

# **Financial crises, ideological polarization and economic inequality**

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Unity is an anomaly. Polarization is normal. Scepticism about liberal democracy is also normal. And the appeal of authoritarianism is eternal.

– Anne Applebaum, *Twilight of Democracy: The Seductive Lure of Authoritarianism*

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<sup>1</sup> <https://www.polver.uni-konstanz.de/gschneider/research/current-projects/>

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## Summary

This dissertation looks at implications of various types of financial distress for public and parliament polarization and investigates conditions under which a polarized electorate might lead to higher legislative polarization and instability. Theoretical framework, discussion of the state-of-the-art scholarship and identification of the research gaps are presented in Chapter 2.

In Chapter 3 Gerald Schneider and I show that while direct effects of financial crises on left-right public polarization are relatively small, financial turmoil introduces more divisions among political parties in the developed democracies. Importantly, rising polarization among voters increases parliament polarization if the system has the appropriate infrastructure already in place: a higher effective number of parties is a necessary condition to conduct the flow of public discontent further up in the legislature. Using long-term Eurobarometer survey data beginning in the 1970s we demonstrate that the left-right polarization among political elites has remained quite stable over time in Europe on average, while voters have become more polarized.

In Chapter 4 I demonstrate that such critical juncture events as post-communist transformational crises and welfare state retrenchments cause increasing intergenerational polarization of redistributive preferences. For older cohorts in Eastern Europe, the views on redistributive policies might be still cross-pressured by communist ideology and present material well-being. However, among younger citizens support for income redistribution is shaped primarily by the level of education and subjective income. I also contrast communist and transitional legacies in Eastern Bloc and use Nordic welfare states as a comparison group.

In Chapter 5 I argue that if electoral polarization builds up in a low-trust and high-inequality environment, where voters do not believe that their views can be delegated to politicians and effectively communicated upwards, a representational crisis will begin. In the resulting political vacuum populists can capitalize on highly polarized and disenchanting voters. Employing the European Social Survey, I distinguish among polarization over the left-right super-issue, income equalization, EU unification and attitudes towards immigration. While the relationship between public polarization and vote shares of populist parties differs across various survey questions, inequality acts as a catalyst in all cases.

Chapter 6 summarizes the results of the doctoral thesis and outlines the agenda for future research. An event-based approach, combining a sub-group analysis of public polarization with quantitative assessments of political speeches, is among the promising future developments.

## **Zusammenfassung**

Diese Dissertation untersucht die Auswirkungen verschiedener Arten von Finanzkrisen auf die Polarisierung der Bevölkerung und Parlamente und stellt die Bedingungen fest, unter denen eine polarisierte Wählerschaft zu einer stärkeren Polarisierung und Instabilität der Regierung führen könnte. Der theoretische Rahmen, die Beschreibung der aktuellen Studien und die Identifizierung der Forschungslücken werden in Kapitel 2 vorgestellt.

In Kapitel 3 zeigen Gerald Schneider und ich, dass die direkten Auswirkungen von Finanzkrisen auf die öffentliche Links-Rechts-Polarisierung zwar relativ gering sind, finanzielle Turbulenzen jedoch zu mehr Spaltungen zwischen den politischen Parteien in den entwickelten Demokratien führen. Die zunehmende Polarisierung unter den Wählern löst die Polarisierung im Parlament nur dann aus, wenn das System bereits über die entsprechende Infrastruktur verfügt: eine höhere effektive Anzahl von Parteien ist eine notwendige Voraussetzung, um die öffentliche Unzufriedenheit weiter nach oben in die Legislative zu lenken. Anhand langfristiger Eurobarometer Umfragedaten aus den 1970er Jahren zeigen wir, dass die Links-Rechts-Polarisierung unter den politischen Eliten in Europa im Laufe der Zeit im Durchschnitt relativ stabil geblieben ist, während die Wählerpolarisierung zugenommen hat.

In Kapitel 4 zeige ich, dass solche kritischen Wendereignisse wie postkommunistische Transformationskrisen und Schrumpfen des Wohlfahrtsstaates zu einer zunehmenden intergenerationellen Polarisierung von Umverteilungspräferenzen führen. In Osteuropa stoßen wir unter älteren Befragten immer noch auf die Umverteilungsansichten, die durch die kommunistische Ideologie und den aktuellen materiellen Wohlstand unter Druck gesetzt werden. Die Unterstützung der Einkommensumverteilung wird unter den jüngeren Bürgern vor allem durch das Bildungsniveau und das subjektive Einkommen geprägt. Ich stelle das Erbe vom Kommunismus und von der darauffolgenden Übergangsperiode gegenüber und verwende die nordischen Wohlfahrtsstaaten als eine Vergleichsgruppe.

In Kapitel 5 argumentiere ich, dass eine Repräsentationskrise beginnen kann, wenn sich die Wahlpolarisierung in einem Umfeld mit geringem Vertrauen und hoher Ungleichheit aufbaut, in dem die Wähler nicht glauben, dass ihre Ansichten an Politiker delegiert und effektiv nach oben kommuniziert werden können. Im daraus resultierenden politischen Vakuum können Populisten von den stark polarisierten und desillusionierten Wählern profitieren. Anhand des European Social Survey unterscheide ich zwischen Polarisierung über die Links-Rechts-Einstellung, den Einkommensausgleich, die EU-Vereinigung und Einstellungen zur

Einwanderung. Während der Zusammenhang zwischen der öffentlichen Polarisierung und Stimmenanteilen populistischer Parteien bei verschiedenen Dimensionen unterschiedlich ist, wirkt die Ungleichheit in allen Fällen als Katalysator.

Kapitel 6 fasst die Ergebnisse der Doktorarbeit zusammen und skizziert die Agenda für zukünftige Forschung. Ein ereignisbasierter Ansatz, der eine Untergruppenanalyse der öffentlichen Polarisierung mit quantitativen Bewertungen politischer Reden kombiniert, gehört zu den vielversprechenden zukünftigen Entwicklungen.

## CHAPTER 1. Introduction

Polarization affects families and groups of friends. All kind of alliances have been broken. It's  
a paralyzing situation. A civil war of opinion.

– Mick Jagger<sup>2</sup>

Since the front man of the Rolling Stones Mick Jagger has given his assessment of the US society after the 9/11 attacks, more than 20 years have passed. Within this period the world has experienced all types of emergencies possible: financial during 2007-2012, financial and health between 2020 and 2023, financial and military since 2022. Polarization of voters and parties has been usually blamed for the ensuing political gridlock. The 2023/2024 UNDP Human Development Report (United Nations, 2024, pp. 175-179) has highlighted political polarization – in contrast to a simple diversity of opinions – as one of the key obstacles for (inter)national cooperation and crisis resolution. Steadily rising elite polarization (McCarty, 2019; McCarty, Poole, & Rosenthal, 2013) combined with exclusionary and homogeneous party identities among voters (Iyengar, Lelkes, Levendusky, Malhotra, & Westwood, 2019) has even contributed to the recent downgrading of the US government by Moody's<sup>3</sup>. The scholarly community offers few (if any at all) solutions to reducing tensions in the current political and economic environment (Edsall, 2024).

Between 2010 and 2023 there was more than a six-fold increase in the relative frequency of Google Trends queries and annual sum of newspaper articles containing the term 'political polarization' (Figure 1.1.). The 2017 electoral success of Donald Trump has clearly accelerated this trend. Despite the rising media and public attention to the topic of political antagonisms, the crisis-polarization linkage has remained understudied in multiparty democracies. Part of the problem has been the imprecise definition and empirical operationalization of polarization. In view of the classical theorists, such as Marx, de Tocqueville, or Pareto, a polarized society is the one characterized by a bimodal distribution of preferences – it is divided between two hostile camps. Esteban and Ray (1994) have developed axiomatically an influential measure, which can be applied to ideological and income distributions and on which I rely in this dissertation.

Financial crises can also reduce political stability of cabinets and re-election chances of incumbents (Mian, Sufi, & Trebbi, 2014). Rising positional dispersion among voters and ideological convergence within the ruling elites during economic turmoil can lead to a

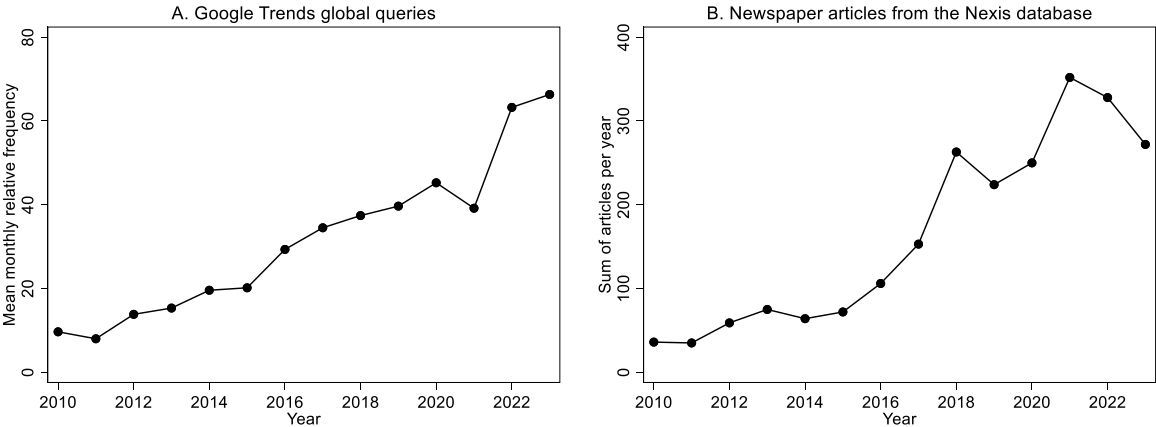
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<sup>2</sup> The El País interview by Juan Villoro, 4 November 2001: <https://iorr.org/mick/elpais.htm>

<sup>3</sup> <https://ratings.moody.com/ratings-news/411110>

principal-agent mismatch in preferences and create a one-of-a-kind opportunity for political outsiders, too (Grant, 2020; Hübscher, Sattler, & Wagner, 2023). However, when we are speaking about the political consequences of financial crises, we should be also rigorous in defining the instances of financial distress. For example, a slowly declining GDP or creeping inflation do not mark a crisis, whereas a sudden 24.5pp inflation hike as in Spain in 1977 (see the OECD CPI database<sup>4</sup>) or a sovereign debt restructuring as in Ireland in 2013 (Richard, 2014) do. I build upon the approaches of Reinhart and Rogoff (2009), Laeven and Valencia (2020), Nguyen, Castro, and Wood (2022) and distinguish among banking, currency, debt and inflation shocks. Each type of crisis has different redistributive implications (Bodea, Houle, & Kim, 2021; Brown, 2013; Rübsam, Schneider, & Shevchuk, 2024) and, for that reason, is expected to affect both public and parliament polarization in a different way.

Figure 1.1. Growing interest in the topic of ‘political polarization’



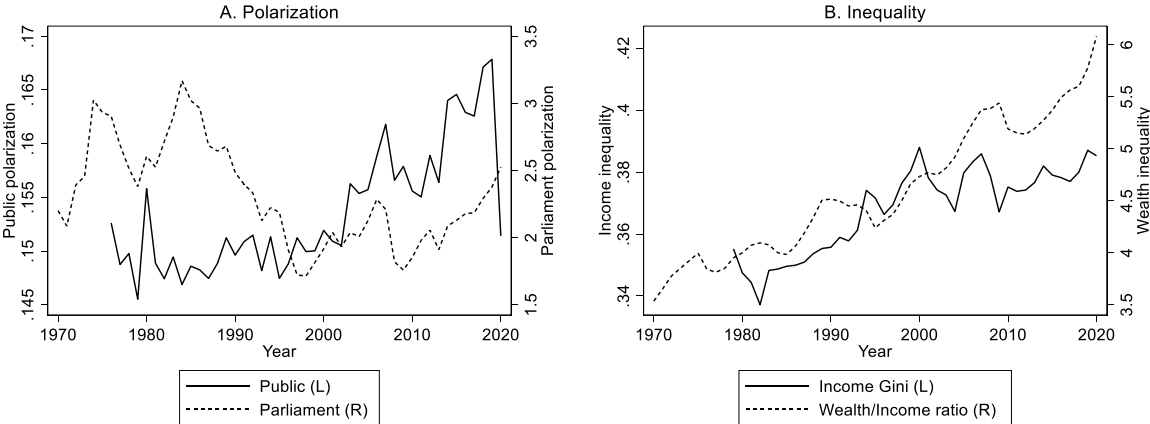
Note: Global queries from the Google system (panel A) and the Nexis database (panel B) were obtained on June 18, 2024. The Nexis newspaper search was limited to the following five English language newspapers with the largest number of publications: *The New York Times*, *Financial Times*, *The Guardian*, *The Independent*, *The New York Times – International Edition*.

Today, we are standing at an inflection point (see Figure 1.2). Left-right polarization among voters and political elites in Europe has accelerated since the late 1990s (panel A). Economic inequality, which often coincides with unequal political representation (Bonica, McCarty, Poole, & Rosenthal, 2013; Traber, Hänni, Giger, & Breunig, 2022), is now at an all-time-high (panel B) and despite the convergence of labour earnings globally, within-country wage inequality has gone up (Hammar & Waldenström, 2020), too. These trends should be naturally reflected in the evolution of political competition and diversification of the issues that are contested. However, even though the average cumulative vote share of ‘new’ parties (which

<sup>4</sup> [https://stats.oecd.org/index.aspx?DataSetCode=PRICES\\_CPI#](https://stats.oecd.org/index.aspx?DataSetCode=PRICES_CPI#)

were not present during the first post-WWII elections) has increased from 7.87% in 1970 to 37.05% in 2020 (Emanuele, 2016), average vote shares of populist parties<sup>5</sup> have more than tripled during the same period up to 28.67% in 2020. Hence, a question arises: under which conditions are demands for a different policy more likely to become demands for a different political system? The answer will also provide guidance towards more sustainable and inclusive models of economic growth.

**Figure 1.2.** Rising political antagonisms and economic inequality in OECD and Europe



*Note:* Subplot A depicts left-right polarization (based on the coefficient of Esteban & Ray, 1994) among the general public (left axis) and political parties (right axis), with the data coming from the Eurobarometer surveys (H. Schmitt, Scholz, Leim, & Moschner, 2008) and the Comparative Manifesto Project (Lehmann et al., 2022; Lehmann et al., 2023), whereas subplot B shows trends in inequality based on the World Inequality Database (Alvaredo, Chancel, Piketty, Saez, & Zucman, 2020).

Despite all their differences, both Karl Marx and Adam Smith agreed that an unconstrained development of markets goes hand in hand with rising wealth and income disparities<sup>6</sup>, which are antecedents of asymmetries in political leverage between the haves and have-nots. “No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.” (Smith, 1997 [1776]). Alexis de Tocqueville hints that such achievements of liberal democracy as freedom and equality of opportunity (or ‘equality of condition’) are not the same as equality of outcomes, which might actually hinder the development of effective governance (Tocqueville, 1856, 2000 [1835]). Vilfredo Pareto looked sceptically on the chances of eradicating polarization and economic inequality, since they are

<sup>5</sup> See the data and methodology provided by Döring, Quaas, Hesse, and Manow (2023), Rooduijn et al. (2023a) and Rooduijn et al. (2023b).

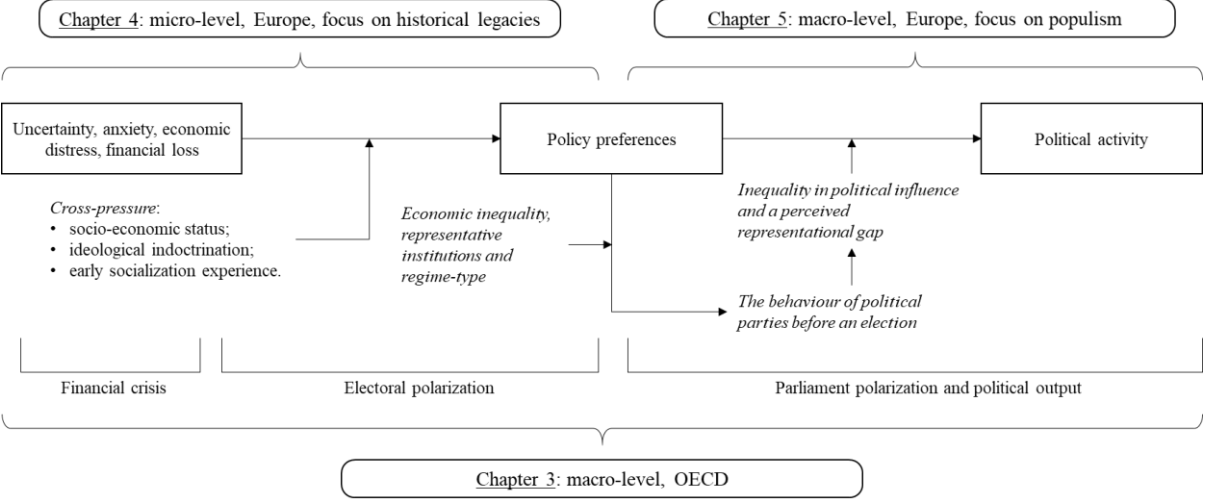
<sup>6</sup> “Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutalization, and moral degradation at the opposite pole.” (Marx, 1931 [1867]). This claim actually mirrors the statement of Adam Smith: “For one very rich man, there must be at least five hundred poor, and the affluence of the few supposes the indigence of the many.” (Smith, 1997 [1776]).

natural to human societies, in his opinion. Pareto's notion of inequality yet depends on constant political fluidity – a 'circulation of elites': "The history of man is the history of the continuous replacement of certain elites: as one ascends, another declines." (Pareto, 1991). If an upsurge in inequality is paralleled, however, by a simultaneous decrease in (perceived) social mobility, voters are likely to take their discontent to the streets (Houle, 2019). As Seymour Martin Lipset put it: "A society divided between a large impoverished mass and a small favoured elite would result either in oligarchy (dictatorial rule of the small upper stratum) or in tyranny (popularly based dictatorship)." (Lipset, 1959). Stein Rokkan highlighted the role of cross-cutting cleavages (Lipset & Rokkan, 1967) and warned against rigid and mutually hostile party identities, now observed in the US (McCarty, 2019), as detrimental to democracy. Both historical (Piketty, 2020 provides a case study for the 19th century France) and more recent evidence (Kuhn, Schularick, & Steins, 2020; Roine, Vlachos, & Waldenström, 2009) point to the fact that it is actually the rich, who benefit more from economic growth and globalization in general and financial internationalization and liberalization in particular. The ordering is often not reversed when a financial crisis occurs and the costs are to be shouldered by taxpayers (Agnello & Sousa, 2014; Bodea et al., 2021; Lang, 2021). As voters in the pursuit of their self-interest are demanding more and more extreme programmes (Downs, 1957), democracies might experience 'polarized pluralism' (Sartori, 1976) and a legislative gridlock (see Pelizzo & Babones, 2007 for historical case studies). In view of the recent growth in political instability, it remains unclear, however, how different *types* of financial crises affect public and elite polarization, under which conditions voters *do* act according to their self-interest, and whether higher public polarization *automatically* implies more conflict on the parliamentary floor. To establish this theoretical framework, we need to look not only at the most recent events, but to also consult historical data (at least from the point where the global inequality has started growing in the 1970s) and look at political dynamics outside the Westminster world.

In this dissertation I address this research gap and provide systematic comparative evidence on the nexus between financial crises, polarization and their political consequences. Figure 1.3. sketches plan of the thesis and anchors it in the current literature. As the results indicate, not all types of financial shocks are equally likely to impact public and elite polarization. Moreover, the way people react to crisis and the way parliaments polarize in response depends on previous ideological beliefs and electoral institutions respectively. However, if the preferences of voters are being pulled further to the margins and the current political establishment does not address the void, anti-system forces might occupy the vacant

space and further contribute to the socio-economic vicious circle (see also Hübscher et al., 2023).

Figure 1.3. Outline of the dissertation



I hypothesize that financial crises should not automatically lead to political instability and crises. However, this could happen if the interests of the most vulnerable social groups are neglected in favour of the more well-off. In addition, the utilized empirical approaches are also of great value for policymakers, who need a ready to use and easy to deploy early warning systems to monitor public and parliament polarization and incorporate this information in their anti-crisis measures accordingly (see Genovese, Schneider, & Wassmann, 2016 for the case of ECB interventions). This information can also enhance communication of anti-crisis measures.

Howard Rosenthal and Keith T. Poole were the innovators in the polarization research. McCarty, Poole, and Rosenthal (2003) and McCarty et al. (2013) have demonstrated that political polarization has been constantly increasing among members of the US Congress and that this trend has arguably exacerbated financial vulnerability of the country. According to Duca and Saving (2016), political tensions and income inequality have co-evolved. At the same time, while voters have not become more extreme in their views, the Democrats and Republicans constitute now very homogeneous communities (McCarty, 2019) – exactly what Lipset and Rokkan (1967) and Lipset (1981) have warned us about. We do, however, not know whether and to which extent these overseas observations can also be found in other countries. In Chapter 2 I demonstrate that in contemporary multiparty systems complexity of political competition can (with a minimal loss of detail) be summarised by the left-right dimension (see also Inglehart, 1990; Robertson, 2006). In essence, the left-right axis allows for dynamic mapping of the most prominent policy questions onto it (conditional on the state of economy

and expectations of voters). At the same time, to guarantee a holistic approach towards the crises-polarization analysis, it is worth exploring the underlying issue-space, too: redistribution (economic cleavage) as well as EU unification and migration (transnational cleavages) issues have been extensively discussed during the recent instances of political distress. In order to accurately capture public discord over these topics, the axiomatic polarization parameter of Esteban and Ray (1994) is the best choice: the common distance or variance estimators are of little value, when there are more than two competing groups, and the coefficient of Dalton (2008) does not properly distinguish between fragmented and united ideological factions.

In Chapter 3, Gerald Schneider and I apply the estimator of Esteban and Ray (1994) and several alternative popular measures to examine electoral and parliament programmatic left-right polarization across the OECD and to evaluate potential effects of various types of economic shocks on it. We distinguish among banking, currency, debt and inflation shocks (Laeven & Valencia, 2020; Nguyen et al., 2022; Reinhart & Rogoff, 2009) and emphasize that financial crises affect ideological polarization mainly through the redistributive mechanism. When studying the bottom-up interest transmission mechanism between voters and politicians, we rely on the institutional and competition argumentation of Cox (1990, 1997), G. Adams (1996) and Han (2015). In particular, we suggest that parties are motivated to polarize in response to their constituents only if the representative institutional infrastructure favours political fractionalization and diversity already before a financial shock occurs.

In Chapter 4 I work with the micro-level data on individual preferences for redistribution and test for the cross-pressured nature of such views in Europe. While Chapter 3 shows macro-level evidence regarding the impact of crises on polarization, it relies mainly on the redistributive consequences of shocks and, thus, on the rational self-interest of voters. At the same time, the recent research (Armingeon & Weisstanner, 2022; Heide-Jørgensen, Dinesen, & Sønderskov, 2023; Wehl, 2020) has shown that policy preferences of voters are usually driven by both material self-interest as well as ideological considerations. One more element in this relationship could be one's experience with economic hardships over the course of life (Margalit, 2013; Neundorf & Soroka, 2018; O'Grady, 2019; Piketty, 1995). Therefore, in order to better understand implications of the macro-level shifts in public polarization it is also necessary to investigate how various demographic groups respond to financial turmoil on the sub-issues of the left-right axis. While Eastern European and Nordic countries both share a memory of a more or less extensive welfare state (see also Esping-Andersen, 1990; Kitschelt, 2004), the former region has also experienced a financial and political crisis during the

transitional decade post-1990 (Pop-Eleches & Tucker, 2014, 2017). This crisis was accompanied by an overhaul of all institutions and, most importantly, has divided each affected society into winners<sup>7</sup> and losers<sup>8</sup> (Kowalczyk, 2019; Neundorf, Gerschewski, & Olar, 2020; Piketty, 2020). Unfortunately, the previous studies have barely scratched the surface on the topic of post-communist transitions.

Chapter 5 is based on the theoretical foundations and empirical findings of Chapter 3 and Chapter 4. It asks: given that we are now observing high public polarization (as a result of financial crises or similar events), should we (and if yes – when) worry about political stability in the country of interest? Under the ideal conditions of a well-functioning democracy, polarization of voters should be mirrored in parliament polarization (Ezrow, 2007). However, as we know from both classical theorists (Lipset & Rokkan, 1967; Marx, 1931 [1867]; Smith, 1997 [1776]) as well as from the empirical evidence in contemporary democracies (Bonica et al., 2013; Brady, Verba, & Schlozman, 1995; Traber et al., 2022), income inequality often implies an unequal distribution of political power, too. In this case, since we are still working with democratic states, citizens are expected to communicate their true preferences and grievances either by taking to the streets, voting or abstention (Hirschman, 1970). As Kriesi (2018) has shown for the Eurocrisis, dissatisfaction with how democracy works does not automatically presuppose a complete denial of democratic principles and institutions. Hence, in Chapter 5 I will investigate whether high polarization under high economic inequality is associated with higher support for populist parties. I will work not only with the left-right dimension (as in Chapter 3) or preferences for income equalization (as in Chapter 4), but will also add the issues of further EU unification and impact of immigration on national culture. The empirical setup (looking at the association between polarization before an election and vote shares of populists after the election) allows also to elaborate an early warning system to monitor political risks on the macro-level. Finally, Chapter 6 summarizes contributions of the dissertation and outlines a couple of extensions and ideas for future research.

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<sup>7</sup> Younger, better educated and liberally oriented citizens.

<sup>8</sup> Former members of the party nomenclature, public servants and workers with non-scalable and obsolete skillsets.

## CHAPTER 2. The framework

The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so we must think anew and act anew.

– Abraham Lincoln, 1862 State of the Union Address

### 2.1. An outlook

The study of polarization has been always central in philosophy, history, and politics. Polarization among the general public and elites has shaped the evolution of institutions and emergence of the modern liberal democracy as we know it today. While polarization is a vital part of a well-functioning democratic mechanism (Downs, 1957; Lipset, 1959; Lipset & Rokkan, 1967; Pareto, [1916] 1983), if not captured and properly channelled by representative institutions, it might destabilize the whole system. Economic crises and inequality are among the key inhibitors of democratic representation.

Yet, the existing research on the link between financial crises and ideological polarization is scarce, quite often tied to the US, lacking consistency in concept operationalization and limited to a single dimension. Theoretical implications of the pioneering work of McCarty et al. (2003, 2013) in the United States are crucial for polarization research: legislative gridlock, inequality and financial distress can all go hand in hand and undermine the political resilience of a country. However, once we transition to the multiparty non-Westminster systems, neither the traditional roll-call vote data offers the same external validity nor simple distance or variance measures of polarization are applicable. Measuring polarization in an axiomatically coherent way is especially important if we want to design early warning systems and track the development of political conflict after various policy interventions. Otherwise, as Edmund Husserl put it: “experiments in the imagination are imagined experiments” (Husserl, 2012 [1931]). In Section 2.2. I compare the most popular ways of quantifying polarization and advocate the approach of Esteban and Ray (1994), since it best corresponds to our implicit understanding of the concept and developments that we currently observe across the globe.

By and large, the left-right dimension has dominated public and party political competition during the last 200 years and it is still a good summary of political cleavages in developed democracies (Marks, Hooghe, Nelson, & Edwards, 2006; Robertson, 2006). At the same time, given the increasing complexity of the modern multipolar politics, some scholars

have either focused on studying sub-dimensions of the left-right cleavage or engaged in the analysis of affective polarization, which is a related, but totally different concept (Reiljan, 2020). In Section 2.3 I further demonstrate that the left-right axis is dynamic in its nature, and is capable of encapsulating the most pressing cultural and economic issues (see e.g. De Vries, Hakhverdian, & Lancee, 2013). Inglehart (1990) called it a ‘super-issue’ for that reason. The level of institutional development (Freire, 2008; Piurko, Schwartz, & Davidov, 2011) and political awareness among voters (Bauhr & Charron, 2018; Iversen & Soskice, 2015; McCarty, 2019) are crucial for this mapping to operate with the highest precision possible.

It is an established fact that economic and financial distress harms political stability (Autor, Dorn, Hanson, & Majlesi, 2020; Funke, Schularick, & Trebesch, 2016; Mian et al., 2014). However, the anti-crisis measures are almost never met by voters without a certain degree of opposition as well (Bansak, Bechtel, & Margalit, 2021; Genovese et al., 2016; Hübscher et al., 2023). Meanwhile, not all economic slumps lead to an asymmetric division between winners and losers and drive wedges into communities. As I show below in Section 2.4, it is important to distinguish among financial crises of different types and severity and take their particular redistributive consequences into account. Direct effects of shocks on positions of voters might be moderated by one’s previous experiences of distress, early socialization and ideological indoctrination – in this case we are dealing with cross-pressured views (Armingeon & Weisstanner, 2022; Cavallé & Neundorf, 2023; Heide-Jørgensen et al., 2023; O’Grady, 2019). This issue was also pronounced in Eastern Europe during the period of post-communist transitions: previous ideology of communism-socialism and self-interest in succeeding under the new market paradigm were two opposite forces, which have shaped redistributive preferences of voters. Such cross-pressure determines how fast does public polarization change in response to economic turmoil.

Similarly, when a society becomes more polarized in response to rising financial uncertainty and income inequality, there is no guarantee that political parties will automatically respond and present a more diverse agenda. If voters are politically engaged and the institutions more permissive (i.e. parties are actually incentivized to represent even marginalized social groups), parties might react in a more egalitarian fashion, too. However, if the political elites converge in their policy positions, no alternative anti-crisis measures are offered and voters believe that their voice cannot be heard and are anxious about their social and economic status, then non-mainstream populist opportunists are eager to fill the gap. This dilemma is discussed theoretically in Section 2.4 and dealt with empirically in Chapter 5.

## 2.2. What is (and what is not) polarization?

Before we go further, it is important to link polarization as a concept to an appropriate quantitative operationalization. One of the problems in the study of political positional polarization is the multitude and inconsistency of its operational definitions. Most studies that deal with political polarization in an active manner refer to range-based measures. Imagine that a society (or parliament) is divided into  $N$  distinct ideological groups (or parties). Each group  $i$  has its own group-specific positional mean value  $x_i$ . Each group  $i$  has a weight parameter  $\pi_i$ , which can be calculated as the share of individuals belonging to that group. Hence, all group-shares  $\pi_i$  should sum up to one.  $\bar{x}$  is the (weighted) mean position of all groups on some scale (e.g. on the left-right continuum).

Volgens (1995) uses, for instance, the range of the ideological positions of competing parties as an indicator of what she refers to as polarization:

$$DMAX = |x_L - x_R| \quad (2-1)$$

where  $x_L$  is the position of the most leftist and  $x_R$  the position of the most right-wing party. The problem with the DMAX range as a polarization measure is that it does not weigh the power of the groups and their relative coherence. A situation in which an extreme leftist party with many parliamentary seats or voters confronts a marginal right-wing party taking extreme positions is treated in the same manner as a constellation with two equally powerful extremist parties. Furthermore, the range as a measure of polarization does not take into account that the sway of competing groups is not simply given. As probably any intuitive understanding of the term suggests, polarization of a society should be growing with the intensity of group-identification or, more technically speaking, with a decreasing variance of group member preferences. The measure of ideological polarization of Sigelman and Yough (1978) corrects the deficiency related to left-right positions of parties. The SY indicator represents the weighted variance of the party positions; it, therefore, weighs the distance of the parties from the mean on a left-right scale with their electoral strength according to the following formula (p. 357):

$$SY = \sum_{i=1}^N \pi_i (x_i - \bar{x})^2 \quad (2-2)$$

The weighted variance is, however, not adequate in many applications as a measure of polarization as it considers parties to be unitary actors. Intuitively, if a coherent right-wing government faces an equally homogeneous left-wing opposition, polarization should be high. The SY index does not adequately respond (it goes down, in fact) if, for instance, a previously

fragmented right-wing camp now merges together and forms a monolith block with a position, which corresponds to the average stance of its former members. Legislative and electoral fractionalization can be also operationalized with the effective number of parties (or electoral groups in the survey context). The effective number of parties (Laakso & Taagepera, 1979, p. 4) accounts for the relative group size:

$$ENP = \frac{1}{\sum_{i=1}^N \pi_i^2} \quad (2-3)$$

The ENP measure increases with the number of competing groups. Therefore, it will be maximized for multiparty highly heterogeneous political systems (e.g. Belgium). Montalvo and Reynal-Querol (2005, p. 797) discuss that a slightly adjusted Hirschman (1964; 1980 [1945], pp. 98, 157-162) index HI (normally used by policy-makers in designing anti-monopoly laws<sup>9</sup>) could be also used to compute ethnic fractionalization:

$$FRAC (HI) = 1 - \sum_{i=1}^N \pi_i^2 = 1 - HI^2 \quad (2-4)$$

The FRAC (HI) measure constantly increases at a decreasing rate as we increase the number of groups. Similarly, Montalvo and Reynal-Querol (2005, p. 798) discuss an estimator, which tells us how far a given distribution is from the ideal bipolar scenario (see also Reynal-Querol, 2002, p. 33):

$$RQ = 4 \sum_{i=1}^N \pi_i^2 (1 - \pi_i) \quad (2-5)$$

Its value will be maximized for two-party political systems (e.g. the US) and decrease with the number of parties. Dalton (2008, p. 906) has elaborated one of the most popular indices of political polarization, also known as the *Party System Polarization Index* (Dalton, 2008, p. 906):

$$DI = \sqrt{\sum_{i=1}^N \pi_i \left( \frac{x_i - \bar{x}}{5} \right)^2} \quad (2-6)$$

The Esteban-Ray measure corrects for the counter-intuitive implications through the combination of information on intra-group homogeneity and inter-group distance. As Duclos, Esteban, and Ray (2004, p. 1737) write: “polarization is related to the alienation that individuals and groups feel from one another, but such alienation is fuelled by notions of within-group

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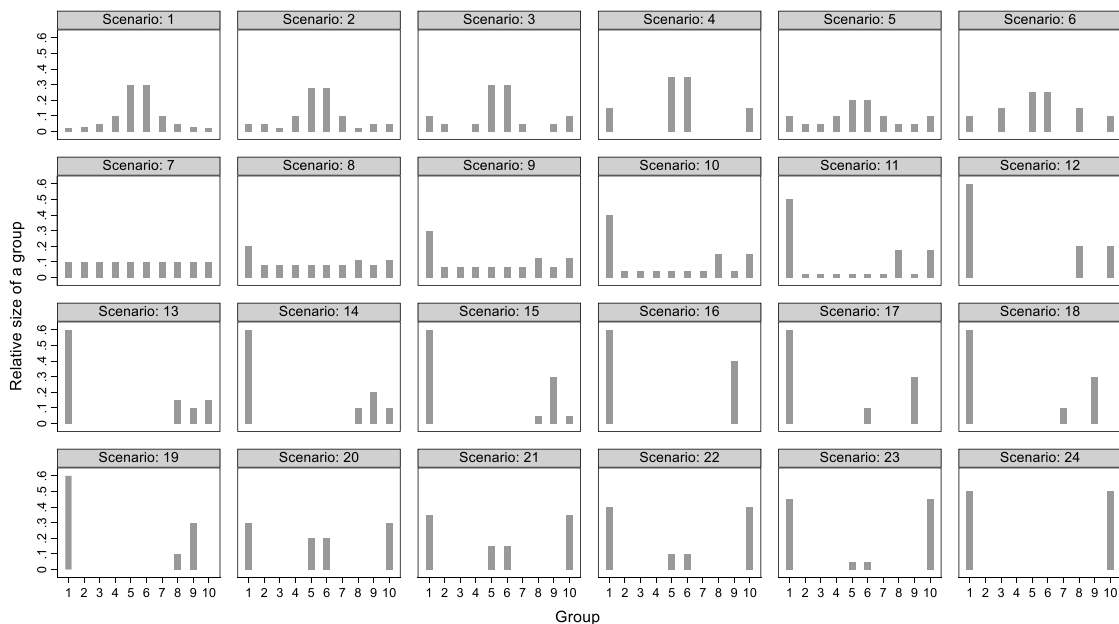
<sup>9</sup> <https://www.justice.gov/atr/herfindahl-hirschman-index>

identity.” This leads to the indicator that sums up ‘all effective antagonisms within a society’ (Esteban & Ray, 1994, pp. 831-834):

$$ER = K \sum_{i=1}^N \sum_{j=1}^N \pi_i^{\alpha+1} \pi_j |x_i - x_j| \quad (2-7)$$

where  $\alpha \in (0, \alpha^*]$ ,  $\alpha^* \approx 1.6$  (Esteban & Ray, 1994, p. 834) is an identification parameter and  $K > 0$  is some constant (in our case  $K = 0.5$  as in the Gini coefficients). We will choose  $\alpha=1$  as the baseline specification (see Duclos et al., 2004; Esteban & Ray, 2011). Indrisason (2011) assumes for the case of coalition formation in parliaments that “the degree of polarization sensitivity is in the centre of the permissible values of  $\alpha$  (1.3).” (p. 705). Han (2015) follows the author and also sets  $\alpha = 1.3$  for measuring polarization in various party systems. The parameter  $\alpha$  is the key ingredient in this index, since it upweighs the group shares. Hence, the estimate departs from the conventional Gini measure (with  $\alpha=0$ )<sup>10</sup>. Next, I have generated 24 hypothetical scenarios, describing possible distributions of voters (or parties) on the 1-10 scale. Each subplot in Figure 2.1 displays one such scenario.

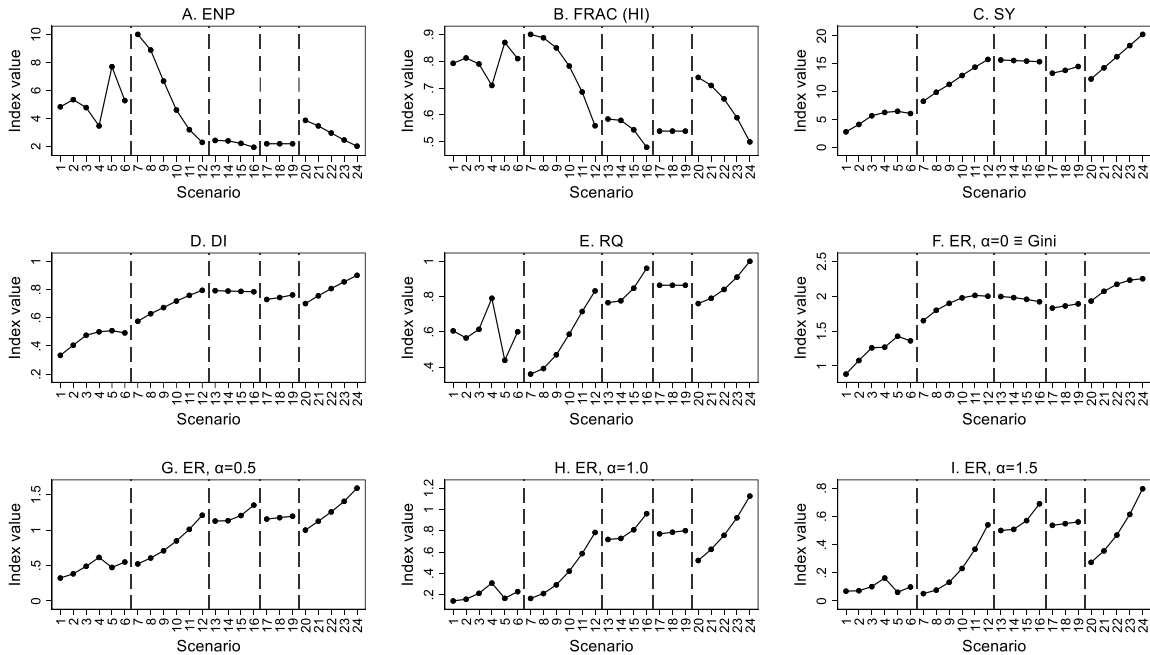
Figure 2.1. 24 hypothetical societies



<sup>10</sup> Please note that in the current application of the Esteban and Ray (1994) polarization index we have not divided country-year left-right distributions by the corresponding mean values. If one sets  $\alpha=0$  and  $K = 0.5$ , then the index applied to the left-right mean-standardized positions turns into the relative Gini coefficient. However, if the left-right positions are not divided by the within country-year mean values, we get an absolute Gini. When working with the 1-10 left-right distributions we are primarily interested in the absolute (not relative) distances between the competing groups.

I show generally five possible trends within a society (which are, of course, neither exhaustive nor exclusive). In cases 1-4 a bell-shaped distribution of ideas first loses its intermediate center-left and center right groups to form a society with a strong center (with groups at positions 5 and 6 obtaining 30% each) and moderately sized far-left (15%) and far-right (15%) camps. Then, there emerge two intermediate groups at positions 3 and 8 (scenario 6). Scenarios 7-12 describe a reduction in fractionalization and formation of a strong left-wing and moderately strong right-wing camps in place of a previously uniform distribution. In scenarios 13-16 the two right-wing groups at positions 8 and 10 and relative weights of 20% each (in sketch 12), split, unite and form a single faction at point 9 with a relative strength of 40%. In storylines 17-19 the right-wing camp is getting less dispersed, because the smaller group moves closer and closer to the more powerful party. Finally, in scenarios 20-24, three distinct camps (left, centrist and right) are being dissolved to form an ideally polarized society: 50% is now far-left and 50% far-right. All five distributional patterns imply that a society is getting more and more polarized. For each of the 24 cases I have then computed all of the described fractionalization and polarization measures (except for the DMAX, which is not informative at all if the distributional range is fixed). The results are plotted below in Figure 2.2. Each subplot shows how a given fractionalization (panels A-C) or dispersion and polarization (panels D-I) measure reacts to the changing shape of the population distribution.

Figure 2.2. Performance of various fractionalization and polarization measures



The main task now is to find a proper way to quantitatively operationalize what we observe. We can summarize our qualitative comparative expectations as follows (and contrast

them with the performance of the indices in Figure 2.2). We can conclude, that the sound axiomatic basis of the Esteban and Ray (1994) polarization index and its ability to capture not only the relative size of competing groups (fractionalization), but also to factor in the ideological distance among them (diversity and extremism) makes it superior over alternatives.

**Table 2.1.** Expectations about polarization scenarios in Figures 2.1 and actual performance of various measures in Figure 2.2

Scenario (grouped)	Expectation about polarization:	Does an index move in the expected direction?								
		Fractionalization			Dispersion and polarization					
		ENP	FRAC (HI)	SY	DI	RQ	ER <sup>α=0</sup>	ER <sup>α=0.5</sup>	ER <sup>α=1</sup>	ER <sup>α=1.5</sup>
1-6	Increase	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
7-12		No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13-16		No	No	No	No	Yes	No	Yes	Yes	Yes
17-19		No	No	Yes	Yes	No	Yes	Yes	Yes	Yes
20-24		No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The Esteban and Ray (1994) polarization index has been widely used in political research. For instance, T. Clark (2009) has studied polarization in the US Supreme Court and found that ideological background of individual judges and the resulting polarization contribute to more dissents and reinforce the role of pivotal voting. Indrisason (2011) shows that higher parliament polarization usually leads to smaller coalitions and raises the chances of median parties to be included in them. Han (2015) examines the connection between economic inequality and party polarization (measured among others via the ER index based on party-specific left-right positions from the Comparative Manifesto Project). He also highlights the concept of permissive (i.e. proportional representation) and restrictive (i.e. majoritarian single-member-district) electoral systems. The former activate the inequality-polarization link allowing parties to move to the ideological extremes under more unequal income distributions thus broadening the representation of public interests. More recently, Arbatli and Rosenberg (2021) have demonstrated that increasing polarization between left and right-leaning voters, as measured by the methodology introduced by Esteban and Ray (1994), has the potential to undermine democracy and rule of law. As a result, an environment of ‘us’ versus ‘them’ is being normalized, which can lead to government intimidation of opposition parties, heightened media censorship, assaults on the independence of the judiciary, and a gradual erosion of the principles of free and fair elections. Draca and Schwarz (2020) have extended the traditional measure of Esteban and Ray (1994) and added other dimensions when studying public polarization based on the World Value Survey data (three waves between 1989 and 2010). However, the inventors of the index do not offer similar axiomatic background for

multidimensional measures of social polarization (Duclos et al., 2004, pp. 1758-1760) and, therefore, such parameters have to be used with caution and require further research.

### **2.3. Dimensions of polarization**

Since its emergence through the French Revolution, the left-right dimension has been always considered one of the key cleavages in developed societies. Even though the modern multiparty political space has witnessed a lot of innovation since the 1970s and is different from the pure class competition of the previous centuries (Bartolini & Mair, 1990; Franklin, Mackie, & Valen, 2009; Lipset & Rokkan, 1967), class politics has not lost its relevance (Evans, 1999). An important starting premise, as Goldthorpe (2002, pp. 18-19) discusses, is that fluidity in group (or ‘class’) characteristics, identities and saliency of policy issues over time does not eradicate political contestation or diminish the role of group as a carrier of certain values, ideas and expectations.

Robertson (2006) writes: “Is politics unidimensional? Yes. Is the single dimension aptly called left/right? Why not.” (p. 177). The author describes a dimension as a “set of interlinked and long-lasting issues on which positions were uncorrelated with policies in the space people were used to.” (p. 176). That is, for example, if after a financial crisis parties propose various strategies to reform financial oversight legislation, it can be hardly seen as a new dimension (it is rather a new *issue*). However, I do not preclude the possibility that unobservable (under normal, stable and low-risk social and economic environment) dimensions might come to the fore under extreme economic distress. Robertson (2006) mentions the US in 1950s as one of such cases (p. 168)<sup>11</sup>. In a similar vein, the most pressing issues in the contemporary political competition are mapped on a single dimension during the voting process: that is, voters choose a party which is closest to their worldviews (Sartori, 1976). The left-right axis has been also extensively used in the recent public opinion scholarship on, for example, perceived party positions (Muraoka & Rosas, 2020) and their variance (J. Schmitt & Franzmann, 2020), popularity of anti-system factions (Grant, 2020), voter mobilization (Kleiner, 2020), and evaluations of the EU performance and trust towards the supranational body (N. Clark & Rohrschneider, 2019). Miller and Schofield (2003, p. 245) also posit that while the issue space

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<sup>11</sup> “The orthogonal dimension of patriotism / American identity anxiety which cross-cut the socio-economic dimension was thought to be smothered by the salience of the latter in normal times. When the post-war economic boom reduced the pressure on ‘bread and butter issues’ the second dimension could come to influence some voters.” (p. 168).

in the US is two-dimensional, the competition space has only one dimension, since parties compete “along the dimension that separates them”<sup>12</sup>.

De Vries et al. (2013) investigate the contents of left-right self-placements of respondents in the Netherlands over time (1980-2006) and contend that “the issue basis of left/right identification is dynamic in nature and responsive to changes in the political environment.” (p. 223). In particular, immigration issues have become more salient predictors of one’s left-right identification over time (compared to the traditional redistribution-related cleavage). During the Great Recession, for example, one’s left-right position in Europe often reflected potential concerns over Greece leaving the EU (Bansak, Bechtel, Hainmueller, & Margalit, 2020). Moreover, if inequality is high and rising, it is then also more likely to contribute to a better alignment of the left-right self-placements and preferences over redistribution (Noureddine & Gravelle, 2021). Freire (2008) studies the public left-right self-placements in Western Europe and notes that both social identity and system (including the age of democracies) factors matter and that “if parties present clear policy alternatives, electors might present more structured views on the meaning of left and right.” (p. 203). However, the data is limited to the 1990s. Freire (2015) confirms via the first European Social Survey 2002 wave that the left-right self-identification is indeed a mapping from both economic and non-economic issues, but states also that the voter-party link works best only for the economic sub-dimension. The importance of the left-right self-placements for Western Europe has been also discussed in Knutsen (1998). Zuell and Scholz (2019) provide original survey evidence from 2011, which supports the claim that the left-right self-placements possess significant country-specific differences in substantive interpretations<sup>13</sup>. Lachat (2018) analyses the nonlinearities in the left-right self-placement and preferences of citizens in Western Europe and shows that economic issues have higher discriminatory power for the left with cultural being more important for the right (with left-right self-placements being able to integrate two-dimensional party spaces).

As far as the party competition in the EU is concerned, Marks et al. (2006) confirm that it generally has two dimensions: economic and cultural. Interestingly, Savage (2013) provides a review of party systems in Central and Eastern Europe and states that the distinct camps that have formed after the fall of communism remain relatively stable and “are identifiable by their position on a Left-Right dimension.” (p. 1032). Elias, Szöcsik, and Zuber (2015) contend that

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<sup>12</sup> The authors highlight the role of party activists and discuss how the cultural dimension has won in terms of issue-salience between 1960 and 2000.

<sup>13</sup> They cover Canada, Denmark, Germany, Hungary, Spain and the United States.

as cleavage structures of societies diversify, so does the dimensionality of modern party competition. The authors then specify the possible party salience-position strategies depending on the relative importance of both dimensions (economic and territorial) in the political space (pp. 844-845).

Cultural identity issues could also come to the fore during the times of economic distress and growing inequality as “indignity of invisibility is often worse than the lack of resources.” (Fukuyama, 2018, p. 80). Rydgren (2014) points out that “many who previously defined themselves, their adversaries, and socio-political issues in terms of economic position, now define these in terms of ethnicity and nationality.” (p. 9). The recent studies by Gennaioli and Tabellini (2019) and Bonomi, Gennaioli, and Tabellini (2021) show that dynamic salience of the cultural dimension and group identification can actually lead people to become more culturally conservative and weary of redistribution in response to economic distress<sup>14</sup> (for the case of Brexit see Colantone & Stanig, 2018). Gidron and Mijs (2019) demonstrate the opposite for the case of the Netherlands, however: voters who have experienced material loss during the Great Recession increased their support for the radical left (not right). While the leftist camp has been always associated with protest activity in Southern Europe, Rüdiger and Karyotis (2014) did not find evidence that one’s position on this scale helps predict participation in anti-austerity demonstrations after the Great Recession. Tavits and Potter (2015) describe how left and right parties generally emphasize different issues during economic distress and inequality (redistribution vs. cultural values respectively), while De Vries and Solaz (2019) document similar differences among government and opposition groups. Abou-Chadi and Hix (2021) review the claims of Piketty (2020) about the rising ‘social nativism’ in Europe<sup>15</sup> and conclude, however, that the right-wing nativism is still likely to be a safe haven of small marginalized groups (rather than of a new and constantly expanding class). Miller and Schofield (2003, p. 245) have also noted that the second, non-core dimension, is especially important for the “disaffected voters who see no perceptible difference between the two main parties on the issues that matter most to them.”. This second dimension is then used by opportunistic candidates to mobilize the disenfranchised voters, which has contributed to the party re-alignment in the US.

Certain regional idiosyncrasies also exist in the public left-right self-identification. In the European framework we can generally distinguish between the new (i.e. Central and Eastern

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<sup>14</sup> “Poor or uneducated voters exposed to the costs of immigration or globalisation de-identify with their economic class and identify with the nationalist group. This reduces their demand for redistribution and enhances their demand of external protection.” (Gennaioli & Tabellini, 2019).

<sup>15</sup> This view combines “social and egalitarian objectives for the ‘native’ population with violent exclusion of ‘non-natives’.” (Piketty, 2020, p. 798).

Europe) and old (i.e. Western Europe) democracies. Apart from the cultural aspects, in Eastern Europe the views of people carry both the legacy of regimes before 1990 (see also Kitschelt, 1995; Kitschelt, 1999) and shock-style transitions to the wild capitalism after 1990. Piurko et al. (2011) rely on the value theory of Schwartz (1992) and note (based on the first 2002 ESS round) that “the experience of communism and the profound changes that followed its collapse has led to confusion about the meaning of the left-right dimension” (p. 556). Based on the WVS surveys Pop-Eleches and Tucker (2010) remark in this context that “citizens in post-communist countries rely more heavily on economic policy issues.” (p. 19). As one of my robustness tests demonstrates (not shown here to save space), older democracies with significant welfare state experiences and institutionalized policy-based party competition have fewer missing values in the public left-right self-placements (based on the European Social Survey between 2006 and 2012) and, most importantly, these self-placements tend to better match with preferences for redistributive policies (see also Gonthier, 2017). Support for redistribution, cultural conservatism and nationalist sentiments tend all to align together in post-communist states, too (Barni, Vieno, & Roccato, 2016; Kostelka & Rovny, 2019, p. 1686; Minkenberg & Pytlas, 2014, p. 221; Piketty, 2020, p. 798).

Getting from beliefs to action, Kostelka and Rovny (2019) argue that different legacies of left-right confrontation in Western and Eastern Europe define which wing is more likely to take to the streets in each region. In particular, in Eastern Europe it was the right-wing camp supporting democratization during the final era of communist-socialist regimes. Their theory relates to some extent to the model of Piketty (1995), who stresses that one’s beliefs about redistribution are shaped by the previous experience of social mobility not only in own life, but also among the members of one’s family, group, class etc. Kostelka and Rovny (2019) conceptually distinguish two underlying dimensions of the left-right classification: economic and cultural. They show that the latter is more important for protest activity than the former one both in Eastern and Western Europe: “cultural liberalism is positively associated with protesting.” (p. 1697).

Draca and Schwarz (2020) apply novel classification models (see also Blei, Ng, & Jordan, 2003; Munro & Ng, 2020) to the World Values Survey data and state that “a left-right dimension is strongly evident in the data but alongside this there is another major ideological dimension that pivots on citizen confidence in institutions.” (p. 4). They document that similar to the political elites, voters seem to be driven to the margins with anti-establishment positions gaining popularity. Interestingly, this trend was also accompanied by the global drift of people

to a more liberal worldview on average over time. However, as discussed in Chapter 2.2., while Duclos et al. (2004) encourage further theoretical investigations into that matter, they do not guarantee that a direct extension of the Esteban and Ray (1994) polarization index into an N-dimensional setup would offer the same axiomatic basis.

While both party programmes and views of voters are clearly not unidimensional, the left-right space is still an internationally valid summary plane of individual preferences and political conflict (even in the European multiparty systems). The left-right dimension is, therefore, also a reliable information source and proxy for analyzing macro-level trends in public and parliament polarization. However, in order to increase the generalizability of our findings and better understand the crisis-induced dynamics of political polarization, I will separately conduct a micro-level analysis of the ideological nature of redistribution preferences among different demographical groups in Chapter 4 and a macro-level review of the possible linkages between public polarization over various issues and populist support in Chapter 5.

## **2.4. Polarization in the context of financial and political crises**

### **2.4.1. Ideology and economy inside the US**

In a broader perspective of ideology analysis, Nolan McCarty, Keith T. Poole and Howard Rosenthal can be truly considered founders of the modern theory of ideological polarization. They have systematically embraced a rigorous methodological toolkit using roll-call vote data to keep track of the ideological developments among the US political leadership since the end of the 19th century.

McCarty et al. (2013) provide crucial insights into the political mismanagement as a cause and moderator of economic crises in the US. The authors define political bubbles as a “set of policy biases that foster and amplify the market behaviors that generate financial crises.” (p. 14). McCarty et al. (2013) also raise an important issue, discussing how even such well-meant intentions as increasing home-ownership might backfire if ideology serves as a substitute for strict regulations and shackles the system of checks and balances, leading to the reduced lending standards and the subsequent dubious rating of the subprime loans. As the key measure of ideology the authors use DW-Nominate scores, which are built upon roll-call votes and the theory of ideal points. McCarty (2019) has confirmed the trend of constantly rising polarization in the United States. McCarty et al. (2013, pp. 60-61) note that “political polarization appears to be a leading indicator of rising wages in the financial sector.” and that the increasing polarization among politicians is not matched by the electoral polarization.

Making use of the external variation of the China trade shock, Autor et al. (2020) show that economic distress has in general increased political tensions and polarization among voters on the county level. Moreover, external economic pressure was translated into ideological confrontation according to the pre-existing socio-cultural and ethnic divisions in communities (i.e. on both the left and right flanks). The US has witnessed a significant increase in the homogeneity of party identities (party affiliation implies now a predictable and rigid set of beliefs on various social and economic issues) as well as affective polarization (McCarty, 2019, p. 50). Graham and Svobik (2020) further show for the US that party ties quite often override the importance of democratic principles, thus providing a blank check for politicians. High ideological polarization is also associated with a deterioration of democracy on both sides of the Atlantic (Arbatli & Rosenberg, 2021). According to Boxell, Gentzkow, and Shapiro (2020), the rising affective polarization among supporters of opposite political camps is not unique to the USA though (see also Reiljan, 2020; Traber, Stoetzer, & Burri, 2023; Wagner, 2021).

Canen, Kendall, and Trebbi (2020) concentrate on the fact that not all bills voted for in the US Congress are whip counted and dissect the observed roll-call vote polarization into an ideological and party discipline component. The authors argue that “the share of traditional DW-Nominate ideological polarization which usually stems from party discipline varies from 34% in the 95<sup>th</sup> Congress to 44% in the 99<sup>th</sup> Congress.” (p. 1200), which essentially masks the fact that there does exist a larger than previously believed ideological overlap between Democrats and Republicans (see p. 1222). The issue of party discipline in voting is even more pronounced in Europe. Hix and Noury (2016) study roll-call voting patterns in 16 countries and show that in the most cases “government-opposition splits dominate policy-based voting by parties or legislators.” (p. 250). Spirling and McLean (2007) apply the classification approach of Poole (2000) to the House of Commons in the UK and argue that strategic voting might also lead to incorrect classifications of positions of individual MPs (see also Spirling & McLean, 2006). This observation makes conventional party manifestos (Lehmann et al., 2023) and expert assessments (Döring et al., 2023; Polk et al., 2017; Ray, 1999) an indispensable resource for polarization research outside the Westminster world.

#### **2.4.2. Ideology and economy outside the US**

There are several studies looking at the link between financial crises and ideological variance outside of the US, too. Among the most prominent is Mian et al. (2014), who provide evidence that in the aftermath of financial crises governments tend to become less popular, opposition forces gain leverage (and are then less likely to introduce reforms) and voters

become more dispersed ideologically. Interestingly, inflation, debt and banking crises seem to have the most remarkable effects. One rationale behind this might be the differential burden of these shocks for the general population (e.g. an inflation crisis affects almost everybody and in the case of severe debt overhang expenditure cuts are usually introduced). The authors also explain the debtor-creditor mechanism, where political polarization might impede the relaxation of creditor rights (as a component of macroeconomic stimulus packages). Funke et al. (2016) scrutinize 140 years of historical data and further illustrate, that those who definitely benefit after the crises are the far-right and populist forces, contributing to overall system fractionalization (defined using seat shares and following the Herfindahl-Hirschman logic). It is worth noting that there is no evidence of the far left participating in the post-crisis rallies. Pelizzo and Babones (2007) have operationalized party polarization as the difference between the vote shares of extreme and centrist parties (pp. 56-57). They document a positive relationship between this indicator and economic crises (decreasing industrial production and rising unemployment) in the selected Western European countries during the 20<sup>th</sup> century. According to Pelizzo and Babones (2007), higher polarization has then contributed to government instability.

Conventional multi-country panel investigations of the causes and consequences of financial distress perform best for cases with less complex and non-overlapping single crises. However, not all shocks are equally suitable to be put in such frame. A vivid example is the 2007 meltdown, which constituted an outlier both in scope and depth of its impact on the general public. The resulting ideological schisms in the European political landscape represented in essence a synergy of the slowly increasing polarity of political competition in Europe (Kitschelt, 2004; Piketty, 2020) and the largest economic slump on record since the Great Depression. Kriesi (2012) argues that economic voting in the immediate wake of the crisis was one of the major mechanisms for punishing the incumbents. Lima and Artiles (2018) indicate that while Eastern Europe has shifted to the right in the post-austerity world, Southern Europe (Greece, Spain and Portugal) went mostly to the left. One of the peculiarities of the ideology shifts in Southern Europe was that parties have tried to conflate austerity with old establishment, thus demanding a democracy reset (Hutter, Kriesi, & Vidal, 2018). A crisis-related drop in trust vis-à-vis the EU (Armingeon & Ceka, 2014) has been actually more pronounced during the Euro crisis (2009-2012) than during the global financial crisis (2007-2009) (Braun & Tausendpfund, 2014, p. 238; see also Foster & Frieden, 2017). National self-identification has also become associated with more negative attitudes towards the EU (N. Clark & Rohrschneider, 2019). Voters residing in more corrupt countries have turned away from both national and EU

institutions (Obydenkova & Arpino, 2018). Given that the financial and credibility crises have aligned, there is little surprise then that populist parties have not missed this opportunity to get into parliaments (Algan, Guriev, Papaioannou, & Passari, 2017). Bailouts in the course of the Eurocrisis have further increased frustration with democracy (Schraff & Schimmelfennig, 2019), but timely ECB interventions and regular communications have reduced uncertainty and dampened popular dissent (Genovese et al., 2016). At the same time, support for redistribution has increased – mostly among the countries with the highest overall economic losses – equally among various social groups and left-right camps, indicating no higher polarization in preferences (Gonthier, 2017).

Mudde and Kaltwasser (2017) further note that the Great Recession has contributed to the popularity of left-wing populists viewing the EU as a threat to the welfare system: examples in Southern Europe are SYRIZA and Podemos (see also Gidron & Mijs, 2019; Gomez & Ramiro, 2019). The Great Recession and ensuing fiscal constraints have enhanced the decline of the socio-democratic mainstream parties (and provided a tailwind for more extreme left-wing factions), with this trend previously been mainly fuelled by the shrinking industrial working class (see also Abou-Chadi & Hix, 2021; Benedetto, Hix, & Mastrococco, 2020). Oesch and Rennwald (2018) in their discussion of the tripolarity of the European political space note that while economically “production and service workers are close to the left”, “their cultural preferences are in closer accord with the radical right” (p. 800). The gap created by this drift and the crisis-related economic shocks have also significantly increased the overall popularity of the anti-political-establishment parties (Casal Bértoa & Rama, 2020). Quite reassuringly, Kriesi (2018) demonstrates that the grim forecasts for European post-crisis democracy fall short of the necessary evidence, since people while being critical of how the existing institutions work do not question the democratic process itself (see also Bochsler & Juon, 2020). In Chapter 5 I study how public polarization and high economic inequality can be conducive to representational gaps.

### **2.4.3. The role of regime transitions and socialization**

While the 2007 crisis was the first financial critical juncture in lives of many citizens in Western Europe, it was already the second shock of such type (i.e. unpredictable, all-encompassing and dealt with in an ad-hoc way) in Eastern Europe, which not so long ago survived the post-communist transitional decade of the 1990s (followed by a brief period of growth and convergence reforms). The transition period was usually characterized by a highly asymmetric redistribution of the previously state-owned resources in an institutional vacuum

(Josifidis, Supic, & Glavaski, 2018; Lindner, Novokmet, Piketty, & Zawisza, 2021). Increasing inequality was then also followed by rising demand for redistribution (see e.g. Okulicz-Kozaryn, 2014, p. 452). Young open economies and unconstrained flows of private capital have contributed to the fact that “Western investors did gradually become owners of much of the capital of the former Eastern bloc.” (Piketty, 2020, p. 640)<sup>16</sup>. Quality of post-transition institutions and emergence of programmatic party competition depended among others on how fast a country could distant itself from old communist elites (Kitschelt, 1995). Alesina and Fuchs-Schündeln (2007) demonstrated that after the first post-transition decade East Germans preferred still a larger welfare state than citizens in West Germany. Pop-Eleches and Tucker (2017) show that by 2007 the ideological ‘shadow’ of communism could be most unambiguously recognized in the welfare state support (p. 256). Moreover, these differences in attitudes tend to depend not only on the age cohorts, but also to be influenced by the varying degrees of economic inequality (especially for younger voters born after 1965) and to a much lesser degree on the overall macroeconomic performance (p. 275).

The modus operandi of previous public opinion research in Europe has been usually to either exclude the post-communist territories completely or to focus mainly on the long-term legacies of communism. Hence, the possible polarizing role of the post-1990 (de)construction years is dissolved in related, but still different theories and empirical tests. In my opinion we cannot fully understand the crises-polarization link if we miss the re-unification of Eastern and Western Europe. The post-communist transitions represented not only an economic crisis of an unprecedented scale, they were a clash of past ideological indoctrination and opportunity-based self-interest. State-of-the-art research describes such views as being ‘cross-pressured’ (Armingeon & Weisstanner, 2022; Cavallé & Neundorf, 2023; Heide-Jørgensen et al., 2023; Helgason & Mérola, 2017; Wehl, 2020). In other words, while income is the key, ideology matters, too. Among left-wing respondents, income is only marginally important in predicting redistribution support, while ideology is less decisive for poorer voters (Armingeon & Weisstanner, 2022). The salience of the ideological component is larger for voters, who are ‘open to experience’ – “philosophical, analytical, and uncertainty tolerant” (Heide-Jørgensen et al., 2023, p. 1468). As a consequence, even if a crisis affects a certain demographic group in

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<sup>16</sup> In the post-Soviet states, the 1990s brought with them the ‘Wild West’ capitalism, which was essentially organized crime and large-scale scam. For instance, previously state-owned enterprises in Ukraine have been initially divided in equal shares among their employees. Absent functioning capital markets and investor protection regulations, these stocks were then bought en masse almost free of charge by the would-be oligarchs (and those who would not sell were threatened or assaulted). Therefore, it is not surprising at all that Pop-Eleches and Tucker (2014) found using the data between 1990 and 2001 that communism has led to more negative attitudes towards democracy and capitalism.

such way that it is expected to become more extreme (or just to change its position) on some policy-relevant dimension (e.g. left-right), we might observe only a very limited actual movement if views of this group are also coupled with a more rigid ideological construct or traumatizing early socialization (O’Grady, 2019).

The fact of having lived through the transition crisis can have a profound impact on both current policy positions of voters and their reactions to the subsequent socio-economic turbulence (Margalit, 2013; Neundorf & Soroka, 2018; O’Grady, 2019; Piketty, 1995). Fundamentally, one’s potential benefits from the shift (back to) capitalism depended on being close to (or a member of) the party nomenclature (Neundorf et al., 2020), marketable skills (e.g. education) and a career stage (i.e. life-cycle effects). “Market beneficiaries do not shy away from an open society because they are confident they have the resources to prevail and to succeed without authoritarian control of the political process or people’s personal conduct.” (Kitschelt, 1995, p. 459). If there is an opportunity to profit from exposure to more globalization, people demand less and less redistribution and state intervention (Walter, 2017). Respectively, as one’s economic security deteriorates and potential losses amass – for instance, if a person is employed in a routine occupation, which is prone to automation – the state is asked for more safety and equality (see also Kitschelt & Rehm, 2014; Thewissen & Rueda, 2019). Hence, polarization in policy preferences might emerge on the macro-level, moderated by the degree of education (or skill scalability) inequality in a given country. However, as Steiner and Martin (2012) show, economic integration often leads to the convergence of party positions (but lower turnout). While among younger generations born after the 1970s self-interest might prevail in shaping attitudes towards the post-communist transitions in general and redistributive policies in particular, older citizens could also act not necessarily exclusively out of ideology or early socialization experiences – insurance motives might also play a role (see also O’Grady, 2019). In particular, The ‘Living through communism’ vs. ‘living in a post-communist state’ distinction of Pop-Eleches and Tucker (2014) requires further clarification. The ‘living through communism’ component can easily capture both a true ideological indoctrination as well as an experience of having been socialized in a society on a never-ending road to communism (e.g. dealing with severe material deprivation, limited personal freedom and constant fear of repressions). Both formative experiences might then make a person more supportive of state-guaranteed economic equality as an insurance against uncertainty. One’s views on redistribution are shaped not only by one’s current financial position, but also by experiences and information one has accumulated over the course of life (O’Grady, 2019; Piketty, 1995).

These assumptions are also in line with the theory of reasoned action (Fishbein & Ajzen, 1975). According to it, we might expect people believing in social equality and security (be it a result of socialization under economic distress, or ideological indoctrination, or both) to support more income redistribution. Moreover, once the social pressure is over after the dissolution of the previous oppressive regimes (i.e. for all surveys post-1990), the preferences we observe are likely to be dominated by the element of personal attitudes of an individual. In similar vein, the latter are expected to define the preferences towards redistribution for people, who do not support ideological views of their peers and/or can benefit a lot from the dismantling of the status quo (both cases are valid for voters with more years of education and highly marketable skills).

#### **2.4.4. Redistributive consequences of financial crises**

To reiterate, when conducting research on the changing positions of voters during a financial shock it is necessary to keep in mind that only those respondents, who do not possess a strong ideological view and have been badly affected by the crisis will actually move: macro-level polarization (irrespective of how one defines it) will change only if people change their opinions<sup>17</sup>. In Chapter 3 Gerald Schneider and I contend that the impact of financial crises on polarization is grounded mainly in the redistributive consequences of distress. Bodea et al. (2021) have demonstrated that all types of financial crisis – banking, currency, debt and inflation – can increase economic inequality and that such effects usually unfold over decades. Rising inequality can then boost support for redistribution (Jæger, 2013). Importantly, Bodea et al. (2021) also highlight that more powerful and organized market participants (e.g. large banks) can tip anti-crisis policies in their favour, thus further exacerbating pressure on the lower social strata. Rübsum et al. (2024) work with wage data from Hammar and Waldenström (2020) and confirm that financial crises can skew income distributions. The most negative effects on wages are observed for debt and inflation crises, with top earners and public sector employees paying the highest price. There is also evidence that the overall inequality was largely affected by the wage component before the current era of financial globalization and democratization of the markets (i.e. before 2000). Not only financial crises and increases in inequality have significant redistributive consequences for the general population. Anti-crisis measures might also skew distribution of resources and exert a substantial financial toll on the less-well off.

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<sup>17</sup> Given that there are no large-scale symmetric movements of the electorate across some policy dimension (e.g. those on the far left suddenly become far right and vice versa leading to no change in the overall polarization *ceteris paribus*). It is worth noting that in addition to being theoretically hardly justifiable, such swings contradict empirical evidence from our robustness tests from Chapter 3.1 (not shown to save space).

Anti-crisis measures can also increase income inequality (Agnello & Sousa, 2014; Lang, 2021; Oberdabernig, 2013) and according to Schneider and Shevchuk (2024) higher parliament polarization and certain ideological constellations might worsen the negative effects of austerity and IMF interventions on wages in the targeted countries (see also Agnello, Fazio, & Sousa, 2016; Armingeon, Guthmann, & Weisstanner, 2016). Kuhn et al. (2020) further show that differences in the portfolio composition of rich (equity and fixed income securities, almost no leverage) and middle class (residential real estate, high leverage) households predetermine their differential vulnerability to economic shocks. For instance, richer households will profit from stock market booms and recover faster if a crash occurs. In contrast, housing booms define the wealth trends of middle-class and poor households. Therefore, this ‘race between housing and stock markets’ was according to the authors one of the leading factors behind wealth polarization in the US starting from 1990s. Rising housing prices might then also reduce support for redistribution among homeowners (Ansell, 2014).

It is also almost a truism that after a currency shock it is those in export-oriented sectors who benefit from a weaker currency. However, for businesses which heavily rely on imports or have borrowed in a foreign currency costs might become insurmountable leading to layoffs or wage reductions. “When banking crises lead to currency crises they further lead to sectoral changes in labor demand: Employment in export-oriented sectors (e.g. commodities, agriculture) are boosted, while labor demand in manufacturing sectors that rely on imported inputs decreases.” (Brown, 2013, p. 7). Former employees who have incurred disproportionately high losses after the economic shock due to inflexibility of their asset and income structures will lean towards left policies and hope for the government to provide assistance. The search for explanations and scrutinizing of the existing ideological regime naturally takes place dividing a targeted society and transforming structural economic peculiarities into demand for reforms. For the case of inflation shocks, for example, people who can optimally rebalance their portfolios will see no losses or even benefit, whereas those holding mostly cash (not protected from price increases) will lose (see also Piketty, 2020, p. 442). However, if there is a general shock to the financial system, which impedes growth in all sectors and makes all members of a society shoulder the subsequent burden, only relative winners and losers will emerge. Imagine, for instance, a severe banking crisis, with lenders going bankrupt one by one – there are few if any champions: bankers lose their jobs, shareholders lose their banks, creditors are deprived of cheap financing and everyone pays for the failure. According to Brown (2013), banking crises affect households mainly through the labour market (e.g. lower wages), more rigid financing and reductions in public spending.

#### **2.4.5. Link between political polarization and economic inequality**

Iversen and Soskice (2015) simply define public polarization as a share of non-centrist voters on the left-right scale and document its negative correlation with income inequality. They explain this interrelationship with lack of political information due to the (in)egalitarian nature of institutions (education, trade unions and social networks): poorly informed respondents (constituting a majority in highly unequal systems) will simply cluster around the center of an ideological distribution. Central groups can also incorporate more uncertain and frustrated voters instead of the true moderates (Bauhr & Charron, 2018, p. 245; McCarty, 2019, p. 67). Rodon (2014) confirms that lack of political interest is associated with both missing and centrist self-placements (see also Lesschaeve, 2017). Similarly, Muraoka and Rosas (2020) show that rich and poor voters misperceive party positions<sup>18</sup> and that this effect depends on the prevailing level of economic inequality. Moreover, the authors claim that “inequality is not strongly correlated with the extent to which parties are polarized across the ideological spectrum.” (p. 12). H. Winkler (2019) works with the European Social Surveys and finds that higher regional inequality leads to stronger support for non-centrist parties (see Dorn, Fuest, Immel, & Neumeier, 2018 for the case of Germany). However, the effects of inequality and poverty on the success of far-right parties have become gradually stronger over the recent decades (Proaño, Peña, & Saalfeld, 2022). Hence, if inequality was high before the economy experienced a bumpy ride, we should also expect a massive (and probably more extreme) correction of the (false) left-right self-placement of the electorate afterwards (irrespective of what has happened to the parties). If this automatic correction coincides with the dissolution of centrist factions, polarization will escalate.

Based on the left-right positions of party manifestos, Han (2015) contends that higher income inequality incentivizes parties to polarize only in systems with high magnitudes of electoral districts. Fenzl (2018) also relies on party manifestos and offers a demand-size explanation of the negative link between parliament polarization and inequality. The author reports that since inequality can depress political participation among the worse-off, left parties have fewer incentives to become more extreme (and, therefore, will converge to the center): “Higher inequality is associated with lower economic polarisation, very unlike the United States.” (p. 1269). Gunderson (2021) elaborates on the underlying mechanism and contends

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<sup>18</sup> “In line with our theoretical arguments, we see the strongest effect of inequality on perceptions when people assess the positions of parties that putatively represent outgroups (i.e., left-leaning parties among high-income individuals, and right-leaning parties among low-income individuals). The rich and poor tend to see outgroup parties as more extreme than middle-income people do.” (p. 11).

that “income inequality’s positive relationship with party polarization is strengthened when party bases are sorted by income and the economy is salient.” (p. 1). Bonica et al. (2013) report for the US case that campaign contributions are increasingly concentrated among the top earners (the richest 0.01% are responsible for over 40% of contributions, p. 111) and that the US political system responds more to the demands of richer voters. In fact, this finding is not peculiar to the US, since if the interests of poorer and richer voters diverge, the latter usually win in pushing their political agenda through (Traber et al., 2022). Duca and Saving (2016) show that in America party polarization (also based on the DW-Nominate scores) and income inequality possess a bi-directional dependence. According to Patkós (2022), economic growth might also suffer if government and opposition supporters are expressing high levels of distrust towards each other (no such effects have been documented for the left-right policy cleavage).

The majority of studies on the inequality-polarization link imply that political parties per se are not automatically motivated to present polarized programmes if economic inequality goes up. This is quite worrying, since when inequality starts to matter in a society it is usually already too late. At the same time, we can also conclude that if voters are interested in politics and the institutions are permissive enough, then skewness of an income distribution is likely to make parliaments more susceptible to rising positional polarization. Importantly, such developments might simply mean that democracy is working. On the contrary, when in a critical situation the legislators do not propose any alternative solution, outsiders might be welcomed to fill the gap. Ezrow (2007) reports that variance of party positions does react to changes in the variance of voters’ positions and “that party system dispersion is more responsive to voter dispersion in countries that feature less proportional electoral systems.” (p. 188) (see also Powell, 2015). Similarly, according to Bernaerts, Blanckaert, and Caluwaerts (2023), consensus democracies (with higher proportionality) are characterized by lower levels of expert-coded (from the V-Dem dataset) levels of polarization. While the effective number of parties increases both variance of and distance between party positions (J. Schmitt & Franzmann, 2020, p. 75), standard deviations of voters’ left-right positions positively impact only perceived party polarization (J. Schmitt & Franzmann, 2020, p. 78). As radical right parties enter a parliament floor, voters also polarize accordingly, with these effects also being distributed in time (Bischof & Wagner, 2019).

#### **2.4.6. Representational crises, political change and populism**

Zack Grant (2020) finds that as the economy plunges deeper into a crisis and the political elites do not provide a broad set of solutions (i.e. de-polarize), those alternative solutions are

likely to come from the radical newcomers. When the ideological positions of politicians are too much decoupled from those of their voters (e.g. asymmetrically affected by the crisis), citizens will start looking for alternatives (Eatwell, 2003). Steiner and Martin (2012) while discussing the study of Karp and Banducci (1999) on the PR electoral reform in New Zealand also note that “a wider choice of political options ... resulted in higher participation from voters whose preferences had not been represented in the old political arena.” (p. 242). More generally, Kitschelt (2014) elaborates on the supply-side mechanism of political competition and notes with regard to the convergence of party positions that “Narrow perceived partisan differences on economics releases voters to prioritize other dimensions.” (p. 237). When the core parties converge in their opinions regarding anti-crisis measures such as austerity, then the negative effects of the latter on turnout and support of the political establishment are becoming even stronger (Hübscher et al., 2023; see also Schneider & Shevchuk, 2024)<sup>19</sup>. Dalton and McAllister (2014) note that parties rarely change their positions, while Hooghe and Marks (2018) add that party system change comes primarily in the form of emergence of new parties. Hence, we can expect that the largest hikes in parliament polarization might come from actually increasing support for more extreme outsiders. Arndt (2016) confirms this expectation for Denmark: niche parties are very important for aggravating issue-polarization on the elite level in multiparty systems. Rovny and Edwards (2012) contend that “niche parties attempt to break their competitors’ advantage by highlighting unrelated political issues with the aim to divert political conflict to a different dimension.” (p. 70).

Voters can view their mobility prospects as rather grim and lose trust in the representatives if almost all political and financial leverage is concentrated in the hands of a few disproportionately rich and self-contained groups. Low social mobility increases political instability of various types: “riots, general strikes, anti-government demonstrations, political assassinations, guerrillas, and revolutions.” (Houle, 2019, p. 87). Protests politicise grievances and do even more harm to the incumbents during the periods of economic distress (Bremer, Hutter, & Kriesi, 2020, p. 2). Kleiner (2020) contends that left-right “ideological polarisation in the social environment motivates citizens to become politically active in a non-electoral way” (p. 575) and that mobilisation effects are especially pronounced in the right-wing camp. The utilized polarization index is an ad-hoc parameter of multiplying mean positions of the left- and

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<sup>19</sup> Hübscher et al. (2023) operationalize parliament polarization as a weighted variance of party positions. The authors undergird their macro-level analysis of observational data (spanning 16 OECD members between 1980 and 2016) with survey experiments in the UK, Germany, Portugal and Spain.

right-wing groups, which limits external validity of the study<sup>20</sup>. In the view of Gidron and Hall (2017), both economic (shift to less stable employment conditions for those outside of the knowledge economy and skill-intensive jobs) and cultural (flattening of social hierarchies and increasing horizontal equality) shifts have contributed to the recent upsurge in the status anxiety of voters. This feeling of standing on the social cliff has then lead people to look for security in the populist ideas and vote for populist right (see also Grossman & Helpman, 2018). Relative deterioration of a respondent's financial stance and corresponding frustration not only lead people to prefer more redistribution (Burgoon, Baute, & van Noort, 2022; Weisstanner, 2022), but also are among the most influential drivers of Euroscepticism (Abts & Baute, 2022; Baute, Meuleman, Abts, & Swyngedouw, 2018; see also Lipps & Schraff, 2021). "When liberalism goes into crisis, populism stands as an alternative type of democracy." (Pappas, 2019, p. 51).

Increasing public polarization without a corresponding match among the political leadership – fostered by high inequality in political leverage – therefore, implies a larger competition space, which is especially conducive for populist newcomers. Thomas Piketty wrote in a *Le Monde* blogpost in 2017: "Populism is merely a somewhat confused but legitimate response to the feeling of abandonment experienced by the working classes in the advanced countries in the face of globalization and the rise of inequalities.". The roots of this protest can be traced back to, for example, a cultural backlash (Margalit, 2019; Margalit, Raviv, & Solodoch, 2022; Norris & Inglehart, 2019), perceptions of unfair personal economic changes (Casal Bértoa & Rama, 2020; Gidron & Mijs, 2019; Mudde & Kaltwasser, 2017) or manifestation of economic insecurities, distrust vis-à-vis institutions and anxiety in general (Algan et al., 2017; Guriev, 2018; Noury & Roland, 2020).

The division of society into the 'us' vs. 'them' is characteristic for all types and definitions of populism – as an ideology (Mudde & Rovira Kaltwasser, 2018) or a framing strategy (Aslanidis, 2016) – and it rests on the fundamental assumption of a profound representational gap in a society (Pappas, 2019). This (perceived) vacuum can have many subjective causes. Importantly, this 'misrepresentation' of people's interests is then expected to be addressed in the most direct ways possible, even if it means ignoring the established democratic mechanisms and institutions (Wegscheider, Rovira Kaltwasser, & Van Hauwaert, 2023). Populists also try to win over the undecided and frustrated voters (Pappas, 2019, p. 241; Stefanelli, 2023), but there are apparently no significant changes in the overall turnout

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<sup>20</sup> Kleiner (2020) also amalgamates positional and affective polarization (as well as positional extremity with feelings of political deprivation – see p. 579), thus, explaining consequences of the former through the latter.

(Nemčok, Bosancianu, Leshchenko, & Kluknavská, 2023). The role of feelings of relative deprivation as one of the pillars of populist support has been highlighted among others by Mudde and Rovira Kaltwasser (2018) and Pappas (2019). Polarization in living conditions in Europe, computed via applying the approach of Esteban and Ray (1994) to the EU-SILC and ESS data, has been shown to be closely associated with populist values among voters: ‘distrust of institutions’, ‘anti-immigration’, ‘authoritarianism’, ‘distrust of people’ (Ginsburgh, Perelman, & Pestieau, 2021). And if the degree of frustration among the general public is high enough to normalize and encourage populist ideas in political campaigns, a vicious circle might be ahead: as Funke, Schularick, and Trebesch (2023) show, political, economic and institutional decay have been the usual consequences of populist rule over the past 120 years.

## **2.5. Summary**

Post-crisis world is an environment of national interests and emergency plans undermining the benefits of international financial cooperation. In terms of ideology, uncertainty is what normally emerges, with theories being reconsidered, models augmented and policies rewritten. Crises can be thus seen as triggers, which increase the salience of redistributive policies for voters, who might as a consequence careen toward a power change. Outside of the Westminster world, distance- or variance-based polarization measures no longer suffice to properly quantify what we theoretically expect when referring to this concept: a society, divided into distinct, internally cohesive groups. Many of the commonly used polarization estimators perform especially poor when centrifugal tendencies dominate a society, but the nominal number of groups remains the same. As Section 2.2. demonstrates, only the axiomatic polarization parameter of Esteban and Ray (1994) is robust to various political constellations and performs in a theoretically sound manner.

More generally, the recent scholarship has demonstrated that financial crises and anti-crises measures are bad for legislative stability and reduce longevity of incumbent cabinets. Impact of financial shocks on the public ideological landscape depends to a large extent on the redistributive consequences of different types of crises. Hence, it is of vital importance to categorize the instances of economic turmoil in a proper way (and not simply rely on such parameters as GDP growth or inflation rates). Whether this linkage can be confirmed for parliament and public polarization outside the two-party one-dimensional American competition space will be investigated in Chapter 3.

The previous scholarship on political positional polarization has focused mainly on the left-right dimension and after discovering the cross-country variance in its underlying ideational contents has then discarded the concept altogether and switched to the study of affective polarization instead. This is quite unfortunate. First, these concepts are closely related and complement each other. Second, now we are lacking both systematic evidence on the evolution of political issue-polarization outside the US as well as understanding of its antecedents and repercussions for the resilience of democracies. In Section 2.3. I argue that the left-right dimension can with a high degree of generalizability summarise party competition as well as trends in the evolution of public opinion polarization. System time (new vs. old established democracies), system state (crisis vs. no crisis) and system legacy (Eastern vs. Western Europe) all influence the substantial interpretation of left-right in a particular survey snapshot. I also work with public support for income equalization (Chapters 4 and 5) as well as views on further EU unification and perceived influence of migration on national culture (Chapter 5).

Instances of post-communist transitions in Europe ought to be included in research initiatives studying implications of crises on public ideology, too. A positive relationship between communist indoctrination and redistribution support is a well-known fact. However, the turbulent 1990s brought to light one more interesting phenomenon: views of younger voters, who could benefit from the new capitalist-market complex, were cross-pressured by the remnants of the previous ideology and self-interest in benefitting from the free markets. In this constellation, it is no longer straightforward to which extent financial distress can influence individual positions of voters and public polarization on the macro-level. Communism aside, older generations who grew up in the Nordic welfare systems, are also susceptible to having cross-pressured views on the topic of redistribution (albeit without the effects of regime transitions). Chapter 4 provides a theoretical and empirical deep dive into this matter.

Finally, the linkage between public and party positions is far from direct. In particular, first, democratic representative institutions define how distributions of public preferences are related to the distributions of party programmes. Second, representation matters: such factors as inequality and skewness of (perceived) political leverage determine the nature of public demands – is it a policy change or a full government reset? Whether an interaction between high public polarization and income inequality creates a conducive environment for populist politicians will be analysed in Chapter 5.

# CHAPTER 3. Falling Apart or Flocking Together? Financial Crises and Left-Right Polarization in the OECD

*Gerald Schneider & Oleksandr Shevchuk*

You never want a serious crisis to go to waste. And what I mean by that is an opportunity to do things that you think you could not do before.

– Rahm Emanuel<sup>21</sup>

## 3.1. Introduction

Political theorists have maintained for a long time that political polarization is a key problem for governance. In the 19th century, both Marx (1931 [1867]) and Tocqueville (1856) contended that a revolution becomes more likely if the workers start to organize themselves politically and if their economic situation does not improve in line with the welfare of capitalists. The end of the Weimar republic (Bracher, 1955; H. A. Winkler, 1994), the Russian revolution (Rosenberg & Koenker, 1987), and other collapses of political order have been traced back to raising political antagonism. More recently, McCarty et al. (2003, 2013) have noticed that economic inequality and political polarization have increased dramatically across the United States since the 1980s. Rising political fractionalization and success of anti-establishment forces have been often a result of financial crises (Funke et al., 2016; Mian et al., 2014) and skyrocketing inequality (Duca & Saving, 2016; Han, 2015; Proaño et al., 2022). These linkages can be especially strong if incumbents offer little to no alternative solutions to the financial difficulties experienced by voters (Grant, 2020; Hübscher et al., 2023).

We examine whether the US trends are also observable in other OECD members and what type of financial crises (Laeven & Valencia, 2020; Nguyen et al., 2022; Reinhart & Rogoff, 2009) increase political polarization (defined with the axiomatic measure of Esteban & Ray, 1994). We compare the Esteban and Ray indicator to other measures that have been used to estimate political polarization. In addition, we study the extent to which public and parliament polarization are interrelated (see also Bischof & Wagner, 2019; Moral & Best, 2023; J. Schmitt & Franzmann, 2020). The theoretical framework that we develop stresses the distributive consequences of financial crises (Brown, 2013; Kuhn et al., 2020; Rübsam et al., 2024).

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<sup>21</sup> The Wall Street Journal CEO Council, 19 November 2008: [https://www.youtube.com/watch?v=\\_mzcbXi1Tkk](https://www.youtube.com/watch?v=_mzcbXi1Tkk)

Relying on preference data to estimate the extent of the left-right confrontation in a country, we employ an updated version of the Manifesto data set (Lehmann et al., 2023) and the Eurobarometer surveys. Our analysis shows for the period from 1970s to 2019 for a large part of the developed world that parliament and mass polarization have evolved in the aggregate in opposite directions. While public polarization has increased in the average European Union member state, party polarization has decreased. However, both electoral and legislative polarization react in line with our theoretical framework to financial crises (and especially to currency shocks). Growth in public polarization might result in an increase of parliament polarization only in highly fractionalized party systems.

### **3.2. Theory and literature review**

Polarization belongs to the concepts that have an intuitive appeal, but that have, by and large, escaped a clear definition. Linz (1978, p. 44) defined political polarization as a “strong centrifugal tendency on the part of all participants and the fragmentation of parties” and wrote: “The immediate result is deep personal antagonism between parties and the impossibility of forming a broad, shifting center coalition against extremists on both sides of the spectrum”. Similarly, Sartori (1976) warned that the failure of politicians to restrain the centrifugal tendencies inherent in political competition will lead to a breakdown of democracies. His classic typology distinguished between four types of party systems in which the polarized variant shows the most damaging forms of political competition.<sup>22</sup> This article borrows from the literature on socio-economic polarization pioneered by Duclos et al. (2004) and Esteban and Ray (1994). The main motivation for their axiomatic measure is that standard inequality measures do not adequately capture the divisions within a society (see Section 2.2). Their polarization index takes the income of competing groups, their cohesiveness, and the interrelationship between these two factors into account. We define political polarization as the extent to which political groups develop cohesive ideological positions, but use this identity to distance themselves from their competitors.

The main motivation for their axiomatic measure is that standard inequality measures do not necessarily reflect the tensions within a society adequately. The main limitation of inequality measures, of which the Gini index is the most frequently applied one, is their

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<sup>22</sup> Although the Sartori’s classification of party systems is still highly influential, its polarization ideal type is of limited usefulness in the empirical realm. Relying on the Sigelman and Yough (1978) polarization measure that we will discuss below, Pennings (1998, p. 87) concludes for the 1980s that “...the degree of polarization per system was exactly opposite to what one would expect on the basis of Sartori’s typology”. He particularly finds that two-party systems were moving towards more polarization in this period.

insensitivity to group considerations.<sup>23</sup> Both intergroup ideological conflict and intra-group cohesion are important topics in comparative politics. The cleavages that structure the political debates within a country have been systematically examined following Lipset and Rokkan's path-breaking study on party systems. They famously stated that social "cleavages do not translate themselves into party oppositions as a matter of course" (Lipset & Rokkan, 1967, p. 112). They particularly advanced the "freezing" hypothesis according to which the party system of the 1960s reflects the social conflicts of the beginning of the 20th century.

As Sartori (1976), Zielinski (2002) and many others have remarked, the theory of social cleavages is rather unspecific about the conditions under which a cleavage is activated and political conflict grows and diminishes. Yet, the cleavage structure in Western democracies has remained remarkably stable. Bartolini and Mair (1990) have shown in their longitudinal study that party system and electoral preferences have stabilized over the years; electoral volatility was lower after World War II than in the inter-war years. The most prominent dimension of conflict in the industrialized world is arguably still the division of parties and voters along the left-right continuum<sup>24</sup>. Political conflict along the left-right dimension has according to Lipset and Rokkan (1967) its main roots in the workers versus owners-cleavage that originated from the industrial revolution. Nieuwbeerta and Graaf (1999) show that the importance of class voting has only slightly diminished between 1980 and 1990 in twenty industrialized countries. Evans (1999, p. 333) concludes that "Controlling for over-time changes in relevant characteristics ...does not alter class-vote patterns, or the centrality of class as a source of attitudes towards key issues such as inequality and redistribution".

This view has not remained uncontested. Goldthorpe (2002, p. 19) rejects claims that "other forms of social cleavage are superseding class as a basis of social identity." Franklin et al. (2009) conclude, most fundamentally, that class voting is no longer important in advanced

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<sup>23</sup> Esteban and Ray (1994) illustrate this problem with several examples, showing that a uniform distribution of income across a ten-point continuum is as unequal as a society in which only two identically resourceful groups are positioned on points 3 and 8. More generally, inequality measures fail to distinguish between a convergence toward the global and a clustering effect around the local group means.

<sup>24</sup> Robertson (2006) also insists on the unidimensionality of political space and states that "we should expect the occasions when more than one is effective to be almost pathological." (p. 174). However, several recent studies also scrutinize other aspects, which define the strained relations among competing groups (see e.g. Draca & Schwarz, 2020; Hutter et al., 2018). Our choice of dimensions is also based upon the data availability and potential generalizability of the outcomes of the current analysis. While the inherent European ideational (region-dependent) plurality is a promising safety catch to guard us against extreme group polarization (for instance, Graham & Svobik, 2020 show for the US that party ties quite often override the importance of democratic principles providing a blank check for politicians), it makes at the same time the European landscape less amenable to the large-N analysis. Therefore, in this study we will concentrate only on the most important and visible left-right dimension. Its validity will be apparently increasing with higher issue alignment over this cleavage (which we can rightfully expect during the years of economic distress).

economies. The decline of the social democratic parties across the OECD has altered the identity of those who occupy the traditional left-right positions, but the left-right dimension remains a key cleavage in advanced economies. Benedetto et al. (2020) show that a decline of the industrial sector and lower government spending are associated with reduced support for social democratic parties in the developed world – a development that is especially notable in the new era of globalization. Oesch and Rennwald (2018) note that the rise of the radical right in Western Europe has created a tripolar system between the traditional left and right and the extremist newcomers. Although globalization and the Great Recession have added new cleavages to the political contestation in the industrialized world (Kriesi, 2008, 2012), the left-right antagonism remains a key element of electoral competition. In the United States, this conflict has become especially pronounced among politicians. McCarty et al. (2003, p. 4) observe that the political polarization has reached unprecedented heights since the 1980s. Especially parliamentary polarization has been shown to follow a U-shaped pattern with a strong acceleration since the mid-1970s (see also McCarty, 2019). Although the electorate is less strongly divided along party lines, the parties themselves are becoming more ideologically homogeneous and ‘affective polarization’ of the general public has been on the rise, too. The liberal-conservative and democrat-republican dimensions align now more strongly. McCarty (2019) contends that “the expressed policy preferences of voters are increasingly associated with their partisan identifications (PID). If we know the PID of a voter today, we can much better predict her positions on economic policy, abortion, guns, and a whole host of other issues. A generation ago this would not have been the case.” (p. 50). Boxell et al. (2020) analyse affective polarization in the OECD during 1975-2017 using survey data and assert that while the US is clearly the leader, Canada, New Zealand and Switzerland have faced heating of the interparty divisions, too (p. 2). Affective in- vs. out-group and ideological types of societal polarization clearly complement each other in describing the current multi-dimensional political landscape in the US and Europe (see Borbáth, Hutter, & Leininger, 2023; Traber et al., 2023; Wagner, 2021). However, the link between external shocks and affective polarization is often a network of complex mediating mechanisms (e.g. institutional setups, media campaigns, cueing by political leaders etc.)<sup>25</sup>. In this paper we investigate the effects of financial crises on ideological left-right polarization and leave to future scholars the examination of distributional consequences of economic shocks for affective societal divisions.

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<sup>25</sup> See, for instance, the studies of Druckman and Levendusky (2019), Druckman, Klar, Krupnikov, Levendusky, and Ryan (2022), Reiljan, Garzia, Ferreira Da Silva, and Trechsel (2023) and Gidron, Adams, and Horne (2023).

Mainly socio-economic and institutionalist explanations have been advanced to account for the variation on the left-right dimension across time and space. Several studies have examined the link between economic crises and polarization. Mian et al. (2014) show that crises increase both ideological dispersion of voters (the center groups are then usually dissolved) and drive wedges among political factions, thus, weakening coalitions and complicating the effective implementation of anti-crisis policies. The authors also highlight the post-crisis US congress (2010-2011) as the most prominent case of a gridlock. The ensuing uncertainty in the markets and constraints on further borrowing push the affected crisis closer to the debt abyss. Funke et al. (2016) find in a study covering more than one century that the number of parties in the parliament and fractionalization tend to rise after a banking crisis. Pelizzo and Babones (2007) add case study evidence on how economic downturns in the Weimar Republic, the French 4<sup>th</sup> Republic (1945-1956) and the Italian 1<sup>st</sup> Republic (1963-1987) have increased legislative polarization and unleashed political crises. Steiner and Martin (2012) examine 24 developed democracies between 1950 and 2005 and contend that deeper economic integration decreases party polarization. According to them, neither population size nor the level of economic development seem to polarize politicians.

H. Winkler (2019) demonstrates using regional data from the ESS between 2002 and 2014 that while rising income inequality increases the probability of an individual voting for a far-left party, older and unskilled respondents are more likely to support right-wing parties in such circumstances. Proaño et al. (2022) show that net income Ginis as well as decreasing income shares of the poorest social strata have significantly contributed to the electoral success of the far-right parties during 2000-2016. High exposure to import competition from China has also lead to more support for right-wing politicians in the US (Autor et al., 2020). Grant (2020) states that convergence (or depolarization) of political parties and economic turmoil are mutually reinforcing factors contributing to the popularity of anti-system parties. Financial shocks might impact polarization through the mechanism of ensuing anti-crisis measures, too. Hübscher et al. (2023) contend that austerity increases electoral abstention and boosts support for political outsiders (and that these effects are especially pronounced if the political establishment offers no anti-austerity alternatives), thus contributing to political polarization (measured as a weighted variance of party positions).

However, the relationship between crises and polarization is not as straightforward as it seems at first sight. According to Kriesi (2012), economic voting was the main driver for punishing the incumbents during the first elections after the start of the Great Recession. These

effects were strengthened if voters could easily map the economic turmoil to the concrete actions undertaken by their politicians (including austerity measures). Importantly, Kriesi (2012) suggests that party ideology was of very little importance and the resulting political void was then extremely beneficial for anti-establishment outsiders.

More generally, if the “simply confused and disengaged” (McCarty, 2019, p. 67) electorate moves to the center due to the crisis-related uncertainty, left-right polarization could go down. Lima and Artiles (2018) study the general discontent and protests related to the Great Recession and the subsequent anti-crisis measures undertaken by European governments. While in Southern Europe (Portugal and Spain) protests had a left-wing ideological background (and were supported by better institutionalized trade unions), Eastern European (Hungary and Poland) discontent was generally fuelled by the right-wing beliefs. According to Proaño et al. (2022), effects of macroeconomic parameters on voter support of the ideologically extreme parties, are not static and differ for the periods before and after 2000. Patkós (2022) explores this link from a different perspective and claims that divergence in government support between government and opposition electorates can even reduce economic growth in a country. While post-crisis positional shifts among the general public might be to a large extent explained by the expression of disagreement vis-a-vis the ruling establishment, we should not downplay the role of economic costs. In particular, economic crises can have significant redistributive consequences and generate outright winners and losers.<sup>26</sup> This cost mechanism will motivate people to update their stances and take either pro- or anti-market positions after a crisis has occurred. Therefore, we contend that economic shocks, subsequent disintegration and acrimonious negotiations about the possible (easy) way out should increase polarization of both the general public and party platforms:

H3-1a: Financial crises increase public and parliament left-right polarization.

Financial crises come in different forms, and we do not expect them to exert uniform effects because of their varying distributional consequences. The literature (Laeven & Valencia, 2018, 2020; Nguyen et al., 2022; Reinhart & Rogoff, 2009) typically distinguishes banking, currency, debt, and inflation crises. RübSam et al. (2024) show in a related study that declines in net yearly earnings are especially consistent and profound during debt defaults and inflation shocks. This is not surprising in light of the economic restructuring that rising import prices and

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<sup>26</sup> In particular, heterogeneous skill, employment and asset structures of households fuel the automatic redistribution after a given shock event (see Brown, 2013; Kuhn et al., 2020). Among the citizens with negative assets (i.e. holding a substantial amount of debt), the particular type of debt they hold influences their preferences and a preferred type of a welfare state (Wiedemann, 2021).

difficulties in servicing foreign currency credits provoke.<sup>27</sup> The losers of such economic shocks can be disproportionately found among the lowly paid. Muraoka and Rosas (2020) come in a comparative study to a similar conclusion: “our argument depends exclusively on the assumption that left-leaning parties typically take positions on redistribution and market regulation that are consistent with the economic preferences of poorer voters” (p. 5). Banking crises, by contrast, typically hurt those working in the financial sector and capital owners unless the government ‘saves’ creditors with tax money. Roine et al. (2009) note in this context that “the outbreak of banking crises is associated with reduced income shares of the rich.” (p. 974). Brown (2013) provides a comprehensive overview of the effects of banking crises on households and notes that negative effects are likely to be more pronounced in high-income countries.

### H3-1b: Especially currency crises increase electoral left-right polarization.

The general conclusion of the political economy contributions is that electoral rules and institutions in conjunction with the preference distribution of the decision makers importantly affect the centrifugal tendencies under which a society might suffer (G. Adams, 1996; Cox, 1990, 1997; Sartori, 1976). The role of socio-economic cleavages should be also taken into account (Schneider & Wiesehomeier, 2008). Differentiating between systems with cumulative and non-cumulative voting, Cox (1990, 1997) identifies three ‘centrifugal’ and ‘centripetal’ incentives for candidates or parties that take an ideological position in order to gain elections: “ideological dispersion and minority representation can be promoted by (1) decreasing the number of votes per voter; (2) allowing partial abstention; and (3) increasing district magnitude” (Cox, 1990, p. 927). A case study by G. Adams (1996, p. 141) confirms that parties are more ideologically dispersed in legislatures that are elected through a multi-member rather than a single-member district system: “parties under multi-member districts will be ideologically diverse, which may undermine the ability of party leaders to build coalitions and enforce bargains.” According to Han (2015), the link between inequality and party polarization is especially pronounced in proportional electoral systems, where parties move to the ideological extremes under more unequal income distributions thus broadening the representation of public interests (see also Fenzl, 2018)<sup>28</sup>. Bernaerts et al. (2023) rely on the expert-coded assessments of societal polarization and contend that institutions of consensus

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<sup>27</sup> “When banking crises unleash currency crises they further lead to sectoral changes in labor demand: employment in export-oriented sectors (e.g. commodities, agriculture) are boosted, while labor demand in manufacturing sectors that rely on imported inputs decreases.” (Brown, 2013, p. 7)

<sup>28</sup> Duca and Saving (2016) show for the U.S. that legislative polarization and income inequality are co-dependent.

(e.g. higher proportionality) and federalist democracies can, on the contrary, reduce both affective and issue-based polarization. Bergmann, Bäck, and Saalfeld (2022) highlight the role of parliament polarization as an antecedent of cabinet survival. The authors assess the complexity of the link between parliament polarization and cabinet stability and show among others that “the risk of non-electoral replacements increases with a growing seat share of extreme parties if a cabinet had to pass an investiture vote.” (p. 628).

Warwick (2004) observes that parties are often more extreme than their supporters. Faulí-Oller, Ok, and Ortuño-Ortín (2003) show formally that the strategic nomination of candidates might be a reason for what they call the ‘polarization of platforms’. Polarization occurs especially in situations in which both parties chose radical candidates. Bischof and Wagner (2019) argue that once a more extreme party enters parliament, voters polarize. In particular, the authors assume that once radical-right challengers obtain seats, a surge of discontent and resistance among the opposing voters (backlash effect) and cheers among their supporters (legitimization effect) will galvanize the society in question increasing ideological variance in the general public. Moral and Best (2023) use seemingly unrelated error-correction models and confirm the reciprocal nature of the link between party and public polarization (both indexes are survey-based unweighted standard deviations) in the short- and long-run. However, this nexus works only in a top-down fashion if the sample is reduced to the self-reported voters or if the sub-analysis is conducted for the subgroups of respondents based on how precise they are in assessing the average party positions.<sup>29</sup>

It is by now a well-established finding that party competition in a multidimensional issue space violates the Downsian prediction that parties will converge to the position of the median voter. Yet, parties converge to extreme positions in a multidimensional space. Merrill and Adams (2002) expect in this vein that “the more extreme the position of a candidate’s partisan, the more extreme the candidate’s optimal position” (p. 288). J. Adams, Merrill, and Grofman (2005) provide empirical evidence that party positioning largely responds to unfavourable shifting public opinion away from previous stances. This could also mean that government opposition polarization is a function of an increasing policy divergence across voters. Similarly, Ezrow (2007) based on the Eurobarometer surveys (1976-1998) and CMP data on party positions for 62 elections in 12 developed countries finds that “shifts in party system dispersion systematically vary in the same direction as shifts in voter dispersion.” (p. 188). J. Schmitt and

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<sup>29</sup> In their Appendix C1, Moral and Best (2023) run the same models with the Esteban and Ray polarization index (Esteban & Ray, 1994) and while there are only long-run effects of party on citizen polarization, the opposite also holds in the short term.

Franzmann (2020) show that public left-right dispersion can dovetail with higher perceived party polarization (i.e. drawing upon the party positions as seen by voters in CSES surveys and not by CMP coders). At the same time, legislative polarization positively responds to institutional (type of the electoral system) and competition (ENP, centrist cabinet, opposition strength) parameters, but no effects have been documented for the variance of the left-right self-placement of voters (J. Schmitt & Franzmann, 2020, pp. 83-84). According to the robustness checks conducted in Moral and Best (2023), majoritarian rules dilute the linkage between citizen and party polarization (the latter is lower in systems with larger electoral districts).

Taking into account the role of institutions in shaping the nexus between public and parliament polarization, we theorize that the bottom-up mechanism of polarization transmission (i.e. from voters to parties) is likely to be activated only in more inclusive and diverse systems:

H3-2: Public polarization increases party polarization if the effective number of parties is high.

### **3.3. Research design, data and results**

Operationalization of polarization and methodology: This paper examines whether financial crises of various types increase the level of left-right contestation in the developed world and whether party polarization increases electoral polarization. Our analysis takes into account only data from OECD countries and only during their formal membership in the organization.

An updated version of the Manifesto data set (Lehmann et al., 2022; Lehmann et al., 2023) is used to calculate parliamentary polarization among parties on the general left-right dimension. The manifesto data set is based on the content analysis of party platforms in each election after World War II in a sample of countries that, by and large, correspond to the OECD member states. The measures refer to the frequency with which the major political parties addressed and qualified specific policy areas and measures. The polarization scale employs the items that the Manifesto project has qualified as left-right issues<sup>30</sup>.

The second dataset is the updated version of the Eurobarometer Trend File (H. Schmitt et al., 2008), which has been manually constructed to ensure the consistent and continuous coverage of left-right self-identification of voters for as many countries as possible. In particular, we have combined the Mannheim Eurobarometer Trend File (covering years 1970-

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<sup>30</sup> We use the RILE scores that measure the difference between the shares of left- and right-wing issues in individual party manifestos on a scale ranging from -100 (left) to 100 (right). To make all values positive, we have added 100 to each observation.

2002) with all subsequent individual Eurobarometers until 2023. One subtle limitation to the internal validity of this information source is that in different countries the left-right question might theoretically have slightly different substantive interpretations for the respondents (see Section 2.3.). This should not be a major concern, however, as long as this variable captures a meaningful cleavage within a given society, as suggested by Inglehart (1990) (i.e. whether respondents consistently map the major divisions onto this scale).

One of the problems in the study of political polarization is the multitude of operational definitions of this concept (see Section 2.2). In this study we will mainly rely on the axiomatic polarization measure of Esteban and Ray (1994), but also compare its performance to the distance (Volkens, 1995), variance (Sigelman & Yough, 1978) and effective number of parties (Laakso & Taagepera, 1979) estimators. The polarization parameters will be computed for both parliaments and the general public.

We will use the log-transformed versions of polarization indices and rely on percentage interpretation of coefficients. The estimation procedure will be based upon ordinary least squares (OLS) framework with robust standard errors clustered on the country level. All model specifications include either one- or two-way fixed effects (FE). While country-specific fixed effects will control for time-invariant institutional and cultural characteristics, year dummies will control for time varying factors common for all countries (e.g. consider trade and financial liberalization, increased capital and labour mobility or economic hardships which might not have resulted in the crisis being recorded for a particular country but have still exerted their informational impact on the national left-right landscapes). The non-random nature of our sample and possible correlations between unobserved time-invariant effects and explanatory variables make FE a more conservative estimation strategy.

One peculiar feature of the data investigated is the mix of country-year and country-election observations. The usage of different time periods becomes mandatory through our definition of parliament polarization where the number of seats remains roughly constant between ballots and where the manifestos do not change either. One choice among the possible patchwork of strategies could be to use fixed time windows (e.g. 5- or 10-year terms). However, there is no guarantee that the chosen window will be appropriate and well-aligned with the actual country-specific elections. Therefore, we have decided to construct a second dataset, where the unit of analysis is a country-specific electoral term. Under this setting each electoral term is described by the political parameters of the most recent elections (i.e. in its first year) and all other socio-economic characteristics are simple arithmetic averages. In this case we use

four-year dummies as time fixed effects instead of yearly indicators (four years correspond to the mode of the length of electoral terms in our dataset).

The dataset has been assembled and prepared using RStudio (R Core Team, 2021; RStudio Team, 2022), whereas all estimations and figures in the main part of the paper have been produced with STATA 18 (StataCorp., 2023). All replication materials can be provided upon request.

Economic crises and controls: The data on economic crises have been assembled from multiple sources. Inflation and currency crises stem from the dataset of Reinhart and Rogoff (2009) (the authors provide the data originally until 2010 and we have updated the corresponding time series to 2023 based on the information from the OECD). Banking and debt crunches have been obtained from Nguyen et al. (2022), who mainly rely on the theoretical approach and coding of Laeven and Valencia (2020). The definitions are provided below in Table 3.1.

Table 3.1. Definitions of financial crises from Reinhart and Rogoff (2009), Laeven and Valencia (2020) and Nguyen et al. (2022)

Type of crisis	Definition
Debt	Nguyen et al. (2022) “define sovereign debt crises as episodes when either of the two following conditions holds: (1) total sovereign defaults exceed 1% of GDP in at least three consecutive years, or (2) total sovereign defaults exceed 7% of GDP.” (p. 5).
Banking	Laeven and Valencia (2020) “define a banking crisis as an event that meets two conditions: 1. Significant signs of financial distress in the banking system (as indicated by significant bank runs, losses in the banking system, and/or bank liquidations). 2. Significant banking policy intervention measures in response to significant losses in the banking system.” (p. 309). (see also Nguyen et al., 2022, p. 4)
Currency	“An annual depreciation versus the U.S. dollar (or the relevant anchor currency - historically the U.K. pound, the French franc, or the German DM and presently the euro) of 15 percent or more.” (Reinhart & Rogoff, 2009, p. 7)
Inflation	“An annual inflation rate of 20 percent or higher.” (Reinhart & Rogoff, 2009, p. 7)

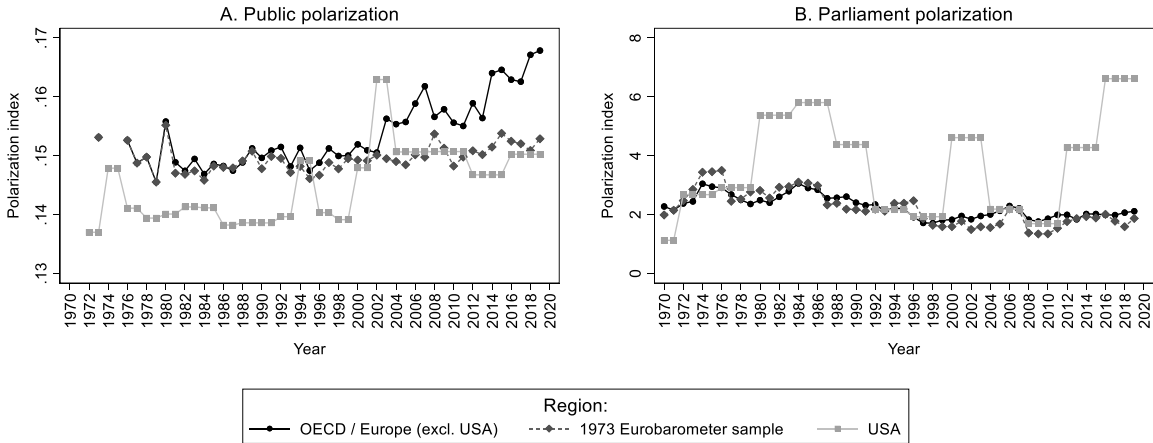
To control for income inequality in our study, we include Gini coefficients from the World Inequality Database (Alvaredo et al., 2020). Next, we add dummies for election years (both parliamentary and presidential) as they are likely to be associated with greater public interest in politics and ideological self-sorting (see e.g. Hernández, Anduiza, & Rico, 2021). This information comes from the Manifesto Project. GDP growth is taken from the World Banks’s WDI (Teorell et al., 2024; World Bank, 2023). The Comparative Political Dataset was the source for unemployment rates (Armingeon, Engler, Leemann, & Weisstanner, 2023). When looking at the effects of changes in public polarization on parliament polarization we additionally control for the log-transformed average district magnitude as done by Han (2015)

and rely on the updated dataset *Democratic Electoral Systems Around the World* (Bormann & Golder, 2022).

Descriptive evidence: Figure 3.1 shows that political left-right polarization measured through the Esteban and Ray index has been growing in the OECD world mainly among the electorates and not among the political parties.

As we have public opinion data only for Europe, the examined Eurobarometer data shows that this increase is largely due to the growing confrontation between the left and the right in the Eastern and Central European states that joined the European Union in 2004, 2007 and 2013. The corresponding Esteban and Ray index for parties shows that political polarization along the left-right divide has been falling since the 1980s, but has started to rise again in the years following the Eurozone crisis. However, it has not reached the level it had in the waning decade of the Cold War.

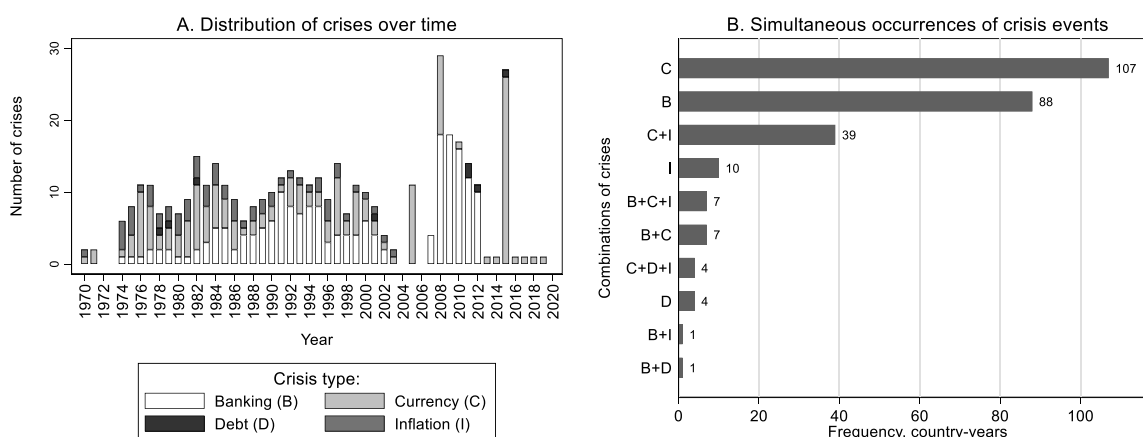
Figure 3.1. Electoral (panel A) and representational (panel B) polarization in OECD



Note: Polarization is measured using the index of Esteban and Ray (1994). Data on parliaments comes from the Manifesto project. Survey data on public polarization is based on the left-right self-placement in the EU (taken from the Eurobarometer) and the liberal-conservative dimension in the US (obtained from the cumulative American National Election Studies). The time series data for the US liberal-conservative electoral polarization is used for purely descriptive purposes only and is excluded from any further analysis. However, due to the unified coding methodology in the CMP the US is included in all models with parliament polarization.

Figure 3.2 displays the frequency of crises years across the developed democracies. We included them in the sample for the years in which they were OECD members. The majority of cases comprise instances of banking, currency and inflation crises. Debt crises occurred only in nine country-years. In the empirical application below, we distinguish between the effects of currency and non-currency crises.

**Figure 3.2. Financial crises in OECD**



Tables 3.2 and 3.3 below list the instances of financial crises with the largest changes in the public and party left-right polarization during the periods of continuous distress. Interestingly, the case of the Greek currency depreciation before the country joined the Eurozone in 2001 is the leader in terms of both public (+20.34%) and parliament (+192.78%) polarization. The nearest parliamentary elections have been held in 1996 and 2000, with the difference between the largest parties *New Democracy* (36% and 42% of seats respectively) and *Panhellenic Socialist Movement* (54% and 52% respectively) increasing by 10 points on the 0-100 left-right scale. Democratic Social Movement was the most leftist party in 1996 (3% of seats), but did not enter the parliament in 2000. Greece, Ireland, Portugal, Slovenia and Spain have also seen huge increases in parliament and public polarization during the Great Recession. A combined political (related to the constitutional referendum) and economic (initially a financial crunch leading to a recession) crisis in Turkey during 2017-2019 has led to a 17.34% increase in the left-right polarization among voters.

**Table 3.2. Cases of continuous crises with the largest changes in public polarization**

Country	Diff. polarization, %	Time under crisis
Greece	20.34	Currency (1999-2001)
Portugal	19.57	Banking (2008-2012); Debt (2013)
Turkey	17.34	Currency (2017-2019)
Spain	16.75	Banking (2008-2012)
Slovenia	2.08	Banking (2010-2012)

**Table 3.3. Cases of continuous crises with the largest changes in parliament polarization**

Country	Diff. Polarization, %	Time under crisis
Greece	192.78	Currency (1999-2001)
Ireland	152.79	Banking (2008-2012); Debt (2013)
Greece	147.35	Banking (2008-2011); Banking, Debt (2012); Debt (2013)
Finland	129.57	Banking (1991); Banking (1993-1995); Banking, Currency (1992)
Spain	78.27	Banking, Currency, Inflation (1977); Banking (1978-1981); Currency (1982)

Main findings: In Table 3.4 we see results of estimations for the country-year dataset. All models are two-way FE OLS regressions, which is the longitudinal equivalent to a difference-in-differences framework in a time-series setting. The dependent variables have been log-transformed. In columns 1-3 and 4-6 we analyse the impact of crises on public polarization (ER) and dispersion (SY) respectively. In columns 7-9 we scrutinize the effective number of left-right groups – ENG (i.e. a survey-derived equivalent to the effective number of parties described above).

While there is no evidence, that all financial crises tend to increase public polarization on average, such effects emerge for the case of currency shocks (in line with our hypothesis H<sub>1b</sub>). In particular, in years when local currencies lose more than 15% in value vis-à-vis the US dollar, public polarization might rise by 2,35pp [95% CI: 0pp; 4,75pp]. The variance of electoral left-right positions tends also to increase in such cases by approx. 4,84pp [95% CI: 0,4pp; 9,47pp]. While these estimates are quite small, they are only measured for the year of the crisis event. Interestingly, election years are characterized by a higher degree of public ideological polarization (+0.6pp), dispersion (+3.4pp) and effective number of groups (+2pp) on average, too.

In Appendix A2 we try to accommodate the possible dynamics into the linkage between crises and public ideological polarization with the method of de Chaisemartin and D'Haultfœuille (2020) (see Clément de, Xavier, & Yannick, 2019). The cumulative effects reach their peak and significance after four years in crisis: polarization can gain around 3pp [95% CI: -0.57pp; 6.74pp] and weighted variance widen by 11.2pp [95% CI: 0.78pp; 22.67pp].

**Table 3.4.** Economic crises and public polarization (country-years)

	ER	ER	ER	SY	SY	SY	ENG	ENG	ENG
Crisis	0,002 0,008	0,007 0,008		0,009 0,021	0,003 0,019		0,008 0,015	-0,011 0,014	
Currency cr.			0,024* 0,012			0,048** 0,022			0,004 0,021
Non-curr. cr.			-0,01 0,010			-0,04 0,025			-0,023 0,021
Inequality <sub>t-1</sub>		-0,079 0,145	-0,095 0,141		0,374 0,514	0,334 0,484		0,36 0,470	0,347 0,467
Election year		0,006*** 0,002	0,006*** 0,002		0,034*** 0,009	0,034*** 0,008		0,021*** 0,006	0,021*** 0,006
ENP		-0,003 0,004	-0,003 0,004		-0,03** 0,012	-0,03** 0,012		-0,022 0,016	-0,022 0,016
ΔGDP <sub>t-1</sub>		0,007*** 0,002	0,006*** 0,002		-0,008 0,005	-0,009* 0,005		-0,016*** 0,004	-0,016*** 0,004
Unemp <sub>t-1</sub>		0,001 0,002	0,001 0,002		0,003 0,004	0,004 0,004		0,002 0,003	0,002 0,003
N	668	530	530	668	530	530	668	530	530
R <sup>2</sup>	0,08	0,14	0,15	0,20	0,17	0,18	0,23	0,25	0,26

Standard errors in parentheses: \* p<0.10, \*\* p<0.05, \*\*\* p<0.01

Our additional robustness tests on the particular effects of crises on the shares of survey respondents in each left-right group (not shown here to save space) have demonstrated that the rising polarization is often driven by the movement of center-right voters to the center-left camp. The far-left and far-right groups are hardly affected at all. This finding is also partially supported by the analysis in Chapter 4 which reveals that policy positions of strong ideologues are rarely affected by the changes in their financial circumstances or environment around.

Next, we move to the analysis of parliament polarization in the country-electoral term framework. All polarization indicators are logged as before. The independent variables enter the models either in the first or second lags, which is conditioned by the data structuring. Party positions revealed in an election are likely to be affected by the economic crises from the previous electoral term, whereas economic controls refer to the period two electoral terms ago (to preclude distortions from bad controls). Note that since we are working with electoral terms, crisis indicators now represent shares of an electoral term spent under financial turmoil. While there is no evidence that representational polarization as defined using the Esteban and Ray index is correlated with financial calamities, crises can still divide positions of politicians. In particular, in a very unlikely scenario of the whole electoral term being spent under a constant financial crunch (of a non-currency type), the following elections might result in a parliament with an almost 37.45pp [95% CI: 9.48pp; 72.57pp] gain in the distance between political fringes and 74.62pp [95% CI: 10.88pp; 175pp] hike in variance of party left right positions. The cumulative dynamic effects delivered by the approach of de Chaisemartin and D'Haultfœuille (2020) unfortunately fail to reach statistical significance. In Appendix A1 (Figure A1.1.) we re-estimate the main models from Tables 3.4 and 3.5 with different  $\alpha$  values in the ER polarization index and observe that financial crises (of all types) on average do not exert any statistically significant effects on the levels of polarization.

**Table 3.5.** Economic crises and parliament polarization (country-elections)

	ER	ER	ER	SY	SY	SY	DMAX	DMAX	DMAX
Crisis	-0,093 0,109	0,026 0,157		0,076 0,153	0,341 0,222		0,072 0,079	0,319** 0,116	
Currency cr.			-0,263 0,291			-0,049 0,446			0,219 0,199
Non-curr. cr.			0,187 0,142			0,558** 0,232			0,374*** 0,130
Inequality		1,229 1,933	1,243 1,931		-1,291 2,618	-1,272 2,548		-1,264 1,200	-1,26 1,178
$\Delta$ GDP <sub>t-1</sub>		-0,024 0,029	-0,025 0,029		-0,015 0,066	-0,017 0,064		0,017 0,028	0,016 0,028
Unemp <sub>t-1</sub>		-0,002 0,017	-0,001 0,018		0,008 0,031	0,009 0,033		0,018 0,013	0,019 0,014
N	347	170	170	347	170	170	347	170	170
R <sup>2</sup>	0,05	0,11	0,12	0,07	0,13	0,14	0,09	0,21	0,22

Standard errors in parentheses: \* p<0.10, \*\* p<0.05, \*\*\* p<0.01

In our additional tests in Table 3.6 we have studied whether changes in the electoral polarization (proxied via the Esteban and Ray index) would affect changes in the partly-level ideological landscape. While we were unable to document any general direct effects, the previous structural setup matters a lot: the link between public and parliament polarization is activated only in systems with a higher effective number of parties.

**Table 3.6.** Impact of public (ER index) on parliament (ER, SY and DMAX indices) polarization

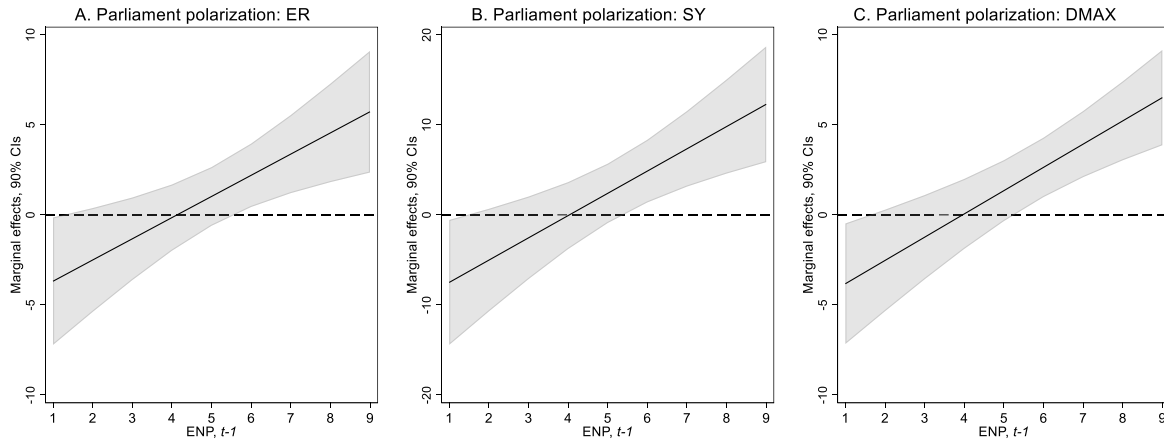
	$\Delta ER$	$\Delta ER$	$\Delta SY$	$\Delta SY$	$\Delta DMAX$	$\Delta DMAX$
$\Delta Public\ Polarization_{t-1}$	-0,25	-4,861*	-0,286	-9,976*	-0,054	-5,117**
	1,386	2,572	2,903	5,014	1,495	2,373
$ENP_{t-1}$	0,133***	0,121**	-0,017	-0,042	-0,061	-0,074
	0,044	0,045	0,080	0,081	0,057	0,058
$\Delta Public\ Polarization_{t-1} \times ENP_{t-1}$		1,177**		2,473**		1,292***
		0,464		0,884		0,380
$Crisis_{t-1}$	0,468*	0,473**	0,765*	0,776*	0,358	0,364*
	0,231	0,222	0,423	0,405	0,214	0,210
$Av.\ Distr.\ Magnitude_{t-1}$	-0,312***	-0,348***	-0,387***	-0,462***	-0,112*	-0,151**
	0,063	0,056	0,100	0,084	0,061	0,058
$Inequality_{t-2}$	-0,187	-0,015	-0,962	-0,602	0,357	0,545
	3,204	3,204	5,539	5,661	2,129	2,212
$\Delta GDP_{t-2}$	0,04	0,041	0,091	0,094	0,024	0,025
	0,039	0,039	0,081	0,081	0,038	0,038
$Unemp_{t-2}$	0,003	0,002	0,001	-0,001	0,006	0,005
	0,018	0,018	0,038	0,038	0,012	0,013
N	132	132	132	132	132	132
R <sup>2</sup>	0,22	0,24	0,17	0,20	0,14	0,17

Standard errors in parentheses: \* p<0.10, \*\* p<0.05, \*\*\* p<0.01

Now financial crises of all types significantly increase the growth rates of both legislative polarization and fractionalization. In Figure 3.3 we plot the corresponding interaction effects from the fully specified models shown in Table 3.6 in columns 2 (subplot A), 4 (subplot B) and 6 (subplot C). Parliament polarization, fractionalization and positional extremity all respond positively to the growing polarization among voters if there were already more than five effective parties in the previous electoral term. The fact that the weighted variance (SY indicator) of party positions reacts most strongly to the change in public polarization (measured with an ER indicator) is an interesting observation. It could imply that it is more extreme and small parties who especially benefit from a more polarized electorate, which is in line with the previous research on party innovation discussed above in Section 2.4.6. Overall, the findings presented in Figure 3.3 offer empirical support to the centrifugal competition theory of Sartori (1976). At the same time, we do not explicitly examine whether

these developments stem from the emergence of *new* more radical parties or from radicalization of the *existing* ones.

**Figure 3.3.** Impact of changes in public polarization on growth rates of parliament polarization conditional on the effective number of parties in the previous electoral term



Note: The graph displays an interaction effect between the lagged difference in public polarization and the effective number of parties on the difference in parliament polarization. The model is a two-way FE OLS regression and includes first lags of logged average district magnitudes, second lags of inequality, GDP growth and unemployment. In Appendix we re-estimate the marginal effects of public on parliament polarization and vary the  $\alpha$  parameter simultaneously in both indices.

### 3.4. Conclusion

This Chapter has made several contributions to the dispute on whether or not political polarization is growing in the industrialized world and what political and economic factors drive these processes. Moreover, we have shown that the link between public and parliament polarization is conditional on legislative fractionalization and functioning of the representative institutions.

First, we have introduced some new and axiomatically based measures to show that the experiences of the United States with an increasing elite polarization do not automatically translate to the rest of the OECD. While electoral polarization has been growing at the average, the left-right contestation between parties represented in the national parliaments has declined. Second, the analysis confirms that financial crises are among the major drivers of these trends. However, as can be expected from the divergent distributional consequences, mainly currency crises increase the left-right contestation. A third insight is that public polarization does not on average automatically transform into parliament polarization and that this transmission mechanism is activated only if a legislature has a high effective number of parties – ENP (thus normalizing centrifugal political competition).

We believe that it is worth to consider how crises affect alternative measures of discontent such as trust towards the government or the demand for redistribution. Although the left-right cleavage remains a leading antagonism in advanced democracies, an exclusive focus on this dimension marginalizes other conflict dimensions such as the divide between nationalist and cosmopolitan attitudes (see Chapter 6). However, a better understanding of the heterogeneous impacts of different types of economic crises on polarization will give us more leeway to develop efficient post-crisis reform strategies.

# CHAPTER 4. Communist and Welfare Legacies in Europe Reconsidered: Is It All Only about Ideology?

*Oleksandr Shevchuk*

Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around.

– Milton Friedman, *Capitalism and Freedom* (1982)

## 4.1 Introduction

Existing studies usually treat communist legacies as static phenomena and focus mainly on the core ideological and institutional foundations of the bygone regimes. Hence, not only the potential dynamic elements<sup>31</sup> of legacies are ignored, but – most importantly – individual experiences and consequences of post-communist transitions (as actually perceived by people) are almost always left out of the equation. Such transitional crises are examples of extremely polarizing events, where one’s potential benefits from the shift (back to) capitalism depended crucially on personal connections, marketable skills and career stage.

Even though the data on regime transitions is scarce, it does not mean that we should shy away from trying to proxy the key formative factors during such events. This investigation is especially important given that the closeness of the financial abyss after the Great Recession has not lead to the success of pro-redistribution social democrats (neither in the former Eastern Bloc nor among the Nordic welfare systems), far from it. In this paper I connect research on the implications of economic turmoil for policy preferences of citizens with studies on the welfare legacies of communism and try to decouple repercussions of socialization in different ideological regimes from the scars of subsequent transformations. I expect that the role of communist exposure as a driver of redistributive preferences to be significantly less important than claimed in the previous research. Among the younger winners of transitions ideology might be dominated by the material self-interest. Among the oldest cohorts it is, however, almost impossible to disentangle communist indoctrination, socialization under an extensive welfare state and early experience of profound economic crises and poverty. As a reference

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<sup>31</sup> They might likewise be latent and materialize only under dire constellations of macro-level economic calamities to give a semblance of order to the uncertainty around. This assumption relates to the research on the conditional dynamic dimensionality of political landscapes (see e.g. Gennaioli & Tabellini, 2019; Gethin, Martínez-Toledano, & Piketty, 2021a; Mair, 2013; Norris & Inglehart, 2019, pp. 50-51; Robertson, 2006; Sartori, 1976).

group for comparing communist and transitional legacies I use Nordic states, which also had extensive welfare systems in the past.

Empirically, I work with data from the European Social Survey for 24 European countries between 2002 and 2018. While ideological legacies of communism can play a very important role in shaping redistribution preferences among the oldest voters, policy views of the younger cohorts are influenced to a greater extent by perceptions and individual outcomes of the post-communist transitions. I document not only high (and relatively static) support of equality among older citizens in Eastern Europe, but also low support for income equalization among younger winners of regime transitions (i.e. those with good education and upper position in the labour market). Importantly, the intergenerational differences in equality ideals are similar for both post-communist and Nordic countries.

## **4.2 Theory and literature review**

It is a truism, of course, that macroeconomic calamities influence policy preferences of voters (Ansell, 2014; Jæger, 2013; Margalit, 2013). During the previous decades societies have become more divided especially due to trade and financial globalization (Walter, 2017), automation (Thewissen & Rueda, 2019) and erosion of welfare states (Busemeyer, 2009). One of the most recent critical junctures in the European political landscape has occurred following the Global Financial Crisis of 2007 (N. Clark & Rohrschneider, 2019; Obydenkova & Arpino, 2018; Schraff & Schimmelfennig, 2019). However, neither among the Nordic welfare states nor among members of the former Eastern Bloc could we observe the revival of generous redistributive regimes with socialist governments. On the contrary, the anti-establishment (Casal Bértoa & Rama, 2020; Grant, 2020) and radical right have benefitted from the rising public discontent (see Abts, Dalle Mulle, van Kessel, & Michel, 2021; Meardi & Guardiancich, 2021; Oesch & Rennwald, 2018). The popularity of social democracy has continued its decline (Benedetto et al., 2020), too. Interestingly, Minkenberg and Pytlas (2014) note for the case of Central and Eastern Europe that in these countries “appeals for social protection are equated with the need to protect ‘national economic interests’” (p. 221). While I do not contest the overall long-term changes in the socio-democratic support base (Kitschelt, 2004; Piketty, 2020), at least for the case of Central and Eastern Europe such contradictory dynamics might partially come from the misconception of the role of communist exposure in shaping policy attitudes of voters.

We cannot approach communist ideology just as a cumulative version of the Western left-right scale (with more years spent in a given system implying a linear and proportional

increase in the ideological underpinnings of decision-making) or as a simple on/off switch, where life just goes on with no substantial changes after the previous regime has fallen. The transition back from the ‘classless’ ideal to the market economy and democracy has been always quite rough and accompanied by extreme upsurges in economic inequality<sup>32</sup> (see e.g. Josifidis et al., 2018; Lindner et al., 2021; Okulicz-Kozaryn, 2014, p. 452), crashes of old institutions (Piketty, 2020) and emergence of new disproportionately rich groups. Hence, when we are estimating the general effects of legacies of different types, our empirical results contain repercussions of both a socialization in the previous era and scars of the subsequent transformations and economic instability. In this study I am contrasting communist and transitional legacies and use Nordic welfare systems as a reference group, since while they also had extensive social nets in the past, they did not experience the subsequent transitional shocks.

Support for state-lead income equalization during an event of severe economic distress is often a complex result of both, a static normative belief and a dynamic reaction to the current circumstances (see Rueda & Stegmueller, 2019). The argument of an ideological nature of redistribution preferences implies that an underlying belief system is rigid enough to shield one’s views from rationality, thus, leading to generally fixed positions on certain issues (see also Converse, 2006). Margalit (2013) shows based on the US panel data that personal economic instability (job loss, income drop or job insecurity) has only a transient effect on policy positions of people and that “all three shocks have a larger impact on Republicans than on Democrats” (p. 95). While self-interest is an important factor in shaping attitudes towards labour market policies, too, the moderating role of prior ideational predispositions seems to be context-dependent (Wehl, 2020). O’Grady (2019) argues based on the Swiss case that redistributive preferences of voters are quite sticky and are not swiftly adjusted to short-term shocks, but are rather defined by previous socialization and events of severe distress. In all these cases we are dealing with cross-pressured preferences.

Among the voters, cross-pressured by ideology and self-interest, political beliefs arguably play the dominant role: “while income has a strong negative effect on redistribution support among non-left respondents, it only has a weak association with redistributive preferences among left-wing respondents” (Armingeon & Weisstanner, 2022, p. 894). Heide-Jørgensen et al. (2023) examine the phenomenon of cross-pressured policy preferences from a

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<sup>32</sup> Pop-Eleches and Tucker (2017) note that high post-communist income inequality is also decisive in forcing younger cohorts (1965-1974) to support a larger welfare state: “at least before 2008, growing post-communist inequality primarily promoted calls for a gentler form of capitalism with more general welfare benefits rather than a rejection of capitalism altogether.” (pp. 276-278).

psychological perspective. They investigate survey data from the Netherlands and contend that, for the ideology to overtake self-interest in defining support for redistribution, a person should be open-minded (i.e. imaginative, philosophical, tolerant towards uncertainty etc.) in the first place. At the same time, if systemic crises, which put people in the survival mode and question fulfilment of even the basic needs, also have long-lasting repercussions for personality traits, then we might see a more materialistic and pragmatic approach towards redistribution among survivors of such economic shocks. In other words, people who have experienced such events in the past might form their attitudes towards equality primarily based on the insurance motives rather than on the ideological reasoning. Piketty (1995) claims that one's preferences for redistribution are shaped not only by one's current financial position, but also by the accumulated experiences of and information regarding social mobility (e.g. for a particular social group, class etc.) during lifetime. In similar vein, Cavaillé and Neundorf (2023) argue that individual financial hardships dampened the likelihood of UK left-wing voters adjusting their ideological positions to the dissonant right-wing cues of the Labour Party after the policy shift in 1997.

Fuchs-Schündeln and Schündeln (2020) contend that despite profound macroeconomic convergence, the influence of communism can even now be recognized in the “preferences toward governmental involvement in the economy, democracy, redistribution, and female labor force participation” (p. 173). The authors show that there is an approximately 10pp difference in redistribution support between the voters born before 1945 (higher support) and after 1974 (lower support). However, they do not disaggregate redistributive preferences conditional on subjective income, education, survey wave and present only general trends observed in the European post-communist states. Higher support for an idea that the state should guarantee well-being for everyone (as opposed to individual efforts) has been also highlighted by Pop-Eleches and Tucker (2017) as one of the most clearly visible elements of communist legacy (however, their analysis ends before the Great Recession).

Eastern Europe also offers a unique historical precedent: before being ‘united’ under the aegis of an Eastern Bloc, it was shattered by two world wars. It has faced a more prolonged and turbulent restoration after the Second World War, too (compared to Western Europe, as it did not enjoy the same resource flows from the Marshall Plan). Therefore, older generations in this region bear not only the burden of an early socialization in a world on its eternal way to communism (Alesina & Fuchs-Schündeln, 2007; Pop-Eleches & Tucker, 2014, 2017), but also have the memory of Soviet occupation, subsequent ideological warfare and repressions, poverty

and economic demise afterwards. The latter can be expected to boost one's insurance motives in supporting a comprehensive and reliable welfare system (i.e. not as a result of communist indoctrination, but as a consequence of constant deficits and economic mismanagement in a country and a desire to shield oneself and future generations from such hardships). That is, the 'repertoire of dispositions' (Zuber, 2020) of voters under distress (i.e. what they perceive as an appropriate response to the mounting economic hardship) is expected to be different in countries with and without communist past (see also Kitschelt, 1995; Simpser, Slater, & Wittenberg, 2018). "Generations thereby function like fossils that carry evidence of a long gone past." (Neundorf et al., 2020, p. 1895).

Among the oldest voters in post-communist countries, both ideological and insurance considerations should result in relatively static positions regarding state-lead income equalization, which would remain insensitive to an individual's current financial circumstances or skills. The impact of self-interest, however, is expected to exceed that of ideology for the younger cohorts, who could also benefit more from the shift back to capitalism in the 1990s. Okulicz-Kozaryn (2014) works with survey data collected in 1990 and 2001 in the post-communist states in Eastern Europe (including the former Soviet republics). The author shows that communist nostalgia in general and support for redistribution in particular are higher among voters, who did not benefit after the transitions and whose well-being declined. One's income is also a strong and negative predictor of equality support. More generally, Neundorf et al. (2020) show that people who enjoyed privileged positions in the autocratic regimes, are also more critical of democracy after the transitions have occurred (see also Pop-Eleches & Tucker, 2020). Reformist parties have been systematically losing votes in economically worse-off regions in post-communist Europe in the 1990s (Tucker, 2006). Libman and Popova (2023) study preferences towards redistribution among the (former) communist party members in the CEE region and Russia. The authors document that the former party members "have egalitarian preferences not only when they are less successful economically" (p. 213), while for their children higher financial position (i.e. being a winner of transition) exerts a significant and negative impact on redistribution preferences.

H4-1: The longer is exposure to communism, the weaker are the effects of material circumstances on redistribution preferences.

During post-communist transitions labour markets have also experienced severe crises and adjustments to the market economy, with not just single firms, but industrial sectors

becoming obsolete (see e.g. Kowalczyk, 2019). Since younger people during such rough transition times were often experiencing financial hardship (with the existence of a welfare state being also stigmatized as part of the old regime)<sup>33</sup> we might observe lower support for redistribution among them as in the absence of a reliable social net “high socialisation unemployment leads to anti-redistribution preferences” (Neundorf & Soroka, 2018, p. 415). Whether one is more or less likely to benefit from globalization and open economies is often defined by one’s education and skillset (Kitschelt, 1995; Walter, 2017). According to Kowalczyk (2019, p. 155), breakdown of the state-sponsored vocational training system in East Germany after 1990 has further limited job opportunities for those pursuing non-academic careers and forced many to leave the region. In addition, students and younger and better educated professionals were usually behind the anti-communist movements in general. For them, the idea of redistribution might also carry the stigma of the previous regime, which could confound (and further strengthen) the direct impact of education.

Interestingly, Pop-Eleches and Tucker (2017) note that communist exposure has a stronger pro-welfare impact on better educated voters (pp. 205-206). Their result is obtained from estimating marginal effects with education being a moderating variable. However, for their argumentation to hold, similar effects should be confirmed *within* cohorts (since ongoing indoctrination should have different effects for people with different degrees of education, too), not only *between* them – marginal effects do not distinguish among the levels of preference curves. This can be easily accomplished by studying the corresponding predicted probabilities of supporting income equalization. A detailed investigation of the role of education on the path between communist exposure and redistribution preferences will allow us to better understand the interplay between actual ideology and shock of the 1990s, too. Walter (2017) uses the number of years of schooling as a measure of an individual’s skillset and contends that more exposure to globalization (operationalized via one’s occupation type) decreases support for income equality among the better educated. Similarly, a significant and negative relationship between education and redistribution preferences is also documented by Attewell (2022). Thewissen and Rueda (2019) argue that “individuals in routine occupations favour more redistribution to insure against the increased risk of job or income loss.” (p. 184). I expect the

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<sup>33</sup> Evidently, it was not also uncommon that the socio-democratic pro-redistribution baby has been thrown out with the communist-authoritarian bathwater (see also Kowalczyk, 2019). Tavits and Letki (2009) argue, for instance, that left parties in Eastern Europe had to follow right-wing economic policies (e.g. austerity) to distance themselves from the communist past, while right-wing parties could capitalize on the redistribution issues. Lindner et al. (2021) also note for the left-wing forces in Poland and Hungary that “After the initial transition period, corruption scandals and austerity had a critical influence on the public’s disillusionment with governments dominated by the ex-communist left.” (p. 308).

effects of education to be at their largest for respondents who were in the beginning of their careers in 1990 and have not undergone work socialization under communism: their relatively low support for redistribution should contribute to the overall steepness of the age curve.

H4-2: The longer is exposure to communism, the weaker are the effects of education on redistribution preferences.

If the argument of post-transition shocks and one's individualistic motives under free markets is valid (as opposed to pure ideology), then more education should result in a steeper age gradient in redistribution preferences, because younger people with more years of schooling should support less redistribution than older respondents. At same time, the oldest birth cohorts can still express high and unconditional support for income equality. However, if the post-transition shock is irrelevant (i.e. more education implies the same benefits post-1990 for all birth cohorts in the brave new laissez-faire world), then the effects of education on preferences regarding income equalization conditional on age should remain the same. In the case when additional schooling intensifies ideological indoctrination, disparities in redistribution preferences among citizens with different levels of education should grow with age.

When looking at the effects of communist legacies and subsequent transitions (and comparing them with the developments in other states), we should distinguish the effects of ideology from the general experience of living in a system with a generous welfare state. For example, a study conducted by Neundorf and Soroka (2018) in the UK shows that during crises times “the cohorts that did not grow up with a welfare state are less likely to support redistribution to the poor, while post-welfare state cohorts are more likely to support redistribution.” (p. 416) (see also Neundorf et al., 2020; Wehl, 2023). Countries in Northern Europe constitute an interesting comparative case due to their largely socio-democratic approach to redistribution (Esping-Andersen, 1990). As globalization has accelerated after the 1990s, Nordic welfare systems had also to face reforms and, importantly, such trends might have brought opposition from voters who were brought up in a different welfare regime and / or were likely to be at a disadvantage under free markets (see also Busemeyer, 2009; Jæger, 2013; Thewissen & Rueda, 2019; Walter, 2017). However, these countries have not faced an institutional crisis and people could still rely on well-functioning redistributive programmes. Hence, I differentiate not only between countries with and without legacies of communism, but also split the second group into regions with and without large welfare nets in the past based on

the classification of Esping-Andersen (1990). Table 4.1. briefly summarizes possible effects of different legacy factors on redistributive preferences of voters.

**Table 4.1.** Varieties of testable legacies and redistribution support

<i>Legacy factor</i>	<i>Expected effect on redistribution preferences</i>	<i>Legacy is applicable to the following regions</i>	
		<i>Post-communist countries</i>	<i>Nordic socio-democratic welfare states</i>
Socialization under an extensive welfare state	Older cohorts are expected to prefer more equality <i>ceteris paribus</i>	Yes	Yes
Exposure to communism	Older cohorts do not anchor their redistributive preferences in their financial situation	Yes	No
Crises of post-communist transitions	The largest education-based differences in redistribution support are observed among people who were in the beginning of their careers in the 1990s	Yes	No

### 4.3 Research design, data and results

The survey data comes from the European Social Survey (ESS). Nine survey waves span from 2002 to 2018 and cover 24 territories in Europe<sup>34</sup>. Even though Germany is considered a single survey unit, I have chosen to separately analyse East and West Germany due to the differences in ideological legacies and preferences of respondents (Alesina & Fuchs-Schündeln, 2007; Pop-Eleches & Tucker, 2017). In order to increase consistency of the data composition over the course of the Great Recession I have included only countries which are present at least once before (2002-2006), during (2008-2012) and after (2014-2018) the crisis. Individual preferences for redistribution (or more precisely: state-lead income equalization) are captured by the degree of agreement with the following statement (a 5-item Likert scale): “The government should take measures to reduce differences in income levels.”. The variable has been recoded into two categories (1 for ‘Agree strongly’ or ‘Agree’ and 0 for the rest of options: ‘Neither agree nor disagree’, ‘Disagree’, ‘Disagree strongly’), which is quite common in the literature (see e.g. Armingeon & Weisstanner, 2022; Jæger, 2008; Thewissen & Rueda, 2019). Personal economic distress has been proxied by a subjective assessment of a household’s income: “Which of the descriptions on this card comes closest to how you feel about your

<sup>34</sup> Eight states are with communist legacies (Bulgaria, Czech Republic, Estonia, East Germany, Hungary, Poland, Slovakia, Slovenia) and 16 without (Belgium, Cyprus, Denmark, Finland, France, West Germany, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom). Within the second group Denmark, Finland, Norway and Sweden are labelled as those with socio-democratic welfare systems.

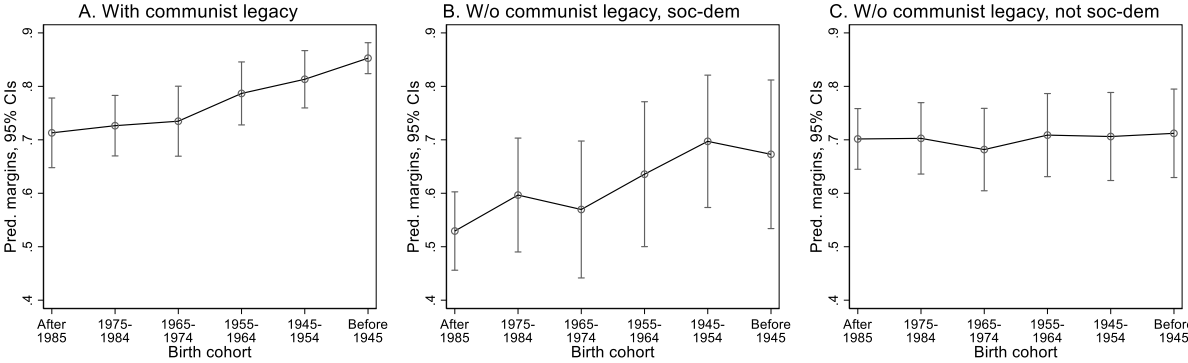
household's income nowadays?". There are four possible answers to this question: "Living comfortably on present income", "Coping on present income", "Difficult on present income" and "Very difficult on present income".

I include the total number of years of schooling to control for the socio-cultural background and socialization experiences of respondents (see Abou-Chadi & Hix, 2021; Attewell, 2022; Gethin, Martínez-Toledano, & Piketty, 2021; Piketty, 2020). Similarly, only citizens born in the country surveyed are included in the analysis (see e.g. Luttmer & Singhal, 2011). Gender and religiosity are present in all models, too. I also control for whether a respondent is (or has ever been) a union member. Moreover, while subjective occupation-related experiences are very important for the formation of political preferences (e.g. Hall & Evans, 2022; Häusermann, Kurer, & Schwander, 2014; Kitschelt, 2014; Kitschelt & Rehm, 2014; Oesch & Rennwald, 2018), people in *at-risk* sectors are also more likely to display authoritarian values in the times of economic distress (Baccini & Weymouth, 2021; Ballard-Rosa, Malik, Rickard, & Scheve, 2021). Hence, I will include a general proxy for the type of occupation (based on the manually grouped ISCO ILO codes used in the ESS questionnaires) in order to better isolate the effects of communist legacies (in contrast to capturing the impact of idiosyncratic industrial and production relations in different economies).

As far as the selection of the main modelling setting is concerned, there are generally two ways to go in such data setup: multilevel or single-level. Multilevel models allow to fully incorporate the nested structure of the data into analysis (i.e. countries consist of regions, in which respondents reside). Therefore, it can be possible to efficiently and flexibly estimate region-specific parameter coefficients: intercepts and slopes (see Gelman & Hill, 2006; Pittau, Zelli, & Gelman, 2010). However, I am primarily interested in the individual-level inference and general differences between the groups of countries (see also Acemoglu, Autor, & Lyle, 2004). Hence, I will estimate conventional logit regressions with robust standard errors clustered on the country level as well as add country and survey-wave dummies following the approach of Armingeon and Weisstanner (2022). The analysis has been done in STATA 18 (StataCorp., 2023). Appendix B1 contains all regression tables. In Appendix B2 I provide additional tests using occupations instead of subjective income assessments and years of schooling. Occupations concern the actual outcomes of the former societal transformations and comprise various exposures to the potential benefits of international markets and personal social networks (including differences in bargaining power and resource availability with respect to political processes). Moreover, workplace environment factor is a crucial in shaping one's

political preferences (Kitschelt & Rehm, 2014). Kitschelt (2014) notes that in comparison to Western Europe the electorate in post-communist countries is likely to be “closer to leftist-redistributive “greed” positions, authoritarian “grid” positions, and particularist “group” positions” (p. 232). Moreover, in order to further increase the comparability of countries in the analysis, in Appendix B3 I will repeat all estimations separately for the case of East and West Germany (thus extending and complementing the study of Alesina & Fuchs-Schündeln, 2007). Figure 4.1. shows predicted probabilities of supporting income equalization by region (A-C) and year of birth. Interestingly, both in countries with communist legacies (panel A) and Nordic states (panel B) average support for redistribution grows with age. This observation confirms findings of the previous research and hints that socialization under an extensive welfare state might lead to even larger age differentials in equality support than communist exposure.

**Figure 4.1.** Predicted support for income redistribution, by region and birth cohort

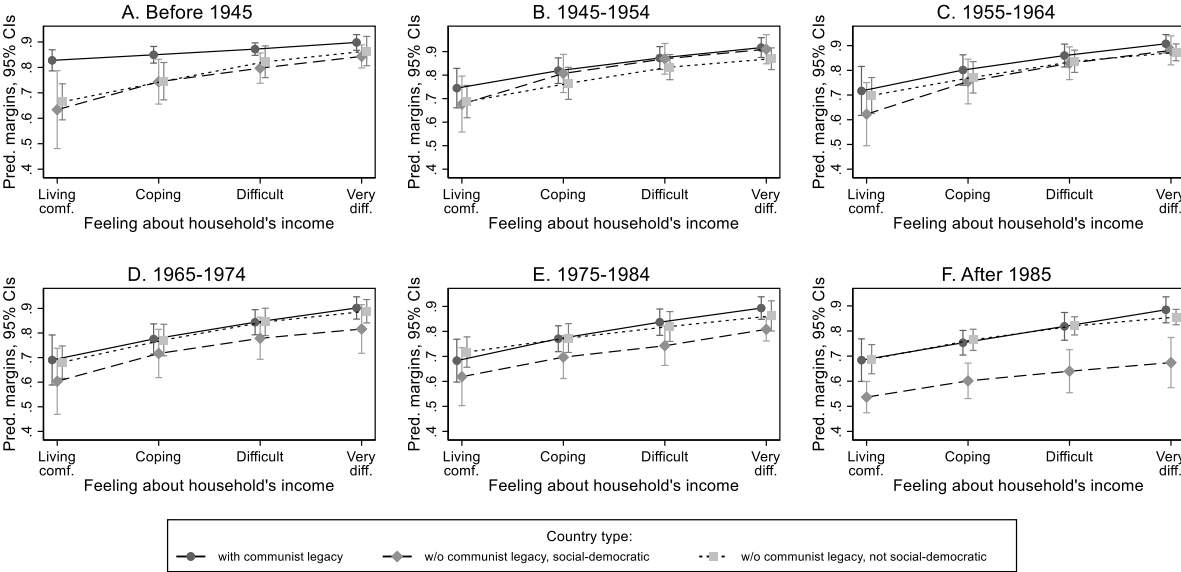


While the oldest cohorts in post-communist Europe are nevertheless demonstrating the highest support redistribution policies reaching almost 90%, the differences among birth cohorts seem to disappear for everybody born after 1960s. That is, for instance, between a person born in 1965 and a person born after 1985 there are almost no differences in average redistribution support. Therefore, more than 20 years of communist exposure (in the first case) seem to not exert any statistically discernible role. These findings cast some doubt on the exclusive role of communist ideology as a driver of intergenerational differences regarding equality ideals in *all* countries where such legacies are present. Pop-Eleches and Tucker (2017, p. 200) argue that adult socialization under communism had a more profound effect on welfare support than childhood socialization. Pop-Eleches and Tucker (2014, p. 83) reported a different outcome – that early communist socialization (between ages 6 and 17) has a more profound effect. However, Neundorf and Soroka (2018) “define the formative years as between the ages of 15 and 20” (p. 408). It is also very likely that not only does the type of a regime matter (as argued in Pop-Eleches & Tucker, 2020), but that we should also pay attention to the evolution

of its harsher and milder phases, which leave distinct imprints in the minds of people. I admit that the discussed selection of post-communist states does not represent all cases worldwide, too, and is technically biased towards the most successful and economically as well as institutionally advanced regions. At the same time, according to panel B, the differences in redistribution preferences among the oldest and youngest voters in Denmark, Finland, Norway and Sweden are even larger than in the post-communist Europe.

If preferences for redistribution have indeed their roots in the previous communist exposure, additional tests are necessary. In particular, the impact of material self-interests (operationalized via subjective assessments of a households' income situation) should constantly increase with declining age. That is, the oldest respondents are then expected to almost entirely base their redistribution preferences on the previous communist indoctrination and thus not change their views if their current income situation changes. The opposite should hold for the youngest cohorts born after the dissolution of the Eastern Bloc. Below I show predicted probabilities for supporting redistribution for six generations conditional on financial situation in the household (Figure 4.2). As expected, for the oldest voters born before 1945 in the post-communist states in Europe (panel A) personal finances are hardly impacting their preferred level of income equality, which is also in line with findings of Libman and Popova (2023). At the same time, these differences vanish for everybody born after the 1950s.

**Figure 4.2.** Testing communist ideology: predicted probabilities for supporting income redistribution, by country, birth cohort and financial situation in the household



*Note:* Each panel corresponds to a separate logit regression run on a sub-sample of respondents conditional on their birth cohort. Certain covariates have been fixed at representative values (12 years of schooling, moderately religious, female, working in the service and sales sector) to make the predictions more comparable across countries.

Figure 4.3. shows marginal effects of subjective income on preferences for redistribution: in the post-communist Europe the effects are very similar for all cohorts except for the oldest one. Therefore, H4-1 cannot be rejected. While the marginal effects of subjective income slowly increase as age decreases (and are at their maximum for the 1965-1974 birth cohort), they are approximately of the same size for the voters born after 1985 and those born between 1955 and 1964. These observations do not invalidate the argument of communist ideology as the driver of redistribution preferences, but rather cast doubt on the exclusivity and importance of its role. The stark differences between the group of voters born before 1945 and all other cohorts also raises a question to which extent ideology in general (and exposure to communism-socialism in particular) can be treated as a continuous variable: can someone's behaviour be somewhat ideology-driven (and someone else's completely defined via ideology)? Interestingly, the opposite holds among the Nordic welfare states. In these countries subjective income does not correlate with equality preferences among voters born after 1985, but gets more and more important for the older cohorts. This discrepancy might also implicitly support the idea that preferences of the oldest voters in the post-communist systems are indeed driven by ideology, especially if we assume that both groups share a similar welfare state socialization experience.

However, in this case it is almost impossible to empirically decouple the effects of ideology from the insurance motives based on the disproportional economic turmoil experienced by citizens in the post-communist Europe who were born before the WWII. Moreover, the finding that the effects of income difficulties on support for more income equality are stronger for older voters (i.e. socialized under a more extensive welfare state) in the Nordic countries is fully in line with Neundorf and Soroka (2018), who argue that people socialized under a more comprehensive welfare state react to a (macro)economic crisis with higher support for redistribution. In other countries without communist legacies age is not a moderator between one's financial situation and policy preferences: material self-interest is the dominant predictor. Number of years of schooling is another variable, which allows us to test to which extent preferences for redistribution in the former Eastern Bloc countries are driven by the previous communist exposure as opposed to the individual benefits of transitions back to the market economies in the 1990s. To reiterate, if education was a catalyst for communist indoctrination (Pop-Eleches & Tucker, 2017), then not only the intergenerational differences in redistribution support should be largest for the most educated citizens, but the differences among those with fewer and more years of schooling should be maximized for the oldest respondents. However, if education was one of the factors dividing citizens into winners and

losers of post-communist transitions, then support for equality should especially diverge between respondents, who were in the beginning of their careers in the 1990s.

**Figure 4.3.** Marginal effects of subjective income on redistribution preferences conditional on birth cohort, by region

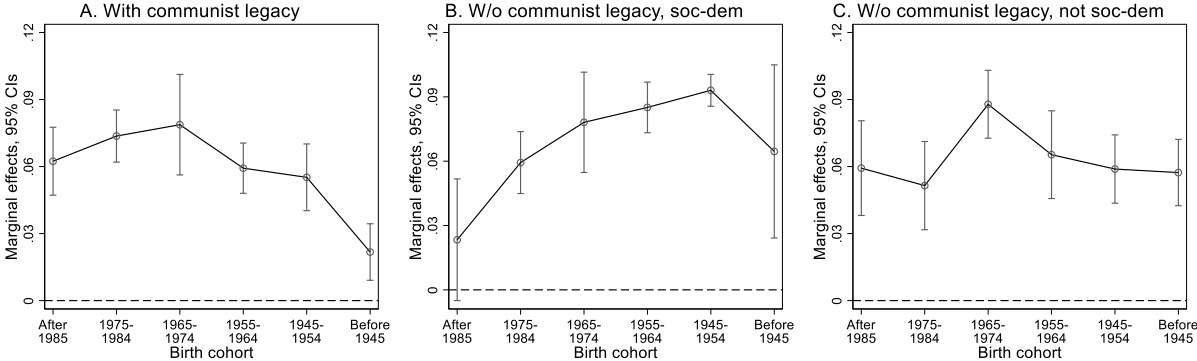
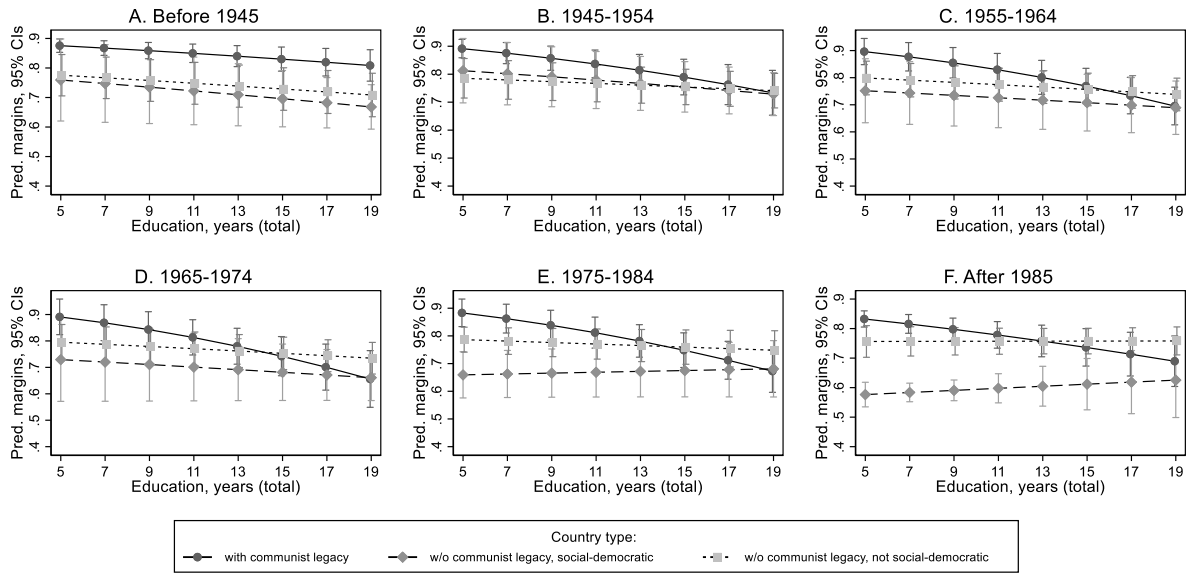


Figure 4.4 shows that in the post-communist states the largest differences in redistribution preferences among various educational groups exist only for the people in the beginning or middle of their careers in the 1990s (i.e. born between 1960s and 1980s). That is, the effects of self-interest (i.e. more years of schooling) manifest themselves not where the ideology ends, but where the effects of the transition back to capitalism begin. At the same time, the discussed variation is quite small. Preferences among the oldest respondents (panel A) do not seem to be influenced by the attained level of education.

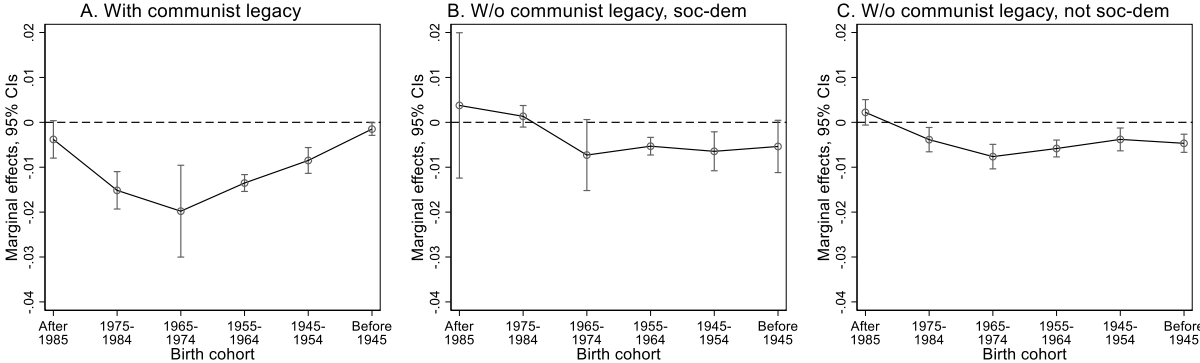
**Figure 4.4.** Testing post-communist transitions: predicted probabilities for supporting income redistribution, by country, birth cohort and education



*Note:* Each panel corresponds to a separate logit regression run on a sub-sample of respondents conditional on their birth cohort. Certain covariates have been fixed at representative values (coping on present income, moderately religious, female, working in the service and sales sector) to make the predictions more comparable across countries. The range of total years of schooling (6-19 years) corresponds the 5<sup>th</sup> and 95<sup>th</sup> percentiles in the combined dataset respectively.

Marginal effects of education on redistribution preferences conditional on age are displayed in Figure 4.5. While H4-2 cannot be rejected, the relationship between education and redistribution preferences does not grow in a linear fashion: it reaches the maximum strength for people born between 1965 and 1974 and then loses its power for younger voters. Education does not seem to play such an important role in other European countries. I have also computed predicted probabilities for redistribution support among the combined income-education (e.g. voters with more than 12 years of schooling, who are also experiencing income difficulties) and income-economy (e.g. voters who are dissatisfied with the current state of a country's economy, who are also experiencing income difficulties) groups. The corresponding plots are not shown to save space but can be provided upon request.

**Figure 4.5.** Marginal effects of total years of schooling on redistribution preferences conditional on birth cohort, by region

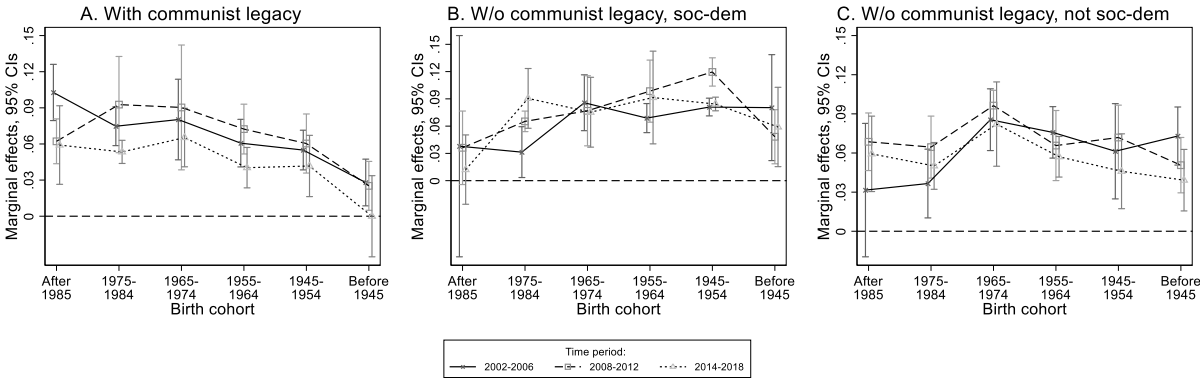


The key observations for the post-communist Europe remain the same: (1) years of education, perceived financial situation in a respondent's household and satisfaction with the state of an economy have almost no impact on redistribution preferences within the oldest birth cohort; (2) almost all age-related differences in preferences over income equalization vanish among voters born after 1960s; (3) The highest within-cohort differences in redistribution preferences are observed between voters with lower and higher levels of education, who were 30 years old or younger in 1990. As a consequence, preferences of the oldest cohorts are most susceptible to be cross-pressured by the previous exposure to communist ideology and socialization under economic distress (partly caused by the two world wars and subsequent restoration periods and partly due to Soviet occupation and emergence of satellite socialist regimes after 1945).

Now I proceed to the final test of the role of historical legacies in shaping redistribution preferences. In particular, I would like to see whether they possess some dynamics or are completely static: was the nexus between subjective financial well-being and equality support

stable during the Great Recession? The 2007 crisis was essentially the first large-scale shock to the Eastern European states after they have successfully mastered the post-1990 transitions and have been integrated in the European Union. Figure 4.6. re-estimates models shown in Figure 4.4. separately for each period before (2002-2006), during (2008-2012) and after (2014-2018) the crisis. The years indicate when the corresponding survey datasets were published (and not always when the survey work has been actually conducted). These models are run without survey wave dummies. The results generally indicate that legacies of communism are static in their nature and the model of generational replacement discussed by Pop-Eleches and Tucker (2017) holds. If anything, ideological traces of the previous regimes were most pronounced before the 2007 crisis. Neither Nordic welfare states nor the rest of Europe show any substantial changes in the income-redistribution link between 2002 and 2018.

**Figure 4.6.** Marginal effects of subjective income on redistribution preferences conditional on birth cohort and timing of the Great Recession, by region



The empirical analysis so far has pointed to the fact, that the role of communist exposure as a driver of preferences for redistribution in the former Eastern Bloc states might be significantly more limited than previously thought. In particular, attitudes towards more equality of outcomes might be actually driven by subjective assessments of well-being (after the post-1990 transitions) rather than by ideology, for the majority of voters born after 1950s. Given that in the Nordic welfare states intergenerational differences in redistribution are even more pronounced than in the former socialist systems in Europe, future scholarship should concentrate on decoupling ideology from other static factors such as experience of financial crises and poverty during early socialization. The best way to go would be to conduct targeted panel surveys (for example, as the one used by Okulicz-Kozaryn, 2014) covering different countries and questioning respondents on their motives for supporting redistribution and also allow for open responses. Such survey format would also allow to disentangle genuine altruistic equality preferences from communist nostalgia and decouple purely economic views on redistribution from stigmatization of the previous oppressive regimes (i.e. not all supporters of

redistribution want the old communist regimes back). One more limitation of this study is that I do not include post-communist states outside Europe. However, even though the external validity of results is lower, concentrating on the most developed and successful countries does allow to limit the confounding role of historical and contemporaneous economic hardships. I also do not explicitly engage with legacies of authoritarianism and democratization of Greece, Portugal and Spain after the 1970s and Italy after the WWII. Country-by-country historical case study analysis would also represent an interesting future development of my analysis, because it will allow to directly study particular repercussions of different phases in the evolutions of communist regimes (as done by Pop-Eleches & Tucker, 2017, p. 51). Finally, it is worth trying to incorporate an extended set of (historical) macroeconomic variables in my analysis and apply the hierarchical age–period–cohort models as done by Neundorf and Soroka (2018) and Pop-Eleches and Tucker (2014).

#### **4.4. Conclusion**

In this paper I have examined the intergenerational variation of redistributive preferences among various educational and occupational groups in the EU. Importantly, I have explicitly analysed the possible effects of communist and welfare legacies and tried to proxy the consequences of subsequent transitions.

The observed preferences for redistribution in the post-communist Europe are driven by both communist ideology as well as repercussions of post-communist transitions. Effects of the latter are intensified for younger generations conditional on their probability to benefit from the market economy. For the oldest cohort of voters born before 1945 neither education nor perceived material well-being correlate with the preferences for income equalization. The impact of schooling is, however, especially strong among the younger citizens who were in the beginning or middle of their careers during post-communist transitions. Similarly, views on equality seem to reflect perceived financial situation for the younger respondents. It is a quite thought-provoking finding that intergenerational differences in preferences over redistribution are even larger in the Nordic welfare systems (Denmark, Finland, Norway and Sweden) than in the former communist states in Europe. Finally, the results of my investigation also hint that communist legacies are rather static in nature and do not become latent over time. Therefore, the model of generational replacement proposed among others by Alesina and Fuchs-Schündeln (2007), Pop-Eleches and Tucker (2017) and Neundorf and Soroka (2018) will likely shape preferences for equality in both Nordic and post-communist states in the decades to come.

The country-specific heterogeneity in effects and the exact mechanisms behind the described relationships need to be further tested by survey experiments and case studies on the inter-generational transmission of various legacies conditional on the regional economic performance and individually perceived benefits of transitions. The study complements the findings of Chapter 3 and shows that in assessing changes in the public polarization post-crisis, not only should we differentiate among types of financial shocks, but also account for the sensitivity of policy preferences among various demographic groups. This result also implies that a comprehensive comparative assessment of the crisis-polarization nexus should include multiple (currently salient and relevant) policy dimensions in addition to the main left-right super-issue (Inglehart, 1990). The corresponding investigation will be conducted in the following Chapter.

# **CHAPTER 5. The Polarized, the Unequal, the Populist: When Does Electoral Polarization Destabilize Domestic Politics?**

*Oleksandr Shevchuk*

But every difference of opinion is not a difference of principle.

– Thomas Jefferson, 1801 First Inaugural Speech

## **5.1 Introduction**

Polarization has been often linked to the crisis of democracy (United Nations, 2024) and the top-down mechanism of divisive communication (i.e. ‘us’ vs ‘them’ framing) and politicization of grievances has been central to many scholars (see Mudde, 2007; Pappas, 2019). Among the leaders who have used this strategy are, for instance, Donald Trump, Hugo Chavez, Victor Orban etc. However, as Chapter 3 shows, financial crises can also polarize electorates and divide political elites. Economic inequality might further reduce the quality of democratic representation. Can such environments activate a bottom-up mechanism, where unmet public discontent will increase populist support and presence in national parliaments? Better understanding of the polarization-populism nexus will also allow us to preclude concept stretching (Sartori, 1970) and be able to more efficiently solve the problem of democratic backslide in the developed democracies.

This study provides a comprehensive overview of the development of public polarization over various issues and populism in Europe between 2002 and 2022. I concentrate on particular conditions, under which positional polarization among voters can lead to strengthening of populist influence in national parliaments and work with the axiomatic polarization measure of Esteban and Ray (1994). I contend that high public polarization is not detrimental to political stability per se and is a necessary part of the democratic evolution. However, if high electoral polarization (i.e. demand for a diverse and responsive legislature) and high economic inequality (i.e. constrained policy supply) align, then the legitimacy of the principal-agent mechanism might be questioned. As a result, populist activists will use the expanded political competition space and obtain better chances to get into parliaments.

Empirically, I analyse all waves of the European Social Survey (ESS) and combine them with data on electoral cycles and populist vote shares in Europe. Importantly, I do not concentrate on the single cleavage among the general public, but differentiate between the left-

right self-placement, preferences over state-induced income equalization, EU unification as well as views of voters on the impact of migrants on national cultural life.

## 5.2 Theory and literature review

In his book on ‘wisdom of the crowds’ James Surowiecki (2004) writes: “Diversity and independence are important because the best collective decisions are the product of disagreement and contest, not consensus or compromise.” (p. xix). In situations of severe distress, it is better to have multiple different opinions and strategies to choose from (see also Popper, 2013 [1945]). When we speak about polarization, we speak about the structure and dimensionality of the prevailing group identities and conflicts in a society (Duclos et al., 2004; Esteban & Ray, 1994; Esteban & Schneider, 2008; see also Traber et al., 2023). Scholars usually distinguish between affective (i.e., capturing feelings towards in- vs. out-group members: see, for instance, Borbáth, Hutter, & Leininger, 2023) and ideological (i.e., capturing distances and density differentials among various groups over a selected set of issues) polarization. In this study, I will focus on the political consequences of the policy-grounded representational gaps, which usually emerge after financial crises (see Chapter 3) and are typical for societies with high inequality. Therefore, I will work with ideological (or positional) polarization.

Current literature offers surprisingly little information on the direct link between electoral positional polarization and success of populist parties. At the same time, the struggle between ‘us’ – the people – and ‘them’ – the corrupt elites – is usually seen as the core of all definitions of all types of populism (see Pappas, 2019; Rodrik, 2018). However, a particular shape of the corresponding preference distribution is both a conceptual and an empirical question: depending on the relative sizes of these groups we can be speaking about either opinion *inequality* or *polarization*, which are technically very different measures (Esteban & Ray, 1994). For example, if the two groups are roughly equally populated, then the ‘us’ vs. ‘them’ description of the current state of affairs also implies a bipolar distribution of preferences – the most polarized one possible (irrespective of how one operationalizes polarization). However, if more and more people start supporting an anti-EU agenda, then we are speaking first about a growing inequality in the preference distribution. Given that we observe a certain distribution of policy positions of voters before an election, can we *ex-ante* use this information in assessing the possible electoral outcomes? Is it indeed the case that increasing positional macro-level polarization among voters might be linked to populism? It is important to be able to monitor the representational gaps and polarization (Pappas, 2019) with clear and easily

reproducible quantitative indicators, which have predictable and theoretically justified behaviour

Under an ideational approach, “populism should be defined as a set of ideas that not only depicts society as divided between the ‘pure people’ versus ‘corrupt elite’, but also claims that politics is about respecting popular sovereignty at any cost.” (Mudde & Rovira Kaltwasser, 2018, p. 1669). In contrast to Cas Mudde, Paris Aslanidis (2016) views populism not as a ‘thin-centered ideology’ (Mudde & Rovira Kaltwasser, 2018, p. 1669), but as a framing strategy. Pappas (2019) follows a minimal definition approach and equates populism with ‘democratic illiberalism’ (p. 33), with the ‘people’ – as shaped by the political entrepreneurs – being “in constant conflict with other parts of society.” (ibid., p. 82). In their review Mudde and Rovira Kaltwasser (2018) stress that in explaining the popularity of populism “the key lies less in objective indicators (e.g., absolute deprivation) and much more in subjective indicators (e.g., relative deprivation).” (p. 1672). Pappas (2019) highlights three potential sources for populist resentment and mobilization: “economic inequality, social injustice, and political exclusion.” (p. 108). All three of them could be typical for high inequality environments (Traber et al., 2022). Such contestation lies according to Pappas (2019, p. 229) outside of the policy-based rationality-driven world and populist parties “thrive on the extraordinariness of their leaders, new symbolic politics, and incessant polarizing tactics.” This observation is one of the main reasons why if we want to assess the risks of populism emergence on a societal level, we should pay more attention not to the specific positions the voters assume, but concentrate on the distributional peculiarities of such preferences. That is when the concept of polarization becomes central.

In Chapter 3, Gerald Schneider and I apply the axiomatic measure of polarization of Esteban and Ray (1994) and show that, first, economic crises can increase public left-right polarization and, second, that shocks to public polarization can polarize parliaments only if the effective number of parties is high (thus being in line with the centrifugal political competition analyzed by Sartori, 1976). In theory, relatively small extreme parties might disproportionately profit from the polarized electorate. It is not completely clear, however, under what conditions does this happen and which factors can foster such developments. Ezrow (2007) showed that positions of parties might be adjusted to the more dispersed positions of voters. According to the more recent studies, mainstream parties offer very low programmatic flexibility (Dalton & McAllister, 2014) and, therefore, most of the system innovation and polarization stems from more extreme newcomers and niche factions (Arndt, 2016; Hooghe & Marks, 2018; Rovny &

Edwards, 2012). On their part, voters might also polarize in response to a new far-right party getting onto the parliament floor (Bischof & Wagner, 2019). In the Netherlands the success of Pim Fortuyn, for example, has arguably contributed to the left-right polarization of voters (Castanho Silva, 2018). According to Arbatli and Rosenberg (2021), rising left-right polarization among voters (operationalized with the approach of Esteban & Ray, 1994), can harm democracy and, in the middle of the ‘us’ vs. ‘them’ fighting, foster government intimidation of opposition, increase media censorship, attacks on judiciary and erode the institute of free and fair elections. Pappas (2019) highlights the top-down mechanism of populist advancement and suggests, moreover, that “polarization is the principal strategy employed by populist parties in office in order to win the majority of ambivalent non-ideological voters in the middle, and prevent them from defection.” (p. 241). This argumentation implies a static programmatic and rising affective electoral polarization. Moreover, if populists try to compete outside of the established policy space, then, for example, polarization over the main super-issue (e.g. left-right) might remain unchanged, while contestation over some new dimension (e.g. culture) might go up if voters respond to such dividing cues. Rising public polarization could be, therefore, a sign of successful populist campaigning and an antecedent of the electoral success of such parties. At the same time, Nemčok et al. (2023) found that the advance of populist parties in fact does not increase turnout, but rather makes citizens more interested in politics.

The link between electoral polarization and appeal of populist ideas might be also strengthened during the events of severe economic and financial distress. For example, Grant (2020) states that convergence (or depolarization) of political elites and economic turmoil are mutually reinforcing factors contributing to the popularity of anti-system parties. Similarly, effects of austerity on abstention and support for extreme and new parties are enhanced if the political elites converge in their economic orthodoxy (Hübscher et al., 2023). It is not rare that in such cases non-economic issues and grievances are also picked up by both voters and new political entrepreneurs (Bonomi et al., 2021; Fukuyama, 2018; Gennaioli & Tabellini, 2019; Kitschelt, 2014; Stefanelli, 2023). According to the ‘political opportunity structure’ framework, Eatwell (2003, p. 58) writes that “extremist parties are likely to make a breakthrough when mainstream parties cluster around the centre, and fail to pick up issues which are of growing voter appeal.” (see also Mudde & Rovira Kaltwasser, 2018, p. 1682; Steiner & Martin, 2012). Similarly, if polarization increases but conventional parties respond to it promptly and present more diverse programmes, then there will be simply no space for populists – i.e. there will be little to no resentment and crisis of representation discussed by (Pappas, 2019). Mudde (2007)

also notes that high parliament polarization is detrimental to populists due to limited options for competition (pp. 239-240).

High income inequality can be a powerful catalyst in the transformation of electoral polarization into populist representation, too. As Chapters 2, 3 and 4 have shown, severe financial crises can significantly increase income and wealth disparities. Importantly, income inequality is rather slow-changing and cannot be reduced overnight by a simple policy intervention (see Bodea et al., 2021). Purely ideational differences are enhanced by the actual differentials in political influence and representation among groups of voters. Economic inequality is often associated with inequality in voting (Bonica et al., 2013; Fenzl, 2018)<sup>35</sup>, agenda setting, lobbying and campaign financing (Brady et al., 1995; Traber et al., 2022). Traber et al. (2022) study legislative output and public opinion across 10 developed states over more than 20 years and contend that “governments are more responsive to higher status groups, when a priority gap exists.” (p. 362). Nouredine and Gravelle (2021) further show that “greater country wealth and income inequality predict increased left-right divergence in redistributive preferences.” (p. 3). As the synergies of rising polarization and inequality evolve, so does the representational gap. Ginsburgh et al. (2021) establish a nexus between income-rooted polarization in living conditions (via SILC) and populist attitudes of people (via ESS) on the regional level in Europe. As a consequence, income inequality has also recently become stronger associated with support for anti-establishment parties (Dorn et al., 2018; Proaño et al., 2022; H. Winkler, 2019). Supporters of populist forces have a different view of political representation, too: they favour direct democracy and authoritarian rule more (Wegscheider et al., 2023). It is an interesting analytical result, since subjective definitions of democracy seem to vary around the world and depend on personal value systems. In particular, emancipative values (being an outcome of one’s socialization and culture) are critical for both development of a liberal democracy and its defence against backsliding (Brunkert, Kruse, & Welzel, 2019; Kruse, Ravlik, & Welzel, 2019). Kirsch and Welzel (2018) look at authoritarian notions of democracy and suggest that emancipative values are hardly reversible at all (pp. 62-63), for instance.

If the electorate is still clustered around certain ideas or positions but satisfied with functioning of politicians and institutions, there will be simply no room for populist framing

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<sup>35</sup> Bonica et al. (2013) write for the US context: “Turnout for the 2010 midterm election decreased only slightly from levels in 2008 for top incomes but decreased substantially for those with household incomes below \$15,000 so that only about one-third of that group reported voting.” (p. 111). Fenzl (2018) argues that as inequality goes up, poor voters participate less in elections which leads to the diminishing vote shares of the left parties.

and conventional parties (old or new) will try to address the demand for changes. Increases in public polarization also imply that voters are not disinterested in politics (Lesschaeve, 2017; McCarty, 2019; Rodon, 2014) and still believe that it is worth it to make their issue-position be heard by the politicians. Growing polarization, therefore, can be seen as a sign, that voters are choosing not a passive ‘exit’ strategy (and cluster around the ideological center), but an active one – ‘voice’ (see Hirschman, 1970), and not always exclusively by only casting the ballot (Kleiner, 2020). If voters in extremely unequal and polarized systems feel that they have lost control over their country, feelings of status anxiety and relative deprivation will accumulate (see Gidron & Hall, 2017; Houle, 2019), trust in existing institutions will drop (Algan et al., 2017; Bertou, 2019, p. 227; Guriev, 2018) and they will start looking for alternative political solutions<sup>36</sup>. An increase in public polarization thus can be either met or unmet by the current parliament (based on subjective assessments and perceptions). In the latter case, these new unmet and polarized preferences will broaden the space for political competition, populists will obtain a first-mover advantage (including a chance for a genuine issue ownership) and capitalize on social resentment (see also Abts & Baute, 2022).

H4-1a: Higher public polarization is on average associated with higher vote shares of populists in the next elections.

H4-1b: Income inequality strengthens the association between public polarization and vote shares of populist parties.

While the moderating impact of inequality in the link between public polarization and populist support can also run through the feelings of distrust towards politicians (as shown, for example, by Algan et al., 2017), the empirical testing of this nexus on the macro-level with cross-sectional surveys is quite complicated. For the more detailed testing of such interrelationship one would need a survey with particular questions about the trust towards the non-populist parties. If this distinction is not made, the overall political trust question could also be loaded with an actual increase in trust towards the populist government among populist voters after an election takes place (i.e. since their preferred party is now in the parliament).

Which electoral polarization should be analysed as an antecedent of electoral successes of populists? The natural choice is to pick the conventional survey-derived left-right dimension, since it generally offers the best time and space coverage (see Section 2.3. for a detailed

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<sup>36</sup> If political campaigning and polarization are related to some degree before an election takes place, then public polarization might function as a mediator of dissent. In other words, if people do not adjust their positions at all in response to populist-style priming, then how are the ‘remedies’ (Pappas, 2019, p. 109) going to be marketed?

discussion). One can think about the one (and only) dimension of the current political conflict (see Gethin, Martínez-Toledano, & Piketty, 2021b; Mair, 2013; Robertson, 2006) as being a mapping from a versatile issue space, too. Deliberative multidimensionality (i.e. when people are asked to freely describe their views on and thoughts about some matter) can be then potentially reduced with a certain loss of information to the decision-making unidimensionality (e.g. when a decision has to be made whether to tick a ‘left’ or ‘right’ box in a survey or vote for party A or B in an election) (see also Robertson, 2006; Sartori, 1976)<sup>37</sup>. Intuitively, however, as long as there are different social groups with different problems in the world, there will be no absolutely identical left-right: in terms of its implied contents, it varies in time and space by definition (see e.g. Bansak et al., 2020; De Vries et al., 2013; Lachat, 2018; Piurko et al., 2011). Mair (2013) adds that “Voters in contemporary Europe may still be willing to locate themselves in left-right terms, and may even be willing to locate the parties in the same dimension, but the meanings associated with these distinctions are becoming increasingly diverse and confused.” (p. 71). Stability of the underlying socio-economic environment should be factored in such analyses, too, implying the conditional dynamic dimensionality (also addressed in Robertson, 2006; Vidal, 2019). For instance, Bansak et al. (2020) highlight the explicit loading of the public left-right self-identification in France, Spain, Italy and UK during the Greek debt crisis with concerns over the potential outcomes of Grexit for the European economy (pp. 520-521). The ‘left-right’ question is of great value for conducting macro-level analysis of general trends in public polarization.

De Vries and Solaz (2019) argue that there are generally two policy dimensions: economic and non-economic. One should not view these dimensions as unrelated. For instance, many people oppose trade liberalization primarily due to its alleged cultural impact (Margalit, 2012; see also Margalit, 2019). As far as the party competition in the EU is concerned, Marks et al. (2006) “predict that party positioning on European integration will continue to be structured by the Right-Gal versus Left-Tan divide so long as the European Union is perceived as a supranational polity that enhances market capitalism and cosmopolitan values.” (p. 169)<sup>38</sup>. The issue of further EU unification, thus, represents a new ‘transnational cleavage’ (Hooghe & Marks, 2018, 2019), with the question of immigration relating to its cultural component.

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<sup>37</sup> “When the citizen speaks, he may have many things to say. But when he is coerced into casting a yes-no vote, he may well have to settle for the ‘least-distance’ solution, that is, to vote for the party (candidate) perceived as closest, on the left-right spectrum, to his self-assigned location on the same spectrum.” (Sartori, 1976, p. 302).

<sup>38</sup> GAL: Green, Alternative, Libertarian; TAN: Traditional, Authoritarian, Nationalist.

Educational expansion, economic inequality and asymmetric globalization processes are the pillars of the modern multidimensional political landscape. Abou-Chadi and Hix (2021) critically review the claims of Piketty (2020) and note that the departure of politics from the single left-right continuum is “not driven by the behaviour and policy positions of parties and party leaders, but by exogenous structural changes beyond the realm of electoral politics.” (p. 90). Given the described heterogeneity of the survey-based left-right identification of voters and complexity of the actual (modern) political space, I will also look at the less general and less ambiguous (for survey respondents) issues such as redistribution (economic dimension) and attitudes towards EU unification and immigration (new transnational cleavage). These items have been also heavily politicized during the Great Recession, the recent Covid-19 crisis and the Russian war of aggression against Ukraine.

### 5.3. Research design, data and results

Polarization and populism: Data on public preferences (see Table 5.1) has been obtained from all available waves (1-10) of the European Social Survey (ESS) covering the period between 2002 and 2022. Due to my focus on the European region and inclusion of the issue of further EU unification the main analysis comprises data from 27 democracies<sup>39</sup>. In order to test my hypotheses, it was necessary to recast the aggregated survey data into a country-election format. For this purpose, I have extracted dates of interviews and mapped them onto the national electoral schedules. The distribution of the re-grouped observations is shown in Figure C1.1. in Appendix C. The stated publication years of the ESS surveys do not correspond to the duration of the field work in each country. I have selected only cases with more than 100 respondents.

Table 5.1. Questions used to operationalize the key topics in my analysis

<i>Issue</i>	<i>Survey question</i>	<i>Range of answers</i>
Left-right (main super-issue)	Placement on left right scale	0: Left 10: Right
Redistribution (economic cleavage)	Government should reduce differences in income levels	1: Agree strongly 5: Disagree strongly
EU unification (transnational cleavage)	European unification go further or gone too far	0: Unification already gone too far 10: Unification go further
Immigration (transnational cleavage)	Country’s cultural life undermined or enriched by immigrants	0: Cultural life undermined 10: Cultural life enriched

<sup>39</sup> Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

There are many ways to summarize and describe distributions of ideological positions and policy views. Following the discussion in Section 2.2., I will choose the approach of Esteban and Ray (1994). The polarization parameter  $\alpha$  is set to one in the baseline specification and I provide alternative estimation results among the robustness checks. All measures of polarization in this study take into account the necessary survey weights.

The vote shares of populist parties have been obtained by combining elections statistics from ParlGov (Döring & Manow, 2021) with party classification of the PopuList project (Rooduijn et al., 2023a; Rooduijn et al., 2023b). Rooduijn et al. (2023b) rely on expert assessments (via *Expert-informed Qualitative Comparative Classification*) and define populist parties as in Mudde (2004): “parties that endorse the set of ideas that society is ultimately separated into two homogeneous and antagonistic groups, ‘the pure people’ versus ‘the corrupt elite’, which argues that politics should be an expression of the *volonté générale* (general will) of the people” (p. 5). The full list of parties is provided in Table C2.1. in Appendix. As additional robustness checks I also re-estimate the main models using vote shares of left- and right-wing populist parties. Income inequality is proxied by the net income Gini coefficients from the SWIID database (Solt, 2019).

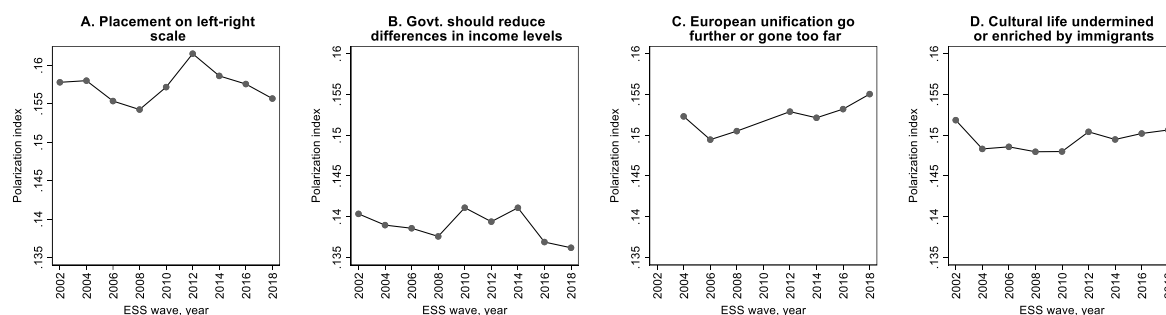
Controls: It is necessary to control for the phase of economic development of a country. Information on GDP growth and unemployment comes from the World Bank’s WDI (Teorell et al., 2024; World Bank, 2023). I have also included binary indicators of financial crises (in the current setup they correspond to a share of each electoral term under crises). These indicators control for the occurrence of banking, currency, debt and inflation shocks and rely on the datasets of Reinhart and Rogoff (2009), Laeven and Valencia (2020), Nguyen et al. (2022). I also add the overall parliament polarization in the previous electoral term. In this case I rely on the Esteban and Ray (1994) polarization indices from Chapter 3, computed based on party programmes from the Manifesto Project (Lehmann et al., 2023).

Estimation strategy: Vote shares of populist parties are limited within a unit interval from below (by zero) and above (by one). Therefore, a fractional response logistic regression might be a suitable choice. At the same time, one could suspect unit- and time-specific heterogeneity to be present in the data generating process. I opt for the Chamberlain-Mundlak solution proposed by Wooldridge (2010, pp. 767-768): for each independent variable I will add its time-invariant within-unit arithmetic average, while time dummies can be included in the models without any further constraints (see Papke & Wooldridge, 2008). Since electoral terms in the pooled dataset are of various duration, time dummies are represented by binary indicators for all consecutive

five-year periods after 2005. Standard errors are clustered on the country level. Lagged dependent variables are present in all models, too. I acknowledge the possible risks of endogeneity, despite the chosen analytical setup. A promising extension of this study would be to find a source of external variation in public polarization, that is not correlated with populism and to apply the instrumental variable approach.

**Main results:** In Figure 5.1 we can see the development of average public polarization over various issue-dimensions (subplots A-D) in the selected European democracies between 2002 and 2018. While there is definitely some dynamics in the data, the observed aggregate changes are too small to constitute any specific trend.

**Figure 5.1.** Average polarization in Europe during 2002-2018 over various issue-dimensions



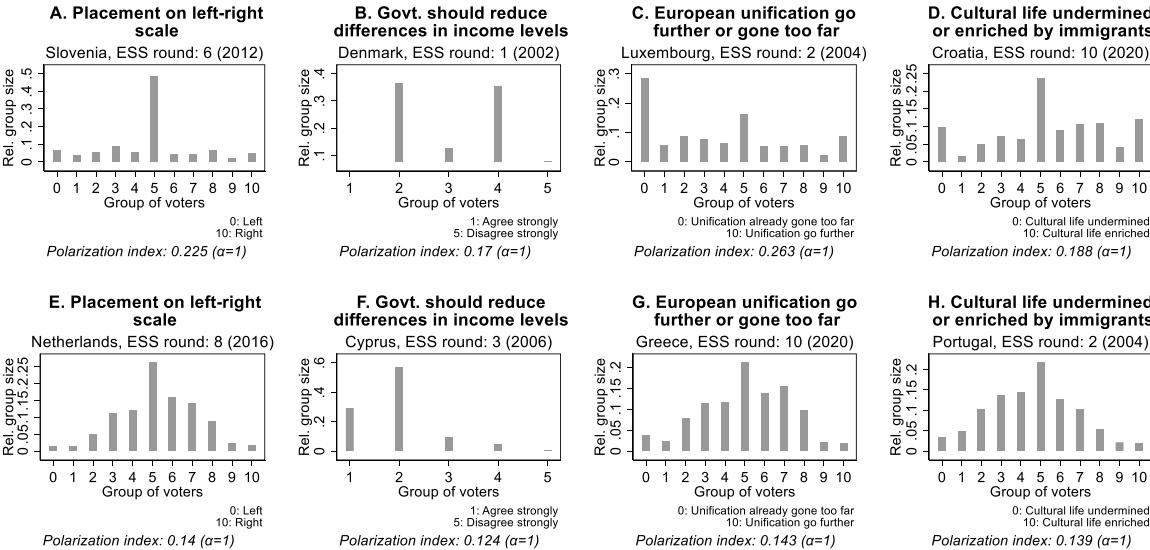
*Note:* Each subplot (A-D) shows the evolution of a corresponding polarization index of Esteban and Ray (1994) over time for a subset of countries (a polarization parameter  $\alpha$  set to one). The geographical and time scope of the pooled measurement has been selected based on data availability.

In Appendix C (Figure C1.2.) I have plotted the respective polarization indices for each survey wave and country in the dataset. There we can recognize the geographical heterogeneity in the evolution of public polarization over time. For instance, Bulgaria, Cyprus, Estonia, Croatia, Hungary, Lithuania, Poland, Portugal, Slovakia and Slovenia are among the most polarized societies in terms of the left-right self-placement. This observation also corresponds partially to the patterns detected in Chapter 3 for the Eurobarometer data. Interestingly, during the Great Recession, polarization over the issue of income equalization has only somewhat increased in Eastern Europe (Bulgaria, Poland, Slovakia and Slovenia) and in the usual suspects – Greece and Ireland. At the same time, the issue of further European integration became more contested during the same period in Hungary (+11.04pp), Spain (+7.84pp), Germany (+7.14pp), Slovakia (+5.88pp), Estonia (+5.66pp) and Cyprus (+5.33pp). Around the time of migration crisis, the question whether migrants endanger cultural life was quite a polarizing topic both in Eastern (e.g. Croatia, Hungary) and Southern (e.g. Italy, Portugal) Europe.

Figure 5.2 visually demonstrates the most and least polarized cases according to the ESS surveys. For each of the four issue-dimensions discussed above, I have selected the most

(subplots A-D) and least (subplots E-H) polarized cases and plotted the (weighted) distributions of survey responses. It is quite an interesting finding that while cases with the lowest polarization over the left-right dimension (subplot E), further EU unification (subplot G) and immigration as a threat to local culture (subplot H) are normal-style (almost) bell-shaped distributions, the smallest polarization over income equalization was seen in Cyprus (2006 ESS wave), where the absolute majority of survey respondents was supporting the necessity to reduce differences in income levels (i.e. the distribution was rather skewed).

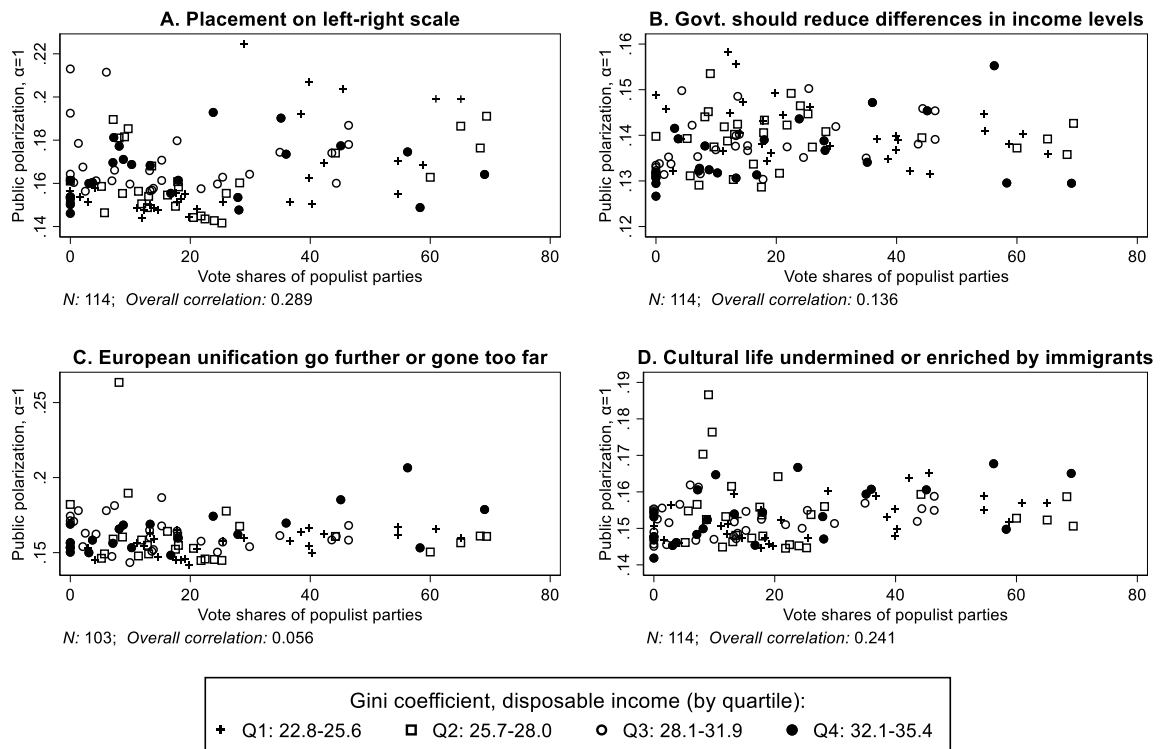
Figure 5.2. Most and least polarized country-surveys



Note: Each subplot (A-H) shows a distribution of public preferences over a specified issue-dimension in a separate ESS country-survey. Under each plot there is a key to the meaning of answer categories for the corresponding question in a survey and a value of a polarization index of Esteban and Ray (1994) with a polarization parameter  $\alpha$  set to one. The pairs of bar plots A-E, B-F, C-G and D-H mark cases of most and least polarized countries over a different issue-dimension in the merged ESS dataset (from 2002 to 2020).

Next, in Figure 5.3, there is a set of scatter plots showing the distribution of country-elections by the degree of public polarization (y-axis) and vote shares received by populist parties (x-axis). In addition, I have accounted for the levels of income inequality by aggregating the corresponding Gini coefficients over each country-electoral term. In order to simplify the presentation of the data in question, I have then re-casted all Gini estimates into four quartiles (i.e. divided with 25% cut-points) and given each quartile an individual marker. While the overall correlations between electoral polarization and populist vote shares are not very strong (but all of them are positive), the association seems to grow a little bit in cases with higher inequality.

**Figure 5.3.** Public polarization, populism and inequality in Europe



*Note:* Each subplot (A-D) shows a distribution of public polarization index of Esteban and Ray (1994) (over a different issue-dimension from the ESS survey data) and vote shares of populist parties in Europe. Each point corresponds to a single country-election term. Shapes of markers indicate levels of income inequality during each electoral term (Gini coefficients have been split into four quartiles, with lower and upper bounds of each quartile shown in the legend box).

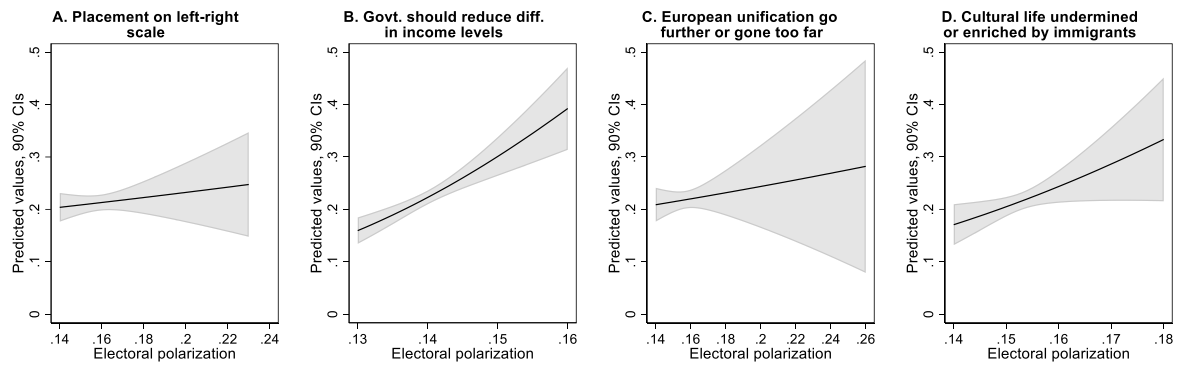
Table 5.2 shows results of regressing populist vote shares on public polarization and a set of control variables in a fractional regression setup. Electoral polarization over the left-right dimension and the issue of further EU unification does not exert any direct impact on the popularity of populist parties. Hence, H4-1a can be rejected in these cases. At the same time, an increase in polarization among voters over the topics of income equalization and cultural implications of immigration can lead to large gain in the approval of populist parties. Importantly, all interaction effects with inequality are statistically significant, which is in line with H4-1b. Figure 5.4 displays predicted vote shares of populist parties based on the models 2, 5, 8 and 11 from Table 5.2. For example, if public polarization over the issue of income redistribution (panel B) increases from 0.13 (e.g. Sweden before the 2014 elections) to 0.16 (e.g. Denmark or the Netherlands in the early 2000s), the model expects the vote share of populists to increase from 16% to 39%. Differences in predicted probabilities of an almost equal magnitude are observed for the question of cultural repercussions of immigration (panel D). However, the displayed ranges of polarization values correspond to the absolute minimum and maximum in the dataset (such extreme situations should be interpreted with caution)

Table 5.2. The links between public polarization, income inequality and populism in Europe, fractional logistic regression

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Populist vote share, lag	4,815***	4,194***	4,377***	4,934***	4,481***	4,282***	4,728***	4,192***	4,001***	4,746***	4,094***	4,064***
	0,378	0,384	0,424	0,275	0,407	0,408	0,304	0,410	0,377	0,314	0,458	0,405
Polarization <sub>Left-Right</sub>	2,621	3,299	-96,189**									
	3,558	5,323	39,774									
Polarization <sub>Left-Right</sub> x Inequality			3,683**									
			1,439									
Polarization <sub>Redistribution</sub>				31,854***	49,96***	51,473***						
				11,412	12,185	12,884						
Polarization <sub>Redistribution</sub> x Inequality						0,268*						
						0,139						
Polarization <sub>EU Unification</sub>							1,796	2,948	-0,48			
							4,139	7,662	8,481			
Polarization <sub>EU Unification</sub> x Inequality									0,241			
									0,240			
Polarization <sub>Immigration</sub>										21,287**	26,172*	24,692
										8,630	13,777	17,895
Polarization <sub>Immigration</sub> x Inequality												0,049
												0,251
Inequality		-0,068	-0,661***		0,001	-0,056*		-0,102	-0,085*		-0,052	-0,056
		0,055	0,240		0,048	0,033		0,063	0,046		0,051	0,051
Inequality <sub>Mean</sub>		0,019			-0,012			0,058			0,005	
		0,061			0,055			0,076			0,058	
Financial Crises		-0,446	-0,36		-0,454	-0,328		-0,408	-0,328		-0,388	-0,373
		0,345	0,344		0,341	0,354		0,389	0,379		0,348	0,345
Financial Crises <sub>Mean</sub>		0,061	0,229		0,63	0,149		0,18	-0,15		-0,112	-0,177
		0,951	0,854		0,682	0,799		0,867	0,942		0,892	0,885
Unemployment		0,086***	0,082***		0,075***	0,07***		0,092***	0,085***		0,076***	0,076***
		0,018	0,018		0,016	0,018		0,018	0,017		0,019	0,019
Unemployment <sub>Mean</sub>		-0,049	-0,033		-0,037	-0,03		-0,059*	-0,051*		-0,047	-0,046
		0,032	0,025		0,034	0,033		0,033	0,029		0,031	0,030
GDP Growth		-0,007	0,007		0,009	0,022		-0,006	-0,005		0,002	0,003
		0,071	0,068		0,056	0,057		0,075	0,076		0,070	0,069
GDP Growth <sub>Mean</sub>		0,029	-0,03		0,071	0,02		0,042	0,022		0,015	0,01
		0,099	0,107		0,078	0,088		0,104	0,106		0,109	0,104
Parliament Polarization, lag		-1,985	-2,588		-1,954	-1,828		-2,259	-1,709		-1,311	-1,296
		1,766	1,907		1,618	1,616		1,773	1,708		1,835	1,879
Parliament Polarization, lag <sub>Mean</sub>		3,113	2,81		5,099**	5,621**		3,031	3,523		-0,049	0,189
		3,217	2,864		2,489	2,577		3,240	3,409		3,651	4,181
N	114	95	95	114	95	95	103	86	86	114	95	95
Pseudo-R <sup>2</sup>	0,139	0,145	0,148	0,144	0,152	0,153	0,135	0,137	0,137	0,141	0,146	0,146
$\chi^2$	326,187	375,900	433,171	344,065	2383,530	1201,341	305,638	389,428	399,055	287,477	329,280	428,183

Standard errors in parentheses: \* p<0.10, \*\* p<0.05, \*\*\* p<0.01

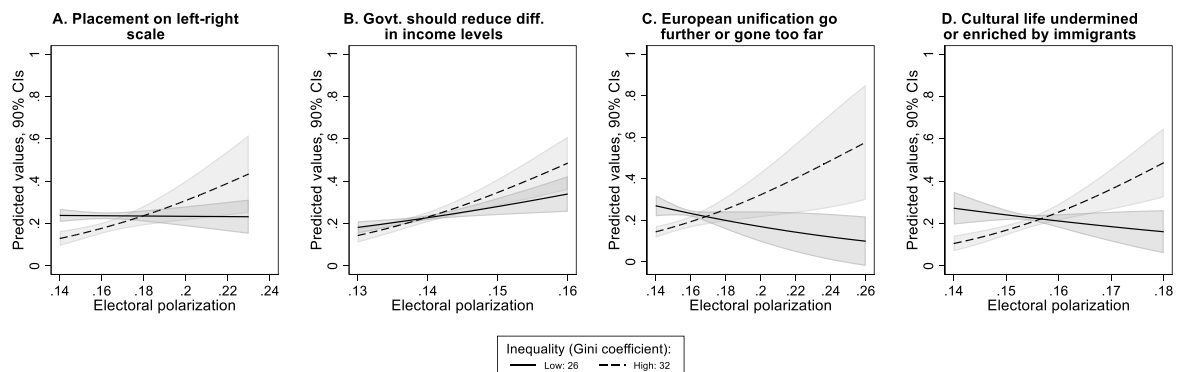
**Figure 5.4.** Public polarization and predicted vote shares of populist parties



*Note:* Each subplot (A-D) corresponds to a separate fractional logit regression and shows predicted vote shares of populist parties conditional on the values of corresponding polarization indices (with 90% confidence intervals).

Next, Figure 5.5 visualizes similar predicted vote shares of populist parties, but now conditional on the prevalent level of income inequality. Based on the available data I have chosen two Gini values – 26 and 32 – which correspond to the first (25%) and third (75%) distributional quartiles. Under lower inequality, public polarization sometimes even has a negative correlation with vote shares of populists in the upcoming elections, which is quite an interesting result.

**Figure 5.5.** Higher public polarization is associated with a higher vote share of populist parties in more unequal systems

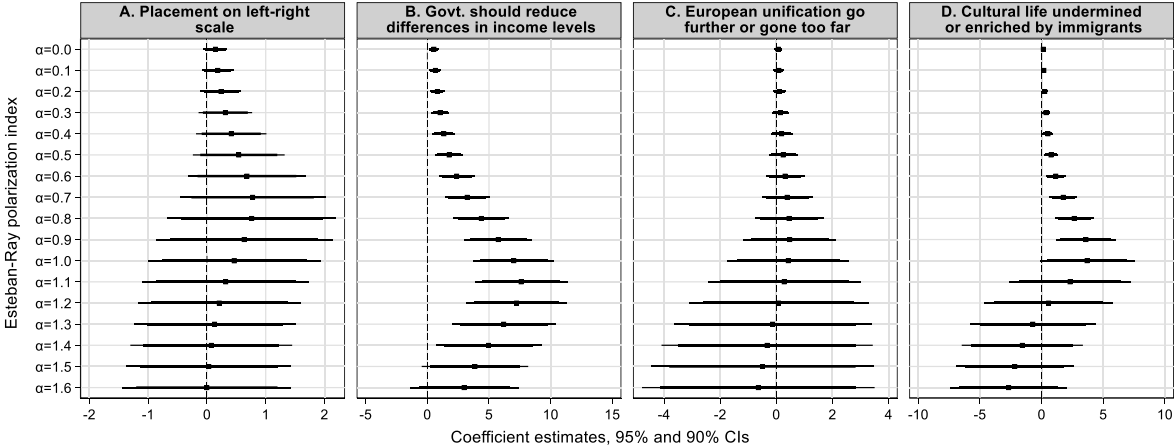


*Note:* Each subplot (A-D) corresponds to a separate fractional logit regression and shows predicted vote shares of populist parties conditional on the values of corresponding polarization indices and levels of income inequality (with 90% confidence intervals).

**Robustness checks:** Here I am probing the stability of results under different values of the polarization parameter  $\alpha$  in the index of Esteban and Ray (1994). If  $\alpha$  is set to 0, then we are no longer measuring polarization, but estimating simple inequality of opinion distributions with an absolute Gini coefficient. In Figure 5.6 each of the four subplots shows point estimates from 17 fully specified fractional logits. The displayed coefficients represent an increment (in percentage points) in the vote share of populist parties in response to a small increase in the

corresponding electoral polarization index. The most consistent results emerge only in the case of redistribution preferences. While the effects of polarization over immigration on populist support barely touch the 95% significance level for the  $\alpha$  values around 1, the left-right polarization coefficients do not reach statistical significance (the overall pattern, however, is similar). The EU-related public polarization seems to exert no direct effects on the electoral success of populists on average.

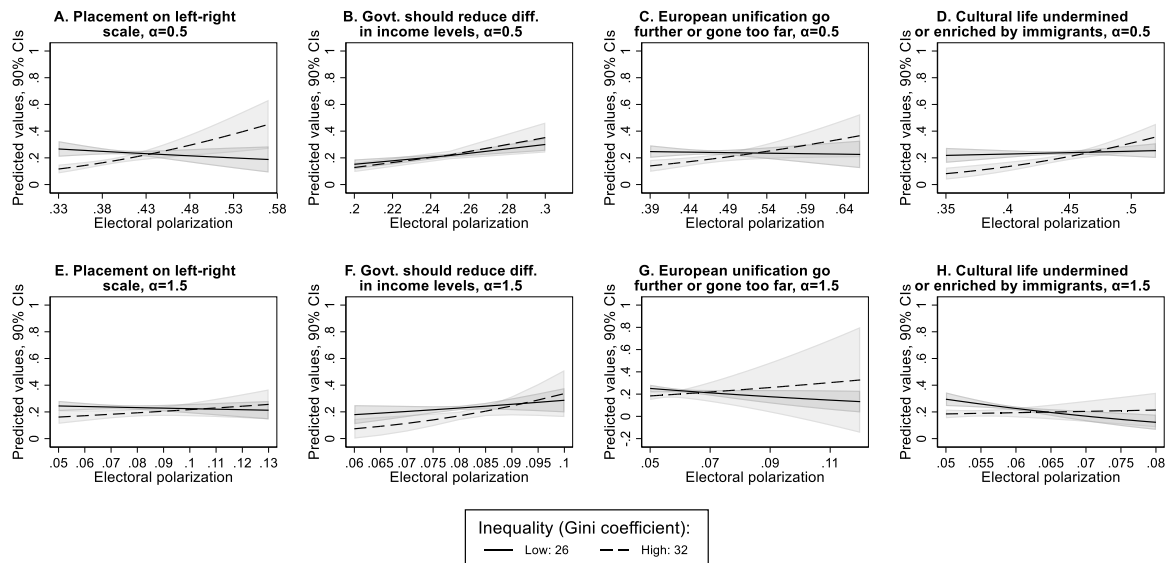
**Figure 5.6.** Marginal effects of public polarization on vote shares of populist parties, by  $\alpha$



*Note:* Each subplot (A-D) corresponds to a separate set of point estimates obtained from 17 fractional logit regressions and shows the nexus between public polarization, measured over a different issue dimension (and over a set of possible values of the polarization parameter  $\alpha$ ), and vote shares of populist parties in the next elections.

Once I re-estimate the interaction effects between electoral ER-indices and inequality under different values of the parameter  $\alpha$ , quite interesting arrangements can be observed. The outcomes are visualized in Figure 5.7 (which is similar to the Figure 5.5 above). In particular, not only polarization, but also strong skewness and inequality of public opinion could have a positive influence on populist support. For instance, a situation where a small group of voters harbours extreme views on some issue, whereas the majority of citizens are rather moderate in their judgements, would also represent a fertile ground for populist-style ideations (this outcome is in line with the literature on affective polarization). However, the effects of ER-polarization indices with  $\alpha$  set to 0.5 are similar (subplot A) or way smaller (subplots B, C and D) than those of standard polarization estimators with  $\alpha$  equal to one. The PopuList dataset also contains information on the particular ideological camp populists are representing: far-left or far-right. Among the issues discussed above, redistributive policies belong to the traditional issue-set of left-wing populists, while the cultural dimension is often politicized by the right-wing parties. In Figure 5.8 I show predicted vote shares from the same models as in Figure 5.4, but now separately for far-left and far-right groups.

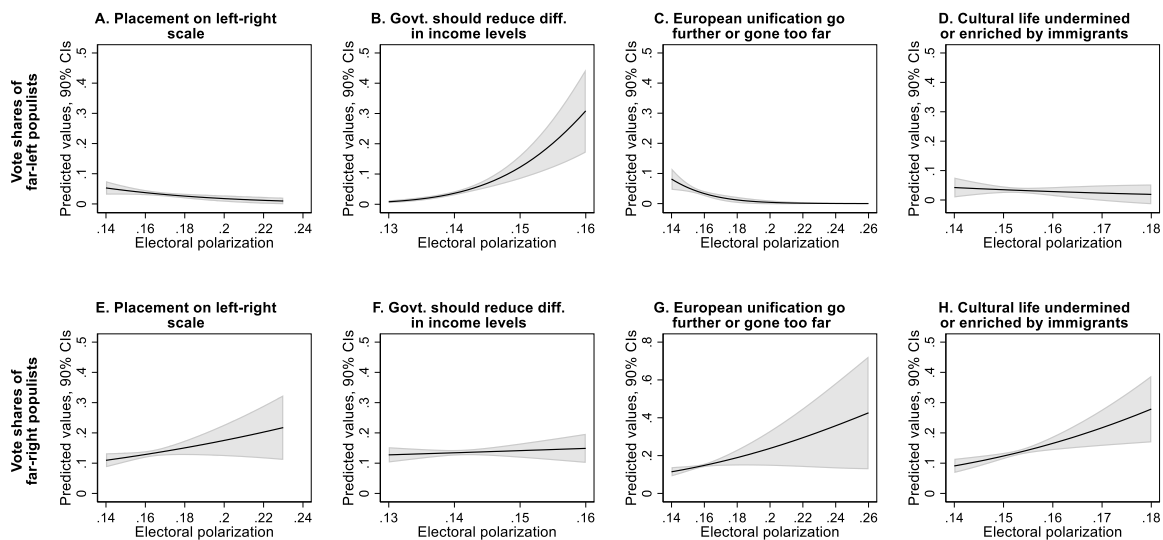
**Figure 5.7.** Higher inequality in the preference distribution might be also associated with a higher vote share of populist parties in more economically unequal systems



*Note:* Each subplot (A-H) corresponds to a separate fractional logit regression and shows predicted vote shares of populist parties conditional on the values of corresponding polarization indices and levels of income inequality (with 90% confidence intervals). Plots A-D and E-H display results for polarization indices with  $\alpha$  values of 0.5 and 1.5 respectively.

While the results are in line with theoretical expectations (see panels B, G and H), they should be interpreted with caution, because the number of available observations gets even lower: as far as non-zero values are concerned, there are 104 such country elections for the vote shares of all populist parties, 85 for far-right parties and 37 for far-left parties.

**Figure 5.8.** Public polarization and predicted vote shares of populist parties



*Note:* Each subplot (A-H) corresponds to a separate fractional logit regression and shows predicted vote shares of populist parties conditional on the values of corresponding polarization indices.

## 5.4. Conclusion

This study has attempted to theoretically and empirically draw the line between electoral polarization and populism on the macro level. I look at the relationship between public polarization over four different dimensions (left-right, redistribution, EU unification and cultural repercussions of immigration) and vote shares of populist parties. Empirically, I rely on the survey data from 29 European democracies between 2002 and 2022 and employ fractional logistic regressions under the Chamberlain-Mundlak approach (Wooldridge, 2010) to control for unit- and time-fixed effects.

First, over the last twenty years there were almost no uniform developments of public polarization in Europe (except for the left-right issue). Second, I have shown that while the polarization measure of Esteban and Ray (1994) possesses high validity as an early-warning indicator of societal tensions, it is necessary to be vigilant in its specification and values of the upscaling parameter  $\alpha$ . Third, not all issue-dimensions over which people can polarize, bare the same meaning for the electoral success of populist parties: the largest effects have been documented so far for the cases of income redistribution and immigration. Finally, high levels of income inequality might be conducive to the anti-establishment rhetoric and strengthen the nexus between public polarization and populism, but not for all issues alike.

In this paper I have implicitly followed the bottom-up approach in describing the relationship between public polarization and vote shares of populist parties. However, it is a truism, that parties often themselves play a crucial role in politicizing issues and dimensions. A promising next step would be to find an appropriate instrument to better ensure the directionality in the polarization-populism link (see also Lal, Lockhart, Xu, & Zu, 2023). Moreover, I encourage future scholars to analyse development of the described voter-party link once populists have gained parliamentary seats and must bargain with more moderate factions. If income inequality remains high, it will further complicate such interactions because of reduced communication among voters and potentially high affective polarization (Gelman & Margalit, 2021; Kuo & Margalit, 2012; Lorenz, 2017). Finally, since all data comes mostly from the last two decades and is limited to the EU, the results naturally reflect an environment with a lot of political instability and crises, with populist parties present in almost every country. In order to increase generalizability of this investigation I encourage future scholars to work with alternative data sources such as Eurobarometer (see Chapter 3), since even though it does not allow the same issue coverage, it goes back to the 1970s, when populism was not so wide-spread.

## CHAPTER 6. Conclusion

In a multiparty system, polarization is sometimes required for our political disagreements to express themselves. The alternative to polarization often isn't consensus but suppression. We don't argue over the problems we don't discuss. But we don't solve them either.

– Ezra Klein, *Why We're Polarized*

### 6.1. An overview

The last three decades have witnessed various types of financial and political crises, with public and elite polarization being both a consequence of distress and one of the main hindrances for elaborating effective rescue measures (Edsall, 2024; McCarty et al., 2013; United Nations, 2024). 2024 European Parliament elections and success of the right-wing parties have demonstrated that polarization will likely increase even further in the near future. This dissertation has brought together classical ideological research, modern theories of the cross-pressured policy preferences of voters and studies on the rise and fall of anti-system parties in the events of severe financial distress. The central goal was to establish a comprehensive theoretical and empirical framework for analyzing the crisis-ideology nexus in general and its development after economic shocks of different types. As this thesis shows, the absence of a comprehensive roadmap to guide policymakers out of the crisis-polarization vicious circle can be attributed to: first, the lack of conceptual rigor when defining financial crises and polarization; second, an assumption, that crises exert a homogeneous polarizing impact on views of voters, which should then automatically polarize parliaments. While polarization is a critical element for democratic resilience and evolution, absent well-functioning and trusted representative institutions, it can push the whole system into a crisis-gridlock spiral (see also Arbatli & Rosenberg, 2021).

To effectively engage in the analysis of causes and consequences of public and elite political polarization we should first start by finding a good empirical operationalization of the classical theories of political contestation. Esteban and Ray (1994) provide an estimator, which measures the extent to which a society is divided into distinct 'us' vs. 'them' camps. Compared to other common measures such as weighted variance (Sigelman & Yough, 1978), the index of Dalton (2008) or the coefficient of Montalvo and Reynal-Querol (2005) (which is a constrained version of the Esteban and Ray indicator), only the parametrization of Esteban and Ray (1994) properly accounts for even the most subtle cases: for instance, if a dispersed opposition forms

a strong union with a single ideological programme. The behaviour of the polarization parameter in the OECD and EU is analysed in Chapters 3 and 5.

The first studies on political polarization by Keith Poole and Howard Rosenthal have focused on the US Congress and relied on the roll-call vote data and ideal points of politicians on a single dimension capturing most of the voting dispersion. Polarization has been shown to bias political decision making and contribute to market distortions and crises (Graham & Svobik, 2020; McCarty et al., 2003, 2013). When working with the multiparty systems outside of the US and UK, the informational contents of roll-call votes become very limited (Hix & Noury, 2016; Spirling & McLean, 2007) and we need to rely on survey data and expert codings instead (Döring et al., 2023; Lehmann et al., 2023). The conventional left-right dimension is a good choice for an analysis of long-term trends in polarization as it can dynamically capture the most salient issues (De Vries et al., 2013; Miller & Schofield, 2003; Noureddine & Gravelle, 2021; Robertson, 2006). At the same time, the space of political competition has arguably become more diverse over time (Elias et al., 2015; Oesch & Rennwald, 2018; Piketty, 2020) and the left-right categories possess certain regional heterogeneity in their policy contents, too (Pioro et al., 2011; Zuell & Scholz, 2019). Moreover, instances of financial crises and high inequality might also bring non-economic issues to the fore (Bonomi et al., 2021; Fukuyama, 2018; Gennaioli & Tabellini, 2019). A case in point is the politicization of the issues of immigration and international cooperation by the far-right activists in the US and EU during the recent electoral campaigns. In Chapter 3 Gerald Schneider and I have studied long-term trends in public and elite left-right polarization in the OECD, while Chapters 4 and 5 have provided additional evidence regarding the issues of redistribution, EU unification and immigration.

It is universally acknowledged that financial crises might on average harm re-election chances of incumbent governments (Funke et al., 2016; Mian et al., 2014) and benefit extreme outsiders (Casal Bértoa & Rama, 2020; Grant, 2020; Hübscher et al., 2023). Importantly, financial crises usually come in different forms (Nguyen et al., 2022) and have different redistributive and sectoral implications (Bodea et al., 2021; RübSam et al., 2024). Chapter 3 has looked at the implications of crises for public and elite polarization and delineated conditions under which higher public polarization is likely to increase parliament fractionalization and polarization. Apart from the direct material consequences of financial shocks, the recent studies have shown that policy preferences of voters are usually cross-pressured by self-interest as well as ideology and socialization experiences (Armingeon & Weisstanner, 2022; Heide-Jørgensen

et al., 2023; Neundorf & Soroka, 2018). Therefore, various demographic groups might react differently to the financial crises of the same type even if the objective distribution of economic costs is relatively uniform. Chapter 4 has assessed the particular role of communist and transitional legacies (Alesina & Fuchs-Schündeln, 2007; Libman & Popova, 2023; Pop-Eleches & Tucker, 2017) in moderating the impact of education and subjective income on preferences for redistribution.

Economic inequality has been usually seen as an indispensable side-effect of economic growth and development (Marx, 1931 [1867]; Pareto, 1991; Smith, 1997 [1776]). However, inequality can also distort political representation, lead to the concentration of agenda setting powers in the hands of the more well-off groups (Traber et al., 2022) and install a legislative gridlock (Duca & Saving, 2016). Lipset (1959) and Lipset and Rokkan (1967) have warned about the possibility of a democratic demise afterwards. High inequality also leads to a skewed distribution of financial burden resulting from anti-crisis measures (Agnello & Sousa, 2014; Lang, 2021). While voters might lose interest in politics under such circumstances *ceteris paribus* (Iversen & Soskice, 2015; Rodon, 2014), anti-system parties could use the ensuing wave of public disenchantment (Pelizzo & Babones, 2007; Proaño et al., 2022; H. Winkler, 2019) to get into parliaments. The degree to which the mainstream parties react to public polarization depends on the functioning of representative institutions (Fenzl, 2018; Gunderson, 2021; Han, 2015). The larger is the mismatch in preferences between voters and incumbent politicians, the more opportunities for outsiders emerge (Grant, 2020; Hübscher et al., 2023; Kitschelt, 2014). Given that income and wealth inequities have now almost reached their pre-1914 levels it is crucial to investigate which electoral outcomes might follow if high public polarization and economic inequality collide. As Chapter 5 demonstrates, it is usually populist parties which are among the main benefactors.

After all, if a crisis occurs, incumbent politicians have to grapple with how to stabilize the economic situation while at the same time crafting an image of social unity and not losing their supporters in the case of upcoming elections. The growing antagonisms and intense blame shifting among the government, opposition and foreign creditors drastically change the political landscape. If the political system is too rigid to allow for equal and efficient communication of demands between people and politicians, then the validity of the current democratic setup might be questioned, paving the way for anti-establishment and populist newcomers.

## 6.2. Three takeaways

This doctoral dissertation has established an analytical framework connecting macro-level financial crises as causes of public and elite polarization (Chapter 3) to changes in individual level policy preferences (Chapter 4) and system-level electoral outcomes of high public polarization under economic inequality (Chapter 5). Not all types of crises lead to an increase in polarization and the policy preferences of people are also cross-pressured by their socio-economic status, previous ideological legacies and early socialization experiences. Economic inequality and particular functioning of representative institutions in a democracy define the behavior of parties before an election and their responsiveness. The main results of the thesis are summarized below.

First, financial crises increase polarization, but not always. Chapter 3 highlights the distributional effects of various types of financial crises and their heterogeneous implications for public and parliament polarization. The particular effects of crises on polarization are mediated by the prevalent employment and asset structures in a given society. Importantly, currency shocks exert the largest pressure on both polarization and variance of public left-right positions. At the same time, the direct effect of financial crises on parliaments are mostly limited to increasing the distance between the ideological flanks. In that Chapter Gerald Schneider and I also contend that politicians do not automatically respond to the rising electoral polarization – tensions in parliaments rise only when there is an incentive to present more extreme programmes – that is the case when the effective number of parties is high.

Second, self-interest, early socialization and ideology define how a person responds to financial distress. Chapter 4 investigates the dynamics of cross-pressured policy views of voters in Europe. While the self-interest usually prevails, one's previous socialization experiences and ideological indoctrination influence how responsive an individual is to contemporaneous financial shocks. I highlight the role of welfare and communist legacies in Europe (with a focus on post-1990 transitions) and compare preferences for redistribution among various demographic groups in three European regions: Western, Eastern and Northern. For the oldest cohorts in Eastern Europe the current (perceived) material stance of the household has almost no impact on policy positions. The opposite is true for younger and better educated voters, who could also benefit more from the transitions back to the market economy. In Northern Europe the intergenerational differences in redistribution preferences are even higher and early socialization influences how people process current financial hardships.

Third, polarized and unequal systems are prone to representational crises and political instability. Chapter 5 studies the moderating role of inequality in the polarization-populism nexus. While public polarization does not increase the appeal of populist parties per se, when it is combined with high inequality in political representation, the resulting political voids will be conducive to populist newcomers. Empirically, I employ the ESS survey data re-grouped according to the national electoral cycles. This approach allows to analyse the potential for a populist takeover ex-ante, before an election takes place. In addition to the traditional left-right dimension, I also use questions regarding income equalization (economic cleavage) as well as further EU unification and immigration (transnational cleavage). While the effects on vote shares of populist parties differ across these polarization indices, the enhancing role of income inequality is undisputed.

### **6.3. The avenues for future research**

First, Chapters 3 and 5 have engaged in the analysis of macro-level societal polarization among all demographic groups. The recent scholarship has provided some evidence that there exist differences in information consumption and political activity across income groups (Iversen & Soskice, 2015; Muraoka & Rosas, 2020). Moreover, parties are on average more responsive to the demands of the financially well-off (Bonica et al., 2013; Traber et al., 2022). I encourage future scholars to conduct similar analyses as delineated in this dissertation, but to focus on the subgroup level and to investigate macro-political outcomes under different scenarios of group-specific polarization and differences in preferences. For example, what would happen if polarization over redistribution or further EU unification increases only among the richest 20% of voters, but the views of the bottom 80% remain unchanged? Such studies would be conceptually close to the research on ideological congruence of partisans (see also Traber et al., 2023).

Second, in this dissertation financial crises have been operationalized using the conventional schemes of Reinhart and Rogoff (2009), Laeven and Valencia (2020) and Nguyen et al. (2022), which combine both quantitative thresholds and qualitative classifications. Importantly, the quantitative thresholds used to generate inflation and currency shocks are simple cut-points. While our robustness tests in Chapter 3 and in RübSam et al. (2024) have not indicated any drastic changes in results if we employ alternative thresholds (not shown here to save space), a potential extension of how one defines financial distress can be considered for cases of extreme outlier events such as post-communist transitions, the Great Recession, Covid-

19 pandemic or the full-scale invasion in Ukraine. In particular, I recommend implementing an event-based approach. The more nuanced dynamic will be captured by, first, the worst decline in the parameter in question during the years studied and, second, the average value of the parameter after a certain threshold of adversity<sup>40</sup> (e.g. average monthly unemployment rate during the years investigated in the top decile of values).

Third, drawing on the outcomes of this thesis it would be quite interesting to go into a detailed analysis of how exactly (e.g. in terms of agenda setting) politicians react to distress (see also Valentim & Widmann, 2020) and respond – in terms of campaign speeches and parliamentary debates – to the respective shifts in the public preferences in a multiparty European context (i.e. as opposed to the US or UK environments). “Legislators tend to vote with their parties but speak to their constituents.” (Schwarz, Traber, & Benoit, 2017, p. 380). Since crises can result from or be made more likely by specific policies and decisions (as well as their prolonged absence) as it was shown for the US in McCarty et al. (2013), systematic analysis of parliamentary debates and their polarization during events of economic turmoil is a necessary part of the causal chain. Green, Edgerton, Naftel, Shoub, and Cranmer (2020), for example, show how the Republicans and Democrats in the US have prioritized completely different issues (effectively business vs. health) in their tweets during the Covid-19 crisis. Schwarz et al. (2017) investigate discussions on energy policy in Switzerland and state: “Spoken positions display a considerably larger range of preferences than those expressed through voting, particularly within parties with highly unified voting behaviour.” (p. 380). Quinn, Monroe, Colaresi, Crespín, and Radev (2010) compare their approach of dynamic topic models to the roll call evidence and state that topic analysis of the speech data is able to uncover important debated details around the selected votes.

Fourth, in order to increase the validity of polarization studies I encourage future scholars to work with multi-wave panel surveys. Rising polarization can be best operationalized and dissected only in a panel setup, because it implies that people change their positions. In the conventional cross-section surveys you only observe a snapshot of a respondent’s worldview (and not how it has evolved over time and what were the reasons behind such changes).

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<sup>40</sup> Which could be considered an application of the expected shortfall from the realm of risk management.

## **ABGRENZUNG**

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Chapter 3 was written together with my first supervisor Prof. Dr. Gerald Schneider: I was responsible for the empirical section and partially for the literature review (esp. bringing the reviewed scholarship up to date). Chapters 1-2 and 4-6 were written without the help of any outside authors.

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# APPENDIX

## A. Supplementary material for Chapter 3

### Appendix A1. Different values of the alpha parameter in the polarization indices

In this section we re-estimate the models examining interlinkages between economic shocks and public (subplot A) and parliament (subplot B) polarization for different values of the weight parameter  $\alpha$  in the index of Esteban and Ray (1994): 0, 0.5, 1 and 1.5. Each subplot represents four regressions with estimated coefficients for the binary crisis indicator placed on the vertical axis. The visualizations include 90% confidence bounds for each estimate. The complete regression tables can be provided upon request and have been excluded to save space.

Figure A1.1. Impact of financial crises on public and parliament polarization, by  $\alpha$

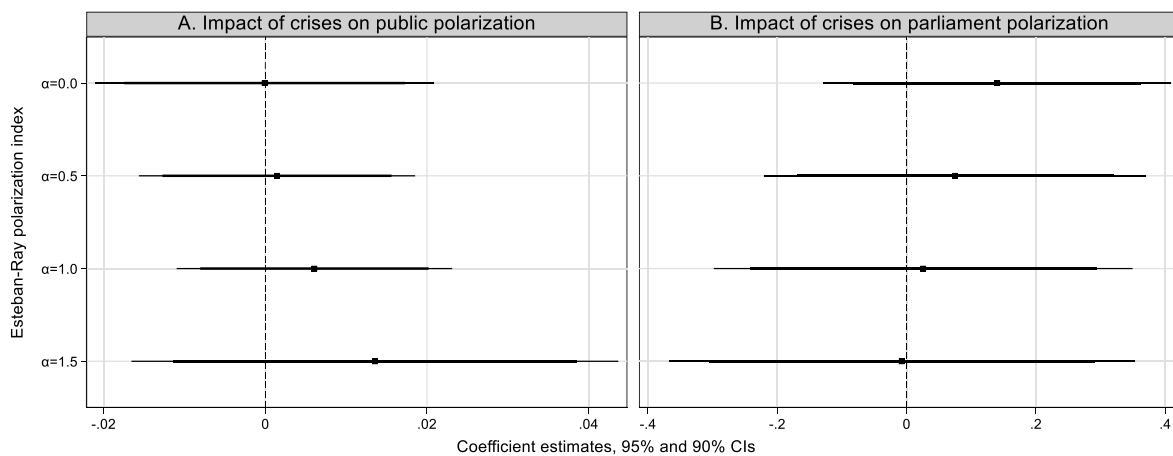
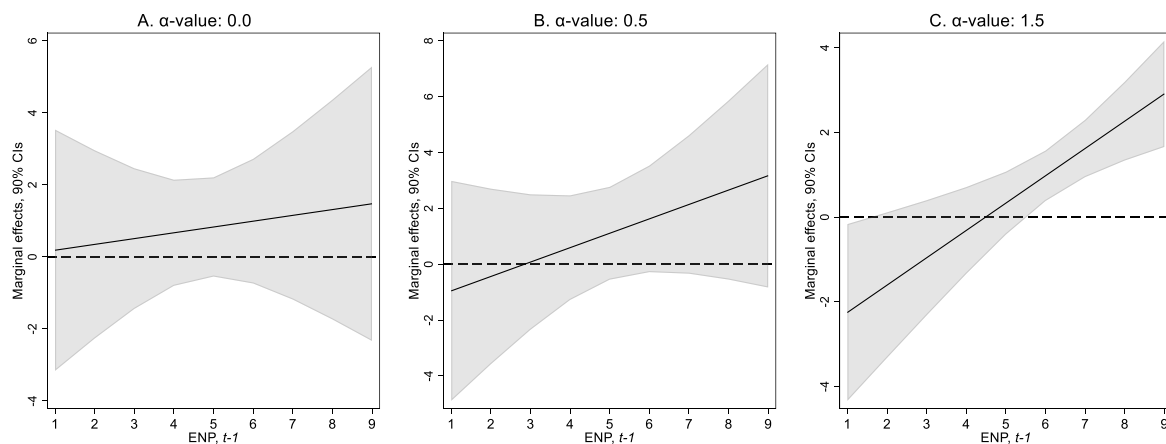


Figure A1.2. Impact of changes in public polarization on growth rates of parliament polarization conditional on the effective number of parties in the previous electoral term, by  $\alpha$



## Appendix A2. Cumulative dynamic effects

Below we show the cumulative dynamic effects of crises on public (Table A2.1.) and parliament (Table A2.2.) polarization using the method of de Chaisemartin and D'Haultfoeuille (2020). The estimations have been conducted in STATA with the package `did_multiplot` (Clément de et al., 2019)

**Table A2.1.** Economic crises and public polarization (country-years)

ER							SY							ENG						
t	$\beta$	SE	2.5%	97.5%	N	Sw.	t	$\beta$	SE	2.5%	97.5%	N	Sw.	t	$\beta$	SE	2.5%	97.5%	N	Sw.
<i>t+0</i>	0,020	0,016	-0,012	0,051	10	4	<i>t+0</i>	-0,017	0,041	-0,097	0,064	10	4	<i>t+0</i>	-0,019	0,036	-0,089	0,051	10	4
<i>t+1</i>	0,011	0,031	-0,050	0,072	10	4	<i>t+1</i>	-0,027	0,112	-0,247	0,192	10	4	<i>t+1</i>	-0,033	0,054	-0,139	0,074	10	4
<i>t+2</i>	0,027	0,039	-0,049	0,104	14	5	<i>t+2</i>	0,028	0,060	-0,089	0,145	14	5	<i>t+2</i>	-0,010	0,026	-0,061	0,042	14	5
<i>t+3</i>	0,030	0,018	-0,006	0,065	11	3	<i>t+3</i>	0,106	0,050	0,008	0,204	11	3	<i>t+3</i>	0,040	0,042	-0,043	0,122	11	3
<i>t+4</i>	0,008	0,033	-0,057	0,073	11	3	<i>t+4</i>	-0,013	0,078	-0,166	0,139	11	3	<i>t+4</i>	-0,001	0,037	-0,074	0,071	11	3
<i>t+5</i>	0,009	0,018	-0,028	0,045	11	3	<i>t+5</i>	-0,003	0,092	-0,182	0,177	11	3	<i>t+5</i>	-0,015	0,069	-0,150	0,120	11	3

**Table A2.2.** Economic crises and parliament polarization (country-elections)

ER							SY							DMAX						
t	$\beta$	SE	2.5%	97.5%	N	Sw.	t	$\beta$	SE	2.5%	97.5%	N	Sw.	t	$\beta$	SE	2.5%	97.5%	N	Sw.
<i>t+0</i>	-0,347	0,248	-0,833	0,138	64	25	<i>t+0</i>	-0,548	0,417	-1,366	0,270	64	25	<i>t+0</i>	-0,120	0,174	-0,460	0,221	64	25
<i>t+1</i>	-0,418	0,332	-1,069	0,233	46	17	<i>t+1</i>	-0,634	0,530	-1,673	0,404	46	17	<i>t+1</i>	-0,152	0,204	-0,551	0,248	46	17
<i>t+2</i>	-0,204	0,318	-0,828	0,419	36	14	<i>t+2</i>	-0,185	0,547	-1,257	0,887	36	14	<i>t+2</i>	-0,039	0,266	-0,561	0,482	36	14

## B. Supplementary material for Chapter 4

### Appendix B1. Regression output

Table B1.1. Regression results from the main models in Figure 4.1, odds ratios

	(1) W. comm. legacy	(2) Soc-dem	(3) Not soc-dem
Cohort: 1975-1984	0.127** (0.061)	0.282*** (0.101)	0.045 (0.028)
Cohort: 1965-1974	0.067* (0.040)	0.218* (0.131)	-0.046 (0.032)
Cohort: 1955-1964	0.231*** (0.075)	0.444*** (0.114)	0.094 (0.062)
Cohort: 1945-1954	0.335*** (0.051)	0.690*** (0.139)	0.048 (0.081)
Cohort: Before 1945	0.401*** (0.032)	0.550*** (0.179)	0.090 (0.073)
Trade union membership: previously	-0.217*** (0.041)	-0.278*** (0.049)	-0.096** (0.039)
Trade union membership: no	-0.309*** (0.018)	-0.608*** (0.071)	-0.332*** (0.032)
Employment status	-0.069 (0.057)	-0.165*** (0.063)	-0.086*** (0.017)
Financial situation	0.370*** (0.012)	0.319*** (0.034)	0.338*** (0.015)
Education, total	-0.067*** (0.009)	-0.021*** (0.007)	-0.025*** (0.005)
Religiosity	0.026 (0.022)	-0.012** (0.006)	-0.028*** (0.009)
Gender	0.187*** (0.025)	0.390*** (0.052)	0.289*** (0.025)
Occupation: service & sales	0.344*** (0.050)	0.350*** (0.067)	0.249*** (0.060)
Occupation: agric., craft & elem. occup.	0.492*** (0.032)	0.414*** (0.039)	0.347*** (0.050)
Log-likelihood	-24381.262	-9141.637	-94488.237
AIC	48776.523	18289.274	189000.474
BIC	48841.579	18315.826	189117.333
Observations	80309	51567	125269

Standard errors in parentheses

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

**Table B1.2.** Regression results from the main models in Figures 4.2 and 4.4, odds ratios

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Before 1945	1945-1954	1955-1964	1965-1974	1975-1984	After 1985	Before 1945	1945-1954	1955-1964	1965-1974	1975-1984	After 1985
Country: w/o com. leg., soc.-dem.	-0.544*** (0.146)	0.030 (0.206)	0.041 (0.085)	0.016 (0.184)	0.098 (0.110)	-0.080 (0.143)	-0.432** (0.215)	-0.737*** (0.217)	-1.154*** (0.177)	-1.384*** (0.469)	-1.749*** (0.226)	-1.491*** (0.337)
Country: w/o com. leg., not soc.-dem.	-0.296** (0.136)	0.218 (0.179)	0.411*** (0.073)	0.126 (0.202)	0.343** (0.150)	0.194 (0.139)	-0.313*** (0.119)	-1.028*** (0.141)	-0.904*** (0.145)	-1.194*** (0.441)	-1.205*** (0.226)	-0.841*** (0.223)
Financial situation	0.259*** (0.048)	0.503*** (0.076)	0.463*** (0.031)	0.476*** (0.068)	0.464*** (0.039)	0.417*** (0.066)	0.298*** (0.027)	0.353*** (0.029)	0.347*** (0.022)	0.407*** (0.033)	0.296*** (0.048)	0.307*** (0.031)
Country: w/o com. leg., soc.-dem. # Financial situation	0.070 (0.077)	-0.019 (0.093)	-0.045 (0.036)	-0.134* (0.078)	-0.191*** (0.049)	-0.253*** (0.084)						
Country: w/o com. leg., not soc.-dem. # Financial situation	0.044 (0.051)	-0.195** (0.082)	-0.143*** (0.035)	-0.080 (0.094)	-0.210*** (0.078)	-0.111 (0.076)						
Country: w/o com. leg., soc.-dem. # Education, total							0.002 (0.019)	0.045*** (0.016)	0.076*** (0.013)	0.085** (0.036)	0.104*** (0.017)	0.075*** (0.027)
Country: w/o com. leg., not soc.-dem. # Education, total							0.011 (0.010)	0.064*** (0.010)	0.074*** (0.011)	0.084** (0.033)	0.081*** (0.016)	0.061*** (0.016)
Trade union membership: previously	-0.184*** (0.036)	-0.204** (0.094)	-0.210*** (0.041)	-0.271*** (0.075)	-0.060 (0.055)	0.002 (0.082)	-0.184*** (0.036)	-0.200** (0.095)	-0.210*** (0.040)	-0.272*** (0.073)	-0.058 (0.055)	0.011 (0.084)
Trade union membership: no	-0.516*** (0.036)	-0.412*** (0.060)	-0.349*** (0.063)	-0.360*** (0.053)	-0.240*** (0.035)	-0.178** (0.072)	-0.517*** (0.037)	-0.413*** (0.060)	-0.353*** (0.061)	-0.360*** (0.051)	-0.240*** (0.037)	-0.161** (0.068)
Employment status	-0.236*** (0.052)	-0.166*** (0.037)	-0.091** (0.043)	-0.099* (0.059)	-0.073** (0.035)	0.094** (0.044)	-0.233*** (0.050)	-0.165*** (0.037)	-0.090** (0.043)	-0.093 (0.061)	-0.071* (0.037)	0.096** (0.045)
Education, total	-0.028*** (0.005)	-0.027*** (0.006)	-0.033*** (0.006)	-0.035*** (0.009)	-0.028*** (0.008)	-0.005 (0.009)	-0.037*** (0.010)	-0.082*** (0.008)	-0.100*** (0.010)	-0.110*** (0.031)	-0.097*** (0.016)	-0.060*** (0.012)
Religiosity	-0.015* (0.009)	-0.023** (0.011)	-0.020 (0.015)	-0.007 (0.013)	-0.012 (0.013)	-0.021 (0.014)	-0.015* (0.009)	-0.024** (0.010)	-0.020 (0.014)	-0.008 (0.012)	-0.013 (0.012)	-0.021 (0.014)
Gender	0.251*** (0.048)	0.275*** (0.069)	0.238*** (0.036)	0.330*** (0.035)	0.244*** (0.038)	0.393*** (0.072)	0.251*** (0.048)	0.274*** (0.070)	0.243*** (0.035)	0.333*** (0.035)	0.249*** (0.039)	0.396*** (0.071)
Occupation: service & sales	0.156*** (0.036)	0.238*** (0.065)	0.315*** (0.072)	0.408*** (0.062)	0.334*** (0.096)	0.176*** (0.039)	0.155*** (0.036)	0.236*** (0.065)	0.306*** (0.070)	0.397*** (0.063)	0.325*** (0.095)	0.172*** (0.038)
Occupation: agric., craft & elem. occup.	0.338*** (0.047)	0.363*** (0.078)	0.439*** (0.054)	0.586*** (0.060)	0.406*** (0.098)	0.253*** (0.063)	0.335*** (0.049)	0.340*** (0.079)	0.413*** (0.044)	0.558*** (0.045)	0.381*** (0.088)	0.244*** (0.060)
Log-likelihood	-22965.306	-20599.291	-24434.269	-24246.299	-20481.391	-15110.006	-22964.810	-20587.580	-24407.698	-24204.881	-20452.141	-15104.037
AIC	45968.611	41236.581	48906.538	48530.597	41000.782	30258.011	45967.620	41213.161	48853.396	48447.761	40942.282	30246.073
BIC	46137.228	41403.002	49073.638	48696.738	41163.516	30411.161	46136.237	41379.582	49020.496	48613.902	41105.016	30399.224
Observations	52815	47051	48764	46362	38752	23401	52815	47051	48764	46362	38752	23401

Standard errors in parentheses

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

**Table B1.3.** Regression results from the main models in Figures 4.3 and 4.5, odds ratios

	(1)	(2)	(3)	(4)	(5)	(6)
	W. comm. legacy	Soc-dem	Not soc-dem	W. comm. legacy	Soc-dem	Not soc-dem
Financial situation	0.530*** (0.049)	0.102* (0.062)	0.302*** (0.043)	0.367*** (0.012)	0.315*** (0.034)	0.335*** (0.015)
Cohort: 1975-1984	-0.027 (0.061)	0.015 (0.213)	0.110 (0.164)	0.997*** (0.208)	0.360 (0.461)	0.471*** (0.144)
Cohort: 1965-1974	-0.178 (0.172)	-0.180 (0.185)	-0.305*** (0.117)	1.352*** (0.455)	0.868 (0.785)	0.651*** (0.104)
Cohort: 1955-1964	0.116 (0.091)	-0.039 (0.160)	0.019 (0.066)	1.157*** (0.248)	0.983 (0.611)	0.672*** (0.117)
Cohort: 1945-1954	0.203 (0.166)	0.105 (0.160)	0.036 (0.099)	0.894*** (0.101)	1.328* (0.745)	0.482*** (0.122)
Cohort: Before 1945	0.741*** (0.083)	0.207 (0.377)	0.089 (0.103)	0.426*** (0.122)	1.084 (0.750)	0.580*** (0.096)
Cohort: 1975-1984 # Financial situation	0.076 (0.058)	0.170** (0.080)	-0.035 (0.092)			
Cohort: 1965-1974 # Financial situation	0.119 (0.099)	0.253*** (0.069)	0.149** (0.074)			
Cohort: 1955-1964 # Financial situation	0.057 (0.058)	0.311*** (0.046)	0.044 (0.044)			
Cohort: 1945-1954 # Financial situation	0.066 (0.101)	0.390*** (0.031)	0.008 (0.054)			
Cohort: Before 1945 # Financial situation	-0.145*** (0.051)	0.224 (0.137)	0.002 (0.055)			
Cohort: 1975-1984 # Education, total				-0.064*** (0.012)	-0.011 (0.032)	-0.031*** (0.009)
Cohort: 1965-1974 # Education, total				-0.095*** (0.031)	-0.050 (0.055)	-0.050*** (0.007)
Cohort: 1955-1964 # Education, total				-0.069*** (0.014)	-0.042 (0.042)	-0.042*** (0.008)
Cohort: 1945-1954 # Education, total				-0.041*** (0.007)	-0.051 (0.050)	-0.031*** (0.007)
Cohort: Before 1945 # Education, total				0.007 (0.009)	-0.044 (0.051)	-0.036*** (0.005)
Trade union membership: previously	-0.217*** (0.041)	-0.283*** (0.048)	-0.096** (0.039)	-0.232*** (0.029)	-0.277*** (0.050)	-0.097** (0.039)
Trade union membership: no	-0.308*** (0.020)	-0.613*** (0.068)	-0.331*** (0.032)	-0.309*** (0.015)	-0.590*** (0.056)	-0.332*** (0.032)
Employment status	-0.059 (0.056)	-0.158** (0.064)	-0.083*** (0.018)	-0.065 (0.056)	-0.175*** (0.056)	-0.091*** (0.017)
Education, total	-0.068*** (0.009)	-0.021*** (0.008)	-0.025*** (0.005)	-0.020* (0.010)	0.017 (0.036)	0.011 (0.007)
Religiosity	0.026 (0.022)	-0.012** (0.006)	-0.028*** (0.009)	0.028 (0.022)	-0.011* (0.006)	-0.028*** (0.009)
Gender	0.190*** (0.025)	0.391*** (0.052)	0.290*** (0.025)	0.202*** (0.025)	0.387*** (0.050)	0.287*** (0.025)
Occupation: service & sales	0.341*** (0.048)	0.348*** (0.069)	0.247*** (0.060)	0.331*** (0.044)	0.350*** (0.066)	0.248*** (0.061)
Occupation: agric., craft & elem. occup.	0.491*** (0.032)	0.408*** (0.040)	0.346*** (0.050)	0.488*** (0.032)	0.412*** (0.039)	0.347*** (0.050)
Log-likelihood	-24368.410	-9132.403	-94456.740	-24329.848	-9135.624	-94453.103
AIC	48750.819	18270.806	188937.481	48673.697	18277.247	188930.206
BIC	48815.875	18297.358	189054.339	48738.752	18303.799	189047.065
Observations	80309	51567	125269	80309	51567	125269

Standard errors in parentheses

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

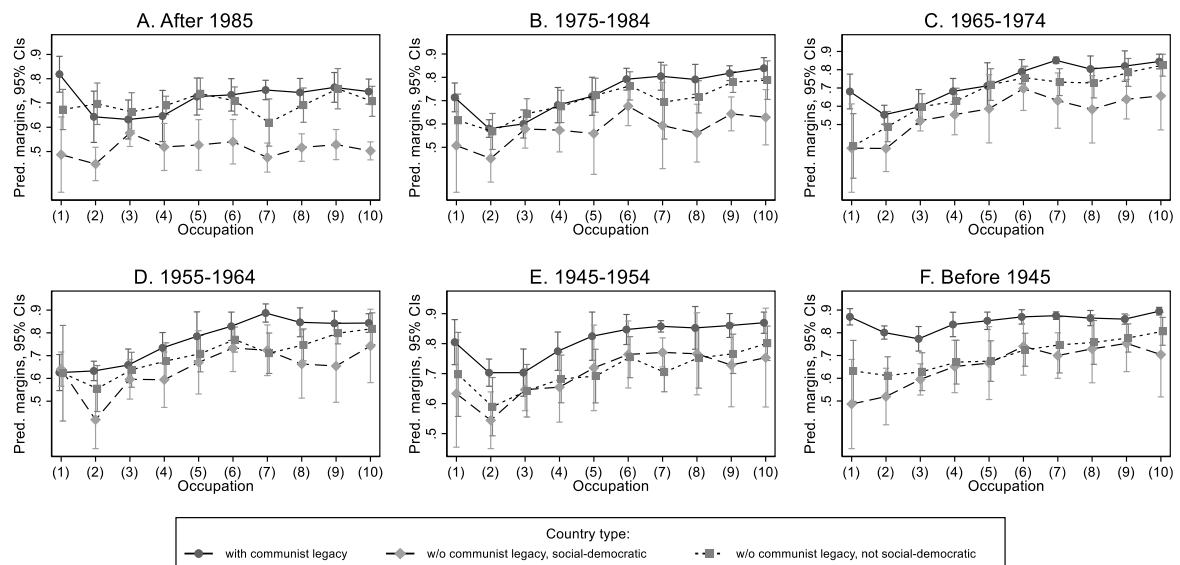
**Table B1.4.** Regression results from the main models in Figures 4.6, odds ratios

	(1)	(2)	(3)
	W. comm. legacy	Soc-dem	Not soc-dem
Financial situation	0.562*** (0.094)	0.166 (0.271)	0.137 (0.111)
Cohort: 1975-1984	0.549*** (0.148)	0.188 (0.602)	0.217 (0.294)
Cohort: 1965-1974	0.415 (0.278)	-0.323 (0.487)	-0.340 (0.217)
Cohort: 1955-1964	0.712*** (0.151)	0.053 (0.470)	-0.182 (0.276)
Cohort: 1945-1954	0.855*** (0.231)	0.121 (0.467)	-0.119 (0.358)
Cohort: Before 1945	1.288*** (0.252)	0.039 (0.700)	-0.132 (0.307)
Cohort: 1975-1984 # Financial situation	-0.146* (0.081)	-0.024 (0.294)	0.040 (0.172)
Cohort: 1965-1974 # Financial situation	-0.096 (0.102)	0.224 (0.289)	0.264*** (0.102)
Cohort: 1955-1964 # Financial situation	-0.163** (0.067)	0.169 (0.243)	0.228* (0.127)
Cohort: 1945-1954 # Financial situation	-0.147 (0.144)	0.252 (0.280)	0.155 (0.172)
Cohort: Before 1945 # Financial situation	-0.319*** (0.082)	0.235 (0.367)	0.227 (0.145)
GFC (during)	0.708*** (0.196)	-0.103 (0.425)	0.019 (0.292)
GFC (after)	0.816*** (0.111)	0.092 (0.513)	0.253 (0.214)
GFC (during) # Financial situation	-0.222** (0.109)	-0.008 (0.249)	0.204 (0.147)
GFC (after) # Financial situation	-0.259*** (0.044)	-0.113 (0.331)	0.181** (0.088)
Cohort: 1975-1984 # GFC (during)	-0.780*** (0.205)	-0.168 (0.529)	-0.175 (0.334)
Cohort: 1975-1984 # GFC (after)	-0.381* (0.206)	-0.448 (0.507)	-0.189 (0.162)
Cohort: 1965-1974 # GFC (during)	-0.738* (0.445)	0.185 (0.299)	0.039 (0.326)
Cohort: 1965-1974 # GFC (after)	-0.443 (0.286)	0.154 (0.543)	-0.019 (0.208)
Cohort: 1955-1964 # GFC (during)	-0.769*** (0.131)	-0.157 (0.400)	0.293 (0.412)
Cohort: 1955-1964 # GFC (after)	-0.391** (0.160)	-0.205 (0.314)	0.206 (0.294)
Cohort: 1945-1954 # GFC (during)	-0.709*** (0.260)	-0.152 (0.346)	0.129 (0.538)
Cohort: 1945-1954 # GFC (after)	-0.585** (0.264)	0.019 (0.458)	0.230 (0.339)
Cohort: Before 1945 # GFC (during)	-0.605 (0.420)	0.434 (0.527)	0.363 (0.382)
Cohort: Before 1945 # GFC (after)	-0.375 (0.269)	0.055 (0.568)	0.250 (0.399)
Cohort: 1975-1984 # GFC (during) # Financial situation	0.326*** (0.052)	0.165 (0.250)	-0.052 (0.178)
Cohort: 1975-1984 # GFC (after) # Financial situation	0.128 (0.101)	0.388 (0.260)	-0.083 (0.092)
Cohort: 1965-1974 # GFC (during) # Financial situation	0.271** (0.130)	-0.034 (0.207)	-0.103 (0.121)
Cohort: 1965-1974 # GFC (after) # Financial situation	0.157 (0.100)	0.065 (0.298)	-0.132 (0.104)
Cohort: 1955-1964 # GFC (during) # Financial situation	0.309*** (0.087)	0.145 (0.220)	-0.217 (0.163)
Cohort: 1955-1964 # GFC (after) # Financial situation	0.110 (0.077)	0.228 (0.167)	-0.217** (0.108)
Cohort: 1945-1954 # GFC (during) # Financial situation	0.257 (0.162)	0.220 (0.204)	-0.112 (0.233)
Cohort: 1945-1954 # GFC (after) # Financial situation	0.115** (0.051)	0.160 (0.332)	-0.207 (0.170)
Cohort: Before 1945 # GFC (during) # Financial situation	0.200 (0.126)	-0.144 (0.340)	-0.291* (0.164)
Cohort: Before 1945 # GFC (after) # Financial situation	0.015 (0.106)	0.007 (0.404)	-0.323** (0.145)
Trade union membership: previously	-0.210*** (0.042)	-0.286*** (0.049)	-0.093** (0.039)
Trade union membership: no	-0.297*** (0.020)	-0.621*** (0.066)	-0.331*** (0.033)
Employment status	-0.082 (0.053)	-0.142** (0.059)	-0.079*** (0.021)
Education, total	-0.068*** (0.009)	-0.020*** (0.008)	-0.024*** (0.004)
Religiosity	0.027 (0.023)	-0.012** (0.006)	-0.028*** (0.009)
Gender	0.184*** (0.025)	0.391*** (0.051)	0.290*** (0.024)
Occupation: service & sales	0.343*** (0.049)	0.346*** (0.070)	0.246*** (0.062)
Occupation: agric., craft & elem. occup.	0.485*** (0.032)	0.404*** (0.039)	0.344*** (0.050)
Log-likelihood	-24398.545	-9134.991	-94512.163
AIC	48811.091	18275.982	189048.326
BIC	48876.146	18302.534	189165.185
Observations	80309	51567	125269

Standard errors in parentheses  
\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

## Appendix B2. Moderating role of occupations

Figure B2.1. Predicted probabilities for supporting income redistribution, by country, birth cohort and occupation



*Note:* The results depict my own analysis of the ESS data. The x-axis ticks correspond to the following occupations: (1) Armed forces, (2) Legislators, senior officials and managers, (3) Professionals (4) Technicians and associate professionals, (5) Clerks, (6) Service and sales workers, (7) Skilled agricultural and fishery workers, (8) Craft and related trades workers, (9) Plant and machine operators and assemblers, (10) Elementary occupations.

## Appendix B3. The cases of East and West Germany

Figure B3.1. Predicted support for income redistribution, by region and birth cohort

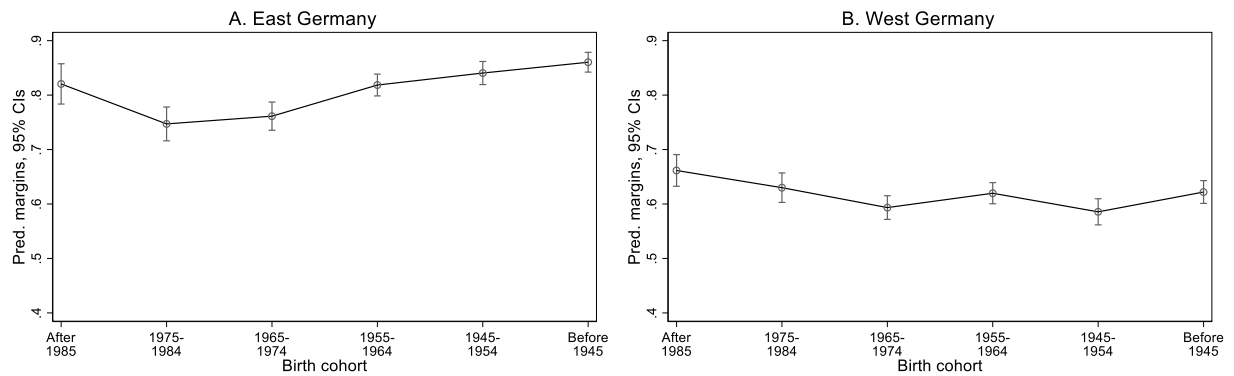


Figure B3.2. Testing communist ideology: predicted probabilities for supporting income redistribution, by country, birth cohort and financial situation in the household

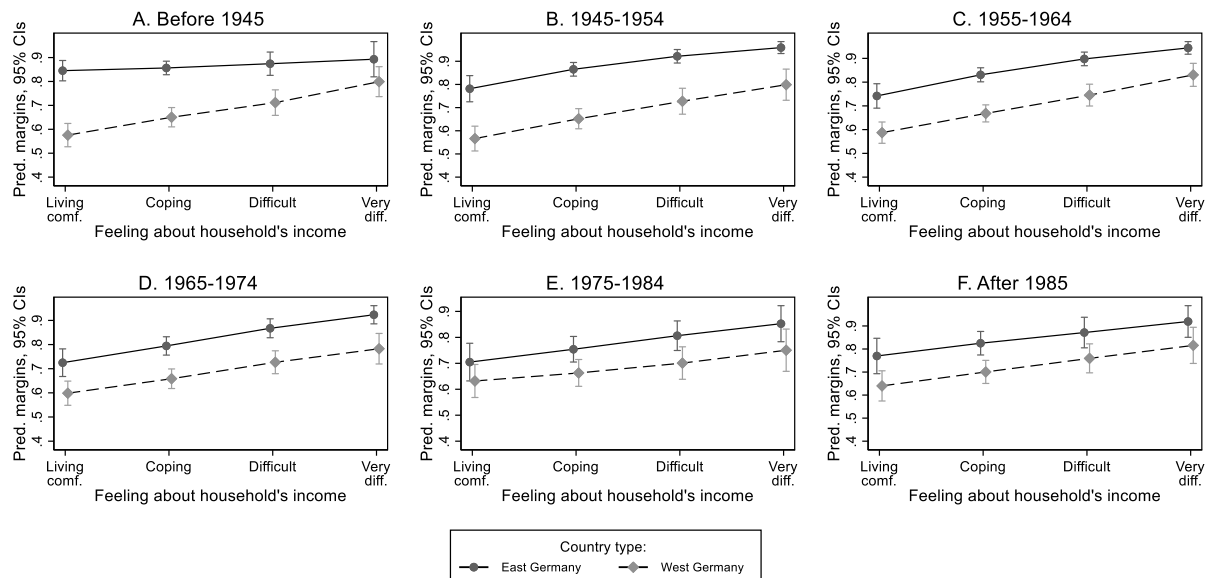
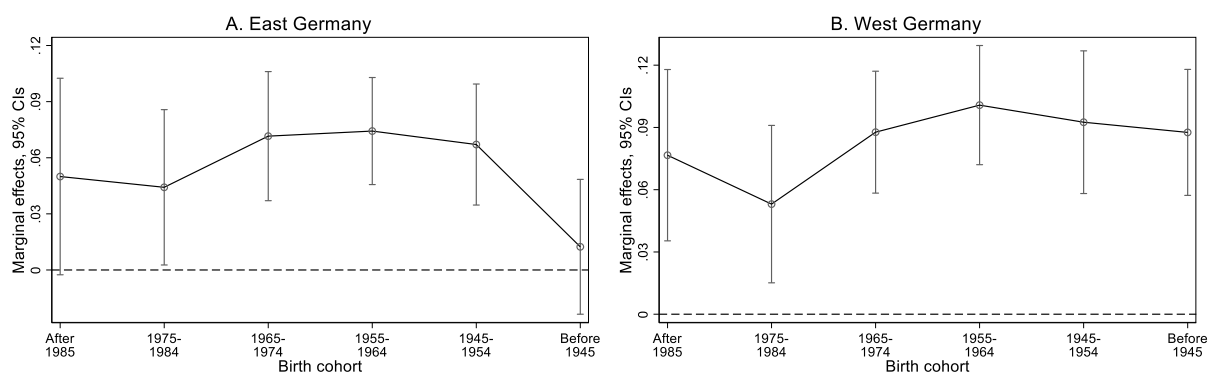
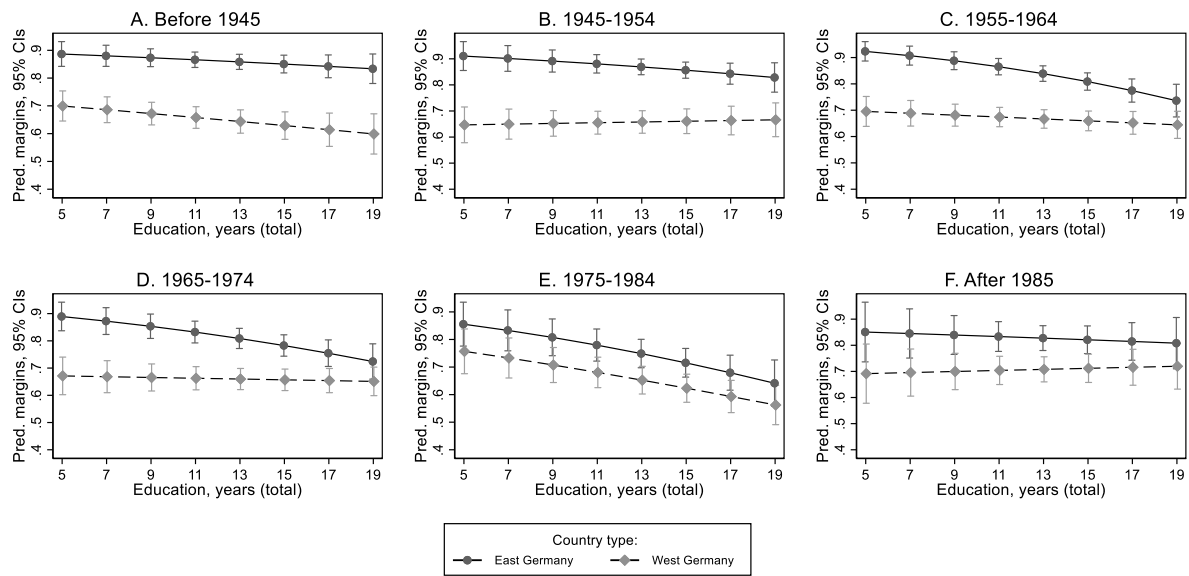


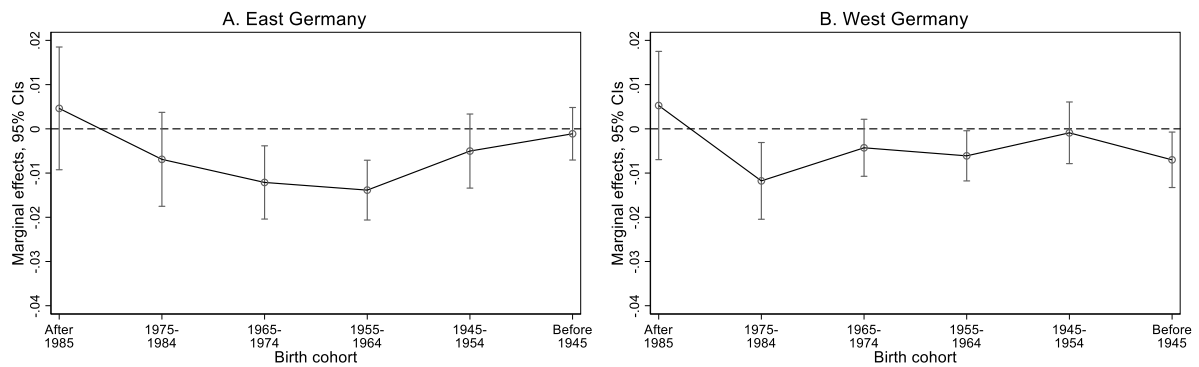
Figure B3.3. Marginal effects of subjective income on redistribution preferences conditional on birth cohort, by region



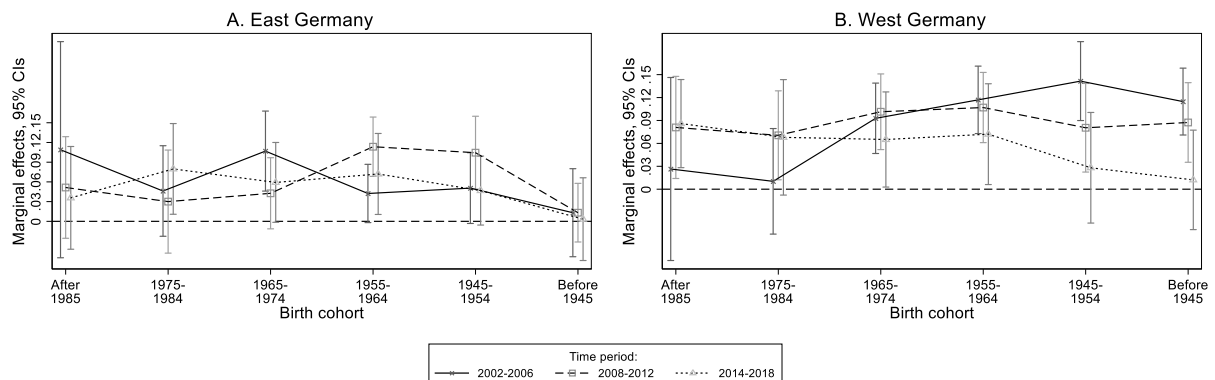
**Figure B3.4.** Testing post-communist transitions: predicted probabilities for supporting income redistribution, by country, birth cohort and education



**Figure B3.5.** Marginal effects of total years of schooling on redistribution preferences conditional on birth cohort, by region



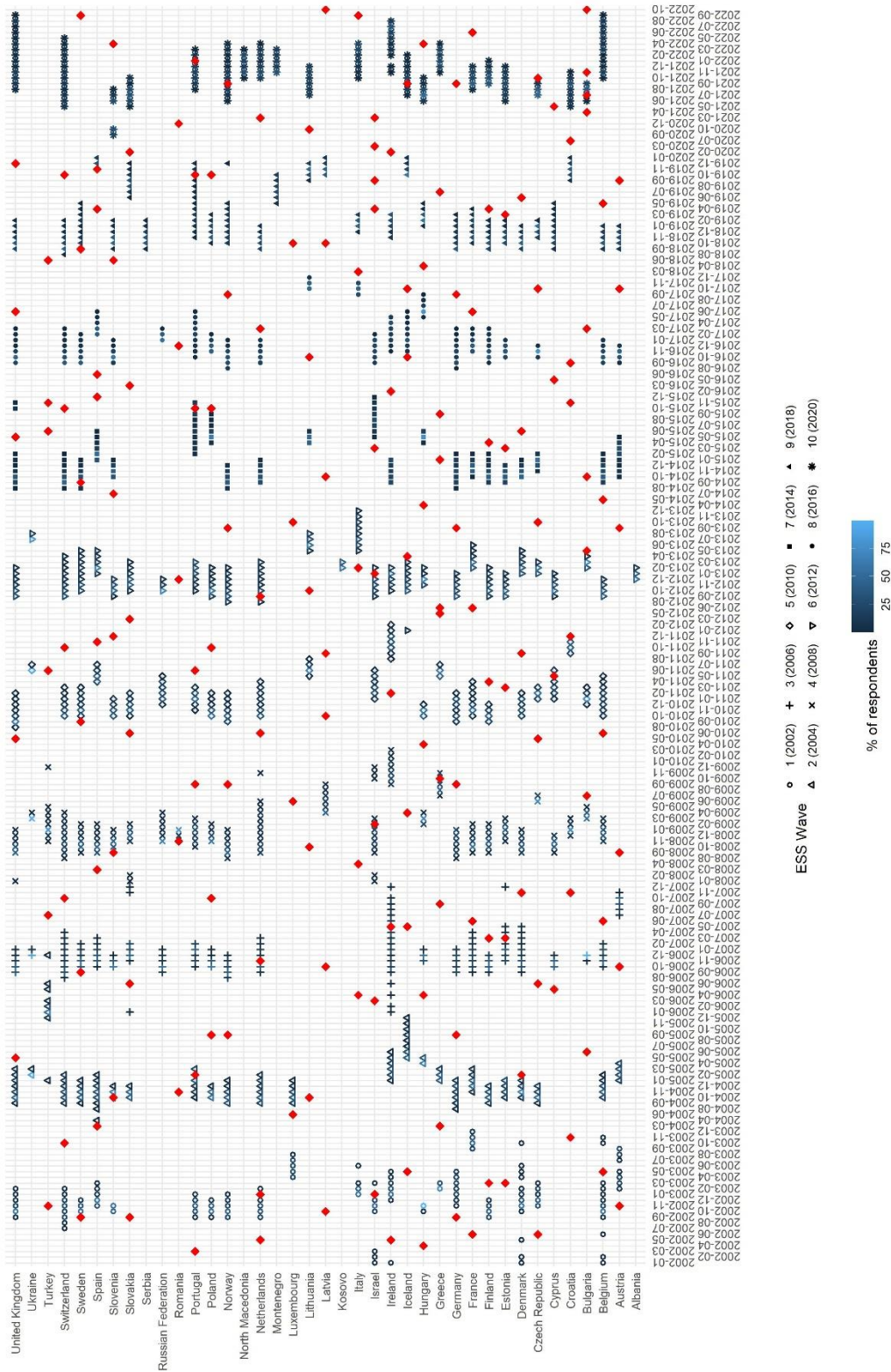
**Figure B3.6.** Marginal effects of subjective income on redistribution preferences conditional on birth cohort and timing of the Great Recession, by region



# C. Supplementary material for Chapter 5

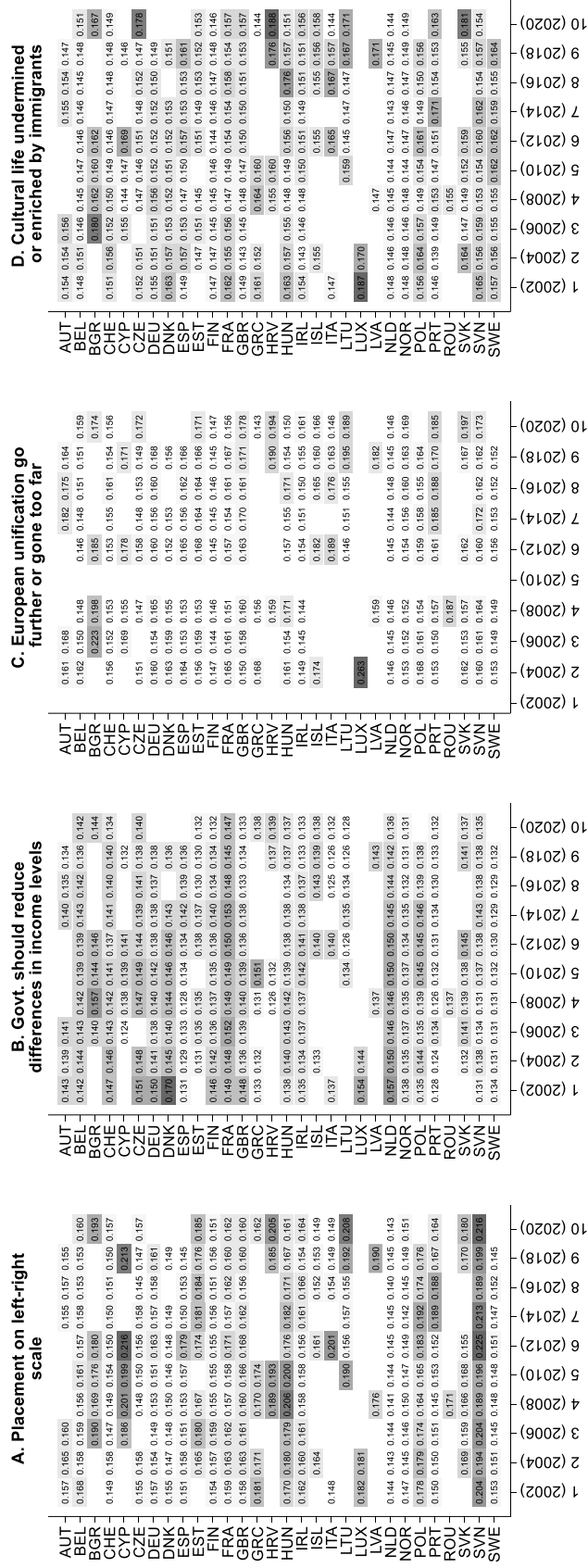
## Appendix C1. Overview of the dataset

Figure C1.1. ESS fieldwork and parliamentary elections



Note: The data comes from the ESS and ParlGov (Döring & Manow, 2021). The plot shows how many respondents (as % for each survey wave) were surveyed in each country (y-axis) and month (x-axis). Shape of the markers corresponds to different survey rounds (from 2002 to 2020). The red diamond markers indicate an election date. The dataset for the analysis has been created by transforming survey data into electoral terms.

Figure C1.2. Polarization in Europe based on individual ESS survey rounds



Note: The data comes from the ESS. The plot shows values of a polarization index developed by Esteban and Ray (1994) ( $\alpha$  is set to a value of 1) in Europe (countries are displayed on the y-axis, while survey waves are shown on the x-axis).

## Appendix C2. Parties and elections in the analysis

Table C2.1. Parties and election in the aggregated dataset

Country	Election date	Votes (%) received by	
		populists	By party
Austria	2002-11-24	10,01	FPÖ (10.01%)
Austria	2006-10-01	17,9	FPÖ (11%), BZÖ (4.1%), Martin (2.8%)
Austria	2008-09-28	28,24	FPÖ (17.54%), BZÖ (10.7%)
Austria	2013-09-29	29,7	FPÖ (20.5%), TS (5.7%), BZÖ (3.5%)
Austria	2017-10-15	26	FPÖ (26%)
Austria	2019-09-29	16,2	FPÖ (16.2%)
Belgium	2003-05-18	13,57	VB (11.59%), FN (1.98%)
Belgium	2007-06-10	18,03	VB (12%), LDD (4.03%), FN (2%)
Belgium	2010-06-13	11,36	VB (7.76%), LDD (2.31%), Pp (1.29%)
Belgium	2014-05-25	5,19	VB (3.67%), Pp (1.52%)
Belgium	2019-05-26	13,06	VB (11.95%), Pp (1.11%)
Bulgaria	2005-06-25	28,02	NDSV (19.88%), Ataka (8.14%)
Bulgaria	2009-07-05	56,23	GERB (39.72%), Ataka (9.36%), RZS (4.13%), NDSV (3.02%)
Bulgaria	2013-05-12	45,1	GERB (30.54%), Ataka (7.3%), NFSB (3.7%), IMRO (1.89%), RZS (1.67%)
Bulgaria	2014-10-05	50,16	GERB (32.67%), NFSB (7.28%), BBZ/BBT (5.69%), Ataka (4.52%)
Bulgaria	2017-03-26	47,11	GERB (33.54%), NFSB (9.31%), Volya (4.26%)
Bulgaria	2021-04-04	32,19	GERB (26.18%), IMRO (3.64%), NFSB (2.37%)
Bulgaria	2021-07-11	26,61	GERB (23.51%), IMRO (3.1%)
Bulgaria	2021-11-14	23,82	GERB (22.74%), IMRO (1.08%)
Bulgaria	2022-10-02	25,33	GERB (25.33%)
Croatia	2007-11-25	1,8	HDSSB (1.8%)
Croatia	2011-12-04	7,15	HL-SR/CL-LP (4.19%), HDSSB (2.96%)
Croatia	2015-11-08	18,96	MOST (13.42%), Zivi Zid (4.19%), HDSSB (1.35%)
Croatia	2016-09-11	16,54	MOST (9.43%), Zivi Zid (5.92%), HDSSB (1.19%)
Croatia	2020-07-05	9,65	MOST (7.39%), Zivi Zid (2.26%)
Cyprus	2016-05-22	6,01	SYM / SYPOL (6.01%)
Czech Republic	2010-05-29	14,55	VV (10.88%), S-JB (3.67%)
Czech Republic	2013-10-25	25,53	ANO (18.65%), Dawn (6.88%)
Czech Republic	2017-10-21	40,28	ANO (29.64%), SPD (10.64%)
Czech Republic	2021-10-09	36,69	ANO (27.13%), SPD (9.56%)
Denmark	2005-02-08	13,3	DF (13.3%)
Denmark	2007-11-13	13,9	DF (13.9%)
Denmark	2011-09-15	12,3	DF (12.3%)
Denmark	2015-06-18	21,1	DF (21.1%)
Denmark	2019-06-05	11,1	DF (8.7%), NB (2.4%)
Denmark	2022-11-01	6,3	NB (3.7%), DF (2.6%)
Estonia	2003-03-02	13	EKRE (13%)
Estonia	2007-03-04	7,1	EKRE (7.1%)
Estonia	2011-03-06	2,1	EKRE (2.1%)
Estonia	2015-03-01	8,15	EKRE (8.15%)
Estonia	2019-03-03	17,8	EKRE (17.8%)
Finland	2003-03-16	1,6	Ps (1.6%)
Finland	2007-03-18	4,1	Ps (4.1%)
Finland	2011-04-17	19,1	Ps (19.1%)
Finland	2015-04-19	17,65	Ps (17.65%)
Finland	2019-04-14	18,47	Ps (17.5%), SIN (0.97%)
France	2002-06-16	11,34	FN / RN (11.34%)
France	2007-06-17	4,29	FN / RN (4.29%)
France	2012-06-17	13,6	FN / RN (13.6%)
France	2017-06-18	25,4	FN / RN (13.2%), FI (11.03%), DLR DLF (1.17%)
France	2022-06-19	44,34	FI (25.66%), FN / RN (18.68%)
Germany	2002-09-22	4	Linke (4%)
Germany	2005-09-18	8,7	Linke (8.7%)
Germany	2009-09-27	11,9	Linke (11.9%)

Germany	2013-09-22	13,3	Linke (8.6%), AfD (4.7%)
Germany	2017-09-24	21,8	AfD (12.6%), Linke (9.2%)
Germany	2021-09-26	15,23	AfD (10.34%), Linke (4.89%)

Table C2.1. Parties and election in the aggregated dataset (continued)

Greece	2004-03-07	7,24	SYRIZA (3.26%), LAOS (2.19%), DIKKI (1.79%)
Greece	2007-09-16	8,84	SYRIZA (5.04%), LAOS (3.8%)
Greece	2009-10-04	10,23	LAOS (5.63%), SYRIZA (4.6%)
Greece	2012-05-06	30,3	SYRIZA (16.79%), ANEL (10.62%), LAOS (2.89%)
Greece	2012-06-17	35,98	SYRIZA (26.89%), ANEL (7.51%), LAOS (1.58%)
Greece	2015-01-25	42,12	SYRIZA (36.34%), ANEL (4.75%), LAOS (1.03%)
Greece	2015-09-20	39,15	SYRIZA (35.46%), ANEL (3.69%)
Greece	2019-07-07	38,67	SYRIZA (31.53%), EL (3.7%), MR25 (3.44%)
Hungary	2002-04-21	45,44	FIDESZ (41.07%), MIÉP (4.37%)
Hungary	2006-04-09	44,2	Fi+KDNP (42%), MIÉP (2.2%)
Hungary	2010-04-25	69,4	Fi+KDNP (52.73%), Jobbik (16.67%)
Hungary	2014-04-06	65,09	Fi+KDNP (44.87%), Jobbik (20.22%)
Hungary	2018-04-08	68,34	Fi+KDNP (49.28%), Jobbik (19.06%)
Hungary	2022-04-03	60,01	Fi+KDNP (54.13%), MH (5.88%)
Iceland	2009-04-25	7,2	B-H (7.2%)
Iceland	2016-10-29	3,44	FIF (3.44%)
Iceland	2017-10-28	17,8	M (10.9%), FIF (6.9%)
Iceland	2021-09-25	14,2	FIF (8.8%), M (5.4%)
Ireland	2002-05-17	6,51	SF (6.51%)
Ireland	2007-05-24	6,94	SF (6.94%)
Ireland	2011-02-25	9,94	SF (9.94%)
Ireland	2016-02-26	13,85	SF (13.85%)
Ireland	2020-02-08	24,53	SF (24.53%)
Italy	2006-04-09	28,11	FI/PdL (23.6%), LN (4.51%)
Italy	2008-04-13	46,52	FI/PdL (38.23%), LN (8.29%)
Italy	2013-02-25	53,94	M5S (25.88%), FI/PdL (21.99%), LN (4.1%), FdI (1.97%)
Italy	2018-03-04	69,07	M5S (33.33%), LN (17.39%), FI/PdL (14%), FdI (4.35%)
Italy	2022-09-25	58,31	FdI (26%), M5S (15.43%), LN (8.77%), FI/PdL (8.11%)
Lithuania	2004-10-24	39,8	DP (28.44%), TT (11.36%)
Lithuania	2008-10-12	29,52	TPP (15.09%), TT (12.68%), JL (1.75%)
Lithuania	2012-10-14	15,3	DK (7.99%), TT (7.31%)
Lithuania	2016-10-09	11,87	LCP (6.32%), TT (5.55%)
Lithuania	2020-10-11	3,54	LCP (2.36%), DK (1.18%)
Luxembourg	2004-06-13	9,04	ADR (9.04%)
Luxembourg	2009-06-07	8,13	ADR (8.13%)
Luxembourg	2013-10-20	6,64	ADR (6.64%)
Luxembourg	2018-10-14	8,02	ADR (8.02%)
Netherlands	2002-05-15	24,51	LPF (17%), SP (5.9%), LN (1.61%)
Netherlands	2003-01-22	12,02	SP (6.32%), LPF (5.7%)
Netherlands	2006-11-22	22,47	SP (16.58%), PVV (5.89%)
Netherlands	2010-06-09	25,27	PVV (15.45%), SP (9.82%)
Netherlands	2012-09-12	19,73	PVV (10.08%), SP (9.65%)
Netherlands	2017-03-15	24	PVV (13.1%), SP (9.1%), FvD (1.8%)
Netherlands	2021-03-17	21,79	PVV (10.79%), SP (5.98%), FvD (5.02%)
Norway	2005-09-12	22,1	FrP (22.1%)
Norway	2009-09-14	22,9	FrP (22.9%)
Norway	2013-09-09	16,3	FrP (16.3%)
Norway	2017-09-11	15,2	FrP (15.2%)
Norway	2021-09-13	11,6	FrP (11.6%)
Poland	2005-09-25	46,4	PiS (27%), SRP (11.4%), LPR (8%)
Poland	2007-10-19	34,94	PiS (32.11%), SRP (1.53%), LPR (1.3%)
Poland	2011-10-09	29,89	PiS (29.89%)
Poland	2015-10-25	46,39	PiS (37.58%), Kukiz '15 (8.81%)
Poland	2019-10-13	43,59	PiS (43.59%)
Portugal	2019-10-06	1,35	CH (1.35%)
Portugal	2022-01-30	7,38	CH (7.38%)
Romania	2004-11-28	13	PRM (13%)
Romania	2008-11-30	3,15	PRM (3.15%)

Romania	2012-12-09	15,24	PPDD (13.99%), PRM (1.25%)
Romania	2016-12-11	3,83	PRU (2.79%), PRM (1.04%)
Slovakia	2002-09-21	28,44	Smer (13.46%), ANO (8.01%), PSNS (3.65%), SNS (3.32%)
Slovakia	2006-06-17	42,29	Smer (29.14%), SNS (11.73%), ANO (1.42%)

**Table C2.1. Parties and election in the aggregated dataset (continued)**

Slovakia	2010-06-12	5,07	SNS (5.07%)
Slovakia	2012-03-10	14,32	OLaNO (8.55%), SNS (4.55%), ANO (1.22%)
Slovakia	2016-03-06	26,3	OLaNO (11.03%), SNS (8.64%), SR (6.63%)
Slovakia	2020-02-29	36,42	OLaNO (25.02%), SR (8.24%), SNS (3.16%)
Slovenia	2004-10-03	45,52	SDS (29.08%), ZdLe / L (10.17%), SNS (6.27%)
Slovenia	2008-09-21	65,11	ZdLe / L (30.45%), SDS (29.26%), SNS (5.4%)
Slovenia	2011-12-04	38,51	SDS (26.19%), ZdLe / L (10.52%), SNS (1.8%)
Slovenia	2014-07-13	28,89	SDS (20.71%), ZdLe / L (5.98%), SNS (2.2%)
Slovenia	2018-06-03	60,95	SDS (24.92%), LMS (12.6%), ZdLe / L (9.93%), L (9.33%), SNS (4.17%)
Slovenia	2022-04-22	39,84	SDS (23.48%), ZdLe / L (6.69%), L (4.46%), LMS (3.72%), SNS (1.49%)
Spain	2015-12-20	17,99	Podemos (12.67%), ECP (3.69%), EM (1.63%)
Spain	2016-06-26	18,36	Podemos (13.37%), ECP (3.55%), EM (1.44%)
Spain	2019-04-28	24,58	Podemos (11.05%), Vox (10.26%), ECP (2.36%), EM (0.91%)
Spain	2019-11-10	27,94	Vox (15.08%), Podemos (9.82%), ECP (2.26%), EM (0.78%)
Sweden	2002-09-15	1,44	SD (1.44%)
Sweden	2006-09-17	2,9	SD (2.9%)
Sweden	2010-09-19	5,7	SD (5.7%)
Sweden	2014-09-14	12,86	SD (12.86%)
Sweden	2018-09-09	17,53	SD (17.53%)
Sweden	2022-09-11	20,54	SD (20.54%)
Switzerland	2003-10-19	28,6	SVP (26.7%), EDU-UDF (1.3%), LdT (0.4%), FPS (0.2%)
Switzerland	2007-10-21	30,8	SVP (28.9%), EDU-UDF (1.3%), LdT (0.6%)
Switzerland	2011-10-23	29,07	SVP (26.56%), EDU-UDF (1.27%), LdT (0.8%), MCR (0.44%)
Switzerland	2015-10-18	31,9	SVP (29.39%), EDU-UDF (1.19%), LdT (1%), MCR (0.32%)
Switzerland	2019-10-20	27,56	SVP (25.59%), EDU-UDF (1%), LdT (0.75%), MCR (0.22%)
United Kingdom	2005-05-05	3,1	UKIP (2.2%), SF (0.6%), R (0.3%)
United Kingdom	2010-05-06	3,7	UKIP (3.1%), SF (0.6%)
United Kingdom	2015-05-07	13,22	UKIP (12.65%), SF (0.57%)
United Kingdom	2017-06-08	2,5	UKIP (1.8%), SF (0.7%)
United Kingdom	2019-12-12	0,57	SF (0.57%)