

Description for the general public

Connections between politicians and firms are a permanent trait of the modern world. Firms hire ex-politicians to exploit their knowledge and social networks, more easily obtain loans, secure government contracts, or gain the favor of regulatory bodies. In return, firms are subjected to political pressure. Banks grant more credit before elections, especially in contested areas. Non-financial companies consider political implications when making employment decisions. Consequently, the allocation of resources in the economy is disturbed. Resources are not allocated to the most productive uses but to projects backed by politicians. Therefore, political connections and studies devoted to them are important for the economic growth and long-term well-being of people.

The existing knowledge on political connections regards, almost entirely, political connections at the national level created and maintained by large corporations. However, local political connections—which thus far constitute an uncharted territory from a scientific viewpoint—are also crucial. Local politicians spend a significant share of all public funds. Local firms hire two-thirds of European citizens. Local banks remain important credit providers for local businesses. Consequently, we decided to examine the impact of connections to local politicians for small businesses and local, cooperative banks using data from the Polish market. Our research project has three main goals: First, we plan to examine why firms establish local political connections. Second, we intend to consider the impact of local political connections on local banks' and businesses' functioning. Third, we contemplate investigating how local elections, local corruption, and local culture modify the relevance of local political connections for banks and small businesses.

We conjecture that the outcomes of our research project will interest not only academicians, legislators, regulators, and supervisors but also the general public. Their dissemination will increase public knowledge and strengthen the mechanism of social control over political connections.