

One of the most significant political, social and economic phenomenon in recent time is the rise of populism. Populism is defined in scientific literature in two ways. First, as a policy of high government spending and extensive redistribution without considering the longer run consequences of such policies. Second, political parties are called populist if they distinguish between ‘the people’ who are virtuous and the ‘elite’ that should be opposed, and argue that the popular will is to be preferred on the basis of popular sovereignty. This research project aims at a comprehensive analysis of economic determinants and consequences of the recent rise of populism. The following specific research objectives are addressed.

1) Estimation of the short-term macroeconomic impact of populism in Poland

This part of the project will focus on quantitative assessment of macroeconomic performance of the populist government in Poland in the period 2016-2020. After winning majority of seats in Polish parliament in October 2015, the Law and Justice (Prawo i Sprawiedliwość, PiS – in Polish) party has seriously weakened liberal democratic institutions in Poland. This was accompanied by implementation of a number of policies that can be considered populist according to the economic definition. These policies include increasing state control over domestic banking system, imposing of new banking and other sectoral taxes, introduction of a very generous, universal monthly child benefit payment and others. The macroeconomic performance of the Polish economy since 2015 has in general been rather strong. The growth rate of GDP per capita over 2015-2018 averaged 4.2% per year, the unemployment level has fallen to the lowest level since 1989, while tax revenues increased considerably. The project will investigate to what extent the recent good macroeconomic outcomes in Poland result from the policies implemented by PiS.

2) The impact of income inequality on populism in Europe

The existing literature suggests that the recent rise in populism is due to a mix of economic and cultural factors. One likely determinant of populism is income inequality. The project tests the hypothesis that regional inequality in Europe has impact on support for populist parties.

3) Measuring ideological polarization in Central and Eastern Europe

According to the cultural backlash hypothesis, the major cause of the populist turn has been a reaction of more traditional citizens to the elite-driven secularization and value change from materialistic and conservative values to post-materialistic and liberal ones. This hypothesis presupposes that the distribution of cultural values and ideologies among citizens has changed in recent times and that it has become more unequal or polarized. Within this objective of this research project, we will test the hypothesis that the ideological polarization in Central and Eastern European (CEE) countries has increased over time in recent decades. Ideologies are understood as consistent sets of beliefs, values and attitudes that shape the worldviews of individuals. Polarization is defined as separation between clustered groups in the society. If confirmed, the hypothesis could provide an explanation for the contemporary rise of populism in Hungary, Poland, Czechia and other countries of the region.

4) The short-term impact of large child benefit on subjective well-being, value orientations and political attitudes in Poland

One of the most prominent elements of the increased government spending package of the PiS government since 2016 was a generous child benefit (called ‘Family 500+’ programme). This policy, which initially supported every second and subsequent child in the family with a transfer of 500 PLN (116 EUR) per month, has contributed to a significant reduction of poverty in Poland. However, these achievements came at the cost of reduced labour market participation of women. The policy may be considered populist in the sense that it is very expensive, while its overall effect (both short-run and long-run) on the economy and society has not been evaluated at all by the government. At the introduction, the cost of the programme amounted to about 1% of the GDP, while after the 2019 extension, which made it fully universal for all children, the cost grew to about 2% of the GDP. Given the scale of the programme, it may crowd out other government expenditures (e.g. health or education related), which arguably could have contributed more to social welfare and long-run development. The research hypothesis related to this objective of the project posits that the short-term impact of the ‘Family 500+’ benefit has been positive for individual subjective well-being, attitudes to income redistribution, satisfaction with democracy, and attitudes to the ruling political party. By this, the project will study if social transfers designed by populist governments can improve (at least in the short run) outcomes for the transfer recipients, as well as if they can have protective political effect for populists.