

# Democracy, Populism and Minority Rights

Edited by  
Hannes Swoboda and  
Jan Marinus Wiersma



**PSE**  
Socialist Group in the  
European Parliament

**RI** RennerInstitut

# Table of contents

<b>Foreword</b>	5
Martin Schulz	
<b>Introduction</b>	7
Erich Fröschl	
<b>Consolidating New Democracies</b>	9
Hannes Swoboda and Jan Marinus Wiersma	
<b>Economic Transformation and its Consequences in the New Member States</b>	23
Gabor Hunya	
<b>Post-communist Transition and EU Accession – their Social Consequences</b>	31
Michael Dauderstädt	
<b>The Rise of Populism</b>	39
Anton Pelinka	
<b>Faces of Populism in Central and Eastern Europe</b>	49
Jean-Michel De Waele	
<b>Democratic Regression, Rising Populism and the pitfalls of European Integration</b>	57
André Gerrits	
<b>The Strange Death of the Liberal Consensus</b>	67
Ivan Krastev	
<b>Minority Rights in the “New” EU Member States after Enlargement</b>	77
Balázs Vizi	
<b>Minority Rights on both sides of the German-Danish Border and their effects after fifty years</b>	85
Helmut Kuhne	

<b>The Rapprochement Process between the Czech Republic and Germany after 1989</b>	<b>89</b>
Libor Rouček	
<b>Hungary</b>	
<b>Minorities and Populism</b>	<b>93</b>
Csaba Tabajdi	
<b>Slovakia</b>	
<b>Populism in Slovakia's current Political Situation</b>	<b>97</b>
Monika Benova	
<b>Romania</b>	
<b>The Transition from Democracy to Populism</b>	<b>101</b>
Adrian Severin	
<b>Poland</b>	
<b>The Case of Poland</b>	<b>111</b>
Józef Pinior	
<b>Bulgaria</b>	
<b>Post-communist Transition, Economic Transformation and the Social Consequences in Bulgaria</b>	<b>117</b>
Atanas Papanizov	

# Post-communist Transition EU Accession and its Social Consequences

Michael Dauderstädt

The collapse of communist regimes has opened up the economies and societies of Central and Eastern Europe (CEE). The trajectories of transition have been to a large extent shaped by the prospect of EU membership. Internal economic transformation and external adjustment pressures by the EU and the world economy have caused massive social change in the CEE which in turn influenced political developments there.

## Different transitions

The post-communist societies of the CEE underwent at least three, and in most countries even four simultaneous transitions:

- From federal state to national independence (defining citizenship, territory, currency, polity in the Baltic states, Czech and Slovak Republics, Slovenia);
- From party dictatorship to democracy;
- From a socialist planned economy to a capitalist market economy;
- From a closed economy to an open economy (integrated within the EU and the global economy).

These transitions are to some extent interdependent and mutually reinforcing. But EU accession partially reversed the first transition (independence) while it supported the second (democracy) and largely shaped the other two (market and integration). The tensions between accession and transition are clearer now than before accession. Although EU membership narrows the corridor of possible transitions and the types of capitalism which result from these

Dr. Michael Dauderstädt is director of the Division for Economic and Social Policy of the Friedrich-Ebert-Stiftung, Bonn. This paper includes revised versions of three slides presented by Tomáš Sirovátka within his presentation "Social Challenges Arising from Social Trends – Czech Republic" at a FES/CESES conference on "The New Social Europe" in Prague on December 7, 2007. The last section includes parts published earlier by Michael Dauderstädt "The Communist Successor Parties of Eastern and Central Europe and European integration", in: *Communist Studies and Transition politics*, Vol.21, March No.1 (2005).

transitions the CEE show a substantially differentiated spectrum of capitalisms. Following the “Varieties of capitalism” theory by Hall and Soskice, one can differentiate between coordinated and market capitalism. Applying this to the varieties of post-communist capitalism in the CEE (following Bohle and Greskovits; see source below Table 1), three types can be identified:

- Neo-liberalism (Baltic states);
- Embedded Neo-liberalism (Visegrad 4: Poland, Czech Republic, Slovakia and Hungary);
- Neo-corporatism (Slovenia).

Table 1 gives some basic characteristics of these three varieties with regard to economic performance, government policies (role of the state) and social structure, in particular the role of trade unions. Generally, the roles of the state and the trade unions tend to be weakest in the neo-liberal Baltic and strongest in neo-corporatist Slovenia with the Visegrad countries ranging between these extremes.

**Table 1: Varieties of CEE capitalism**

	<b>Baltics</b>	<b>Visegrad 4</b>	<b>Slovenia</b>
Industrial Growth / year	-1,5 %	4,6 %	1,0 %
Manufacturing FDI stock/cap	77 US\$	744 US\$	198 US\$
Social spending / cap	1228 € PPP	2298 € PPP	3920 € PPP
Collective bargaining	14-23%	34-43%	91-100%
Government debt (of GDP)	13,5%	45,9%	29,3%
Government expenditure (of GDP)	34,3 %	46,4%	48,1%

Source: Bohle, Dorothee, Greskovits, Bela, 2007: Neo-liberalism, Embedded Neo-liberalism and Neo-corporatism: Towards Transnational Capitalism in Central-Eastern Europe. West European Politics, Vol. 30, No. 3, May 2007, p. 443 – 466.

Regardless of the specific variety of capitalism chosen, economic transition implied a massive redistribution of labour and income. The socialist economy was characterised by low productivity protected from competition, full employment, low nominal wages and low prices for basic consumption (food, housing, plus free healthcare and education) resulting in relatively decent real wages and real pensions. Introducing market prices and productivity-oriented wages implied welfare losses (low real wages and pensions) which were only partially compensated by the distribution of assets such as housing.

The opening of the CEE economies and their integration within the EU changed the market positions of different groups of the population due to factor mobility. On the one hand, foreign capital acquired substantial parts of the assets of the national economy. On the other hand, domestic labour, in particular the young and well qualified, gained access to foreign markets through migration. Productivity increased rapidly while wages, in particular in the domestic sector, followed but slowly. In the end, inequality increased due to increasing wage disparity between those with access to jobs which are well paid in comparison to the national average – such as jobs abroad or within foreign firms – and those working in the traditional domestic sector.

### **Social effects of economic transformation and EU accession**

The immediate social consequences were severe. The transition caused a strong recession when major industries collapsed. Unemployment soared albeit still mitigated by the wide-spread use of early retirement. Income inequality and poverty, which had been as unknown as unemployment, increased too. Subsequently, employment rates are still much lower in the new CEE Member States than in the old EU-15.

There are significant differences between countries, however. Unemployment has been particularly high in Poland and Slovakia. Slovakia is also the country most strongly affected by poverty, probably resulting from the radical reforms of the tax regime (flat tax). Hungary and the Czech Republic are much less unequal societies.

Table 2 confirms that analysis, showing low rates of poverty risk – even by EU standards – in Hungary and Czech Republic, with Slovakia being a relatively severe case.

**Table 2: Social performance of selected CEE countries  
in comparison with old EU Member States**

	DK	GER	UK	POR	SK	PL	HU	CR
Risk of poverty	+	+	-	--	--	-	++	++
Poverty gap	+	+	-	-	--	-	++	++
Deprivation in seven selected dimensions	+	-	+	--	-	--	--	-
Long-term unemployment women	++	-	++	+	--	--	+	-
Long-term unemployment men	++	--	+	+	--	--	+	-
Unemployment 15 - 24 years	++	+	+	+	--	-	+	-

Source: Atkinson quoted by Tomáš Sirovátka in Prague 2007

Unemployment and poverty are also unequally distributed in regional terms. While western regions close to the old EU and the national capitals benefited, regions in the East of the CEE were much worse off. Huge nominal income differences are somewhat mitigated by lower prices in poor regions. Together with the economic effects of transnational market integration, this process creates winners and losers. The winners are the mobile, young and qualified in foreign languages and other skills important to knowledge economies, while the losers are those stuck in declining regions, old, and either not qualified at all or with obsolete qualifications.

## Political responses to social problems

The governments reacted to the social crisis resulting from transition by increased social spending. Liberal observers such as Kornai thus spoke of "premature welfare states" as the share of social spending as a proportion of GDP in the CEE had reached levels otherwise only known in countries with much higher per-capita income. Nonetheless, social spending is still below EU average as table 3 shows.

Table 3: Social spending in percentage of GDP (2004)

Country	Active LM policy	Unemployment compensation	Soc excl, housing	Children family	Total soc. expenditure
SWE	1,2	1,3	1,2	3,0	31,6
DK	1,8	2,7	1,7	3,9	29,7
FR	1,0	1,7	1,3	2,5	29,4
Average EU	0,8	1,3	0,9	2,1	26,8
UK	0,5	0,3	1,7	1,7	25,8
HU	0,3	0,4	0,5	2,5	20,3
PL	0,2	0,8	0,2	1,6	19,7
CZ	0,3	0,3	0,6	1,6	18,9
SK	0,2	0,3	0,5	1,8	16,5

Source: Eurostat, OECD quoted by Tomáš Sirovátka in Prague 2007

That amount of social spending has notable effects on poverty which is more pronounced in Hungary and the Czech Republic than in Slovakia or Poland (see table 4).



**Table 4: Effectiveness of redistributive policies  
in CEE in comparison to other EU Member States**

<b>Country</b>	<b>Poor before transfers</b>	<b>Poor after transfers</b>	<b>Effectiveness in reducing poverty</b>
Hungary	29	13	55
Czech Rep.	21	10	52
Slovakia	22	13	41
Poland	30	21	30
Germany	24	13	46
Austria	24	12	50
Portugal	26	20	23
Sweden	29	9	69
<b>EU 25</b>	<b>26</b>	<b>16</b>	<b>38</b>

Source: EU SILC quoted by Tomáš Sirovátka in Prague 2007

Although the losers from modernization and integration are less badly off in some countries (Hungary and Czech Republic) than in countries without compensating policies, they form a substantial reservoir of disgruntled people which are a fertile ground for populism and extremist politics.

### **Political repercussions:**

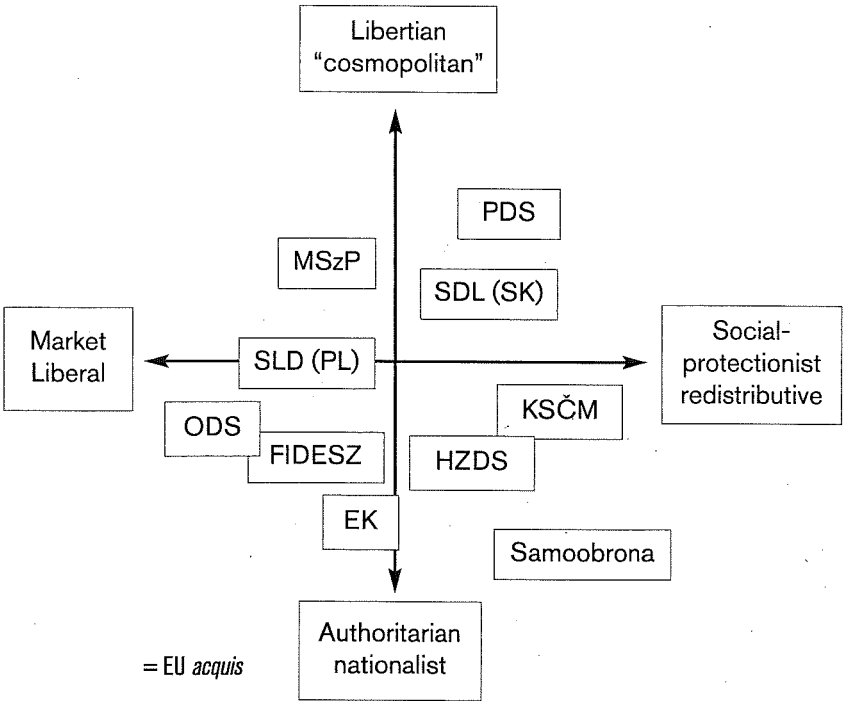
#### **The risks of nationalist populism**

Transition promised wealth and economic development. Actually, incomes declined strongly before eventually growing beyond their 1989 level. Social policies hardly coped with the social effects of economic crises. Thus it is not surprising that the population in the CEE has been disgruntled and disenchanted with the development of democracy and the market economy. Very few governments have been re-elected since 1989. Electoral swings were substantial and party systems often unstable when new parties tried and succeeded to benefit from the popular disappointment with traditional parties. However, the political changes caused very few substantial

policy changes as capitalist reforms continued. Significantly, this kind of political instability, which was often accompanied by a surge of nationalist and/or authoritarian parties, has been most prominent in Poland and Slovakia where social conditions (unemployment and poverty) were most problematic.

EU membership combines challenges regarding economic and social conditions and regarding national sovereignty and autonomy. The political parties in the CEE have therefore had ambiguous attitudes towards accession. While only a few parties were openly opposing accession many supported policies and values hardly compatible with EU membership. Figure 1 provides a scheme to categorise these relations. The grey circle represents the political positions permissible within the framework of the *acquis-communautaire* and the Copenhagen criteria. It leans towards market-liberal orientations, since the EU is at present characterised more by market integration than by supranational market regulation and redistribution. Before the Amsterdam Treaty the position of the EU circle was even more inclined in this direction.

Figure 1: CEE political parties in the European political field



The parties shown in figure 1 illustrate this point. They have positions which are either fully EU compatible (for example those of the Hungarian Socialist Party MSzP) or more or less in conflict with European positions in one direction or the other, such as the Hungarian FIDESZ, the Czech ODS, Vladimir Meciar's HZDS in Slovakia, the Czech communists, or the Estonian Centre Party EK – which before the Estonian referendum called on the voters to reject accession – or which lie well outside the EU consensus, such as Andrzej Lepper's Samoobrona in Poland.