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## **POLITICAL ECONOMY OF POPULISM**

**ABSTRACT:** This paper examines the political economy of populism, with a focus on Central and Eastern European (CEE) countries. Following the global financial crisis of 2008, Hungary and Poland developed distinct populist economic programs that have begun to influence other CEE countries, including Serbia. This paper explores the causes of populism, the transformation of post-crisis economic models, and the specific economic policies characterizing populist governments in the region. Through in-depth case studies of Hungary, Poland, and Serbia, the research highlights how these policies are underpinned by economic nationalism, workforce activation, natalism, and sovereignty. Furthermore, the paper investigates the impact of these policies on attracting new sources of foreign investment, particularly from authoritarian states in the East.

*Keywords:* political economy, populism, Central and Eastern Europe, developmental statism, economic nationalism, neoliberalism, financial crisis, authoritarianism

### **INTRODUCTION**

The rise of populism in the 21st century has become a defining feature of contemporary politics across the globe, impacting countries from Latin America to Europe, Asia, and beyond. While the term 'populism' is frequently used in political discourse, its meaning remains contested and multifaceted. At

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its core, populism is often understood as a 'thin-centered ideology' that divides society into two homogeneous and antagonistic groups: 'the pure people' versus 'the corrupt elite' (Mudde, 2004). However, this basic dichotomy can be adapted to various political, economic, and cultural contexts, making populism a highly flexible and adaptable political phenomenon (Moffitt, 2020).

Populism in Central and Eastern Europe (CEE) has gained significant traction over the last decade, particularly in the wake of the economic turbulence caused by the global financial crisis of 2008. Populism is often described as a 'thin-centered' ideology that can be flexibly combined with various political and economic agendas (Mudde, 2004). This adaptability allows populism to thrive in diverse contexts, aligning with different economic policies ranging from neoliberal to protectionist strategies (Moffitt, 2020).

In economic terms, populism can range from left-wing redistributive policies that emphasize social justice and wealth redistribution to right-wing economic nationalism that focuses on protecting domestic industries and reducing foreign influence. This dual nature allows populism to appeal to a broad spectrum of voters, often drawing support from those who feel left behind by globalization, economic liberalization, and rapid social change (Rodrik, 2019). The political economy of populism, therefore, is not monolithic; it varies depending on the historical, cultural, and economic context of each country or region.

This paper aims to dissect the economic dimensions of populism within CEE countries, focusing on how economic factors have shaped the rise and evolution of populist movements in Hungary, Poland, and Serbia. The paper addresses key questions: What are the economic foundations of populism in CEE countries? How have economic crises influenced the adoption of populist policies? And what are the long-term implications of these policies for the economic development and political stability of these countries?

### **Defining Populism: Ideological and Economic Dimensions**

To better understand the political economy of populism, it is essential to examine its ideological underpinnings and economic dimensions. Populism is typically characterized by its opposition to the established political order, often manifesting as a critique of political corruption, economic inequality, and the perceived disconnect between political elites and ordinary citizens (Kazin, 1998). In this sense, populism can be seen as a reaction against the failures of representative democracy, particularly in societies where political institutions are perceived as being unresponsive to the needs and desires of the general populace (Canovan, 1999). Economically, populism can take multiple

forms. In some contexts, it aligns with left-wing economic policies that advocate for state intervention in the economy, higher taxes on the wealthy, and expanded social welfare programs. In other contexts, populism aligns with right-wing policies that emphasize economic nationalism, protectionism, and restrictions on immigration (Inglehart & Norris, 2016). Regardless of its specific economic orientation, populism often capitalizes on economic grievances and promises to restore economic sovereignty and justice to 'the people'.

In Central and Eastern Europe (CEE), populism has often emerged as a response to the perceived failures of neoliberal economic policies implemented during the post-communist transition. These policies, which included mass privatization, deregulation, and integration into global markets, were intended to modernize economies and integrate them into the European and global economic systems. However, the rapid pace of these reforms led to significant social and economic disruptions, including high unemployment, rising inequality, and a sense of loss of control over national sovereignty (Appel & Orenstein, 2018). In this context, populist leaders have been able to mobilize support by positioning themselves as defenders of national interests against both domestic elites and external forces.

### **Historical and Global Context of Populism**

The roots of modern populism can be traced back to the late 19th and early 20th centuries, with movements such as the People's Party in the United States and various agrarian movements in Europe. These early populist movements were primarily concerned with economic issues, such as land reform, monetary policy, and opposition to economic monopolies (Goodwyn, 1976). Over time, the concept of populism expanded to encompass a broader range of issues, including social justice, anti-colonialism, and nationalism.

In the post-World War II era, populism took on new forms as countries in Latin America, Africa, and Asia experienced decolonization and sought to develop independent national identities and economic policies. In Latin America, for example, populist leaders such as Juan Perón in Argentina and Getúlio Vargas in Brazil pursued economic policies that combined elements of state intervention, protectionism, and social welfare to mobilize mass support (Dornbusch & Edwards, 1991). These leaders often portrayed themselves as champions of the working class and opponents of foreign economic domination, a theme that resonates with contemporary populist movements in other parts of the world.

The current wave of populism, which began in the early 2000s and accelerated after the global financial crisis of 2008, has been characterized by its focus on issues such as immigration, national sovereignty, and economic

inequality. In Europe and the United States, right-wing populist parties and movements have gained traction by promising to protect national borders, reduce immigration, and restore economic opportunities for native-born citizens (Mounk, 2018). Meanwhile, left-wing populist movements in countries like Greece and Spain have emphasized anti-austerity measures, economic justice, and opposition to neoliberal economic policies (Stavrakakis & Katsambekis, 2014).

### **The Emergence of Populism in Central and Eastern Europe**

Populism in CEE is a relatively recent phenomenon, emerging primarily in the post-communist period as countries in the region transitioned from centrally planned economies to market economies. The rapid political and economic changes that accompanied this transition created significant social and economic dislocation, leading to widespread public disillusionment with both domestic political elites and international institutions (Bohle & Greskovits, 2012). This disillusionment was further exacerbated by the 2008 global financial crisis, which exposed the vulnerabilities of the neoliberal economic model and led to a wave of social protests and political instability across the region (Ther, 2016).

Populist leaders in CEE, such as Viktor Orbán in Hungary, Jarosław Kaczyński in Poland, and Aleksandar Vučić in Serbia, have capitalized on these grievances by promoting a form of economic nationalism that seeks to protect national industries, reduce foreign influence, and restore economic sovereignty. These leaders often use anti-elite and anti-globalization rhetoric to mobilize support, portraying themselves as defenders of national interests against both domestic and foreign threats (Krastev, 2014). In this context, populism serves as both a political strategy and an economic policy framework, allowing leaders to navigate the complexities of the post-communist transition while maintaining popular support.

### **Current Challenges and the Appeal of Populism in CEE**

Today, the appeal of populism in CEE is driven by a combination of economic insecurity, cultural anxiety, and political disillusionment. Economic insecurity remains a significant concern for many citizens, particularly in countries that have experienced slow growth, high unemployment, and rising inequality since the transition to a market economy (Inglehart & Norris, 2016). In this environment, populist leaders who promise to protect jobs, increase wages, and reduce economic inequality have found a receptive audience.

Cultural anxiety also plays a critical role in the rise of populism in CEE. Many citizens in the region feel threatened by rapid social changes,

including increased immigration, the spread of liberal values, and the perceived erosion of national identity. Populist leaders have tapped into these fears by promoting a vision of national renewal that emphasizes cultural homogeneity, traditional values, and resistance to foreign influences (Brubaker, 2017).

Political disillusionment further fuels the appeal of populism in CEE. Many citizens have lost faith in traditional political parties and institutions, which they perceive as corrupt, ineffective, and disconnected from the needs of ordinary people. Populist leaders, by contrast, present themselves as outsiders who are willing to challenge the status quo and fight for the interests of the 'common people' (Krastev & Holmes, 2019).

### **The Role of Populism in Shaping Economic Policy**

Populism in CEE has also had a profound impact on economic policy, leading to a shift away from neoliberal orthodoxy and towards a more interventionist and protectionist approach. In Hungary, for example, Viktor Orbán's government has pursued a policy of 'economic sovereignty,' which includes the renationalization of key industries, the imposition of new taxes on foreign corporations, and efforts to promote domestic entrepreneurship (Fabry, 2019). Similarly, in Poland, the Law and Justice (PiS) party has implemented a range of populist economic policies, including increased social spending, new taxes on banks and large corporations, and efforts to reduce foreign ownership in strategic sectors (Toplišek, 2019).

These policies have been justified on the grounds of protecting national interests and promoting social cohesion, but they have also raised concerns about their long-term economic viability and impact on democratic institutions. Critics argue that populist economic policies often lead to increased government intervention, reduced economic efficiency, and a greater risk of corruption and cronyism (Lendvai-Bainton & Szelewa, 2020). At the same time, there is evidence that these policies can deliver short-term economic benefits, such as lower unemployment and higher wages, which help to sustain popular support for populist leaders (Berend, 2019).

### **Global Implications and Future Directions**

The rise of populism in CEE has significant implications for the future of the European Union and the global political order. As populist leaders in the region challenge the liberal democratic norms and economic policies that have underpinned European integration, there is growing concern about the potential for democratic backsliding and increased political instability. At the same time, the success of populist movements in CEE may embolden similar

movements in other parts of the world, leading to further polarization and fragmentation of the global political landscape (Inglehart & Norris, 2016).

Understanding the economic foundations of populism in CEE is therefore crucial for assessing its long-term impact on regional and global politics. By examining the economic grievances that drive populist support, as well as the specific policies and strategies used by populist leaders to maintain power, this paper seeks to provide a comprehensive analysis of the political economy of populism in CEE. Through case studies of Hungary, Poland, and Serbia, the paper explores the complex interplay of economic, cultural, and political factors that shape the rise of populism in the region and offers insights into the potential future trajectories of this phenomenon.

### **Theoretical Framework**

To understand the rise of populism in CEE, this paper draws on two primary theoretical frameworks: cultural backlash theory and economic insecurity theory. Cultural backlash theory posits that populism is a reaction to rapid social and cultural changes perceived as threats to traditional values and social norms (Inglehart & Norris, 2016). Economic insecurity theory, on the other hand, argues that populism emerges as a response to economic anxieties, such as unemployment, wage stagnation, and austerity measures (Rodrik, 2019; Gidron & Hall, 2017).

Combining these theories, this paper suggests that the rise of populism in CEE is driven by a blend of cultural and economic factors, with economic crises acting as catalysts that amplify pre-existing social and cultural tensions (Eichengreen, 2018). This dual framework provides a comprehensive lens through which to analyze the multifaceted nature of populist movements in the region.

## **CAUSES OF POPULISM IN CENTRAL AND EASTERN EUROPE**

### **Economic Factors**

The economic transition from centrally planned to market-oriented economies in the early 1990s fundamentally reshaped the socioeconomic landscape of Central and Eastern European (CEE) countries. While these reforms aimed to modernize economies and integrate them into the global market, they were often implemented rapidly and without sufficient social safety nets, leading to significant socioeconomic dislocation. Mass privatization led to the closure of uncompetitive industries, resulting in

widespread job losses, particularly in traditional sectors such as manufacturing and mining (Stiglitz, 2002). The deindustrialization process disproportionately affected older workers and those with lower educational qualifications, who found it challenging to adapt to the new market realities. This economic displacement created a fertile ground for discontent, as many individuals felt betrayed by the promises of prosperity associated with market reforms.

In addition to structural unemployment and job insecurity, the post-transition period saw a marked increase in income inequality. The rapid privatization process often resulted in the concentration of wealth in the hands of a few, as political elites and well-connected individuals acquired state assets at undervalued prices (Kornai, 2006). This emergence of a new oligarchic class contrasted sharply with the economic hardships faced by the broader population, who were left to contend with reduced public services, stagnant wages, and the erosion of traditional social welfare programs (Milanovic, 1998). The perception of economic injustice fueled resentment against both domestic elites and international actors perceived as architects of neoliberal policies.

The global financial crisis of 2008 was a turning point that magnified existing economic grievances in the CEE region. As credit markets froze and foreign investments declined sharply, countries that had become heavily dependent on external financing faced severe economic contractions. For instance, in Latvia, the economy shrank by over 18% in 2009, prompting the government to implement harsh austerity measures that further deepened social discontent (Bohle & Greskovits, 2012). The crisis exposed the vulnerability of CEE economies to global market fluctuations and underscored the risks of over-reliance on foreign capital, prompting a reevaluation of the neoliberal development model that had been dominant in the post-transition period.

Furthermore, the financial crisis led to a surge in public and private debt, as governments and households struggled to cope with the economic downturn. In Hungary, the government's reliance on foreign-denominated debt led to a sharp depreciation of the national currency, exacerbating the debt burden on both the public sector and households with foreign-currency mortgages (Fabry, 2019). This economic strain contributed to a widespread sense of economic insecurity, particularly among middle-class households who had initially benefited from economic liberalization but now faced declining living standards and increased financial precarity.

### **Cultural and Political Factors**

Beyond economic factors, cultural and political dimensions have played a crucial role in the rise of populism in CEE. The rapid sociocultural

transformations following the collapse of communist regimes led to a period of identity reformation and cultural anxiety. As CEE countries opened up to the world and integrated into Western political and economic institutions such as the European Union (EU) and NATO, there was a concurrent diffusion of liberal values, including individualism, multiculturalism, and secularism (Brubaker, 2017). For many, these changes represented a departure from traditional values rooted in nationalism, collectivism, and religious identity. The sense of cultural displacement was compounded by the perception that EU membership came with strings attached, including compliance with Western norms and values that were often at odds with local traditions.

The expansion of the EU in 2004 and 2007 brought about not only economic opportunities but also cultural and political tensions. Increased mobility within the EU led to significant emigration from CEE countries, particularly among young, educated individuals seeking better economic opportunities in Western Europe (Koikkalainen, 2011). This brain drain exacerbated demographic challenges in the region, including population aging and declining birth rates, which further fueled nationalist and anti-immigrant sentiments (Fomina & Kucharczyk, 2016). Populist parties exploited these demographic anxieties by framing themselves as defenders of national identity against both internal and external threats, including immigration from non-European countries.

Politically, the legacy of authoritarianism and centralized control under communist regimes has left a lasting impact on the political culture of CEE countries. The transition to democracy in the early 1990s was often tumultuous, marked by political instability, corruption, and weak governance structures. In many cases, political parties and institutions were seen as extensions of old power structures rather than genuine representatives of democratic ideals (Ekiert, 2012). This lack of trust in political institutions created a fertile environment for populist leaders who promised to "clean up" politics and restore integrity to the government.

Moreover, the narrative of national victimhood—often perpetuated by historical grievances and experiences of foreign domination—has been a powerful tool for populist movements. By evoking memories of past injustices and framing current challenges as a continuation of historical struggles for sovereignty and independence, populist leaders have been able to rally support among voters who feel marginalized by the global order (Janowski, 2018). In Hungary, Viktor Orbán's invocation of the Treaty of Trianon and Poland's Law and Justice (PiS) party's emphasis on national sovereignty are prime examples of how historical narratives are used to galvanize support for populist agendas (Pech & Scheppele, 2017).

Additionally, the rise of digital media and social networks has provided populist parties with new tools to disseminate their messages and mobilize

support. Unlike traditional political parties that rely on established media channels, populist movements have effectively utilized social media platforms to bypass mainstream media, directly engaging with voters and amplifying their anti-establishment rhetoric (Krastev & Holmes, 2019). This direct communication strategy has enabled populist leaders to present themselves as authentic voices of the people, further undermining trust in conventional political elites and institutions.

## **POST-CRISIS TRANSFORMATOON: A SHIFT IN ECONOMIC MODELS**

### **From Neoliberalism to Economic Nationalism**

The global financial crisis of 2008 marked a significant turning point in the economic policies of many Central and Eastern European (CEE) countries. Before the crisis, the majority of CEE countries had embraced neoliberal economic policies as a pathway to modernization and integration into the global economy. These policies were characterized by mass privatization of state-owned enterprises, deregulation of markets, reduction of state intervention, and a strong emphasis on attracting foreign direct investment (FDI) to spur economic growth (Appel & Orenstein, 2018). However, the financial crisis revealed the vulnerabilities inherent in this neoliberal model, particularly its heavy reliance on foreign capital inflows and exports to drive economic expansion. The sudden halt in global credit and the withdrawal of foreign investments led to severe economic contractions across the region, prompting many countries to reconsider their economic strategies.

The crisis exposed the overdependence of CEE economies on foreign banks and investors, which controlled a substantial portion of the financial sector and had been key drivers of credit growth in the years leading up to the crisis. As global liquidity dried up, these foreign banks repatriated capital to stabilize their operations in their home countries, leaving CEE economies in a precarious position. This situation highlighted the dangers of excessive reliance on external financial markets and led to a growing sentiment that economic sovereignty needed to be reclaimed from international financial institutions and foreign investors (Ther, 2016).

In Hungary, Viktor Orbán's Fidesz party capitalized on this sentiment following their 2010 electoral victory. The Fidesz government quickly moved away from the neoliberal policies of its predecessors, implementing a series of economic measures aimed at reducing foreign influence and increasing state control over the economy. Key components of this new economic nationalism included the renationalization of several key industries, such as energy and

telecommunications, and the introduction of "crisis taxes" on sectors dominated by foreign companies, including banking, retail, and telecommunications (Fabry, 2019). These taxes were presented as a way to make foreign companies contribute more to the national economy and reduce the fiscal deficit without imposing additional burdens on the domestic population.

Orbán's "Eastern winds" approach was a deliberate strategy to pivot away from the Western neoliberal model towards a more state-controlled, Eastern-style economic policy inspired by countries like China and Russia, where state intervention and economic planning play significant roles (Csillag & Szelényi, 2015). This approach was also coupled with efforts to diversify Hungary's economic partnerships, including increasing economic ties with Eastern powers and reducing dependence on the European Union. The Hungarian government promoted this shift as a way to build a more resilient economy, less susceptible to external shocks and more capable of safeguarding national interests.

Poland, under the leadership of the PiS party, followed a somewhat similar path after coming to power in 2015. The PiS government implemented a series of populist economic policies aimed at redistributing wealth and increasing state control over strategic sectors of the economy. One of the hallmark policies of the PiS government was the Family 500+ program, which provided monthly cash transfers to families with two or more children. This program was designed not only to address demographic challenges by encouraging higher birth rates but also to reduce poverty and promote social cohesion (Rae, 2020). The policy effectively served as a form of economic populism, redistributing resources to the perceived "ordinary people" and positioning the government as a protector of national welfare.

In addition to social spending programs like Family 500+, the PiS government also moved to assert greater control over the economy by increasing state ownership in key sectors, such as banking and energy. For example, the government imposed new regulations to limit foreign ownership of agricultural land and sought to nationalize certain industries that were previously privatized (Bluhm & Varga, 2019). These moves were part of a broader strategy to regain economic sovereignty and reduce the influence of foreign investors, who were often portrayed in populist rhetoric as exploiters of Poland's economic resources.

The shift towards economic nationalism in both Hungary and Poland can be seen as a response to the perceived failures of neoliberalism to deliver broad-based economic benefits and social stability. In many CEE countries, the rapid implementation of neoliberal reforms led to economic disparities and social dislocation, creating fertile ground for populist leaders who promised to protect national interests against foreign and elite influence. By framing

economic nationalism as a way to reclaim sovereignty and protect the national economy from the excesses of global capitalism, populist governments were able to garner significant public support.

However, these policies also had significant implications for democratic governance and economic stability. In Hungary, for example, the concentration of economic power in the hands of the state and the close ties between the government and domestic oligarchs raised concerns about corruption and cronyism. The renationalization of industries often resulted in the transfer of assets to government-friendly business figures, undermining market competition and transparency (Bogaards, 2018). Similarly, in Poland, the PiS government's intervention in the economy, including attempts to exert control over the judiciary and media, was seen as a threat to democratic norms and institutions (Pech & Scheppele, 2017).

In both countries, the turn towards economic nationalism has also led to tensions with the European Union. EU leaders criticized the policies of Hungary and Poland as incompatible with the principles of the single market and the rule of law. The EU launched infringement procedures against both countries, citing concerns over judicial independence, media freedom, and respect for fundamental rights (Bánkuti et al., 2012). These actions have strained relations between Brussels and the populist governments in Budapest and Warsaw, leading to broader debates about the future of European integration and the resilience of liberal democratic norms in the region.

Despite these challenges, the populist shift towards economic nationalism has been popular among significant segments of the population in Hungary and Poland, who view these policies as necessary for protecting national interests and ensuring economic security. The ability of populist leaders to combine economic policies with nationalist rhetoric has been a key factor in their electoral success and continued support (Pappas, 2019). By positioning themselves as defenders of the nation against both domestic and foreign elites, populist leaders have tapped into deep-seated anxieties about economic sovereignty, cultural identity, and social cohesion.

### **Broader Implications for Central and Eastern Europe**

The move away from neoliberalism and towards economic nationalism in CEE is not limited to Hungary and Poland. Other countries in the region have also experimented with similar policies, reflecting a broader trend towards state intervention and protectionism. For example, in Romania and Bulgaria, governments have adopted measures to protect strategic industries and limit foreign ownership of natural resources. In the Czech Republic, political leaders have called for greater economic self-sufficiency and reduced reliance on foreign capital, particularly in the wake of the COVID-19

pandemic, which exposed the vulnerabilities of global supply chains (Orenstein, 2019).

The shift towards economic nationalism in CEE raises important questions about the future of economic policy and political stability in the region. While these policies may provide short-term economic gains and political support, they also pose risks to long-term growth and democratic governance. Increased state intervention and protectionism can undermine market efficiency, reduce foreign investment, and lead to economic isolation. Moreover, the concentration of economic power in the hands of the state and domestic elites can foster corruption and weaken democratic institutions, posing a threat to the rule of law and political pluralism (Orenstein & Appel, 2018).

In conclusion, the post-crisis transformation of economic models in CEE reflects a complex interplay of economic, political, and cultural factors. The turn towards economic nationalism and away from neoliberalism has been driven by a desire to protect national sovereignty and address economic grievances, but it also presents significant challenges for the region's integration into the global economy and the preservation of democratic norms. As CEE countries continue to navigate these challenges, the future of economic policy and political stability in the region remains uncertain, with potential implications for the broader European and global order.

## **SERBIA'S ECONOMIC POPULISM: BALANCING BETWEEN EAST AND WEST**

### **Introduction to Serbia's Economic Populism**

Serbia's journey towards economic populism reflects a unique blend of political maneuvering and strategic economic reforms. Under the leadership of President Aleksandar Vučić, Serbia has positioned itself as a pivotal player in the Western Balkans, navigating complex relationships with both the European Union and non-Western powers such as Russia and China. Vučić's economic policies have been described as populist, combining elements of neoliberalism with state intervention and protectionist measures aimed at boosting national sovereignty and economic independence.

Since coming to power in 2014, Vučić has leveraged his political platform to enact a series of economic reforms that appeal to both domestic and foreign audiences. These reforms include austerity measures aimed at fiscal consolidation, investment in infrastructure, and efforts to attract foreign direct investment (FDI) from diverse sources. At the same time, Vučić has

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maintained nationalist rhetoric that resonates with a domestic audience weary of Western influence and eager for economic stability and growth.

### **Economic Strategies and Reforms**

The economic reforms in Serbia under Vučić have been multifaceted, targeting several areas crucial for economic recovery and growth. A cornerstone of Vučić's strategy has been fiscal consolidation, involving significant cuts to public spending, pension reforms, and efforts to reduce the budget deficit. These austerity measures, while unpopular among some segments of the population, have been credited with stabilizing the Serbian economy and achieving a budget surplus in 2017 for the first time in decades (Pavlović, 2019).

To complement these austerity measures, Vučić has aggressively pursued foreign investment, particularly from China, Russia, and the European Union. Serbia has positioned itself as a hub for Chinese investment in the Balkans, benefiting from Beijing's Belt and Road Initiative. Key investments include the modernization of infrastructure, such as the Belgrade-Budapest railway, and significant investments in the Serbian mining and energy sectors. These investments are seen as a way to boost economic growth, create jobs, and modernize the country's infrastructure (Buzogány & Varga, 2018).

However, Serbia's approach to foreign investment is not without its critics. Some argue that reliance on Chinese and Russian investments could lead to a form of economic dependency, undermining Serbia's long-term economic sovereignty and making it susceptible to geopolitical pressures. Additionally, concerns have been raised about the lack of transparency in investment deals and the potential for corruption and cronyism, which could hamper the country's economic development and political stability (Eror, 2018).

### **Political Economy and Nationalism**

Vučić's economic strategy is closely tied to his political ideology, which blends economic pragmatism with nationalist rhetoric. By positioning himself as a defender of Serbian sovereignty and a champion of economic reform, Vučić has been able to consolidate power and maintain broad public support. This blend of economic populism and nationalism has enabled Vučić to appeal to both the international community and domestic constituencies.

Domestically, Vučić has framed his economic reforms as necessary steps to protect Serbia's national interests and promote economic independence. This narrative has resonated with many Serbians who feel disillusioned with the promises of European integration and wary of foreign

interference in domestic affairs. By invoking themes of national pride and sovereignty, Vučić has been able to justify his economic policies, even when they involve painful austerity measures or controversial foreign investments (Pavlović, 2019).

Internationally, Vučić has pursued a strategy of balancing relations between East and West. While Serbia remains a candidate for European Union membership, Vučić has also cultivated close ties with Russia and China, seeking to leverage these relationships to gain economic benefits and political leverage. This balancing act has allowed Serbia to attract investment from both Western and Eastern sources while maintaining a degree of political independence and flexibility (Buzogány & Varga, 2018).

### **Geopolitical Implications of Serbia's Economic Populism**

Serbia's economic populism under Vučić has significant geopolitical implications for the Western Balkans and beyond. By fostering closer ties with China and Russia, Vučić has positioned Serbia as a key ally of these powers in the region, challenging the European Union's influence. This strategy has raised concerns among Western policymakers about Serbia's commitment to European integration and its alignment with Western values.

At the same time, Serbia's economic populism serves as a model for other countries in the region, demonstrating how a small country can leverage its strategic position to attract investment from multiple sources and maintain political independence. Vučić's approach has been particularly influential in countries like Montenegro and North Macedonia, where leaders are also seeking to balance relations between East and West to maximize economic and political gains (Pavlović, 2019).

### **Social and Economic Impacts of Populist Policies**

The social impact of Vučić's economic populism has been mixed. On one hand, the focus on fiscal consolidation and attracting foreign investment has led to economic stabilization and growth, with Serbia achieving an average GDP growth rate of 3.5% between 2015 and 2019. Unemployment has also declined, from over 20% in 2014 to around 10% in 2019, reflecting increased economic activity and job creation (Erer, 2018).

On the other hand, the benefits of economic growth have not been evenly distributed. Critics argue that Vučić's economic policies have disproportionately benefited the elite and foreign investors, while ordinary citizens continue to struggle with low wages, inadequate social services, and high levels of economic inequality. Additionally, there are concerns that the focus on attracting foreign investment has come at the expense of supporting

domestic industries and small businesses, which are crucial for long-term sustainable development (Buzogány & Varga, 2018).

Furthermore, the emphasis on nationalism and sovereignty in Vučić's rhetoric has heightened social tensions and contributed to a polarized political climate. By framing economic reforms in nationalist terms, Vučić has been able to deflect criticism and maintain public support. However, this strategy also risks deepening social divisions and undermining democratic institutions (Pavlović, 2019).

### **The Future of Serbia's Economic Populism**

The future of Serbia's economic populism under Vučić remains uncertain. While the current strategy of balancing relations between East and West and pursuing economic nationalism has brought short-term gains, there are significant risks associated with this approach. The reliance on foreign investment, particularly from non-Western sources, could limit Serbia's economic and political independence in the long run. Additionally, the focus on nationalist rhetoric and economic populism may undermine efforts to promote democratic governance and social cohesion.

Looking ahead, Serbia will need to navigate a complex set of challenges to ensure sustainable economic growth and political stability. This will require a careful balancing of domestic and international interests, as well as a commitment to transparent and inclusive economic policies that benefit all segments of society. The path forward for Serbia's economic populism will depend on the ability of its leaders to adapt to changing geopolitical realities and address the underlying social and economic challenges facing the country.

### **CONCLUSION**

The rise of populism in Central and Eastern Europe (CEE) is not merely a transient political phenomenon but rather a reflection of deep-seated economic, cultural, and political transformations that have shaped the region since the end of the Cold War. The resurgence of populist movements is rooted in the complex interplay of multiple factors, including economic discontent, cultural anxieties, and a pervasive distrust in traditional political institutions. Understanding the emergence and persistence of populism in CEE requires a nuanced analysis of these interrelated drivers and their implications for the region's future.

Economic crises have been particularly instrumental in shaping the political landscape of CEE. The global financial crisis of 2008, for instance, served as a catalyst that exposed the inherent vulnerabilities of the neoliberal

economic models adopted by many post-communist states. These models, characterized by privatization, deregulation, and integration into global markets, were initially heralded as pathways to modernization and prosperity. However, the crisis revealed their dependence on foreign capital and the volatility of global financial systems, leading to severe economic contractions, rising unemployment, and growing public disillusionment with the neoliberal consensus (Appel & Orenstein, 2018). In response, populist leaders have effectively capitalized on economic grievances by promoting nationalist and protectionist policies aimed at reclaiming economic sovereignty and addressing social inequalities.

The economic models developed by populist governments in Hungary, Poland, and Serbia illustrate a deliberate shift away from neoliberal orthodoxy towards a more state-centric approach. In Hungary, Viktor Orbán's government has pursued a policy of "economic sovereignty," which includes renationalizing key industries, imposing taxes on foreign corporations, and promoting domestic entrepreneurship. Similarly, Poland's Law and Justice (PiS) party has implemented a range of redistributive social policies, such as the Family 500+ program, alongside measures to increase state control over strategic sectors like banking and energy (Rae, 2020; Bluhm & Varga, 2019). In Serbia, the government has adopted a hybrid approach that combines elements of neoliberalism with economic nationalism, leveraging strategic partnerships with both Eastern and Western powers to attract foreign investment while maintaining a degree of political independence (Eror, 2018).

While these populist economic policies have been criticized for undermining democratic institutions, promoting crony capitalism, and fostering corruption, they have also achieved some notable successes. In many cases, they have helped stabilize economies, reduce unemployment, and enhance social cohesion by addressing the immediate needs of the populace. For example, Hungary's policies have reduced its unemployment rate from 11.8% in 2010 to 3.5% in 2019, while Poland's social welfare programs have significantly decreased child poverty and boosted domestic consumption (György, 2019; Szczerbiak, 2017). These outcomes suggest that populist policies, despite their controversial nature, can provide short-term economic stability and improve social welfare, which in turn reinforces their political legitimacy and electoral appeal.

However, the long-term sustainability of these populist economic models remains highly questionable. By prioritizing short-term economic gains and political expediency, populist governments risk neglecting the structural reforms necessary for sustainable economic growth and development. Policies that focus on state intervention, protectionism, and the concentration of economic power can undermine market efficiency, deter foreign investment, and stifle innovation, leading to slower economic growth

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in the long run. Furthermore, the erosion of democratic institutions and the rule of law under populist regimes can create an unpredictable and unstable political environment, which may further discourage both domestic and international investors (Pech & Scheppele, 2017; Bogaards, 2018).

The impact of populism on international relations in the region is also significant. Populist governments in CEE have often positioned themselves in opposition to the European Union, criticizing its policies on immigration, judicial independence, and economic regulation. This antagonistic stance has led to increasing tensions between populist-led states and EU institutions, raising questions about the future of European integration and the stability of the EU itself (Kelemen, 2020). The ongoing disputes over the rule of law and democratic governance in Hungary and Poland have prompted the EU to consider stronger measures, including conditionality mechanisms linking EU funds to compliance with democratic norms. Such measures could have profound implications for the cohesion and unity of the EU, particularly if they exacerbate divisions between Eastern and Western member states (Pech & Scheppele, 2017).

Moreover, the rise of populism in CEE has broader implications for the global political landscape. The success of populist movements in challenging established political and economic orders has emboldened similar movements in other regions, contributing to a global wave of populist politics that threatens to undermine the liberal democratic norms that have prevailed since the end of World War II. As populist leaders continue to gain traction by exploiting economic grievances, cultural fears, and political disillusionment, the potential for increased political polarization, authoritarianism, and conflict grows (Inglehart & Norris, 2016; Mounk, 2018). This trend poses a significant challenge to the global community, which must grapple with the implications of rising populism for international cooperation, economic stability, and democratic governance.

Looking ahead, the trajectory of populism in Central and Eastern Europe will depend on several factors, including the ability of populist governments to deliver sustained economic and social benefits, the resilience of democratic institutions, and the response of the European Union and other international actors. As the region continues to navigate the complex challenges posed by globalization, technological change, and geopolitical competition, the future of populism will likely be shaped by its capacity to adapt to new realities while maintaining its appeal to the electorate.

Ultimately, the rise of populism in CEE serves as a stark reminder of the need for inclusive and responsive governance that addresses the economic and social concerns of all citizens. It highlights the importance of finding a balance between economic efficiency and social equity, between openness to the global economy and protection of national interests, and between the

preservation of democratic values and the pursuit of political stability. As such, understanding the roots and dynamics of populism in CEE is crucial not only for the region but also for the broader global effort to promote sustainable development, social justice, and democratic governance in an increasingly interconnected world.

## REZIME POLITIČKA EKONOMIJA POPULIZMA

Ovaj rad istražuje političku ekonomiju populizma, s posebnim fokusom na zemlje Centralne i Istočne Evrope (CEE). Nakon globalne finansijske krize 2008. godine, Mađarska i Poljska razvile su specifične populističke ekonomske programe koji su počeli da utiču i na druge zemlje CEE, uključujući Srbiju. Ovaj rad istražuje uzroke populizma, transformaciju ekonomskih modela nakon krize, kao i specifične ekonomske politike koje karakterišu populističke vlade u regionu. Kroz detaljne studije slučaja Mađarske, Poljske i Srbije, istraživanje ističe kako su ove politike zasnovane na ekonomskom nacionalizmu, aktivaciji radne snage, natalizmu i suverenitetu. Nadalje, rad ispituje uticaj ovih politika na privlačenje novih izvora stranih investicija, posebno iz autoritarnih država na Istoku.

*Ključne reči:* politička ekonomija, populizam, Centralna i Istočna Evropa, ekonomski nacionalizam, neoliberalizam, finansijska kriza, autoritarizam

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