

# The Political Economy of **Authoritarian Populism in central Europe**

**Poland, Hungary**

# Historical Legacy of **Poland**

- **Partition** between Prussia, Russia, Austria – low productive periphery;
- Necessary **reforms**: strengthen state, increase tax base, urbanization, industry; emancipation of peasants;
- **Divergence** – enlightened developing Prussia, conservative Russia, periphery of Austria;
- **Revolts**, uprisings and insurrections: November 1830 (Warsaw) Krakow February 1846; Poznan uprising 1848; January uprising 1863; revolution 1905; Warsaw uprising 1944...
- **Intelligentsia**: high human capital, low economic and political status -> organic work – education and cultural work;
- Catholic **church** – national identity;
- Germanization, Russification – **ethnic conflict** (competing economies) overshadowing class conflict;
- Modern **bourgeoisie** – developer slow; competing with much stronger **German** and **Jewish**;
- Most dynamic forces with polish identity – **labor** and **peasants**;
- **WWI** – heavy damage – search for support for **independence** in Germany, Russia, West; war against Soviet Russia;
- **Pilsudski** (de facto leader): disgusted with inefficient parliamentary politics, coup 1926 – popular **Sanacja** movement (Healing) – agenda corruption and economic modernization, patriotism;
- **Endecja** – rivaling opposition force – nationalistic, conservative; Polonization and anti-semitism;
- Poles 69% of population – economically very strong **Jews** and **Germans**;

# State capitalism and communist development

- Great **depression** stopped the industrialization – belief **private** enterprise cannot achieve industrialization of Poland; shift to **state investment** into heavy industry;
- In **WWII** Poland most affected (22% population loss); disproportionately high **human capital**;
- State capitalism of late 1930s -> **communism** – nationalization of industry, finishing land reform;
- System based on **workers** and **peasants** – parts of society with Polish identity;
- first time **ethnically homogenous** – end of ethnic conflict;
- Borders moved to the West; **repopulation** of recovered territories; migration into **cities** -> massive **social advancement** of lower classes; **public services** accessible – lowest level of **inequality**;
- In 1960s **losing** dynamism – strikes; move towards **consumption** and **transfers**; import of **western** technologies; financed by **loans**; in 1970s financed by exports of low value goods and resources – coal;
- Fell of price of coal, **unsustainable debt** and economic development model; Poland as much **behind West** as in 1950s; strikes – **Solidarity** movement, **negotiated transfer** of power to opposition 1989;

# Neoliberal economic model

- Yet **another attempt** to solve the **puzzle**: independent state with agency and economic development catching with the West;
- **Rush** to the **West** from Soviet zone -> integration to **EEC** and **NATO**;
- Accepted **package** of **neoliberal** economic model and **liberal** democracy as condition for integration;
- **Shock therapy** – sustaining **post-comm** electoral victory; national interests **suppressing class** conflict again;
- Deep **social change**: workers and peasants (key emancipators) losing importance and position;
- **intelligentsia** transformed into capitalist middle class; other parts of elite – nomenclature and managers of foreign firms;
- **Economic model** based on massive inflows of **foreign capital**; accepted as necessity; negative **consequences** for whole sectors, region and groups considered temporary; nation divided into **Poland A** and **B** (again);
- GFC – sustainability of model and convergence into question; EU lost leverage after accession;

# Populism

- In catholic Poland, **secular post-communist** left (as modern left) won **middle class** from cities; **conservative**, rural, dissatisfied looking for **alternative**;
- From **Solidarity** movement – **Citizen Platform** (PO - liberal, pro EU, *Tusk*) and **Law and Justice** (PiS - national conservative, *L. + J. Kaczynski*);
- In **2005** won PiS parliamentary and presidential **elections**; allied with **ultraconservative populists**; lost early election 2007 to PO; shifted further into conservative, religious right;
- **2010 airplane crash** – *L. Kaczynski*, end of plan for Fourth Republic;
- **Jaroslav** – not claiming office- **de facto** ruler of Poland; PiS **won 2015,2019-20** parliamentary and presidential elections;
- **Historical task** – independence and agency (EU), united nation (Poland A and B), overcome peripheral position of Poland (FDI control) - **not fulfilled**:
  - Support by **workers** and **peasants**, **Church**, conservative intelligentsia;
  - Facing **cosmopolitan** interests of **foreign capital** and **bourgeoisie** – always unpatriotic (now Polish);
  - Strict **decommunization** (judicial branch, education); inspiration by **Sanacja**;
  - Strengthening **executive** power, **centralizing** power;
  - Social **transfers**, **conservative** politics (pro-population, interruptions);
  - Rejects **post-materialism** (disproportionate impacts of green deal); and **postmodernism** (LGBT, minorities) – doubtful importance, from abroad, can destabilize society;
  - **Education** of **pride** vs. guilt – Poland as victim and hero of history;

## Historical legacy **Hungary** (19th cent. – 1940s)

- Since 2/2 19<sup>th</sup>: uneven **development** -> modern **enclaves** -> **division of society** (liberal, secular, urban vs. rural, religious, conservative);
- **Trianon** peace treaty 1920: **injustice**; self-perception - **savior** of Europe; now **diaspora** on („inferior“) Slavic territories (app. 3 mill.);
- Cleavage: **nationalism** vs. **universalism**; rural nationalist supporting **M. Horthy** (political centre) regime (1920-44);
- Since 19th century: **dream** of **reintegration** by economic development -> producing **western-type middle class...**;
- **Resistance** tradition (Ottomans, Hapsburg, Soviets);

# „Developmental state“ (1930s – 1980s)

- Soviet command economy (**Rákosi** 1948-56): **heavy industry** on expense of **consumer** goods; bloody anti-communist **uprising 1956** -> **Kádár** regime (1956-88) – pragmatic **pro-status quo mentality**...;
- **Standard of living** is foundation of HUN socialism;
- **Pragmatism: New economic mechanism** 1968 (reform program: decentralized decision making, SOEs engaged in trade with West) -> standard of living growing (**Goulash** socialism), HUN outperforming rest of COMECON;
- 1980s **further reforms** -> private ownership, bonds, commercial banking...;
- **Problems**: dependence on **West** (consumer goods and foreign capital -> **debt**) and pre-born **welfare state** – generous compensations on expense of investments...;

# Democracy and neoliberal orthodoxy (1980s-2000s)

- 1990 **lorry strike** (a fuel price deregulation...) – **window of opportunity**, non-existent; (early reforms -> compensations -> milder trans. crisis -> but low activity and investment...);
- **Socialism** enforced some social **integration** (e.g. development of rural regions...) – it blew in **transformation**; people not starving, but moved out form economy (early retirement, low skill jobs gone...);
- Expectations of **painless** transition naive -> multiple **deficits** (government 8,4%; debt 90% in 1994; CA 9.5%);
- 1995: **Bokros package**:
  - privatization, devaluation, wages; cuts -> improved **competitiveness** – investment friendly regime;
- **1997-2004** solid **growth** (5,2% in 2000) – inflow of **FDI** (employment, recovery in external balance...) – shift to service based economy -> islands of new poverty;
- **Participation crisis** – but **welfare postponed mobilization...**;
- New right wing cabinet **1998-2002 Fidesz (Orbán)** **abolished** Bokros package + **Socialists (Gyurcsányi)** in **2002** – in reaction **distanced** themselves from **austerity...**;



# Semi-periphery in global economy

(commodity boom / EU accession; 2000s)

- **EU accession** in 2004 -> strong **competition** on Common market -> part of **skilled** HUN losing their traditional advantages;
- At the same time **graduation** of industry **not granted** - model based on **foreign control** (cheap skilled labor, scarce capital) even if highly profitable and competitive (domestic firms pushed out of market or relegated to the dependent second rate suppliers of interim goods)...
- **2006** – **Socialists** promising **reform without austerity** – but obligation from **EU's SGP** (3% public deficit limit) -> **manipulating data** and „Öszöd speech“ -> violent **protests 2006**; in 2008 – „**fees abolition**“ referendum;
- Few weeks later **2008 GFC** struck, no room for Keynesian demand management -> **rescue package** with EU and IMF;
- 2009 **caretaker cabinet**: wage freeze, retirements, cuts, fiscal responsibility act (GDP -6.4%); public services already considered not-adequate (cuts in education jeopardizing **next gen** – **Jobbik**);

# Populist rise and agenda (2010s-)

- **2010 – Fidesz** constitutional majority: **suggested 7% deficit** to EU – refused → **freedom fight**;
  - **Kálmán Széll plan**: nationalization of private pillar of **pension system**, levies on **foreign banks** (forced to debt relief – debt denominated in SWF) – restructuring without austerity – leverage limited → financial markets calmed...
- **National reshaping**: **2012 constitution** – **non-economic issues** (history, ethnicity, Christian and conservative values);
- **2014: external enemy**: against **EU** as cosmopolitan globalized space (LGBT);
  - nationwide coordinated **policy** is needed to **avoid economic subordination** into periphery;
  - ...and decomposition of **national identity** and national project (**migration** crisis - Christianity);
- **EU technocrats** and social **engineers** + immigrants, Roma, Jewish capital -> **continuous mobilization**... allegedly necessary to efficiently control **institutions** and balance **media**;
- In **2018** victory and stable **high support**; people strongly supported foreign and security policy...

# Governments in Hungary

Duration	Prime minister	Parties
11/1988 – 5/1990	Miklós Németh	MSZP
5/1990 - 12/1993	József Antall	MDF, FkgP, KDNP
12/1993 - 7/1994	Péter Boross	MDF, FkgP, KDNP
7/1994 - 7/1996	Gyula Horn	MSZP, SZDSZ
7/1998 – 5/2002	Viktor Orbán	Fidesz, FkgP, MDF
5/2002 – 9/2004	Péter Medgyessy (caretaker)	MSZP, SZDSZ
9/2004 - 6/2006	Ferenc Gyurcsány	MSZP, SZDSZ
6/2006 - 4/2009	Ferenc Gyurcsány	MSZP, SZDSZ
4/2009 - 5/2010	Gordon Bajnai (caretaker)	MSZP
5/2010 - 6/2014	Viktor Orbán	Fidesz, KDNP
6/2014 - 5/2018	Viktor Orbán	Fidesz, KDNP
5/2018 -	Viktor Orbán	Fidesz, KDNP

Hungarian Socialist Party (MSZP)

Hungarian Democratic Forum (MDF)

Independent smallholders, Agrarian Workers and Civic Party (FKgP)

Christina Democratic People's Party (KDNP)

Aliance of Free Democrats (SZDSZ)

Fidesz – Hungarian Civic Alliance (Fidesz)

**Level of support 2014-2019:** Fidesz, Christian democrats and Jobbik together received 65.1% votes in 2014 elections and secured 156 out of 199 seats in National Assembly; while there was ongoing mobilization of liberal camp in Hungary, there is ongoing support and democratic legitimacy of government;

**Election 2018:** Fidesz, Christian democrats (49.3%) and Jobbik (19.1%) secured **159 out of 199 seats**; latest polls (9/2019) shows **stable high support** for Fidesz-Christian democrats (50-62%) and lower support for Jobbik (7-10%);