FROM POSTER BOYS TO BLACK SHEEP:

AUTHORITARIAN NEOLIBERALISM IN HUNGARY AND POLAND

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Contrary to the predictions of many progressive scholars and activists (Klein 2008; Stiglitz 2008), the 2008-9 Global Financial Crisis (GFC) did not lead to the death of neoliberalism. Instead, the last decade has seen the deepening of austerity measures, the increasing commodification of the commons, the ascendancy of 'authoritarianism' and 'illiberalism', and the growing racialisation or ethnicisation of class inequalities across the world. Some of the most conspicuous examples of these dark developments can be found in Central Eastern Europe (CEE).

Hungary stands out as a vanguard state. Since 2010, Prime Minister Viktor Orbán has consolidated a hard-right regime, in which constitutional checks and balances are virtually non-existent, the independent media, trade unions, and civil society groups are constantly harassed by government authorities, minority groups and refugees suffer from institutionalised racism, and the ruling Fidesz party and its oligarchs control nearly all public institutions and increasingly large parts of the economy (Fabry 2019; Scheiring 2020). Against this background, political scientists have characterised contemporary Hungary as an 'elected autocracy' (Ágh 2015), a 'hybrid, competitive authoritarian regime' (Bozóki and Hegedűs 2018), or an 'illiberal democracy' (Buzogány 2017; Rupnik 2012; Szelényi and Csillag 2015; Wilkin 2018).

Under the nationalist-conservative Law and Justice Party (PiS) government, Poland has been following a similar, though not identical path, fuelled by the revolt of disgruntled working-class and rural

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constituencies against post-socialist liberal elites (Kalb 2018; Przybylski 2018; Sata and Karolewski 2020; Smiecinska 2020). Since 2015, PiS has pushed through a number of highly controversial measures, from abolishing the independence of the Constitutional Court, through turning the state media into a propaganda outlet of the government, to introducing a near-total ban on abortion. At the same time, the PiS promotes ‘welfare chauvinist’ social policies: increasing welfare benefits for heteronormative Polish citizens, while attacking LGBTQ people and withdrawing welfare support from foreigners.

Under billionaire-turned Prime Minister, Andrej Babiš, Czechia has also started to show signs of ‘democratic de-consolidation’ (Bustikova and Guasti 2017), although this has not led to a full-blown illiberal turn so far (Bustikova and Guasti 2017; Hanley and Vachudova 2018; Havlík and Hloušek 2020; Pehe 2018). Finally, in Slovakia neoliberalism and authoritarian populism have long-coexisted together, often in hybrid forms (Dostal *et al.* 2018; Haughton 2001; Fisher *et al.* 2007; Makovicky 2013), although it has so far not returned to an illiberal state formation.

Drawing on Antonio Gramsci (1973) and Stuart Hall (1979, 1980, 1985), as well as more recent writings on the contested relationship between neoliberalism and democracy (Berberoglu 2020; Biebricher 2015; Bruff 2014, 2016a, 2016b; Davidson and Saull 2017; Kiely 2017; Tansel 2017), this article argues that the ‘illiberal revolution’ (Krastev 2018) in CEE is a symptom of a wider shift towards ‘authoritarian neoliberalism’ (Bruff 2014, 2016a, 2016b; Tansel 2017). This turn is characterised by the fusion of radical right-wing populism *and* the deepening of neoliberal policies and practices (often against economic rationality) through coercive and/or legal measures by governments. The article concentrates on the relationship between authoritarianism and neoliberalism in Hungary and Poland, which have emerged as models of illiberalism (Kalb 2018; Krastev 2018; Scheiring forthcoming). However, it also presents some illustrative examples from other countries in CEE to reflect on broader trends toward authoritarian neoliberalism in the region.

Before analysing these developments in further detail, I will clarify what I mean by the term ‘neoliberalism’. Despite decades of use, neoliberalism remains a contested term. Attempts to decipher the term have been further complicated by the fact that, until recently, very few people were willing to describe themselves as ‘neoliberal’ (for exceptions, see Bowman 2016; Pirie 2014). In this article, neoliberalism does not represent a ‘rascal concept' (Peck *et al.* 2010), neither is it limited to a strict set of economic ideas or policies (Kozul-Wright and Rayment 2007; Palley 2005; Stiglitz 2002), or the machinations of a secretive, but highly influential 'thought collective' (Mirowski 2013; Mirowski and Plehwe 2009). Rather, I perceive it in three mutually interrelated ways.

Firstly, I see it historically as a loose, and, at times, contradictory ideology, combining a strong commitment to market 'self-regulation', monetarist analysis of inflation, and supply-side theory, with promotion of state intervention to correct market failures and expand market mechanisms to all areas of society (Dardot and Laval 2013; Howard and King 2008; Peck 2010; Turner 2008). Given the focus of this special issue of *JAPE*, it should be emphasised that neoliberalism emerged as a reaction *against* the crisis of classical liberalism during the interwar years *and* the advancement of different intellectual movements that promoted the democratisation of the economy – from Keynesianism and social democracy, through market socialism, to Latin American structuralism. Hence, already from its birth, neoliberalism was characterised by a strong aversion to popular democracy and attempts to limit it through different forms of authoritarian rule (Biebricher 2015; Brown 2015; Kiely 2017). This view is shared by contemporary right-wing populist parties and movements, from the Austrian Freedom Party (FPÖ), through Geert Wilders' Party for Freedom (PVV), to Alternative for Germany (AfD), despite their anti-establishment rhetoric (Hendrikse 2018; Slobodian 2018).

Second, I perceive neoliberalism as a class project, aiming to re-establish the conditions for capital accumulation following the global crisis of the 1970s (Davidson 2010, 2018; Duménil and Lévy 2004). Thirdly, I identify neoliberalism with the current phase of global capitalism, characterised by a structural re-orientation of the state towards export-oriented, financialised capital, open-ended commitments to market-like governance systems, privatisation and corporate expansion, and deep aversion to social collectives and the progressive redistribution of wealth on the part of ruling classes. (Cahill 2014; Davidson 2010; Saad-Filho 2010). Since gaining increasing traction among ruling classes in the advanced capitalist states in the 1970s, neoliberalism has 'rolled out' across the world in different phases (Peck and Tickell 2002), resulting in 'variegated neoliberalisms', depending on the intensity of external constraints, domestic intellectual and political support for neoliberalisation, and the level of resistance by organised labour (Ban 2016; Davidson 2017; Macartney 2011). While conservative governments and intellectuals played a decisive role in the roll out of neoliberal reforms in the late 1970s and throughout the 1980s, neoliberalism cannot simply be equated with the 'rise of the New Right'. Indeed, between the early 1990s and the late 2000s, reformist governments and intellectuals played a key role in consolidating neoliberalism into a coherent programme (Bockman 2011; Davidson 2017; Howard and King 2008).

Against this background, the argument in this article is articulated as follows. Section one offers a critical review of the literature on illiberalism in CEE. Section two discusses the contested history of neoliberalism in the region between 1990 and 2009. It is argued that this period saw the emergence of a 'new regime of accumulation' (Overbeek 1993; Pijl 1998) based on foreign direct investment (FDI) and export-led growth. This process was promoted by international financial institutions (IFIs), such as the International Monetary Fund (IMF) and the World Bank, multinational corporations (MNCs), and neoliberal think-tanks, but was also widely embraced by domestic economic and political elites. While neoliberal policies brought large amounts of foreign capital to the region from the mid-1990s onwards, the socio-economic consequences of neoliberal restructuring were disastrous. Although the FDI-led growth model showed increasing limitations by the early 2000s, governments in the region pushed ahead with sweeping neoliberal reforms in order to attract foreign capital. While this contributed to a credit-led boom between 2002-7, it left the CEE economies highly vulnerable to the GFC. Section three examines the authoritarian neoliberalisms emerging in since 2010, showing how the Fidesz and PiS governments have attempted to consolidate a new regime of accumulation – combining some of the central tenets of neoliberalism with 'authoritarian-ethnicist' discourses and practices that seek to co-opt, coerce, or manufacture consensus among subaltern groups in society against alleged 'enemies' of the nation. Finally, the concluding section discusses the strengths and weaknesses of authoritarian neoliberalism, and considers the future prospects of progressive change in the region.

Theorising the ascendancy of authoritarianism in CEE from a critical political economy perspective

Political scientists normally define 'authoritarianism' as a system of government in which power is practiced 'from above' (without citizens being consulted through periodic free and fair elections) (Heywood 2017), whereas 'illiberalism' is defined as a system of government in which civil liberties and political rights are *formally* recognised, but routinely ignored by political leaders (Zakaria 1997). However, as Glasius (2018) notes, while regime-based definitions might help us to explain *how* governments came to power, they are not very helpful in explaining 'what they do once they are in power.' Thus, the regimes of Bolsonaro, Duterte, Modi, Orbán, and Trump are not formally considered authoritarian, since they have all been (relatively) freely and fairly elected. Against this background, this article employs a 'practice perspective': differentiating between *authoritarian practices*, conceived here as 'patterns of action that sabotage accountability to people over whom a political actor exerts control, or their representatives, by means of secrecy, disinformation and disabling voice', and *illiberal practices*, which 'refer to patterned and organised infringements of individual autonomy and dignity' (Glasius 2018: 517). Although authoritarian and illiberal practices might overlap in political life, the difference lies in the type of harm effected: authoritarian practices primarily constitute a threat to democratic processes, while illiberal practices are primarily a human rights problem.

For most liberal commentators, the ascendancy of authoritarianism in CEE has come as a surprise. One exception is the Bulgarian political scientist, Ivan Krastev, who in 2007, three years before Orbán returned to power in Hungary, argued that liberalism had 'come to an end' in CEE (Krastev 2007). As Krastev (2007: 57) noted:

> Dissatisfaction with democracy is growing […] The picture is bleak and depressing. The liberal parties founded by former dissidents have been marginalised, the liberal language of rights is exhausted, and centrism and liberalism are under attack both as philosophy and as political practice. The new hard reality in Central Europe is political polarisation, a rejection of consensual politics, and the rise of populism.

While Krastev believed that democratic backsliding in CEE was part of a wider trend in the European Union (EU), more recent liberal accounts have described it as a unique process, unrelated to wider, structural trends in the capitalist world economy. Authors have proposed a plethora of causal factors: the problems of 'historical legacies' (*eg.* the persistence of feudal cultural values, the extent of economic integration with the West and pro-market reforms introduced prior to 1989, and the limitations of post-communist party systems, as manifested by the lack of real elite change following the transition) (Pop-Eleches 2007; Pridham 2014; Csepeli and Prezsák 2011; Kis 2013); increasing political polarisation and the rise of 'populism' (Enyedi 2016; Krekó and Enyedi 2018); and the purported personal characteristics of CEE political leaders, such as Babiš, Kaczynski, Orbán, and the extent to which they diverge from alleged liberal democratic norms (Bozóki 2015; Innes 2014; Lendvai 2018). Commenting on Hungary, sociologist and former liberal politician, Bálint Magyar, has argued that the Orbán regime represents a 'post-communist mafia state', in which the Prime Minister acts as a contemporary *Padrino*, using his personal authority to promote his own economic interests and those of his actual and 'adopted' family members (*ie.* 'oligarchs' who use their connections with the regime to accumulate wealth) (Magyar 2016).

Such accounts are problematic on several grounds. First, they are generally based on ideal-types, assuming (incorrectly) a sharp, theoretical division between (neoliberal) capitalism and authoritarian (and far-right) politics. However, such a conceptual framework overlooks the brutal history of neoliberalisation in CEE and the former USSR, let alone elsewhere in the world (Davidson and Saull 2017; De Smet and Bogaert 2017; Hanieh 2013; Springer 2017). Moreover, it also fails to explain the role of centre-left parties in the rise of authoritarian politics in the region. Second, in light of recent findings in the *Panama* and *Paradise Papers*,[1] the argument that 'corruption' or 'state capture' would somehow be limited to post-communist regimes (rather than being a *systemic* feature of capitalism) seems questionable at best,[2] or, at worst, echoes Orientalist attitudes.

Seeking to overcome these shortcomings, a new critical political economy literature has emerged in recent years, which situates the rise of authoritarianism in CEE within the context of a new stage of neoliberal capitalist accumulation in the wake of the 2008-9 crisis (Éber *et al.* 2019; Fabry 2019; Scheiring 2020; Shields 2015; Toplišek 2020). These works build on the findings of anthropologists and qualitative sociologists, who have demonstrated how neoliberalisation led to the disintegration of a culturally and ideologically incorporated (but never fully unified) 'state

1 The *Panama* and *Paradise Papers* are gigantic compilations of the financial and legal records of influential people and corporations, which exposes a system that enables crime, corruption and wrongdoing, hidden by secretive offshore companies. Available online: *https://offshoreleaks.icij.org/pages/database*.

2 Already in the early 1940s, the likes of Theodor Adorno, Max Horkheimer, and Friedrich Pollock suggested that capitalism was evolving into an era dominated by mafia-like networks of organised 'rackets' (Adorno and Horkheimer 2016; Pollock 1941; see also Granter 2017; Schulte-Bockholt 2006; Wilson 2009)

socialist' working-class along lines of ethnicity and status (Kalb 2018; Makovicky 2013; Petrovici 2010; Szombati 2018; Vetta 2011). According to Kalb (2018), the 'populist Right' that emerged in Poland and Hungary from the late 1990s onwards represents a genuine Polanyian 'counter-movement' against the negative socio-economic impacts of neoliberal restructuring, obediently promoted by cosmopolitan elites in Warsaw and Budapest. Declaring that they represent the interests of the 'differentially dispossessed classes of the transition' (post-peasants, workers, and aspiring, but frustrated small and larger property owners), this movement

> ha[s] allied in rejecting the cosmopolitan outlook of a transnational capitalism served by comprador bourgeoisies and cosmopolitan governmental classes in the capital cities in favour of a national capitalism led by a provincial national bourgeoisie supported by an illiberal welfare state that champions the deserving working class and the working poor of majority stock against the threats from above and below (Kalb 2018: 309).

This article combines the findings of the above-mentioned scholars with the insights of Antonio Gramsci and Stuart Hall, both of whom have written extensively on the relationship between authoritarianism and capitalism. For Gramsci, the economic, political and ideological crisis facing the West during the interwar years stemmed from the pathologies of liberal capitalism, and not, as argued by neoliberal thinkers, the rise of collectivist political movements and state intervention, exemplified by Bolshevism and Fascism (Hayek 1944; Robbins 1934; Rueff 1934). According to Gramsci, ruling classes had two ways of responding to an 'organic crisis' or 'crisis of hegemony': the first was fascism, exemplified by Mussolini's Italy and Nazi Germany, which combined *dirigiste* economic policies with an authoritarian system of government promoting an expansionist nationalism. The second option was 'Americanism', represented by the US, which attempted to overcome the crisis of capitalism (rooted in the tendency of the rate of profit to fall) through the rationalisation and intensification of production ('Fordism'). Both options represented a 'passive revolution': an attempt by the ruling classes to pre-empt, deflect, or absorb external/internal pressures (*eg.* more advanced capitalist states and/or revolutionary struggles inside their respective states), by reconfiguring the economy and the state 'from above' to their advantage (Gramsci 1973; Thomas 2009; on the notion of 'passive revolution' in the former Soviet bloc, see Shields 2006; Simon 2010).

In the late 1970s and early 1980s, Gramsci's insights were developed by Stuart Hall to describe the 'authoritarian-populist' methods employed by the Thatcher government to neoliberalise Britain (Hall 1979, 1980, 1985). According to Hall, the breakdown of 'the corporatist consensus' in the 1970s – epitomised by the reformist politics of successive Labour governments – was rooted in the weaknesses of British capitalism in the face of the global crisis of capital accumulation. As a result, the balance of forces within the '"unstable equilibrium" between coercion and consent which characterizes all democratic class politics' shifted 'decisively towards the "authoritarian" pole'. While this shift was organised 'from above', it was linked 'and to some extent legitimated by a populist groundswell below,' one that took the shape of 'moral panics' around issues like 'race, law-and-order, permissiveness and social anarchy' (Hall 1985: 116). These served to simultaneously disrupt the communities of solidarity on which anti-neoliberal movements depend and harness populist consent to displays of authoritarian governance that buttressed Thatcher's market-fundamentalist crusade. Recently, Hall's notion of 'authoritarian populism' has been applied to explain the strategies pursued by the Orbán regime since 2010 to consolidate a new regime of accumulation (Rogers 2020; Scheiring and Szombati 2020).

These insights are arguably helpful for making sense of the rise of authoritarianism in CEE and beyond in recent years. Following the GFC, neoliberalism has confronted its own legitimation crisis, leaving ruling classes worldwide struggling to find solutions. While pragmatic Keynesian adaptions were initially the order of the day (particularly in the US and China), 'authoritarian neoliberal' solutions, based on 'the explicit exclusion and marginalisation of subordinate social groups through the constitutionally and legally engineered self-disempowerment of nominally democratic institutions, governments, and parliaments' in the name of economic 'necessity' (Bruff 2014: 115-6), have become the preferred solution of capitalist states worldwide. However, as the insights of Gramsci and Hall show, these are not necessarily novel developments, but rather represent a deepening of authoritarian tendencies inherent in capitalism. It is against this background that we seek to make sense of recent developments in the region.

The history of neoliberalism in CEE

Following the demise of 'communism' (or 'state socialism') in 1989, CEE policymakers gradually embraced neoliberal economic reforms, emphasising macroeconomic stabilisation, liberalisation of domestic prices and trade, privatisation, and the construction of a market-enabling legal framework. According to neoliberal economists, such measures would encourage inflows of much-needed foreign capital which, in turn, would contribute to strong economic growth and higher living standards (Blanchard 1991; Gros and Steinherr 1995; Lipton and Sachs 1990; Sachs 1994). While post-communist elites were generally amenable to neoliberal restructuring, their conversion was not always straightforward, and occurred in a context informed by economic and political coercion. This was exemplified by Western governments' and IFI's insistence on austerity and rapid privatisation as conditions for further loans, as well as extensive investment in the ideological underpinnings of neoliberalism, in particular by the EU, USAID, MNCs and think-tanks (Hardy 2008; Shields 2012; Wedel 1998; Zeniewski 2012).

The 'engine of growth' in transition economies, according to neoliberal theory, would be FDI (Hunya 1999; Kornai 1990; Lipton and Sachs 1990). To attract foreign investors, CEE governments promoted a wide-range of neoliberal policies, including flexible labour standards, direct state subsidies, generous tax incentives, low wages for a well-educated workforce, and the right to expatriate profits (Drahokoupil 2009; Mihályi 2001). Such measures brought relatively large inflows of capital to the region from the mid-1990s and the establishment of previously absent 'complex industries' (automobiles, electronics, manufacturing), which propelled export-led growth in the Visegrád (V4) states of Czechia, Hungary, Poland and Slovakia (Bohle and Greskovits 2012; Scheiring 2020). This said, there was little correlation between economic performance and FDI inflow. In 2007, FDI stock as a percentage of GDP was high in Hungary (69) and Czech Republic (59), but low in Poland (38) and Slovenia (22) (in comparison, the EU average was 40; China 9; the US 24; Japan 3) (Dale and Fabry 2018). Moreover, policies pursued by CEE governments discriminated in favour of MNCs and against domestic capitalists (Scheiring 2020: 141-50). As a result, by the early 2000s, key sectors of the V4 economies, including automobile, manufacturing, electronics, and energy, were dominated by foreign capital (Nölke and Vliegenthart 2009: 683, Table 4).

Table 1: Foreign ownership of banks, 2007

Country	Percentage of assets held by foreign banks
Slovakia	99
Estonia	98
Lithuania	90
Bulgaria	85
Czechia	85
Poland	75
Serbia	75
Hungary	65
Latvia	65

Source: Based on data from Mitra *et al.* (2010: 50).

As Table 1 above shows, a similar trend was visible in the banking sector, with foreign (mostly Western) banks dominant. Due to the dominant role played by foreign capital in the V4 economies, Nölke and Vliegenthart (2009) have labelled the variety of capitalism emerging in these countries as 'dependent market economies', contrasting them with coordinated and liberal market economies.

Neoliberal restructuring also came at a high social cost. In the first decade after the transition, much of the region experienced an economic slump that was 'comparable to that of developed countries during the Great Recession' (Mitra *et al.* 2002). Even for the relatively robust Czech economy, it took 18 years to return to the ratio of GDP vis-à-vis the EU average that it had registered in 1989 (Holubec 2010: 46). Rather than offering a solution, the V4 economies' extreme dependence on FDI deepened regional inequalities (Baláž 2007; Fink 2006; Lang 2015; Smith and Timár 2010). Making matters worse for those negatively affected by transition-associated adjustment, welfare provisions were strenuously cut by post-socialist governments – irrespective of where they stood on the political spectrum. The only country that bucked this trend was Czechia; between 1995 and 2003 social protection as a percentage of GDP *increased* from 15.5 to 17.9 percent (Eurostat 2020). Faced with this assault on working class livelihoods, trade unions – divided along political lines and struggling with falling membership rates – were poorly positioned to resist the assault (Crowley 2008; Vanhuysse 2007).

By the early 2000s, the FDI-led growth model was running out of steam. On the one hand, privatisation revenues were diminishing as most of the 'crown jewels' had been sold off to MNCs in the 1990s. On the other hand, the attraction of additional FDI was becoming more difficult, due to growing inter-state competition, both regionally and globally (Bohle and Greskovits 2012: 141-6, 166-70; Drahokoupil 2009: 46-58). In response, CEE states introduced 'avant-garde' neoliberal reforms, including flat taxes, flexible labour markets, privatisation of energy, pensions, and water utilities, as well as (in the case of Czechia) fees for medical appointments (Appel and Orenstein 2018: 90-115; Švihliková 2011). Such reforms often exceeded recommendations by the EU or IFIs, but were welcomed by neoliberal think-tanks and MNCs (Appel and Orenstein 2018; Lapavitsas and Research on Money and Finance 2010). Crucially, in Hungary and Poland, many of these avant-garde reforms were implemented by social-liberal governments (Appel and Orenstein 2018; Scheiring 2020) – a fact that the Right in these countries would frequently repeat to their electorates.

For a brief period, avant-garde neoliberal reforms seemed successful. Between 2002 and 2007, growth rates in the EU-10[3] states averaged 6.7 percent, considerably higher than the EU-15 average (2 percent). The high growth rates were principally spurred by rising capital inflows. In the early 2000s, international banks were awash with funds and competed 'aggressively' with each other to lend to governments, firms, and households in CEE (Bakker *et al.* 2010: 4-7). Most of this lending was denominated in foreign currencies (which seemed reasonable at the time, given their lower interest rates compared to local currencies), as low- and middle-income groups sought to maintain their living standards following the transformational recession of the 1990s, or to buy new homes (Dale and Hardy 2011: 252).[4] Capital inflows continued even after share prices

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3 This refers to the ten post-socialist countries that joined the EU in 2004/6: Bulgaria, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

4 In Hungary, this policy was actively promoted by the socialist-liberal government: by the end of 2007, roughly 50 percent of mortgage and personal loans were denominated in Swiss *francs*, while as much as 80 percent of all new home loans and 50 percent of small business

of investment banks and hedge funds began to fall in the US and Western Europe in late 2006 (Bakker *et al.* 2010: 6). No wonder most policymakers and international investors remained cautiously optimistic about the economic prospects of CEE economies. As late as October 2007, the IMF projected average GDP growth in CEE to fall moderately, from 6.4 percent in 2006 to 5.2 percent in 2008, claiming that 'significant wage differential vis-à-vis Western Europe and strong productivity growth will continue to support the competitiveness' of the region (IMF 2007: 91). However, as it turned out, the IMF's projections were way off chart.

The GFC hit CEE along two channels (Dale and Hardy 2011). First, the global deleveraging that followed the collapse of Lehman Brothers meant that investors retreated to 'safe havens' in core capitalist states, making it more difficult for peripheral economies to finance sovereign debts. In Hungary, this led to speculative attacks on the *forint*, forcing the socialist-minority government to apply for financial assistance from international lenders (Andor 2009; Fabry 2011; Marer 2010). Second, as the financial crisis transformed into a 'Great Recession', demand for exports ceased, causing a downward spiral of falling production, trade and employment. Small, export-dependent economies, such as Czechia, Hungary, and Slovakia, registered sharp falls in exports, industrial production and economic output in 2009 (Connolly 2012; Dale and Fabry 2018; Myant *et al.* 2013). Only Poland bucked the trend. In 2009, its economy grew by 2.8 percent, partially thanks to its floating exchange rate (between August 2008 and 2009 the *złoty* fell by 30 percent, giving Poland a competitive advantage vis-à-vis Eurozone competitors, such as Slovakia). Its economy not being exposed to a credit bubble fed by foreign banks also helped soften the impact of the crisis (Dale and Hardy 2011: 255). Moreover, it 'also benefited from a large domestic market and the presence of export sectors, such as automobiles, that benefited from anti-cyclical interventions to boost demand in Western Europe' (Smith and Swain 2010: 4). This said, Poland's 'success' masks high rates of poverty and unemployment, and growing wealth inequalities (Dale and Hardy 2011: 256; Shields 2012: 113-20).

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credits and personal loans between 2006 and 2007 were in this currency. Similar patterns of heavy dependence on foreign currency-denominated loans were also visible elsewhere in the region, including in Croatia, Romania and the Baltic States, although the mix between *francs*, *euros*, *dollars* and the *yen* varied from country to country.

The ascendancy of authoritarian neoliberalism

The deployment of authoritarian state practices to protect and expand circuits of capital accumulation is, of course, *not* a new phenomenon. Indeed, from Pinochet's Chile to Africa, East Asia, Russia, and Mexico in the 1990s, neoliberalisation was only achieved through authoritarian practices (Harvey 2007; Klein 2007). However, following Tansel (2017), authoritarian neoliberalism differs from traditional authoritarian forms of government in two significant ways. On the one hand, it operates through a *pre-emptive* discipline. This serves to simultaneously insulate neoliberal policies by means of a suite of administrative, legal and coercive mechanisms, and also limits the space of popular resistance against neoliberalism (Bruff 2014). On the other hand, the practice is marked by a *significant escalation* in the propensity of the state to employ coercion and legal/extra-legal intimidation. This is complemented by 'intensified state control over every sphere of social life [… and] draconian and multiform curtailment of so-called "formal" liberties' (Poulantzas 1978: 203-4).

Such authoritarian neoliberal processes became increasingly evident in CEE following the GFC. Initially, the political response to the Crisis followed the established neoliberal script. Apart from Slovakia and, to some degree, Czechia and Poland, governments introduced further rounds of austerity measures, including reductions in wages and benefits, cuts in public spending on health care and welfare, and regressive tax and labour market reforms, in order to regain the trust of IFIs and foreign investors (Astrov *et al.* 2010; Becker and Jäger 2010; Myant *et al.* 2013). Although austerity measures were contested by trade unions in Czechia and Poland, the neoliberal consensus seemed to remain relatively unchallenged by economic and political elites. However, beneath the surface, public dissatisfaction with neoliberalism and liberal democracy was growing.

Hungary was first to veer off track. In 2010, at the height of the economic crisis, the national-conservative Fidesz party, led by Orbán, won a two-thirds supermajority, enabling it to pass constitutional reforms as it wished. Fidesz' victory was down to several factors. On the one hand, it was made possible by a protracted political crisis, triggered by socialist Prime Minister Gyurcsány's infamous 'lie speech'[5] in September 2006 and the

[5] The speech was delivered by Gyurcsány to the Socialist Party's congress in Balatonőszöd, held after the general elections in April 2006. In the speech, Gyurcsány admitted, using particularly foul language, that the socialist-liberal government had 'lied morning, noon, and

unpopularity of fiscal consolidation measures pursued by the socialist-liberal government in following years. On the other hand, the growth of Fidesz was due to its ability to extend its electoral base by appealing to disenfranchised workers under the banner of a more inclusive nationalism. As Scheiring and Szombati (2020: 6) explain, 'Fidesz promised to reintegrate the national community by returning it to its rightful owners' – specically, 'hard-working people and entrepreneurs who could come to a new compromise in the sharing of national wealth.' Disillusioned constituencies were mobilised through a sustained cultural war waged by an extensive media network (Bajomi-Lázár 2013), locally rooted civic networks (Greskovits 2020) and organised rituals of resistance and solidarity (Halmai 2011). As a result of these factors, workers and domestic capitalists shifted to the right in 2010, choosing Fidesz over the socialists.

Since 2010, Orbán has attempted to boost the competitiveness of the Hungarian economy and strengthen the position of domestic capitalists. To this end, the Fidesz government has systematically interfered in the pre-2010 structure of property and social rights in favour of loyal oligarchs, introduced a 16 percent flat tax on personal income and a 9 percent flat tax on corporations, and pushed through a new labour law that promotes flexibilisation (Fabry 2019a; Scheiring 2020: 261-309). To further discipline labour and the 'undeserving poor', the government has reduced unemployment benefits, disability pensions and sick pay, while simultaneously extending a highly-punitive workfare programme, originally introduced by the pre-2010 socialist-liberal government (Szabó 2013; Szikra 2014). Although some of the economic policies infringe on the interests of foreign capital (particularly in the banking sector, see Capelle-Blancard and Havrylchyk 2017; Johnson and Barnes 2015), Orbán has maintained a strategic alliance with MNCs in the productive sector (particularly German-owned car companies, like Audi, BMW, and Mercedes). Overall, the Orbán regime's policies have benefitted the upper echelons of the national bourgeoisie and MNCs, while failing to improve life conditions for ordinary Hungarians (Szikra 2018). Thus, Hungary's Gini Index – measuring income distribution – increased from 24.1 in 2010 to 28.7 in 2018, making it the most unequal of the V4 states (Scheiring and

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night', in order to win the elections. Though the speech was confidential, it was leaked and broadcast by Hungarian state radio on 17 September 2006, igniting a nationwide political crisis.

Szombati 2020: 8). Hence, despite its belligerent rhetoric against foreign capital, post-2010 Fidesz governments have arguably deepened neoliberalism in Hungary (Fabry 2019).

To consolidate his rule, Orbán has packed cultural institutions, the judiciary and public administration with loyal party apparatchiks, increased state control over the media (while handing key commercial media outlets to pro-Fidesz oligarchs), and changed the electoral map in Fidesz' favour. In 2011, the government also passed a new constitution which, according to critics, stands out as a model for a Twenty-First Century authoritarian regime (Fleck *et al*. 2011; Scheppele 2015). In a speech in July 2014, Orbán justified these moves by the need to find an alternative model to liberal democracy to face the challenges of globalisation:

> In my opinion, the most provocative and exciting question surfacing in the Western world during the last year can be summarized as follows, applying necessary simplification: competition existing among nations in the world, competition existing among alliances and forces of the world has been supplemented by a new element [...] I would articulate this as a race to invent a state that is most capable of making a nation successful [...] a state that is most capable of making a nation competitive [...] [T]he new state that we are building is an illiberal state, a non-liberal state. It does not deny foundational values of liberalism, as freedom, etc. But it does not make this ideology a central element of state organization, but applies a specific, national, particular approach in its stead (Orbán 2014).

In the same speech, Orbán listed China, Russia, and Turkey as examples of 'successful nations', 'none of which [are] liberal and some of which aren't even democracies' (Orbán 2014). At the same time, critical voices are being silenced through authoritarian-ethnicist practices: non-conformist civil society organisations, trade unions and independent media outlets are constantly attacked by government authorities, while Hungary's Roma minority suffer from institutionalised racism (Fabry 2019; Freedom House 2019; Scheiring and Szombati 2020). Orbán has also gradually embraced ethnicist ideas and practices, historically associated with Hungary's far-right. For example, the government has built a razor-wire fence along Hungary's borders with Croatia and Serbia to keep out 'illegal immigrants'. On the basis of its track record in the last decade, the Orbán regime stands out as a vanguard state of authoritarian-ethnicist neoliberalism in CEE.

In 2015, the 'illiberal revolution' reached Poland, when the ultra-conservative PiS party, led by Jarosław Kaczyński, won an absolute majority in the Sejm. PiS' rise to power bears many similarities to that of Fidesz. Although Poland avoided a recession during the GFC, it has struggled with high unemployment and widening social and regional inequalities ever since transition (Lang 2015; Toplišek 2020). Similar to the Hungarian socialists, the Democratic Left Alliance (SLD) – the successor of the Polish communist party – was the main agent of neoliberal restructuring in the 1990s (Shields 2011). After the party's crushing defeat in the 2005 elections, many ex-SLD voters turned to PiS, which criticised the consequences of neoliberal restructuring and promised to protect 'Polish interests' (Berman and Snegovaya 2019). While PiS was in opposition between 2007 and 2015, Poland faced growing disillusionment with how the 'rotten establishment of post-communist Poland' (Pankowski 2010) had managed the transition.[6] Having skilfully constructed 'a fuzzy class alliance of the working and property owning "small people" […] originating primarily from the Eastern "backwards" provinces', comprising 'landscapes that had either economically collapsed or stagnated since the 1980s' and 'segments of the embattled working classes in the West Polish industrial cities' (Kalb 2018: 313), PiS successfully ousted the liberal Civic Platform (PO) from government in 2015.

Similar to Fidesz, the PiS government has railed against neoliberal reforms, instead promoting reindustrialisation and the creation of 'national champions' in the economy (Toplišek 2020). In February 2016, the government introduced a special tax on banks, insurance, and lending companies – just like Orbán did in 2010 – despite criticism from domestic and foreign representatives of financial capital (Matusik and Kozłowska 2016). It also established a special tax on the retail sector, dominated by foreign-owned chains, but was forced to withdraw the bill after the European Commission (EC) ruled that the tax was in breach of EU state aid and competition rules (Toplišek 2020). The PiS government has also 're-Polonised' the banking and energy sectors, both dominated by foreign capital (Barteczko and Koper 2018; Miszerak and Rohac 2017).

The PiS government has also copied Fidesz's methods in its attempts to consolidate its rule: filling the public administration, state-owned enterprises and media with PiS loyalists, even though they often lack

6 According to a Eurobarometer survey, trust in government declined steadily, reaching 14 percent by 2013 – a figure reached by Hungary in 2009 (Sata and Karolewski 2020: 209).

proper professional experience. These changes have been legitimised by a similar discourse of 'lustration' as in Orbán's Hungary: the Polish nation needs to be cleansed from 'post-communist cronies' and 'liberal traitors' in order for the democratic transition to be completed (Sata and Karolewski 2020: 216).[7] This said, the illiberal turn in Poland has been less straightforward than in Hungary. For example, since July 2017, the PiS government has been engaged in a protracted legal battle with the EC over its proposed judiciary reform, which critics argue threaten judicial independence (Przybylski 2018; Sata and Karolewski 2020).

The most noticeable difference between Fidesz and PiS is in terms of social policy (Raț and Szikra 2018; Toplišek 2020). Whereas the Orbán regime has pursued regressive social policies that intentionally stigmatise the poor, the social policies of the PiS government 'focus more on the needs of lower classes, although in a markedly conservative, antiliberal way' (Scheiring forthcoming; see also Grzebalska and Pető 2018; Raț and Szikra 2018). In April 2016, the government introduced the 'Family 500+' programme, which provides a monthly universal benefit of 500 *złoty* (about 114 *euros*) to Polish families for every second and subsequent child up until the age of 18, as well as to low-income families with one child. Although the new child benefit policy was estimated to cost 23 percent of the government budget (Appel and Orenstein 2018: 168), it was legitimated on the grounds of poor demographic trends and redistributing wealth more equally amongst the population (Toplišek 2020). Partially due to the PiS government's social policies, severe poverty has been declining in Poland since 2015, whereas in Hungary it has increased under the Orbán regime. Against this background, Scheiring describes the regime emerging in Poland under the PiS government as a form of 'welfare chauvinist populism with weak illiberalism' (Scheiring forthcoming).

Conclusion

This article employed a critical political economy approach to demonstrate how the deepening of neoliberal restructuring between 1990 and 2009, often promoted by centre-left government coalitions and with disastrous

7 However, the discourse of lustration is only applied highly selectively, as both parties harbour old 'communists' in their ranks. Moreover, although Fidesz politicians frequently invoke the old communist card against political enemies, the party has repeatedly voted against making security files from the 'state socialist' era publicly available.

consequences for the majority of society, paved the way for the emergence of authoritarian neoliberal regimes in CEE. The vanguard state in the region is the Orbán regime. Since 2010, it has forcefully sought to improve the competitiveness of domestic capitalists, while simultaneously accepting the dominance of foreign capital in technology-intensive export sectors. While these measures have favoured the upper strata of the domestic bourgeoisie and MNCs, the Orbán regime has effectively silenced critics at home and abroad through a combination of authoritarian-ethnicist policies. As a result, Fidesz, which began as a radical liberal party, today stands further to the right than the far-right Jobbik party in the eyes of their own voters (Enyedi and Benoit 2011), while Hungary has been downgraded in international assessments to a competitive authoritarian, hybrid regime (Varieties of Democracy Institute 2020).

In Poland, the hard-right PiS government has mimicked many of the Orbán regime's authoritarian practices since returning to power in 2015. However, in contrast to Fidesz, the PiS has been keener to cater to the needs of its voters through welfare chauvinist policies. This partially explains why the PiS was re-elected in 2019, gaining 44 percent of the popular vote. This said, the 'illiberal revolution' in Poland has met more resistance than in Hungary, ranging from the cross-party opposition protests against the PiS government's 2017 judicial reform bill to the recent massive demonstrations against the government's abortion ban (Davies 2020).

More broadly, although Czechia and Slovakia have also recently showed signs of democratic backsliding, the deepening of authoritarian neoliberalism in CEE faces obstacles. Firstly, economic growth remains highly dependent on exports of goods and services. With the global economy experiencing a deep recession in 2020 due to the COVID-19 pandemic and any recovery 'likely [to] be long, uneven, and uncertain' (IMF 2020: xiii), future economic prospects for the region look bleak. Second, the COVID-19 pandemic is increasing the burden on CEE states' already beleaguered healthcare system. Hungary is a case in point. While the Orbán regime has prioritised fiscal discipline and the enrichment of a loyal capitalist class, it has deliberately defunded the main systems of provision (*ie.* education, healthcare and social policy). Between 2010 and 2018, government spending on healthcare and social protection as a percentage of GDP fell substantially and was still lagging behind its pre-2009 levels (Scheiring 2020: 271, Figure 7.2). As a result, when the

COVID-19 pandemic first struck, the Ministry of Human Resources [*sic!*] ordered Hungary's public hospitals to 'vacate' 60 percent of the country's 60,000 hospital beds by April 15 to make room for new COVID-19 patients. Through this measure, the government placed the burden of caring for patients, some with chronic illness or injury, on their families (most of whom have no medical training). In other words, under the pretext of a public emergency created by COVID-19, the Orbán regime is restructuring the healthcare system, without creating appropriate institutions to alleviate the suffering of those who are seriously ill. Of course, this does not mean that the Orbán regime (or other authoritarian populist forces in the region) will unravel in the near-future. Rather, in the absence of any progressive political alternative, it seems highly probable that class and gender inequalities, virulent xenophobia and chauvinistic sentiments (inflamed by cheap conspiracy theories and hysteric, state-sponsored media campaigns) will deepen in the coming years. Against this background, the prospects of progressive change in the region look bleak indeed.

The analysis presented in this article echoes the findings of scholars who have done qualitative work on the ascendancy of authoritarianism in CEE (Kalb 2018; Makovicky 2013; Ost 2018; Rogers 2020; Scheiring 2020; Scheiring and Szombati 2020; Szombati 2018; Toplišek 2020), extending this body of scholarship with an explicit analysis and theorisation of how external economic and political pressures give rise to variegated forms authoritarian neoliberalism. This said, while the empirical focus of this article was on developments in Hungary and Poland, its findings are arguably also relevant to semi-peripheral countries elsewhere. Local class, gender and race relations vary according to geographically diverse histories. Yet, the tendency of neoliberalism to deepen the contradictions and crises of capitalism and the inability/indifference of (ill)liberal democracies to the popular demands of their own citizens are likely to strengthen authoritarian forces elsewhere too (Berberoglu 2020; Bozkurt-Güngen 2018; Harrison 2019; Özden *et al.* 2017; Tansel 2017).

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