



Growth regimes of populist governments: A Comparative Study on Hungary and Poland

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Motivation and Research Questions

Motivation:

- Rise of Populism and Hungary and Poland as interesting cases

Research Questions:

- What is the relationship between the demand and growth regime development and the establishment of populist regimes in Poland and Hungary after the GFC?
- How have the demand and growth regimes of the Hungary and Poland developed since the collapse of the Soviet Union?
- What economic policy measures did the right-wing populist parties in Hungary and Poland introduced?
- What is the impact of the socio-economic environment on possible changes in regard to the concept of social blocs?

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Methodology and Theoretical Framework

Hybrid Approach with the purpose to trace the relationship between the economic and political developments in Hungary and Poland after the GFC:

- Post-Keynesian approach of demand-side growth regimes
 - Macroeconomic Policy Regimes to assess the policies and their impact on the growth regimes
 - Comparative Political Economy perspective to examine in more detail the socioeconomic environment and its influence on political and economic developments
- Polanyian approach of countermovements
- Concept of social blocs



Results: Growth regime development

average values for the respective period	Hungary		Poland	
	2000-2008	2009-2019	2000-2008	2009-2019
Real GDP Growth in percent	3.55	1.93	4.14	3.59
Growth contribution in percent of real GDP				
Domestic Demand	2.58	1.40	4.09	2.82
Private Consumption	1.22	0.72	2.31	1.79
Public Consumption	0.50	0.34	0.84	0.46
Investment (gross fixed capital formation)	0.86	0.33	0.94	0.57
Net Exports (Balance of Goods and Services)	0.25	0.38	0.15	0.82
Net exports as a percentage of GDP	-2.81	5.56	-1.82	1.33
Financial balances				
Sectoral Financial Balance as a share of nominal GDP of the public sector, in per cent	-6.17	-2.96	-4.17	-3.52
Sectoral Financial Balance as a share of nominal GDP of the external sector, in per cent	7.49	-1.33	4.56	2.40
Sectoral Financial Balance as a share of nominal GDP of the private sector, in per cent	-1.33	4.29	-0.38	1.12
Regime	DDL	ELM	DDL	WEL

Results: Hungary

	MEPR	Policies
Monetary Policy	Expansionary → contractionary	Price Stability, but since 2013 looser MP than before, aiming at stimulating the economy & promoting lending → lowering key interest rate to 1%
Fiscal Policy	Pro-cyclical → counter-cyclical, more expansionary	stimulation the economy & renationalization, support of domestic capitalists, but also gradual consolidation of the state budget (reorganization of the tax system, pension reform)
Wage Policy	Slightly Expansionary → contractionary /deflationary	Deregulation, limited right to strike, tax benefits were introduced for working families, minimum wage was significantly increased, but still significant decline in the labor income share
Open Economy	Price and non-price competition improved	Small depreciation of the own currency, support of domestic capitalists, measures to create a favorable investment climate with incentives to support research and development as well as investment in the technology-oriented sectors

Results: Poland

	MEPR	Policies
Monetary Policy	expansionary	Goal of price stability, orthodox and conservative agenda, key interest rate remained at 1.5%
Fiscal Policy	Expansionary, counter-cyclical → pro-cyclical	Re-polonization (finance sector), child-benefit program
Wage Policy	Contractionary	declining income shares of the labor force
Open Economy	Improvement of international competitiveness	Real depreciation, special economic zones, support for domestic capitalists relative to foreign investors, encouraging development of innovative, high value-adding products



Results: Growth regime development

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Results: Countermovements and Social blocs

- Domestic capitalists and bankers had impact on the development of these new policy directions
- Hungary: domestic capitalists felt threatened by globalization, international competition and the economic policies of the left government
 - The Hungarian Chamber of Commerce played an important role in the development of Fidesz' economic strategy
- Polish bankers were frustrated from the loss of influence and independence through the GFC
 - influenced PiS and PO for greater state control especially of the finance sector and the development of the Polish economy

Results: Transition

- Both countries are developing their old neoliberal system
- Fidesz:
 - economic nationalism
 - "disguised neoliberalism" (Szabo and Kurucz 2022)
- PiS
 - re-polonization
 - development-oriented strategy
 - moving towards postneoliberalism (Szabo and Kurucz 2022)

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