

A Service of



Leibniz-Informationszentrum Wirtschaft Leibniz Information Centre

Scheiring, Gábor

#### **Article**

The politics of growth models and populism in East-Central Europe

economic sociology. perspectives and conversations

#### **Provided in Cooperation with:**

Max Planck Institute for the Study of Societies (MPIfG), Cologne

Suggested Citation: Scheiring, Gábor (2023): The politics of growth models and populism in East-Central Europe, economic sociology. perspectives and conversations, ISSN 1871-3351, Max Planck Institute for the Study of Societies (MPIfG), Cologne, Vol. 24, Iss. 2, pp. 25-33

This Version is available at: https://hdl.handle.net/10419/271301

#### Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

#### Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



# The politics of growth models and populism in East-Central Europe

**Gábor Scheiring** 

### Introduction

he simultaneous rise of populism and the decay of liberal democracy in East-Central Europe is in striking contrast to the optimism prevalent in previous decades about the region's future. Without exception, each country in East-Central Europe embraced a dependent export-led growth model in the 1990s (Ban and Adăscăliței 2022; Bohle 2018; Schedelik et al. 2021). This model leveraged the appetite of Western manufacturing export companies in search of opportunities to re-

duce production costs to bolster their competitiveness. For a decade and a half, it seemed that the dominant social blocs managing this growth model could combine rapid economic growth, industrial upgrading, and democratization, soothing the inherent tensions of dependent export-led growth.

By the end of the 2000s, the legitimacy of this growth model had started to crumble. Populist social forces questioned the liberal narrative legitimating the model and pushed for institutional change.<sup>1</sup> Poland was the

first to produce a populist government in 2005, under the authoritarian-populist Law and Justice party (PiS), which was elected again in 2015.<sup>2</sup> Hungary followed in 2010, under the leadership of Viktor Orbán's Fidesz.<sup>3</sup> The Czech Republic also experienced waves of populism. In 2017, the populist ANO 2011 party<sup>4</sup> created by billionaire Andrej Babiš swept to power, while hardline populist Miloš Zeman also won the presidential election in 2018.

The rise of populism in the Visegrád region has generated veritable body of academic literature. One strand emphasizes political-economic factors, interpreting populism as a countermovement to the region's neoliberal models (Czech and Kassner 2021; Hann and Scheiring 2021; Johnson and Barnes 2015; Orenstein and Bugarič 2020; Shields 2015; Toplišek 2020). However, the emerging literature has not thoroughly engaged with the discussion on growth models and their internal tensions. This is problematic for two reasons. First, the growth model framework is on the verge of becoming the dominant analytical lens in comparative political economy. By neglecting this discussion, the studies on Eastern Europe risk isolating themselves from broader theoretical movements in the literature. Second, the growth model framework allows for an elegant, critical synthesis of economic and political factors, thereby bringing conceptual clarity into a field burdened by a mushrooming of con-

In this essay, I extend on my previous analyses of the political economy of populism (Ban, Scheiring, and Vasile 2021; Scheiring 2022; 2021; Scheiring and Szombati 2020), rooting the argument in the growth model perspective. I deploy the conceptual apparatus developed by Baccaro and Pontusson (2022; 016) and Amable and Palombarini (2009) to analyze the politics of growth models in the Czech Republic, Hungary, and Poland. I show how the dominant social blocs constructed the institutional underpinnings of the model and managed its tensions by pacifying the relative losers in the popular classes and among the ranks

**Gábor Scheiring** is a Marie Curie Fellow at Bocconi University, Milan. He received his PhD from the University of Cambridge, where he also worked as a political economy research fellow. In brief, his research focuses on how economic shocks create class, gender, and racial inequalities in health and well-being and what this portends for the future of democracy. His book *The Retreat of Liberal Democracy* (Palgrave, 2020) won the 2022 Book Award of the British Association for Eastern European Studies. His work has been published in the *Annual Review of Sociology*, *Theory and Society, Socio-Economic Review, Cambridge Journal of Economics*, and *The Lancet*. He served as a member of the Hungarian Parliament between 2010 and 2014. *gabor@gaborscheiring.com* 

of the national business class. I argue that the different forms of politically managing the growth model resulted in various degrees of economic and social disintegration, which opened the way for varying populist social coalitions that modified the growth model to different degrees.

# The politics of growth models

The growth model perspective (GMP) emerged in response to the limitations of the varieties of capitalism (VoC) approach, the dominant analytical apparatus in comparative political economy until recently. The novelty of the GMP is threefold. First, it brings macroeconomy back into comparative political economy. This shift also entails a correction to the neoclassical bias of the VoC approach, infusing heterodox economics (post-Keynesianism and the Regulation School) into the analysis. The VoC approach focuses on firms and competitiveness, and how this translates into different institutional configurations. The questions of demand and distribution are neglected. By bringing back the macroeconomy, the GMP foregrounds the role of demand and its main components. Second, inequality and distributive struggles take center stage in the GMP. Fundamentally, wages or profits can carry different weights in a growth model, and these aggregate components are mutually exclusive. A given amount of added value can only be either the source of profits or wages. The wage and profit share of the economy make up the total income generated. These aggregate components of demand are not entirely defined by supply-side factors, such as competitiveness, technology, or comparative advantage - institutions and politics play a central role.

This leads us to the third novelty of the GMP: it puts the "political" back into comparative political economy. Unlike institutional structures in the VoC framework, growth models are not automatically reproduced; they rely on social coalitions and politics for long-run stability. Each growth model is institutionalized by a dominant social bloc, with a particular set of institutions/policies that satisfy the members of the dominant bloc. In the case of democracies, these dominant blocs also must ensure their electoral majority. Thus, they also entail a set of political strategies, narratives, and policies to legitimize the model and secure enough votes. The dominant social blocs typically comprise various factions of the business class, with lower classes playing a secondary role. Thus, the members of a social bloc form a hierarchy, they are not equal, and there is always a degree of distributive conflict among them. The solution to stabilize the bloc is always temporary. This way, the GMP brings change back into comparative political economy, offering a powerful analytical toolkit to analyze the evolution or rupture of institutions. It is this third novelty that I rely on in this essay.

Growth models can run into crises, be destabilized by external shocks, or gradually become exhausted under the weight of their own internal contradictions. Such punctuated or gradual crises act as histor-

ical contingencies that throw the class compromise between the segments of the dominant social bloc into question. "Capitalists organize politically in response to economic crises and attempt to redefine the political-legal arrangements in ways that facilitate capital accumulation" (Prechel 2007, 6). In these situations, the constituent members of a growth coalition need to reach a new consensus and reconstitute the dominant social bloc (Amable and Palombarini 2009). The balance of power determines whether the response to these crises leads to a new growth model or the modification of peripheral aspects of the prevailing model.

Identifying the critical factions of the business class that constitute the dominant social bloc is central in analyses based on the GMP. In the dependent export-led growth models of East-Central Europe, the business class is polarized based on access to international markets and technology. Compared to transnational capitalists, national capitalists have less access to the most successful sectors of the global economy. Therefore, the national bourgeoisie of these states is structurally prone to relying directly on its informal political connections to compete with transnational companies (Bandelj 2016). However, transnational capital must also compromise with domestic political and economic elites to secure the conditions of accumulation (Gates 2008; Schrank 2008). Depending on their structural power and direct connections, national capitalists carried different weights in the dominant social blocs in the Visegrád region. Still, they were always secondary to foreign-owned manufacturing export corporations.

Technocrats – policymakers with high cultural and social capital in decision-making positions who also occupy critical roles in the business sector – provide interpretative schemes elaborating the narrative structure of the compromise cementing the social bloc. They also play an essential role in aligning the interests of businesses, politicians, and the broader electorate, thereby legitimizing and normalizing the institutional setup of the growth model. In the absence of a capitalist class in the early 1990s, technocrats played a crucial role in the first phase of the market transition in East-Central Europe as conduits of the interests of the future business class (Eyal, Szelényi, and Townsley 1998). The political systems of these countries were liberal democracies; thus, the dominant social bloc also had to pay attention to the electorate's needs. These popular classes had varying degrees of influence over policymaking.

In the rest of this essay, I rely on this conceptual apparatus to analyze the politics of the region's growth model. First, I focus on the rise of export-led growth models. I show the variegated surge of populism in the period following the 2008 global financial crisis, also

highlighting that the choices of managing the model's tensions in the preceding period influenced how much populists in power tried to change the model after the crisis.

# The rise of the dependent export-led growth model

In the dependent export economies of East-Central Europe, transnational corporations (TNCs), technocrats, and liberal-minded politicians comprised the key constituents of the dominant social blocs in most of the 1990s and 2000s. Foreign capitalists were at the top of the hierarchy, followed by technocrats and politicians. This growth coalition institutionalized an industrial policy based on economic openness and a strict preference for transnational capital.

The model also incorporated redistributionist strategies to partially offset the pain caused by declining/stagnating real wages and the falling share of labor income in GDP. These compensation strategies led to a combination of austerity to maintain fiscal balance and recurring deficits and cycles of indebtedness. National capitalists played a secondary role and had varied influence over policymaking. They had the most significant impact on institutions and policies that did not conflict with the interests/expectations of transnational capitalists, such as public procurement, retail, or agriculture. National capitalists grew more potent by the second half of the 2000s.

Economic liberalization and global economic integration from the end of the 1980s unleashed a wave of contemporaneous economic shocks: the collapse of the former socialist market (Comecon), rapid import liberalization, declining internal demand, and deep-seated institutional reforms. In the long run, many companies that might have had a chance failed to survive these shocks (Amsden, Kochanowicz, and Taylor 1994).

The degree of deindustrialization varied according to the strategy adopted. Hungary was the first to open its markets and fully embrace the dependent export-led growth model at the end of the 1980s/ early 1990s. At the same time, Poland and the Czech Republic invested more time and money to build their domestic economies. The number of bankruptcies completed was highest in Hungary throughout the first part of the 1990s, even though Hungary's population is four times smaller than Poland's (Scheiring 2021). The Czech Republic also attempted to avoid mass plant closures until 1996. In Hungary, a considerable share of state-owned enterprises with extensive business and technological cooperation systems was destroyed, contributing to the loss of economic linkages.

In contrast, a higher number of former socialist enterprises survived the transition in Poland and the Czech Republic, some of which ended up in domestic ownership, thus reducing the disintegration of their economies compared to Hungary.

International economic integration also opened the opportunity for dependent reindustrialization through foreign direct investment (FDI) (Bandelj 2008; Bohle and Greskovits 2012). Again, Hungary spearheaded the competition for foreign capital in the 1990s and 2000s. The Czech Republic turned from constructing national capitalism to the FDI-led model in the second half of the 1990s, followed reluctantly by Poland.

The export economies emerging in the region were dominated by foreign – predominantly, German – industrial companies. Over time, they engendered significant industrial upgrading; thus, the region's economies became exporters of complex, technology-intensive manufacturing products. Remarkably, the share of technologically complex exports is usually significantly lower in advanced countries (such as Germany or Austria) than in the region's dependent export economies. Therefore, complex exports cannot be taken as an absolute measure of economic development: the technological component of a country's total exports does not reflect the production processes in which an economy specializes within global commodity chains.

TNCs did not have a substantial spillover effect on the domestic economy (Iwasaki and Tokunaga 2013; Jensen 2006) but, again, Hungary's severely foreign investment-dependent development model performed the worst. The ratio of domestic value added of Hungary's total exports compared to the foreign value added is also low, between 25% and 30%. Domestic value added is highest in Poland, reaching around 80% of the foreign value added, followed by the Czech Republic (43%) (OECD 2020). The national capitalist class was much more sidelined by the dominant social bloc in Hungary than in the region's other countries. This has significant consequences for populism and institutional change in the 2010 period.

In addition to generating tensions within the business class, the dependent export-led growth model also caused tension within the popular classes. The export-led model was not particularly successful in job creation. Again, Hungary's dominant social bloc adopted the most extreme policies; thus, the collapse of employment in Hungary exceeded that of the other countries. The more cautious, more gradual approach to company restructuring in the Czech Republic and Poland slowed the loss of employment. In the 2000s, Hungary had the lowest employment level in the European Union (Eurostat 2020a), contributing to workers' anger. Poland has also experienced several spells

of jobless growth, from 1998 to 2004 (2005 saw the first PiS government) and from 2008 to 2014 (2015: second PiS government). By 2017, the Polish and Hungarian employment rates had increased to new heights, with the populist rule in Poland and Hungary corresponding with creating jobs.

Furthermore, a large share of the new jobs created during the transition were precarious. Poland boasts the highest percentage of temporary employment among all 34 OECD countries, by far surpassing other countries in the Visegrád region (OECD 2019). The share of temporary jobs had been rapidly increasing before the first electoral breakthrough of the populist PiS party, reaching 28.2% by 2007 and 28.4% by 2014, declining slightly to 24.4% by 2018 under the second PiS government. The Czech Republic managed to avoid mass plant closures and unemployment and to protect the quality of jobs and the security of labor relations (Sil 2017).

The expansion of the market in the 1990s increased psychosocial stress. However, because of its more radical approach to economic restructuring, Hungary was the only country in the region that also experienced a mortality crisis in the early 1990s, with male death rates rising to levels last experienced in the 1930s (Scheiring, Irdam, and King 2018). Deindustrialization was a significant factor behind the excess male deaths during the postsocialist mortality crisis. The economic benefits of hosting transnational corporations did not translate into better population health and might have contributed to health inequalities (Scheiring et al. 2021). This demographic crisis captures the impact of the postsocialist transformation better than abstract economic indicators: a significant part of the population experienced the market transition as a social shock, which contributed to the later loss of legitimacy of the growth model.

The economic success of the export-led model depends on repressing wage growth to boost the cost competitiveness of export companies. Throughout the region, real wages declined in a large part of the 1990s, growing slowly in the 2000s. On top of low employment, the psychosocial shock of the transition and wage repression also fueled workers' disillusionment, especially in Poland and Hungary. One year before Viktor Orbán came to power in 2010, real income per capita was only 11% higher than in 1978 (HCSO 2020). The Czech Republic was the first country in the Visegrád region to see its real wage level climb back to the 1989 level in 1996 (UNICEF 2001). Polish wages were below the Czech level until 2015. The growth of Polish wages was low between 2000 and 2005 (before the election of the first PiS government), while the pace of Polish wage growth started to overtake that of the other countries around 2015 and continued to do so under the second PiS government.

Trends in average wages masked increasing income disparities. The rise in the Gini coefficient in Eastern Europe was almost three times as fast as that recorded in the Western countries where inequality rose most rapidly in the 1980s: the United Kingdom, the Netherlands, and United States (Milanovic 1998).

Strategic social policies, such as early retirement, in the 1990s and debt-fueled consumption in the 2000s contributed to the temporary legitimation of the growth model. In this respect, the region's economies diverged from the classic export-led economy of Germany. They behaved like hybrid models, characterized by Southern European-type consumption growth fueled by household debt. However, many of these consumer loans were financed by foreign currency lending, and this scheme exploded with the global financial crisis. The proportion of households unable to cover unexpected expenses in Hungary increased from 57% to 75% in the 2005-2009 period (Eurostat 2020b). Poland also saw a large share of people unable to cover unexpected expenses in 2005, the highest in the region at that time, which corresponds to the first electoral breakthrough of PiS.

In sum, the countries of East-Central Europe all embraced dependent export-led growth. This contributed to significant industrial upgrading in the export economies. Still, the technological gains did not spill over to the domestic economy, especially in Hungary, where domestic capitalists were sidelined more than in other countries. At the same time, export-led growth required the repression of wage growth. Employment growth also remained sluggish. Debt-financed consumption emerged as a temporary fix to stagnating consumption, especially in Poland and Hungary. Industrial and social policies used to calibrate the growth model and pacify the victims diverged across the region's countries. Industrial and social policies failed in Hungary. Poland was stronger in industrial policy but weaker in social policy. The Czech Republic was most successful on the two fronts, thus allowing for a solid domestic bourgeoisie and a pacified working middle class. The divergent economic and social disintegration trends opened up varied opportunity structures for populist social coalitions.

# Populist fixes of the growth model

In socially and economically disintegrated Hungary, precarious workers and the indebted middle class grew disillusioned with the growth model in the 2000s (Pew Research Centre 2009). Research has demonstrated that the collapse of neoliberalized left-wing parties is strongly related to their economic policy agenda: voters severely punish left-wing parties at the

ballot box for moving to the right on economic policy (Bodea, Bagashka, and Han 2019). Working-class support for the Hungarian Socialist Party<sup>5</sup> dropped significantly during the 2000s. In comparison, Fidesz and Jobbik<sup>6</sup> had gained support among workers by the end of the 2000s (Enyedi, Fábián, and Tardos 2014, 553). After the financial crisis, support for Fidesz and Jobbik was also higher among indebted families with foreign currency loans (Enyedi, Fábián, and Tardos 2014).

However, this working-class revolt is not the real driver of Fidesz's political-economic strategy. The high level of economic disintegration contributed to the rising popularity of economic nationalism among Hungarian national capitalists, which helped Fidesz's electoral success in 2010 and has contributed to the regime's stability ever since. Hungary's populist countermovement is particularly strong because domestic capitalists have also embraced it. Domestic capitalists were increasingly alienated by the left-liberal governments and had a keen interest in helping to power a new government to facilitate their capital accumulation better.

Orbán allied with transnational capitalists in the productive sector, but his signature achievement is the emancipation of domestic capitalists. National capitalists are integrated into the dominant social bloc as secondary actors and receive benefits in non-tradeable, non-technological sectors over which the state has considerable influence, such as retail, public procurement, or banking. However, these sectors are outside the core of the growth model. The dynamic center of the economy continues to be dominated by foreign export capital. The Fidesz government intensified the key tenets of the dependent export-led growth model.

Integrating national capitalists into the dominant social bloc comes at a price; it precludes catering to the needs of workers, who had high hopes that Fidesz would change their fate. The accelerated capital accumulation of national capitalists and the embourgeoisement of the upper-middle class required several measures that reduced the bargaining power of labor and contributed to continued wage repression. The Fidesz government changed the existing structure of social rights, dismantled trade unions and all primary institutional forms of the interest representation of the socially vulnerable, and abolished social policy regimes to redistribute money upwards.

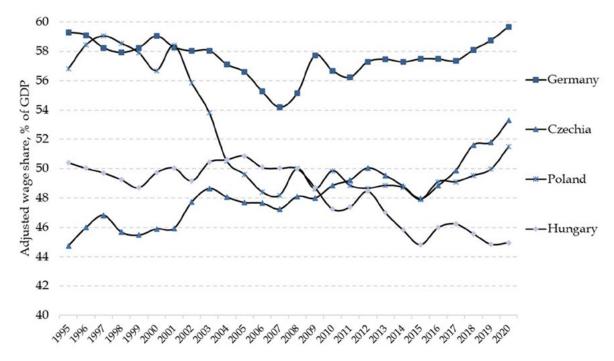
To make this highly conflictual growth model politically sustainable, Fidesz's nationalist-populist strategies use identity politics to appease the losers of export-led growth – the discursive software of authoritarianism in Hungary. In addition, Orbán also curtailed democracy – the institutional hardware of authoritarianism. No elections in Hungary since 2010 have been free and fair, and the country has degraded

into a competitive authoritarian, hybrid regime. Orbán's illiberal project is, in essence, an elite-based project exploiting popular sentiments against liberal elites to execute a nationalist half-turn in economic policymaking to integrate national capitalists in the growth coalition.

Despite a strong record of economic growth, Poland also experienced severe social disintegration in the form of jobless growth, high income and regional inequality, labor market precarity, and indebtedness. As inequalities grew, people became dissatisfied with their country's economic situation in the mid-2000s (Grosfeld and Senik 2010). Although overall disillusionment with capitalism was lower in Poland than in Hungary, it was still very significant among low-income earners: 50% of the bottom 40% of income earners in Poland thought that the establishment of the market economy in Poland was not beneficial (Paczynska 2005). The working-class countermovement kicked off by neoliberal market-making policies was thus crucial for the rise of populism in Poland.

However, in Poland, the disintegration of the economy did not reach the same level as in Hungary. Industrial policy tools implemented by various governments helped domestic capitalists to accumulate capital and prevented the emergence of a sharp dualism between the transnational and domestic economic sectors. Consequently, the nationalist populists of PiS cannot claim a monopoly over representing the interests of national capitalists in Poland. Although economic patriotism continued after the populist turn, it is not a prerogative of PiS: the main oppositional party, Donald Tusk's Civic Platform (PO), has excellent connections to national capitalists, who were successfully pushing for developmental state policies already before the populist PiS government (Naczyk 2021).

Therefore, the socioeconomic strategy of PiS significantly differs from that of Fidesz (Rat and Szikra 2018; Toplišek 2020). There is less push to dramatically change the economy's fundamentals to accelerate domestic capital accumulation. This also leaves more room to focus on the needs of the lower classes, although in a markedly conservative, antiliberal way (Grzebalska and Pető 2018; Raţ and Szikra 2018). The social policies of PiS (such as the flagship family 500+ initiative)<sup>7</sup> are more popular than those of Fidesz, entailing a lower risk of alienating the working-class electorate. Income inequality has been declining under the PiS government and increasing under Orbán. From 2015, social policy expenditures were dramatically cut in Hungary and grew in Poland. Severe poverty declined in Poland following the populist turn in 2015 and increased in Hungary after the populist turn in 2010.



**Figure 1.** The evolution of the wage share in East-Central Europe Source: European Commission (2022)

Although it would be a mistake to idealize the Czech model, it is evident that the Czech Republic has avoided severe social and economic disintegration. With lower levels of social and economic disintegration, there is a lower chance of a virulent populist countermovement. Although populist parties and politicians in the Czech Republic also draw on the support of the disillusioned rural working class, this has not been enough for a fully-fledged illiberal breakthrough or a profound modification of the growth model. Although some of PM Babis's moves eroded democratic quality, his attempts at putting pressure on courts or civil society have so far failed. His government acted more as a technocratic populist twist on the same growth model without any significant change in the underlying economic structure and the composition of the dominant social bloc (Guasti 2020).

The Czech developmental state allowed a more integrated domestic economy and a more robust national capitalist class. Czech capitalists are, therefore, less in need of seeking the protection of nationalist populists. As the Czech national bourgeoisie was not pitted against the institutions of dependent capitalism, as in the case of Hungary, there is less drive to amend the growth model fundamentally. The Czech bourgeoise has been an integral part of the dominant social coalition and does not need to rely on the protection of nationalist populists. As the founding leader of the ANO party, Andrej Babiš, one of the country's billionaires, entered politics in 2012, serving as minister of finance and deputy prime minister from 2014 to 2017, then as prime minister from 2017. Babiš embodies the

integration of Czech financial interests into the postsocialist state.

Figure 1 summarizes a vital aspect of the changing politics of growth models in the region, showing the evolution of the wage share in the Czech Republic, Poland, and Hungary, compared to Germany, the archetypal export-led country. The figure strongly underpins the narrative presented in this essay. The wage share had declined significantly in Poland and Hungary in the 1990s and 2000s, except for a brief social-democratic period in 2002-2004 in Hungary. In contrast, the Czech Republic combined export-led growth with a continuous rise in the wage share, albeit from a comparatively low level. However, Poland and Hungary diverged recently. While Poland's populist government modified the growth model by paying more attention to the needs of the rural working class, Hungary's populist government doubled down on the dependent export-led model while making some concessions to the national capitalists. The cost of this partial economic nationalist turn was borne by the workers, who have seen a dramatic decline in their share of income under Viktor Orbán's government.

# Concluding discussion

This essay has shown how East-Central Europe's dependent export-led growth models gave rise to different populist social coalitions. These coalitions changed some features of the growth model without altering the fundamentals. However, the degree of change dif-

fers strongly across the countries. The article has explained these differences by referring to the differences in how the dominant social blocs politically managed their country's growth model.

Hungary's national-populist neoliberal strategy under Viktor Orbán is built on a robust social coalition between nationalist-populist politicians and national capitalists, accepting the dominant role of foreign investors in technology-intensive export sectors. Workers initially also supported this new growth coalition, hoping the nationalist turn would improve their fate. However, workers are not the primary beneficiaries of the populist turn; they pay the price for the accelerated capital accumulation of the national bourgeoisie. To make the model politically sustainable, Orbán relies on nationalist-populist legitimation strategies and authoritarian attacks on liberal institutions.

Poland's populism is built on an alliance between nationalist-populist politicians and the working class in deindustrialized rural areas who revolted against the liberalism of elites. There were fewer incentives for a nationalist-populist turn among national capitalists. Thus, Polish populists are less embedded in the economic elite, leaving more room for social policies with more mass appeal and a lower risk of alienating the working-class electorate. Thus, the wage share started to increase in Poland under the rule of

the populist PiS, in stark contrast to Hungary. Inequality has also been declining, again in contrast to Hungary. While PiS continues to support national champions, this is neither new nor a radical break from the patriotic industrial policies of the preceding periods.

The Czech version of dependent export-led growth achieved something remarkable, managing the export-led growth in a way that allowed for a continuous rise in the wage share. Robust social policies ensured that fewer people lost out than in Hungary or Poland. At the same time, industrial policies allowed for a strong national bourgeoisie. In this respect, the Czech Republic resembles Poland: populists cannot claim a monopoly over representing the interests of national capitalists. Thus, the growth model in the Czech Republic required only minor fixes. The room for a populist big bang was smaller.

Applying the "politics of growth models" framework to analyzing populism has significant benefits. Though the empirical material covers East-Central Europe, the causal mechanism identified here is relevant to other semi-peripheral countries that followed a dependent export-led growth model. Local class configurations vary according to geographically diverse histories; however, the tendency of dependent export-led growth to generate social disintegration is likely to play into the democratic malaise elsewhere, too

# **Endnotes**

- 1 This essay defines populism as "a form of political claims-making—that is, a way of formulating appeals to a mass public using a Manichean logic that opposes the virtuous people to corrupt elites and affiliated out-groups" (Gidron and Bonikowski 2013, 24). When populists are elected to power, this does not necessarily lead to democratic backsliding. The more authoritarian and anti-liberal populist parties, such as Fidesz, are more inclined to engage in illiberal practices. This illiberalism entails a set of practices of government and social relations in the economy and culture, comprising a divergence from the norms and practices of pluralist, constitutional liberal democratic governance leading to varying degrees of regime change towards hybrid or autocratic regimes (Levitsky and Way 2002). It is also important to point out that liberal democracy is not the same as neoliberalism. Neoliberalism is not a fixed ideology but a constantly evolving and hybridized political project that emerged in reaction to embedded forms of capitalism with the aim of strengthening the
- profitability and power of the business class (Mudge 2008). Consequently, some liberal democracies are less neoliberal than others. Also, while some illiberal governments openly break with liberal democracy, they might remain within the framework of neoliberalism.
- 2 Prawo i Sprawiedliwość (PiS)
- 3 Fidesz–Magyar Polgári Szövetség (Fidesz–Hungarian Civic Alliance)
- 4 Akce Nespokojených Občanů (Action of Dissatisfied Citizens)
- 5 MSZP Magyar Szocialista Párt (Hungarian Socialist Party)
- 6 Jobbik Magyarországért Mozgalom (Movement for a Better Hungary)
- 7 The Family 500+ is a benefit scheme that aims to improve birth rates and provide financial support to families. All Polish families with children under 18 receive a tax-free benefit of PLN 500 (~100 euros) a month.

## References

- Amable, Bruno, and Stefano Palombarini. 2009. "A Neorealist Approach to Institutional Change and the Diversity of Capitalism." *Socio-Economic Review* 7 (1): 123–43.
- Amsden, Alice H., Jacek Kochanowicz, and Lance Taylor. 1994. *The Market Meets Its Match: Restructuring the Economies of Eastern Europe*. Cambridge, MA: Harvard University Press.
- Baccaro, Lucio, and Jonas Pontusson. 2016. "Rethinking Comparative Political Economy: The Growth Model Perspective." *Politics & Society* 44 (2): 175–207.
- Baccaro, Lucio, and Jonas Pontusson. 2022. "The Politics of Growth Models." *Review of Keynesian Economics* 10 (2): 204–21.
- Ban, Cornel, and Dragoş Adăscăliței. 2022. "The FDI-led Growth Models of the East-Central and South-Eastern European Periphery." In *Diminishing Returns: The New Politics* of Growth and Stagnation, edited by Lucio Baccaro, Mark Blyth, and Jonas Pontusson, 189–211. Oxford: Oxford University Press.
- Ban, Cornel, Gabor Scheiring, and Mihai Vasile. 2021. "The Political Economy of National-Neoliberalism." *European Politics and Society*, published online August 10, 2021, doi: 10.1080/23745118.2021.1956241.
- Bandelj, Nina. 2008. From Communists to Foreign Capitalists: The Social Foundations of Foreign Direct Investment in Postsocialist Europe. Princeton: Princeton University Press.
- Bandelj, Nina. 2016. "On Postsocialist Capitalism." *Theory and Society* 45 (1): 89–106.
- Bodea, Cristina, Tanya Bagashka, and Sung Min Han. 2019. "Are Parties Punished for Breaking Electoral Promises? Market Oriented Reforms and the Left in Post-Communist Countries." SSRN Electronic Journal, doi: 10.2139/ssrn.3361134.
- Bohle, Dorothee. 2018. "European Integration, Capitalist Diversity and Crises Trajectories on Europe's Eastern Periphery." New Political Economy 23 (2): 23953.
- Bohle, Dorothee, and Béla Greskovits. 2012. *Capitalist Diversity on Europe's Periphery*. New York: Cornell University Press.
- Czech, Sławomir, and Maciej Kassner. 2021. "Counter-Movement at a Critical Juncture: A Neo-Polanyian Interpretation of the Rise of the Illiberal Right in Poland." Intersections. East European Journal of Society and Politics 7 (2): 128–48.
- Enyedi, Zsolt, Zoltán Fábián, and Róbert Tardos. 2014. "Pártok és szavazók, 2002–2014 (Parties and Voters, 2002–2014)." In *Társadalmi Riport 2014* (Social Report 2014), edited by Tamás Kolosi and István György Tóth, 532–56. Budapest: TÁRKI.
- European Commission. 2022. *AMECO Database*. European Commission, Directorate General for Economic and Financial Affairs. Accessed November 14, 2022.
  - https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/ameco-database\_en.
- Eurostat. 2020a. "Employment and Activity by Sex and Age (1992–2020) Annual Data." Eurostat [LFSI\_EMP\_A\_H].

  Accessed February 22, 2023. https://ec.europa.eu/eurostat/databrowser/bookmark/8d8691a5-00a5-43c0-bbb9-fe82e9c08e14?lang=en.
- Eurostat. 2020b. "Inability to Face Unexpected Financial Expenses: EU-SILC Survey." *Eurostat* [ILC\_MDES04]. Accessed February 22, 2023. https://ec.europa.eu/eurostat/databrowser/bookmark/b1e51276-f955-4c9e-90d0-2be6926ed755?lang=en.

- Eyal, Gil, Iván Szelényi, and Eleanor Townsley. 1998. *Making Capitalism without Capitalists: Class Formation and Elite Struggles in Post-Communist Central Europe*. London: Verso.
- Gates, Leslie C. 2008. "Theorizing Business Power in the Semiperiphery: Mexico 1970–2000." *Theory and Society* 38 (1): 57–95.
- Gidron, Noam, and Bart Bonikowski. 2013. "Varieties of Populism: Literature Review and Research Agenda." Working Paper Series 13-0004, Weatherhead Center for International Affairs, Harvard University, Cambridge, MA.
- Grosfeld, Irena, and Claudia Senik. 2010. "The Emerging Aversion to Inequality." *Economics of Transition and Institutional Change* 18 (1): 1–26.
- Grzebalska, Weronika, and Andrea Pető. 2018. "The Gendered Modus Operandi of the Illiberal Transformation in Hungary and Poland." *Women's Studies International Forum* 68 (May–June): 164–72
- Guasti, Petra. 2020. "Populism in Power and Democracy: Democratic Decay and Resilience in the Czech Republic (2013–2020)." *Politics and Governance* 8 (4): 473–84.
- Hann, Chris, and Gábor Scheiring. 2021. "Neoliberal Capitalism and Visegrád Countermovements." *Europe-Asia Studies* 73 (9): 1555–68.
- HCSO. 2020. "Gazdaságilag Aktívak, Bruttó Átlagkereset, Reálkereset (1960–) (Activity Rate, Gross Average Wage, Real Wage [1960–])." Hungarian Central Statistical Office, Budapest. Accessed March 19, 2020.
- www.ksh.hu/docs/hun/xstadat/xstadat\_hosszu/h\_qli001.html. Iwasaki, Ichiro, and Masahiro Tokunaga. 2013. "Spillover versus Ownership: A Meta-Analysis of Transition Literature." RRC Working Paper Series 42, Russian Research Center, Institute of Economic Research, Hitotsubashi University.
- Jensen, Camilla. 2006. "Foreign Direct Investment and Economic Transition: Panacea or Pain Killer?" *Europe-Asia Studies* 58 (6): 881–902.
- Johnson, Juliet, and Andrew Barnes. 2015. "Financial Nationalism and its International Enablers: The Hungarian Experience." *Review of International Political Economy* 22 (3): 535–69.
- Levitsky, Steven, and Lucan Way. 2002. "The Rise of Competitive Authoritarianism." *Journal of Democracy* 13 (2): 51–65.
- Milanovic, Branko. 1998. *Income, Inequality, and Poverty during the Transition from Planned to Market Economy*. World Bank, Washington, DC.
- Mudge, Stephanie L. 2008. "What Is Neo-Liberalism?" Socio-Economic Review 6 (4): 703–31.
- Naczyk, Marek. 2021. "Taking Back Bontrol: Comprador Bankers and Managerial Developmentalism in Poland." *Review of International Political Economy*, published online June 28, 2021, doi: 10.1080/09692290.2021.1924831.
- OECD (Organisation for Economic Co-operation and Development). 2019. "Temporary Employment, Total, % of Dependent Employment, 1980 2018." OECD, source: Labour Market Statistics: Employment by Permanency of the Job: Incidence. Accessed October 30, 2019.
- https://data.oecd.org/emp/temporary-employment.htm.
  OECD (Organisation for Economic Co-operation and Development). 2020. "Trade in Value Added: Domestic Value Added in Gross Exports." OECD Statistics on Trade in Value Added Database.

- Accessed March 24, 2020. https://data.oecd.org/trade/domestic-value-added-in-gross-exports.htm.
- Orenstein, Mitchell A., and Bojan Bugarič. 2020. "Work, Family, Fatherland: The Political Economy of Populism in Central and Eastern Europe." *Journal of European Public Policy* 29 (2), published online October 19, 2020, doi: 10.1080/13501763.2020.1832557.
- Paczynska, Agnieszka. 2005. "Inequality, Political Participation, and Democratic Deepening in Poland." *East European Politics & Societies* 19 (4): 573–613.
- Pew Research Centre. 2009. The Pew Global Attitudes Project 2009. Two Decades After the Wall's Fall: End of Communism Cheered but Now With More Reservations. Washington, DC: Pew Global.
- Prechel, Harland, ed. 2007. *Politics and Neoliberalism: Structure, Process and Outcome*. Oxford: Elsevier.
- Raţ, Cristina, and Dorottya Szikra. 2018. "Family Policies and Social Inequalities in Central and Eastern Europe: A Comparative Analysis of Hungary, Poland and Romania between 2005 and 2015." In *Handbook of Family Policy*, edited by Guðný B Eydal and Tine Rostgaard, 223–35. Cheltenham: Edward Elgar.
- Schedelik, Michael, Andreas Nölke, Daniel Mertens, and Christian May. 2021. "Comparative Capitalism, Growth Models and Emerging Markets: The Development of the Field." *New Political Economy* 26 (4): 514–26.
- Scheiring, Gábor. 2021. "Varieties of Dependency, Varieties of Populism: Neoliberalism and the Populist Countermovements in the Visegrád Four." *Europe-Asia Studies* 73 (9): 1569–95.
- Scheiring, Gábor. 2022. "The National-Populist Mutation of Neoliberalism in Dependent Economies: The Case of Viktor Orbán's Hungary." Socio-Economic Review 20 (4): 1597–623.

- Scheiring, Gábor, Aytalina Azarova, Darja Irdam, Katarzyna J.
  Doniec, Martin McKee, David Stuckler, and Lawrence King.
  2021. "Deindustrialization and the Postsocialist Mortality Crisis."
  PERI Working Paper 541, Political Economy Research Institute,
  University of Massachusetts, Amherst.
- Scheiring, Gábor, Darja Irdam, and Lawrence King. 2018. "The Wounds of Post-socialism: A Systematic Review of the Social Determinants of Mortality in Hungary." *Journal of Contemporary Central and Eastern Europe* 26 (1): 1–31.
- Scheiring, Gábor, and Kristóf Szombati. 2020. "From Neoliberal Disembedding to Authoritarian Re-embedding: The Making of Illiberal Hegemony in Hungary." *International Sociology* 35 (6): 721–38.
- Schrank, Andrew. 2008. "Homeward Bound? Interest, Identity, and Investor Behavior in a Third World Export Platform." *American Journal of Sociology* 114 (1): 1–34.
- Shields, Stuart. 2015. "Neoliberalism Redux: Poland's Recombinant Populism and its Alternatives." *Critical Sociology* 41 (4–5): 659–78.
- Sil, Rudra. 2017. "The Battle over Flexibilization in Post-Communist Transitions: Labor Politics in Poland and the Czech Republic, 1989–2010." *Journal of Industrial Relations* 59 (4): 420–43.
- Toplišek, Alen. 2020. "The Political Economy of Populist Rule in Post-Crisis Europe: Hungary and Poland." *New Political Economy* 25 (3): 388–403.
- UNICEF (United Nations Children's Fund). 2001. "A Decade of Transition." *Regional Monitoring Report* 8, UNICEF Innocenti Research Centre, Florence.