

When the classical approach is not enough – An in-depth analysis of the populist transformation of economic policies in Central and Eastern Europe

József Ráti¹

DOI: https://doi.org/10.35551/PFQ_2024_3_8

Populism is not new in politics, with populist initiatives having appeared in the United States already in the first half of the 19th century. Populist regimes or populist elements have since then periodically emerged around the world, based on the idea that society is divided into two homogeneous and opposing groups, the „people” and the „corrupt elite”. This phenomenon has been described by Cas Mudde as a narrow-centred ideology with no specific socio-economic orientation or ideology (see Mudde, 2004), so it is no coincidence that populism has appeared on both sides of the political spectrum. Populism does not give room for pluralism, it views checks and balances that limit political power as tools of a corrupt elite, and thus represents a threat to liberal democracies at their very core. An academic study of populism, particularly its economic dimension, is therefore of the utmost importance, as a better understanding of the phenomenon can help to combat it more effectively. This is why the book „Economic policies of populist leaders”, edited by István Benczes and published by Routledge, can be particularly exciting, as it takes a creative and innovative approach to answering very important questions.

Populism in North and South America, Asia and Western Europe has been and still is a major focus of literature. The interest of researchers is understandable, since the United States or Great Britain is a relevant global actor whose various economic and political decisions can easily have worldwide repercussions. This does not mean, however, that less significant actors are not worth investigating, especially if they are, for example, members of the European Union and thus have a direct influence

¹ National University of Public Service, Department of Economics and International Economics

on the entity with the second largest economy in the world. The *Economic Policies of Populist Leaders* is therefore a niche book, which examines the economic effects of populism in Central and Eastern European countries through case studies.

The book, which consists of 13 chapters in total and is the result of several years of research carried out under the European Commission's Horizon 2020 programme, shows that, unlike in other regions, the economic impact of populism in Central and Eastern Europe is not primarily related to trade protectionism or macroeconomic policy. The authors accept Cas Muddle's narrow-centred ideology and see populism as a mainly political phenomenon, but argue – rightly – that much more attention needs to be paid to understanding the economic dimension of populism and its impact on the market economy and institutions. Their aim is to provide a comprehensive analysis of the changes initiated by populist leaders in Central and Eastern Europe in their respective economies, but to do so by breaking with the methodology that has been the norm and focusing on changes in policies rather than on traditional economic indicators. While the various case studies do not fully explain what has been aptly termed 'chameleonic' populism in a given country, they do provide a broad illustration of the many facets of what is simplistically termed populism and a good illustration of how different populist regimes transform the economy by making policy choices in favour of 'the people'.

The first part of the volume is a historical, literary and, in a sense, methodological summary. István Benczes' treatment (chapter 2) is thorough and detailed, covering the most important concepts, the most popular theories (demand, supply, macroeconomic, exclusion and inclusion populism) and concepts (cultural, political, ideological, economic), as well as the difficulties of defining populism in social science, and even allowing some – justified – criticism of the scientific approach to populism.²

To the reader familiar with the subject, this kind of thoroughness, the way in which the most basic concepts are carefully and consistently explained, may sometimes feel excessive, but this has its positive side. For educational purposes, this approach is clearly suitable, and it would also be a must-read for undergraduate students interested in economic policy. It has everything needed for an introductory course, and it is particularly useful that it motivates you to step outside the box and does not stop at merely examining macroeconomic variables.

In the third chapter, Natasza Styczyńska and Jan D. Meijer focus on Central, Eastern and South-Eastern Europe and examine the nature of populism in the region, when populist parties emerged in the different countries and how they were influenced by the region's communist past. In addition to Hungary, it briefly discusses the populist parties in Poland, the Czech Republic, Slovakia, Slovenia, Croatia, Lithuania, Romania and Bulgaria, and their common characteristics and differences.

The first part thus summarises the most important and basic facts about populism and its variants in Central and Eastern Europe, thus providing a basis for an easier and more complete understanding of the essays in the second chapter.

2 The chapter is based on Benczes (2022).

At the same time, a shorter sub-chapter could perhaps have been devoted to the economic policies of the Donald Trump administration or of one of the Latin American countries mentioned several times, since one of the main claims of the volume is that the irresponsible macroeconomic policies or trade protectionism of the latter are less typical of the populists of Central and Eastern Europe. This could have further nuanced the picture.

In the second part of the book, different authors use case studies to explore the impact of populist takeovers on a country's economy, the significant changes they have triggered, how resources have been reallocated and the resilience of economies to politically driven change. In addition to Hungary and Poland, which are frequently examined by researchers, the project will also look at the populists that have emerged in the Czech Republic, Slovakia, Slovenia, Croatia, Romania and Bulgaria, among others, which makes it truly unique.

The focus is on the parties or leaders in office between 2008 and 2019 (in some cases including the years affected by COVID-19), and the volume uses case studies to highlight the differences and similarities between the countries' economies.

The fourth chapter is about Hungary, where István Benczes immediately opens with some exciting results. He demonstrates that Viktor Orbán's populist regime did not pursue unsustainable economic policies during the period under review (this has now changed, which would be worth exploring further), but it dramatically transformed the constitutional order, undermined market competition mechanisms, and constantly attacked international organisations and the system of checks and balances.

In the fifth chapter, Joanna Orzechowska-Waclawska analyses the economic policy of Poland, where Law and Justice (PiS) has been in power since 2015. The paper details PiS's economic reforms, protectionist measures and redistributive policies (with a special focus on the Family 500+ programme) in the period 2015–2020, and also looks at the economic policies of the populist party during the pandemic. One of the main strengths of the chapter is that it highlights the sharp contrast between traditional theories of populism and the practical decisions of Polish populists' economic policies (as the PiS led by Jaroslaw Kaczynski lost its parliamentary majority in the Sejm in the 2023 elections, this research can also be a good starting point for further research on populism in Poland).

In the sixth chapter, Karel Svoboda discusses the two versions of populism that coexisted in the Czech Republic between 2013 and 2021, represented by Presidents Andrej Babiš and Miloš Zeman. The focus is on the former, and the research highlights the contrasts between Babiš's technocratic, highly economically opportunistic, poll-driven populism and the traditional populism of Viktor Orbán and Poland's Jaroslaw Kaczynski.

In the seventh chapter, István Kollai and Bence Bánki focus on Slovakia, where a special, „post-parasitic” version of populism has emerged, thanks to, among other things, the absence of civic traditions. In the eighth chapter, Dženita Šiljak examines the populist ideology of Slovenian Janez Janša, which also differs significantly from Hungarian and Polish populism (Europhile, seeking compromises with coalition

partners), and its impact on institutions, corruption and the media. Both studies are missing pieces of their kind, and the former is particularly exciting in light of the fact that the left-wing populist Robert Fico will once again emerge victorious in the 2023 Slovak parliamentary elections.³

In the ninth chapter, Viktória Endrődi-Kovács examines the populist parties in Croatia, looking at how populist entities have contributed to macroeconomic stability and institutions, highlighting the unique position of the Now (Híd) party within the governing coalition. All this is particularly exciting in the light of the fact that, although Now (Híd) did not have much room for manoeuvre within the coalition, it was still able to influence the country's economy. Moreover, in a way that was completely atypical of a populist party, it was not Eurosceptic and did not pursue any macroeconomic populism.

In the tenth chapter, Gábor Kutasi and Denis Ivanov examine the „new type” of macroeconomic populism that emerged in the Baltic states in the 2000s. This is one of the most exciting parts of the volume. On the one hand, the study is not limited to a single country (although the main focus is on Lithuania, Estonia and Latvia are also included in the analysis), and on the other hand, in addition to the case study, empirical analysis is also brought to the fore, as the researchers used quantitative analysis to establish the relationship between current account imbalances and the appreciated real effective exchange rate.⁴

In the last two chapters, first Cornel Ban introduces the concept of „national-neoliberal fiscal populism” through the example of Romania in the 2010s, and then Urangoo Bulgamaa explores the reasons for the rise of populism in Bulgaria. Finally, the volume concludes with a synthesis paper by István Benczes, in which he summarises and generalises the link between populism and economic policies, drawing on the findings of the case studies mentioned above.

The first part of the book is a thorough historical and conceptual overview, while the second part aims to contribute to a better understanding of the economic consequences of populism through case studies. The book's strength is that it attempts to provide a broad – and often incomplete – overview of the economic impact of populism, looking at countries in a little-researched but no less important region. The editing is fastidious, the chapters coherent, the text well proofread and easy to understand. Perhaps a little more attention could have been paid to the economic policies of one of the populist governments of Latin America in the first part. Furthermore, it is more difficult to draw general conclusions from case studies alone, as necessarily one single study cannot provide a complete and comprehensive picture of the populism that has emerged in a given country. Despite all these limitations, the volume is scientifically sound, can be (and should be) used for educational purposes without further ado, and could provide an excellent basis for future research.

3 For a comparative perspective on the Slovak case, see also Kollai (2020).

4 Gábor Kutasi has already published on this topic, see in particular Kutasi (2018).

References

1. Benczes István (2022) Taking back control over the economy. *European Policy Analysis*, 8:1, 109-123.
2. Kollai István (2020) The Traditionalism-Modernism Value Conflict in Hungary and Slovakia – A Comparative Analysis from a Longue Durée Perspective. *Journal of Contemporary Central and Eastern Europe*. 28:1, 29-44.
3. Kutasi Gábor (2018) Macroeconomic populism: The Baltic current Accounts. *Journal of Global Policy and Governance*, 7: 1, 21-32.
4. Mudde, Cas (2004) The populist Zeitgeist. *Government and Opposition* 39: 4, 541-563.