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“Institutional prerequisites for economic inequality. The case of the selected Central and Eastern European countries”

**Summary of a doctoral thesis written under the scientific guidance of
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Economic inequality is a timely and contentious topic. It includes the definitions, sources, and the need to reduce its scale. The thesis fills the research gap in the area of causes of economic inequality.

The main research aim of the thesis is the identification of institutional determinants of economic inequality and their application to the selected Central and Eastern European (CEE) countries.

Four detailed epistemological aims have been identified:

1. The systemization of different takes on economic inequality in economic theory, and the methodologies of its measurement.
2. A review and a critical analysis of historical and current theories of economic inequality, including the differences regarding the merits of its reduction.
3. The explanation of the mechanisms that lead to economic inequality utilizing the works of the new institutional economics (NIE), and the identification of institutional sources and causes of economic inequality characteristic to the specific economic system, including formal and informal institutions, with particular attention to cultural influences.
4. The evaluation of the specifics of the institutional matrix for the selected Central and Eastern European countries using the proposed index of the institutionally conditioned economic inequality.

Furthermore, the applicative aim of the thesis is the utilization of the developed index to indicate the important changes in economic and social policies that would allow the reduction of economic inequality.

The main research hypothesis is the supposition that economic inequality is the result of specific institutional conditioning, both formal and informal, which is exemplified by the studied CEE countries.

Additionally, four detailed hypotheses have been formulated:

1. The complexity of economic inequality requires a descriptive and normative approach.
2. Institutional conditioning, including cultural factors, is especially important among the causes of economic inequality.
3. Utilization of the new institutional economics methodology provides a valuable theoretical framework for the research of modern causes of economic inequality and allows for the substantiation of the prerequisites for economic inequality and their inclusion in the synthetic index.
4. Institutional changes associated with the systemic transformation in the CEE countries, including the initial inequality level, have created the prerequisites for the currently observed economic inequality in those countries.

The subject of the research is economic inequality and the formal and informal institutions that it is conditioned by, in both theoretical aspects as well as regarding the analyzed group of countries: Poland, Czechia, Slovakia, Hungary, Bulgaria, and Romania. They comprise the Visegrad Group and the geographically adjacent but culturally different Bulgaria and Romania.

The abovementioned primary aims have determined the structure of the thesis. Chapter one is entitled “*Economic inequality – the essence of the issue.*” The interpretation of the issue of economic inequality requires the employment of two research approaches: positive and normative. The chapter presents the classifications of economic inequality according to different criteria and proposes the distinction of income inequality, wealth inequality, and the inequality of opportunity. It brings to attention that poverty is a manifestation of economic inequality. An important part of this chapter is dedicated to methods of measurement of economic inequality.

Chapter two entitled “*The mechanisms that lead to economic inequality and approaches to hindering them*” systemizes the views on the sources of economic inequality and proposes the modern diagnosis about the causes of economic inequality; a conclusion is formalized that economic inequality is mostly institutional. The chapter includes an initial selection process of the views on economic inequality. An attempt has been made to determine when economic inequality is justified, which required a reference to the idea of justice, including the works of A. Sen, J. Rawls, and R. Nozick. The idea of social cohesion, as promoted by the European Union (EU), has been included as a modern example of tackling this issue.

Chapter three entitled “*Institutions and economic inequality*” shows the category of institutions, assuming their division into formal and informal. A detailed analysis of the institutional prerequisites for economic inequality allowed the creation of specific variables.

Formal institutions conditioning economic inequality include: primary income influencing institutions, rules of income taxation, and rules determining the functions of the social security system; determining wealth inequality include inheritance rules and wealth taxation, and factors conditioning inequality of opportunities include access to education, healthcare, and new technologies. Among informal institutions are the evaluation of social capital and cultural factors. Following the results of the theoretical analyses, the creation of the institutionally conditioned economic inequality index (*wskaznik instytucjonalnych uwarunkowań nierówności ekonomicznych* – WIUNE), which aims to establish to what degree societal institution (formal and informal) are shaping the conditions that lead to the given level of economic inequality.

Chapter four entitled “*Economic inequality in the Central and Eastern European countries*” presents the scale of the issue in the EEC countries selected for the research against the backdrop of the entire EU. The empirical analysis is conducted on the selected EEC countries (Poland, Czechia, Slovakia, Hungary, Bulgaria, and Romania). Despite the numerous similarities, the level of economic inequality varies greatly among the researched countries. Based on the analysis from chapter three, an attempt has been made to identify the institutions that contribute do the increase in economic inequality in these countries. The developed index is utilized to explain the differences in the level of economic inequality between selected countries.

The use of diverse scientific methods was required to achieve the aims and verify the hypotheses. They include a critical review literature of domestic and foreign publications, a comparative analysis of legal regulation and statistical data, and logical analysis and construction. A comparative analysis of the workings of institutional solutions was utilized to provide a synthetic evaluation of the overview of the selected countries using the synthetic index developed by the author. Statistical and mathematical tools belonging to a broadly defined multivariate comparative analysis were used, especially the non-model methods based on synthetic indicators. The results of the research have been organized to signify their importance for the government’s socio-economic policy and can be used to identify areas contributing to excessive economic inequality and to plan undertakings to reduce them.

All research aims have been successfully realized. Additionally, the applicative aim has also been achieved: the developed index can become an instrument of the economic policy because it allows the identification of the areas of socio-economic life whose institutional framework is the source of excessive economic inequality.

The theoretical and empirical analysis allows for the positive verification of the main research hypothesis of the thesis. As exemplified by the selected countries, there is a regularity

related to the relatively recent transformation process. Rapid institutional changes and a peculiar inorganic implementation of the “external capitalism” and Western market institutions caused a periodic mismatch of the new external formal market institutions and the internal informal institutions characteristic for the specific societies. Because of that, the types of capitalism observed in the region are called “patchwork capitalism.”

All research hypotheses have been positively verified. The institutional changes related to the systemic transformation in the CEE countries have created the prerequisites for the increase in the economic inequality in the selected countries. Countries with the highest level of economic inequality and strong institutional prerequisites are Romania and Bulgaria. On the other hand, Czechia and Slovakia are countries with relatively low economic inequality, where even the transformation-related increase left it low, which indicates historical anchorage.

In the search for the causes of economic inequality, one should look at the current and former institutional solutions of specific countries, both formal and informal, and how the institutions influence each other.