

Anti-Capitalist, Illiberal, Eurosceptic: The puzzles of Post-Socialist Europe - Part I

Over the past 25 years, post-socialist Central and Eastern Europe (CEE) has undergone unexpected and radical changes. From being enthusiastic integrationists, the new EU Member States are becoming an autonomist bloc propelled by authoritarian tendencies and anti-austerity, anti-European sentiments. The region represents a puzzle for political scientists as it turned its back against its two greatest achievements in the past quarter of a century, namely liberal democracy and EU accession. This is the first of three essays that will analyze these political transformations. The analysis starts from the CEE's anti-capitalist turn.

The multiple transformations of CEE

After the fall of the Berlin Wall, CEE countries have been facing the challenge of multiple transformations from, among others, a command to a market economy and from socialism to liberal democracy as well as the challenge of a “return to Europe”. Leading political scientists, such as [Adam Przeworski](#), warned that the path would not have been free of obstacles, and that radical economic restructuring would be stalled by the long-term losers of transition, who would exert their democratic right to oust the unwelcome policymakers. Others, in particular former World Bank's chief institutional economist [Joel Hellman](#), argued that it would not be the losers but the short-term winners of the transformation (tycoons, oligarchs and the like), who would capture these very policymakers in a partial reform equilibrium, thereby accruing rents to themselves and imposing costs onto the wider society. Russia confirmed the latter view by recording, in 1992, [unprecedented rent-seeking in the range of 90% of GDP](#) through import subsidies, seignorage through subsidized state credits as well as arbitrage between administrative and world prices.

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Hence, distance from Brussels mattered. In the European Union's proximity, under the guiding role of, among others, DG Enlargement, neither the losers nor the winners of transition stalled the political and economic transformation, save for the inevitable bumps. Before their accession to the EU in 2004, most CEE countries became viable liberal democracies, fragile and beset with protests, but at least “protected” by Europe against a return to authoritarianism. At the same time they introduced – even against the advice of the many international organizations involved, such as the World Bank, the IMF or USAID – extreme, so-called avant-garde neoliberal policies (ranging from radically flexible labour markets, flat tax rates and slashed corporate taxes, to privatized pensions), thereby placing themselves at the forefront of global liberalization rankings. [According to Hillary Appel and Mitchell Orenstein](#), the fervour is explained by competitive signalling to attract foreign investments in order to become low-cost

production hubs for the West.

It has to be stressed that neither the inception of democratic norms nor of socioeconomic reforms was uniform across the region, disconfirming the supposed existence of one single transitional country cluster. In their award-winning book, [Capitalist Variety on Europe's Periphery](#), Dorothee Bohle and Béla Greskovits individuate several regimes emerging in CEE: the neoliberal Baltic states, the embedded liberal Visegrád 4 (V4: the Czech Republic, Hungary, Poland, Slovakia) plus Croatia, and neocorporatist Slovenia, as well as a “failing” non-regime concentrated in South-East Europe, including Bulgaria and Romania. Accordingly, Appel and Orenstein note that the neoliberal paradigm in the V4 countries had been less radically applied than in the REBLLs (Romania, Estonia, Bulgaria, Latvia and Lithuania), resulting in relatively bigger welfare states, dualized, as opposed to liberalized, labour markets and selective adoption of privatization and liberalization policies.

A new kind of transition?

If variation has always been present in post-socialist Europe, since the global financial crisis increasing divergence appeared between two clusters of CEE countries in their attitudes towards neoliberal economic policy, towards their democratic order and further European integration.

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Those that most radically espoused avant-garde policies, the REBLLs, stepped up their neoliberal zeal through extreme austerity measures. Such eagerness went hand in hand with a preference for a two-tiered Europe, where they play the role of dependent market economies, which provide cheap, unencumbered labour to the west. This, [Greskovits](#) notes, was accompanied everywhere by a long-term hollowing of democracy (coupled with more serious democratic backsliding in Bulgaria, Romania and Latvia), which in the words of the late [Peter Mair](#) encompasses both voters, who are increasingly disaffected, as well as elites, who prefer to forego political accountability.

The rest of the region—the focus of the present article—has witnessed a different turn of events since 2008. After the crisis hit, an anti-neoliberal backlash swept the V4 countries, thereby comprising re-nationalization of private pension funds, state intervention, rollback of flat taxes and similar measures. At the same time, anti-globalist measures have been accompanied by the backsliding of democracy even where public political participation was still vibrant, e.g. in Hungary, Poland and, limitedly so, in Slovenia. The massive protests against democratic illiberalism, such as the recent “czarny protest” in Poland against the total ban of abortion rights by ultra-conservative Law and Justice (PiS), or the low turnout and the referendum ballots spoilt in objection to the refugee “hate” vote promoted by the Alliance of Young Democrats (Fidesz) in Hungary, show that little democratic hollowing occurred, as testified by the relative strength of

civil society.

As far as European integration goes, the Central European post-socialist countries are gradually steering away from a two-tiered vision of Europe regarding the free movement versus national closure. Their stances are, however, ambiguous and intertwined with their own socioeconomic interests. Central Europe is trying to shed its dependence on western capital and expertise, through both an upgrading of their medium- and high- value added sectors—the [World Bank](#) stated in 2007 that: “[t]he shift towards higher technology exports is particularly evident in the Visegrád countries and Slovenia”—as well as through the repudiation of many avant-gardist neoliberal policies, which had helped them attract large shares of FDIs in the first place.

What is more important is, however, the negative, Eurosceptic cling that is starting to be attached to the Visegrád block. This manifested itself most clearly in the teaming up of the V4 against any sharing of the immigrant burden or in trying to influence the illiberal neighbours Bulgaria and Romania to form blocking minorities in the Council of the European Union.

The role of the populist radical right

From a political point of view, the threefold turn of events—anti-capitalism, illiberalism and Euroscepticism—has coincided with the rise of radical populist, mostly right-wing parties across the region. Their ascendance has been spearheaded by the Law and Justice party who governed Poland in 2005-7 with the twin brothers Jarosław and the late Lech Kaczyński in what was termed the first homo-zygotic democracy in the world. The trend has been consolidated with Fidesz’s return to power via an electoral landslide in both 2010 and 2014 and whose leader Viktor Orbán’s pledged to turn Hungary into an illiberal democracy during his term in office. The situation in the V4 is currently as shown in Table 1:

If these parties' authoritarian, or better illiberal and anti-integrationist stances are compatible with the radical right's tendency to mobilize voters on the sociocultural dimension—that is, especially around the nativist issues of immigration—the anti-neoliberal backlash in what are embedded liberal regimes requires closer scrutiny. Two questions are only slowly being tackled by scholars. First, why do archetypically anti-communist parties espouse socialist socioeconomic positions? Second, as many of the above-mentioned policy reversals happened when radical populist parties were not in government, are there any policy diffusion mechanisms at play?

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Traditionally, parties on the economic right emphasized a reduced economic role for government: privatization, lower taxes, less regulation, less government spending, and a leaner welfare state. However, recent scholarship (dedicated almost exclusively to Western Europe) has noted the “socialist” turn of what were once pro-market party formations, such as Le Pen's Front National or the Freedom Party of Austria (FPÖ). The socioeconomic reasons for such turn are still rather under-researched; however, what is clear is that, in the words of [Zoe Lefkofridi and Elie Michel](#), “[a] key social segment that has realigned during the last decades is the working class: formerly the key electoral clientele of parties on the left (Social Democrats, socialists and communists), workers now constitute the core supporters of the [radical right] in Western Europe.” This realignment has been then exploited by right-wing populists, who have espoused anti-neoliberal stances embedded in their nativist, anti-immigration discourse. The authors call such economic ideology “exclusive solidarity”. By analogy, right-wing anti-capitalism thrives in post-socialist countries as well: rising levels of inequality are unquestionable indicators that the transformation into market economies has favoured a minority of their citizens, thereby empowering parties campaigning on an anti-globalist platform that promotes, at least rhetorically, exclusive solidarity.

The extent of the anti-neoliberal backlash in the V4 is rather broad; however, populist right-wing parties were not always in government when policy changes occurred. Recent scholarship, for example the writings of [Andrea Pirro](#), hint at the possibility that the radical right has influenced the mainstream governing parties through heightened electoral competition. At the same time, there is significant diversity between the diffusion mechanisms at play, the actors implementing the policies and the ideology espoused by the individual parties in power. Examples from Slovakia, Poland and Hungary expound some of the variation.

In Slovakia, the populist dynamic is geared towards exclusive solidarity; however, the difference with Poland or Hungary is that the nationalist discourse is espoused by the *soi disant* social democratic party Smer (Direction), which already twice formed a coalition government with the radical right SNS under the Premiership of Robert Fico. Notable anti-neoliberal economic policies are the partial dismantling of mandatory private pension funds and the abandonment of the flat tax rate for progressive taxation.

In Poland, Donald Tusk's centre-right Civic Platform (PO) felt the intense competitive pressures of Law and Justice, which depicted PO as defending the interest of business against that of the poorest citizens. One of the policies that had been adapted as a consequence was the cancellation of most retrenchment plans for the Minimum Income Scheme. In this respect, PiS squarely adheres to exclusive solidarity, thereby promising a surge in social spending in its electoral manifesto (including an increased monthly child subsidy, lower pensionable age and a higher tax-free income threshold) amid limitations to foreign business and capital. In fact, after winning the 2015 elections, PiS immediately introduced a spate of populist measures, among which new taxes on the assets of banks and insurance companies, special taxes on supermarkets, and restrictions to foreigners buying farmland. Last but not least, the Deputy Premier Mateusz Morawiecki, announced plans to transfer three-quarters of the savings held in the Open Pension Funds (already depleted under Tusk) to the third pillar, and the remainder to the Demographic Reserve Fund (FUS) thereby effectively ending the Polish mandatory private pension experiment.

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In Hungary, Fidesz did not fully embrace exclusive solidarity as its ideology. Rather, as [Zsolt Enyedi](#) claims, it promotes middle-class populism through redistribution from poorer to richer strata. In fact, Fidesz left several neoliberal policies untouched (the flat tax) and reduced unemployment benefit generosity. At the same time, it adopted an anti-capitalist rhetoric, thereby co-opting a number of economic issues on which Jobbik has campaigned ahead of the 2010 elections. After the populist party repeatedly denounced the limited revenues deriving from multinational companies operating in Hungary, Fidesz introduced 13 sectoral taxes since 2010, primarily aimed at foreign firms in the financial, energy and telecommunication sectors. Similarly, Jobbik sought to abolish the mandatory private pension system, which was duly carried out by Orbán's government.

Law and Justice's government and Fidesz's progressive radicalization offer researchers as well as national and European policy-makers a first-hand opportunity to study what may happen if the other ultra-nationalist parties gain power in the region. As exclusive solidarity, or, using an old-fashioned term, national socialism is on the rise in the East, appropriate countermeasures are badly needed.

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