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Work, Family, Fatherland:

The Political Economy of Populism in Central and Eastern Europe

Abstract

Since 2008, Hungary and Poland have developed a distinctive populist economic program, which has begun to spread to other Central and East European Countries (CEECs). This article develops a theory of the political economy of populism in CEECs, arguing that these countries' dependence on foreign capital constrained them to follow (neo)liberal economic policies. After the global financial crisis, populist parties began to break from the (neo)liberal consensus, "thickening" their populist agenda to include an economic program based on a conservative developmental statism. Case studies of Hungary, Poland, and Serbia describe these policies and show that they exhibit a particular form of economic nationalism that emphasizes workforce activation, natalism, and sovereignty. This shift has gone hand-in-hand with attempts to attract investments from Eastern authoritarian states, illustrating the connection between CEEC development strategies and sources of foreign capital.

Keywords

Political economy, populism, Central and Eastern Europe, developmental statism, neoliberal, conservative, illiberalism

Introduction

Does populism have an economic dimension in the leading edge Central and Eastern Europe countries (CEECs)? If so, what is it? And what are the forces that shaped it? Populism has been analyzed as a "thin-centered" ideology (Mudde 2004, 544), with "a restricted core attached to a narrower range of political concepts." As a result, "populism can be combined with very different (thin and full) other ideologies" (see also Stanley 2008, Moffitt 2020, 13-15, 35-36). Yet Kotwas and Kubik (2019) demonstrate that the culture of populism in Poland has "thickened" over time, as it merges with nationalist and religious discourses, for instance in the "Rosary to the Borders" pilgrimage or the growth of far right nationalism. We demonstrate that CEEC populism also exhibits a distinct thickening in the economic realm, around a new developmental statism that draws from both conservative and socialist roots and represents a reaction to the (neo)liberal programs of the post-1989 period. We situate this development in a political economy theory of CEEC populism. Prior to the global financial crisis, liberal hegemony and the thirst of CEECs for foreign capital suppressed populist economic policies. But after 2008, case studies of Poland, Hungary, and Serbia show that populists in leading states began to define and develop a template for new economic policies, which other CEECs later emulated, just as Western capital dried up and new opportunities for foreign investment came from the authoritarian East.

Causes of Populism

Populism arose in CEECs for both cultural and economic reasons. Leading proponents of cultural backlash theory (Inglehart and Norris 2016, 30) argue that "the rise of populist political parties reflects, above all, a reaction against a wide range of rapid cultural changes that seem to be eroding the basic values and customs of Western societies," while economic materialists explain populism "as the result of economic anxieties and insecurities, themselves due in turn to financial crises, austerity, and globalization" (Rodrik 2019). Yet, most scholars believe that a combination of cultural and economic backlash to globalization played a role in the rise of populism worldwide (Gidron and Hall, 2017; Swank and Betz 2003; Eichengreen 2018, 9-10; Rodrik 2020, 7). Mirroring debates in a broader literature, CEEC scholars have emphasized both cultural reaction (Fomina and Kucharczyk 2016, Krastev 2017, Krastev and Holmes 2019, Verovšek 2020) and backlash against neoliberalism (Ost 2018, Snegovaya 2018a, 2018b, Innes 2015, 2017, and Epstein 2020), with many emphasizing that both factors proved important (Gidron and Hall, 2017, Vachudova, 2020, 4).

CEECs remain distinctive within Europe and the world (Grzymala-Busse 2017, S4; Thijs et al. 2018; Krekó and Enyedi 2018), in part because they embraced neoliberal economic policies more than any other developing world region (Appel and Orenstein 2018, Pula 2018). CEECs rapidly liberalized and globalized their economies while cutting social provision dramatically for populations that believe that the state should play a strong state role in welfare provision (Pop-Eleches and Tucker 2011). Whereas scholars often identify immigration as a source of populist backlash, due to the economic turmoil of the transition years, CEECs experienced *less immigration* than most Western countries. In fact, many CEECs shed population at an alarming rate (Krastev and Holmes 2019). Finally, the timing of the populist reaction in the region after the 2008 economic crisis – rather than the 2015 immigration crisis in Europe – suggests a particular salience for economic causes of populism in the CEECs.

Delayed Reaction

Yet, this economic reaction was delayed. While CEEC governments launched highly disruptive neoliberal reform programs in the early 1990s, the expected rejection or reversal of these policies – due to a turn to the left (Sachs 1995) or a populist wave (Hausner 1992) – did not happen. Until 2008, no major CEEC government rejected the economic policies of liberalism promoted by Western international organizations, including the European Union.

Scholars have theorized that CEEC governments continued to advance liberal economic policies due to a desperate need for foreign capital (Appel and Orenstein 2018; Nölke and Vleigenthart 2009; Bohle 2020; Shields 2019). Under communism, CEEC enterprises ran on outdated technology. Joining the global trading system made this immediately and uncomfortably clear. For instance, a telecommunications enterprise in Prague (Tesla Praha) employed thousands of people building analog telephone exchanges for the Soviet market. As soon as CEECs opened to the West, analog exchanges became obsolete, the market dried up except for repairs, and digital exchanges required entirely different technology and expertise (Brom and Orenstein 1994). Lacking domestic capital and know-how, CEECs desperately needed inward investment.

In order to attract foreign investment, CEECs competed with one another to adopt neoliberal economic reforms (Appel and Orenstein 2018). International financial institutions such as the European Bank for Reconstruction and Development (EBRD) created ranking systems that showed exactly what type of reforms to introduce. EBRD's Transition Indicators allowed CEEC governments to see what reforms investors wanted and informed investors yearly about the degree to of compliance in different countries. Recommended reforms included mass privatization, trade liberalization, creation of stock markets, and others that reflected the reigning Washington consensus on economic policy. CEECs competed with one another to rise to the top of these ranking systems, or at least to not fall too far behind. The only countries to escape this logic were resource-abundant Central Asian countries, such as Turkmenistan, whose factor endowments gave them alternative means to attract investment. CEECs competed not only among themselves, but against other developing countries (Kelley and Simmons 2015). In this global competition, the CEECs started out behind. China had begun liberalizing its economy in the late 1970s. Most other developing countries began in the early 1980s. CEECs rushed to catch up.

Populist Parties Go Along

In this context, it is perhaps not surprising that populist right-wing parties, like most other parties, went along with the adoption of neoliberal reforms in CEECs and soft-pedaled any efforts to backtrack. Ost (2018) points out that Poland's Law and Justice Party, during its first term in office from 2005-07, "maintained and even advanced neoliberal economic orthodoxy, such as eliminating the inheritance tax and cutting payroll taxes, creating a deficit in the social security account that led to pressure to raise the retirement age." Viktor Orbán's pre-2008 governments in Hungary did not seriously depart from neoliberal policy prescriptions either. Hanley and Sikk (2016) show that prior to 2008, CEEC populist parties mostly combined "mainstream ideology on economic and socio-cultural issues with fierce anti-establishment rhetoric and demands for political reform, transparency and new ways of 'doing politics'." Importantly, they did not challenge the prevailing neoliberal economic policies pushed by the IFIs (Judis 2016, 103), since doing so could impede inflows of foreign capital. Some scholars (Bohle 2020; Shields 2019) believe this trend continues.

The result for CEEC voters was that, as the popularity of neoliberal economic policies declined due to rising inequality, low labor force mobilization, high population outflows, and other ills, they could not shake these policies at the polls, no matter how they voted (Zielonka 2018; 64-66). CEEC voters rarely voted for incumbent parties. They often sought populist alternatives at the polls, but these alternative parties generally continued the same neoliberal policies, lost popularity, and were voted out in due course. Party systems remained volatile, but the policy regime remained more or less the same, thanks to governments' awareness that they must subordinate their economic policy preferences to the larger goals of joining the EU and NATO and attracting investment, considered essential for security and economic development. As Mudde (2016, 30) put it, the populist surge became a natural “illiberal democratic response to “decades of undemocratic liberal policies.”

Post-Crisis Transformation

The global financial crisis changed this dynamic.

Suddenly in 2008 and 2009, when the crisis hit CEECs, confidence in neoliberal reforms as a method of attracting foreign direct investment and growth sharply declined. The global financial crisis originated in the Western economies. CEECs found themselves highly exposed because through privatization, CEECs had sold a majority of their banks to foreign, mostly West European, conglomerates. During the 2000s, this enabled hundreds of billions of dollars to flow into CEECs, a the transformational wave of foreign investment that seemed to represent the reward for adopting painful neoliberal policies. Then, just as suddenly, it stopped.

The sudden stop of foreign investment inflows led to deep recessions. Impressive economic growth of nearly six percent per annum between 2000-2006 was replaced by decline throughout the region. Some countries, such as the “Baltic Tigers,” the former Soviet republics of Estonia, Latvia and Lithuania, suffered a 15-18 percent drop in GDP, by far the highest in Europe (Ther 2016, 216-217). CEEC dependence on Western banks

(Nolke and Vleigenthart 2009; Epstein 2013) caused the crisis in the West to reduce lending in the East. Moreover, the Eurozone crisis weakened markets that CEECs relied upon for trade and investment (Ther 2016, 221-226). Loan repayment became impossible for many customers, causing bankruptcies. Two-thirds of foreign credits had been denominated in foreign currency in some countries, such as Hungary. With domestic currencies devalued, repayment amounts ballooned for the population. CEECs suffered more from the crisis than the established market economies where it had originated (Berend 2019).

Capital inflow was replaced by capital outflow. Nearly $140 billion flowed out of Russia in the last quarter of 2008. Because of austerity measures to reestablish financial order, much of the population suffered massive losses: Latvia cut its healthcare budget by 30 percent and closed half of its hospitals (Berend 2017). For many people, the crisis felt like it shook them awake from a sweet dream and plunged them into a gloomy reality. As a result, the global financial crisis changed popular and elite views about the wisdom of a growth model based on capital dependency on the West.

A New Growth Model

Not surprisingly, some CEEC governments began to consider alternative economic growth models. As Hopkin and Blyth (2019) have argued, "the political cartel that underpinned the neoliberal growth model is falling apart" worldwide. Moreover, the European Union accession process, once completed, no longer constrained CEEC policy choices (Snegovaya 2018b). CEECs began to look East to the more nationalist, state capitalist models of China and Russia for inspiration (Kurlantzick 2016).

Populist parties jumped to the front of the line to reject the economic policies of neoliberalism. The mainstream center-left had discredited itself with traditional left voters by supporting neoliberal reforms (Berman and Snegovaya 2019). During the transition, former communist parties had sought to prove their capitalist *bona fides* by outpacing the right in advocating for neoliberal market reforms (Tavits and Letki 2009; Innes 2017). Left parties pushed for EU membership, which required neoliberal reforms, hoping to restrain conservative nationalism over the long term (Rae, 2020). This left the field of welfare nationalism – support for welfare programs benefiting deserving domestic populations and often serving nationalist goals – open to the far right (Ost 2018). It enabled illiberal parties to appeal to CEEC citizens who believed in a large state role in the economy (Pop-Eleches and Tucker 2011). As Mudde (2000, 43) observed, "Largely as a result of the Leninist legacy, a significant potential for economic populist measures exists at the mass level in contemporary Eastern Europe. Socialized under communism, which claimed to take care of the people from the cradle to the grave, East Europeans have become accustomed to the idea of a protective welfare state."

Populists began to develop a compelling response to the grievances of citizens disappointed with neoliberalism: A nationalist, authoritarian populism, combined with a welfare chauvinist social policy, promising to protect ordinary people from liberal elites and grow the economy based on "economic self-rule" (Barnes and Johnson 2015) and a conservative developmental state (Bluhm and Varga 2019, 14). The development of this program "thickened" CEEC populism to include an economic dimension. Illiberal populists protested against the "consensus at the center" between the center-right and center-left, rejected the idea that there is no alternative to globalization, and opposed IMF and EU influence (Barnes and Johnson 2015).

Hungary Leads the Way after 2008

Hungary led the way, just as it had pioneered efforts to reform communist economies in the 1980s and cut the first hole in the iron curtain in 1989. After the global financial crisis, Hungary became the first CEEC to reject neoliberalism and experiment with nationalist populism. But it was not alone (Stanley 2019; Cianetti and Hanley 2020). Whereas populist parties across the CEEC region took an average of 9.2% of the national vote in 2000, by 2017 their vote share had tripled to 31.6 % (Institute for Global Change 2017). Populist parties won elections outright or joined coalition governments in Hungary, Poland, the Czech Republic, Serbia, Bulgaria and Slovenia (see Table 1).

[Table 1 About Here]

In 2010, on the heels of the global financial crisis, Viktor Orbán's FIDESZ party won a super-majority in parliamentary elections after years of economic mismanagement by the Socialist party, exemplified by a leaked tape in which the Socialist prime minister admitted lying about the state of the economy. Hungary, a successful transition leader in the 1990s, ran a current account deficit of €1.9 billion in 2000 that increased to €5.8 billion by 2006. It became highly indebted (debt reached 79 percent of the GDP by 2009), as unemployment reached 10 percent in 2010. Hungary became one of the first countries to be bailed out by the IMF and the EU after 2008. Citizens then suffered through austerity measures intended to re-establish financial order. Economic policy was a key element in the FIDESZ victory. As Philipp Ther (2016, 232) argues, "Hungary has undergone a remarkable transformation from model reform country – the Bokros package of 1995, the pension reforms of 1998, the complete opening of the economy and several other measures [that] ticked all the IMF's boxes – to deviant. In response to the crisis of 2008-9 and the huge deficit in the national budget, Viktor Orbán has slackened the neoliberal order."

Nevertheless, Orbán's rejection of neoliberalism has not been complete (Bohle 2020; Shields 2019). Fabry argues that Orbán's regime "skilfully combines some of the central tenets of neoliberalism (maintenance of a balanced budget, introduction of a flat tax system, and the pursuit of regressive social policies) with 'authoritarian-ethnicist' measures" (Fabry 2019). Csillag and Szelényi (2015) argue that Hungary's drift to illiberalism and authoritarianism is grounded in a traditionalist/neoconservative legitimating ideology which emphasizes the value of patriotism, religion, and traditional family values. Political illiberalism, economic statism, and traditional conservativism form the building blocks of a new post-communist political economy: managed illiberal capitalism.

Orbán labelled his economic policy the 'Eastern winds' approach, to distinguish it from Western liberalism. He sought to emulate the fast-growing Asian economies at a time of Eurozone crisis. The key pillars of Orbán's new economic policy were re-nationalisation of certain private companies, mostly in what he considered to be strategic sectors like oil (MOL), gas, utilities and banks, new taxes on foreign banks, insurance companies, and international supermarket chains, and domestic labor force activation (György 2019, 216). Orbán continued to incentivize foreign investors that brought jobs to Hungary, particularly high-skilled manufacturing jobs, such as the German car companies (Kelemen 2020, 491), prioritizing workforce activation. In other areas, however, Orbán worked to develop a national capitalist class connected to his FIDESZ party, creating many "near-to-Fidesz compan[ies]" (Kornai 2015), often by disenfranchising prior owners, while diminishing the power of international organizations and foreign banks in the Hungarian economy (Barnes and Johnson 2015). Magyar (2016) describes the creation of a "post-communist mafia state," a pyramid that encompasses state and economy with Orbán at the top. Orbán nationalized the second-pillar compulsory private pension fund established during his first term as Prime minister in 1998, confiscating account balances to pay off Hungary's foreign debt. He forced foreign banks to convert foreign currency mortgage loans into Hungarian forints. Orbán denounced the West as decadent and obsessed with money and outlined a future "work based society" (Pirro 2015, 149), creating a massive jobs program for the unemployed. "Hungary's economic nationalism is an indication that the Orbán government is not concerned merely with consolidating the budget, but, like Russia, with reducing foreign involvement in the economy and renationalizing domestic profits" (Ther 2016, 233).

In 2019, Orbán sought to connect his conservative nationalist message to generous social policies by providing financial incentives to encourage Hungarian women and families to have more children. Orbán sought to address Hungary's low fertility rate of 1.45 children per female, well below replacement rate (2.1), with natalist policies that would create new Hungarians, rather than importing immigrant labor. The plan offered a lifetime exemption from personal income tax for women who bear and raise four or more children – Orbán and his wife have five. More importantly, women under 40 who marry for the first time and have worked for at least three years are eligible for a €31,700 "childbearing" loan at a discounted rate and is forgiven as they have children. Larger families can apply for a €7,900 government grant toward the purchase of a seven-seat automobile. Grandparents taking care of children were made eligible for benefits and leave from work and the government announced the creation of 21,000 new subsidised childcare places. Critics took aim at the expense (Economist 2019) and conservative vision implicit in Orbán's policies, that encourages women to marry, work, buy houses, bear more children, and stay in Hungary. As Noemi Lendvai- Bainton and Dorota Szelewa (2020, 6) argue, the new illiberal state has "fundamentally rewritten the previous "social contract", one which replaces a welfarist social contract with a nationalist one based on identity politics." Orbán's policies have consistently provided support for those who work and deserving families, rather than the very poor (Szikra 2014). Batory (2016) finds that Orbán's policies reflect an authoritarian vision of Hungary rooted in self-responsibility as well as "a system of national cooperation," conveying communitarian values in opposition to transnational liberalism.

Orbán's economic policies are embedded in a broader project to create a semi-authoritarian "illiberal" state, as opposed to liberal democracy. In a scant ten years, Orbán transformed Hungary from one of the success stories of transition from socialism to democracy into an autocratic regime, where the new constitutional structure vests so much power in the centralized executive that no real checks and balances exist to restrain this power (Bugaric 2019; Kelemen 2020). The Orbán government limits freedom of speech and assembly, curtails media pluralism, curbs the independence of the courts and civil service, and undermines protection of minorities.

While Orbán's combination of nationalism and populism has been "anathema to young, cosmopolitan Hungarians," other voters gave Orbán a comfortable plurality of votes (and a majority of seats) in the parliamentary elections of 2014 and 2018. Orbán secured his third successive election victory in 2018 on the back of record turnout – and won another two-thirds majority of seats, which will allow Fidesz to change the Constitution again and further entrench its power. While Orbán deploys a range of cultural appeals, voters also rewarded him "for his clever harnessing of popular discontent with the neoliberal order and its acute side effects" (Ther, 2016, 234). Not only were Orbán's policies successful in getting him reelected (in elections that were not free and fair), there is no evidence they harmed Hungary's economy, as liberals claimed they would. Orbán's economic policy has produced jobs, growth, and gains for the lower and middle classes. Government debt, as a proportion of Hungary's gross domestic product, has fallen more than 6 percentage points since 2010. The country's credit ratings have improved. The budget deficit has roughly halved. Growth has almost quadrupled. One study by a government-related think tank shows that net real wages increased by 59% between 2010-2018, mainly because of changes in the tax structure that reduced income taxation, increased (foreign) capital taxation, and broadened the tax base, causing an additional 2.5-3.0 percent of GDP to flow to the household sector (György 2019, 216-218).

Critics argue that things are not as rosy as traditional macroeconomic measures suggest. Hungary has become the second most corrupt member of the EU (Transparency International 2019). During Mr. Orban's first six years in power, five of his closest friends were awarded roughly 5 percent of public procurement contracts, a total of $2.5 billion, according to an analysis by the Corruption Research Center Budapest (Kingsley, Novak, 2018). Magyar argues (2016, 73) that the post-communist mafia state "is not a mere deviation from liberal democracy, nor a transitional formation, but an independent subtype of autocracy".

Poland Draws Inspiration from Hungary

After winning parliamentary elections in 2015, Poland's right-wing populist Law and Justice (PiS) government followed Hungary's mix of ethnic nationalism and anti-liberalism reminiscent of the interwar period – when authoritarianism masquerading as democracy prevailed in Admiral Miklós Horthy's Hungary and Marshal Józef Piłsudski's Poland – combined with a redistributive social policy (Ther, 2016, 234). PiS's legal and economic changes are part of a conservative political program founded on a set of moral values that purportedly serve to protect the Polish nation and its sovereignty from openness to foreign capital (Bluhm and Varga 2019).

PiS has consistently supported national populist politics at the level of ideology and rhetoric. PiS and its predecessors on the Catholic nationalist right have won around 30% of the vote in Polish elections since 1989 with consistently anti-Semitic, anti-EU, anti-immigrant, and anti-Russian appeals. This and the second group of PiS's base, consisting of secular anti-European conservative intellectuals, are guided by ideology (Ost, 2018, 120; Bluhm and Varga 2019). However, PiS's recent election victories have added to this traditional base by attracting voters using economic appeals. Some of these voters may have previously supported the post-communist left parties, which lost support precipitously as the PiS vote grew (Snegovaya and Berman 2019; Rae 2020).

PiS appealed to millions of Poles in the small towns and poorer regions of "Poland B" who "felt themselves to be marginalized and left behind by the bulldozer of economic liberalism. They were also, it's important to add, alienated by the social liberalism, on issues such as abortion, gender, and sexual orientation, which came with the opening to Western Europe" (Ash, 2017). PiS economic policy has focused on making life and work more secure (Bluhm and Varga 2018; 2019). Under Prime Minister Mateusz Morawiecki's economic plan, "the government has vowed to stop the privatization agenda of previous governments and reindustrialize and 're-polonise' parts of the economy" (Toplišek, 2019). The government imposed a levy on the banking and insurance sectors in 2016, increased state control of the domestic banking sector from thirty to over fifty per cent and consolidated the domestic energy sector under state ownership to create a "national champion" to compete internationally (Toplišek, 2019). PiS has sought foreign investment for a vast new $10bn airport outside of Warsaw, including a plan to connect it to all major cities by high speed rail to ensure that its economic benefits reach the entire country.

Despite robust economic performance, the previous governing party, the neoliberal Civic Platform (PO), had left many regions behind as well as many working people on so-called junk contracts earning less than $200 a month. As Koczanowicz argues, (2016, 94) PiS "aims not only to transform certain external conditions, but also to accomplish a comprehensive re-invention of mentality and radically re-direct the trajectory of social thinking." PiS has also sought to stem the flow of youth out-migration by exempting all workers under age 26 from income tax.

PiS economic policy aimed to create a culture around family values, natalism, supporting those left behind by liberalism, and building up the Polish nation, which came together in PiS's signature social program, Family 500+, launched in 2017. Family 500+ provided a generous family allowance of $144 a month per child, an amount equivalent to 40% of minimum wage, for a family's second and each subsequent child. It was later expanded to cover a family's first child as well. Economically, Family 500+ was a major boon for Polish families, particularly those in Poland B, where wages were lower and residents are therefore more likely to emigrate abroad. Family 500+ gave hundreds of thousands of working parents "a sudden untaxed pay raise of twenty or even forty percent . . . . Single mothers found themselves able to quit overly exploitative jobs and seek other options" (Ost 2018, 115). Family 500+ dramatically reduced child poverty and enabled families to buy clothes, take a holiday, and pay for "school sets" at the start of each school year. As Rae (2020, 99) reports, this policy had an immediate positive effect, with "child poverty falling from 23 to 11 per cent in just two years. The number of children with access to benefits nearly doubled, from 2 million to 3.8 million. This provided a new source of income for a wide range of social groups, including many from the middle class, thus cementing support for PiS across a broad spectrum of society." According to Aleks Szczerbiak (2017), "many Poles feel that, while politicians have often promised to help the less well-off, Law and Justice is the first party to actually deliver on these pledges on such a scale." PiS funded Family 500+ through new taxes on banks and large businesses, following the Hungarian model, as well as improved tax collection in a growing economy.

While Family 500+ was the most ambitious social policy reform undertaken in the region after 1989, it was not the only one. Ost (2018, 115) notes that: "Since winning power for the second time in 2015, PiS has taken real efforts to tame economic liberalism. It reversed the previous government's hiking of the retirement age, offered new drug benefits for the elderly, and has initiated a broad program for the construction of new affordable housing. It has limited employer use of insecure short-term 'junk contracts,' and raised the guaranteed hourly minimum to 13 złotys (nearly $4)." PiS policies should be seen as a consistent effort to build a new Polish economy that taxes foreign investment more heavily and uses the revenues to support Polish families and workers, particularly in smaller towns and cities and rural areas, where PiS voters are concentrated.

A CEEC Populist Economic Model?

In the words of Krastev (2016), the liberal order did not deliver that which it had promised in 1989. This created demand for change, as did the Great Depression, which gave birth to some of the 20th century's most radical populist movements (De Bromhead, Eichengreen and O'Rourke 2012). As Anna Grzymala-Busse argues, "economic inequality and economic crisis exacerbate popular grievances, but by themselves they do not translate into a surge of support for populists, much less the collapse of democracy" (Grzymala-Busse, 2019, 39). Furthermore, she argues, "challenges of the kind that Europe has experienced in recent years do not translate into populist victories all by themselves." Populists simply defined the most cogent response, in part because other parties disqualified themselves.

Neoliberal former finance minister of Bulgaria Simeon Djankov (2015, 8) writes, "Economic policy in Hungary is moving towards centrally planned capitalism, similar to the economic development model pursued in Russia and Turkey. The apparent success and popularity of Hungary's economic policy, in contrast to a lack of growth models in Europe, is moving some leaders in other former communist bloc countries to emulate Orbán, with the possible consequence of undermining the European Union's structural reform efforts." Toplišek (2019) argues, "the economic policies of the two populist governments have noted elements of left-wing economics (in the case of Poland) and market-constraining state interventionism (in both cases)." Populism, being a thin-centered ideology, can be paired with both left and right ideologies, or combine them (Moffitt 2020, Mudde and Kaltwasser 2017, 21).

Blum and Varga (2019, 14) suggest that these "populists" are actually traditional European conservatives, who "have adopted the idea of a 'developmental state' for increasing the competitiveness of the economy and social justice in the interest of the nation." This social conservatism seeks to redistribute without strengthening labor rights or labor's independent bargaining power (see also György 2019, 216). "The focus lies on family policy that once again subsumes the individual rights of women, children and sexual minorities under the agenda of a national 'recovery', both in the demographic sense as well as in terms of traditionalist values." However, CEEC populism also needs to be seen in the context of a socialist legacy that left the region with a strong preference for equality and redistribution. This legacy has been folded into a traditional conservative framework, inspired perhaps by Bismarck or interwar CEEC conservatives who sought to combat socialism by tying workers' allegiances to the state, while vigorously advancing the interests of the nation.

As such, the political economy of CEEC's new populism may best be summed up by the Vichy slogan of "*travail, famille, patrie*," roughly translated as "Work, Family, Fatherland."

Serbian Nationalist Populism

While Hungary and Poland have defined this trend, other countries show evidence of following it. Serbia, just outside the EU, provides one example of its reach. Serbian President Vučić and his ruling center-right Serbian Progressive Party present another case of democratic backsliding. In 2019, Freedom House (2019) downgraded Serbia's status to "partly-free", acknowledging Vučić's "de facto accumulation of executive powers that conflict with his constitutional role." Playing with the same authoritarian "playbook" as Orbán and Kaczynski, Vučić has established a "soft autocracy." "On the surface, Serbia is still a democratic society with nominally free elections and a political opposition, where dissenting voices are able to criticize the ruling party without fear of mysteriously disappearing in the night. But Vučić control over Serbia's centers of power is so complete and the democratic process is so skewed in his favor that dissent poses no threat to his rule" (Eror 2018).

In economic policy, Vučić has also moved "East," looking to counterbalance the EU. After initially presiding over neoliberal reforms that were the most radical in the Western Balkans (Bartlett 2018; Pavlović 2019), Vučić turned to China, Russia, and even UAE, looking for additional sources of investment that were badly needed in economically lagging Serbia. Russian energy giant Gazprom now owns a majority stake in Serbia's national oil company, and Serbia might be included in the TurkStream natural gas pipeline. China has invested more than $4 billion in direct investments and pledged over $5 billion through loans and infrastructure projects (Vuksanović 2020). Vučić has launched a controversial $3bn property development project in Belgrade backed by the

United Arab Emirates (UAE). Moreover, Serbia has begun to replace its neoliberal policy framework with more "heterodox" economic policies (Đuričin 2016). At his inauguration in 2017, Vučić announced his intent to adopt the same sort of job-oriented social policy that we have seen in Poland and Hungary: "Let us create jobs, because jobs create us, make children and then give everybody a new chance for more jobs and even more children" (President 2017). In 2018, his government announced a family policy modelled on Poland's Family 500+, providing a mother a payment worth €845 for her first child, €85 per month for two years for the second, €100 per month for 10 years for the third, and €18,000 over the course of 10 years for the fourth child (Simic 2018), administered by a minister without portfolio for demography and population policy (https://www.mdpp.gov.rs/latinica/index.php). This new family policy seeks to address population decline caused by out-migration and low fertility rates. Overall, Vučić's economic policy framework bears striking similarities to Polish and Hungarian models.

Western Analogs

Will CEEC populist economic policies have any impact on Western Europe? While we do not observe Western European countries rushing to emulate Poland or Hungary, whose economies are less developed, nationalist conservative welfare visions do have some analogs in the West. Some West European populist parties reject neoliberal economics and support the welfare state, at least for natives (Hopkin 2020). Barber (2019) notices a striking similarity between PiS re-election campaign in 2019 and Boris Johnson's election strategy in December 2019: "Each blended patriotic conservatism with pledges of extra public spending on social services and a higher minimum wage." Schumacher and van Kersbergen (2016) show that "populist parties increasingly take a welfare chauvinistic position," advocating social welfare for natives, excluding immigrants. The authors note that while "populist parties in Austria and Switzerland have been instrumental in cutting the welfare state in the 1990s and early 2000s," more recently they have shifted to defending welfare states against cuts by mainstream parties. Austria's FPÖ for instance rebranded itself as the "new labor party" (Bugaric and Kuhelj, 29). As Judis explains in, The Populist Explosion (2016), both the FPÖ in Austria and the People's Party in Denmark have undergone significant political ''reorganizations'' that downplay their extremist and xenophobic base, and rebrand them as parties of the "ordinary man" left behind by a corrupt system that caters to the elites. Both parties combine anti-immigrant rhetoric with strong support for the welfare state. While this trend was observable earlier, it appears to have accelerated with the global financial crisis. Mainstream politicians that have been forced to compete with populist parties also adopted a welfare chauvinist position.

New Model, New Sources of Investment

The thickening of CEEC populism's economic dimension has gone hand in hand with new sources of Eastern investment. During the 1990s and 2000s, capital came to CEECs primarily from Western Europe with the blessing of international financial institutions. This drove adoption of a raft of neoliberal economic policy measures and others intended to insure integration into the European Union. The global financial crisis, however, showed Western countries and institutions to be unreliable as providers of capital and encouraged countries to adopt new strategies that emphasized domestic sources of capital and alternative foreign investors. Jacoby and Korkut (2016), for instance, argue that access to Chinese (and Russian) FDI has provided an important underpinning for the Orbán government in Hungary. "New sources of external funding – including FDI and government bond purchases – can help enable a state to execute such a broad geopolitical shift." Poland was the first European country to issue government debt in the Chinese bond market (Toplišek, 2019). CEEC populists have sought to develop a national capitalist class, while balancing reliance on Western capital through closer economic relations with authoritarian countries.

Conclusions

CEEC populism has thickened in the economic realm after the global financial crisis, adding a distinctive economic approach to complement anti-elite, anti-liberal, and anti-immigration appeals. We theorize that prior to 2008, populist parties went along with neoliberal hegemony in economic policy in pursuit of needed foreign investment. After the global financial crisis, populist parties became the first to defect from the neoliberal consensus, which failed to provide a consistent flow of investment. Instead, Hungary and Poland began to develop a new growth model based on conservative nationalism, natalism, workforce activation, taxation of certain foreign enterprises, sovereignty, and welfare chauvinism. Our case studies show that while Hungary and Poland led the way, other countries, such as Serbia, followed. Populism's economic policies added an economic dimension to their rejection of liberalism and may have helped to win votes from left constituencies. Populist economic policies have gone hand-in-hand with efforts to attract new sources of foreign investment, this time coming from the authoritarian East, while addressing nationalist goals such as boosting fertility, fighting emigration, and supporting domestic families and capital over foreign enterprises and banks. The evident success of this model is now in the process of being emulated in other countries (Dąbrowska et al. 2018), together with the populist politics that have made it possible.

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Country	**Year**	**Party**	**Coalition Partner(s)**
Hungary	2010; reelected 2014 and 2018	Fidesz	N/A
Poland	2015; reelected 2019	PiS	SP & *Porozumienie*
Czech Republic	2017, 2018	ANO	ČSSD
Bulgaria	2009–2013, 2014–2017, 2017–	GERB	UP
Serbia	2014–2017, 2017–	SNS	SPS
Slovenia	2020–	SDS	DESUS, SMC & NSi

Table 1: Populists in Power (Central and Eastern Europe)