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THE IMPERFECT BALANCE

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THE IMPERFECT BALANCE: POPULISTS BETWEEN ECONOMIC
NATIONALISM AND NEOLIBERALISM

A Master's Thesis

by

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Ankara

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To my mother

THE IMPERFECT BALANCE: POPULISTS BETWEEN ECONOMIC
NATIONALISM AND NEOLIBERALISM

The Graduate School of Economics and Social Sciences

of

İhsan Doğramacı Bilkent University

by

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ABSTRACT

THE IMPERFECT BALANCE: POPULISTS BETWEEN ECONOMIC NATIONALISM AND NEOLIBERALISM

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The recent surge of populism around the world has been accompanied by a rise in economic nationalism, mostly pursued by populists in government. Despite changes in the global economy, neoliberalism still remains the dominant paradigm, and therefore creates constraints on governments which follow unorthodox economic approaches. This thesis questions how populist governments pursue economic nationalism in a neoliberal world. It argues that populists seek to maintain an imperfect balance between economic nationalist and neoliberal policies, in an attempt to satisfy different audiences at the same time, including the electorate, the domestic private sector, and international markets. In order to analyze populist governments' attempts at maintaining the imperfect balance, the thesis explores the policies of the Fidesz government in Hungary and the AKP government in Turkey, by looking at how they have been trying to reconcile economic nationalism with neoliberalism over the past decade. The ability of Fidesz to sustain a relative macroeconomic stability and continued foreign investment demonstrate the determining role played by audience constraints in the success or failure of populists' attempts to maintain the balance.

Keywords: Economic Nationalism, Hungary, Neoliberalism, Populism, Turkey

ÖZET

KUSURLU DENGE:

EKONOMİK MİLLİYETÇİLİK VE NEOLİBERALİZM ARASINDA POPÜLİSTLER

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Dünyada popülizmin son yıllardaki yükselişi, özellikle popülist hükümetler tarafından izlenen ekonomik milliyetçi politikalarda bir artışı beraberinde getirdi. Küresel ekonomideki değişimlere rağmen, neoliberalizm hala baskın paradigma olmayı sürdürmekte, ve de bu durum, ortodoks olmayan ekonomik yaklaşımları izleyen hükümetler üzerinde kısıtlamalar oluşturmaktadır. Bu tez, popülist hükümetlerin neoliberal bir dünyada ekonomik milliyetçiliği nasıl gerçekleştirdiğini sorguluyor. Buna göre popülistler, içinde seçmen grupları, özel sektör, ve uluslararası piyasaların da bulunduğu kitlelerin taleplerini aynı anda karşılayabilmek için, ekonomik milliyetçi ve neoliberal politikalar arasında kusurlu bir denge oluşturmaya çalışıyor. Bu tez, popülist hükümetlerin kusurlu dengeyi takip etme çabalarını incelemek için Macaristan'daki Fidesz ve Türkiye'deki AKP hükümetlerinin politikalarını ele alarak, bu hükümetlerin son on yıl içinde ekonomik milliyetçilik ve neoliberalizmi nasıl bağdaştırmaya çalıştığına bakıyor. Fidesz'in, AKP'ye kıyasla, makroekonomik istikrarı ve yabancı yatırımda sürekliliği sağlama becerisi, popülistlerin dengeyi sağlamadaki başarısında etkileşimde oldukları kitlelerin kısıtlayıcı etkilerinin belirleyiciliğini gösteriyor.

Anahtar Kelimeler: Ekonomik Milliyetçilik, Macaristan, Neoliberalizm, Popülizm, Türkiye

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CHAPTER 1

INTRODUCTION

For the past several decades, populism has been a major political phenomenon that has attracted the increasing attention of scholars and political analysts alike. With its roots in the late 19th century United States and Russia, populism has become a recurring part of world politics over the 20th century. From the 20th century onward, populist ideas and strategies have appeared across all sections of the political spectrum. The most notable examples of populism in the 20th century have been experienced in Latin America, with populists from Argentina to Mexico managing to gather sizable followings and dominate domestic politics of their respective countries. In the rest of the world, populism started to receive more attention especially with the emergence of far-right populist parties in Western Europe following the end of the Cold War. Over time, populists from around the world began to move from the fringes of their political systems to mainstream prominence. In Europe and its periphery, a range of populist parties from the Law and Justice Party in Poland, to the Five Star Movement in Italy, have made their ways into the government. Outside of Europe as well, populists have established their presence in government, including in Brazil and the Philippines, and even in the United States under former President Donald Trump. The global proliferation of

populists led to increasing scrutiny of their ideologies and strategies, as well as the concept of populism itself as a political phenomenon.

Similar to those of populism, studies and analyses of economic nationalism have also come to the fore over the past two decades. It has been argued that there had been a surge in economic nationalism, especially in relation to populism, and more specifically to national populism, as can be seen in cases such as the “America First” policies of Donald Trump and the Brexit process which was initially pushed by the populist United Kingdom Independence Party (Colantone & Stanig, 2019; Hopkin, 2017). While these can be construed as clear instances of economic nationalism, it is important to note that the understanding of economic nationalism should not only be relegated to any specific set of policies. Although economic nationalism conceptualized as economic protectionism or statism had long been covered in the literature (Johnson, 1967; Hieronymi, 1980), more recent studies have demonstrated novel attempts at reconceptualizing economic nationalism by shifting the focus to the nation as opposed to specific protectionist policies (Helleiner, 2002; Abdelal, 2005; Pryke, 2012). According to this view, a broad range of economic policies can be perceived as economic nationalist, as long as they have nationalist goals at their core and are developed in the context of national economic cultures. Regardless of the specific content of the policies, a changing international context with shifting power balances allowed for the rise and spread of alternative and non-paradigmatic approaches to economic and financial government (Öniş & Kutlay, 2020a). Neoliberalism itself has also been going under significant overhaul and its future is in question (Peck & Theodore, 2019; Stiglitz, 2019). Still, neoliberalism remains to be the dominant paradigm for now, and this means that national populists

pursuing economic nationalist policies have to take into account international forces which tend to favor neoliberalism.

In order to unpack the relation between populism, economic nationalism, and the global economy, this thesis explores the question of how national populists in government pursue economic nationalism in a neoliberal world. While studies exploring and analyzing the economic dimensions of populism exist (Acemoğlu, Egorov, & Sonin, 2013; Rodrik, 2018), the literature on populism has focused more on its political implications, especially in terms of its relationship with electoral politics and democracy (Taggart, 2000; 2004; Norris & Inglehart, 2019; Kriesi, 2014). Moreover, most studies of populism have concentrated on populists in opposition rather than in government. The literature has long been analyzing populists as outside the system or opposition forces, and questions have been raised regarding the viability of populist parties and politicians once they make their way into the political mainstream and government, as it was thought that when in power, populists would face the same constraints as mainstream parties and become forced to moderate their positions (Taggart, 2004). With the number of populist governments increasing in the world, now seems to be a good time to take a look at how populists fare once in power, and to focus on their approaches to economic government.

The thesis argues that national populists in government devise their economic policies by seeking an imperfect balance between economic nationalism and neoliberalism. The balance is imperfect because it needs to be constantly shifting in order for the governments to appease different audiences at the same time, including the electorate, the domestic private sector, and international markets. The demands of these audiences can be disparate as their preferences for either economic

nationalism or neoliberalism can be different from each other. Therefore, the governments must find ways to address these demands simultaneously without compromising their relationships with any of the audiences. Accordingly, these governments pursue a mix of orthodox and unorthodox policies in their attempts to maintain both popular support and economic stability.

The conundrum faced by national populists in government in their attempts to reconcile economic nationalism with neoliberalism, reflects the tensions between the responsiveness and responsibility functions of government (Mair, 2009). Responsiveness requires governments to act in accordance with the (often short-term) demands of their citizens. On the other hand, the necessities of responsible government compel policymakers to take into account their country's commitments to various domestic and international actors, with an eye toward the long-term well-being of their citizens, even when it might be unsavory in the eyes of the electorate and detrimental for short-term political gains (Goetz, 2014).

In a neoliberal world where foreign investment and financing remain to be vitally important, these commitments include those toward international markets and financial institutions (Bardi, Bartolini, & Trechsel, 2014). Such financial commitments form one area where the line between responsiveness and responsibility becomes particularly blurred. While economic well-being is a demand of every citizen, it requires a certain degree of compliance with the international financial system, which may in turn call for the implementation of undesirable policies. This creates a situation where the necessities of responsiveness and responsibility can often be contradictory, but the possible incompatibility of the two functions does not preclude governments from pursuing them both at the same time. In fact, a government's perceived responsiveness in one area can facilitate its

electorate's acceptance of responsible but not necessarily responsive policies in other areas (Linde & Peters, 2020). This allows governments to bring together economic nationalist and neoliberal policies to varying degrees of success.

1.1 Methodology and Case Selection

In its analysis, this study uses case studies in order to make an in-depth analysis of how populist governments develop economic nationalist policies, and under which conditions they can successfully reconcile them with neoliberal ones to maintain economic and financial stability. The study will adopt a mechanism-oriented approach and use a process tracing methodology in order to make causal process observations (Mahoney, 2012). By using process tracing, the study will uncover the situational mechanisms within which economic and financial policies were first formulated; the action-formation mechanisms through which the policies were carried out; and the transformational mechanisms behind the eventual policy outcomes (Hedström & Ylikoski, 2010).

Through a most similar systems design (Anckar, 2008), this study compares the tenures of the Fidesz-Hungarian Civic Alliance (Fidesz) government in Hungary and the Justice and Development Party (AKP) government in Turkey. The Hungarian and Turkish cases have stood out in recent years as two of the most prominent examples of populist and illiberal governments in the world. Both Fidesz and the AKP came to power in their countries following major financial crises associated with failings of neoliberalism. Hungary, under the Fidesz government, has turned into one of the essential cases for the observation of economic nationalism during the past decade. As for the Turkish case, an initial period of neoliberal government by the AKP gradually gave way to unorthodoxy and the incorporation of

economic nationalist elements, as the party turned from a neoliberal populist agenda toward a national populist one, which will be explained in detail in Chapter 4.

In their pursuit of economic nationalism, the two governments have been following some common tactics including an opposition to Western financial institutions and the erosion of central bank independence. The two governments also similarly secured a political dominance in their respective countries through attacks on democratic institutions and the establishment of competitive authoritarian regimes. One notable difference between the two cases is the European Union membership of Hungary, which makes Fidesz accountable to an additional, supranational, audience when compared to Turkey. In this way, the EU membership acts as a further constraint on Fidesz, but also brings the government a set of benefits such as EU funds. What makes a comparison of the two cases particularly interesting is the difference in their economic and financial fortunes in recent years, despite their shared illiberalism and unorthodoxy. Whereas Fidesz has been able to maintain a relative economic stability in Hungary, the AKP has been struggling with significant economic and financial problems. This difference has implications for the way and the success with which the two governments have been tackling the imperfect balance.

In order to analyze the two cases, this study employs both qualitative and quantitative evidence. The qualitative evidence used in this study consist of both primary and secondary sources. The former includes statements from political leaders and government officials, election manifestos of parties, legislations, and official governmental documents. The latter includes newspaper articles, and reports by international and non-governmental organizations. In terms of quantitative

evidence, the study makes use of official statistics from governments and international organizations.

1.2 Organization of the Thesis

Following this introductory chapter, Chapter 2 reviews the relevant literature and lays out the theoretical framework of the study. The chapter first analyzes the relationship between populism and democracy, and offers a conceptualization for populism. It later focuses on and conceptualizes economic nationalism by explaining how it differs from economic protectionism and statism. It then moves on to unpack the relationship between populism and economic nationalism, and demonstrates the affinity of national populism with economic nationalism. Further on, it details the main argument of the study by explaining how national populist governments strive to find an imperfect balance between economic nationalism and neoliberalism. The chapter concludes by examining the literature on the two cases of the study and explaining how the argument applies to them.

Chapter 3 provides the case study on the Fidesz government in Hungary. It starts out by explaining the political background for the rise of Fidesz. Afterwards, the chapter details the ideological framework within which the economic nationalism of Fidesz took shape. It then focuses on the Fidesz government's relationship with the private sector of its country, its promotion of the interests of national insiders, and its aversion to foreign control of strategic sectors. The following section analyzes Fidesz' pursuit of macroeconomic sovereignty. Before concluding, the chapter finally examines Fidesz' attempts at building a work-based society in order to reveal how the economic nationalist logic has crawled into social and labor policy in the country.

Chapter 4 offers the case study on the AKP government in Turkey. The chapter begins by providing the political background for the rise of the AKP. Following that, the chapter traces the trajectory of the economic approach of the AKP government from its early neoliberal populist position to its eventual national populist one. Afterwards, it explains how the AKP government aimed to shape the country's private sector to its own political advantage, details its pursuit of foreign investment, as well as its attempts at the promotion of national industrial production. Prior to its conclusion, the chapter expounds on the eventual development of an unorthodox approach to monetary and fiscal policy by the AKP government.

Chapter 5 concludes the thesis by presenting a comparative summary of the two cases. The chapter also details the contributions and implications of the thesis, as well as its limitations and presents suggestions for future research.

CHAPTER 2

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Populism is on the rise. It has been growing in Western Europe for several decades now, and today, populists have permeated the political landscape all around the world, having made their way from the outskirts to the core of politics. Simultaneous with the rise of populism around the world, there has also been an observed resurgence in economic nationalism, with many theorizing on the shapes economic nationalism can take in a globalized world. A close inspection of the two phenomena reveals that it is not a stretch to argue that this resurgence in economic nationalism is to some degree related to populism, especially to the increasing prevalence of the latter's nationalist variant. Once a relationship between populism and economic nationalism has been established, an important question remains as to how populists in government manage to find a balance between their responsibility to international constraints set by neoliberal markets and responsiveness to domestic, economic nationalist demands.

The following section reviews the literature on contemporary populism, its relationship to democracy, and offers a conceptualization of populism. The second section outlines the study's understanding of economic nationalism and how it stands

apart from its more traditional understandings which limit its scope to protectionism. The third section bridges these two phenomena, populism and economic nationalism, and explains how a populist ideology can give way to economic nationalist policies. The fourth section details the main argument of the thesis by explaining how populist governments of today strive to maintain an imperfect balance between economic nationalist and neoliberal policies. The final section presents the two cases of the study by reviewing and expanding upon the literature on the political economies of Hungary and Turkey.

2.1 Populism and Democracy

Populism is by no means a new phenomenon. Although the ambiguity and elusiveness of the concept make it difficult to identify a common historiography of populist politics, the history of populism is inherently tied to those of representative democracy and the idea of popular sovereignty. Some of the earliest examples of populism date back to the second half of the 19th century, and can be seen in the *narodniki* movement in Russia and the People's Party in the United States. While both are considered to be populist, the stark differences between the two, as well as the political contexts from which they emerged serve as an early indicator of the wide range of shapes that populism can take (Rovira Kaltwasser, Taggart, Ochoa Espejo, & Ostiguy, 2017a; Canovan, 1981). Throughout the 20th and 21st centuries, as populism kept emerging in different corners of the world, it continued to take a variety of different shapes as well. These shapes ranged from the left-wing populism of the Latin American Pink Tide to the populism of the European far right (Mudde & Rovira Kaltwasser, 2013). Even within countries, populism took different forms, as demonstrated by the coexistence of Peronism and the neoliberal populism of Carlos Menem in Argentina (De la Torre, 2016; Weyland, 1999).

While exceptions remain, with Peronism being one of them, populism mostly emerges in democratic settings in which growing numbers of the electorate become disenchanted with the established political system. This has led many to theorize about the relationship between populism and democracy. One school of scholarship on the subject took a pejorative approach to populism, by describing it as a pathology of representative democracy which challenges democratic institutions and which has the potential to develop into extremism (Mény & Surel, 2002; Taggart, 2002). An alternative, more positive outlook at populism as advanced by Ernesto Laclau and Chantal Mouffe (1985), posits that populism is a form of radical democracy that is empowering for the people (Rovira Kaltwasser, 2012).

A third strain of scholarship tried to move away from these normative debates and instead started to focus on the inherent tensions of democracy that keep giving rise to populism. Margaret Canovan (1999) argues that the interplay between the redemptive and pragmatic faces of democracy makes populism an ever-present possibility. While the former sees democracy as an ideology promising salvation through popular sovereignty, for the latter democracy is simply a form of government that aims to minimize conflict. Within this view, democracy's failure to live up to its redemptive vision creates room for populism to grow. A similar tension has also been observed through the distinction of popular and constitutional democracy with the former prioritizing the role of the people and the latter emphasizing institutional arrangements (Mény & Surel, 2002; Mair, 2002).

A related aspect of this tension and a source for popular frustration with representative democracy can also be found in the relationship between governments' responsiveness to their constituents and responsibility toward domestic and international constraints they face (Bardi et al., 2014). With increasing

responsibilities of governments toward various veto players including international and, in the case of EU member states, supranational organizations, governments came to find it difficult to respond to their electorate's demands. This has led to a deterioration in the representative function of political parties that traditionally dominate governmental positions, and a consequent dealignment between these parties and their electorate (Mair, 2009; Kriesi, 2014). These developments created a situation that populist challengers can take advantage of. At the same time, the nature of problems encountered by traditional parties also led some to argue that populists in government will find it difficult to remain in power as they will encounter the same constraints that previous incumbents faced (Taggart, 2004). The tensions faced by governments between responsiveness and responsibility are further elaborated in section 2.4 in relation to the main argument of the thesis.

Given the scope of the recent rise of populism, a vast literature has developed which addresses the causes behind this rise. One prominent explanation of the rise of populism is the so-called cultural backlash thesis of Pippa Norris and Ronald Inglehart (2016; 2019). They argue that Western democracies have experienced a reversal of Inglehart's famous "silent revolution" as part of a backlash against the postmaterialist shift in the prevailing values of their societies (Inglehart & Norris, 2017). Increasing existential insecurities of large parts of the electorate combined with this backlash vastly increased the support base of populists. However, the cultural backlash thesis does not fully account (or attempt to account) for the simultaneous and global nature of the rise of populism. As opposed to this view, various scholars have emphasized a link between globalization and the rise of populism (Verbeek & Zaslove, 2017; Berlet, 2011; Steenbergen & Siczek, 2017). Dani Rodrik (2018) has argued that neoliberal economic globalization leads to a

political backlash in the form of populism, the specific type of which is determined by the nature of the shocks of globalization that each-society where populism arose had encountered. Scholars who put forward such an economically centered explanation of the rise populism posit that the losers of globalization develop an economic anxiety and the feeling of being left behind which motivates their support for populism (Mudde & Rovira Kaltwasser, 2018). Barry Eichengreen (2018), by tracing the history of populist movements in Western Europe and the United States, also demonstrates that the materialization and success of these movements depended on the existence of unfavorable economic conditions which instill a sense of insecurity in the electorate, and the failure of mainstream politicians to respond to these fears. Accordingly, if the elites of the established political system manage to react (even if in a limited capacity) to the electorate's concerns and convey the sense that they are responsive, populism fails to take hold. If not, populism thrives. Whatever the explanation, it seems that the rise of populism has at its core a growing disaffection with established political systems and a feeling on part of the electorate that these systems fail to represent them.

Apart from this literature on the causes of populism, there is also a growing body of scholarship which seeks to define what populism exactly is. It is worth to take a look at these attempts at conceptualizing populism as any discussion on populism will remain highly ambiguous and any further analysis unfounded, without a proper conceptualization of populism. Until recently, scholars tended to avoid the task of coming up with a broadly applicable definition of populism, arguing that it would be difficult to identify common elements that would be present across all cases of populism (Canovan, 1981; Taggart, 2004). What impeded such scholarly efforts to properly conceptualize populism were the remarkable variations across

different cases of populism and the way the term got easily thrown around in mainstream political discourse.

Two relatively early attempts at clarifying the concept of populism were undertaken by Margaret Canovan and Paul Taggart. Canovan (1981) developed a typology of populism by differentiating between five types of populism: agrarian populism, populist dictatorship, populist democracy, reactionary populism and politicians' populism. However, she does not extend her analysis to offer a definition of populism that would apply across all of these types. Taggart (2000; 2004), on the other hand, identifies five main characteristics that can be observed across different cases of populism. According to Taggart, populists identify themselves with an ideally constructed heartland through which they derive their notion of the people. Populism lacks a set of core values and therefore has a "chameleonic" ability to take different shapes (2004, p. 275). It is hostile to representative politics and it is born out of a reaction to a sense of extreme crisis, a sense that traditional political channels are not well equipped to deal with said crisis. Finally, populism has a "self-limiting quality" as populists lose their appeal once they get institutionalized into mainstream politics (2004, p. 284).

In recent years, more systematic approaches on conceptualizing populism have been advanced by scholars around the world. *The Oxford Handbook of Populism* (Rovira Kaltwasser, Taggart, Ochoa Espejo, & Ostiguy, 2017b) identifies three main approaches to populism that can be found in the literature. The most widely used and accepted of these approaches is the ideational approach that has been developed primarily by Cas Mudde (2004; 2017). Borrowing Michael Freedman's (1996) terminology, Mudde defines populism as a "thin-centered ideology" which creates an opposition between a "pure people" and a "corrupt elite",

and rests on the existence of a general will as the ultimate source of political legitimacy (Mudde, 2004, p. 543-544). Populism treats the two groups to be homogenous and antagonistic to each-other, and argues that the general will of the people should prevail over the interests of the elite. Being a thin-centered ideology, populism is often combined with other, full ideologies such as nationalism or socialism (Mudde, 2017).

A further approach to the study of populism is the strategic or organizational approach that is formulated by Kurt Weyland (2001, 2017) who conceptualizes populism as a political strategy pursued by personalistic leaders to mobilize support from a large number of people in an uninstitutionalized and unmediated manner. Another approach to populism has been termed the socio-cultural approach which analyzes politics along a high-low dimension of socio-cultural and political-cultural components (Ostiguy, 2017). Populism is associated with the low poles of both components which signify coarse and nativist manners, and a personalization of authority respectively. This approach characterizes populism as the “antagonistic, mobilizational flaunting” of the “culturally popular” which has an affinity with strong leadership (Ostiguy, 2017, p. 84).

In addition to the three approaches listed above, a fourth, discursive approach can also be identified as being heavily adopted in contemporary scholarship on populism. The discursive approach defines populism as an “anti-elite discourse in the name of the sovereign people” (Aslanidis, 2016, p. 96). The discursive approach is built on the work of Ernesto Laclau who characterizes populism as a certain “logic of articulation” (2005, p. 33). The populist logic arises when the emergence of an “equivalential chain” of unfulfilled demands creates an internal frontier within the society between the two camps of “power” and “underdog” (p. 37-38). According to

Laclau (p. 40), the core concepts of populism, like “the people”, are “empty signifiers” whose content depends upon the political and cultural context within which they are utilized.

This study adopts the ideational approach and conceptualizes populism as a thin-centered ideology that promotes the ideally constructed general will of the people against the interests of a corrupt elite. The study does not dispute any other approach to populism as they all explain some part of the phenomenon. The strategic approach is mostly useful for explaining the supply side of populism. Conversely, the discursive approach is better suited for understanding populism’s demand side. However, its empty signifiers are too ambiguous for analyzing the content of the specific policies adopted by populists and comparing them across cases. The socio-cultural approach offers unique insights especially when it comes to the linkages between the people and a charismatic leader, but it is not very useful for explaining economic policy as this study sets out to do. On the other hand, the ideational approach is equally useful for explaining the supply and demand sides of populism, and offers, although minimal, a core ideology of populism from which populists can derive their policies, including economic policy. Therefore, it is better suited for the purposes of this study.

2.2 Economic Nationalism in the Age of Globalization

Populism is not the only phenomenon that has been on the rise. Simultaneously with, and partially related to the rise of populism, economic nationalism has also been receiving both popular and scholarly attention as national governments around the world started to employ ideas of economic nationalism both in their discourse and in the content of their policies (Colantone & Stanig, 2018;

Hopkin, 2017; Skonieczny, 2018; Stephens, 2017). For a long while, scholars thought of economic nationalism to be an outdated doctrine, incompatible with the realities of economic globalization (Kim, 2007; Reich, 1992). This view followed from early liberal approaches to economic nationalism that equated it with protectionist policies (Hieronymi, 1980; Johnson, 1967, as cited in Crane, 1998).

A similar line of thinking can be found in realist accounts of economic nationalism with the most dominant one being that offered by Robert Gilpin (1987). Gilpin argued that economic nationalism's "central idea is that economic activities are and should be subordinate to the goal of state building and the interests of the state" (1987, p. 31). When conceived of in this way, economic nationalism became almost synonymous with statism. Following the end of the 20th century, this conception of economic nationalism started to be criticized by scholars arguing that Gilpin's approach missed the core of economic nationalism by focusing too much on the state (Abdelal, 2005; Crane, 1998; Helleiner, 2002). The nature of this criticism provides the key to the approach of this new wave of scholarship to economic nationalism which insists on putting the nation rather than the state at the center of their analysis.

By emphasizing the nation, the new wave of scholarship recasts economic nationalism as a "complex set of relationships between nation and economy" (Pickel, 2005, p. 13). Economic nationalism derives its content from national economic cultures and is developed within particular national historical contexts, which national economies are also a part of (Crane, 1998; Pickel, 2005). Following this line of thinking, economic nationalism is characterized as being part of a nationalizing mechanism that serves to legitimate and integrate national economic and political systems (Pickel, 2003). When reconceptualized in this broad sense, economic

nationalism can be used to refer to not only specific ideologies or sets of policies, but also to national economic, political, and societal systems (Pickel, 2005).

Through this reconfiguration of the definition of economic nationalism, a variety of economic ideologies and policy doctrines from liberalism to protectionism become particular historical manifestations of economic nationalism (Helleiner, 2002). What constitutes a specific policy as economic nationalist would be the nationalist goals it seeks to achieve. These goals often revolve around ideas of national power, unity, autonomy and sovereignty (Harmes, 2012; Shulman, 2000). The shape that economic nationalism takes for a given nation and the policy doctrines it will give way to depend on the value hierarchy of the abovementioned ideas, and on how that nation interprets its economy through its national identity (Abdelal, 2005; Shulman, 2000). Furthermore, economic nationalism serves to provide a societal purpose to economic policy and justifies any economic sacrifice in the name of this purpose (Abdelal, 2005). This reconfiguration of economic nationalism also allows for the relationship between the nation and economic policy to be viewed as co-constitutive, with the latter also constituting the former (Fougner, 2006).

The breadth of economic, political, and societal goals that can be achieved through economic nationalism makes its policy content similarly wide-ranging. This means that while economic nationalism manifested itself as infant industry protectionism in the United States of Friedrich List's time, it was equally possible for it to take the form of liberalism in 19th century Britain since both the British national identity and goals were more amenable to the promotion of free trade (Helleiner, 2002). This makes it more logical to conceptualize economic nationalism in equally broad terms as its possible forms and goals.

In its broadest sense, economic nationalism is a set of policies aimed to “protect and promote national economic interests” (D’Costa, 2012, p. 3). In a globalized world, it seeks to achieve this by leveraging national resources to secure benefits from the world economy (D’Costa, 2009). Although economic nationalism is not necessarily opposed to foreign economic activity, it refuses to leave the fate of the nation’s economy at the hands of world markets (Pryke, 2012). Economic nationalist policies favor economic actors that are seen to be insiders vis-à-vis outsiders (Clift & Woll, 2012). The policy content of economic nationalism is determined based on which policies better serve the interests of the nation and its insiders. Today, the resurgence of economic nationalism should be understood in this light. It is not necessarily a specific set of policies, such as protectionism, that is on the rise. Rather, what we are witnessing is a certain way of economic policymaking which is cultivated and takes its shape within a national context, as opposed to a simple adoption of dominant international paradigms.

2.3 Populism as a Source of Economic Nationalism

There are parallels to be drawn between the above definition of economic nationalism and populism. Both of them rely on a distinction between inside and outside groups, and the favoring of the former over the latter. For populism these groups are the people and the elite, while for economic nationalism these are national insiders and foreign outsiders. Moreover, the policies that can be derived from both vary greatly in their content based on the type of populism and the national identities and goals that give shape to economic nationalism. Therefore, based on the national context, some types of populism can have a greater affinity with economic nationalism.

The idea that populism is conducive to certain economic policies is not without precedent. There is a vast literature that defines and analyzes populism on economic terms. Perhaps the most influential work in this regard is the one by Rudiger Dornbusch and Sebastian Edwards (1990, p. 247) that defines populism as an economic approach which “emphasizes economic growth and income redistribution and deemphasizes the risks of inflation and deficit finance”. Building upon this work, Acemoğlu, Egorov, and Sonin (2013) define populism as the promotion of economic policies that are to the left of the median voter which nonetheless receive the support of the median voter. These interpretations of populism are closer in nature to its inclusionary types that are best demonstrated by the Latin American Pink Tide, and Syriza and Podemos in Europe (Mudde & Rovira Kaltwasser 2013). Nonetheless, they point toward an association between certain types of populism and particular economic policies. The populist emphasis on economic growth and greater equity has also been argued to exist for all populists across the political spectrum (Eichengreen, 2018). Mark Blyth and Matthias Matthijs (2017) also argue that there is a commonality in the economic approaches of populists across the world in the sense that they all tend to be anti-creditor and anti-market. According to them, behind the contemporary populist reactions is the frustration of wage earners who had been subject to austerity cuts while creditors got bailouts. The main takeaway from all of these analyses is that populists are likely to favor a particular politically motivated distribution of economic resources, to the favor of their in-groups, or in other words the “people” that they claim to embody.

As mentioned in the previous section, economic nationalism has the idea of the nation at its core, perhaps more so than the economy. Therefore, it is appropriate to look into populism’s relation to nationalism as well, before looking into how

populism might connect to economic nationalism. Populism as an ideology relies on a Manichean division between the people and the elite (Mudde, 2004). In both its inclusionary and exclusionary forms, populists seek to manage the distribution of state resources as well as the rules of political participation and contestation based on their definition of the people. Through their rhetoric and symbols, populists define certain societal groups as part of the people, leaving other groups outside this definition and in the process linking them to the elite (Mudde & Rovira Kaltwasser, 2013). In a similar fashion, nationalism also relies on a distinction between in and out-groups. Public policy, including economic policy can both be shaped by and aimed to further delineate the distinction between the nation and its others (Abdelal, 2005). In nationalism, who gets included into the nation depends on the particular construction of this notion and is partly defined in opposition to its others (Triandafyllidou, 1998), just as it is with populism and its construction of the people. When nationalist and populist ideologies are combined, the notion of the people is equated with the nation, and its other will be constructed as being in association with a foreign or transnational elite. Groups that would otherwise fall into the concept of the nation are left out on account of their association with the elite (De Cleen, 2017).

The boundary setting characteristic of populism is likely to have its expression in the realm of economic policy in the form of economic nationalism, especially in the case of populism's nationalist variant. National populists can distribute economic resources and design economic policy in a way that favors national insiders, a construct which overlaps with the populist notion of the people. Through economic nationalism, national populists can both further the economic goals of their national insiders and shape their countries' political economy along the boundaries set between the people and the elite, the nation and its others. This

process will reinforce the division between the two opposing groups, both materially and symbolically, and justify the unfavorable treatment of national outsiders through their association with the elite.

2.4 The Imperfect Balance between Economic Nationalism and Neoliberalism

In recent years, there has been a resurgence in economic nationalism around the world. This resurgence can be interpreted as being both expected and unexpected at the same time, given the way that the world economy has evolved over the last few decades. Following the 1980s, the world economy started to evolve along the path of neoliberal globalization. This path was modeled after the work of scholars such as Milton Friedman and Friedrich Hayek, and starting with the 1980s, was promoted as the Washington Consensus, by Washington D.C.-based financial and economic institutions as an economic model which stressed high degrees of privatization, deregulation, fiscal discipline, free trade and capital account mobilization (Babb, 2013).

As the global economy became increasingly integrated through a neoliberal model of globalization, the expectation was that economic and financial policymaking of nations around the world would converge and become uniform. This is especially due to most countries in the world opening up their capital markets which leaves them vulnerable to fluctuations in capital flows across their borders. In order to attract and keep capital in the country, governments have to adopt policies that are appealing to capital. Therefore, once a country decides to open up its capital market, its government's policy choices become significantly constrained. One demonstration of these constraints can be seen in the macroeconomic policy trilemma which states that countries with open capital markets cannot have both

monetary policy autonomy and a fixed exchange rate regime. Accordingly, governments of these countries have to choose between the stability of a fixed exchange rate or the benefit of autonomously using monetary policy toward domestically oriented objectives (Obstfeld & Taylor, 2003). This is an example of how, regardless of their national economic cultures, every country that is part of the increasingly integrated global economic system is under immense pressure to internalize orthodox economic principles and policies, and in today's world that means adhering to the neoliberal policy paradigm.

The extent to which economic and financial policy convergence has been expected to occur was explained in one of the canonical accounts of neoliberal globalization offered by Thomas Friedman (2000). According to Friedman, the extent of globalization necessitates that governments put on a golden straitjacket consisting of a set of economic and financial policies which ensure minimal government intervention into markets and instill confidence in capital. International competition means that order to survive in the global economy and have their country's economy grow, all governments have to follow the same path and follow mostly the same policies. This leads to a shrinking of the domestic political space as the number of policy choices decrease and the differences between them become less substantial. This account of neoliberal globalization is grounded in real world observations and accurately captures the pressures and incentives faced by governments to put on the golden straitjacket. However, at the same time, it largely ignores the counteracting effect that domestic politics can have on economic and financial policymaking, or in other words, how resistant the political space would be against shrinking.

Dani Rodrik (2011) recognizes this resistance of politics by arguing that Friedman overestimated the benefits and desirability of globalization by thinking that it would overtake politics. Rodrik posits that potential political backlash from losers of globalization will prevent full economic integration as a result of neoliberal globalization. Accordingly, Rodrik offers a political trilemma in the vein of the macroeconomic policy trilemma (2000, 2011). The political trilemma states that full global economic integration, democratic politics and nation states cannot exist at the same, only two out of the three can. Given the resistance of democratic politics and nation states, continued globalization creates significant political tensions in countries around the world.

A major framework that captures these resulting tensions is offered by Peter Mair (2009). While the framework is not limited to economic and financial policy, it does a good job of capturing the dilemmas faced by governments in a globalizing world. According to Mair, governing parties in democracies are now finding it increasingly difficult to simultaneously manage two critical functions of government: responsiveness and responsibility. Here, responsiveness requires that “political leaders or governments listen to and then respond to the demands of citizens and groups” (p. 11). Responsibility, on the other hand, is concerned with how “governments are expected to act prudently and consistently and to follow accepted procedural norms and practices” (p. 12). Mair argues that it has become difficult for governments to bridge the gap between these two functions.

There are several reasons which Mair states as being behind this difficulty. These reasons include changes in party organizations, the accumulation over time of inherited legacies of decisions taken by previous governments, and the increased constraints faced by governments due to the proliferation of the number of agents

and institutions that they are responsible to (Mair, 2009). This last point is especially pertinent to the subject matter of the thesis. With increased globalization, and in the case of the EU member states, Europeanization, governments have to engage with more audiences than before and fulfill their commitments to international institutions in order to maintain international credibility and satisfy international markets which they rely on for the financial prosperity of their countries (Bardi et al., 2014). This means that in the modern context, responsibility requires governments to adhere to neoliberal principles and policies at least to a certain extent.

Following the 2008 global financial crisis, the tension between responsiveness and responsibility became even more severe as a result of increasing anti-neoliberal and anti-globalization demands of various adversely affected domestic groups (Lefkofridi & Nezi, 2020). The severity of the resulting tension created room for either populist challengers to capitalize on these demands, such as in the case of Syriza in Greece, or forced incumbent parties to alter their lines to accommodate them, like the Conservative Party in the United Kingdom in the wake of the Brexit referendum, allowing populists to increase their presence in these parties. For populists attempting to respond to the anti-status quo demands of the public, promoting economic nationalism served as an appropriate way forward given its affinity with populism.

While populists may promote economic nationalism, when in government they face the same constraints faced by non-populists to adopt neoliberal policies due to their responsibility to international markets. Therefore, this thesis seeks to explain how populists in government satisfy both domestic and international audiences by finding an imperfect balance between responsiveness based on economic nationalism and responsibility for neoliberal policymaking. One answer is that there does not

always have to be a trade-off between responsiveness and responsibility. By drawing from David Easton's (1965) concept of a reservoir of goodwill, Linde and Peters (2020) argue that a government's perception as responsive by the public over time aggregate in the form of political support, and governments can later take advantage of this support when making responsible policy decisions that may not have been demanded by the public. Therefore, responding to public demands through economic nationalism can later help governments make potentially undesirable neoliberal policy decisions when they have to satisfy international markets.

However, economic nationalist and neoliberal policies can at times become incompatible or may seem contradictory in their ideological content. When such a contradiction arises, successful governance becomes not only a matter of making the public accept unpopular requirements of responsible policymaking, but also one of reconciling contradictory policies in the eyes of the public. In such a situation, the government has to deemphasize the contradiction between their economic nationalist and neoliberal policies. Populist governments have been known to selectively politicize issues in order to control public backlash and maintain the integrity of their populist narrative (Bohle & Greskovits, 2019). Michael Freeden (2017) argues that whereas thin-centered ideologies often rely on other ideologies systematically to broaden their appeal, populists are selective when it comes to the issues which they choose to mobilize people on. It is this selectivity that often serves to broaden populism's appeal, rather than its attachment to full ideologies. This selectivity also helps them politicize different issues at will, and publicly emphasize instances of economic nationalism, while deemphasizing neoliberal policies by designating them technocratic issues.

In sum, populists seek to respond to anti-status quo demands of domestic groups through economic nationalism which can also serve as the economic leg of an overall populist narrative and discourse due to the compatibility between populism and economic nationalism. In order to satisfy international markets, they selectively adhere to neoliberal principles, while relying on the political support they gathered based on their perceived responsiveness, as well as selective politicization to mitigate the potential backlash from domestic groups that can see neoliberal policies as non-responsive. Although their economic nationalism can be troubling for international markets, as long as they can keep up strong macroeconomic indicators and stability, they continue to attract capital (Johnson & Barnes, 2015).

Things become more complicated when it comes to populist governments in competitive authoritarian regimes. From the Chavez and Maduro regimes in Latin America to Hungary and Poland in Europe, and further east, to Russia and the Philippines, populism has been associated with many competitive or full authoritarian regimes around the world. Whereas the responsiveness and responsibility framework does not apply to full authoritarian regimes, it still applies to competitive authoritarian ones as the governments of these regimes are still constrained by electoral cycles and therefore, by the tensions detailed under the framework. On one hand, these regimes have the risk of scaring international investors due to the likelihood of frivolous decision-making and an overall lack of transparency in government (Eichengreen and Leblang, 2008). On the other hand, they have the benefit of having a higher degree of political control over their countries. By having uneven access to media and state resources, as well as a more limited degree of accountability (Levitsky & Way, 2002), competitive authoritarian regimes can be better poised to withstand the backlash from critical groups such as

labor which can oppose neoliberal policymaking. The same control can also make it easier for them to selectively politicize their decisions. This thesis focuses on two cases that fall under this category.

2.5 The Political Economy of Populism in Hungary and Turkey

Both cases of this thesis have been experiencing a surge of populism and economic nationalism in recent years. Fidesz in Hungary and the AKP in Turkey came to power in an environment of financial crisis and party system collapse in their respective countries, and have been enjoying widespread electoral support ever since they took office. The two parties eventually developed similar policies and approaches to government that sent their countries into a process of democratic backsliding. Both Fidesz and the AKP's approaches to political economy carry the same economic nationalist elements, and are driven by similarly populist ideologies.

The political and economic circumstances which gave rise to the emergence of the AKP in Turkey can be traced back to the 1990s, a period during which Turkey struggled with severe economic problems. Chief among them were chronic budget deficits due to unchecked public spending and high inflation rates caused in large part by uncontrolled foreign capital flows in a highly deregulated financial setting. The economic problems were exacerbated by continuous political instability. The failure of the exchange-rate stabilization program which was introduced in 1999 in an attempt to address these problems gave way to the 2001 crisis in wake of the abolishment of the program (Akyüz & Boratav, 2003). Following the crisis, Turkish financial and banking sectors underwent a significant restructuring with increased regulations, and the central bank was given legal independence as part of an IMF loan conditionality (Şahin, 2012). The crisis was so severe that it also led to the

collapse of the party system and created the grounds which allowed for the newly founded AKP to come into power following the 2002 general elections.

The materialization of similar circumstances in Hungary, following the 2008 global financial crisis, gave way to the rise of Fidesz and their hold on government. The effects of the crisis sent the export-driven Hungarian economy into a nosedive with a weakening currency, declining GDP and increasing unemployment, forcing the incumbent MSZP government to seek financial assistance from the IMF (Tóth, 2014). The IMF imposed severe austerity measures which led to sharp cuts to wages and pensions (Johnson & Barnes, 2015). This economic and financial downturn was the final blow to a political system that had come to be viewed as unrepresentative by large sections of the electorate (Bozoki, 2015). In the 2010 elections, Fidesz came to governmental office for a second time after a tenure between 1998 and 2002, with its junior coalition partner KDNP.

Once in power, Fidesz and its leader Viktor Orban embarked on a self-declared quest to build an illiberal state that would make the Hungarian nation competitive. This vision has been guided by an emphasis on economic growth, nationalization of strategic sectors and an increase in the role of the state in economy (Toplišek, 2020). These nationalization schemes took the form of both transfer of foreign ownership to national firms and direct state ownership of shares of companies operating in strategic sectors such as the energy, media and automotive sectors (Isaacs & Molnar, 2017; Naczyk, 2014; Rogers, 2019). Perhaps the most significant of these schemes was the nationalization of the previously foreign dominated banking sector which can also be understood as being part of a set of policies that Johnson and Barnes (2015) call financial nationalism. These policies aimed for monetary sovereignty and the promotion of national financial institutions

over international ones, and undermined the independence of the central bank in the process. While these measures can be called unorthodox, Fidesz did not completely stray away from neoliberal orthodoxy in their economic and financial policymaking. In order to engender private investment, Fidesz opted to decrease corporate taxes to its lowest EU level and has been offering special tax incentives in order to draw FDI to the country (Bohle & Greskovits, 2019; Toplišek, 2020).

Despite emerging from comparable circumstances, the AKP followed a different trajectory than Fidesz in its early years in government. During its early years in office, the AKP followed a series of economic policies that aimed at rapid privatization in traditionally state controlled sectors, as well as banking and tax reforms which allowed for the prospering of small and medium sized firms (Demiralp, 2009). At the same time, the AKP launched an expansion of social assistance programs that targeted lower income groups (Bozkurt, 2013). When it comes to foreign economic policy, the AKP sought to increase the integration of Turkey into regional and global markets (Kirişçi, 2009; Köstem, 2018). Following the fallout of the Arab Spring and the failure of attaining Turkish foreign policy goals in the region, as well as increasing authoritarianism in the country, the AKP increasingly turned to an economic model which advanced a greater role for the state and the nation, while at the same time looking to expand economic ties to new markets in Eurasia (Madra & Yılmaz, 2019; Öniş, 2019). Similar to Fidesz, the AKP sought to have national insiders control strategic sectors including energy, media, construction and defense industry (Bağcı & Kurç, 2017; Esen & Gümüşçü, 2017; Ocaklı, 2018; Öniş, 2019). Also reflecting Fidesz, the AKP has been undermining the independence of the central bank, in an attempt to centralize control of macroeconomic policymaking (Demiralp & Demiralp, 2019).

The populism of the two parties is unmistakable. Whereas Fidesz can be characterized as national populist throughout its entire incumbency, the nature of AKP's populism can be argued to have gone through a change. The AKP's earlier period was marked by what can be called a neoliberal populism (Roberts, 1995; Weyland, 1999) which combined neoliberal reforms with poverty alleviation programs. In the post-2011 period, especially after the reignition of clashes with the PKK and the AKP's political alliance with MHP in 2015, there has been an increasing emphasis on nationalist elements. However, while Fidesz' national populism is built on an exclusionary Hungarian identity, the one espoused by the AKP is constructed more broadly to include neo-Ottomanist and religious elements (Aktürk, 2018; Toomey, 2018; Saraçoğlu & Demirkol, 2015). Regardless of their construction of the nation, both parties strove to leave their opposition outside this construct, by implicating them with being linked to a corrupt elite which the parties claim to oppose. In Turkey the make-up of the elite took different shapes over the years, including the military, the Kemalists formerly in power, or an economic elite such as the "interest lobby" (Gürsoy, 2019), reflecting the chameleonic nature of populism and its concepts (Taggart, 2004). In Hungary, the elite took the form of EU technocrats and a foreign economic elite dominating the country's financial sector (Johnson & Barnes, 2015; Pirro & Van Kessel, 2017). These antagonistic elite constructs have been accused of undermining the sovereignty and goals of the nation and the people.

The populism of Fidesz and the AKP serve as a basis and motivator for the economic nationalist agenda they came to develop. At its core, their economic nationalism aims for macroeconomic sovereignty and control of strategic sectors by national insiders. Through economic nationalism the two parties have been able to

advance the goals of politically allied economic actors that are promoted as national insiders. They have also been able to cultivate public support through a discourse based on national sovereignty.

While both governments managed to avoid the IMF, which added to their leverage in designing autonomous policy (Johnson & Barnes, 2015), they still rely on international markets, foreign debt and funds for finance. The challenge is in being able to continually attract these financial resources despite their partial employment of unorthodox economic policies, and to prevent this reliance from undermining their electoral support. In response to this challenge, the two governments have been trying to fulfill different commitments to different audiences by mixing and shifting between economic nationalist and neoliberal policies. The selective nature of populism helps the governments to play down the contradictions of their policies. The two governments have been selectively politicizing and emphasizing popular, often economic nationalist policies, over unpopular neoliberal ones (Bohle & Greskovits, 2019; Dönmez & Zemandl, 2019). On account of Fidesz, the sustenance of mostly stable macroeconomic indicators has also allowed it to continue to attract funds from international bond markets (Johnson & Barnes, 2015).

What has been facilitating this process is the virtually complete dominance the two parties came to have over their countries' economies through mutually beneficial alliances with the private sector. By employing a system of rewards and punishment, the AKP has been distributing economic resources in return for political support (Esen & Gümüüşcü, 2017). Similarly, Fidesz created a network of politically loyal national bourgeoisie that is favored by the government (Rogers, 2019). The politically allied parts of the private sector are enjoying the status of national insiders. In return, the support they provide to the governments allow the two

governing parties uninterrupted control over their countries' economies. As it stands, the relations of the two governments with the private sector serve both as a motivator and a facilitator in their economic pursuits. Through these mechanisms, Fidesz and the AKP have been trying to maintain a balance between responsiveness to the demands of their electorate and their responsibility to the constraints set by international structures.

CHAPTER 3

THE FIDESZ GOVERNMENT IN HUNGARY: WHEN ECONOMIC NATIONALISTS INHERIT A NEOLIBERAL REGIME

Ever since its transition from communism, Hungary had been known as a poster child for newly emerging liberal economies. In 2010, after two decades of liberal rule, the national populist Fidesz government came to power and altered the country's trajectory. With Viktor Orban at its head, what Fidesz attempted to do was to build an illiberal alternative to the dominant liberal paradigm. Economically, this meant pursuing a different growth model based on economic nationalist and unorthodox policies. While this model played well into popular sentiments which had developed a resentment toward the liberal system over the last few years, Fidesz also had to take into account reactions from other audiences like the EU and international markets. Accordingly, Fidesz mixed and matched both unorthodox and neoliberal policies in its attempts to pursue economic nationalism in a globalized world.

This chapter unfolds over six sections. The first section provides the background for the rise of Fidesz. The second section explores the framework for Fidesz' economic policies by detailing its "System of National Cooperation". The

following three sections analyze Fidesz' policies over different areas of economic and financial policymaking. The final section concludes.

3.1 Political Background and the Rise of Fidesz

Fidesz, and Viktor Orban as one of its founding members, first stepped into the arena of Hungarian politics in 1988. Fidesz emerged as a group of young liberal activists in opposition to the Hungarian Socialist Workers Party which had been ruling the country for the past several decades. In 1989, Fidesz and Orban played a pivotal role in the negotiations for the country's transition to a democratic system (Record of Conversation, 1989). An important landmark in Orban's career also took place in the same year, at the reburial ceremony of Imre Nagy, the key figure of the Hungarian Revolution of 1956. During the event, Orban gave a speech calling for free elections and the removal of Soviet troops from Hungary which launched him into nationwide fame as a prominent up and coming politician (Szilágyi & Bozóki, 2015).

Following the first democratic elections in 1990, Fidesz got into the parliament as an opposition party by getting 9% of the popular vote (Mészáros, Solymosi, & Speiser, 2007). In the lead up to the elections, Fidesz ran on a liberal platform espousing pluralism and a free market economy (Laki, 1990). However, the following years marked a shift in the party's position from a liberal to a more conservative center-right one. In 1993, the party experienced a split among its members, with its liberal camp leaving the party. In the wake of the split, now party president Viktor Orban was left virtually in complete control of the party (Fowler, 2004). An underwhelming electoral performance in the 1994 elections hastened Fidesz's move towards being a conservative catch-all party. This move arguably paid

off in the following elections, as Fidesz was able form a government with its junior coalition partners the Independent Smallholders Party and the Hungarian Democratic Forum in 1998. The elections of 1998 marked the beginning of a bipolar competition between center-right and center-left camps, led respectively by Fidesz and the Hungarian Socialist Party (MSzP) (Batory, 2016).

During its first tenure in government between 1998 and 2002, Fidesz sought to change the existing elite of the country, planted the first seeds of a partisan distribution of resources and aimed for populist mass mobilization around the party. Throughout its tenure, Fidesz fueled an increasingly confrontational and polarized political atmosphere, painting politics and democracy as an all or nothing game (Bozoki, 2008). The intellectual foundations of Fidesz's newly reformed ideology was influenced by and mirrored a reorganization of conservative thought in Hungary. Hungarian conservatives, seeking a break with both the communist past and the post-communist liberal order, developed a critique of the liberal conception of a minimal state and the liberal emphasis on individual rights. Instead, conservatives aimed to make politics political again by putting the emphasis on a strong state, power, and personality, as well as a Manichean division between different social groups (Buzogány & Varga, 2018). The first Fidesz government attempted to materialize these theoretical ideas and, in a way, served as a template for what was to come in the post-2010 period.

In 2002, the confrontational atmosphere created by Fidesz failed to generate the desired electoral support and an unexpected defeat at the elections led to two consecutive MSzP governments. Throughout its eight years in opposition to the MSzP, Fidesz and Orban kept deepening their polarizing discourse, and refused to fully acknowledge the legitimacy of the MSzP government (Batory, 2016). Although

Fidesz failed to win the 2006 elections, a scandal in the same year involving MSzP leader and Prime Minister Ferenc Gyurcsany changed fortunes of Fidesz for the better. In a closed-door event soon after the election, Gyurcsany admitted that his government had been lying to the public regarding the condition of the Hungarian economy and that the country's budget deficit was far too dire to allow for MSzP to keep their election promises. When the speech leaked, it led to widespread protests and rioting, and discredited both the Prime Minister and the MSzP (Palonen, 2012).

Two years later, the fallout from the 2008 global financial crisis turned out to be the final nail the coffin for the MSzP government. Since its transition into a market economy, the Hungarian economy had been developing in a heavily export oriented and FDI dependent manner (Fink, 2006). This structure of the Hungarian economy meant that the effects of the 2008 crisis were highly exacerbated in the country due to declining export rates and FDI inflows (Maasdam, 2010). The circumstances created by the crisis led to a significant depreciation of the Hungarian Forint as it had lost 17% of its value against the Euro by the beginning of 2009. The effects of this depreciation were made worse as the Hungarian National Bank (MNB) kept interest rates at an unusually high level whereas all of Hungary's neighbors were lowering their own interest rates (Egedy, 2012). As a result of the crisis, already low GDP growth rates of 0.2% in 2007 and 1% in 2008, sank to negative rates in 2009 as the Hungarian economy shrank by 6.7% (The World Bank, n.d.a). Also in 2009, the unemployment rate rose to above the 10% level for the first time in more than a decade (The World Bank, n.d.b).

Amid this crisis, the MSzP government was left with little choice but to ask the IMF for financial assistance. As an orthodox measure, the loan package came with a requirement to reduce the budget deficit, which was perceived as a cruel

demand given that Hungary had already achieved significant deficit reduction in the past two years. Although the target for the budget deficit was relaxed later on, Hungarians still experienced cuts to their wages and pensions at record levels (Andor, 2009; Johnson & Barnes, 2015). Under these economic circumstances, especially given how discredited the government was following the scandal of the leaked speech, everything was set for Fidesz to come into power once again in the elections of 2010.

In April 2010, Fidesz claimed a major victory by getting enough votes to get a two thirds majority in the National Assembly, and to allow the party and its leader Orban to form the government with their junior coalition partner Christian Democratic People's Party (KDNP). Orban's victory speech emphasized historical circumstances and defined the election victory as a revolution. In his speech, Orban declared that "Hungarian people today have ousted the regime of oligarchs who misused their power, and the people have established a new regime, the regime of national unity" (Dunai & Than, 2010). Orban's words, clearly populist in character, were revealing for understanding the kind of change he would pursue once his term in office began. Orban would seek to alter the sociopolitical make-up of the country while continuing with his quest to change the elite of the country, a quest which he had initially undertaken during his first tenure as Prime Minister.

3.2 Fidesz' Populism and Framework for Economic Policy

Just a month after Orban took office as Prime Minister, in May 2010, his party issued a document outlining their program and goals for the years to come. Titled the *Programme of National Cooperation*, this document heralded the establishment of a "System of National Cooperation" which would reshape the

makeup of the Hungarian society. This document, through a language that is fit for a revolutionary manifesto, characterized the April 2010 elections as a major turning point in Hungarian history. In the foreword of the document, Orban declared that instead of mere “adjustment or change”, his party has been given the authorization “to establish a new political, economic, and social system built on new rules in every area of life” (Office of the National Assembly, 2010, p. 3). The document also includes a two-page *Declaration of National Cooperation* which was later required to be put up on the walls of all public institutions (Bozóki, 2011). The declaration identifies five guiding principles and targets for the new government as “work, home, family, health, and order” (Office of the National Assembly, 2010, p. 5).

Throughout the document, the revolutionary language of Fidesz is accompanied by a demonstrably national populist ideology. According to the document, the results of the 2010 election represents the general will of the entire Hungarian nation and gives the new government the authority to act upon this will. In true populist fashion, the past eight years of MSzP rule are described as being defined by corruption and bad government that ignored the Hungarian people’s demands and “went against their will” (p. 10). It is argued that instead of the people’s will and “common national causes”, past governments have followed and worked for the “private and partial interests” of the elite (p. 9). The document proclaims that with the new government, the united will of Hungarians will from now on drive politics.

In its main body, the Programme of National Cooperation details the government’s plans for the future by focusing on five areas: economy, order, health care, social safety, and democracy. Most of the attention is given to the changes to be made for the Hungarian economy, starting with the promise of the creation of one

million new jobs as the basis for economic stability and growth. The program outlines several ways through which job creation will be supported during the government's tenure. The bulk of the job growth is aimed to be created in the private sector and therefore the programme aims to maintain a strong budgetary and fiscal policy, as well as to reduce bureaucratic hurdles in order to establish confidence in business. Another important avenue for job growth is located in public works programs, which assigns simple, low paying jobs to the unemployed. Further emphasis has been made on improvements to the training of Hungarian workers through reformed vocational schools that will equip workers with more practical knowledge.

In line with a national populist ideology, the programme emphasizes how Hungarian producers, products, and consumers have been done wrong in the post-communist transition years. In order to remedy this seeming mistreatment of Hungarians in their own country, the programme offers radical changes in several areas of economic policy. One of these areas is public procurement, as according to the document, only 40 percent of public procurements have been given to Hungarian companies, whereas in the rest of the European Union, this number is more than 70 percent for domestic companies. The programme promises to make both direct and indirect changes to the public procurement system that would significantly raise this percentage for Hungarian companies. The programme also declares a commitment to protect Hungarian producers and products with a focus on small and medium sized enterprises (SMEs). It underscores that the protection and support of SMEs are crucial to have a growing domestic market. According to the document, high-quality products of Hungarian SMEs are having a difficult time competing with the low-quality products of large foreign companies. To their competitiveness, the

programme puts an emphasis on how the state will protect SMEs and their products through measures of quality assurance and fair competition laws.

However, the content of the government's economic program was not economic nationalist in a statist sense, in fact, it included crucial items that are heavily shaped by neoliberal ideas. The programme stresses that the government aims to turn Hungary into "one of the most business-friendly countries in the Central-Eastern European region" through reducing the burden of state bureaucracy and excessive regulation from businesses, despite its promise of further regulation in other areas to boost the competitiveness of Hungarian SMEs (p. 21). In order to further promote business activity, the programme also promises to decrease the number of taxes and make taxation a more simplified process. Instead of companies directly paying taxes, the programme seeks to broaden the scope of value added taxes (VATs) and pass part of the tax burden to the consumers. The programme also offers to decrease the level of interest rates which it argues to have been unusually high in Hungary, so that Hungarian SMEs with credit can invest more and operate more easily, and can better compete with large foreign companies which are able to get their credits from foreign sources with lower interest rates.

Last but not least, the programme reveals the new government's approach to foreign economic relations. It stresses that Hungary must both renew and strengthen its economic relations with its existing Western partners, and open up to new markets in the East with specific emphasis being made on China, Russia, and India. Through these new economic ties, the programme aims to integrate the Hungarian export sector, and especially Hungarian SMEs, to growing global markets and use the expansion of the operation of these companies as a means of job growth in the country. Finally, the programme envisions to turn Hungary into a regional logistics

hub by serving as a bridge in the European Union's trade with the East (Office of the National Assembly, 2010).

Beginning with this early economic program, it is evident that Fidesz would seek an unorthodox mix of economic nationalism and neoliberalism in its economic policy-making. A strong emphasis has been put on making the Hungarian nation competitive in world markets and on favoring Hungarian producers and companies over foreign ones. The programme regularly stresses how the state needs to support Hungarian businesses, at times by intervening and at other times staying away from the market depending on the needs of said businesses. While it aims to make use of the state's authority to increase the competitiveness of Hungarian businesses vis-à-vis foreign ones, it also seeks to cut down the state's role in the economy by reducing taxes and decreasing regulations. In short, it can be said that the programme sees the improvement of Hungarian SMEs and significant job growth as the two keys to the success of the Hungarian economy, and it argues that the state should act in a pragmatic way that would benefit these two key objectives.

This unorthodox mix of economic policy can be traced down to the political and economic ideas which could be found in Hungarian conservative circles after 2000s, most prominently in the writings of think tanks like the Szazadveg Foundation and conservative intellectuals like Andras Lanczi. Based on the experience of the post-communist transition years, Hungarian conservatives developed a critique of liberalism, its conception of a minimal state, and its emphasis on societal consensus. According to them, these liberal notions led to a weakening of the state and its authority, which in turn caused national interests to lose priority over foreign ones. Therefore, in their view, what Hungary needed was a strong state that would regain its lost authority and use it in pursuit of common national interests

which would also be defined by the state itself. At the same time, despite these conservatives' support for a strong state, they promoted a line similar to the advocates of neoliberalism when it comes to social policy by rejecting a welfare state. They believed social assistance to what they saw as unproductive groups to be holding back the state (Buzogány & Varga, 2018). This would later mean that Fidesz would pick and choose between who the state would favor in their policies, by taking a punitive approach to the said unproductive groups while supporting those who are part of the productive workforce (Varga, 2021).

These ideas were also shared by who is perhaps the most important intellectual and economist that would shape Fidesz' policies, György Matolcsy. Matolcsy had served as Minister of Economy under the first Orban government between 2000 and 2002, and would later hold the same position in the second Orban government until 2013, after which he would become the Governor of the Hungarian National Bank. As someone who defined himself as an unorthodox economist, Matolcsy held the same criticism of liberalism by arguing that it overlooked the central role of the nation in development due to focusing too much on individualism (Bluhm & Varga, 2020). Through the different offices he held and his immense influence on Orban, Matolcsy forged the core pillars of Fidesz' economic policy. What Matolcsy advocated covered both economic nationalist and neoliberal policies, despite his distaste for the latter. Matolcsy's vision for the Hungarian economy included nationalization schemes, the imposition of special taxes on Western companies, cutting ties to international financial institutions like the IMF, and weakening the EU's supervision of domestic policies while increasing the government's autonomy in face of global and regional economic organizations. At the same time, Matolcsy embraced and promoted otherwise neoliberal aims like

welfare retrenchment, labor market flexibility, weakened trade unions, and low taxation. Matolcsy believed that this pragmatic and unorthodox mix of policies would create an economic equilibrium based on growth and employment. He was also convinced that in order to shield the government from potential backlash against these policies and the risk of capital flight, continuous support and loyalty of the public to the government and its policies would be needed (Kovacs, 2020).

Accordingly, one of Fidesz' first actions in government was to lay the groundwork for a system that would guarantee uninterrupted Fidesz dominance for the years to come. The institutional framework for this system was established with the passing of a new constitution in April 2011, only a year after Fidesz' election victory. The new constitution, which is referred to as the Fundamental Law, brought sweeping changes to the legal and political rules that governed Hungary, and received strong criticism from various European bodies including the European Commission, European Parliament, and the European Court of Human Rights. The wave of changes started even before the adoption of the new constitution, with Fidesz passing amendments that would allow them to change the constitution only with a two-thirds majority which they had gotten in the 2010 elections (Uitz, 2020).

The content of the Fundamental Law immediately makes clear that it is a product of a national populist vision for the country. The constitution's preamble states that the Fundamental Law should be "a covenant for Hungarians past, present and future" and that it is "a living framework which expresses the nation's will" (Hungary, 2011, p. 3). The preamble also makes direct references to the Christian character of the both the Hungarian nation and Europe, by describing Hungary as "a part of Christian Europe" and emphasizing "the role of Christianity in preserving nationhood" (Hungary, 2011, p. 2). Together with populism, the constitution

reinforces the revolutionary language of Fidesz, as it disowns the country's communist past as a period of "tyrannical rule", references the 1956 Hungarian Revolution as the basis of the country's liberty, and stresses a "need for spiritual and intellectual renewal" following a past "state of moral decay" (Hungary, 2011, p.3).

With the implementation of the Fundamental Law, Fidesz was able to significantly weaken institutional checks and balances in its favor. At its core, the Fundamental Law mostly refrains from establishing clear constitutional rules and regulations. Instead of clear rules, significant legislative authority is given to the now Fidesz controlled parliament through the power to pass cardinal laws in crucial areas such as the judiciary, the election system, the Constitutional Court, and the competences of regulatory bodies. Even on the issue of fundamental rights like citizenship, freedom of conscience, and freedom of press, the Fundamental Law leaves regulatory power at the hands of the parliament (Vincze & Varju, 2011). Fidesz also managed to make sure that its allies would occupy crucial offices in independent bodies by changing the manner of appointment of the office holders and increasing their term lengths (Uitz, 2020). Perhaps most significantly, the term limits of Constitutional Court justices were set as twelve years with each of every 15 court member being elected by the parliament with a two-thirds majority (Hungary, 2011, p. 27). Similar measures were taken in the area of financial government as well. The Governor of the National Bank would now serve for six years, the President of the Budget Council would serve for six years, and the President of the State Audit Office would serve for twelve years. Out of these three, the latter would once again be elected by a two-thirds majority in the parliament, while the former two would be appointed by the President of the Republic who is also elected by the parliament (Hungary, 2011, p. 21, 34). The extensive length of the term limits for all of these

vital offices allowed Fidesz to retain control over the direction of the country's economy and finance even in the case their two-thirds majority in parliament is lost. Having established this basis for political dominance in the upcoming years, Fidesz embarked upon a quest for wide reaching changes in all major areas of economic and financial policy.

3.3 Private Sector, Foreign Ownership, and Renationalization

Immediately after taking office, the Fidesz government embarked on a path that would significantly reshape the country's private sector. Two major goals of Fidesz can be identified: to put an end to the dominance of foreign companies in key sectors, and to redistribute wealth and resources to national insiders and Fidesz loyalists. The Orban government used both direct and indirect means in pursuit of these goals. At the same time, the government did not fully steer away from neoliberalism when it suited the domestic political and economic goals, and the country's inescapable need for desirable foreign capital.

When Fidesz came to power in 2010, there were around 30 thousand foreign owned enterprises operating in Hungary, with an FDI stock of 18 trillion HUF, which was roughly equal to 65% of the country's GDP (Hungarian Central Statistical Office, n.d.a). Foreign companies dominated several important sectors, especially retail, telecommunications, energy, banking and insurance (Toplišek, 2020). Unsurprisingly, these sectors became the immediate target of Fidesz policies seeking to alter this foreign dominance. The first target of the government was the banking sector. In June 2010, Fidesz announced a 29-point plan aiming to bring the country out of the financial crisis it was in. One of the most important items in the plan was a special tax on the banking sector that would be in effect for the following

three years, and would bring a revenue of 844 million dollars to the government. Although foreign owned banks protested the tax, Orban refused to be moved on the issue (Bryant, 2010a). In October 2010, Orban asked the parliament to pass special crisis taxes Worth a total of 810 million dollars on companies operating in retail, telecommunications, and energy sectors. Together with the banking tax, these taxes served two populist goals at once: to both weaken the hold of foreign companies in these key sectors and also to help cover part of the government's budget deficit without resorting to austerity measures that would alienate the electorate. While Orban recognized that the taxes could be discouraging for further investment in the country, he still justified them by arguing that they were a necessity to pull the country out of the crisis and that "it is only fair that the strongest participants of the economy help those who are still in distress" (Bryant, 2010b). Despite Orban's claims that these policies were only born out the necessity of responding to the financial crisis, many of the special taxes remained in place for longer than they were first announced. For instance, the tax against the banking sector only began to be reduced in 2016, after several important players were forced to exit the country or sell large shares to the government (Byrne, 2015a; Than, 2016). The Fidesz government also did not hesitate to take additional measures against the foreign dominated sectors when it felt the need to do so. In 2020, the government once again introduced special taxes on the banking and retail sector with a combined value of 277 million dollars, as part of its coronavirus response plan (Dunai, 2020; Reuters, 2020).

While these policies were guided by an economic nationalist mindset, not all of Fidesz' taxation policy was of unorthodox character. In 2011, Fidesz replaced a progressive tax system that ranged between 17 to 32% with a flat personal income

tax of 16%. While this was a neoliberal introduction to the country's taxation system, Fidesz still maintained part of their populist vision by providing families with tax credits based on their number of children (Bartha, 2014). When it comes to business as well, Fidesz opted to lower the corporate income taxes by reducing the top tax rate from 19 to 10% (European Commission, 2011). The stark difference in approaches when it comes to specifically foreign dominated sectors and the Hungarian society at large, shows how Fidesz sought policies that prioritize the Hungarian nation vis-à-vis what it perceived as its others.

Fidesz' quest to reshape Hungary's private sector did not stop at taxation measures. With similar goals of taking back national control and fixing the government's budget deficit, Fidesz embarked on a series of nationalization initiatives in sector that had previously undergone heavy privatization. The most significant of these initiatives and an immense source of revenue for the government was the renationalization of the country's pension system. In 1998, Hungary had moved from a mono-pillar public pension system to a two-pillar system that included both public and private programs. At the time, it had been hoped that the implementation of the private pillar would bring about financial stability to the social security system of the country, yet despite its growing size, the private pillar failed to provide this desired stability (Simonovits, 2011). When Fidesz came to power, they saw a chance to pay part of the government's debt and address its budget deficit by nationalizing the accumulated funds of private pensions which amounted to 14 billion dollars by that time. In November 2010, after the government failed to sell its debt at an auction, the nationalization plan took impetus. The following month, the parliament passed a law transferring the assets of private pension funds to the public

sector, which allowed the Fidesz government to decrease its debt ratio by 5% points (Datz & Dancsi, 2013).

This move was only the first step in a series of nationalizations aimed at mostly foreign dominated sectors and at a range of companies small and big. Over the next several years, the Fidesz government kept taking control of businesses, most of which had previously been privatized, by using both direct and indirect means mostly through the Hungarian National Asset Management Company. While there was an increase in nationalization programs in both Europe and the rest of the world after the 2008 financial crisis, the scope and size of these programs were larger in Hungary. In 2007, Hungary had owned 11% of the assets its economy which was lower than the EU average of 13.9%. By 2016, this percentage had risen to 16.5 and became higher than the EU average of 14.9% at the time (Voszka, 2018). Already in 2012, the number of Hungarian state-owned enterprises was the highest among OECD countries at 371, employing almost 125 thousand people (OECD, 2014). The most significant acts of nationalization occurred in two sectors that were of vital importance to the Fidesz government: banking and energy. By 2018, the ratio of Hungarian ownership against foreign ownership in the banking sector rose from 40 to 50% in the banking sector, and from 30 to 50% in energy (Brown, 2019).

The special taxes that were levied on foreign dominated sectors were crucial in facilitating these nationalization programs as they decreased the profitability of companies operating in these sectors and made it easier for the Fidesz government to acquire them. Taking advantage of indirect measures like this instead of forcefully nationalizing companies was important for Fidesz in order to protect themselves against a potential backlash from international markets and foreign audiences. With this mindset, the government also offered to pay much higher sums than the

companies' market prices when it could, and used methods like regulatory taking by regulating the activities of certain businesses to such an extent that the owners would have little choice but to sell them (Mihályi, 2020). Still, the government did not refrain from using more direct forms of pressure when it felt the necessity to do so, especially in sectors which it saw as having strategic importance. For instance, in order to give full control of the oil and gas company MOL to its president and CEO Zsolt Hernadi, a close friend of Viktor Orbán, the Fidesz government declared a Russian firm owning 22% of the company as a hostile investor which allowed the shares to be bought at a lower price (Mihályi, 2020; Voszka, 2018).

Redistribution of assets to allies of Orbán and Fidesz loyalists in general is indeed part of the aims of nationalization programs. Fidesz took advantage of these programs to reward its clients and establish a loyal business elite. Even Orbán himself acknowledged the importance of rewarding loyal business owners (Szanyi, 2019). As Fidesz' power grew, the wealth of a politically allied business circle grew alongside it, who seemingly received preferential treatment in public tenders and contracts, including the re-privatization of companies which were previously taken under state control as part of the nationalization programs. Four business people alone, Lorinc Mészáros, Lajos Simicska, István Garancsi, and István Tiborcz, all of whom are close friends and allies of Viktor Orbán, received 5% of public contracts by value, equaling 1.88 billion euros between 2010 and 2016 (Buckley & Byrne, 2017). Out of this politically allied business elite, Mészáros emerged as the primary beneficiary, who received favorable deals in the banking and insurance sectors, and became the second richest business person in Hungary. Mészáros became the new owner of the MKB Foreign Trade Bank which was previously nationalized in 2014 and the owner of FHB Mortgage Bank Company which controlled several previously

nationalized provincial banks (Mihályi, 2020). In this sense, nationalization programs should not be seen in a strictly statist light as the state taking back control of enterprises, but rather as a way to redistribute wealth and power from foreign owners to national insiders. Such a redistribution has been the general approach of the Fidesz government when it comes to its relationship with the private sector. At the same time, the government refrained from fully breaking with neoliberal principles, especially when it comes to its broader taxation policy, and tried to use more subtle and legal ways to redistribute wealth, in order to not entirely scare off potential investment in the country.

3.4 Macroeconomic Sovereignty and the Central Bank

The economic and financial goals of the Fidesz government went beyond the aims of ending foreign company dominance and creating a loyal business circle. The government also attempted to sustain continuous growth, lower its budget deficit, and reconfigure its debt so as to free itself from international control. All of these would enable the government to achieve sovereignty over its macroeconomic policies and allow it to reshape the Hungarian society according to its ideological and political vision.

The key rationale behind controlling the government's budget deficit was its desire to limit the EU's supervision of domestic economic policies, while keeping EU funds flowing into the country (Kovacs, 2020). The EU's Maastricht criteria for convergence states that member states' governments' annual budget deficit should not exceed 3% of the country's GDP. Failure to meet the criteria can possibly lead to sanctions or fines by the EU, as well as to the withholding of subsidies from the EU's cohesion funds (European Commission, n.d.a). Such a situation would not only

hurt Hungary's finances, for which EU funds are of critical importance; it could also lead to closer monitoring and supervision by the EU, which would be an undesirable outcome for Fidesz and its unorthodox policymaking.

Ever since joining the EU, the Hungarian governments' budget deficit had remained consistently above the stated criteria. When Fidesz came to power in 2010, it tried to lower the budget deficit so as not to be bound by the EU's intervention to its macroeconomic policy. Although the 4.4% deficit in 2010 increased to 5.2% during the Fidesz government's first year in office, the government managed to decrease the budget deficit to 2.3% in 2012 and keep it below the 3% criteria for every year until 2020 (Hungarian Central Statistical Office, n.d.b). Both the special taxes levied on foreign dominated sectors, and the nationalization of profitable ventures, especially the nationalization of private pension funds helped Fidesz achieve its target of low budget deficit. The EU abrogated its monitoring of Hungarian budget deficit in 2013 and did not issue another excessive budget deficit report until 2020, when the government's measures in fighting the effects of the coronavirus led once again to an increase in the budget deficit which was above the Maastricht criteria (European Commission, n.d.b). The government's insistence on keeping the budget deficit low paid off. By meeting the criteria government was able to limit EU's supervision over its policies, and the country kept receiving significant sums of EU funding, a total of 25 billion euros between 2014 and 2020 (European Commission, n.d.c).

With the same goal of having a higher degree of sovereignty over its macroeconomic policies, Fidesz also sought to reconfigure its international debt and diversify its sources for loans. When Fidesz took office in 2010, Hungary had 21.2 trillion HUF or roughly 70 billion dollars' worth of standing debt (The World Bank,

n.d.c). A substantial part of this debt was due to the 15.7 billion dollar stand-by Arrangement which Hungary had signed with the IMF. The conditions of the loan were particularly harsh, as they included heavy expenditure restraints on the Hungarian government's budget, especially when it comes to wages and pensions. The agreement required nominal wage adjustments to be postponed and pension bonuses to be suspended (International Monetary Fund, 2008). The IMF agreement was, as could be expected, largely unpopular among the Hungarian public, and Viktor Orban immediately took a hard stance against the IMF by refusing to even be in the country while a round of negotiations with the IMF was being carried out (The Economist, 2010). The negotiations soon fell apart and the Fidesz government announced that it would not seek another deal with the IMF. The Ministry of Economy declared that the country can fund itself from financial markets with Orban underlining the importance of restoring economic self-rule in Hungary (Bryant, 2010c). Uncomfortable with being bound by the policies of the IMF, the Fidesz government prioritized completely paying off their debt to the financial institution. In 2013, a year earlier than it was planned, Hungary repaid its debt to the IMF in its entirety (Euractiv, 2013). Just before Hungary paid its debt, György Matolcsy, the Governor of the Hungarian National Bank, asked IMF to close its offices in the country as their presence was no longer needed (Independent, 2013).

Both the Hungarian National Bank (MNB), as well as the economic ideas and policy-making of György Matolcsy were highly important for Fidesz' aims for macroeconomic sovereignty. As soon as they took office, Orban and his party started attacking the MNB and its governor at the time, Andras Simor, in an attempt to erode the independence of the central bank (Johnson & Barnes, 2015). Simor was blamed for the effects of the financial crisis in the country, accused of holding

offshore investments, had his salary decreased by 75%, and threatened with criminal charges (Thomas, 2010). In 2011, the government passed a law increasing the number of political appointees to the MNB and giving Orban the power to appoint the central bank's vice presidents (Chelsom-Pill, 2011). Until Simor's term as governor came to an end in 2013, Orban and Fidesz waged a battle against the central bank over interest rates in the country. While the government, as part of its central aim of boosting growth, wanted to keep interest rates low, Simor and the MNB continued to increase interest rates in response to higher than targeted inflation rates (BBC, 2011a).

When Simor left the office of governor at the end of his tenure, the Fidesz controlled parliament elected György Matolcsy in his place. As a past Fidesz minister and the top economic advisor of Viktor Orban, Matolcsy's election cemented the idea that central bank independence in Hungary has basically been lost (Than & Dunai, 2013). With Matolcsy as its governor, the MNB's most important mission has turned into complementing the Fidesz government's economic policy. Matolcsy's governorship was unorthodox in character for Hungarian central banking in two senses. First, it saw the implementation of more innovative measures like quantitative easing, which actually reflected the direction of central banking in the world. Second, and most significantly, under Matolcsy, the MNB took an interventionist approach in support of the government's policies, especially when it comes to facilitating nationalization programs in the domestic banking sector (Sebők, Makszin, & Simons, 2021). Matolcsy, with the support of Fidesz appointees in the MNB's board, also changed the bank's interest rate policy in the direction that the government envisioned. While before him, Simor had been fighting to keep interest rates high, once Matolcsy took over the rates started to be continuously

lowered. Over time, the MNB's base rate decreased from above 5% in 2013, to 0.6% in 2020 (MNB, n.d.).

This shift in interest rate policy helped the government in achieving the high growth rates which it desired. The year before Fidesz came to power, Hungary's GDP had shrunk by a historical 6.7%. After Fidesz took office, Hungary's GDP started to steadily grow, with the only exception being a negative growth rate of -1.3% in 2012. Especially after 2014, the Fidesz government managed to maintain an average growth rate of around 4% which had not been achieved since 2006 (The World Bank, n.d.a). While maintaining GDP growth, the Fidesz government also managed to keep inflation in check. With the exception of 2012, annual inflation rates in Hungary never rose above 5%, at times even remaining close to 0%, despite continuous GDP growth (The World Bank, n.d.d). According to Johnson & Barnes (2015), these positive macroeconomic indicators, along with the government's low budget deficit and manageable debt levels, decreased default risk and allowed Hungary to be successful in international bond markets despite Fidesz' unorthodox and economic nationalist policies. Therefore, the government managed to pursue macroeconomic sovereignty while being able to keep funding the country, thanks in part to the absolute control it had over all organs of economic and financial policymaking, especially the central bank.

3.5 Social Policy and a Work-Based Society

One of the major goals of Fidesz in reshaping the Hungarian society and economy was to establish a work-based society. This goal was based on the aforementioned belief that job growth was key to economic stability and that Hungarian citizens should be defined by their contributions to the country's

economy. The Fidesz government designed its social and labor policy in accordance with this goal. While the government pursued a harsh and at times punitive approach to the groups it saw as being outside its concept of the nation, it chose to support those it considered to be part of the nation. Both this discrepancy itself and the government's approach to the latter group were unorthodox and demonstrated a populist agenda, despite the neoliberal character of many of the government's social policies.

In 2010, when Fidesz came to office, the employment rate in Hungary was sitting at 59.9%, considerably lower than the EU average of 67.8%. Under the Fidesz government, this rate experienced a significant increase and reached 75.3% in 2019, passing the EU average of 73.1% for the same year (Eurostat, n.d.). This increase was the result of purposefully planned policies based on the understanding that the country's unemployed were a burden on the economy and that approaching full employment was necessary for economic success. With this significant increase in employment, Fidesz boasted of establishing "a labor-based economy" which replaced "welfare checks with work opportunities, while Orban underscored the importance he attributed to this policy by declaring "...if there is work, there is everything" (Gáll-Pelcz, 2017).

The Fidesz government did everything within its power to put able-bodied Hungarian citizens to work. The new Labor Code that was adopted in 2011 reduced job security by making it easier for employers to dismiss workers, by giving employers increased authority in determining the terms of employment, and in curbing the powers of labor unions; yet at the same time, these measures encouraged the creation of new jobs by advancing the position of employers against their employees (Köllő, 2020). In the same year, the government retroactively increased

the age of retirement for public sector workers by raising it to 65. This change particularly affected policemen and soldiers, who previously had the chance to retire at 45 (BBC, 2011b). The government also sought to create high-skilled manufacturing jobs by incentivizing investment from foreign companies such as German automobile manufacturers, despite its distaste for Western multinationals (Orenstein & Bugarcic, 2020). Fidesz aimed to maintain a low level of minimum wage as well, with the minimum wage in Hungary ranking as the second lowest in the EU in 2021 (Balogh, 2021). While these measures, along with the abolishment of progressive taxation, contributed to the rise in the employment rate, they also deteriorated the economic situation of low-income groups, as large portions of the Hungarian workforce remained below the minimum subsistence level (Kiss, 2015).

The Fidesz government also used more unusual methods for boosting employment numbers. One of the most significant of these methods was Hungary's public works programme. Public works had first launched as a national programme in the 1990s, but the Fidesz government greatly expanded the scope of the programme after 2010. The programme offers unemployed citizens short-term jobs in sectors like construction and farming, alongside community service jobs, for compensation that is below the minimum wage (it was 59% of the minimum wage in 2018). Under the Fidesz government, the number of participants to the public works programme rose considerably, from 87 thousand in 2010 to a peak of 223 thousand in 2016, after which the number of participants decreased as regular job growth increased (Molnár, Bazsalya, Bódis, & Kálmán, 2019). Refusal to participate in the public works programme often meant exclusion from receiving unemployment benefits, demonstrating the punitive approach that Fidesz took to the unemployed (Köllő, 2020).

Alongside the unemployed, another group against which Fidesz took a tough stance is the country's Roma minority. Members of the Roma community make up a large portion of participants to the public works programme. At the same time, they receive a harsher treatment in the programme as their employment can often be terminated spuriously which means losing access to social benefits for three years (Byrne, 2015b). The treatment of the Roma under the public works programme has been likened to that of forced laborers in Nazi and Soviet work camps (Euractiv, 2011). The government's discriminatory attitude towards the Roma is fueled by public opinion as six in ten people in Hungary perceive the Roma negatively (Manevich, 2016).

The Fidesz government took a different approach when it comes to those it sees as part of the Hungarian nation, that is working families. The government offered various tax breaks for working families with children, including tax exemptions for housing and cars. It also protected mortgage owners with foreign denominated loans from increases in interest rates (Varga, 2021). It provided working mothers and grandparents looking after children with paid leave and benefits (Orenstein & Bugaric, 2020). The government also offered every woman under the age of 40 who had been employed for at least three years and marrying for the first time the option to get an interest free loan of 10 million HUF. With every child the loan holder gives birth to, the conditions of the debt would be eased, and if she gives birth to a third child, the entire debt would be erased (Fidesz, 2019). These policies reveal the attempt of Fidesz to increase both the employment and birth rate of the country at the same time, and the party's ideologically driven attempt to put working families with children at the center of the nation.

Taken as a whole, these policies serve as a good example of how Fidesz mixes and matches both unorthodox and neoliberal policies according to its pragmatic and ideological needs. They show how Fidesz prioritizes who it perceives as part of the nation in all aspects of policy-making. Fidesz used its tools of social policy in favor of what it defined as the productive citizens of the country, while using the same tools to punish its others.

3.6 Conclusion

From the moment they first took office, Viktor Orban and his government embarked on a quest to build an illiberal alternative to the Western liberal model based on an unorthodox mix of economic policies. Fidesz shifted between neoliberal and economic nationalist policies depending on which policies benefited what it saw as allies and national insiders vis-à-vis its others. The government intervened in the market to punish foreign companies and used nationalization schemes, but at the same time abolished progressive taxation and sought to reduce government bureaucracy for the private sector. It pursued macroeconomic sovereignty in its fiscal and monetary policymaking, but also made sure to control government expenditures to appease the EU and international bond markets. It strengthened employers against employees, undermined labor unions, and kept the minimum wage low, but still socially supported parts of the workforce while taking a punitive approach to the unemployed and minorities.

The results of this unorthodox policy mix were a surprising success. By all means, the Fidesz government's hostile attitude toward its others both within and outside Hungary could be a recipe for disaster. The government targeted not only the country's old liberal elite, but also large multinational companies and Western

financial institutions. Such a challenge to the Western liberal order could have been expected to be punished by international markets. Regardless, such a punishment did not arrive, and the Fidesz government managed to keep the Hungarian economy afloat. Several factors played into this success. The government's ability to keep stable macroeconomic indicators meant that it could keep receiving crucial EU funds with relatively low supervision of its policies, and that it could find success in international bond markets (Johnson & Barnes, 2015). Fidesz' pragmatic willingness to adopt neoliberal policies when needed also prevented investors from being completely scared off. Facilitating all of these was Fidesz' parliamentary supermajority which allowed it to remove all constraints on its government. At the end, Hungary moved from being the poster child of post-communist liberal economies, to an illiberal model for countries seeking to challenge dominant paradigms.

CHAPTER 4

THE AKP GOVERNMENT IN TURKEY: WHEN NEOLIBERALS INCORPORATE ECONOMIC NATIONALISM

In 2002, the AKP came to power in Turkey with promises of democratization, and economic recovery and liberalization. Despite an initial reform period of democratization and liberalization, the AKP gradually pushed the country onto an authoritarian path. At the same time, the party's initial position of seeking harmonious political and economic relations with the world started to disappear. As a result of both global and domestic political and economic developments, the AKP gradually shifted from its neoliberal populist ideology to one of national populism, within a backdrop of democratic backsliding and international isolation. Along with this shift, the AKP's economic and financial policymaking took an increasingly unorthodox shape, as the government incorporated economic nationalist elements into its neoliberal policy mix.

This chapter unfolds over five sections. The first section provides the background for the rise of the AKP. The second section analyzes the AKP's trajectory in government, by explaining how it turned from neoliberal to national

populism. The following two sections analyzes the AKP's policies over different areas of economic and financial policymaking. The final section concludes.

4.1 Political Background and the Rise of the AKP

The AKP was formed in 2001, after the closure of its precursor the Virtue Party by the Constitutional Court of Turkey. The Virtue Party itself was the successor to the Welfare Party, the flagship of the tradition of political Islam in Turkey for over a decade which also met the same fate as the Virtue Party in 1998, following a year long tenure as the senior partner of a coalition government (Özbudun, 2006). The Welfare Party's political position aimed for a restructuring of Turkish democracy along what the party elite saw as more pluralistic lines while economically it sought to build a "just order" modeled after Islamic thought which advanced a middle road between capitalism and socialism, and included elements like interest free banking (Öniş, 1997). While the AKP also emerged from this political tradition, it was formed by a more moderate, or innovationist, wing of the former Virtue Party, and claimed to have made a break with its precursors both in terms of political and economic outlook. Nonetheless, the party inherited a considerable legacy given its precursors' well received performance especially at local levels which allowed for the party's leading figure and former Mayor of Istanbul Recep Tayyip Erdoğan to amass a sizeable popularity.

In the first elections that the AKP contested, it achieved a significant victory by getting 34% of the vote which allowed it to form the government by its own. This victory was made possible by the devastating economic condition which the country found itself in during the years preceding the election. Following the liberalizing reforms of the previous decade, the 1990s turned out to be turbulent times for the

Turkish economy as the country went through several economic crises amid continuous political instability (Öniş, 2009). In 1999, as a response to the economic crises which Turkey experienced during the previous decade, a disinflation program based on exchange rate stabilization and monetary controls was introduced with the backing of the IMF. However, the program failed to bring stability to the Turkish economy, and Turkey experienced two successive and significant financial crises over a short period of time in November 2000 and February 2001 (Yeldan, 2001).

In the aftermath of the crises, Turkey borrowed heavily from the IMF and undertook a series of conditional reforms aiming to empower regulatory bodies such as the Banking Regulation and Supervision Agency (BDDK), and legally guaranteed central bank independence (Öniş, 2009; Şahin, 2012). The effects of the crises and the following reforms differed for different groups. It has been argued that the crisis benefited international and large capital due to ensuing reforms such as increased privatization drives and labor flexibility, while it was devastating for the majority of the electorate, especially the working class (Dufour & Orhangazi, 2009). The scope of the crises and the perceived failure of the incumbent coalition government to adequately respond to it caused the ruling parties to be effectively sidelined and allowed for the newcomer AKP to dominate the 2002 elections.

4.2 From Neoliberal to National Populism: The AKP's Trajectory

The AKP came to power with promises of democratization, as well as economic recovery and growth. By securing the backing of conservative and liberal forces in Turkey, the AKP promised political and economic representation to groups that previously felt to be locked out of the system, including conservative sections of the society and a growing middle class mostly based in Anatolia (İnsel, 2003).

Internationally, the AKP reaffirmed a commitment to Turkey's traditional Western allies and Western financial institutions, especially by declaring that it will continue to pursue Turkey's bid for EU membership and work with the IMF on an austerity programme. As a result, the AKP's election victory received a positive reaction from both the EU and the IMF (CNN, 2002).

The AKP's early vision for Turkey and its place in global affairs made itself evident in the party's manifesto for the 2002 elections. The manifesto immediately underlines the growing globalization of economic and social relations, and puts forward the argument that Turkey cannot prosper by closing itself off to the outside world. Accordingly, Turkey should catch up to the developments in the world by undertaking the necessary political, economic, and social reforms (Ak Parti Tanıtım ve Medya Başkanlığı, 2015). This outward looking and global vision was repeated and summarized by soon to be Prime Minister Erdoğan in an interview shortly after the election victory, in which he stressed that his party has "no intention to challenge the world" and that under the AKP government, "Turkey will be in harmony with the world" (The Guardian, 2002).

The vast majority of the AKP's election manifesto focuses on the party's economic programme, what the party sees as the reasons for Turkey's recent crises, and its suggestions for bringing the country out of the crisis. The manifesto criticizes Turkey's past coalition governments for their failure to carry out successful economic reforms, and paints them as being responsible for the country's crises. According to the AKP, the past governments had failed to realize a "healthy" process of privatization, to rollback the role of the state in the economy, and to bring about an equitable distribution of wealth (Ak Parti Tanıtım ve Medya Başkanlığı, 2015, p.7). The emphases on privatization and limiting state intervention into the economy

while also acknowledging problems of wealth inequality clearly spoke to the party's neoliberal line which still incorporated goals of social welfare and which can best be described as social neoliberalism (Dorlach, 2015). The election manifesto also expands upon this approach when listing the goals and strategies of the party's economic programme. Accordingly, the AKP's goals for the Turkish economy include restructuring the public sector, speeding up privatization, creating a suitable environment for domestic and foreign investment, and establishing monetary and fiscal discipline. At the same time, the AKP emphasized the importance it attributed to social assistance projects and its goal of poverty reduction through programs targeted at the country's low-income groups (AK Parti Tanıtım ve Medya Başkanlığı, 2015, pp. 35-37).

The election manifesto also brings attention to the regulatory character of the AKP's neoliberalism. By referring to Turkey's process of liberalization in free trade and in free movement of capital, the manifesto argues that while the former had been improving the welfare of the country, the latter had been creating significant problems for the Turkish economy due to the country's failure of attaining economic and financial stability. As a result, the party's position in the latter area is stated as being of a more regulatory nature while still respecting free market mechanisms in order to limit the negative effects of capital movements. Similarly, the manifesto also calls for a higher degree of supervision and regulation in the financial sector so that future financial crises can be prevented (AK Parti Tanıtım ve Medya Başkanlığı, 2015, pp. 33, 45-47).

Indeed, the AKP's policies and especially their approach to the financial and banking sectors were in line with the regulatory nature of Post-Washington Consensus neoliberalism. (Bakir & Öniş, 2010). This regulatory character was

mostly born as a reaction to the relatively less regulated and fast liberalization of the 1990s, and the crises which emerged as a result of these policies. In its early years in power, the AKP largely followed and expanded upon the reform program that was devised under the leadership of Kemal Derviş, the former Minister of State for Economic Affairs and World Bank official, in response to the country's financial crises. Under the reform program, the Turkish financial and banking sector underwent a heavy restructuring, by adopting new processes for transparency and monitoring, overhauling capital adequacy requirements for banks, and incorporating international standards for accounting. Ensuing laws empowered the Savings Deposit Insurance Fund to nationalize the assets of the owners of insolvent banks with no prospects for paying their debts. Perhaps most significantly, the reforms improved the autonomy and authority of the Central Bank and independent regulatory agencies such as the BDDK and the Capital Markets Board (SPK) (Bakir & Öniş, 2010; Dorlach & Savaşkan, 2018).

The AKP's social and regulatory understanding of neoliberalism was accompanied by a populist ideology which set it apart from previous mainstream right-wing parties in the country. Beginning from its early days, the AKP positioned itself as the representative of the people in a struggle against an elite that suppressed the will of the people. The elite that was targeted by the AKP were the Republican and Kemalist groups which, according to Erdoğan and his party, held the power in the country in an oppressive fashion, and remained distant from the people and their values (Aytaç & Öniş, 2014). Once in power, the AKP sought to remove what it saw as an entrenched elite from positions of power within the state bureaucracy, the judiciary and the military (Yabancı, 2016). When considered together with the

AKP's economic policies of social neoliberalism, this anti-elite ideology allows the party to be characterized as neoliberal populist for its early years in power.

This neoliberal populism of the AKP paid off both politically and economically for the years to come after its coming to power in 2002. The AKP increased its vote share to 46% in the 2007 general elections, dominated local elections in 2004 and 2009, and passed an important yet controversial constitutional amendment package mostly overhauling the judiciary through a referendum in 2010 (Kalaycıoğlu, 2012). What was facilitating this political success was a strong economic performance following the recovery from the fallout of the 2001 crisis. During the first decade of its government, the AKP managed to maintain high GDP growth rates and decrease inflation to single digits. The 2009 global financial crisis led to Turkey experiencing negative GDP growth and a sharp increase in unemployment in that year (The World Bank, n.d.e; n.d.f; n.d.g). However, the government's handling of the global crisis was still perceived as a success since the country's fiscal management was kept in check, the inflation was kept low, the banking system remained afloat, and the country avoided a major financial crisis like the ones in the pre-AKP era (Öniş, 2012). In the following year, the economy made a quick recovery, and in 2011, the AKP achieved its largest electoral victory until that day by getting almost 50% of the votes in the general election. With this victory, the AKP solidified its electoral hegemony and secured a place for itself as the dominant party in Turkish politics (Müftüler-Baç & Keyman, 2012).

As the AKP built this political dominance, its initial promises of democratic consolidation slowly gave their way to a gradual process of democratic backsliding. The AKP and Erdoğan's early language of democratic pluralism turned into a heavily majoritarian understanding of democracy which saw the ballot box as the

only legitimate way of democratic input, a turn that was evidenced by the government's reaction to the Gezi Park protests of 2013 (Özbudun, 2014). Through a series of laws, the AKP government undermined the independence of the judiciary, allowed itself to pack the high courts, and politicized judicial decision-making (Özbudun, 2015). Other important state institutions were also politicized, including security forces and electorally important bodies like the Supreme Electoral Council. The government deteriorated freedoms of press and speech, as well as rights to assembly, and dominated the Turkish media with a pro-government bloc. The government also enjoyed uneven access to state resources especially in election campaigns. All of these developments created an uneven playing field to the government's advantage, and pushed the country further away from the path of democratization and toward a competitive authoritarian regime (Esen & Gümüşçü, 2016).

The AKP government's first big electoral misstep happened with the June 2015 general elections. Despite receiving almost 41% of the votes, the AKP failed to secure the necessary majority in the parliament to form the new government. With the parliament unable to produce a new government, a new general election was called for November 2015. The months in-between the two elections saw an increase in security threats in the country amid several large terror attacks by ISIS, as well as the continuation of hostilities with the PKK, and centered the political discussion around concerns of national security. The November elections took place following this general environment of insecurity which the AKP managed to capitalize on and increase its vote share by almost 9%, allowing it to form the government (Çarkoğlu & Yıldırım, 2015). In order to capitalize on the environment of insecurity, the AKP chose to resecuritize the Kurdish issue by walking back on past attempts at

reconciliation with the Kurdish political movement, and presented the pro-Kurdish Peoples' Democratic Party (HDP), which had achieved considerable electoral success in the June 2015 election, as a security threat (Yılmaz, Shipoli & Demir, 2021). The process set the AKP on a path that would lead to an electoral coalition with the Nationalist Action Party (MHP), which emerged as a natural but unlikely political ally and a source for electoral support, given the AKP's newfound emphasis on national security.

During the following years, several international and domestic developments intensified the nationalist and authoritarian turn in the AKP's politics. Continued security threats including a coup attempt in July 2016; the AKP's electoral coalition with the MHP and the political utility of a nationalist ideology in securing electoral support; Turkey's international isolation over clashes of interest in regional conflicts following the political fallout of the Arab Spring; and its estrangement from its traditional Western allies as a result of the AKP government's deepening authoritarianism can all be cited as causes of this intensification (Aydın-Düzgit, 2021; Quamar, 2018; Tansel, 2019). Within this environment, the AKP departed from its neoliberal populism to a national populist ideology. The AKP increasingly attributed a central place to the concepts of the nation and national will in its discourse. This nation concept of the AKP was not based on ethnicity but rather geography, culture, and religion, fueled by a neo-Ottomanist conceptualization of the nation (Bilgiç, 2018). The government, with increasing fervor, pushed the idea that the nation, and its representative the AKP, were being attacked by enemies both foreign and domestic who were attempting to impede the progress that was being made by Turkey (Taş, 2020). Accordingly, the number of the enemies of the nation and the people expanded to include Western countries and members of the

opposition in general as supposed supporters of terrorism (Anadolu Ajansı, 2016; DW, 2021; Euronews, 2018).

Largely intertwined with this process was a brewing economic crisis in Turkey. Both unemployment and inflation once again rose to double digits, the former after 2015 and the latter after 2017, and the value of the Turkish lira continuously kept depreciating (The World Bank, n.d.e; n.d.g; Trading Economics, n.d.a). In 2018, the economic situation significantly worsened and reached the point of a crisis, especially after the move to a presidential system following the general elections in June of the same year. The change had previously been approved by a small margin in a referendum pushed by the AKP and supported by the MHP in 2017. This change of system centralized power at the hands of the executive and gave President Erdoğan an unprecedented degree of control over government of the country. The President's new powers included the authority to choose the members of the cabinet without parliamentary oversight, as well as the authority to determine the number of ministers. The President could now issue presidential decrees in a wide range of areas and issues, with the exception of those already that are already regulated by existing laws, or those that are related to fundamental and individual rights. President Erdoğan was also given expanded power over the judiciary through the appointment of judges (Esen & Gümüşçü, 2017). The new system received international criticism for significantly curbing the functions of the parliament and further deteriorating already questionable checks and balances on the executive's power (European Commission, 2019; Freedom House, 2019).

The change to the presidential system was received badly by the markets, especially after Erdoğan announced his picks for the new cabinet which included his son in law in the position of the Minister of Treasury and Finance (Öniş & Kutlay,

2020b). Soon after the new cabinet took office, Turkey experienced a deep currency crisis with the Turkish lira losing almost 25% of its value against the dollar in the course of a single month (Nakhoul & Evans, 2018). Around the same time, a growing rift between Turkey and the United States culminated in sanctions by the latter over Turkey's imprisonment of an American citizen. After imposing sanctions on the Turkish Ministers of Justice and the Interior, the United States doubled its tariffs on the imports of steel and aluminum from Turkey, deepening the existing crisis (Gall & Ewing, 2018). As the Turkish lira kept losing its value, large amounts of foreign-denominated loans held especially by private actors became increasingly difficult to pay, creating the grounds for a debt crisis (Bloomberg, 2018). Measures to combat the plunging value of the Turkish lira led to shortages in the country's foreign exchange reserves. Under these conditions, the Turkish economy was thrown into a crisis in banking, currency, and debt (Demiralp & Kalemli-Özcan, 2021).

As the AKP's early success in economic management evaporated and the Turkish economy took a downturn, the government's national populist turn reflected itself in the economic realm as the employment of economic nationalist discourse and policies. The words *yerli ve milli* (indigenous and national) took center stage in Erdoğan and the AKP's lexicon, and were often used to promote domestic industrial production and publicize it as part of the AKP's narrative of economic progress (Anadolu Ajansı, 2019; CNN Türk, 2019;). The AKP government's fiscal and monetary policies also started to depart from the paradigmatic economic logic and took an unorthodox character that was increasingly shaped by Erdoğan's desire for sustaining high growth rates and his deep-rooted conviction against interest rates (Daragahi, 2018). This changing character of the AKP's economic approach, as well as Turkey's economic downturn, led Erdoğan to include economic enemies among

the nation's already expanding list of foes. Western financial institutions, credit rating agencies, and an "interest rate lobby" were all painted as being responsible for Turkey's economic woes (Tansel, 2019, p. 54). In fact, key government figures' remarks on economy took a highly confrontational tone over the last few years, characterizing economy as a form of warfare. In 2018, at the height of the currency crisis, Erdoğan argued the depreciation of the Turkish lira to be an attack against the country:

These are the bullets, cannonballs, rockets of the economic warfare waged against our country. We are certainly taking the necessary precautions to respond to these. However, what really matters is to break the hands that are firing these weapons. (BBC, 2018)

Two years later, then Minister of Treasury and Finance Berat Albayrak responded to criticisms about the government's economic management in a way that demonstrates the new economic nationalist logic behind the AKP's policies:

This is a battle for national independence. We have put forward a national independence model for the economy... Turkey has changed its economic model, it is now leaving the old model. The old model was a model of high interest, low exchange rates and import dependency, and this is no longer sustainable. (Anadolu Ajansı, 2020)

This new economic logic reflected itself in the government's policies, although it did not completely overtake the AKP's initial neoliberal approach. A closer inspection of the AKP's economic and financial policies reveals the changes and continuities in the government's neoliberalism, and the incorporation of unorthodox and economic nationalist elements into its policies over the years.

4.3 Private Sector, Foreign Ownership, and National Industry

When it comes to its relations with the private sector, the AKP started out by closely following the tenets of the neoliberal paradigm. One defining feature of the AKP government from its early days has been the mass scale privatization of state-owned enterprises. Part of these privatization efforts were required as a result of the stand-by arrangements with the IMF, and their implementation demonstrated the government's willingness to cooperate with, and fulfill their commitments to international financial institutions (International Monetary Fund, 2006). Since the AKP government took office, the total value of privatization sales has passed 62 billion dollars (Özelleştirme İdaresi Başkanlığı, n.d.). The privatization drive continues to this day, with the latest efforts including privatizations in electricity production and distribution (Anadolu Ajansı, 2021; TRT Haber, 2020).

During the privatization processes as a whole, the AKP government did not discriminate between domestic and foreign buyers. Major companies, which were both highly profitable and operating in strategic sectors such as telecommunications and energy, were sold to foreign bidders in the face of public outcry and objections from the opposition (Angın & Bedirhanoglu, 2012). In fact, a highly welcoming attitude when it comes to foreign investment into the country has been one of the main liberal continuities of the AKP government. During his first term as prime minister, Erdoğan replied to the critics of his privatization and foreign investment policies that he is "basically responsible for marketing (his) country" to investors (Milliyet, 2005). Over the sixteen years which have passed since Erdoğan's remarks, Turkey's inward FDI stock increased from 71 to 167 billion dollars (OECD, n.d.; T.C. Sanayi ve Teknoloji Bakanlığı, n.d.). However, Turkey's FDI inflow has been

on a downward trend over the recent years, falling down to levels that were previously seen during the 2008 global financial crisis (The World Bank, n.d.h).

Between 2002 and 2021, the sector that attracted the largest amount of foreign investment has been finance and insurance, which received 32.6% of the FDI to Turkey. The prominence of foreign owned banks has been a major trend under the AKP government. When the AKP took office in 2002, the number of foreign commercial banks in the Turkish banking system was 15, whereas the total number of commercial banks was 40. Over the past nineteen years, the number of foreign commercial banks increased to 21 while the total number decreased to 34, significantly increasing the share of foreign ownership in banking. The transfer of major Turkish banks including Garanti and Finansbank contributed to the increase in this share of foreign ownership (Hürriyet, 2017; NTV, 2016). The government itself has also been directly involved in foreign investment into the finance sector. In 2020, Turkey's sovereign wealth fund, Turkey Wealth Fund, sold 10% of the shares of Turkish stock exchange, Borsa Istanbul, to Qatar's wealth fund, the Qatar Investment Authority (DW, 2020).

The case of Turkey Wealth Fund, which was established in 2016 and controls both majority and minority shares in a range of companies, can be seen as a contrary trend to the AKP's neoliberal policies. While sovereign wealth funds can be interpreted to be in contradiction with neoliberal thought for expanding the role of the state in the economy (Weiss, 2012), they do not necessarily have to be so, especially when used as a way to protect the economy from the negative externalities of excess exports of natural resources (Schwartz, 2012). However, as Turkey is not an exporter of natural resources, the wealth fund stands as an unorthodox innovation for the country. Therefore, it serves to further centralize the control of economic

assets at the hands of the Erdoğan government, as part of a state capitalist practice (Öniş, 2019). Following the move to the presidential system, the fund was put under the control of the presidency, with Erdoğan becoming its chairman (Pitel, 2018a). Even though the Erdoğan government's economic nationalist discourse was becoming more prominent over the years since the fund's establishment, the government still did not take a protectionist approach to the fund's management as demonstrated by the sale of Borsa Istanbul shares.

Although the AKP's relations to the private businesses seems to be highly characterized by a neoliberal approach, the government employed unorthodox and authoritarian means to shape the private sector in a way that would allow the dominance of its political allies which it saw as national insiders. In order to shape the private sector according to its needs, the AKP government developed punishment and reward mechanisms, through which politically connected businesses were rewarded in return for their political support, and those perceived as political enemies were punished (Esen & Gümüştü, 2018). Politically connected businesses have benefitted from the government's influence through privatizations, public-private partnerships, public procurements and tax breaks, in sectors including energy, media, social services, and especially construction (Buğra & Savaşkan, 2012). Under the AKP government, the Public Procurement Law has been subjected to around 200 amendments in ways that would benefit politically connected firms (Karabağ, 2020). In a World Bank report from 2018, five politically connected Turkish construction firms ranked among the top ten firms that had received the largest number of infrastructure procurements in the world in terms of their value (Samar, 2020).

On the other hand, the AKP government took a highly punitive and coercive approach to businesses which it saw as political enemies through tax audits, fines, asset seizures and trusteeships (Gardner, 2013; Srivastava, 2017). One of the most prominent examples of this approach can be observed in the case of Doğan Group. Alongside other ventures, Doğan Group owned two of the largest newspapers in the country, Milliyet and Hürriyet, as well as a leading news channel, CNN Türk. The company and its founder Aydın Doğan had been at odds with Erdoğan and the larger Islamic political movement since the 1990s, and the animosity continued under the AKP government (Silverman, 2012). In 2009, Doğan Group was hit by a record 2.5 billion dollar tax fine, sending its shares spiraling down and crippling the company (Strauss, 2009). Over time, Doğan Group started to sell its media assets, beginning with Milliyet in 2011 and eventually sold the rest of its remaining media assets, including Hürriyet and CNN Türk, in 2018, to the politically connected Demirören Group which made the acquisitions partially through credits provided by a state bank (Tokyol, 2018). This instance demonstrates how the AKP uses its power to shape strategic sectors to its political advantage.

One major group that has benefited from the AKP's rise in power has been small and medium-sized enterprises that operate mainly out of Anatolia. The so called "Anatolian tigers" are largely represented by the business association MÜSİAD, which increased its influence alongside the rise of Islamist parties, and further secured itself an influential position under the AKP government. Immediately after coming into office, the AKP started to enact legislation that would benefit MÜSİAD and its members. The tax amnesty of 2003, the banking reform of 2004, and the removal of the Property

Accounting Law, all favored the interests of small and medium-sized enterprises (Demiralp, 2009). Over the following years, both the economic and political power of these enterprises grew, and in return, they provided political support to the AKP as a vital part of its constituency. MÜSİAD has also been supportive of the AKP's initiative toward the promotion of indigenous and national production. The association initiated a campaign titled "Indigenous Production, National Brand" that aims to decrease the demand for foreign products and brands while promoting indigenous and national ones, providing one of the latest examples of the co-constitutive nature of the AKP and MÜSİAD's interests (MÜSİAD, n.d.).

The promotion of "indigenous and national" production has been a reoccurring feature of the late AKP period. The Ministry of Industry and Technology's strategic programme for 2023 refers to the strategy as a "national technology move" (T.C. Sanayi ve Teknoloji Bakanlığı, 2019, p. 17). One of the key goals of the program is defined as the achievement of economic and political independence which is argued to only be possible through technological independence (p. 24). As part of its efforts to cultivate indigenous production, the AKP government has been supporting and promoting various domestic ventures as prestige projects, including an "indigenous and national" automobile, helicopter, and telecommunications infrastructure (Çakır & Ünal, 2021; Kazancı, 2020; Yıldırım, 2021). Outside of political prestige, the drive for indigenous production has partly been guided by the depreciation of the Turkish lira. In August 2018, at the height of the currency crisis, Erdoğan remarked that they will "produce and export better,

higher quality products” in place of the ones that they import with foreign currencies (T24, 2018).

By far the most investment and promotion efforts have gone to the defense industry. The AKP’s election manifesto for the 2018 elections lists becoming “a leading exporter” in the global defense industry and dedicates an entire section to the government’s defense industry projects (AK Parti, 2018, pp. 12, 325-329). The focus on the national defense industry can be said to be at least partly motivated by the country’s changing security environment and foreign relations, especially following the coup attempt of 2016 and the AKP officials growing weary of whether they can rely on their NATO allies. The changing international context and calculations over regional relations pushed Turkey to purchase the S400 missile defense systems from Russia, which eventually led to Turkey’s exclusion from the F35 fighter jet program and sanctions against the Turkish defense industry by the United States (Egeli, 2020; İleri, 2020). All of these processes contributed to the growing impetus on the promotion of the national defense industry. At the same time, one of the most important reasonings behind the AKP’s defense industry policies is their political popularity. The development of indigenous weapons and defense systems has been highly popular among the electorate and used in order to sell a vision of Turkey as a regional and global power (Bağcı & Kurç, 2017). Here, the AKP’s pivots in industrial projects can be seen as taking advantage of the potential of economic policies to constitute national identities (Fougner, 2006), in this case, that of an aspiring major power. All in all, the focus on the national defense industry is a fitting case for demonstrating the AKP’s political

calculations and serves as a reflection of its increasing pivot toward nationalism.

4.4 Unorthodoxy in Monetary and Fiscal Policy

When it comes to its macroeconomic management of the country, the AKP government, as previously mentioned, started its first term in office by following through the policy reforms that were initiated by Kemal Derviş and backed by the IMF. In accordance with these policies, the government established strict monetary and fiscal policies that were unmatched even by the previously highest eras of liberalism in the country, such as the Özal era (Öniş, 2009). As a result, the AKP government decreased record high budget deficit of previous years to below 2% of the GDP after 2005, and government debt as a percentage of GDP decreased from around 70% to as low as 28% in 2015 (Trading Economics, n.d.b). Interest rates were also lowered, although still remained high enough to keep the Turkish lira overvalued and draw in foreign investment into the country (Aydın, 2013). Under these conditions, the Turkish economy maintained a stable macroeconomic environment, and even managed to make a fast short-term recovery following the 2008 global financial crisis, although the long-term durability of this recovery was questioned at the time due to the lack of structural adjustments (Öniş, 2010).

During the fallout of the crisis, the AKP government also rejected to seek assistance from the IMF. For the government, turning to the IMF for help would run the risk of seeming too reminiscent of Turkey's earlier crises in the eyes of its electorate, and could also lead to questions about the AKP's dedication to national sovereignty. Moreover, in case of financial assistance,

the IMF's requirements from Turkey would include changes in the expenditures of municipalities and a reform in tax collection. Both requirements would be politically costly to the AKP: the former because municipal services have long been one of the cornerstones of the AKP's popularity, and the latter would hurt the vitally important small and medium-sized enterprises which benefited from the existing tax collection system (Öniş & Güven, 2011). With borrowing from the IMF being politically unappealing, Erdoğan and the AKP shifted away from their initially more conciliatory approach to the fund and turned their rejection of IMF assistance into a matter of political prestige. The AKP government used this opportunity to boast about Turkey no longer needing the IMF's assistance (Cumhuriyet, 2008; Habertürk, 2010). Turkey paid the last installment of its existing debt to the IMF in 2013, and since then, Erdoğan has been using Turkey's non-reliance on the IMF in order to praise his government's economic management and sell the narrative of a more powerful Turkey (Anadolu Ajansı, 2013; Euronews, 2020). What also helped the AKP in not turning to IMF assistance during its time in government was the changing international context with the proliferation of alternative sources of financing including from countries such as Qatar, China and Russia (Öniş & Kutlay, 2020b, p. 14).

Freedom from IMF commitments and the existence of alternative sources of financing allowed the AKP government to deviate toward unorthodoxy in its macroeconomic policies. Especially in terms of monetary policy, the AKP has for a long time been at odds with the Central Bank (TCMB) whose independence became increasingly questionable in recent years. Because of the government's dependence on public support which comes through populist economic policies relying on high

growth rates, the AKP had been averse to high interest rates. Therefore, lower interest rates were necessary to reduce unemployment and keep the cost of credit low enough to encourage private investment. When the stand-by arrangement with the IMF came to an end, it eased international pressures on the AKP, making interventions into TCMB less costly (Demiralp & Demiralp, 2019). At the same time, as Erdoğan distanced himself from his more neoliberal and technocratically minded associates like Ali Babacan and Mehmet Şimşek, and started to model the economy according to his own convictions and those of his close circle of advisors, his government's macroeconomic policy turned to an increasingly unorthodox character. Despite rising inflation and the continuous depreciation of the Turkish lira after 2013, Erdoğan had been pushing for low interest rates by citing an unorthodox belief that high interest rates would lead to higher inflation (Financial Times, 2018). Against Erdoğan's protests, TCMB increased its policy rate to more than double the previous rate in 2014 in an attempt to prevent the value of the lira from further plunging (Dombey, 2014). Although the rate was gradually lowered over the course of the following years, when the continued depreciation of the lira turned into a full-blown currency crisis in 2018, TCMB and its governor at the time, Murat Çetinkaya, had no choice but to significantly increase the policy rate (Inman, 2018). The rate increases led to Çetinkaya earning Erdoğan's ire, which eventually resulted in the removal of the governor from office in July 2019 with a presidential decree (T24, 2019). Under the governorship of Çetinkaya's successor, Murat Uysal, TCMB immediately moved to cut interest rates, but Uysal was also eventually fired by Erdoğan in favor of a more technocratic replacement, Naci Ağbal (Al Jazeera, 2019; Coşkun, Devranoğlu, & Butler, 2020). However, Ağbal could only hold his office for four months before himself being replaced (Coşkun & Spicer, 2021). These

unprecedented interventions into TCMB's management cemented the erosion of the bank's independence.

With the reversal of its economic fortunes and its ever-accelerating authoritarian slide, the AKP government started to face difficulties in international financial markets. As the value of the Turkish lira continuously depreciated and the inflation rate kept surpassing targeted figures, especially Turkey's lira-denominated bonds grew less and less attractive to international investors. Having previously received large amounts of foreign investment in the post-2008 period, Turkey's local currency bond market saw net outflows of foreign investment in nearly every quarter since 2013 (Ostroff, 2021). The share of foreign ownership of Turkey's government bonds also decreased significantly in recent years. Since the currency crisis hit in 2018, share of foreign ownership decreased from 20% to below 4% in 2020. Although in 2021, there was a slow recovery after Ağbal's appointment with the promise of orthodoxy, following his removal from office, foreign investors once again started to withdraw from the bond market (Devranoğlu, Campos, & Spicer, 2021; Türkiye Cumhuriyet Merkez Bankası, 2021).

The continued withdrawal of foreign investment and the downward slope of the Turkish lira have also pushed the AKP government to take unorthodox and economic nationalist measures against foreign banks in their attempts to prevent further financial breakdown. In March 2019, BDDK and SPK launched an investigation into JPMorgan for currency manipulation after its analysts advised short-selling the lira (Pitel & Martin, 2019). In May 2020, BDDK banned three foreign banks from making lira transactions for several days (Birinci, 2020). Two month later, six foreign banks, including JPMorgan, were banned for three months from short-selling transactions in Borsa Istanbul (Courcoulas & Pacheco, 2020).

These banks were later fined for violating the ban (Yackley & Samson, 2021). The government also introduced various tax measures to protect the Turkish lira which include the lowering of the withholding tax rate on lira deposits while increasing it for foreign currency ones, as well as increasing the tax rate for foreign exchange transactions (BBC, 2020; Pitel, 2018b). Taken as a whole, these measures demonstrate how the AKP's political commitments, as well as a changing economic context led the government away from its early compliance with neoliberalism and Western financial institutions, and toward the incorporation of unorthodox and economic nationalist measures.

4.5 Conclusion

When the AKP first came to power, it arrived with the promise of democratizing Turkey's political system, and further integrating the country into the global economy through regulatory neoliberalism. The initial era of democratizing and liberalizing reforms eventually gave way to increasingly authoritarian practices, and the adoption of unorthodox economic and financial policies. Over the course of its government, the AKP molded Turkey's political and economic system in ways that would perpetuate its rule and favor its national insiders. Under the pressure of domestic politics, and a changing international security and economic environment, the AKP's neoliberal populist program shifted into a national populist one. This shift reflected itself in the economic realm as the incorporation of economic nationalist elements into the government's policy mix.

Over time, the AKP's early success in the management of the economy became more and more muted. Turkey started to experience mounting economic problems including currency depreciation and high inflation. As the Turkish

economy was thrown into crisis, the AKP government intensified its economic nationalism in both discourse and practice. The government's insistence on the employment of unorthodox measures and increasing authoritarianism further deteriorated Turkey's fortunes in international markets. The analysis of almost two decades of AKP government shows how domestic political considerations constrained the government's economic policy choices, and put it upon a path of economic nationalism which it has been struggling to reconcile with the responsibilities of the neoliberal world.

CHAPTER 5

CONCLUSION

The pursuit of economic nationalism in a neoliberal world comes with its difficulties and dilemmas. While a changing international context and popular grievances with neoliberalism around the world allowed populists to take advantage of these circumstances and employ unorthodox economic approaches, neoliberalism still remains to be the dominant paradigm and thus continues to constrain governmental policy. Therefore, populist governments must shift between economic nationalist and neoliberal policies, in an attempt to satisfy different audiences, including the electorate, private sector, and international markets.

This study examined two cases of populist governments that have been seeking to balance economic nationalist policies with neoliberal ones, in order to maintain electoral support and economic stability at the same time. The governments' different domestic and international commitments subjected them to different constraints when engaging with their audiences. While Fidesz' supranational commitments to the EU served both as a constraint and an inadvertent benefit, the AKP seems to have been more heavily influenced by the demands of

domestic groups. Differences in the governments' ability to satisfy these audiences led them to varying degrees of success in their efforts to maintain the balance.

In a way, the AKP's economic nationalism was a response to changing domestic and international contexts, and a result of political considerations. The commitments of the government to its constituency increased the political costs of certain policy options such as taking IMF loans or increasing interest rates, which pushed the AKP toward unorthodox policies even in the face of crisis. When the AKP government's insistence on its unorthodox monetary policies pushed investors away and deepened the economy's crisis, the government looked for further economic nationalist measures in order to protect the economy and its incumbency, which in turn seems to have only amounted to an intensification of the disaffection of foreign investors. On account of Fidesz, the party's economic nationalism looks to be more ideologically rooted, and the seeds of it can be observed even during its first tenure in government at the turn of the century. When it came to power for a second time following the global financial crisis, the post-crisis setting created a highly suitable ground for Fidesz to intensify its pursuit of economic nationalist policies and an illiberal model of government. Still, both governments shifted between orthodox and unorthodox policies based on their pragmatic and political calculations, and mixed economic nationalism together with neoliberalism according to their contextual needs.

When it comes to their relationship with the private sectors of their countries, both governments prioritized the cultivation of a loyal business circle, made up of national insiders, through which they could exert a higher degree of control over their countries' economies and receive political support. One major difference between the two cases involves the role of the state in the economy, as Fidesz

undertook multiple nationalization programs while the AKP government chose to privatize a large number of state-owned enterprises to both domestic and foreign businesses, which continued even after its turn toward economic nationalism. Another area of divergence has been the two governments' approaches to foreign ownership in their countries' banking sectors. The Fidesz government strove to reduce the share of foreign control in the banking sector, whereas under the AKP government, several previously Turkish-owned banks have been sold to foreigners. The contexts in which the two governments came to power matter in accounting for this difference. When Fidesz came to power, the Hungarian banking sector was dominated by foreigners, while the same cannot be said for the Turkish banking sector when the AKP first took office.

One major area of convergence between the two cases has been the aversion of both the AKP and Fidesz governments to IMF loans. Both countries were part of stand-by arrangements with the IMF when the two governments first came to office. Paying off the last installments of their debts allowed them to pursue unorthodox policies with greater ease. Afterwards, the two governments were averse to going into further agreements with the IMF. Effective in both cases were the political costs of borrowing from the IMF following past societal experiences in times of economic crisis, and impediments that would be created by the imposition of IMF policies to the political and economic aims of the two governments. Also effective was the availability of different sources of foreign financing as a result of a changing international economic structure.

Although both governments were eventually freed from the constraints of responsibilities toward the IMF, one set of constraints that Fidesz would not be able to shake off were those set by the European Union, which became a determining

factor in the way Fidesz kept the imperfect balance. Hungary's EU membership meant that the Fidesz government had to maintain a balanced budget or else face close EU supervision of their policies and a loss of EU funding, which would run the risk of losing its much-coveted macroeconomic sovereignty. The availability of EU funds was a major source of financing for the Fidesz government, which was not available to the AKP, at least not anywhere close to the degree that it was to Fidesz (European Commission, n.d.d). In an inadvertent way, the constraint of the EU benefited the Fidesz government in its pursuit of economic nationalism. The EU membership not only provided the government with crucial funding, but it also helped it exhibit strong macroeconomic indicators through the pressure of maintaining a balanced budget, which in turn allowed it continued access to foreign capital.

When compared to the AKP, the relative success of Fidesz in recent years in attracting international investment affirms the determining role of strong macroeconomic indicators in drawing investments from international markets, regardless of the orthodox or unorthodox nature of economic policies followed. In this sense, the study confirms the findings of Johnson and Barnes (2015) that illiberal governments can indeed find support in liberal markets. In case of a stable macroeconomy, international markets can tolerate the violation of even the most widely accepted norms of economic and financial government, such as central bank independence which is clearly lacking in both cases. While this was tolerated in the case of Fidesz, interventions into the management of the central bank by the AKP were immediately punished by international markets. Such a tolerance gives populist governments more leeway in their attempts to balance economic nationalism and neoliberalism. In the end, whereas Fidesz has mostly been able to maintain economic

stability in Hungary while being spared punishment from international markets; the Turkish economy experienced a significant downturn concurrent with the AKP government's turn to economic nationalism, as the country grew less attractive to foreign investors.

This study's main contributions have been to the literatures on populism, economic nationalism, and the political economies of Hungary and Turkey. By focusing on populists in government, the study has shown that while populists face some of the same constraints as their non-populist counterparts, they can also afford to be more selective and pragmatic when it comes to the ideological content of their policies, as demonstrated by their mixing of economic nationalism and neoliberalism. Through analyses of various areas of economic and financial policy, the study has also demonstrated how economic nationalism is manifested in different policy areas. At the same time, the study also has implications for the types of domestic constraints that can be faced by competitive authoritarian governments. The political and economic relations which the AKP had established with its constituent groups, resigned the government to certain unorthodox policies which it could not deviate from, even when faced by economic crisis. This shows that regardless of authoritarian decision-making and centralization of power, these governments are also constrained by the necessities of responsiveness and responsibility.

On account of the study's limitations, one particular limitation is that both of the governments analyzed in the study are still in office and their terms are still going on. This means that their economic fortunes of the two governments can change in the coming years and this could have different implications for the findings of the study. Therefore, researching the two governments' tenures when

they are out of office can provide a more holistic view. A further limitation of the study comes from methodological issues. The study and its findings would have been enriched by conducting surveys and elite interviews. Surveys would have been contributed to more accurately determining the preferences of the electorate when it comes to economic nationalist and neoliberal policies, and how these preferences shape governmental policy. Elite interviews would have especially been helpful to uncover the situational mechanisms within which economic policies were first crafted, by shedding light on the ideas and motivations of policymakers. Further research on the subject can incorporate these two methods.

Future research can also investigate policy transfer and emulation between populist governments when it comes to their economic policies. Despite their differences, the similarities between the two governments' attempts at balancing economic nationalism and neoliberalism, for instance in their approaches to central bank independence and financial institutions, give rise to questions about the extent to which populists emulate each other's strategies. Researching policy transfer between populist governments can contribute to an understanding of the spread of economic ideas and policies across borders.

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