

Income inequalities, political instability, and the deficit bias

Description for the general public

The purpose of the proposed research project is to investigate the connection between the two economic phenomena – income inequalities and excessive accumulation of public debt, both of which are perceived to be among the most important contemporary, global economic challenges.

The scientific literature suggests that the connection between these two phenomena is not direct, but income inequalities and public debt are rather linked through intensified political conflicts over the distribution of the national income, which can result in elevated political instability, ultimately leading to higher fiscal deficits and an excessive accumulation of public debt.

Two main hypotheses of the study are the following:

- income inequalities lead to socio-political conflicts and increase political instability,
- political instability, in turn, makes it more difficult for politicians to agree on measures necessary to prevent country from accumulating too much public debt.

The principal investigator will construct a database and use statistical techniques in order to verify these two hypotheses.

Verifying abovementioned hypotheses is important because proper understanding the economic mechanisms connected to them is necessary to deal with problems of economic inequalities and excessive accumulation of public debt. Outcomes of the study are important not only from the scientific point of view but will also contribute to policy making, allowing for the implementation of more effective, evidence-based policies.