanisms behind the findings. Thus, a potential direction for future research is further exploring the channels through which tourism-related shifts in political preferences occur.

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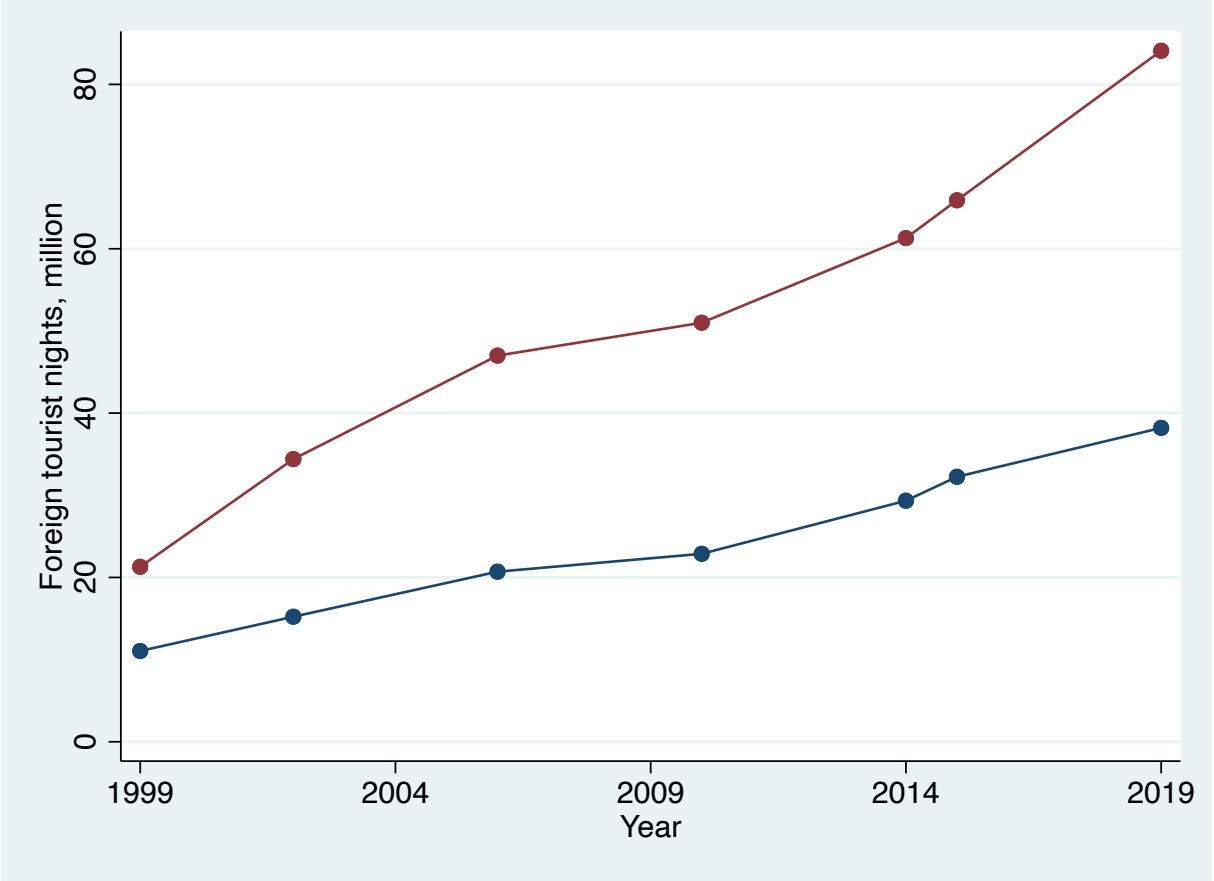
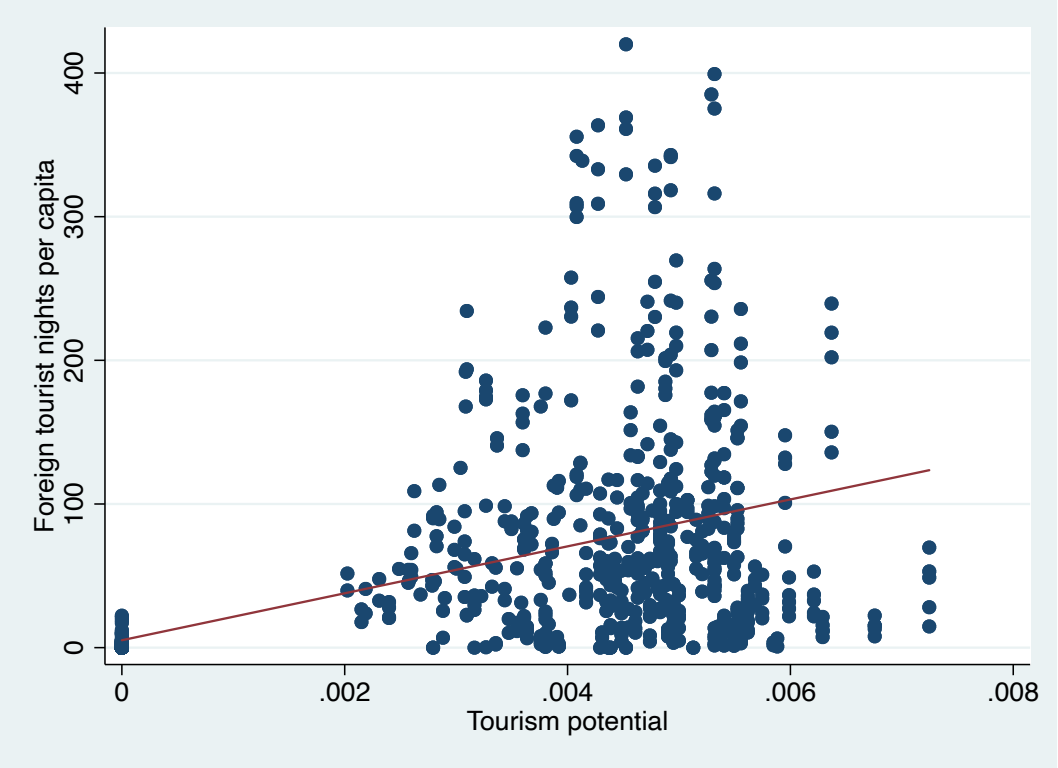


Figure 1: The number of foreign tourist nights in Croatia (in red), and the number of foreign tourist nights in Dalmatia (in blue), for each election year between 1999 and 2019.

Figure 2: Approximate map of the actual A1 highway (in red) and the least-cost path (in blue). The black dots represent the nodal cities of Karlovac (in the north), Split, and Metković (in the south).



(a) Scatter plot of tourism potential (nonstandardized) and the number of foreign tourist nights per capita.

(b) Scatter plot of the difference in tourism potential and the difference in the number of foreign tourists nights per capita.

Figure 3: The relationship between the tourism potential and the number of foreign tourism nights.

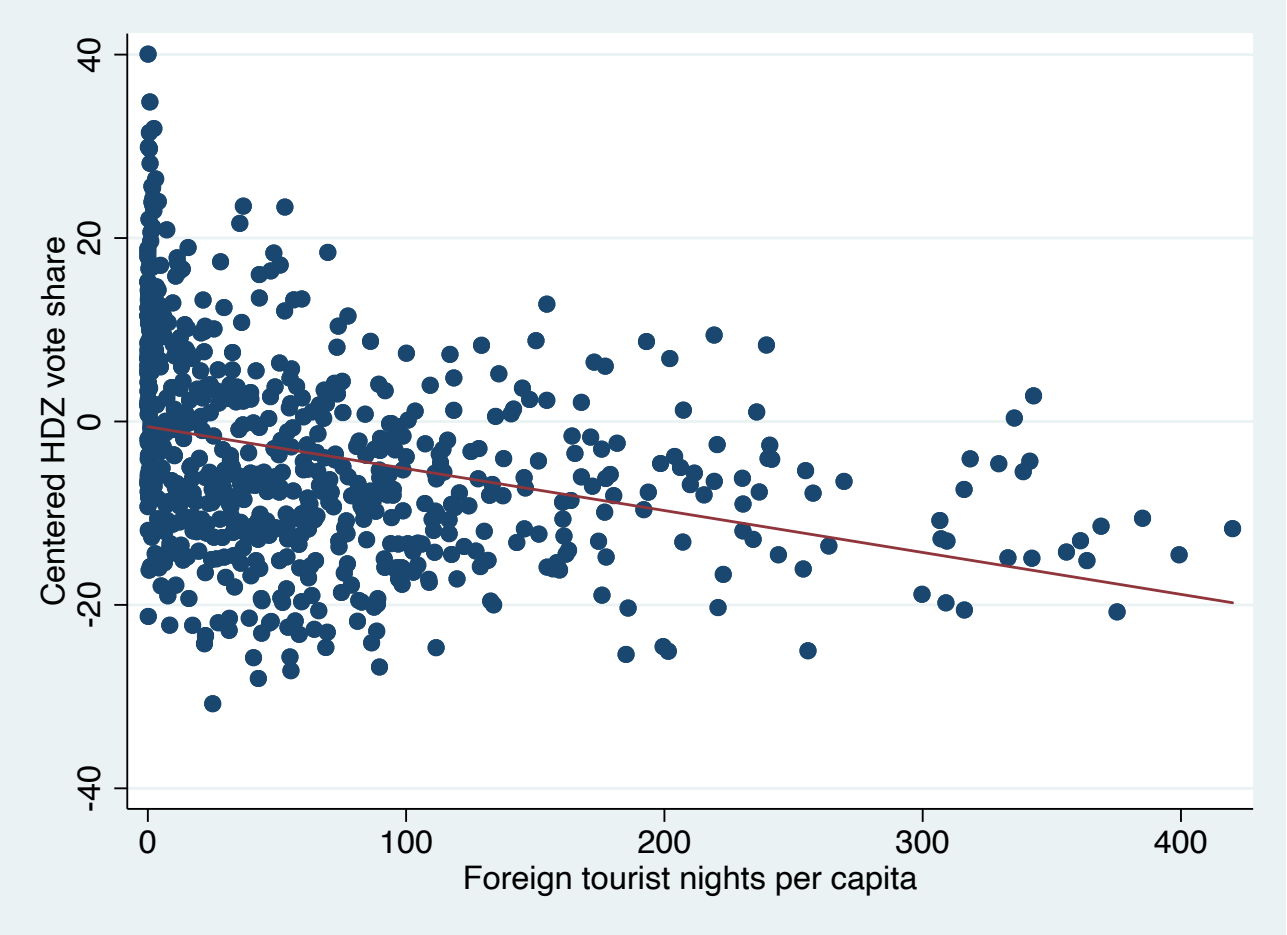


Figure 4: The relationship between the number of foreign tourist nights per capita and the centered HDZ vote share.

Table 1
First-stage estimates

Outcome variable:		
Standardized tourism rate	(1)	(2)
Standardized tourism potential, 2000	0.675***	0.511***
	(0.060)	(0.063)
Standardized tourism potential, 2003	0.742***	0.613***
	(0.056)	(0.057)
Standardized tourism potential, 2007	0.843***	0.699***
	(0.044)	(0.050)
Standardized tourism potential, 2011	0.856***	0.692***
	(0.042)	(0.049)
Standardized tourism potential, 2015	0.868***	0.709***
	(0.041)	(0.048)
Standardized tourism potential, 2016	0.855***	0.677***
	(0.044)	(0.050)
Standardized tourism potential, 2020	0.840***	0.668***
	(0.047)	(0.052)
Controls	No	Yes
Observations	131	131
Mean dep. var.	0.000	0.000

Note. Seven separate regressions. Outcome variable: Standardized tourism potential for each year. Controls: Population, employment rate, share of highly-educated residents, and the share of ethnic Croats. Standard errors are in brackets and clustered by municipality. *** denotes significance at the 1% level.

Table 2
The relationship between tourism rates and HDZ voting

Outcome variable:				
Standardized HDZ vote share	(1)	(2)	(3)	(4)
HDZ_{t-1}			0.608^{**}	0.638^{***}
			[0.011]	[0.000]
Tourism rate	-0.380^{**}	-0.402^{*}	-0.139^{**}	-0.107^{**}
	[0.043]	[0.094]	[0.041]	[0.024]
Municipality FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Controls	No	No	No	Yes
Method	OLS	IV	GMM	GMM
Observations	909	909	778	778
R^2	0.264			
F-statistic of excl. instruments		72.92		
Hansen J test p-value			[1.00]	[1.00]
Mean dep. var.	0.000	0.000	0.000	0.000

Note. Outcome variable: HDZ vote share. Controls: Population, employment rate, share of highly-educated residents, and the share of ethnic Croats. P-values are in square brackets and computed using wild cluster bootstrap with 1,000 replications, with bootstrap weights drawn from the Webb distribution. *, **, and *** denote significance at the 10%, 5%, and 1% level, respectively.

Table 3
The relationship between tourism rates and SDP voting

Outcome variable:				
Standardized SDP vote share	(1)	(2)	(3)	(4)
SDP_{t-1}			0.946**	0.777**
			[0.027]	[0.029]
Tourism rate	0.609**	0.682**	0.063**	0.156**
	[0.040]	[0.022]	[0.024]	[0.029]
Municipality FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Controls	No	No	No	Yes
Method	OLS	IV	GMM	GMM
Observations	910	910	779	779
R^2	0.488			
F-statistic of excl. instruments		72.92		
Hansen J test p-value			[1.00]	[1.00]
Mean dep. var.	0.000	0.000	0.000	0.000

Note. Outcome variable: SDP vote share. Controls: Population, employment rate, share of highly-educated residents, and the share of ethnic Croats. P-values are in square brackets and computed using wild cluster bootstrap with 1,000 replications, with bootstrap weights drawn from the Webb distribution. ** denotes significance at the 5% level.

Table 4
Population changes in response to tourism

Outcome variable:	Percentage change in population		Percentage change in number of Croats	
	(1)	(2)	(3)	(4)
Tourism rate	1.912	2.587*	−1.101**	−1.036**
	[0.324]	[0.084]	[0.029]	[0.025]
Municipality FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Controls	No	Yes	No	Yes
Method	IV	IV	IV	IV
Observations	786	786	766	766
F-statistic of excl. instruments	82.51	137.1	67.34	83.04
Mean dep. var.	2.37	2.37	0.99	0.99

Note. Outcome variable: Percentage change in total population, and in the share of ethnic Croats. Controls: Employment rate, share of highly-educated residents, and the share of ethnic Croats (except for in column (4)). *P*-values are in square brackets and computed using wild cluster bootstrap with 1,000 replications, with bootstrap weights drawn from the Webb distribution. * and ** denote significance at the 5% and 1% level, respectively.

TABLE 5
SURVEY RESULTS

Outcome variable: Agreement with the statement	Left-right spectrum position		Immigration rates should be reduced		The health care sector should be privatized	
Employed in hosp. sector	-0.152^{***}	-0.104^{***}	-0.054^{***}	-0.090^{***}	-0.073^{**}	-0.131^{***}
	(0.017)	(0.017)	(0.018)	(0.019)	(0.032)	(0.033)
Controls included	No	Yes	No	Yes	No	Yes
Type of scale	1–5 Likert	1–5 Likert	1–5 Likert	1–5 Likert	1–5 Likert	1–5 Likert
Observations	94,710	84,848	67,093	60,605	31,318	29,705
R^2	0.000	0.001	0.000	0.070	0.000	0.027
Mean dep. var.	0.000	0.000	0.000	0.000	0.000	0.000

Note: Outcome variable: Standardized agreement with the statement. For the left-right spectrum question, lower values indicate a more left-wing position. Controls: The respondent's age, gender, whether the respondent has higher education, whether at least one of the respondent's parents were born outside of the Nordic countries, and survey year fixed effects. White heteroscedasticity robust standard errors are in brackets. *** denotes significance at the 1% level.

Online Appendix [Not for Publication]

A. Additional Empirical Results

Table A.1
Summary Statistics

Political Outcome Variables	**Mean**	**Std.dev.**	**Min**	**Max**
HDZ vote share (%)	46.22	15.62	0.56	86.42
SDP vote share (%)	23.13	12.54	1.00	58.30
Tourism Variables				
Foreign tourist nights	184,997	344,876	0	4,156,680
Foreign tourist nights per capita	50.99	74.92	0	420.0
of which in coastal municipalities	*83.00*	*80.97*	*0*	*419.99*
of which in inland municipalities	*0.77*	*2.63*	*0*	*22.26*
Tourism potential	0.003	0.002	0	0.007
Controls				
Population	6,565	18,063	137	188,694
Employment rate (%)	28.32	7.48	3.84	46.51
Share of Croats (%)	93.36	14.71	2.53	100
Share of highly-educated residents (%)	4.92	2.71	0.34	14.24

Note. Summary statistics. *Note.* The shares are calculated with the total population of the municipality in the denominator.

Table A.2
First-stage estimates (augmented control set)

Outcome variable:		
Standardized tourism rate	(1)	(2)
Standardized tourism potential, 2000	0.675***	0.626***
	(0.060)	(0.087)
Standardized tourism potential, 2003	0.742***	0.671***
	(0.056)	(0.073)
Standardized tourism potential, 2007	0.843***	0.709***
	(0.044)	(0.068)
Standardized tourism potential, 2011	0.856***	0.687***
	(0.042)	(0.067)
Standardized tourism potential, 2015	0.868***	0.684***
	(0.041)	(0.069)
Standardized tourism potential, 2016	0.855***	0.623***
	(0.044)	(0.072)
Standardized tourism potential, 2020	0.840***	0.594***
	(0.047)	(0.079)
Augmented control set	No	Yes
Observations	131	131
Mean dep. var.	0.000	0.000

Note. Seven separate regressions. Outcome variable: Standardized tourism potential for each year. Controls: Population, employment rate, share of highly-educated residents, and the share of ethnic Croats. Standard errors are in brackets and clustered by municipality. *** denotes significance at the 1% level.

Table A.3
Tourism rates and HDZ voting (alternative IV strategy)

Outcome variable:				
Standardized HDZ vote share	(1)	(2)	(3)	(4)
HDZ_{t-1}			0.614^{**}	0.638^{***}
			[0.013]	[0.000]
Tourism rate	-0.380^{*}	-0.421	-0.154^{*}	-0.113^{**}
	[0.056]	[0.148]	[0.053]	[0.024]
Municipality FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Controls	No	No	No	Yes
Method	OLS	IV	GMM	GMM
Observations	909	909	778	778
R^2	0.264			
F-statistic of excl. instruments		1,433.1		
Hansen J test p-value			[1.00]	[1.00]
Mean dep. var.	0.000	0.000	0.000	0.000

Note. Outcome variable: HDZ vote share. Controls: Population, employment rate, share of highly-educated residents, and the share of ethnic Croats. P-values are in square brackets and computed using wild cluster bootstrap with 1,000 replications, with bootstrap weights drawn from the Webb distribution. *, **, and *** denote significance at the 10%, 5%, and 1% level, respectively.

TABLE A.4
FURTHER OLS AND IV ESTIMATES

Outcome variable: HDZ/SDP vote share	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
HDZ_{t-1}	0.714^{***}	0.714^{***}	0.718^{***}	0.718^{***}				
	[0.000]	(0.036)	[0.000]	(0.034)				
SDP_{t-1}					0.848^{**}	0.848^{***}	0.839^{**}	0.839^{***}
					[0.022]	(0.038)	[0.025]	(0.035)
Tourism rate	-0.090^{**}	-0.090^{***}	-0.077^{**}	-0.077^{***}	0.110^{**}	0.110^{***}	0.124^{**}	0.124^{***}
	[0.037]	(0.024)	[0.019]	(0.023)	[0.039]	(0.027)	[0.024]	(0.038)
Controls included	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Method	OLS	OLS	IV	IV	OLS	OLS	IV	IV
Standard errors	County	Spatial	County	Spatial	County	Spatial	County	Spatial
Observations	778	778	778	778	779	779	779	779
R^2	0.800	0.800			0.884	0.884		
Mean dep. var.	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Note: Outcome variable: Standardized HDZ vote share for columns (1)–(4), standardized SDP vote share for columns (5)–(8). Controls: Population, employment rate, share of highly-educated residents, and the share of ethnic Croats. In square brackets: P-values computed using wild cluster bootstrap with 1,000 replications, with bootstrap weights drawn from the Webb distribution. In round brackets: Standard errors adjusted for spatial autocorrelation (Conley 1999). ** and *** denote significance at the 5% and 1% level, respectively.

TABLE A.5
FURTHER ROBUSTNESS CHECKS

Robustness check:	2000 HDZ quintiles × Year FE		Removing non-Croat majority municip.		Removing formerly occupied municip.	
Effect on the vote shares of:	HDZ	SDP	HDZ	SDP	HDZ	SDP
Tourism rate	−0.050**	0.072**	−0.118**	0.188**	−0.134**	0.250**
	[0.041]	[0.032]	[0.040]	[0.043]	[0.035]	[0.034]
Controls included	Yes	Yes	Yes	Yes	Yes	Yes
Method	GMM	GMM	GMM	GMM	GMM	GMM
Observations	750	750	754	755	586	587
Mean dep. var.	0.000	0.000	0.000	0.000	0.000	0.000

Note: Outcome variable: HDZ/SDP vote shares. Controls: Population, employment rate, share of highly-educated residents, and the share of ethnic Croats. In square brackets: *P*-values computed using wild cluster bootstrap with 1,000 replications, with bootstrap weights drawn from the Webb distribution. ** denotes significance at the 5% level.

Table A.6
Direct effect of travel times on manufacturing employment

Outcome variable:			
Percentage change in manufacturing jobs	(1)	(2)	(3)
Panel A. Independent variable: Travel time.			
Travel time	−2.700	−1.400	−0.074
	[0.135]	[0.169]	[0.897]
Panel B. Independent variable: Unit change in the travel time.			
Δ Travel time	0.131	0.131	0.125
	[0.614]	[0.610]	[0.617]
Municipality FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Controls	No	No	Yes
Method	OLS	IV	IV
Observations	765	765	765
R^2	0.032/0.031		
F-statistic of excl. instruments		379.4/16.59	434.2/11.04
Mean dep. var.	4.61	4.61	4.61

Note. Outcome variable: Percentage change in manufacturing employment. Controls: Population, share of highly-educated residents, and share of ethnic Croats. *P*-values are in square brackets and computed using wild cluster bootstrap with 1,000 replications, with bootstrap weights drawn from the Webb distribution. The values for R^2 and the F-statistic refer to Panel A and B, respectively.

Table A.7
Spillovers on tourism in manufacturing

Outcome variable:			
Percentage change in manufacturing jobs	(1)	(2)	(3)
Tourism rate	3.628*	2.453**	4.243*
	[0.052]	[0.026]	[0.056]
Municipality FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Controls	No	No	Yes
Method	OLS	IV	IV
Observations	765	765	765
R^2	0.034		
F-statistic of excl. instruments		82.09	146.57
Mean dep. var.	4.61	4.61	4.61

Note. Outcome variable: Percentage change in manufacturing employment. Controls: Population, share of highly-educated residents, and share of ethnic Croats. *P*-values are in square brackets and computed using wild cluster bootstrap with 1,000 replications, with bootstrap weights drawn from the Webb distribution. * and ** denote significance at the 10% and 5% level, respectively.

TABLE A.8
SURVEY RESULTS: ECONOMIC LEFT-RIGHT WING QUESTIONS

Outcome variable:	Positive towards		Positive towards		Positive towards		Positive towards		Agree with the statement:	
Agreement with the statement	a six-hour workday		raising UI benefits		raising taxes generally		raising the sales tax on alcohol		"I am afraid of losing my job"	
Employed in hosp. sector	0.329***	0.156***	0.248***	0.142***	0.008	0.043	0.144***	0.068*	0.300***	0.153***
	(0.028)	(0.028)	(0.036)	(0.036)	(0.072)	(0.084)	(0.036)	(0.036)	(0.058)	(0.056)
Controls included	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
Method	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Type of scale	1–5 Likert	1–5 Likert	1–5 Likert	1–5 Likert	1–5 Likert	1–5 Likert	1–5 Likert	1–5 Likert	1–4 Likert	1–4 Likert
Observations	25,483	23,899	18,786	18,756	10,276	8,566	22,433	20,747	7,418	7,413
R^2	0.005	0.075	0.003	0.061	0.000	0.023	0.001	0.047	0.004	0.212
Mean dep. var.	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Note: Outcome variable: Standardized agreement with the statement, except for the final statement, which is a binary outcome variable, taking the value 1 if the respondent agrees, and zero else. For the left-right spectrum question, lower values indicate a more left-wing position. Controls: The respondent's age, gender, whether the respondent has higher education, whether at least one of the respondent's parents were born outside of the Nordic countries, and survey year fixed effects. White heteroscedasticity robust standard errors are in brackets. * and *** and denote significance at the 10% and 1% level, respectively.

TABLE A.9
SURVEY RESULTS: SOCIAL LEFT-RIGHT WING QUESTIONS

Positive towards:	Strengthening LGBTQ rights		Islam		Immigrant marrying into family		"Some races are more intelligent than others"	
Employed in hosp. sector	0.095	0.006	0.085	−0.015	0.028	0.007	−0.104	−0.123*
	(0.059)	(0.056)	(0.064)	(0.065)	(0.078)	(0.079)	(0.073)	(0.073)
Controls included	No	Yes	No	Yes	No	Yes	No	Yes
Method	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Type of scale	1–5 Likert	1–5 Likert	1-10 Likert	1–10 Likert	1–4 Likert	1–4 Likert	1–4 Likert	1–4 Likert
Observations	9,009	9,000	6,400	6,396	2,586	2,574	2,661	2,650
R^2	0.000	0.135	0.000	0.081	0.000	0.071	0.001	0.066
Mean dep. var.	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Note: Outcome variable: Standardized agreement with the statement. Controls: The respondent's age, gender, whether the respondent has higher education, whether at least one of the respondent's parents were born outside of the Nordic countries, and survey year fixed effects. White heteroscedasticity robust standard errors are in brackets. * denotes significance at the 10% level.

Table A.10
Tourism and right-wing populist voting in Sweden

Outcome variable:			
Standardized SD vote share difference, 2014–18	(1)	(2)	(3)
Standardized difference in tourism rate, 2014–18	−0.039	−0.087*	−0.089**
	(0.057)	(0.045)	(0.042)
Controls	No	Yes	Yes
Augmented control set	No	No	Yes
Observations	290	290	290
R^2	0.002	0.128	0.148
Mean dep. var.	0.000	0.000	0.000

Note. Outcome variable: Standardized Sweden Democrat (SD) vote share difference, 2014–18. Controls: Percentage of residents with a college degree, percentage of residents with a foreign background, percentage of female residents, and the average age of the residents. All controls measured in 2014. Further controls: 2014 population and the 2014 crime rates. Standard errors are in brackets and clustered by county, of which there are 21. * and ** denote significance at the 10% and 5% level, respectively.

B. Data Description

This section describes the construction of the variables used in the empirical analysis in additional detail.

Election Data. The election data comes from the Croatian Election Commission, and refers to the percentage of the total vote received by the HDZ and SDP in the parliamentary elections in 2000, 2003, 2007, 2011, 2015, 2016, and 2020, respectively.

Tourism Data. The tourism data includes data the total number of nights spent by foreign tourists in hotels, apartments, hostels, private lodgings, and camping sites. The data source is the Croatian Ministry of Tourism and Sports, which collects this data yearly. For each election year, the tourism rate from the previous year is used. The least-cost paths for the hypothetical highway are determined using GIS.

Survey Data. The SOM survey data is collected annually by researchers at the University of Gothenburg. In all survey waves, there is a question about the occupation of each respondent. Respondents who work in any of the following occupations are classified as being employed in the hospitality sector (the occupations are translated using the Swedish Statistics' Agency's official translation into English): air traffic controllers, bartenders, cabin crew, cooks and cold-buffet managers, croupiers, event and travel planners, hotel receptionists, museum curators and related professionals, pilots, ships' deck officers, train attendants (on long-distance trains), travel agents, travel guides, and waiters.

Data on Municipal Characteristics. The data on municipal characteristics includes the population, employment rate, share of highly-educated residents, and the share of ethnic Croats. The share of highly-educated residents refers to the share of the total population with a tertiary degree. A municipality's elevation, longitude, and latitude, data on which are used in a robustness check in Table A.2 of Online Appendix A, are from the Author's own calculations using Google Earth.