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The Political Consequences of Socio-Economic Inequality

PhD dissertation

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I. Research background and justification of the topic

This dissertation project explores the consequences of socio-economic inequality. Recent studies (Guriev & Papaioannou, 2020; Funke et al., 2020) point that one of the main political consequences of the rise of socio-economic inequality is the emergence and the success of populism around the world. However, do we understand it well? What aspects of socio-economic inequality correlate with the success of populism in Europe? Previous studies point to the fact that increases in economic inequality are associated with low turnout at elections, the increased political inequality or economic insecurity, but not populist voting itself. Other works also argue that economic inequality amplifies grievances associated with economic insecurity or relative deprivation, that in turn lead to the spike in populist voting (Engler and Weisstanner, 2020). However, various concepts around economic insecurity, including job insecurity (Gidron and Mijs, 2019), status anxiety (Gidron and Hall, 2017), the lack of social integration (Gidron and Hall, 2020) and not the economic inequality itself are associated with the support for populist voting.

The purpose of current research is to explore the relationship of socio-economic inequality and populism, through the following research question:

How socio-economic inequality affects the support for populist parties in Europe?

The term of socio-economic inequality also has a broader conceptualization than economic inequality, as in addition to straightforward measures of economic inequality of outcome (such as GINI), it also includes polarization of income, inequality of opportunity, perception aspects at the individual level as well as issues of social classes. It could serve both as a cause and consequence of populism. In this case, it is to be operationalized as the main independent variable. The main dependent variable, in turn, is the one related to the phenomenon of populism, in a form of support for political parties or strategies of populist parties themselves.

Therefore, **the focus of the present study** is contributing to the academic debate in a variety of ways. First, the main interest is to prepare the consistent and empirically testable theoretical framework to explore how economic inequality but also other existing factors in populism literature (cultural backlash in particular) prepare the *breeding ground* for the rise and the continuing support for populism in Europe (Mudde, 2007). Second, by basing the empirical research on some elements of the approach by Guiso et al. (2017) as well as Inglehart & Norris (2016, 2019) in terms of populist voting, the exploration brings different aspects of different

approaches together, enriching it with multi-level regional dimension through the establishing the relationship between the different elements. Third, further exploration relates to the reverse effect the supply side of populism (in terms of party strategies of populist parties) might have on socio-economic inequality, in terms of adapting to the new conditions as well as tests it empirically in the context of Central and Eastern Europe. Fourth, the definition of populist parties based on ideology is brought to the forefront, underlining their relation to political and economic institutions through amalgamation of theories. Fifth, by taking a wide approach on inequality from a variety of disciplines of ranging from mainstream economics to sociology, different aspects of economic inequality (as well as relation between them) are considered: *income polarization, economic insecurity, the perception of inequality* as well as *the inequality of opportunity*. Sixth, this research contributes to a better understanding of political consequences of growing inequality as well as economic voting, enriching contemporary studies and theories on the determinants of the success of populism in Europe – mainly from political science, and their relation to the economic dimension. Finally, by proposing to contextualize institutions as mediator variables, the emphasis is being put on the experience of an individual within the macro-level processes of political participation, which is mediated by institutions in the time-variant and cross-national perspective. More precisely, it might be economic insecurity, and not economic inequality that is associated with populist voting. Although economic inequality and economic insecurity are *deeply interwoven* concepts; however, they are not the same (Hacker, 2019, p.2). While the former may stir up envy of those at the top or resentment from at the bottom (of the income or wealth distribution), the prospect of the latter – of suffering a considering drawback - *being laid off, or losing health coverage, or having a serious illness befall a family member* – stirs up *anxiety* (Hacker, 2019, p.7). In other words, economic insecurity has to do with *volatility* of income and instability of income from one day to another and having basic confidence and economic buffer to rely on in times of economic downturn.

Previous studies point to the fact that increases in economic inequality are associated with low turnout at elections, the increased political inequality or economic insecurity, but not populist voting itself. Other works also argue that economic inequality amplifies grievances associated with economic insecurity or relative deprivation, that in turn lead to the spike in populist voting (Engler and Weisstanner, 2020). However, various concepts around economic insecurity, including job insecurity (Gidron and Mijs, 2019), status anxiety (Gidron and Hall, 2017), the lack of social

integration (Gidron and Hall, 2020) and not the economic inequality itself are associated with the support for populist voting. The following section deals with the effect of economic insecurity on populist voting, considering the context of national and supranational institutions, via evaluations and institutional trust by voters.

Recent studies (Guriev & Papaioannou, 2020; Funke et al., 2020) point that one of the main political consequences of socio-economic inequality is the emergence and the success of populism around the world. However, is it the only reason it became successful? Populism has multiple causes and economic reasons might not even dominate. Inequality is only a partial explanation of populism.

While early works (Kitschelt, 2002) point to slowing down of the economic performance of contemporary democracies, more recent works (Guiso et al., 2017; Inglehart and Norris, 2016, 2019) arrive at the common conclusion that *economic insecurity* (as a specific conceptualization under the umbrella term of socio-economic inequality) of those left behind (as the result of globalization or crises) is one of the forces behind the rise in support of all populist parties (including radical ones). Inglehart and Norris (2016) conceptualize economic insecurity as a subjective feeling of income insecurity (reported difficulty of living on current household incomes), theorizing that the most insecure and threatened groups in terms of income seek authoritative leaders to protect them. They divide political parties into populist versus cosmopolitan (cultural cleavage) on the one hand, and into economic left (state management, redistribution) and economic right (free market, deregulation, low taxation) on the other. This produces a matrix of populism, with a set of thresholds on which parties qualify as populist. In their conclusion, the economic insecurity thesis is only partially supported by their empirical work, with cultural variables having a stronger effect than the economic ones in determining the causes of populism on a large sample of countries.

Cultural backlash thesis relates to the discourse on inequality in two ways. First, welfare chauvinism as well as the threat to the traditional blue-collar occupations being pushed out by competing immigrants stay at the core of the triggers of those who fear them. Therefore, inherently, in accordance to Kornai (2016) discrimination or a perception of insecurity on the value dimension is related to the economic insecurity. Second, cultural dimension seems to be a context and time-dependent factor. Here, the cultural disparities between the Western and the Eastern parts of Europe have its say in terms of the socialist past, but also experience of “the otherness” in terms

of a different culture, religion or race. This combination of the lack of first-hand experience with economically insecure position in terms of job and the lag in economic convergence with the more economically developed parts of the EU, makes Central and Eastern Europeans more susceptible to the exclusionary populist discourse.

In another take on the reasons for populist voting, Guiso et al. (2017) use a broader definition of populism, focusing on anti-elite rhetoric and elements of *short-term protection* in party manifestos. They base their classification of the parties on the work of Van Kessel (2015) which produces quite different results from the classification of populist parties by Inglehart and Norris (2016). Guiso et al. (2017) also discern between the left and right variations of populist parties, pointing out however, that the presence of short-term protection policies is a common feature for both, with the left-wing populists preferring more drastic redistribution measures. On the surface, the identity politics and the exclusionary discourse of rightwing populist parties does not necessarily rely on economic claims to the extent that is commonly seen in political manifestos of the left-wing ones (Mudde and Rovira Kaltwasser, 2013). However, in a Western European context, the appeal to economic insecurity of the right-wing parties is based on welfare chauvinism and is oriented to shield against the competition from immigrants for the economically insecure voters. In the Eastern European context, where competition over welfare provisions is not strong, security in terms of employment becomes an issue for the right-wing populists as well.

For Guiso et al. (2017), populism does not have a cultural cause, but rather an economic insecurity one, with an *important and traceable cultural channel*. The main conclusion of their study is that the effect of the crisis, although not affecting the rising economic insecurity directly, prepares the ground for the rise of populism through electoral participation consisting of *abstentionism, disillusionment effect, making economic insecurity appear to be the real driver of populism on the demand side*. For Guiso et al. (2017), economic populism does not exist, instead, they define populist a *party that champions short-term protection policies while hiding their long-term costs by using anti-elite rhetoric*. The economic side are policies that fit under this paradigm. In their account, they agree with Rodrik on the division and importance of the differentiation between the demand and the supply side of populism as well as between the left and right-wing variations. While the latter focuses on inequality cleavage, progressive voters and people dependent on income from the government, distribution and guaranteed income, populists prefer drastic measures in the matters of redistribution. This is compatible with the account of Dornbusch and

Edwards (1991) for the Latin American story and partially for the cases of Spain and Greece. For right-wing populism, besides the national identity cleavage, protection of national companies as well as flat low taxes instead of income distribution is preferred.

Burgoon et.al. (2018) have tried to link measures of deprivations and inequality with the support for radical right populist parties and establish how initial conditions shape them. They find that, on the one hand, support for radical right populism is more likely among individuals facing more *positional deprivation* (how much a given voter's decile has experienced real income growth that is outstripped by the growth of other deciles in the country's income distribution) (Burgoon et.al. (2018)). On the other hand, subjective low income more strongly spurs support for radical right populist parties in voters with higher *positional inequality* (measuring the gap in the growth (or decline) of the wealthier deciles relative to the growth (decline) of poorer deciles), where the wealthiest deciles experience greater gains than (or suffer less than) the median or poorest earners.

Algan et.al. (2017) have used actual region-level voting data rather than self-reported information from surveys and have found strong relationship between increases in unemployment and voting for non-mainstream populist parties with 1 percent point change in unemployment implies 1 percent point change in the populist vote. Contrasting with the findings of Inglehart and Norris (2016) and siding with Guiso et.al. (2017), their study finds that *economic insecurity explains a substantial share of the rise in populism, when controlling for time-invariant factors* (p.6).

What about the other direction from populism (policy or party positions before elections) towards economic inequality? Government policies can have a large impact on economic equality, if not to diminish or eliminate it completely, alleviate the consequences of it to manageable levels (Rothstein and Uslaner, 2005). While inequality is a part of human condition, nevertheless, it can be influenced and the decisive policy decisions are taken primarily in the political sphere (Kornai, 2016). People's position in income distribution can be improved with the major gaps between rich and poor minimized to sustainable levels (Molander, 2016). Political parties can choose to make their position on redistribution more extreme, and, thus attempt to address the issue of economic inequality if it is salient for their electorate. Voters have not been the only ones who need to adjust to the new realities of the post-economic and post-migration crises era. Political parties may, or may not, choose to shift in unison with voters, and thus have the possibility to adapt, stay put or zig-zag on their policy stances between elections. This becomes extremely important in the case of populist parties, who, regardless of their ideological stances

claim to represent *the pure people* in the face of *the corrupt elite* (Mudde, 2017; Mudde & Rovira Kaltwasser, 2017). They seem to have no choice, but to keep constantly moving alongside the preferences of its electorate or emphasize the salience of new issues in the face of crises.

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We know from the party politics literature what determines a successful shift for mainstream (Abou-Chadi, 2016; Abou-Chadi & Krause, 2018; de Vries & Hobolt, 2020) or niche (Meguid, 2005), activist or leadership-dominated (Schumacher et al., 2013), office or policy-seeking parties (Schumacher et al., 2015). However, few studies have investigated how and why those shifts happen for parties that have evolved throughout time and can be classified under multiple categories.

Changing party policy positions to make them more distributive as stipulated in their political programs is a risky business. Constant switching of positions might confuse voters, with some of them might perceive the party as trying to pander to their interests in an opportunistic way. However, if based on a salient issue, timed and communicated well, a shift of a party position on a specific policy stance can refresh the image of a party and attract new voters.

Political science literature talks about the patterns of shifts, their causes, and consequences.

In terms of causes, parties might switch their positions because of *external* or *internal* reasons. The most important *external* reason is that the process of the shift is “demand-driven” based on the emergence of new cleavages on the side of the voters (Lipset & Rokkan, 1967). Based on the logic of the voter-party linkage (Kitschelt et al. 1999), some parties might be highly attentive to the responses of their electorate to rapidly changing social and economic conditions (Adams & Somer-Topcu, 2009; De Vries & Hobolt, 2020). Parties would get their cues from median voter shifts based on the results from the past elections or opinion polls, with parties in opposition more willing to change their profile than the ones in government (Meyer & Wagner, 2013). Parties that have been successful in the last elections are likely to “stay put” to avoid the negative effects of changing their positions or being accused of pandering.

On the *internal* reasons, shifts might depend on the size a party and are initiated from within. The nature and the timing of the shifts might depend on whether a party is niche or mainstream (Meguid, 2005), a challenger or mainstream (experience in government) (de Vries & Hobolt, 2012), is activist or leadership-dominated (Schumacher et al., 2013), and whether a party is office-seeking or policy-seeking (Schumacher et al., 2015). Abou-Chadi (2016) as well as Abou-Chadi & Krause (2018) have shown that mainstream right parties in Europe move right on multiculturalism and immigration in response to far-right party success. Meyer & Wagner (2013) go one step further and propose to look at positional shifts in a dynamic way, that parties can employ mainstream or niche party strategies to moderate or make their position in response to previous results. Basu (2019) distinguishes between the policy position adopted by a party on an issue and how much it emphasizes the issue in its campaigns, blending the salience and positional theories together.

On the side of consequences, the literature is scarcer. In the years prior to the global financial crisis of 2008, Tavits (2007) finds that the success of policy shifts depends on the type of issues they involve, and that they benefit parties more when they take place in the pragmatic (economic policy) rather than the principle (core belief and values, value-based social and cultural issues) domain. Spoon & Klüver (2020) also conclude that although, many established parties have adopted a so-called ‘accommodative strategy’ by taking a more immigration-skeptical policy, going tough on immigration does not help mainstream parties to prevent vote losses to their far-right competitors. While electoral victory is the key element in estimating the success of a particular shift, the

overtaking an issue or co-option of niche-party discourse (far-right for example) by mainstream parties can also be considered a victory, even if the latter are defeated in the electoral booth.

Therefore, **the focus of the present study** is contributing to the academic debate in a variety of ways. First, the main interest is to prepare the consistent and empirically testable theoretical framework to explore how economic inequality but also other existing factors in populism literature (cultural backlash in particular) prepare the *breeding ground* for the rise and the continuing support for populism in Europe (Mudde, 2007). Second, by basing the empirical research on some elements of the approach by Guiso et al. (2017) as well as Inglehart & Norris (2016, 2019) in terms of populist voting, the exploration brings different aspects of different approaches together, enriching it with multi-level regional dimension through the establishing the relationship between the different elements. Third, further exploration relates to the reverse effect the supply side of populism (in terms of party strategies of populist parties) might have on socio-economic inequality, in terms of adapting to the new conditions as well as tests it empirically in the context of Central and Eastern Europe. Fourth, the definition of populist parties based on ideology is brought to the forefront, underlining their relation to political and economic institutions through amalgamation of theories. Fifth, by taking a wide approach on inequality from a variety of disciplines of ranging from mainstream economics to sociology, different aspects of economic inequality (as well as relation between them) are considered: *income polarization, economic insecurity, the perception of inequality* as well as *the inequality of opportunity*. Sixth, this research contributes to a better understanding of political consequences of growing inequality as well as economic voting, enriching contemporary studies and theories on the determinants of the success of populism in Europe – mainly from political science, and their relation to the economic dimension. Finally, by proposing to contextualize institutions as mediator variables, the emphasis is being put on the experience of an individual within the macro-level processes of political participation, which is mediated by institutions in the time-variant and cross-national perspective.

More precisely, it might be economic insecurity, and not economic inequality that is associated with populist voting. Although economic inequality and economic insecurity are *deeply interwoven* concepts; however, they are not the same (Hacker, 2019, p.2). While the former may stir up envy of those at the top or resentment from at the bottom (of the income or wealth distribution), the prospect of the latter – of suffering a considering drawback - *being laid off, or losing health coverage, or having a serious illness befall a family member* – stirs up *anxiety*

(Hacker, 2019, p.7). In other words, economic insecurity has to do with *volatility* of income and instability of income from one day to another and having basic confidence and economic buffer to rely on in times of economic downturn.

The dissertation project proposes four steps to tackle this research question in **five sections**.

In Chapter, 1 I review the growing literature on socio-economic inequality (including economic insecurity, income polarization, etc.) and the demand (voter preferences) and supply (party strategy) side of populism. Political consequences of inequality are analyzed either through policy implemented by governments or influence on voters, as well through the prism of distinct approaches: populism as ideology (i), populism as political strategy (ii), populism as discourse or style (iii) and populism as political logic (iv). The end of Chapter, 1 concludes that the two approaches – populism as ideology and populism as strategy as built on assumptions of suitable for cross-country and temporal empirical analysis.

Chapter 2 introduces a new theoretical framework connecting socio-economic inequality and populism. It links all the main concepts related to socio-economic inequality suitable for cross-national empirical research (inequality of income or wealth, economic insecurity, income polarization, perception of inequality, the inequality of opportunity). On the side of populism, voter support/electoral success for political parties as per the individual decisions to vote for political candidates as well as populist attitudes are presented. The most innovative part of the theoretical framework is the inclusion of the middle of the scheme that represents political and economic institutions as mediating variables.

Chapter 3 explores the roots of populist voting for different socio-economic groups from an institutionalist perspective. I draw on the ideas of North (1994), Williamson, (1998), Gërzhani and Wintrobe, (2020) and Hudson (2006) to formulate my conceptualization of the quality of institutions using institutional trust relevant to the context of populist voting. I find that when enlarging the definition of economic insecurity, institutional trust moderates populist voting of various socio-economic groups differently. When an individual is highly economically insecure, trust in national institutions does not alter the probability of voting for populist parties and populist voting remains generally high. They seem to represent the closest candidate to being the real “economic voters”. For them, when making a voting decision, trust in national government does not matter, and their economic situation is the main determinant: their experience with long-term

unemployment, their less secure jobs and their limited ability of making ends meet is key to their voting decision.

Chapter 4 tests the theoretical framework presented in Chapter 2 from using an inquiry into the supply side relation of socio-economic inequality. It explores the political strategies of populist parties in Central and Eastern Europe and finds they shift their positions in the times of refugee crisis and to the less extent for the economic one. In addition, such shifts are correlated with shifts in principle (core belief and values, value-based social and cultural issues) domain rather than pragmatic (economic policy). The comparative case of Lithuania and Hungary shows the need to analyze positional shifts beyond the shift-electoral success dichotomy, uncovering additional factors at play. While Fidesz invested heavily in voter-party linkage, institutionalizing itself through engaging with the civil society, their three positional shifts were successful. The Labor Party of Lithuania invested less in the voter-party linkage, impeded mostly by the corruption scandals. Instead, it tried to shift on the immigration dimension preemptively, but heavily overestimated the magnitude of the refugee crisis in Lithuania and have suffered electoral losses.

All in all, the recipe for the success of populism in Europe is a combination of both supply (party strategies, policy when in government) and demand (voter preferences) factors. While socio-economic inequality in the changing global economic conditions is an important determinant of success of it, it is not the only factor behind its persistency, especially in Central and Eastern Europe. Other factors, such as the experience of the refugee crisis first-hand, corruption scandals, competition in the party system, quality of institutions are important signals for both populist parties and its voters.

II. Methodology

The research design focuses on a two-stage design of combining cross-national quantitative work with a comparative case study. In the first stage, the study tests it on a large sample of European cases using relevant quantitative methods – multiple multilevel multivariate regressions, which would test the conceptual framework. In the second stage, a comparative qualitative case study based on the results of the quantitative part compares most similar cases. It complements the quantitative analysis with an in-depth comparative case study discussion with a smaller sample of country-cases. The selected case studies focus on *populists in power* - successful populist political

parties that have managed to not only get elected to local or national legislatures but have also managed to partake in government cabinet formation at the national level.

The main sources of data for the quantitative research are databases containing variables on socio-economic characteristics (European Social Survey and World Income Database), as well as databases on political parties (Chapel Hill Expert Survey and Parl Gov database). While the former contains socio-economic data on individuals as well as answers to questions related to values as well as self-reported voting data, the latter is concerned about the ideological positions of parties on various policy questions, their electoral success as well as seat shares in the legislature.

The study uses an original database created in the three-stage process. At the first stage of the research, the economic data is being matched from World Income Database (WID) (containing data on income polarization and income inequality) with political preferences and socio-economic profile of the voters from European Social Survey (ESS) (voting results) on NUTS (regional) level. At the second stage, the voting preferences are re-coded as well as the classification of populist parties, as well as harmonization of the data with other sources is taking place. At the third stage, construction of indices (economic insecurity, income polarization, etc.) for the use in the empirical measurements is taking place.

Hypotheses

Therefore, the main hypotheses connecting the left and the right side of the framework are as follows:

H1: High economic insecurity has a positive effect on individual support for populist parties, in the context of the negative moderating effect of institutional trust.

The first hypothesis tests whether a combination of high levels of economic insecurity of an individual and a low level of trust in institutions leads to more populism (in terms of votes). Since this hypothesis aims at measuring the moderating effect – the interaction term in the model, the effect can also be vice-versa: the moderating effect of economic insecurity on trust, in its relation to populism (voting).

H2: High economic insecurity has a positive effect on individual support for populist parties, in the context of the positive moderating effect of the difference of institutional trust in supranational and national institutions.

The second hypothesis tests whether a combination of high levels of economic insecurity of an individual and a low level of trust in institutions leads to more populism (in terms of votes). However, this time, I focus on the difference in trust in national (legal system, politicians, political parties as well as the parliament) over supranational (EU parliament). Since the design of the EU is built on the multi-level governance model, citizens are “nested” within their own communities, cities and countries, each level interacting with the supranational body – the European Union. This hypothesis tests whether the difference in trust in national institutions over supranational ones have the same effect. Some parts of the EU might have citizens trusting their national institutions more than the EU, especially in the case of populists using Eurosceptic discourse, which might have an effect over its citizens via the supply side of populism.

Since this hypothesis aims at measuring the moderating effect – the interaction term in the model, the effect can also be vice-versa: the moderating effect of economic insecurity on different levels of trust in its relation to populism (voting). Following the same logic, citizens with high levels of trust and low levels of economic insecurity would have the lowest propensity to vote for populist parties.

The main set of hypotheses on the reverse causality are the following:

H3: Policy shifts on pragmatic domain (economic dimension) are associated with electoral gains.

This hypothesis tests whether change in a position (in discourse or political manifestos) over economic policies before or in-between elections is associated with gains in terms of votes for populist parties.

H4: Policy shifts on principle domain (cultural dimension) are associated with electoral losses.

This hypothesis tests whether change in a position (in discourse or political manifestos) over policies related to cultural dimension before or in-between elections is associated with losses in terms of votes for populist parties.

For the quantitative part, I employ a multilevel modelling; the justification for it is two-fold. First, the data itself is hierarchical. Respondents who live in Europe are clustered within countries and across time (a two-level analysis), or also within regions (a three-level analysis), and they are expected to exhibit similar characteristics within their respective cluster groups. Failure to account for the nested structure of data (dependence of observations due to the clustering of data) would

lead to biased results, especially for coefficients of predictors that are measured at the group level (Rabe-Hesketh et al., 2005). MLM (if specified and estimated correctly) improves the fit of the model and minimizes standard errors and helps to avoid bias. The second reason is the interest in hierarchies and clustering from a theoretical standpoint, in terms of the effect (interaction) of regional (NUTS) and country-level variables on individuals. As seen further in the analysis, economic inequality (especially polarization) is a phenomenon which can be conceptualized and operationalized as a country or region-level variable; the same applies for the measures of institutional trust. Therefore, the interaction between the effect at the country-level (socio-economic conditions) and individual decision on voting is of key interest to current research question.

In order to check whether institutional trust has a moderating effect on the way economic insecurity affects voting for populist parties, we estimate the following model:

Functional Form of the proposed model (Multilevel Mixed Probit):

$$P_{ij} = \beta_0 + \beta_1(X_{ij} * I_{ij}) + \beta_2X_{ij} + \beta_3I_{ij} + \beta_4Z_{ij} + \sum\delta_iT_i + \sum\gamma_jE_j + u_j + e_{ij} \quad (1)$$

Where P_{ij} is a binary indicator that takes the value 1 if an individual i in country j votes for a populist party (across time and space), and

X_{ij} - economic insecurity indicator

I_{ij} - measures of perception of institutional trust

Z_{ij} - vector of individual characteristics that includes dummies for being a female, education(log) and age(log)

T_i - time as binary variable (dummy), t-1 time periods.

E_j - country as binary variable (dummy), j-1 countries.

$u_j + e_{ij}$ - the random part of the model that contains both first-level and second-level residuals

u_j - denotes level-1 residual

e_{ij} -denotes level-2 error term

i,j – denotes level-1 and level-2 parameters

For the two-level (individuals representing Level 1 and country-time - Level 2), 11.2% of variance in voting for populist parties can be attributed to differences between countries and across time. For the three-level model that is augmented to include NUTS1 regions as an extra level, an additional 2.1% of variance in voting for populist parties can be attributed to regional differences at NUTS1 level on a reduced sample.

For the qualitative part, the study is conducted using an analysis of issue and salience positions from Chapel Hill expert survey and election results from the Parl Gov database. Chapel Hill expert survey is based on expert evaluations on opinions of party leaders on particular issues before or in-between elections measured at a particular time. These variables usually do not reflect any political scandals or swift policy proposals that happen between the years when variables are generated (such as, in the Hungarian sample, the utilities cut or the fight against Multinational Corporations that have not been adequately represented by the data). These measures are usually standardized and rescaled from 0 to 5 to allow for the cross-national comparisons. The main outcome of interest is electoral performance, measured by the percentage of votes, which produces seats in the respective country's parliament, and, thus, it is in line with the literature on consequences of positional shifts (Spoon & Klüver, 2020; Tavits, 2007).

The main independent variable are the shifts themselves, measured by the differences in positions from time at $t-1$ and t . This refers primarily to the changes in party strategy and shifts in ideology stipulated at the time before or in-between the elections. The shifts are measured quantitatively, using party positions on issues of immigration and economy from the Chapel Hill expert survey, in line with major empirical works on the topic (Sommer-Topcu, 2009; Abou-Chadi & Orłowski, 2016). The classification of populist parties is according to the *PopuLIST 2.0* database (Rooduijn et al., 2019), which applies the *ideational* approach to the definition of populism (Mudde, 2017; Mudde and Rovira Kaltwasser, 2017).

In the first part, the study looks at positional shifts of parties using descriptive statistics and recoded data from Chapel Hill Expert Survey and Parl Gov database. The empirical analysis contains data on parties that have gained at least one percent at parliamentary elections and have been observed on two occasions in the expert survey. The second part is a paired comparison using the Most Similar Systems Design (MSSD) focusing on cases with similar positional shifts (independent variable) which only differ in the electoral outcome (dependent variable) (Tarrow, 2010). The case study analysis eliminates problems of unavailability of measurable empirical data

(e.g. Political Manifesto Project does not contain manifesto data for Hungary from 2014 and for Lithuania from 2016 onwards as nor does Chapel Hill on salience of issues). Completing the expert survey data with context of the period before the elections, allows to link positional shifts with what happened within the party competition or environmental incentives (shifts of other parties) as well as to uncover additional factors that contributed to success or failure in party strategy, beyond the dichotomous shift-success dimension.

While both Lithuania and Hungary have similar initial conditions and have seen significant shifts in positions of populist parties, the variables which are controlled for include EU membership, post-socialist experience, tri-polar party competition and the presence of long-standing mainstream populist parties (Ramonaitė, 2020). However, the outcome in the two cases is different, with the Hungarian case resulting in a successful shift, while the Lithuanian one being less so, by almost falling out of Parliament in 2016. Both parties are populist, and are within the realm of “exclusionary populism” (Kaltwasser and Mudde, 2013). However, there are ideological differences between the two, in their embodiment of populism. While Fidesz fits well into the *paternalistic populism* definition (Enyedi, 2020) of following the clear discourse of the “us” versus “them” divide and nativist claims, the Labor Party is very ambivalent in its ideology. It is rather populist in its policy positions on economic redistribution (overpromising on social payments) and the communication style of its leader. The Labor Party portrays “the economic have-nots” as those who belong to the nation and the pure people, while in the Hungarian case, the ethnic principle is the key (the economic dimension of the competition in the case of Fidesz is focused around addressing job insecurity and demographic challenges as well as a significant tax rebate for families with children).

III. The findings of the dissertation (in bullet points)

- While there is some empirical evidence showing the direct effect of economic insecurity and institutional trust on populism (e.g. Guiso et al. (2017), Dustmann et al. (2017)), this is the first study of its kind to show how the impact of economic insecurity on populism varies depending on the level of institutional trust. I find that when enlarging the definition of economic insecurity, institutional trust moderates populist voting of various socio-economic groups differently. When an individual is highly economically insecure, trust in national institutions does not alter the probability of voting for populist parties and populist voting remains generally high. They seem to represent the closest candidate to being the real “economic voters”. For

them, when making a voting decision, trust in national government does not matter, and their economic situation is the main determinant: their experience with long-term unemployment, their less secure jobs and their limited ability of making ends meet is key to their voting decision.

- Nevertheless, the same cannot be said about those who are comparatively a bit less economically insecure (which I have classified as being at moderate levels of insecurity), and those who are on the opposite side of the scale – *the secure ones*, who are economically better-off. Institutional trust appears significantly more important for them, in their voting choice for anti-establishment populist parties. The more trust they have in political parties, politicians, legal system and the parliament, the less prone they are to vote for populists.
- When measuring institutional trust in national over supranational institutions, the result is homogenous for all socio-economic groups. The more a person trusts the national institutions over the ones of the European Union, the more prone they are to vote for a populist party for all levels of economic insecurity. The results point to the susceptibility of anti-EU discourse of many populist parties across Europe and the Eurosceptic effect it has on all strata of its population, this reflects the effect theorized by Reungoat (2010) as well as Stavrakakis and Katsambekis (2014).
- The results contribute to a better understanding of populism as well as institutional trust. Since the results show that the choices of both right and left-wing populist voters are driven by economic insecurity and moderated by a lack of trust in institutions, populism as ideological tool used by a variety of populist parties in the region seems to have the same root causes for support. In terms of institutional trust, the findings point to the significance of the proposition by Krueger et.al. (2021) to focus on *swift* trust in transient economic settings, which are especially important in the voting booth and might be structurally different from institutional trust on any other day or a different context. Since voting requires a snap judgment at a particular point in time under economic circumstances, swift trust might be more dependent on the experience with institutions in ones' network rather than a *macro* trust - an established opinion about governments in general.
- My findings have important implications for policy makers. Any policies targeting bridging of local communities, should be smart, and directed towards specific strata of the population. The mode, intensity, and interaction with institutions on regional level helps citizens build trust in

government, that will help them push through economic hardships. However, trust in local political bodies does not automatically translate into trust in national government. Citizens identify themselves more easily with power and governments that are closer to them since they are more familiar with their local governments and participate local politics on a more active basis. A further decentralization, a focus on increasing institutional capacity and giving more decision-making power to the local authorities might provide a further consolidation, *bridging* of communities and their integration into the decision-making mechanisms.

- The relationship between the policy shifts of the populist parties in Central and Eastern Europe and the electoral success is not straightforward. Contrary to the empirical findings of Tavits (2007), the success of policy shifts, exacerbated by the economic and refugee crises, are correlated with shifts in principle (core belief and values, value-based social and cultural issues) domain rather than pragmatic (economic policy). For the most part, Central and Eastern European populist parties shift on the issue of immigration but stay put on the issues of economic redistribution. They acquire the left authoritarian profile, if they had the combination of left-wing economic policies and authoritarian/nativist stances. For the most part, since the shifts on the economic dimension are not significant, left authoritarians build on their preferences for redistribution before the economic crisis. The comparative case of Lithuania and Hungary shows the need to analyze positional shifts beyond the shift-electoral success dichotomy, uncovering additional factors at play.
- In fact, the comparative example of the Labor Party and Fidesz, shows that contrary to empirical findings of Abou-Chadi & Orłowski (2016) when both parties became dominant mainstream parties with experience in government, they did not have an incentive to moderate their position. They do not seem to sharpen their positions in terms of economic inequality. Instead, both employed a “niche party profile” (Meyer & Wagner, 2013), choosing a more extreme position on the issue of immigration, emphasizing them in their campaigns. The main purpose behind the shift was to use the established voter-party linkage as a leverage to overtake the issue ownership from the successful challengers on the far right, from either coalition partners (Lithuania) or the main competitor on the ideological spectrum (Hungary).
- In addition, the findings help to nuance the conclusions by Spoon & Klüver (2020) in an important way. The comparison of Fidesz and *Darbo Partija* (Hungary and Lithuania) shows that taking a more immigration-skeptical position helped the former party to capitalize on votes

by taking over issue ownership from the competition on the far right, while going tough on immigration did not prevent losses for the latter, with the concomitant decrease in salience of the issue. The voter-party linkage (Kitschelt et al. 1999) is the key element and determinant of the difference of success in Hungary and Lithuania. While Fidesz invested heavily in voter-party linkage, institutionalizing itself through engaging with the civil society, their three positional shifts were successful. The Labor Party of Lithuania invested less in the voter-party linkage, impeded mostly by the corruption scandals. Instead, it tried to shift on the immigration dimension preemptively, but heavily overestimated the magnitude of the refugee crisis in Lithuania and have suffered electoral losses.

- All in all, the rise of populism in Europe is a product of both supply (party strategies, policy when in government) and demand (voter preferences). While socio-economic inequality in the changing global economic conditions is an important determinant of success of it, it is not the only factor behind its persistency, especially in Central and Eastern Europe. Other factors, such as the experience of the refugee crisis first-hand, corruption scandals, competition in the party system, quality of institutions are important signals for both populist parties and its voters.
- Institutions matter, also in terms of populist voting, as their positive evaluation by voters, prevents them from voting for anti-systemic parties, depending on the level of economic insecurity. When analyzing the evolution of political parties, the need to discern nativism from populism is the key, highlighting the importance of the proposal by Art (2020). Some parties become populist, by fully embracing the thin ideology of the “us” versus “them” divide, while changing their ideological positions or moving across the ideological spectrum towards the radical right. Others might use nativism only as an electoral tool, while leaving their ideological stance in ambiguity.

IV. Main references

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