

Working Paper Series
(ISSN 2788-0443)

744

Voting under Debtor Distress

Jakub Grossmann
Štěpán Jurajda

CERGE-EI
Prague, February 2023

ISBN 978-80-7343-551-6 (Univerzita Karlova, Centrum pro ekonomický výzkum a doktorské studium)
ISBN 978-80-7344-664-2 (Národohospodářský ústav AV ČR, v. v. i.)

Voting under Debtor Distress*

Jakub Grossmann[†] Štěpán Jurajda[‡]

February 16, 2023

Abstract

There is growing evidence on the role of economic conditions in the recent successes of populist and extremist parties. However, little is known about the role of over-indebtedness, even though debtor distress has grown in Europe following the financial crisis. We study the unique case of the Czech Republic, where by 2017, nearly one in ten citizens had been served at least one debtor distress warrant even though the country consistently features low unemployment. Our municipality-level difference-in-differences analysis asks about the voting consequences of a rise in debtor distress following a 2001 deregulation of consumer-debt collection. We find that debtor distress has a positive effect on support for (new) extreme right and populist parties, but a negative effect on a (traditional) extreme-left party. The effects of debtor distress we uncover are robust to whether and how we control for economic hardship; the effects of debtor distress and economic hardship are of similar magnitude, but operate in opposing directions across the political spectrum.

JEL-Classification: D72, D18, G51

Keywords: Debtor distress, distress warrants, populist parties, extremist parties, the Czech Republic

*We gratefully acknowledge support from the Volkswagen Foundation under the project ‘The Rise of Populist Parties in Europe’, and thank participants in the project workshops for their comments and suggestions, as well as Alena Bičáková and Christian Ochsner.

[†]Czech National Bank and CERGE-EI, Politických vezňů 7, 111 21, Praha 1, Czech Republic, jakub.grossmann@cerge-ei.cz.

[‡]CERGE-EI, Politických vezňů 7, 111 21, Praha 1, Czech Republic, stepan.jurajda@cerge-ei.cz.

Abstract

Přibývá důkazů o vlivu ekonomických podmínek na volební úspěchy populistických a extremistických stran. O úloze nadměrného zadlužení se však stále ví málo, přestože předlužení domácností v Evropě po finanční krizi vzrostlo. Tento článek studuje ojedinělý případ České republiky, kde v roce 2017 měl téměř každý desátý občan alespoň jednu exekuci, přestože se země trvale vyznačuje nízkou nezaměstnaností. Za pomoci metody rozdílů v rozdílech na úrovni obcí zkoumáme důsledky nárůstu exekucí po deregulaci vymáhání dluhů v roce 2001. Zjišťujeme, že nárůst exekucí má pozitivní vliv na podporu (nových) krajně pravicových a populistických stran, ale negativní vliv na (tradiční) krajně levicovou stranu. Orientační výpočty ukazují, že v hypotetickém scénáři, kdy by došlo jen k polovičnímu nárůstu exekucí oproti skutečnosti, by volební účast v parlamentních volbách v roce 2017 byla o 0,4 procentního bodu vyšší a podpora extrémní levice by se zvýšila o 1,1 p.b. Naopak podpora extrémní pravice a populistických stran by poklesla o 0,3 a 0,9 p.b. Naměřené efekty se nemění v závislosti na tom zda a jak kontrolujeme pro ekonomickou situaci v obci. Dopady dluhové tísně a ekonomické nouze jsou podobného rozsahu, ale působí opačným směrem napříč politickým spektrem.

1 Introduction

Populist, extremist, and anti-immigration political parties have recently increased their vote share in national elections across Europe (e.g., *Le Front National* in France, *Alternative für Deutschland* in Germany, *Movimento 5 Stelle* in Italy). Much research asks whether their success can be explained by economic conditions (e.g., Autor et al., 2020; Dippel et al., 2021; Dehdari, 2018) and rising immigration (e.g., Halla et al., 2017; Edo et al., 2019; Lonsky, 2021), but little is known about the role of poverty, and over-indebtedness in particular, even though debtor distress has grown in Europe following the financial crisis of 2008 (Fondeville et al., 2010). It is fundamentally difficult to disentangle the effects of economic hardship, e.g., unemployment, from those of debtor distress, because economic hardship often leads to over-indebtedness. In this paper, we study the unique case of the Czech Republic, where a dramatic rise in indebtedness was driven by a reform of consumer debt collection, and, as we show, was thus largely independent of economic conditions.

Populist and extremist parties have gained widespread support in the Czech Republic, even though it has generally low and declining levels of unemployment, low income inequality, and low immigration rates.¹ The country has also recently experienced a major wave of over-indebtedness, despite its low unemployment: As of October 2017, nearly one in ten citizens was served at least one debtor-distress warrant and one in twenty citizens were served three or more such warrants.² Over-indebtedness rose from near-zero levels after a radical deregulation of consumer debt collection in 2001 (MPSV, 2019). Many of the debts that resulted in distress warrants started with small initial loans provided by non-bank financial institutions; these loans often featured high interest rates and excessive late payment charges. It is well documented that being served with multiple distress warrants worsens the economic conditions of indebted households and also brings about

¹Unlike several European countries, the Czech Republic did not face a large in-migration wave in 2015. For example, the 2010-2017 average inflow of asylum seekers amounted to 3 per 10,000 Czech citizens compared to 62 in Germany (<https://data.worldbank.org>). The Czech Republic's unemployment rate has been below the EU average since 2000 and among the two lowest in the EU since 2016 (<https://ec.europa.eu/eurostat/databrowser>). Its income inequality is consistently among the lowest three in the OECD (<https://data.oecd.org/inequality/income-inequality.htm>).

²A distress warrant (or a distraint order) is a legal document issued when a debtor cannot repay his debts and a court decides in favor of a creditor's debt claim. An accredited distrainor negotiates the conditions of the repayment. If necessary, the warrant allows the distrainor to confiscate the debtor's possessions and impose salary deductions. For Czech specifics, see <http://mapaexekuci.cz/>.

significant social and psychological challenges (see, e.g., Williams et al., 2015; Neppl et al., 2016). This also applies in the Czech case, since the Czech social security system is not designed to deal with over-indebtedness, leading to rising stress levels and nutritional and health issues (Szénássy et al., 2017). The 2001 deregulation was partly addressed in a 2021 reform, but a large share of the population remains in debtor distress. The Czech case thus allows us to study the political consequences of a painful massive rise in over-indebtedness that was not driven by a major economic downturn.

Debtor distress levels vary dramatically across Czech municipalities (Appendix Figure A1) and local unemployment trends are uncorrelated with rising distress (Appendix Figure A2). This leads us to measure the strength of the relationship between debtor distress and voting patterns at the level of over six thousand municipalities.³ Since there were few distress warrants issued prior to 2001, we can study municipality-level increases in distress relying solely on the 2017 distress levels. We supplement the municipality-level evidence with descriptive findings based on individual-level data.

Our first goal is to understand the local conditions that supported the rise in debtor distress. Therefore, in the first part of our analysis, we relate the 2017 shares of municipality population served with a distress warrant to the levels in 2001 and 2001-2011 changes in municipal characteristics.⁴ We find, unsurprisingly, that the rise in local debtor distress is related to low initial levels of education, absence of bank-credit access (established lenders), and the availability of slot machines (gambling rooms).

In the second step of the analysis, we quantify the relationship between 2017 debtor-distress levels and the outcomes of the 2017 parliamentary elections. We focus on turnout, the vote share of the traditional extreme left (the Communist party, which obtained 7.8 % of the national vote), the new extreme right (Freedom and Direct Democracy, 10.6 %), and the populists (YES together with Freedom and Direct Democracy, 29.6 % + 10.6 %).⁵ We find

³Most Czech municipalities are small; the population of a median municipality is only 382.

⁴We use only pre-pandemic data and therefore rely on the 2011 census, not the 2021 census.

⁵We do not separately focus on new parties since this group consists essentially of the Freedom and Direct Democracy (SPD in Czech) extreme-right party founded in 2015, i.e., two years prior to 2017, the year of our main outcome data. Vote shares of other recently founded parties, the Realists and the Common Sense Party (Realisté, Strana Zdravého Rozumu) remained well under one percent, so that these parties do not affect our analysis, as confirmed in unreported specifications. The main populist party YES (ANO in Czech) was also founded relatively recently, in 2011.

that debtor-distress levels are negatively related to election turnout and positively related to support for extreme left, extreme right, and populist parties. A 10 p.p. increase in the share of the municipal population served at least one distress warrant⁶ is associated with a 2.5 p.p. lower turnout, and a higher vote share of a 0.5 p.p. for the extreme left and the extreme right, and 1 p.p. for the populists. These descriptive estimates could be thought of as an upper bound on causal effects to the extent that unobserved location-specific factors support the rise in both debtor distress and *all* types of extremist vote shares. We additionally employ a household survey with information on debtor distress collected in 2020 that asks about voting in the 2017 elections. The individual-level analysis confirms our municipality-level findings for the extreme right and populists, and suggests that the support for these parties related to high distress levels operates not through the voting behavior of those in debtor distress, but through their ‘neighbors’.⁷

In the third part of our analysis, we move closer to estimating causal effects. We condition on time-constant location unobservables and relate rising distress to changing political polarization at the municipal level, whilst controlling for the pre-determined part of the evolution of economic conditions. Specifically, we rely on difference-in-differences regressions based on 2001-2017 changes in the vote shares of extreme left, extreme right, and populist parties. We focus on the effects of the rise in the population share in debtor distress, and control for changes in economic hardship unrelated to debtor distress, using a Bartik-IV-type strategy based on the pre-existing industrial structure.

Our difference-in-differences estimates suggest that the rise in debtor distress in the Czech Republic between 2001 and 2017 had a positive effect on support for the (new) extreme right and populist parties, but a negative effect on the main (traditional) extreme-left party. A 10 p.p. increase in the share of municipality populations in debtor distress increases the vote share of populist parties by 3 percentage points and that of the extreme right by 1 p.p. Conversely, a 10 p.p. increase in debtor distress decreases the Communist party vote share by about 3.5 percentage points. The decline in the share of Communist party

⁶Such an increase corresponds to the 85th percentile of the municipality distribution of the 2017 level of distress. It also corresponds to moving from the 10th to the 90th percentile of this distribution.

⁷We refer to the distress-free population of a given municipality as ‘neighbors’ of those in debtor distress, irrespective of whether they live in the same neighborhood.

supporters can be largely explained by voters shifting their support towards extreme-right and populist parties (as opposed to not voting), particularly so outside heavily indebted, low-social-capital areas. These effects of debtor distress are fully robust to whether and how we control for local economic conditions, in line with the unique nature of the Czech over-indebtedness crisis. The effects of debtor distress and of economic conditions on voting behavior appear to be of similar magnitude, but operate differently across the political spectrum: Rising unemployment (thanks to pre-determined factors) helps the extreme left and hurts the extreme right and populists; rising indebtedness does the opposite.

Our analysis extends the literature that studies how economic conditions affect voting patterns, which suggests that job insecurity amplifies the vote share of extremist parties (e.g., Algan et al., 2017; Bhatia and Ghanem, 2017; Dehdari, 2018; Mughan et al., 2003).⁸ Only a handful of studies asks about debtor distress and voting (Wiedemann, 2021; Doerr et al., 2022; Gyöngyösi and Verner, 2022). Our main contribution is to separately identify the roles of economic hardship and debtor distress; our novel finding is that they operate differently across the political spectrum. Gyöngyösi and Verner (2022) study distress driven by varying household exposure to foreign currency loans during a currency crisis in Hungary. They find that indebtedness was a major driver behind the rise of far-right parties, which advocated aggressively for debt relief. In the Czech case, however, extremist parties were not particularly strong advocates of debt relief. Our finding that a rise in indebtedness increases the vote share of populist parties is similar to that of Boeri et al. (2018), who found that declining trust in institutions driven by the financial crisis led to increasing support for populists.⁹

The paper proceeds as follows. Section 2 introduces the data, Section 3 describes the Czech political scene, and Section 4 discusses debtor distress in the Czech Republic. Sections 5.1 and 5.2 present the analysis of voting patterns and debtor distress—the cross-sectional and difference-in-differences estimates, respectively. Section 6 concludes.

⁸Other studies find that factors including social capital (Guzi et al., 2021), family roots (Grossmann et al., 2022), parental labor-market success, social deprivation, and gender inequality (Siedler, 2006; Steininger and Rotte, 2009) also predict voting for extremist parties.

⁹Our research also relates to the literature on payday loans in the US (e.g., Melzer, 2011; Caskey, 2012; Carrell and Zinman, 2014; Carter and Skimmyhorn, 2017), since, similarly to Czech consumer loans after 2001, these loans also often originate with small non-financial institutions and lead to debtor distress.

2 Data

Our data on debtor distress at the municipal level come from October 2017, and are based on a warrant-level administrative registry.¹⁰ Our main outcomes of interest are therefore municipal-level election results from the 2017 parliamentary elections. We study the 2017 voting patterns relative to those from the 2002 Czech parliamentary elections that were held soon after the 2001 consumer-debt deregulation (see Section 4) and preceded a dramatic rise in debtor distress. We also study the 2018 presidential elections and the 1998 and 2006 parliamentary elections to assess the robustness of our baseline findings.

We additionally rely on the 2001 and 2011 censuses for municipality-level controls, including educational and employment structure. Administrative data on the incidence of gambling (slot) machines are collected from the Czech Ministry of Finance. The location of local bank branches are collected directly from the three biggest banks operating on the Czech market and scraped from the internet in 2021. In robustness checks, we rely on several other sources of cross-sectional economic characteristics, including the use of social benefits, the location of socially excluded areas, and demographic and attitude controls from the Life in Transition Survey (LITS) and the Czech Household Panel Survey (CHPS). A detailed account of the data sources can be found in Appendix A3.

3 Political Situation

The Czech Republic is a parliamentary representative democracy with the president acting as head of state and the prime minister acting as head of government. Representatives are elected every four years with a 5% party threshold for entering parliament. The 2017 parliamentary elections were won by the political movement YES (ANO in Czech) with almost 30% of the votes, followed by the Civic Democratic Party (ODS, 11%), Czech Pirate Party (Piráti, 11%), Freedom and Direct Democracy (SPD, 11%), Communist Party of Bohemia and Moravia (KSČM, 8%), Czech Social Democratic Party (ČSSD,

¹⁰In 2017, the Czech Chamber of Distrainers decided to release anonymized warrant-level data for public use. This data release was in no direct way related to the 2017 parliamentary elections. However, since the data helped generate negative public sentiments towards distrainers, the subsequent leadership of the Chamber decided not to release any more data.

7%), Christian and Democratic Union - Czech People's Party (KDU-CSL, 6%), Tradition, Responsibility, Prosperity 09 (TOP 09, 5%), and Mayors and Independents (STAN, 5%).

Our focus here is on three political parties: ANO, KSČM, and SPD, which each show signs of populism or extremism. Assessing whether a political party is populist or/and radical is rather difficult (see e.g., Laver, 2014; Henley, 2018). We adopt classifications from projects focusing on the assessment of political positioning.¹¹ According to PopuList (Rooduijn et al., 2019), ANO is a centrist populist political movement. It was founded in 2011 by Andrej Babiš, a Czech billionaire and media owner, who was prime minister between 2017 and 2021. SPD is a populist far-right party founded in 2015, and running on a direct democracy platform; it is opposed to immigration, Muslims, and the European Union.¹² KSČM is a far-left party, a direct successor of the Communist Party of Czechoslovakia, which led the Czechoslovak totalitarian regime between 1948 and 1989.¹³ In 2002, at the outset of our study time frame, KSČM received 18.5% of the total votes. The sole far-right and populist party in the 2002 parliamentary elections was the Republican party (1%).¹⁴

Since 2013, the post of the President of the Czech Republic has been held by Miloš Zeman, a former Social Democratic Party (ČSSD) leader and prime minister, who won the first direct Czech presidential elections (previous presidents were selected by the Parliament). Currently, he is serving his second term, after winning the 2017 presidential elections, in which he received votes mainly from voters of ANO 2011, KSČM, SPD, and ČSSD (Median, 2018). Miloš Zeman has been characterized as a pro-Russian, pro-Chinese, populist president (Naxera and Krčál, 2020; Věrtěši and Kopeček, 2021).

¹¹Our main source is the PopuList (www.popu-list.org). Where party coverage is incomplete, we rely on Party Facts (<https://partyfacts.herokuapp.com/>) and ParlGov (www.parlgov.org).

¹²Ministry of the Interior of the Czech Republic (2019) identified SPD as the most influential proponent of religious and ethnic intolerance in the Czech Republic.

¹³The party is one of the least reformed of the formerly ruling Communist parties of Central and Eastern Europe. Along with the Moldovan and Russian Communist parties, it is the only former ruling party in post-Communist Europe, which has not dropped 'Communism' from its name. It has never been part of a governing coalition in the Czech Republic. The party's platform remains close to its original agenda, and its youth organisation was banned from 2006 to 2010.

¹⁴The party was founded by Miroslav Sládek, whose previous similar party received 4% of the country-wide vote in 1998. The weak showing in the 2002 elections led to Sládek leaving the political scene afterwards. An overview of the 2002 and 2017 parliamentary elections is provided in Appendix Table A2

4 The Rise in Debtor Distress in the Czech Republic

Debtor distress is a burning issue in the Czech Republic. Our data show that more than 850 thousand Czechs were served with at least one distress warrant by October 2017; as a result, over 8% of the country’s population and 9.6% of the adult population was in debtor distress. Equally alarming is the multiplicity of distress warrants: 591 thousand individuals were served with more than one distress warrant and 365 thousand with five or more (see Figure A3). In practice, it is almost impossible for many indebted individuals to fully repay their debts including interest and penalties because they do not earn sufficient income to cover both their daily expenses and repayments.

The 2017 spatial concentration of distress warrants is substantial, as Appendix Figure A1 illustrates. In particular, the former *Sudetenland* area (borderlands outlined in the Figure), from which the German population was expelled after World War Two, is clearly visible today. The expulsion resulted in a dramatic decline in population and social-capital, which the region has not completely recovered from (Guzi et al., 2021; Testa, 2021; Grossmann et al., 2022). Over 10% of the population of *Sudetenland* was served with at least one distress warrant compared to 5% in the Czech main lands.¹⁵

The number of people served with distress warrants was near zero in the Czech Republic prior to 2001 and grew rapidly after the 2001 deregulation of consumer-debt collection.¹⁶ The reform introduced flat-rate rewards (paid by debtors) that incentivised distrainers to pursue small debts and confiscate real estate even if the amounts due were significantly smaller than the value of the property collected.¹⁷ Cases of distress originating in loan-sharking or unpaid tram tickets by children were documented (Boček et al., 2019; Cibulka,

¹⁵By ‘Czech main lands’, we mean the area of the Czech Republic outside of the former *Sudetenland*.

¹⁶There is no administrative data on distress warrants served prior to 2001 but the available statistics support the widely accepted notion of near zero debtor distress as of 2001. First, total loans granted by credit providers to the household sector in the Czech Republic were at a low per capita level in 2002, over 36 times lower than the German level, while Czech loans were only four times lower than in Germany in 2017 (ECB indicators, <https://sdw.ecb.europa.eu/browse.do?node=9689349>). Second, according to the Czech National Bank, there was an eight-fold rise, from EUR 7 in 2001 to EUR 53 in 2017, in per capita household *non-performing* consumer loans. This rise was not primarily driven by the 2008 financial crisis as the percentage of the total population with arrears on key commitments increased only a little during 2007 to 2011 (Civic Consulting of the Consumer Policy Evaluation Consortium, 2013, p. 44).

¹⁷The reform is not easily attributed to one political incumbent. The de-regulation Act No. 120/2001 Sb. was proposed by the government of Miloš Zeman (head of Social Democrats at the time), who, however, was ruling with the consent of the main opposition party—the mainstream right-wing Civic Democrats.

2019; Uhlová, 2018). Gradually, the topic of debtor distress entered Czech public discourse (e.g., Szénássy et al., 2017; Ošťádalová et al., 2017), which led to legislative changes in 2021.¹⁸ Appendix A4 describes the 2017 manifesto stances of the KSČM, ANO, and SPD towards debtor distress. All three parties, as well as the rest of the political spectrum, were conscious of the need for reform, and the manifesto positions on debtor distress of the three are not very different from those of the mainstream parties.

4.1 Municipal Characteristics and the Rise in Debtor Distress

In the first step of our analysis, we examine municipality-level predictors of (the rise in) debtor distress; we estimate cross-sectional descriptive regression specifications

$$\Delta \text{distress warrants}_{m,2017-2001} = \alpha + \text{initial conditions}'_{m,t_0}\beta + \text{evolution}'_{m,t_1-t_0}\gamma + \epsilon_m, \quad (1)$$

where the dependent variable is the 2001 to 2017 increase in the distress warrants coverage, assuming that the initial coverage in 2001 was zero.¹⁹ The controls are municipal-level characteristics, both the initial conditions (measured as close to 2001 as possible) and their changes over time (as close to 2001-2017 as possible given data availability, hence the time indexes t_0 and t_1).²⁰ The basic set of municipality controls consist of population, distance to a large city, unemployment rate, educational structure (population shares of highest education attained), and an indicator for whether a municipality belongs to the former *Sudetenland*, a low-social-capital region.

Table 1 shows estimates suggesting that initially-less-educated municipalities (those with a high share of elementary educated, the base-case category) and those that had a declining share of highly-educated inhabitants fare worse in terms of distress.²¹ Debtor distress is also more pronounced in larger municipalities and in those with a declining population.

¹⁸The Czech parliament has passed an amendment to the insolvency law that should simplify the process of debt elimination. The effects of these changes are yet to be convincingly measured.

¹⁹See note n. 16. Effectively, the dependent variable, which averages at 0.062, is the municipality-level share of people served at least one distress warrant.

²⁰We use census data from 2001 and 2011 (the 2021 census is 4 years apart from 2017; the data are not available yet, and will be affected by the Covid-19 pandemic). Data on slot machines come from 2010 and 2017, and the location of bank branches is from 2017. See the Data Appendix section A3 for details.

²¹For ease of comparability of estimates across specifications and data sets, we show standardized β regression coefficients based on data standardized so that the variances of all explanatory variables are 1.

Municipalities located in the former *Sudetenland* region have higher shares of indebted inhabitants by 1.9 percentage points (p.p.), conditional on their lower education levels. The unemployment estimates indicate that higher debtor distress is found in municipalities with high initial unemployment and those with increasing unemployment.²²

Table 1: 2001 Municipality Characteristics and 2017 Debtor Distress

	Debtor distress (standardized coefficients)	Debtor distress (regular coefficients)
Educ: Apprenticeship	-0.174***	-0.195***
Educ: Secondary	-0.203***	-0.207***
Educ: University	-0.070***	-0.155***
Δ Educ: Apprenticeship	-0.141***	-0.152***
Δ Educ: Secondary	-0.150***	-0.235***
Δ Educ: University	-0.114***	-0.254***
Population	0.187***	0.001***
Δ Population	-0.062**	-0.009*
Sudetenland	0.154***	0.019**
Distance to a large city	-0.078***	-0.003***
Unemployment	0.337***	0.270***
Δ Unemployment	0.204***	0.184***
Gambling rooms	0.257**	0.002***
Δ Gambling rooms	0.262***	0.002***
Distance to a bank in 2017	0.028**	0.004**
Observations	6,137	6,137
Adjusted R^2	0.413	0.413
Mean of dep. var.	-	0.062

Note: The table shows standardized β and regular coefficients from a regression where the dependent variable is the 2017 level of (i.e., approximately the 2001-2017 increase in) the municipality population share served with at least one distress warrant. The controls consist of municipality demographic characteristics from the 2001 census, the changes thereof between 2011 and 2001. Education attained and unemployment are expressed in population shares, the 2001 population in thousands of inhabitants, and the population change as the difference normalized by the initial population. Other controls are the aerial distance (measured in 10 km) to the closest statutory city, the closest financial inter-mediator (banks branches, post offices providing financial services), and the number and the change in the number of gambling rooms per 1000 inhabitants between 2010-2017. The regression also controls for 12 region “*Kraj*” fixed effects and robust standard errors are clustered at the level of 77 districts “*Okres*”. Inference is not sensitive to clustering. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

The Czech Republic has lax regulation of slot machines (gambling in general) and consequently more slot machines per capita than most EU countries (Ziolkowski, 2018, p.21).

²²Estimating Table 1 without controlling for the initial levels of unemployment, the coefficient of Δ unemployment drops to 0.02, consistent with Appendix Figure A2.

To shed light on whether slot machines are related to the rise in debtor distress, we also control for the incidence of gambling rooms with slot machines. We find that municipalities with initially high numbers of gambling rooms experienced intense debtor distress in 2017. Strengthening the power of municipalities to regulate this hazard locally in 2011 led to decreases in the number of gambling rooms with slot machines (Rous et al., 2015). Municipalities that had reduced the number of gambling rooms experienced less intense debtor distress; however, the direction of causality is not clear. The coefficient may correspond to gambling access driving distress, but it is also plausible that ‘better-managed’ municipalities with less intense debtor distress also decided to reduce local gambling opportunities, or that firms operating gambling rooms relocated their capacity to locations where distress was on the rise. Finally, we find a small positive relationship between debtor distress and the distance from a bank (established institutional credit provider) in 2017.²³

4.2 Institutional Credit Availability

In Table 1 we find a statistically significant relationship between the rise in debtor distress in municipalities and access to regular banks as of 2017. However, it may be that the coefficient reflects opposing causal channels.²⁴ To shed more light on the question, we collected data on the location of *Komerční banka* (KB bank) branches in 2001. The KB bank is the third largest bank in the country; we were not able to collect similar data on historical locations of branches of other large banks. Next, we employ the nearest neighbor matching strategy and compare observationally-similar municipalities with and without established KB branches in 2001. Assuming that the presence of a nearby KB branch is quasi-randomly assigned conditional on the 2001 municipality observables (as in Table 1), we can interpret the estimates as causal treatment effects of bank credit access.

We focus on small municipalities, up to fifteen thousand inhabitants, because essentially every large municipality (city) has a KB branch. We indicate that a municipality has a

²³When we additionally control for the initial (2002) level of municipality support for the extreme left, we find that debtor distress grew more rapidly in municipalities where the extreme left (KSČM) had strong support in 2002 (strongly statistically significant standardized coefficient of 0.07), suggesting the party ‘failed’ to protect their constituencies against rising debtor distress.

²⁴Distress warrants may emerge as a result of missing institutional sources of credit; at the same time, there may be a selective pattern of bank branch locations and their evolution over 2001-2017.

KB branch if the branch is located within a 2 km radius of the municipality centroid. This results in 168 (small) municipalities ‘having’ a KB branch. The results presented in Table 2 suggest that municipalities with a KB branch in 2001 have 2017 population shares of debtor distress that are about 0.9 p.p. lower than those of similar municipalities without a KB branch, suggesting that lack of bank credit availability worsens debtor distress.

Table 2: Bank Branches Matching

Outcome variable	Treated	Controls	Difference (ATT)	S.E.
Debtor distress	0.068	0.078	-0.009	0.004

Note: The table shows estimates based on nearest neighbour matching. The outcome variable is the municipality population share with at least one distress warrant served in 2017. Treated municipalities are those with a KB bank branch as of 2001. Propensity-score one-to-one (k=1) matching with no replacement was carried out on a common support (153 treated and 5,881 not treated units). The propensity score is based on the following 2001 municipality characteristics: population, educational structure (4 groups), unemployment rate, aerial distance to a large city, indicators of former Sudetenland regions and 12 "Kraj" regions. We estimate the same effect size using the nearest neighbor matching with k=3 and replacement.

5 Voting Patterns and Debtor Distress

In the previous section, we established the relationship of municipal characteristics with the rise in debtor distress. Here, we study the nexus of distress and voting. First, we employ cross-sectional variation across more than 6,000 municipalities to quantify the relationship between 2017 levels of debtor distress and 2017 voting shares of populist, far-left, and far-right parties. We supplement the cross-sectional municipal-level analysis with that based on individual-level data. Next, we return to municipal-level data and condition on location time-constant unobservables to move closer to estimating the causal effect of distress on extremist and populist voting support.

5.1 Cross-Sectional Relationship

We first estimate the following descriptive regression specifications

$$\text{election results}_m = \alpha_c + \beta \text{debtor distress}_m + \mathbf{X}'_{m,c} \gamma + \epsilon_{m,c}, \quad (2)$$

where the subscript c stands for region, m for municipality, and where α_c are region fixed effects.²⁵ The outcome variable *election results* corresponds to vote shares of the selected parties, described in Section 3, and turnout in the 2017 parliamentary elections. We also study the 2018 presidential elections. The key control variable *debtor distress* is again the municipality population share with at least one distress warrant. X stands for our standard set of municipality controls (see Table 1).²⁶

Our cross-sectional results in Table 3 show that radical and populist parties received higher 2017 parliamentary vote shares in municipalities that experienced stronger debtor distress in 2017.²⁷ The estimates are similar for the extreme left (KSČM) and the extreme right (SPD): a one-standard-deviation increase in debtor distress is associated with about a 0.06 standard-deviation vote-share increase. Put differently, a 10 p.p. increase (from 2 to 12%) in the share of the municipality population in distress, corresponding to a move from the 10th to the 90th percentile of the municipality debtor distress distribution, is associated with a vote share of the extreme left and the extreme right that is just above 0.5 p.p. higher. Our estimates also imply that high debtor distress is strongly negatively related to 2017 turnout rates. A 10 p.p. increase in distress is associated with a 2.7 p.p. decrease in turnout. This is a sizable relationship, corresponding to roughly 140 thousand unused votes associated with debtor distress.²⁸ These estimates might correspond to findings in the literature that suggest income problems are negatively related to trust in institutions (Ananyev and Guriev, 2019). Another possibility is that the turnout effects correspond to the income channel, i.e., the income gradient in political participation (Akee et al., 2018), recently challenged by Jungkunz and Marx (2022).

Since multiplicity of distress warrants is substantial in the Czech Republic (see Figure A3), we next ask whether the voting-pattern relationships of debtor distress differ when distress is measured using population shares with multiple distress warrants. We calculate the municipality population shares served with 3 and more, and 10 and more distress warrants

²⁵The Czech Republic is divided into 12 regions and 77 districts. Below, we show estimates based on regional fixed effects; we obtain similar effects when conditioning on county fixed effects.

²⁶We use municipal characteristics in levels with timing as close to 2017 as possible. To control for income distress not related to debtor distress (warrants served), we also include the share of people collecting social benefits (assistance with material needs and housing benefits).

²⁷Appendix Table A4 shows the full set of regular (non-standardized) coefficients.

²⁸There were over 8.3 million voters registered for the 2017 parliamentary elections

Table 3: Parliamentary Election Vote Shares, 2017
(Standardized Coeff.)

	Turnout	Extreme Left	Extreme Right	Populist
Debtor distress	-0.160*** (0.03)	0.059*** (0.02)	0.067*** (0.02)	0.044** (0.03)
Observations	6,141	6,089	6,089	6,089
Adjusted R^2	0.439	0.239	0.188	0.275

Note: The table shows standardized β coefficients from Equation 2 with 12 region fixed effects where the dependent variables are turnout and vote shares of the extreme left (KSČM), extreme right (SPD), and populists (ANO, SPD). The independent variable of interest is the municipality population share served at least one distress warrant. Municipality-level controls are location in the former *Sudetenland*, 2011 unemployment, population, and educational structure (share with the highest education attained: elementary, apprenticeship, high school, tertiary), share of people receiving social benefits (assistance in material need and housing benefits), and total population. Heteroscedasticity-robust standard errors are in parentheses. See Appendix Table A4 for regular coefficients with county-level clustered inference, which is qualitatively consistent with results reported here. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

served and use them in Equation 2. The signs of estimated β coefficients in Appendix Table A5 are consistent with those presented in our baseline specification. The higher the multiplicity of warrants used in the distress measure, the larger the coefficients; however, given that the population shares with multiple warrants are lower than those based on at least one warrant, the magnitudes of the effects are in fact similar to those in Table 3.

A concern about the results in Table 3 is that unobserved location characteristics correlated with debtor distress bias the estimates. To assess the sensitivity to unobservables, we use the Life in Transition Survey (LITS) from 2010 and 2016 (to increase coverage of municipalities) to compare estimates controlling (or not) for family status, trust, faith, social integration, and satisfaction with the current political situation. The LITS survey covers only 148 Czech municipalities so our (unreported) estimates are noisy. Nonetheless, the signs of the coefficients are not affected by controlling for the additional regressors. We obtain qualitatively similar comparisons using the 2017 Czech Household Panel Survey (CHPS), which covers 600 municipalities and provides information on general political attitudes, immigration, free-time activities, EU membership support, and trust in institutions. In a similar spirit, we ask whether the estimates are sensitive to controlling for social benefits outlays at municipality level. Specifically, in Table 3 we control for the share of municipality population receiving two types of social benefits (assistance in material need and housing

benefits) to the specifications estimated. On the one hand, this control can capture important social distress effects on voting, independent of debtor distress. On the other hand, we could be over-controlling for debtor distress if debtor distress drives social distress. It turns out that the exclusion of these additional controls leads to only minor changes in our coefficients of interest.

Next, we ask whether the relationship of debtor distress to voting patterns differs in the low-social-capital high-distress *Sudetenland* borderlands compared to the Czech main lands. The results presented in Appendix Tables A6 and A7 suggest that this is indeed the case. Within *Sudetenland*, the extremist coefficients are close to zero and populist parties receive a *lower* vote share in more distressed municipalities, though they had higher gains in this region on average. The country-wide positive association of debtor distress with extremist and populist support thus comes from the more affluent Czech main lands (outside of *Sudetenland*), where debtor distress is less prevalent.

Overall, the cross-sectional municipal-level evidence suggests a link between debtor distress and extremism/populism, particularly so in the less indebted area of the Czech main lands. Next, we ask whether this pattern is also present in the 2018 presidential elections. Relying again on Equation 2, we focus on Miloš Zeman's vote share and turnout in the first round of the elections. In the first round voters could choose from multiple candidates (as opposed to being limited to two candidates in the second round). The estimates in Table 4 are fully in line with those presented above; they imply that the current Czech president received higher shares of votes in municipalities that experienced stronger debtor distress and that turnout was significantly depressed where distress is more prevalent. A 10 p.p. increase (from 2% to 12%) in the municipality population share with at least one distress warrant served is associated with a decrease in turnout by almost 2.8 p.p.. A 10 p.p. increase in distress is also associated with M. Zeman's vote share, which is higher by over 1 p.p. The size of the coefficient is almost identical to the sum of the coefficient for extreme left and extreme right in Table 3. The magnitude of the effect approximately equals the decisive margin of the vote.²⁹

²⁹M. Zeman won the second round with 51.37% of the vote. The coefficients in the second round are almost identical to those in the first round.

Table 4: Vote Share in Presidential Elections, 2018
(1st round, Standardized Coeff.)

	Turnout	Zeman
Debtor distress	-0.167*** (0.04)	0.050*** (0.04)
Observations	6,140	6,140
Adjusted R^2	0.471	0.443

Note: The table shows standardized β coefficients from Equation 2 where the dependent variables are turnout and vote share of M.Zeman. The independent variable of interest is the municipality population share served at least one distress warrant. Municipality-level controls are location in the former *Sudetenland*, 2011 unemployment, population, and educational structure (share with the highest education attained: elementary, apprenticeship, high school, tertiary), share of people receiving social benefits (assistance in material need and housing benefits), total population, and region fixed effects. Heteroscedasticity-robust standard errors in parentheses. See Appendix Table A8 for regular coefficients with region-level clustered inference, which is qualitatively consistent with results reported here. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Our municipality-level cross-sectional analysis is based on precisely measured, extensive variation across typically small municipalities, but it has a significant drawback in that it may be affected by ecological fallacy, since we make inferences about the nature of individual behavior from findings about groups to which individuals belong. In particular, it does not allow us to explore whether the relationship between voting outcomes and debtor distress operates through those subject to over-indebtedness or their ‘neighbors’.

To make headway on this front, we employ the Life in the Pandemic household survey, in which respondents were asked about both their current 2020 debtor distress status and (retrospectively) about their 2017 voting behavior (see Appendix A3 and Prokop et al., 2021).³⁰ The longitudinal survey has been employed in much research on the Covid pandemic (e.g., Bartoš et al., 2022); we focus on pre-pandemic voting behavior. Survey coverage of areas and demographic groups particularly heavily affected by debtor distress is clearly imperfect, since only 6.1% of adult survey respondents report being served with a distress warrant, much below the nearly 10% debtor-distress coverage based on administrative records. To simultaneously study individual- and municipal-level effects, we also assume that all of the 2020 debtor distress reported in the survey is distress initiated

³⁰Debtor distress information was collected in the June 2020 wave of the survey, soon after the first, March 2020, survey wave. There is no information on voting behavior prior to 2017, so the survey cannot be used for a difference-in-differences analysis. Location data on respondents allow us to merge the individual data with our municipality-level measures of debtor distress.

by 2017. Hence, our individual-level cross-sectional analysis can offer only a tantalizing extension of the main municipal-level analysis.

We estimate Equation 2 at the voter level and condition on both individual exposure to over-indebtedness and on the municipality measures of distress used so far. In Table 5 we find a statistically significant positive relationship between municipality-level debtor-distress coverage and support for extreme-right and populist parties, but only outside of the heavily indebted, low-social-capital *Sudetenland*. Further, outside of *Sudetenland* over-indebted respondents are weakly (about 3 p.p.) less likely to vote for the extreme left.

Table 5: Parliamentary Elections - Individual Voting, 2017
(Full, Sudetenland and Czech Main Lands subsamples, Standardized Coeff.)

	Turnout	Extreme Left	Extreme Right	Populists
<i>Full sample (N=2,044):</i>				
Individual deb. dist.	-0.053** (0.04)	-0.021 (0.02)	0.012 (0.02)	0.002 (0.04)
Municipal deb. dist.	0.024 (0.29)	0.037 (0.18)	0.027 (0.18)	0.035 (0.34)
<i>Sudetenland (N=436):</i>				
Individual deb. dist.	-0.119** (0.08)	-0.004 (0.04)	0.016 (0.05)	0.008 (0.09)
Municipal deb. dist.	0.042 (0.46)	0.048 (0.28)	0.011 (0.25)	0.006 (0.52)
<i>Czech main lands (N=1,608):</i>				
Individual deb. dist.	-0.031 (0.04)	-0.031* (0.01)	0.012 (0.03)	0.002 (0.05)
Municipal deb. dist.	0.022 (0.50)	0.027 (0.32)	0.065** (0.39)	0.067*** (0.63)

Note: The table presents estimated coefficients from linear probability models estimated on a representative sample of respondents surveyed in March 2020. The dependent variable equals 1 if the person voted in the 2017 parliamentary election (col. 1), voted for the extreme left (KSČM; col. 2), the extreme right (SPD; col. 3), or populists (SPD, ANO; col.4). The independent variable *Individual deb. dist.* is equal to 1 if a member of a respondent's household had been served a distress warrant, and variable *Municipal deb. dist.* is the municipal-population share served a distress warrant (206 units). The specifications control for gender, age groups, household size, highest education attained, labor-force status, and household type. The coefficients in the first panel are estimated on the full sample of 2,044 respondents who report voting in 2017, the second panel is estimated on the subset from the former *Sudetenland* (436), and the third panel is based on the Czech main lands (1,608). Heteroscedasticity-robust standard errors are in parentheses. See Appendix Table A9 for regular coefficients with municipality-level clustered inference, which is qualitatively consistent with results reported here. Significance levels: *** 0.01, ** 0.05, * 0.1.

The individual-level evidence thus supports the notion that, within the more affluent Czech main lands, extreme-right and populist parties are supported where debtor distress is high. Further, it appears that it is the ‘neighbors’ of the over-indebted who support the extreme right and populist parties, rather than those served with distress warrants themselves. The coefficients corresponding to ‘neighbors of over-indebted’ are quantitatively similar to those based on municipality-level evidence.

5.2 Difference-in-Differences Estimates

In the final step of the analysis, we move closer to estimating causal effects of debtor distress on voting by relating changes in debtor distress to changes in voting shares—we apply the difference-in-differences estimator at the municipality level to condition on time-constant location-specific unobservables.³¹ We estimate Equation 3, which removes municipal-level fixed effects and with them all time-constant observables and unobservables:

$$\Delta \text{election results}_{m,2017-2002} = \alpha + \beta \Delta \text{debtor distress}_{m,2017-2001} + \Delta X'_{m,2011-2001} \gamma + \epsilon_m. \quad (3)$$

The dependent variable is the 2002 to 2017 change (difference) in parliamentary elections turnout and vote shares for the extreme left, extreme right, and populist parties.³² The independent variables are the increase in municipal population share served with at least one distress warrant and differences in municipal-level characteristics (population and education structure).³³

Table 6 shows the estimates of interest. The first horizontal panel presents coefficients from specifications where we do not control for economic hardship, i.e., unemployment rates. In the second panel, we find that distress coefficients are not materially affected when we do control for the evolution of municipal unemployment. So our debtor distress effects are

³¹Again, the 2017-2001 change in debtor distress is approximated by 2017 levels given that the initial coverage in 2001 was close to zero (see note n. 16). To capture changes in other municipal characteristics over time, we again employ information from the 2001 and 2011 Czech censuses.

³²The classification of political parties is described in Section 3. Only the far-left Communist party is present in both 2002 and 2017.

³³Summary statistics of dependent and independent variables can be found in Appendix Table A3.

unlikely to simply reflect economic hardship. This is, of course, an important concern as economic hardship and debtor distress can be intimately related: Losing one’s job could lead to debtor distress, and conversely, having fallen into debtor distress may lead one to enter informal employment and register as unemployed (to avoid the seizure of some of the official labor income). We therefore also instrument for the evolution of unemployment using 2001 (initial, pre-distress) industry shares on municipal employment.³⁴ The resulting Bartik-IV-type estimates are presented in the third panel of Table 6. The effects of debtor distress are again not materially affected. The effects of economic hardship become almost an order of magnitude larger, and are of the same sign as in the previous panel.

Our difference-in-differences estimates are in line with those based on cross-sectional variation (Section 5.1) in that the coefficients confirm that higher debtor distress lowers election turnout; the effect is about half the size of that estimated in Table 3. Similarly, the estimates support the notion of positive effects of debtor distress on support for the extreme right and populists. However, conditioning on time-constant location unobservables qualitatively affects the far-left estimates: rising debtor distress lowers the local support for the extreme left (KSČM) as a 10 p.p. increase in the municipality population share served at least one distress warrant lowers the KSČM vote share by over 3.5 p.p. The evidence based on the cross-sectional and the within-municipality variation thus implies that while the KSČM lost much of its support in severely-distressed municipalities, its initial support was so strong that it still enjoys above-average support there today.

The sum of the positive effects for the extreme right and populists approximately equals the negative far-left effect: A 10 p.p. increase in debtor distress increases the vote share of the extreme right and populists by 1 p.p. and 3 p.p., respectively.³⁵ The instrumented unemployment coefficients (effects of economic hardship not driven by debtor distress) are of roughly similar size to those of debtor distress, but of the opposite sign. The estimates

³⁴Given that Bartik-IV estimates are driven by “shares” rather than “shifts” (Goldsmith-Pinkham et al., 2020; Levi et al., 2021), we instrument unemployment changes by the 2001 municipal-level industry shares. A comparison of predicted and actual increases in unemployment (Figure A4) suggests that increases in unemployment would be smaller without the presence of distress warrants. The first stage Cragg-Donald Wald F-statistic is over 100 and our instruments pass the Stock and Yogo (2005) weak ID test.

³⁵Back of the envelope calculations based on these estimates imply that the rise in debtor distress resulted in almost 50 thousand votes (about 1% of the total 2017 vote) lost in terms of turnout and almost 100 thousand additional votes (about 2% of all 2017 votes) received by extreme-right and populist parties.

Table 6: Change (Δ) in Parliamentary-Election Vote Share, 2002-2017
(Standardized Coeff.)

	Turnout	Extreme Left	Extreme Right	Populists
Δ Debtor distress	-0.093*** (0.03)	-0.249*** (0.03)	0.110*** (0.02)	0.160*** (0.03)
Δ Debtor distress	-0.093*** (0.03)	-0.248*** (0.03)	0.108*** (0.02)	0.157*** (0.03)
Δ Unempl.	-0.005 (0.02)	0.037** (0.02)	-0.038** (0.02)	-0.049*** (0.02)
Δ Debtor distress	-0.069*** (0.02)	-0.237*** (0.02)	0.099*** (0.02)	0.162** (0.02)
Δ Unempl. Bartik IV	0.135*** (0.03)	0.354*** (0.03)	-0.251*** (0.03)	-0.216*** (0.03)
Observations	6,137	6,075	6,075	6,075

Note: The table shows coefficients from regressions where the dependent variables are the 2017-2002 differences in turnout and in vote shares for the extreme left (KSČM), extreme right (SPD), and populist parties (SPD, ANO). The independent variable Δ *debtor distress* is the municipality population share served at least one distress warrant in 2017. Changes (Δ) in *economic hardship* are captured in the 2nd panel by 2011-2001 unemployment changes. These are replaced in the 3rd panel by instrumented values—we rely on the GMM estimator (Goldsmith-Pinkham et al., 2020) and use 2001 industry shares on municipal employment as instruments. Heteroscedasticity-robust standard errors in parentheses. See Appendix Table A10 for regular coefficients with county-level clustered inference, which is qualitatively consistent with results reported here. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

imply that economic hardship increases turnout and far-left support, while lowering the attraction of far-right and populist ideas. A 10 p.p. increase in the (instrumented) unemployment rate results in a 2 p.p. increase in turnout, and a 4.5 p.p. increase in far-left support; it also lowers the vote shares for the extreme right and populists by under 2 p.p. and 3.5 p.p., respectively.

Overall, our estimates suggest that the effects of debtor distress and of economic hardship operate differently across the political spectrum: Rising unemployment (thanks to pre-determined factors) helps the extreme left and hurts the extreme right and populists; rising indebtedness does the opposite. Perhaps far-left constituencies believe that their (traditional) party can help with unemployment, but does not offer the answer to debtor

distress—a social issue of a new type that is best dealt with by new parties on the far-right and populist end of the spectrum, in line with the findings of Gyöngyösi and Verner (2022) analysis of a financial crisis in Hungary. Unlike in Hungary, however, in the Czech case it is not clear that the far right advocated aggressively for debt relief and was rewarded with support from voters facing debtor distress. Worsening economic conditions increase voter turnout, perhaps because voters believe the issue can be tackled by policy, but higher debtor distress makes voters less active, possibly due to loss of trust in (traditional) institutions (as in Boeri et al., 2018).

Heterogeneity To better understand the mechanism behind our baseline estimates, we ask whether the effect of distress on voting patterns differs across the parts of the country that were least and most affected by the rise in indebtedness: We divide municipalities into quartiles based on the level of debtor distress and estimate Equation 3 separately for the lowest and the highest quartiles, i.e., without much of the variation exploited in Table 6. Estimates presented in Appendix Tables A11 and A12 suggest that the effect of distress on the extreme-right and populist vote is strong within municipalities that face only low levels of debtor distress. In contrast, debtor distress depresses turnout within the high-distress sub-sample, where the effects of economic hardship are also strong. A negative effect of distress on the extreme-left vote can be detected within both subsamples. Separating the highly indebted borderlands from the richer Czech main lands paints a similar picture (in Appendix Tables A13 and A14) in that the effects of distress on the far-right and populist support are found within the Czech main lands, but not in *Sudetenland*. The effects of distress on far-left vote and turnout appear similar in the two areas that make up the Czech Republic, but, again, economic hardship drives voting outcomes more in the poorer high-unemployment borderlands. One explanation for this set of findings is that the effect of distress on far-right support in low-distress more affluent areas is driven not by the (relatively few) in debtor distress, but by their ‘neighbors’, while variation in debtor distress is not “news” within *Sudetenland* where social issues (social exclusion, high school dropout rates and unemployment) have been present for decades.³⁶

³⁶This interpretation is supported by the cross-sectional individual-level evidence presented above. Further, the total vote for SPD outside of *Sudetenland* is close to the total number of those in debtor distress in the Czech main lands, while it is unlikely that all in distress would vote, and all for one party.

Vote Shifting The negative effect of distress on the Communists (Table 6) operates through their voters failing to turn out (vote) and/or shifting from far-left to far-right and populist parties. To decompose the drop in support for the extreme left, we re-estimate Equation 3 for the Communists, as we additionally control for several interactions of debtor distress. The effect of distress on the Communist vote does not differ by the amount of decline in turnout (see the interaction term “*Debtor distress* \times *Turnout*” in Table 7). The drop in Communist support therefore does not operate through the turnout “voter resignation” channel. Rather, the decrease in support for the extreme left due to distress is more pronounced in municipalities where voting for the extreme right and populists improved the most (columns no. 2 and 3 in Table 7), suggesting that Communist voters facing rising local indebtedness shifted towards the extreme right and populist parties.³⁷

Robustness One concern about our baseline findings could be that the 2002 elections, our starting point in the 2017-2002 difference-in-differences comparison, may be anomalous. We therefore alternatively use the 1998 and 2006 parliamentary elections to form the starting point of the comparison. The corresponding estimates presented in Appendix Table A16 are similar in size and pattern to our baseline findings. Next, we ask whether debtor distress led to a loss of faith in all traditional political parties, not just the far-left.³⁸ Appendix Table A17 shows difference-in-differences estimates implying that the rise in indebtedness had by far the largest negative effect on the Communist party, with some traditional parties not affected by, or even benefiting from, the indebtedness crisis. Next, we assess our baseline inference (clustering) strategy, which is based on administrative geographical units (77 districts). To account for possible spatial linkages of municipalities that do not correspond to administrative boundaries, we follow a strategy proposed by Colella et al. (2019): We re-estimate our baseline specifications with arbitrary spatial correlation corrections of inference based on a 50 km municipality-pair-distance cutoff.³⁹

³⁷This is in line with the idea that demand for protection increases as voters realize that effective redistribution policies are not feasible (Colantone and Stanig, 2018).

³⁸We consider the following parties to be traditional: Communists (founded in 1921), ČSSD (mainstream left social democrats, founded in 1878), ODS (mainstream right civic democrats, founded in 1991), and KDU-ČSL (mainstream right christian democrats, founded in 1919).

³⁹The average Czech district surface is 1,031 km^2 . The surface of 50 km radius is about 7,850 km^2 .

Table 7: Decomposition of Change (Δ) in Parliamentary-Election Vote Share for the Extreme Left, 2002-2017
(Standardized Coeff.)

	Extreme Left	Extreme Left	Extreme Left
Δ Debtor Distress	-0.348*** (0.05)	-0.287*** (0.08)	-0.034 (0.14)
Δ Turnout	0.057** (0.03)	0.055** (0.03)	0.062** (0.02)
Δ Extreme Right		-0.202*** (0.06)	
Δ Populists			-0.209*** (0.03)
Δ Debtor distress \times Δ Turnout	0.181 (0.38)	0.184 (0.39)	0.117 (0.36)
Δ Debtor distress \times Δ Extreme Right		-0.349 (0.69)	
Δ Debtor distress \times Δ Populists			-0.571* (0.30)
Observations	6,075	6,075	6,075
Adjusted R^2	0.081	0.102	0.161
Mean of dep. var.	-0.120	-0.120	-0.120

Note: The table presents standardized coefficients from regressions where the dependent variables are 2002-2017 differences in the vote share of the extreme left (KSČM). The independent variable Δ *Debtor distress* is the share of people served at least one distress warrant in a municipality, differences (Δ) in turnout and support for the extreme right and populists as well as their interactions. The regressions control for 2001-2011 changes in age, education, labor force status, and total population on the municipal level. See Appendix Table A15 for regular coefficients with county-level clustered inference, which is qualitatively consistent with results reported here. Heteroscedasticity-robust standard errors in parentheses. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

The resulting estimates differ little from our baseline findings.⁴⁰ Our final robustness check considers how we control for economic hardship. We have approximated economic hardship by unemployment rates. We now alternatively use employment rates. Shadow-economy employment of workers in debtor distress may affect the two measures of economic conditions differently. We thus replicate Table 6, including the Bartik IV strategy, using employment rates in place of unemployment rates. Appendix Table A18 shows the findings. The results are similar regardless of whether we use employment or unemployment rates.

⁴⁰Out of the 160 statistically significant coefficients from tables with regular coefficients we present, only 7 lose their statistical significance and this dominantly affects coefficients on control variables.

6 Conclusions

The unique, deregulation-driven nature of the recent Czech rise in debtor distress, which affects almost a tenth of the population, allows us to study a massive over-indebtedness crisis and separate the voting effects of debtor distress from those of economic hardship. We find these two effects to operate in opposite directions in terms of polarizing the vote. While rising debtor distress leads to stronger election performance by the (new) far-right and populists, it lowers the appeal of the (traditional) far left. Rising unemployment arising from the pre-existing industrial structure affects voting by a similar force, but in the opposite direction: it helps the far-left and hurts the far-right and populists. The far-left, which stands for the zero-unemployment Communist past, benefits from rising local unemployment in terms of its vote share, but voters turn to recently-founded populist and far-right parties when faced by a recently emerging social issue—debtor distress.

In the Czech case, municipalities where the traditional far-left Communist party enjoyed strong support were particularly affected by the rise in debtor distress, and, consequently, the party lost much of its support there. The Communist party was initially so strong in these municipalities, however, that it still enjoys somewhat above-average support in them today. Even though rising debtor distress depresses election turnout, consistent with loss of trust in institutions, the drop in the Communist vote is not primarily due to lower turnout. Our evidence thus suggests that the electoral losses of the far-left translated into votes for populists and the far-right, particularly in the more affluent low-distress areas, where there were few social issues prior to the rise in debtor distress. We also offer tantalizing evidence based on voter-level data suggesting that the right-wing and populism effects are driven by neighbors of the over-indebted in areas that would not have experienced significant debtor distress in the absence of the 2001 deregulation of consumer debt collection. While votes shift from the extreme left to extreme right, our findings suggest that mainstream, centrist parties did not lose much of their overall appeal due to the debtor-distress crisis, even though centre-left and centre-right parties jointly introduced the reform that precipitated the crisis. The recent electoral success of populism in the Czech Republic is thus unlikely to be driven by variation in the local exposure of voters to the indebtedness crisis.

References

- AKEE, R., W. COPELAND, E. J. COSTELLO, J. HOLBEIN, AND E. SIMEONOVA (2018): “Family Income and the Intergenerational Transmission of Voting Behavior: Evidence from an Income Intervention,” Working Paper 24770, NBER, Cambridge, MA.
- ALGAN, Y., S. GURIEV, E. PAPAIOANNOU, AND E. PASSARI (2017): “The European Trust Crisis and the Rise of Populism,” in *BPEA Conference Drafts*, 1–6.
- ANANYEV, M. AND S. GURIEV (2019): “Effect of income on trust: Evidence from the 2009 economic crisis in Russia,” *Economic Journal*, 129, 1082–1118.
- AUTOR, D., D. DORN, G. HANSON, AND K. MAJLESI (2020): “Importing political polarization? The electoral consequences of rising trade exposure,” *American Economic Review*, 110.
- BARTOŠ, V., M. BAUER, J. CAHLÍKOVÁ, AND J. CHYTILOVÁ (2022): “Communicating doctors’ consensus persistently increases COVID-19 vaccinations,” *Nature*, 606, 542–549.
- BHATIA, K. AND H. GHANEM (2017): “How do Education and Unemployment Affect Support for Violent Extremism? Evidence from Eight Arab Countries,” *Global Economy and Development*, 1–41.
- BOČEK, J., P. KOČÍ, AND M. ZLATKOVSKÝ (2019): “Zkušenost s exekucí přiznává 16 procent Čechů, říká sociolog Prokop. Ukazují to unikátní data z výzkumu,” *iROZHLAS*, Prague.
- BOERI, T., P. MISHRA, C. PAPAGEORGIOU, AND A. SPILIMBERGO (2018): “A Dialogue between a Populist and an Economist,” *CEPR Discussion Paper 12763*, 20011.
- ČADA, K., D. BÜCHLEROVÁ, Z. KORECKÁ, AND T. SAMEC (2015): “Analýza sociálně vyloučených lokalit v ČR,” Tech. rep., GAC spol. s r. o., Prague.
- CARRELL, S. AND J. ZINMAN (2014): “In harm’s way? Payday loan access and military personnel performance,” *Review of Financial Studies*, 27, 2805–2840.

- CARTER, S. P. AND W. SKIMMYHORN (2017): “Much ado about nothing? New evidence on the effects of payday lending on military members,” *Review of Economics and Statistics*, 99, 606–621.
- CASKEY, J. (2012): “Payday Lending: New Research and the Big Question,” *SSRN Electronic Journal*.
- CIBULKA, J. (2019): “Kolik lidí je u vás v exekuci? Komora požaduje za detailní data desetitisíce, spustila vlastní projekt,” iROZHLAS, Prague.
- CIVIC CONSULTING OF THE CONSUMER POLICY EVALUATION CONSORTIUM (2013): “The over-indebtedness of European households: updated mapping of the situation, nature and causes, effects and initiatives for alleviating its impact – Part 1: Synthesis of findings,” Tech. rep., Directorate General Health and Consumers (DG SANCO).
- COLANTONE, I. AND P. STANIG (2018): “The Trade Origins of Economic Nationalism: Import Competition and Voting Behavior in Western Europe,” *American Journal of Political Science*, 62, 936–953.
- COLELLA, F., R. LALIVE, S. O. SAKALLI, AND M. THOENIG (2019): “Inference with arbitrary clustering,” Working Paper 12584, IZA, Bonn, Germany.
- DEHDARI, S. (2018): “Economic Distress and Support for Far-Right Parties - Evidence from Sweden,” *SSRN Electronic Journal*.
- DIPPEL, C., R. GOLD, S. HEBLICH, AND R. R. PINTO (2021): “Instrumental Variables and Causal Mechanisms: Unpacking the Effect of Trade on Workers and Voters,” *SSRN Electronic Journal*.
- DOERR, S., S. GISSLER, J. L. PEYDRÓ, AND H.-J. VOTH (2022): “Financial Crises and Political Radicalization: How Failing Banks Paved Hitler’s Path to Power,” *Journal of Finance*, 77, 3339–3372.
- EDO, A., Y. GIESING, J. ÖZTUNC, AND P. POUTVAARA (2019): “Immigration and electoral support for the far-left and the far-right,” *European Economic Review*, 115.

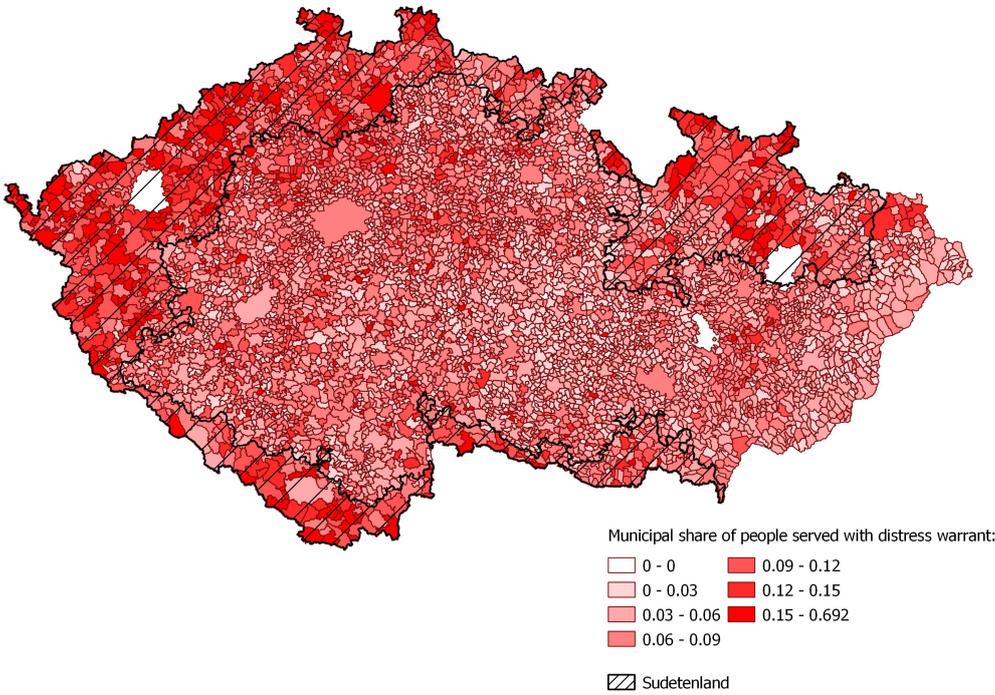
- FONDEVILLE, N., E. OZDEMIR, AND T. WARD (2010): “Over-indebtedness: New evidence from the EU-SILC special module,” Tech. Rep. 4, European Commission.
- GOLDSMITH-PINKHAM, P., I. SORKIN, AND H. SWIFT (2020): “Bartik Instruments: What, When, Why, and How,” *American Economic Review*, 110, 2586–2624.
- GROSSMANN, J., Š. JURAJDA, AND F. ROESEL (2022): “Forced Migration , Staying Minorities , and New Societies : Evidence from Post-War Czechoslovakia,” *American Journal of Political Science (In Press)*.
- GUZI, M., P. HUBER, AND ŠTEPÁN MIKULA (2021): “Old Sins Cast Long Shadows: The Long-Term Impact of the Resettlement of the Sudetenland on Residential Migration,” *SSRN Electronic Journal*.
- GYÖNGYÖSI, G. AND E. VERNER (2022): “Financial Crisis, Creditor-Debtor Conflict , and Populism,” *The Journal of Finance*, 0, 1–53.
- HALLA, M., A. F. WAGNER, AND J. ZWEIMÜLLER (2017): “Immigration and voting for the far right,” *Journal of the European Economic Association*, 15.
- HENLEY, J. (2018): “How populism Emerged as an Electoral Force in Europe,” *the Guardian*.
- JUNGKUNZ, S. AND P. MARX (2022): “Income changes do not influence political involvement in panel data from six countries,” *European journal of political research*, 61, 829–841.
- LAVER, M. (2014): “Measuring Policy Positions in Political Space,” *Annual Review of Political Science*, 17, 207–223.
- LEVI, E., I. SIN, AND S. STILLMAN (2021): “Understanding the origins of populist political parties and the role of external shocks,” Working Paper 14314, IZA, Bonn, Germany.
- LONSKY, J. (2021): “Does immigration decrease far-right popularity? Evidence from Finnish municipalities,” *Journal of Population Economics*, 34.

- MEDIAN (2018): “Prezidentský panel 2018: Odhad účasti a podpory kandidátů ve skupinách voličů,” Report, Median, Prague.
- MELZER, B. T. (2011): “The real costs of credit access: Evidence from the payday lending market,” *Quarterly Journal of Economics*, 126, 517–555.
- MINISTRY OF THE INTERIOR OF THE CZECH REPUBLIC (2019): “Report on Extremism and Hatred in the Czech Republic in 2018,” Tech. rep., Ministry of the Interior of the Czech Republic, Prague.
- MPSV (2019): “Předluženost a exekuce českých domácností a jejich dopady na bydlení,” Tech. rep., Ministry of Labor and Social Affairs, Prague.
- MUGHAN, A., C. BEAN, AND I. MCALLISTER (2003): “Economic globalization, job insecurity and the populist reaction,” *Electoral Studies*, 22, 617–633.
- NAXERA, V. AND P. KRČÁL (2020): “„Ostrovy deviace“ v populistické rétorice Miloše Zemana,” *Sociológia - Slovak Sociological Review*, 52, 82–99.
- NEPPL, T. K., J. M. SENIA, AND M. B. DONNELLAN (2016): “Effects of economic hardship: Testing the Family Stress Model over time,” *Journal of Family Psychology*, 30, 12–21.
- OŠŤÁDALOVÁ, Š., K. KŇAPOVÁ, AND T. DVOŘÁKOVÁ (2017): “Systémy a formy oddlužení v Evropě Systémy a formy oddlužení v Evropě,” Tech. rep., Prague.
- PROKOP, D., V. BARTOS, M. BAUER, J. CAHLIKOVA, J. CHYTILOVA, M. KUDRNÁČOVÁ, L. MARKOVÁ, E. DVOŘÁKOVÁ, AND T. HOVORKA (2021): “Life during the pandemic: Longitudinal data set from the Czech Republic.” Dataset, PAQ Research, Prague, Czech Republic, <https://zivotbehempandemie.cz>.
- ROODUIJN, M., S. VAN KESSEL, C. FROIO, A. PIRRO, D. DE LANGE, S. HALIKIOPOULOU, P. LEWIS, C. MUDDE, AND P. TAGGART (2019): “The PopuList: An Overview of Populist, Far Right, Far Left and Eurosceptic Parties in Europe.” www.popu-list.org.

- ROUS, Z., B. DRBOHLAVOVÁ, Z. TION LEŠTINOVÁ, J. ČERNÝ, AND V. MRAVČÍK (2015): “Municipalities and the Regulation of the Gambling Market in the Czech Republic,” *Adiktologie*, 15, 388–398.
- SIEDLER, T. (2006): “Family and Politics: Does Parental Unemployment Cause Right-Wing Extremism?” Working Paper 2411, IZA, Bonn, Germany.
- STEININGER, M. AND R. ROTTE (2009): “Crime, unemployment, and xenophobia?” *Jahrbuch für Regionalwissenschaft*, 29, 29–63.
- STOCK, J. H. AND M. YOGO (2005): “Testing for weak instruments in Linear Iv regression,” *Identification and Inference for Econometric Models: Essays in Honor of Thomas Rothenberg*.
- SZÉNÁSSY, E., K. KŇAPOVÁ, AND T. DVOŘÁKOVÁ (2017): “Jak zůstat člověkem v síti dluhů,” Tech. rep., Prague.
- TESTA, P. A. (2021): “The Economic Legacy of Expulsion: Lessons from Post-War Czechoslovakia,” *The Economic Journal*, 131.
- UHLOVÁ, S. (2018): “Systém exekucí podlomil víru zadlužených Čechů ve spravedlnost,” *Deník Alarm*, Prague.
- VÉRTEŠI, M. AND L. KOPEČEK (2021): “Nastolování politických témat a ovlivňování mediální agendy prezidentem Milošem Zemanem: Čínské investice, podpora Izraele a sankce proti Rusku.” *Acta Politologica*, 13, 46–66.
- WIEDEMANN, A. (2021): “The Thinning of Social Ties: Electoral Consequences of Indebtedness under Austerity,” *SSRN Electronic Journal*.
- WILLIAMS, D. T., J. E. CHEADLE, AND B. J. GOOSBY (2015): “Hard Times and Heart Break: Linking Economic Hardship and Relationship Distress.” *Journal of Family Issues*, 36, 924–950.
- ZIOLKOWSKI, S. (2018): “The World Count of Gaming Machines 2017,” Tech. rep., Gaming Technologies Association.

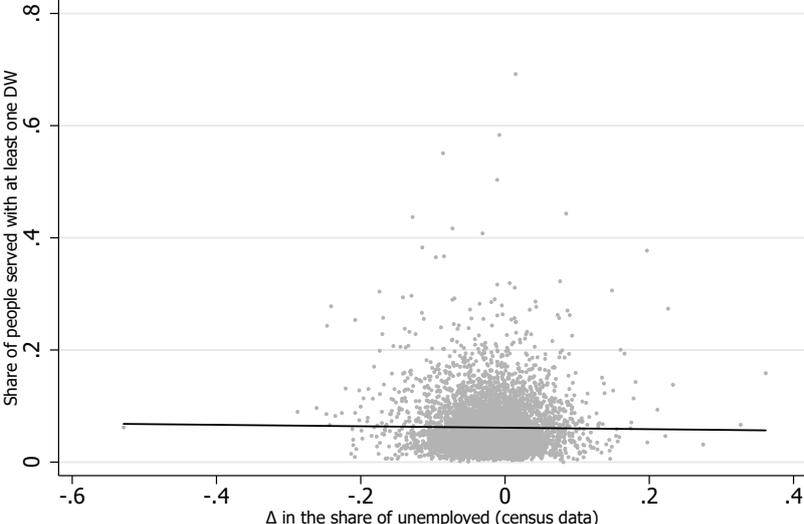
A1 Graphs

Figure A1: 2017 Spatial Distribution of Distress Warrants



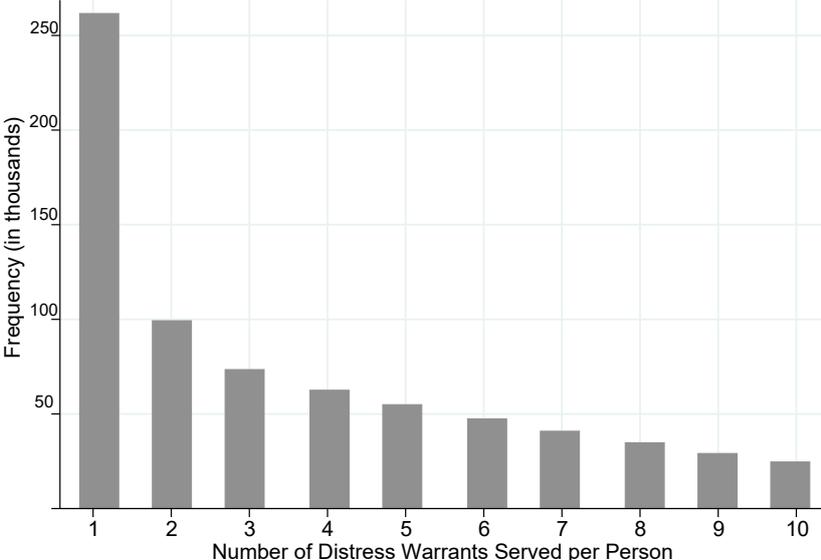
Note: The map shows the share of municipality-level population shares of inhabitants served with at least one distress warrant as of 2017. The three large white regions are military areas with no population. Hatched regions are former Sudetenland regions.

Figure A2: Changes in the Municipality Population Share of Unemployed, 2011-2001, and the Share Served a Distress Warrant (DW), 2017



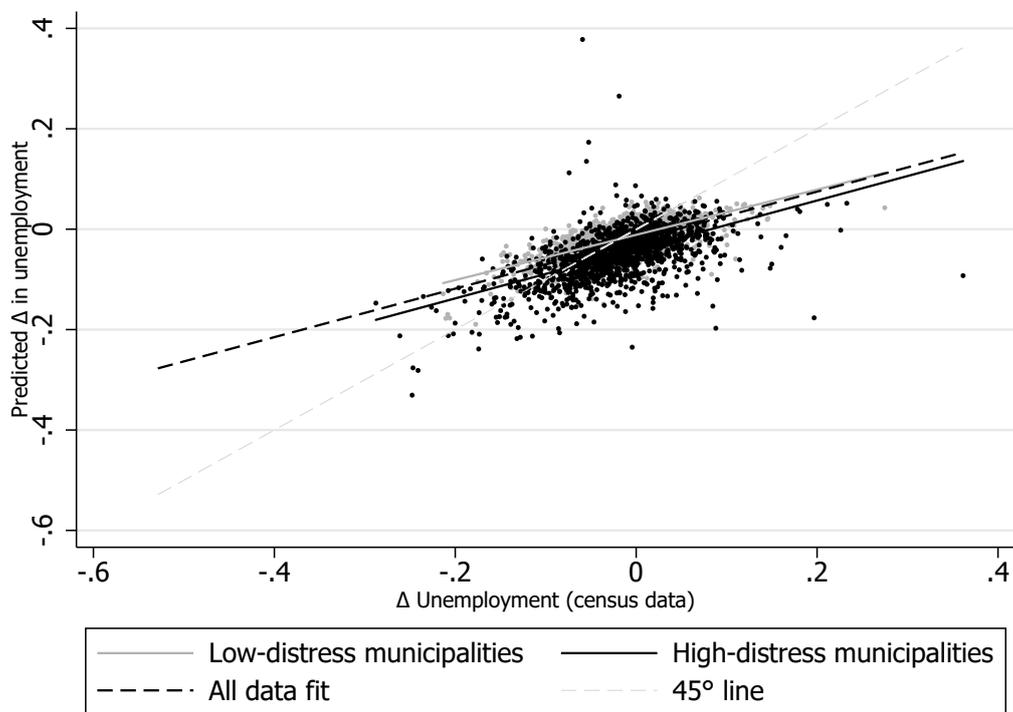
Note: The figure shows differences in the share of unemployed between 2011 and 2001 and the share of population served with at least one distress warrant as of 2017 (there were essentially no distress warrants as of 2001). The units of observation are Czech municipalities. The line corresponds to fitted values.

Figure A3: Multiplicity of Distress Warrants Served



Note: The graph shows the multiplicity of distress warrants served based on individual administrative data as of 2017. The x-axis indicates the number of distress warrants served, and the y-axis counts the incidence in the population.

Figure A4: Changes in Unemployment, Census vs. Predicted Values



Note: The figure shows differences in predicted and actual unemployment rates between 2001-2011. The light-grey color represents municipalities with low (first-quartile) debtor distress. The black color indicates municipalities with a high (top quartile) share of people that have been served a distress warrant.

A2 Additional Tables

Table A1: Municipality Distribution of Distress-Warrants Coverage within Municipalities

Multiplicity	obs.	mean	st.dev	Percentiles								
				1%	5%	10%	25%	50%	75%	90%	95%	99%
=> 1	6.143	6.2	4.8	0.7	1.4	2.0	3.2	5.0	7.8	11.8	14.9	24.3
=> 3	6.143	3.1	2.6	0.0	0.5	0.8	1.5	2.5	4.0	6.1	7.7	12.5
=> 10	6.143	0.8	0.8	0.0	0.0	0.0	0.3	0.6	1.1	1.7	2.3	3.8

Note: The table shows statistics of the municipality distribution of the share of municipality population with i) at least one distress warrants in the first row, ii) at least three distress warrants in the second row, and iii) at least ten distress warrants in the third row. The stated numbers are given in %.

Table A2: Czech Parliamentary Election Results 2002, 2017**Parliamentary Election 2017**

Party Name (Czech)	Party Name (English)	Votes	
		Count	%
ANO 2011	YES 2011	1,500,113	29.64
Občanská demokratická strana	Civic Democratic Party	572,948	11.32
Česká pirátská strana	Czech Pirate Party	546,393	10.79
Svoboda a přímá demokracie	Freedom and Direct Democracy	538,574	10.64
Komunistická strana Čech a Moravy	Communist Party of Bohemia and Moravia	393,100	7.76
Česká strana sociálně demokratická	Czech Social Democratic Party	368,347	7.27
Křesťanská a demokratická unie	Christian and Democratic Union	293,643	5.8
TOP 09	Tradition, Responsibility, Prosperity 09	268,811	5.31
Starostové a nezávislí	Mayors and Independents	262,157	5.18
Strana svobodných občanů	Free Citizens Party	79,229	1.56
Strana zelených	Green Party	74,335	1.46
Strana zdravého rozumu	Common Sense Party	36,528	0.72
Realisté	Realists	35,995	0.71

Parliamentary Election 2002

Party Name (Czech)	Party Name (English)	Votes	
		Count	%
Česká strana sociálně demokratická	Czech Social Democratic Party	1,440,279	30.2
Občanská demokratická strana	Civic Democratic Party	1,166,975	24.47
Komunistická strana Čech a Moravy	Communist Party of Bohemia and Moravia	882,653	18.51
Čtyřkoalice	Coalition of Four	680,671	14.21
Sdružení nezávislých	Independents	132,699	2.78
Strana zelených	Green Party	112,929	2.36
Republikáni Miroslava Sládka	Republicans of Miroslav Sládek	46,325	0.97
Strana venkova	Country Side Party	41,773	0.87
Strana za životní jistoty	Party for Life Insurance	41,404	0.86
Česká strana národně sociální	Czech National Social Party	38,655	0.81
Naděje	Hope	29,955	0.62
Pravý blok	Right Bloc	28,163	0.59
Občanská demokratická aliance	Civic Democratic Alliance	24,278	0.5

Table A3: Summary Statistics
(Changes Over Time)

	count	mean	sd	min	p50	max
Δ Debtor Distress	6,142	0.062	0.048	0.000	0.050	0.692
Δ Unemployment	6,137	-0.018	0.053	-0.551	-0.017	0.361
Δ Turnout	6,241	-0.003	0.075	-0.395	0.003	0.460
Δ Extreme Left	6,172	-0.120	0.070	-0.553	-0.114	0.177
Δ Extreme Right	6,185	0.100	0.047	-0.450	0.098	0.411
Δ Populists	6,185	0.411	0.085	-0.038	0.412	0.760
Δ Educ: Elementary	6,137	-0.063	0.042	-0.434	-0.058	0.246
Δ Educ: Apprenticeship	6,137	-0.024	0.044	-0.283	-0.022	0.216
Δ Educ: Secondary	6,137	0.049	0.031	-0.200	0.047	0.238
Δ Educ: University	6,137	0.028	0.021	-0.229	0.025	0.192
Δ Age gr.: <6	6,137	0.010	0.025	-0.115	0.009	0.163
Δ Age gr.: 6-18	6,137	-0.031	0.037	-0.217	-0.033	0.267
Δ Age gr.: 19-29	6,137	-0.044	0.041	-0.273	-0.044	0.189
Δ Age gr.: 30-39	6,137	0.032	0.043	-0.211	0.030	0.273
Δ Age gr.: 40-49	6,137	-0.001	0.040	-0.214	-0.001	0.256
Δ Age gr.: 50-59	6,137	-0.006	0.043	-0.283	-0.006	0.257
Δ Age gr.: 60-69	6,137	0.039	0.039	-0.183	0.039	0.290
Δ Age gr.: >69	6,137	-0.000	0.035	-0.398	0.003	0.284
%Δ Population	6,137	0.086	0.323	-0.547	0.034	12.933

Note: The table shows the summary statistics of 2002-2017 election results and 2001-2011 census differences.

Table A4: Parliamentary-Election Vote Shares, 2017
(Regular Coefficients)

	Turnout	Extreme Left	Extreme Right	Populist
Debtor distress	-0.265*** (0.03)	0.058*** (0.02)	0.064*** (0.02)	0.078** (0.04)
Sudetenland	-0.014*** (0.00)	0.003 (0.00)	0.008*** (0.00)	0.022*** (0.01)
Unemployment	-0.014 (0.03)	0.110*** (0.02)	0.028 (0.02)	-0.004 (0.04)
Population	-0.003*** (0.00)	-0.000 (0.00)	0.000** (0.00)	0.001*** (0.00)
Population sq.	0.000*** (0.00)	0.000 (0.00)	-0.000** (0.00)	-0.000*** (0.00)
Educ.: Below 15 y.o.	0.025 (0.05)	-0.177*** (0.03)	0.054* (0.03)	0.009 (0.05)
Educ:Secondary	0.155*** (0.04)	0.029 (0.02)	0.039* (0.02)	0.213*** (0.05)
Educ: Apprenticeship	0.354*** (0.04)	-0.169*** (0.02)	-0.046** (0.02)	-0.056 (0.05)
Educ: University	0.677*** (0.04)	-0.246*** (0.03)	-0.193*** (0.03)	-0.553*** (0.07)
Educ: Unknown	0.044 (0.05)	-0.031 (0.03)	0.032 (0.03)	0.017 (0.06)
Assistance in material need	-0.373*** (0.08)	0.033 (0.04)	0.020 (0.04)	0.141** (0.07)
Housing benefits	-0.210 (0.15)	-0.014 (0.08)	0.111 (0.09)	-0.041 (0.12)
Gambling rooms	-0.180*** (0.03)	0.004 (0.01)	0.006 (0.01)	0.005 (0.03)
Gambling rooms sq.	0.142*** (0.03)	-0.004 (0.01)	0.003 (0.01)	0.017 (0.02)
Big city (dist.)	0.001 (0.00)	-0.001 (0.00)	-0.001** (0.00)	-0.003** (0.00)
Constant	0.492*** (0.03)	0.164*** (0.02)	0.101*** (0.01)	0.368*** (0.03)
Region	Yes	Yes	Yes	Yes
Observations	6,140	6,089	6,089	6,089
Adjusted R^2	0.431	0.239	0.188	0.275
Mean of dep. var.	0.640	0.096	0.112	0.422

Note: The table shows regular coefficients from Equation 2 with 12 region fixed effects where the dependent variables are turnout and vote shares of the extreme left (KSCM), extreme right (SPD), and populists (ANO, SPD). The independent variable of interest is the municipality population share served at least one distress warrant. Municipality-level controls are location in the former *Sudetenland*, 2011 unemployment, population, and educational structure (share with the highest education attained: elementary, apprenticeship, high school, tertiary), share of people receiving social benefits (assistance in material need and housing benefits), total population. Robust standard errors clustered at the county (77 units) level are in parentheses. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A5: Parliamentary-Election Vote Shares, 2017
(Regular Coefficients, Multiplicity of Distress Warrants)

	Turnout	Extreme Left	Extreme Right	Populist
>= 1 Distress Warrant	-0.265*** (0.03)	0.058*** (0.02)	0.064*** (0.02)	0.078** (0.04)
>= 3 Distress Warrants	-0.528*** (0.06)	0.123*** (0.04)	0.093** (0.04)	0.151** (0.06)
>= 10 Distress Warrants	-1.244*** (0.12)	0.113 (0.12)	0.189* (0.10)	0.295* (0.17)
Observations	6,140	6,089	6,089	6,089

Note: The table shows regular β coefficients from Equation 2 with 12 region fixed effects where the dependent variables are turnout and vote shares of the extreme left (KSČM), extreme right (SPD), and populists (ANO, SPD). The independent variable of interest (debtor distress) is measured as the share of people with at least one distress warrant (DW) served in the first, at least 3 DWs served in the second, and at least 10 DWs in the third line. Municipality-level controls are location in the former *Sudetenland*, 2011 unemployment, population, and educational structure (share with the highest education attained: elementary, apprenticeship, high school, tertiary), share of people receiving social benefits (assistance in material need and housing benefits), total population. Heteroscedasticity-robust standard errors clustered at the county (77 units) level are in parentheses. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A6: Parliamentary-Election Vote Shares, 2017
(Regular Coefficients, Former Sudetenland)

	Turnout	Extreme Left	Extreme Right	Populist
Debtor distress	-0.226*** (0.05)	-0.023 (0.03)	-0.028 (0.03)	-0.119** (0.05)
Unemployment	-0.002 (0.05)	0.077 (0.05)	0.020 (0.03)	-0.080 (0.06)
Population	-0.007*** (0.00)	0.000 (0.00)	0.000 (0.00)	0.003*** (0.00)
Population sq.	0.000*** (0.00)	-0.000 (0.00)	-0.000 (0.00)	-0.000*** (0.00)
Educ.: Below 15 y.o.	0.036 (0.11)	-0.212*** (0.06)	0.020 (0.06)	0.156 (0.13)
Educ:Secondary	0.117 (0.10)	0.013 (0.06)	0.014 (0.06)	0.201* (0.11)
Educ: Apprenticeship	0.610*** (0.08)	-0.251*** (0.06)	-0.056 (0.04)	-0.234** (0.11)
Educ: University	0.852*** (0.11)	-0.433*** (0.08)	-0.293*** (0.09)	-0.779*** (0.17)
Educ: Unknown	0.168 (0.10)	-0.083 (0.05)	-0.020 (0.07)	-0.179 (0.12)
Assistance in material need	-0.235** (0.11)	-0.024 (0.05)	0.081 (0.05)	0.253** (0.10)
Housing benefits	-0.137 (0.18)	0.068 (0.12)	0.026 (0.12)	-0.263 (0.17)
Gambling rooms	-0.136*** (0.03)	0.002 (0.03)	0.002 (0.02)	0.007 (0.05)
Gambling rooms sq.	0.116*** (0.02)	0.017 (0.03)	0.021 (0.02)	0.008 (0.04)
Big city (dist.)	0.000 (0.00)	0.001 (0.00)	-0.001 (0.00)	0.003 (0.00)
Constant	0.410*** (0.07)	0.211*** (0.04)	0.132*** (0.04)	0.412*** (0.07)
Region	Yes	Yes	Yes	Yes
Observations	1,144	1,137	1,137	1,137
Adjusted R^2	0.528	0.298	0.128	0.302
Mean of dep. var.	0.578	0.110	0.131	0.475

Note: The table shows regular coefficients from Equation 2 with 12 region fixed effects where the dependent variables are turnout and vote shares of the extreme left (KSČM), extreme right (SPD), and populists (ANO, SPD). The independent variable of interest is the municipality population share served at least one distress warrant. Municipality-level controls are 2011 unemployment, population, and educational structure (share with the highest education attained: elementary, apprenticeship, high school, tertiary), share of people receiving social benefits (assistance in material need and housing benefits), total population. Heteroscedasticity-robust standard errors clustered at the county (39 units) level are in parentheses. The coefficients are estimated using municipalities located in the former *Sudetenland*. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A7: Parliamentary-Election Vote Shares, 2017
(Regular Coefficients, Czech Main Lands)

	Turnout	Extreme Left	Extreme Right	Populist
Debtor distress	-0.261*** (0.04)	0.085*** (0.02)	0.109*** (0.03)	0.168*** (0.05)
Unemployment	-0.021 (0.03)	0.110*** (0.02)	0.030 (0.03)	0.006 (0.04)
Population	-0.002*** (0.00)	0.000 (0.00)	0.000* (0.00)	0.001*** (0.00)
Population sq.	0.000*** (0.00)	-0.000 (0.00)	-0.000* (0.00)	-0.000*** (0.00)
Educ.: Below 15 y.o.	0.029 (0.05)	-0.172*** (0.03)	0.063** (0.03)	-0.013 (0.06)
Educ:Secondary	0.143*** (0.04)	0.036 (0.02)	0.043* (0.02)	0.229*** (0.05)
Educ: Apprenticeship	0.277*** (0.04)	-0.139*** (0.02)	-0.041** (0.02)	0.003 (0.05)
Educ: University	0.632*** (0.05)	-0.217*** (0.03)	-0.181*** (0.03)	-0.519*** (0.08)
Educ: Unknown	-0.011 (0.06)	-0.013 (0.04)	0.052 (0.03)	0.103 (0.07)
Assistance in material need	-0.462*** (0.11)	0.058 (0.05)	0.004 (0.06)	0.080 (0.08)
Housing benefits	-0.359** (0.18)	0.011 (0.11)	0.219 (0.13)	0.249 (0.16)
Gambling rooms	-0.197*** (0.03)	-0.007 (0.02)	0.002 (0.01)	0.014 (0.04)
Gambling rooms sq.	0.140*** (0.04)	-0.004 (0.01)	-0.001 (0.02)	0.021 (0.02)
Big city (dist.)	0.001 (0.00)	-0.001 (0.00)	-0.002* (0.00)	-0.004** (0.00)
Constant	0.525*** (0.03)	0.152*** (0.02)	0.095*** (0.02)	0.348*** (0.03)
Region	Yes	Yes	Yes	Yes
Observations	4,996	4,952	4,952	4,952
Adjusted R^2	0.302	0.216	0.166	0.203
Mean of dep. var.	0.652	0.092	0.108	0.411

Note: The table shows regular coefficients from Equation 2 with 12 region fixed effects where the dependent variables are turnout and vote shares of the extreme left (KSČM), extreme right (SPD), and populists (ANO, SPD). The independent variable of interest is the municipality population share served at least one distress warrant. Municipality-level controls are 2011 unemployment, population, and educational structure (share with the highest education attained: elementary, apprenticeship, high school, tertiary), share of people receiving social benefits (assistance in material need and housing benefits), total population. Heteroscedasticity-robust standard errors clustered at the county (66 units) level are in parentheses. The coefficients are estimated using municipalities located outside of the former *Sudetenland*. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A8: Presidential-Election Vote Share, 2018
(1st round, Regular Coeff.)

	Turnout	Zeman
Debtor distress	-0.279*** (0.04)	0.110*** (0.03)
Observations	6,140	6,140
Adjusted R^2	0.471	0.443
Mean of dep. var.	0.656	0.430

Note: The table shows regular β coefficients from Equation 2 where the dependent variables are turnout and vote share of M.Zeman. The independent variable of interest is the municipality population share served at least one distress warrant. Municipality-level controls are location in the former *Sudetenland*, 2011 unemployment, population, and educational structure (share with the highest education attained: elementary, apprenticeship, high school, tertiary), share of people receiving social benefits (assistance in material need and housing benefits), total population, and region fixed effects. Heteroscedasticity-robust standard errors clustered at the county (77 units) level are in parentheses. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A9: 2017 Parliamentary Elections - Individual Voting
(Full, Sudetenland and Czech Main Lands subsamples, Regular Coeff.)

	Turnout	Extreme Left	Extreme Right	Populists
<i>Full sample (N=2,044):</i>				
Individual deb. dist.	-0.085*** (0.03)	-0.018 (0.01)	0.012 (0.03)	0.004 (0.03)
Municipal deb. dist.	0.309 (0.27)	0.250* (0.14)	0.215 (0.23)	0.540 (0.33)
<i>Sudetenland (N=436):</i>				
Individual deb. dist.	-0.188** (0.08)	-0.003 (0.04)	0.015 (0.04)	0.014 (0.07)
Municipal deb. dist.	0.409 (0.43)	0.244 (0.19)	0.063 (0.27)	0.070 (0.43)
<i>Czech main lands (N=1,608):</i>				
Individual deb. dist.	-0.051 (0.03)	-0.026* (0.01)	0.012 (0.03)	0.003 (0.03)
Municipal deb. dist.	0.464 (0.50)	0.292 (0.27)	0.835*** (0.27)	1.652*** (0.55)

Note: The table presents estimated coefficients from linear probability models estimated on a representative sample of respondents surveyed in March 2020. The dependent variable equals 1 if a person voted in the 2017 parliamentary election (col. 1), voted for the extreme left (KSČM; col. 2), the extreme right (SPD; col. 3), or populists (SPD, ANO; col.4). The independent variable *Individual deb. dist.* is equal to 1 if a member of a respondent's household had been served a distress warrant during 2018-2020, and the variable *Municipal deb. dist.* is the municipal-level (206 units) share of people served a distress warrant. The specifications control for gender, age groups, household size, highest education attained, labor force status, and household type. The coefficients in the first panel are estimated on the full sample of 2,044 respondents, the second panel is estimated on respondents from the former *Sudetenland* (436), and the third panel is based on respondents from the Czech main lands (1,608). Heteroscedasticity-robust standard errors, clustered at the municipality level in parentheses. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A10: Changes (Δ) in Parliamentary-Elections Vote Shares, 2017-2002
(Regular Coeff.)

	Turnout	Extreme Left	Extreme Right	Populists
Δ Debtor distress	-0.145*** (0.04)	-0.364*** (0.05)	0.107*** (0.02)	0.281*** (0.05)
Δ Debtor distress	-0.145*** (0.04)	-0.361*** (0.05)	0.105*** (0.02)	0.276*** (0.05)
Δ Unempl.	-0.007 (0.03)	0.049* (0.02)	-0.034* (0.02)	-0.078** (0.04)
Δ Debtor distress	-0.108*** (0.04)	-0.346*** (0.05)	0.096*** (0.02)	0.284*** (0.05)
Δ Unempl. Bartik IV	0.189*** (0.06)	0.469*** (0.08)	-0.223*** (0.05)	-0.346*** (0.09)
Observations	6,137	6,075	6,075	6,075
Mean of dep. var.	-0.003	-0.120	0.100	0.411

Note: The table presents estimated regular coefficients from the Equation 3 where the dependent variables are the 2017-2002 differences in turnout and in vote shares for the extreme left (KSČM), extreme right (SPD), and populist parties (SPD, ANO). The independent variable Δ *debtor distress* is the municipality population share served at least one distress warrant in 2017. Changes (Δ) in *economic hardship* are captured in the 2nd panel by 2001-2011 unemployment changes. These are replaced in the 3rd panel by instrumented values—we rely on the GMM estimator (Goldsmith-Pinkham et al., 2020) and use 2001 industry shares on municipal employment as instruments. Robust standard errors clustered at the county (77 units) level are in parentheses. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A11: Changes (Δ) in Parliamentary-Elections Vote Shares, 2002,2017
(Subsample of Municipalities with Low Debtor Distress, Standardized Coeff.)

	Turnout	Extreme Left	Extreme Right	Populist
Δ Debtor distress	0.007 (0.27)	-0.062** (0.22)	0.117*** (0.16)	0.115** (0.28)
Δ Debtor distress	0.007 (0.27)	-0.062** (0.22)	0.117*** (0.16)	0.115** (0.28)
Δ Unempl.	0.037 (0.04)	-0.000 (0.04)	-0.034 (0.04)	-0.073** (0.05)
Δ Debtor distress	-0.002 (0.17)	-0.064** (0.16)	0.128*** (0.16)	0.114*** (0.15)
Δ IV Unempl.	0.243*** (0.07)	0.321*** (0.06)	-0.102 (0.08)	-0.165** (0.06)
Observations	1,536	1,511	1,511	1,511

Note: The table presents estimated standardized coefficients from Equation 3 where the dependent variables are the 2017-2002 differences in turnout and in vote shares for the extreme left (KSČM), extreme right (SPD), and populist parties (SPD, ANO). The independent variable Δ *debtor distress* is the municipality population share served at least one distress warrant in 2017. Changes (Δ) in *economic hardship* are captured in the 2nd panel by 2001-2011 unemployment changes. These are replaced in the 3rd panel by instrumented values—we rely on the GMM estimator (Goldsmith-Pinkham et al., 2020) and use 2001 industry shares on municipal employment as instruments. Heteroscedasticity-robust standard errors in parentheses. The coefficients are estimated using municipalities that belong to the first quartile of *Debtor distress* distribution. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A12: Changes (Δ) in Parliamentary-Elections Vote Shares, 2002,2017
(Subsample of Municipalities with High Debtor Distress, Standardized Coeff.)

	Turnout	Extreme Left	Extreme Right	Populist
Δ Debtor distress	-0.124*** (0.05)	-0.114*** (0.05)	0.062** (0.03)	0.031 (0.04)
Δ Debtor distress	-0.124*** (0.05)	-0.113*** (0.05)	0.060* (0.03)	0.029 (0.04)
Δ Unempl.	-0.010 (0.04)	0.030 (0.04)	-0.041 (0.02)	-0.063** (0.04)
Δ Debtor distress	-0.105*** (0.03)	-0.090*** (0.03)	0.041 (0.03)	0.031 (0.02)
Δ IV Unempl.	0.120** (0.05)	0.391*** (0.06)	-0.251*** (0.05)	-0.220** (0.05)
Observations	1,533	1,533	1,533	1,533

Note: The table presents estimated standardized coefficients from Equation 3 where the dependent variables are the 2017-2002 differences in turnout and in vote shares for the extreme left (KSČM), extreme right (SPD), and populist parties (SPD, ANO). The independent variable Δ *debtor distress* is the municipality population share served at least one distress warrant in 2017. Changes (Δ) in *economic hardship* are captured in the 2nd panel by 2011-2001 unemployment changes. These are replaced in the 3rd panel by instrumented values—we rely on the GMM estimator (Goldsmith-Pinkham et al., 2020) and use 2001 industry shares on municipal employment as instruments. Heteroscedasticity-robust standard errors in parentheses. The coefficients are estimated using municipalities that belong to the fourth quartile of *Debtor distress* distribution. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A13: Changes (Δ) in Parliamentary-Elections Vote Shares, 2002,2017
(Sudetenland Subsample, Standardized Coeff.)

	Turnout	Extreme Left	Extreme Right	Populist
Δ Debtor distress	-0.114*** (0.05)	-0.193*** (0.05)	-0.008 (0.03)	0.004 (0.05)
Δ Debtor distress	-0.112*** (0.05)	-0.194*** (0.05)	-0.012 (0.03)	-0.001 (0.05)
Δ Unempl.	0.023 (0.05)	-0.013 (0.04)	-0.044 (0.03)	-0.048 (0.05)
Δ Debtor distress	-0.096*** (0.03)	-0.185*** (0.03)	-0.024 (0.03)	-0.003 (0.03)
Δ IV Unempl.	0.208*** (0.05)	0.280*** (0.07)	-0.257*** (0.05)	-0.203*** (0.06)
Observations	1,143	1,1134	1,1134	1,1134

Note: The table presents estimated standardized coefficients from the Equation 3 where the dependent variables are the 2017-2002 differences in turnout and in vote shares for the extreme left (KSČM), extreme right (SPD), and populist parties (SPD, ANO). The independent variable Δ *debtor distress* is the municipality population share served at least one distress warrant in 2017. Changes (Δ) in *economic hardship* are captured in the 2nd panel by 2011-2001 unemployment changes. These are replaced in the 3rd panel by instrumented values—we rely on the GMM estimator (Goldsmith-Pinkham et al., 2020) and use 2001 industry shares on municipal employment as instruments. Heteroscedasticity-robust standard errors in parentheses. The coefficients are estimated using municipalities located in the former *Sudetenland*. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A14: Changes (Δ) in Parliamentary-Elections Vote Shares, 2002,2017
(Czech Main Lands Subsample, Standardized Coeff.)

	Turnout	Extreme Left	Extreme Right	Populist
Δ Debtor distress	-0.089*** (0.04)	-0.107*** (0.04)	0.080*** (0.03)	0.104*** (0.04)
Δ Debtor distress	-0.089*** (0.04)	-0.107*** (0.04)	0.079*** (0.03)	0.104*** (0.04)
Δ Unempl.	-0.008 (0.03)	0.038** (0.02)	-0.033* (0.02)	-0.041** (0.03)
Δ Debtor distress	-0.064*** (0.02)	-0.113*** (0.03)	0.073*** (0.03)	0.112*** (0.02)
Δ IV Unempl.	0.117*** (0.04)	0.304*** (0.04)	-0.225*** (0.04)	-0.158*** (0.03)
Observations	4,994	4,994	4,994	4,994

Note: The table presents estimated standardized coefficients from Equation 3 where the dependent variables are the 2017-2002 differences in turnout and in vote shares for the extreme left (KSČM), extreme right (SPD), and populist parties (SPD, ANO). The independent variable Δ *debtor distress* is the municipality population share served at least one distress warrant in 2017. Changes (Δ) in *economic hardship* are captured in the 2nd panel by 2011-2001 unemployment changes. These are replaced in the 3rd panel by instrumented values—we rely on the GMM estimator (Goldsmith-Pinkham et al., 2020) and use 2001 industry shares on municipal employment as instruments. Heteroscedasticity-robust standard errors in parentheses. The coefficients are estimated using municipalities located outside of the former *Sudetenland*. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A15: Decomposition of Changes (Δ) in Parliamentary-Elections Vote Shares for the Extreme Left, 2002,2017
(Regular Coeff.)

	Extreme Left	Extreme Left	Extreme Left
Δ Debtor Distress	-0.348*** (0.05)	-0.287*** (0.08)	-0.034 (0.14)
Δ Turnout	0.057** (0.03)	0.055** (0.03)	0.062** (0.02)
Δ Extreme Right		-0.202*** (0.06)	
Δ Populists			-0.209*** (0.03)
Δ Debtor distress \times Δ Turnout	0.181 (0.38)	0.184 (0.39)	0.117 (0.36)
Δ Debtor distress \times Δ Extreme Right		-0.349 (0.69)	
Δ Debtor distress \times Δ Populists			-0.571* (0.30)
Observations	6,075	6,075	6,075
Adjusted R^2	0.081	0.102	0.161
Mean of dep. var.	-0.120	-0.120	-0.120

Note: The table presents standardized coefficients from regressions where the dependent variables are 2002-2017 differences in vote share of the extreme left (KSČM). The independent variable Δ *Debtor distress* is the share of people that have been served at least one distress warrant in a municipality, differences (Δ) in turnout and support for the extreme right and populists as well as their interactions. The regressions control for 2001-2011 changes in age, education, labor force status, and total population on the municipal level. Heteroscedasticity-robust standard errors clustered at the county (77 units) level are in parentheses. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A16: Changes (Δ) in Parliamentary-Elections Vote Shares, 1998-, 2002-, 2006-2017

(Regular Coeff.)

	Turnout	Extreme Left	Extreme Right	Populist
1998-2017 change		-0.093*** (0.02)	0.034 (0.02)	0.200*** (0.03)
2002-2017 change	-0.145*** (0.04)	-0.361*** (0.05)	0.105*** (0.02)	0.276*** (0.05)
2006-2017 change	-0.066*** (0.02)	-0.174*** (0.03)	0.142*** (0.02)	0.313*** (0.05)

Note: The table presents estimated regular β coefficients from Equation 3 where the dependent variables are 2002-2017, 2006-2017, and 1998-2017 differences in turnout, vote shares for the extreme left (KSČM), extreme right wing parties, and populist political parties. The independent variable Δ *debtor distress* is the municipality population share served at least one distress warrant in 2017. The regressions control for 2001-2011 changes in age, education, unemployment, and total population on the municipal level. Heteroscedasticity-robust standard errors clustered at the county (77 units) level are in parentheses. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

Table A17: Changes (Δ) in Parliamentary-Elections Vote Shares, 2002,2017: Traditional Parties

(Standardized Coeff.)

	Traditional parties	KSČM	ODS	ČSSD	KDU-ČSL
Debtor distress	-0.120*** (0.03)	-0.248*** (0.03)	-0.055*** (0.02)	0.010 (0.02)	0.175*** (0.02)
Observations	6,075	6,075	6,075	6,075	6,075
Adjusted R^2	0.046	0.076	0.045	0.012	0.047

Note: The table presents estimated standardized β coefficients from Equation 3 where the dependent variables are 2002-2017 differences in vote shares for both traditional political parties, including the KSČM (extreme left), ODS (moderate right), ČSSD (moderate left), KDU-ČSL (christian democrats), together and separately. The independent variable Δ *debtor distress* is the municipality population share served at least one distress warrant in 2017. The regressions control for 2001-2011 changes in age, education, unemployment, and total population on the municipal level. Heteroscedasticity-robust standard errors in parentheses. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

**Table A18: Changes (Δ) in Parliamentary-Elections Vote Shares, 2002,2017,
Employment Rates - Bartik IV**
(Standardized Coeff.)

	Turnout	Extreme Left	Extreme Right	Populist
Δ Debtor distress	-0.093*** (0.03)	-0.249*** (0.03)	0.110*** (0.02)	0.160*** (0.03)
Δ Debtor distress	-0.094*** (0.03)	-0.250*** (0.03)	0.112*** (0.02)	0.162*** (0.03)
Δ Employment	-0.015 (0.02)	-0.014 (0.02)	0.069*** (0.01)	0.056*** (0.02)
Δ Debtor distress	-0.082*** (0.02)	-0.282*** (0.02)	0.130*** (0.02)	0.187*** (0.02)
Δ Employment Bartik IV	-0.091* (0.05)	-0.550*** (0.06)	0.368*** (0.05)	0.363*** (0.05)
Observations	6,137	6,075	6,075	6,075

Note: The table shows coefficients from regressions where the dependent variables are the 2017-2002 differences in turnout and in vote shares for the extreme left (KSČM), extreme right (SPD), and populist parties (SPD, ANO). The independent variable Δ *debtor distress* is the municipality population share served at least one distress warrant in 2017. Changes (Δ) in *economic hardship* are captured in the 2nd panel by 2011-2001 employment changes. These are replaced in the 3rd panel by instrumented values—we rely on the GMM estimator (Goldsmith-Pinkham et al., 2020) and use 2001 industry shares on municipal employment as instruments. Heteroscedasticity-robust standard errors in parentheses. We exclude Prague, the capital city of the Czech Republic. Significance levels: *** 0.01, ** 0.05, * 0.1.

A3 Data Sources

Our primary data source is the Oct 2017 number of **distress warrants** issued in municipalities collected by the chamber of distrainers.⁴¹ We collected municipal-level results from the last Czech **parliamentary elections** (*October 20-21, 2017*) and **presidential elections** (*January 12-27, 2018*).⁴² We collected **municipality-specific data** from the Czech censuses of 2001 and 2011, which mainly show age structure, educational structure (the share of people with the highest education attained with values: primary, secondary, apprenticeship, or tertiary), and employment status (employed, unemployed, out of labor force, dependent persons). We collected information on the **location of municipalities** from the State Administration of Land Surveying and Cadastre (www.cuzk.cz) to compute air distances to the closest big city (we focus on the statutory and 10 most populated cities).

We collected data on the number of **slot machines** and casino buildings in each municipality as of 2010, 2013 and 2017 from the Ministry of Finance of the Czech Republic (www.mfcr.cz). We scraped and collected the position of **local branches** of the largest banks (Komerční banka (KB), Československá obchodní banka (ČSOB), Česká spořitelna (ČS), Moneta) in the Czech Republic.⁴³ Similarly, we collected information on locations of Czech Post branches, which provide financial services. Subsequently, we calculated the aerial distances from the municipalities' centroids to the closest branch.

Socially excluded locations and social benefits are based on the project “Analysis of socially excluded areas in the Czech Republic” (Analýza sociálně vyloučených lokalit v ČR, Čada et al. (2015)). We measured the share of people receiving the assistance in material need and housing benefits in a municipality as of 2014. We collected locations of **debt advisory centers** and computed distances from the municipality centroids to the closest office.⁴⁴ For additional municipality information we used the **Life in Transition Survey**

⁴¹*Exekutorská komora České republiky* (<https://www.ekcr.cz/>). Data were provided by the non-governmental organization Open Society (Otevřená Společnost) that operates a website devoted to the problem of distress warrants in the Czech Republic (www.mapaexekuci.cz).

⁴²Data were retrieved from the website of the Czech Statistical Office www.volby.cz

⁴³The location were scraped from www.kurzy.cz. Bank branch locations provided by KB, ČSOB, ČS.

⁴⁴An overview of available debt advisory centers can be found at <http://mapaexekuci.cz/index.php/protidluhova-podpora/pro-verejnost/dluhove-poradny>.

data from the 2010 and 2016 wave, and **Czech Household Panel Survey** data from 2017. Finally, we also used individual-level data from the **Life in the Pandemic** household survey (<https://zivotbehempandemie.cz/>). The sample (after weighting) replicates the composition of the 18+ population in terms of region and size of municipality of residence, gender, education, age of the respondent, work status, age \times sex, age \times education.

A4 Political Parties and Debtor Distress

This appendix describes attitudes towards debtor distress in the 2017 manifestos of KSČM (extreme left), ANO 2011 (center populist), and the SPD (extreme right).⁴⁵

KSČM:

The KSČM will *“Keep the rights of lenders and borrowers equal. Eliminate dishonest distrainers by thoughtful law application. Cancel the market with distress warrants and impose the local territoriality of distrainers.”*

ANO 2011:

“We will adjust the Code of Enforcement to make it comprehensible and to make it effective not to impoverish the poor.”

“Everyone has to pay his debts, however, it is not fair to condemn somebody to life-lasting poverty and hiding from distrainers just because he cannot handle his debts. There must be a way out of debt trap. We will extend the debt elimination to everyone who has made honest efforts to deal with indebtedness.”

“We will deal with problems related to distress warrants. We will increase undistrainable minimum salary to incentivize people to work and repay the debts so that they do not work in the shadow economy.”

SPD:

“We will enact a law that defines loan-sharking and will prepare a law that will retrospectively cancel the part of the debt based on the loan-sharing interest. We advocate the law on the territoriality of distrainers and their nationalization, which would terminate the currently inadequate business with debts.”

Czech Social Democratic Party:

“Therefore, we want to change the system of distress warrants and simplify the process of debt elimination.”

Czech Pirate Party:

“We will push for a quick solution to the situation of debtors with multiple distress warrants.”

⁴⁵The data are collected from the Manifesto project database (<https://manifesto-project.wzb.eu/>).

Working Paper Series
ISSN 2788-0443

Individual researchers, as well as the on-line version of the CERGE-EI Working Papers (including their dissemination) were supported from institutional support RVO 67985998 from Economics Institute of the CAS, v. v. i.

Specific research support and/or other grants the researchers/publications benefited from are acknowledged at the beginning of the Paper.

(c) Jakub Grossmann, Štěpán Jurajda, 2023

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical or photocopying, recording, or otherwise without the prior permission of the publisher.

Published by
Charles University, Center for Economic Research and Graduate Education (CERGE)
and
Economics Institute of the CAS, v. v. i. (EI)
CERGE-EI, Politických vězňů 7, 111 21 Prague 1, tel.: +420 224 005 153, Czech Republic.
Phone: + 420 224 005 153
Email: office@cerge-ei.cz
Web: <https://www.cerge-ei.cz/>

Editor: Byeongju Jeong

The paper is available online at <https://www.cerge-ei.cz/working-papers/>.

ISBN 978-80-7343-551-6 (Univerzita Karlova, Centrum pro ekonomický výzkum a doktorské studium)
ISBN 978-80-7344-664-2 (Národohospodářský ústav AV ČR, v. v. i.)