THEORIES ON THE ROOTS OF THE EU AND THE WESTERN BALKANS RISE OF POPULISM[1]

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Abstract

In this paper we focus on providing a clear definition and political classification of the term populism in a political and economic sense on a global scale. Consequently, we will explore all the popular academic theories concerning the roots of populism in crisis and discuss different mechanisms through which populism affects the electorate. We will also focus on building a comparison between the EU area and the Western Balkans populist experience followed by explaining differences and similarities in both models and make difference between supply side inward and outward populism.

Key words: *economic and political crisis, European Union, Western Balkans, inward populism, outward populism*

As we will show, poor countries are poor because
those who have power make choices that create poverty.

Acemoglu and Robinson (2012)

Introduction

As some Western countries are seeing the rise of populist movements against wealth and income inequality, others like the United Kingdom have found its rhetoric moving towards inflammatory, anti-immigration speeches against "job-grabbing" foreigners who are to blame for their depressed European wages. Further south, near the Mediterranean, the debtor Eurozone member states of Italy, Spain, Portugal and Greece have provided sound support for populist opposition to the

[1] The paper is the result of the author's work on the project of the European Union's Horizon 2020 research and innovation programme under grant agreement No. 822682. It reflects only the author's view and the Agency is not responsible for any use that may be made of the information it contains.

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European Union's fiscal discipline policies. These periphery Euro Area countries are growing increasingly Eurosceptic in the aftermath of the European Debt Crisis (2009—2015) and showcase increasing levels of mistrust in public institutions and fury over state corruption. Their charismatic party leaders actively seek solutions through policies such as drastic corporate tax cuts, minimum wage caps, increases in public infrastructure spending and different welfare style subsidies for their citizens. In the Central and East portion of the EU, leaders like Hungarian prime minister Victor Orban are fueling nativism in response to the European migrant crisis (Hopkins and Peel, 2018) and economic self-sufficiency politics in retaliation to the core EU countries' negative sentiments towards the effects of the free movement of workers, whereas their voters show increasing dissatisfaction with the lack of the EU commitment to lowering cross-country wealth, unemployment and trade inequalities. The "Who exploited whom?" debate dominates national and European parliaments to this day. The self-proclaimed winners and losers of the European project launched the "Who is to blame?" debate between each other, just as their domestic populist parties started to fill the seats of their national parliaments.

In the South-East of Europe, the Western Balkan post-communist countries (Serbia, North Macedonia, Montenegro, Bosnia and Herzegovina and Croatia) have been continuously re-electing populist politicians for the past thirty years. The trend was initiated with the very establishment of their independent statehood from Yugoslavia in the 1990s, as populist politicians such as Slobodan Milošević, Milo Đukanović, Radovan Karadžić, Franjo Tuđman and Alija Izetbegović took the centre stage in mainstream politics. The disintegration process was soon followed by severe economic crises and the rise of nationalistic discourse against ethnic minorities living on the territories of these countries. Populist politicians came into power in the midst of the crises, targeting the economic hardships of the electorate and fueling feelings of hostility and bitterness towards other ethnicities and nation states. The Yugoslav break up crisis and the current EU disintegration crisis exhibit many parallels (Becker, 2016) and most importantly share one commonality: both resulted in a surge of populism.

Although the initial conditions for populism were the same — economic and political crises, the manifestation through the supply side (parties) is divergent, setting the base for a comparative study from which a lot can be learned.

The first part of the paper is focused on providing a clear definition and political classification of the term populism in a political and economic sense on a global scale. What exactly is populism? What is the conceptual and historical background? And, finally, what are the circumstances under which this phenomenon reoccurs?

The second part is mainly involved with a literature review. It will explore all the popular academic theories concerning the roots of populism in crisis and discuss different mechanisms through which populism affects the electorate. Here we will showcase the three dominant theories explaining the rise of the European populism followed by a discussion of the underlying economic and cultural factors which influence its nation-wide adoption.

Next, we will focus on building a comparison between the EU and the Western Balkans' populist experience followed by explaining differences and similarities in both models. We will also investigate the similarities between EU area disintegration and the break-up of Yugoslavia in the 1990s and discuss their experience with severe economic crises which led to the rise of populist movements.

Moreover, we will offer a new binary classification mechanism for the supply side of populist party strategies — inward and outward. Such a classification draws a clear line between the roots of populism in the EU and Western Balkans. Inward populism (mainly present in EU countries) places the main focus upon inward-looking, self-sustainable economic solutions by showcasing anti-globalisation, anti-immigration, anti-European and Eurosceptical sentiments. Usually their policies target trade imbalances, economic inequality, European labour mobility, European bureaucracy and fiscal austerity. On the other side, outward populism (present in the Western Balkans plus Croatia) exhibits Erdogan-type neo-conservatism and neo-traditionalism, hand in hand with efforts for European integration and economic internationalization.[4]

Populism Deconstructed

What do we mean when we say someone is populist? Populism clearly means different things in different countries, making it a very difficult concept to define. Marine Le Pen, Geert Wilders, Boris Johnson, Matteo Salvini, Viktor Orban, Jaroslaw Kaczynski, Recep Tayyip Erdogan, Aleksandar Vučić, Milo Đukanović, Andrej Plenković, Milorad Dodik, Nikola Gruevski etc. are all labeled populist while having completely opposing views and opinions on everything from social issues to macroeconomics. Populists may be authoritarian technocrats, progressive leftists, climate change deniers, environmentalists, direct democracy supporters, Ayn Rand economists, Misses devotees or admirers of Marx. They can be left or right on the political spectrum, offering government-based subsidies or market-based isolationist solutions. They are elected from a state of grievances and deep divisions be-

[4] Benczes et al. (2020a) define populist neo-traditionalist narrative as a route to escape from insecurity brought by "… dangerous new values and ways of life which come to the region from globalisation and from the EU" (Benczes et al. 2020a, p. 7).

tween two opposing poles, splitting society into winners and losers — the corrupted elite against the common people (Mudde, 2004, 2009). That is to say, common people are abused by a forceful elite minority controlling the state for its own benefits (Benczes et al. 2020b).

For many of the academic writers (Ionescu and Gellner, 1969; Canovan, 1981; Betz, 1993; Albertazzi and McDonell, 2008) and media outlets,[5] populism is simply radicalism you do not want to call radicalism (Bale et al., 2011). The terms populism and populist almost always come with a negative connotation and association with ideologies which are considered undemocratic or at least anti-liberal democratic (Mudde, 2004, 2009). In addition, the word populism is often associated with nativism, ethno-nationalism, mono-culturalism, racism, neo-conservativism, neo-traditionalism, socialism, anti-imperialism and authoritarianism.

Clearly, the words populism and populist have no one simple meaning. The terms originated in the 1880s, farmers in the south of the United States, joined by workers and miners, formed an agrarian-based political movement against the Eastern coastal establishment and banking elites in the country. These farm workers took out big loans under unfavourable terms and conditions to buy all the supplies and tools needed to grow and sell cotton. When the price of cotton collapsed due to the economic depression, they found themselves faced with unpayable loans with surging interest rate payments. After they had forcibly handed the cotton crops to the creditors, they were left impoverished and without profits. This started agrarian activism and an anti-elitist backlash which escalated with the formation of The People's Party (later known as The Populist Party) in St. Louis in 1891, which later morphed into the southern branch of the Democratic Party of America (Omaha World-Herald, 1892). The first populist movement encapsulated the same underlying principles relevant nowadays.

At its core, a populist is a politician who appeals to the common people who increasingly feel alienated from the power centres of decision making — establishment politicians. The key mobilisation mechanism is creating a state of conflict between the two sides of the equation, the losers against the winners of globalisation. As we have witnessed, such a fertile state of conflict was created by the destructive economic consequences of the Yugoslav disintegration crisis (1991—1995), the Global Financial Crisis (2008), the European Debt Crisis (2009—2015) and the European migrant crisis (2015), whereas the content that united the electorates in the aftermath of these crises differed internationally depending on the historical, social and economic factors in play.

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[5] Bale et al. (2011) study on UK populism negative media coverage lists: *The Economist*, *Times*, *Guardian*, *Independent*, *Telegraph* and others.

Different types of national conflict yield different types of reaction to the crises and different types of manifestations on the supply and demand side. Hence the term cannot be tied to one and only definition. Drake (1978) introduces three core postulates of populism: political mobilisation, recurrent rhetoric and use of symbolism designed to inspire common people aimed primarily at the working class. Dornbusch and Edwards (1989, 1991) define macroeconomic populism as efficient party targeting of the electorate facing highest economic hardship by introducing short-term policy solutions that target income distribution and growth without revealing the long-term losses for the social strata most affected in downturns. He identifies populism in Latin America with economic programmes designed to expand state activism and Conniff (1982) says that such redistributive programmes often overlap with those of socialism. Mudde (2004) labels populism as "thin ideology" using a fuzzy, anti-pluralist framework of contrasting the common people against the corrupt elite. He identifies three common features of populism; anti-establishment, authoritarianism and nativism. Muller (2016) defines populist leaders as standalone representatives of the people by delegitimising all others that fall out of the scope of the native society. This, he states, ultimately clashes with the basic values of democracies — the rights of minorities.

Nonetheless, Muller (2016) rightfully critiques identifying populism as an undemocratic leftover of the ideologies of Nazism, fascism or any right-wing radical ideology, stating that such categorisations do not help the mainstream political establishment in understanding the real problems of the common people. Hence the usual portrait of populism as right-wing fails to account for many forms of populism in Latin America and the Western Balkans where political parties favour more left-wing and welfare state economic solutions. According to him, the new wave of European populism simply radicalises the same attitudes most Europeans held in the past century by intensifying the supply side offer and overstating the dangers that immigration poses on nativism and economic prospects in the host country. This is one of the reasons populist discourse frequently escalates into purely opportunistic forms of nativism, racism and authoritarianism by creating negative but popular sentiments which can unite the most optimal group of potential voter anger against one joint enemy. It is recurrently equated to regressivism or the antithesis of progressivism because of the predominant usage of reactionary politics in opposition to liberal values.

Rationalizing the definitions above makes us ask ourselves: Is populism an ideology, form of rhetoric, communicational approach, set of economic remedies or just a media strategy for creating political discourse? Taggart (2000) rightfully concludes that such minimalistic conceptual form renders populism ideologically ubiquitous and vague. If you call someone a Marxist, you can be pretty certain what that

person thinks about economics and politics, but if you call someone a populist, the probability that their views are left or right on the political spectrum are equal. Populism is not an ideology; it is a tool for the mobilisation of the masses.

From the above interpretations, we can identify five fundamental postulates that define populism as a tool for the mobilization of the masses:

1. Two conflicting homogeneous units of analysis: The people vs. the corrupt elite.
2. Anti-pluralism and anti-heterogeneity of opinion: Those who disagree are the traitors of the nation, corrupt establishment politicians, criminals etc.
3. Short-term protection policy solutions with high long-term negative consequences.
4. Fluid underlying ideology: Left or Right on the political spectrum scale.
5. Political mobilization around antagonism, use of recurrent demagoguery and powerful symbolism.

Theories on the roots of populism

In this section we focus on both the macro and the micro side of the equation by deconstructing three popular theories on the roots of populism. First, we showcase the top-down macro approach which looks upon economic crises as the core reason behind the emergence of populism. Secondly, we dissect the bottom-up micro approach which focuses on two theories: The Economic Inequality Hypothesis and The Cultural Backlash Hypothesis. The latter helps us gain a deep understanding of the socio-economic factors that drive the demand side (the electorate) towards populist voter choice.

The top-down macro approach: The Economic Crisis Hypothesis

The traditionalist on populism in the past decade focuses on the economic crisis hypothesis as the root cause for the emergence of populism. Economic crises are frequently seen as the main postulates for extremism and radicalism in politics, giving politicians solid argumentation for anti-establishment discourse. For example, Dustman et al. (2017) proved that the negative effects of the European debt crisis (2015) and sluggish economic recovery in the aftermath converged public opinion in the debtor EU countries against centralised EU decision making, which in turn resulted in voting for populist party platforms. The study is one of many that drives conclusions upon European Social Survey individual voter data. Dippel et al. (2016) focuses on the effects in the EU creditor state of Germany and finds a correlation between casting a vote for a populist candidate and living in the dominantly export-oriented parts of the country which witnessed higher unemployment rates and lowering of wages due to trade competitiveness from cheaper Asian markets in the aft-

ermath of the Financial Crisis (2008). He concludes that populism in Germany is motivated by the older voter cohort and its anger against economic globalisation. The counterbalance to the developed EU countries' experience is to be found in the periphery countries of Europe which were faced with hard austerity programmes in the aftermath of the European Debt Crisis. However, the shocks in the Central and Eastern as well as Mediterranean peripheral EU countries (Greece, Italy, Portugal, Spain, Cyprus, Slovakia, Hungary etc.) also affected the most economically insecure part of the electorate — the undereducated, unskilled, older citizens dependent upon state benefits, and the youth which suffered the consequences of depleting economic activity and rising unemployment. Lechler (2017) uses the individual-level Eurobarometer data to research the influence of unemployment on the rise in Euroscepticism and confirms a strong positive impact of employment fluctuations among unskilled and unemployed older cohorts and negative EU sentiment often used as a powerful demagogue by populist candidates.

Rodrik (2017) argues globalisation as the main stimulus for the development of economic crises via its unfair mechanisms in trade redistribution, short-term capital allocations (capital flights) and financial liberalisation. A good example of such a negative outcome is the EU monetary unification in 1999 which drove the risk premia in periphery countries such as Greece, Spain, Italy and Portugal, leading to rising borrowing costs between member states. This move stimulated the development of so-called "debtor economies" (also pejoratively known as PIIGS) which effectively enabled European countries to run huge current account deficits and acquire unsustainable amounts of external debt, further used unproductively by investing in the construction industry and non-tradable sectors.

Both, the EU countries and the ex-Yugoslavian countries went through severe economic crisis in which the least developed countries suffered the most as a result of the austerity programs and policy prescriptions put in place. Finally, in both cases the crises created entry space in the government for populist leaders like Slobodan Milošević in Serbia, Franjo Tuđman in Croatia, Alija Izetbegović and Radovan Karadžić in Bosnia and Herzegovina, Milo Đukanović in Montenegro, Ljubčo Georgievski in Macedonia, the SYRIZA (The Coalition of Radical Left) movement in Greece, The Five Star Movement in Italy and Podemos in Spain.

During the disintegration of Yugoslavia, all former Yugoslav republics, apart from Slovenia, were faced with a similar experience of rising dissatisfaction with the split of economic benefits across the federal republics. Becker (2016) captures the similarities between Yugoslavia in the 1980s and 1990s and Europe today, explaining that in both cases there were conflicting forces at the national level in support of greater decentralisation and allocation of power to the nation-states, and the forces on a supra-national level (European Parliament and the Communist Party estab-

lishment) which were in support of keeping the system intact. The Yugoslav case resulted in the independence of the constitutive republics which were part of the federation followed by merciless wars, severe macroeconomic crisis with unseen levels of hyperinflation,[6] years of rising unemployment and economic underperformance due to the massive war destruction, fiscal irresponsibility and the corrupt privatisation process which led to deindustrialization and closing of many factories in the newly sovereign nation-states.

Following Dornbusch and Edwards' (1989, 1991) macroeconomic populism theory, such irresponsible deficit finance led the Western Balkan countries to even deeper economic and political crisis which fully eroded the trust in the political system and representative democracy.

This shifted the unitarian, authoritarian model in the late stages of Yugoslavia into a republican, authoritarian model in which the existential hardships of the war-torn society during times of severe economic crisis were transformed into resentful nationalism by usage of self-victimising and populist discourse (Popov and Gojković, 2000). During this time, populist leaders emerged in former Yugoslav republics, both left and right on the political spectrum, who efficiently used the economic dissatisfaction of the voters, strategically repositioning it into an ethno-national backlash during the Croatia and Bosnia & Herzegovina wars (1991—1995), the Kosovo war (1998—1999) and the Macedonian war (2001). The aftermath of the wars resulted in even greater economical destruction and reinforced the creation of radical anti-nationalist and anti-religious feelings across the region.

The bottom-up micro approaches: The Economic Inequality Hypothesis and The Cultural Backlash Hypothesis

Such a top-down theoretical premise although useful, does not help us understand which socio-economic factors drive the electorate after the initial shock hits. Neither does it give us adequate description about the supply side offerings, populist strategic games and policies for effective capture of the electorate in shock conditions. These supply and demand factors are crucial in understanding why the electorate overreacts against the liberal-democratic model when faced with political and/or economic crisis, as is the case with the Western Balkans. Many studies which are micro-oriented are focused on modeling the factors behind the voter behavior (the demand side) by using the European Social Survey or the Eurobarometer data while simultaneously classifying the supply side — the political parties — into populist and non-populist. This bottom-up approach usually looks at two core reasons

[6] For more details on Yugoslav hyperinflation see Lyon (1996).

for such behavior on the demand side: the economic inequality and the cultural backlash.

The Economic Inequality Hypothesis

Proponents of the economic inequality hypothesis (Guiso et al., 2017), examine the behavioral impact on the electorate based on perceived levels of economic hardship and insecurity.[7] Economic inequality measures start from distribution as the same basic input (Benczes et al. 2020b). The macro level influence of this hypothesis is based on Piketty's (2014) theory of economic inequality which centres around the explanation for the uneven return of economic growth momentum in the post-crisis period which did not reflect a net positive benefit in the incomes of the majority of the population. This is due to the fact that most of the newly-created capital is disproportionately distributed to the top 1% of the population which is mainly based in the capital-rich metropolis. Such a wealth skewness creates the effect of Kahneman and Deaton's (2010) "happiness comparison bias" which is legitimised with the feeling that the "grass is greener on the other side". In this case, the other side are better-off citizens and countries which saw a positive influence of globalisation in the redistribution of global wealth.

The most economically uncertain class of voters — unskilled, older, male underemployed classes of society in West liberal democracies were failed by the welfare protection net and confronted with the feeling of comparative income stagflation in the years following the Global Financial Crisis (2008). The dominant capital allocation in the metropolis followed by the processes of automation and growth of the tech economy created populist discourse and a split in society between the less well-off and the well-off, which can be seen in the correlation between voting for populist parties and an increased feeling of short-term economic insecurity or experiencing high levels of perceived economic hardship.

In the Western world this phenomenon is reinforced through:

1. Periphery exclusion of productive workforce.
2. Wage stagflation and lack of economic opportunities.
3. De-industrialization of smaller cities and dominance of metropolis.
4. Outsourcing of low-skilled jobs in underdeveloped economies.

The effects of the macroeconomic uncertainty are usually modeled through questions about the subjective feelings of economic hardship of the average voter — i.e. feeling of anxiety triggered by the risks people see as major and inevitable downside economic risk (Benczes et al. 2020b). Therefore, the economic uncertain-

[7] Since ineqality is "conconceptually embedded in the term of economic insecurity." (Benczes et al. 2020b, p. 6)

ty hypothesis perceives populism as a direct product of the income inequality and states that populist votes should be dominant among the economically marginalized stratas of the society (unskilled workers, unemployed, under-educated, households dependent upon state welfare and families situated in outer-city rural areas). The hypothesis states that increased feeling of economic hardship induces voters not to vote and, if they do, they diverge towards a populist voter choice. Reduced voter turnout gives competitive advantage to right-wing parties as it gives them an abstinence-based entry space in the political stage during times of political and economic crisis. Hence this theory concentrates around a two-step analysis of populism through voter-turnout and through voter choice.

B. The Cultural Backlash Hypothesis

Another perspective by Inglehart and Norris (2016) takes the cultural backlash theory viewing populism as purely socio-cultural phenomenon, which explains the rise of populist support as a direct consequence of the older birth cohort's nostalgia towards their post-war value system. Such cultural transformations are usually captured by survey-based research which takes upon education, age and gender as base predictors of voting populist parties, while adding cultural factors such as progressivism, patriotism, religiousness and traditionalism as explanatory variables.

First, age will expose the generational turnover, as the younger, educated birth cohort which grew up in affluent capitalistic welfare states replaced their parents and grandparents, who had much tougher upbringing during the inter-war decades. Second, gender roles have significantly changed as millennials entered the workforce, moving the society towards more feminist-oriented attitudes and more equal distribution of workforce amongst males and females, eroding the patriarchal role in society. Over time, naturally the traditional value system, which is held by the dominantly less educated, males in rural areas became anti-thesis of the fast-paced, contemporary, high-tech city life, generating feelings of resentment, anger and loss.

The cultural backlash theory captures the value shift generated by globalisation in the big metropolises is in direct opposition with the pre-war value system of traditionalists and baby boomers in the peripheries, who increasingly feel left out and forgotten by establishment political parties. This feeling of being "left out" dominantly makes older, white men and less-educated strata of society unresponsive to the tide of progressive values,[8] leaving them vulnerable for populist exploitation. Their hypothesis is centered around the cultural shift of the post-war generation towards multiculturalism and cosmopolitanism, which they state, is not reflective of the "silent" majority of the electorate. Many establishments politicians such as Hill-

[8] For detailed definition see Gillette (2008).

ary Clinton in the US and David Cameron in the UK have failed to account for the "silent" left-behinds — costing the former the presidential election, while the latter lost and greatly miscalculated the EU referendum. These theories are exploring the traditionalist, regressive, nationalist and authoritarian value system of the voter as possible explanatory variables for populist voting choice.

The Supply Side — The peculiar case of inward and outward populism

Taggart (2004) points out that, at the national level, representative populism is re-emerging in a post-crisis, contemporary Europe as a response to the failure of the European Union project in reducing the nation-state's power and significance, arising from the differences in economic progress (The Economic Inequality Hypothesis) and cultural values (The Cultural Backlash Hypothesis) in between and inside the nation-states on an individual voter level. After a decade of stagnant incomes and fiscal austerity, the economic and cultural shifts which took place in the aftermath of the crisis created fertile grounds for the rise of supply side populism in Europe, giving new age populist politicians centre stage for heated rhetoric. This made voters susceptible to short-term protection policies from populist politicians and parties, which, as mentioned above, manifest differently in the EU and the Western Balkans countries calling for two distinct types of supply side categorisation. Hence it is necessary to differentiate between the two paths these populist discourse styles take, as each follows its own path based on a country's historical background, political culture and economic situation. Therefore, we introduce two separate forms of supply side populism: inward and outward.

Inward Populism

The process set in motion by the Global Financial Crisis (2008) produced two losing sides — liberal democracy and economic globalisation with open mobility across borders. A distinctive hallmark of Le Pen, Wilders, Trump and the Brexit vote is the accentuation the political leaders put upon inward-looking economic solutions by blaming globalisation, the metropolis-based well-off's obliviousness and cosmopolitan values for marginalising the lower classes of society which are left behind. Usually, the core EU countries' populism is built upon the aura of a newly found-affection for self-sufficiency under the banner of anti-immigration sentiment, progressive and liberal value backlash, joined by economically isolationist policies targeting trade imbalances, economic inequality, wage stagflation, lack of labour productivity growth and high unemployment in the peripheral cities as opposed to the cosmopolitan big capitals. The rise of European, populist right-wing parties since 2000s is heavily linked to a rise in Euroscepticism (especially in countries such

as Greece, Italy, Spain and Portugal) and the rise of nationalism (France, United Kingdom, Holland, Hungary and Poland) which mirrors the demise of the welfare supported market economy — the only brand of capitalism which offered trust in democracy for the ordinary voters (Figure 1). What followed can be captured by the results of the 2015 Eurobarometer survey which showed that the positive image of the EU had greatly eroded from 53% in 2007 to 37% in 2015. Distrust of the EU was highest in Greece (81%), Cyprus (72%), Austria (65%), France (65%) and Germany, the United Kingdom and the Czech Republic (all 63%) (Standard Eurobarometer 84 Autumn 2015 Report, 2016). Some good examples of the successfulness of these movements include the Italian cases where The Five Star Movement won the majority support in the last 2018 parliamentary elections, along with the Scandinavian countries where the 2017 share of right-wing parties in parliament reached 20% (Tartar, 2017).

Policy characteristics of populist parties in the EU countries:

1. Economic nationalism and isolationism.
2. Trade protectionism.
3. Immigration reduction or fully anti-immigration.
4. Individual and corporate tax reforms in the top wealth tiers.
5. National self-sustainability of the labor market.
6. Against financial globalisation with accent on the negative effects of "too big to fail" banks and financial institutions.
7. Against the power of big globalised corporations, the business elites.
8. Euroscepticism, anti-EU austerity policies, pro fiscal autonomy.
9. Anti-Europeanism, focused on national sovereignty and the nation state culture and values.

Outward Populism

The case is different in Western Balkans countries such as North Macedonia, Serbia, Croatia, Bosnia & Herzegovina, Montenegro and Albania — plus Croatia — as they exhibit Erdogan-like, neo-conservative and religious populism in support of economic integration with the EU, going hand in hand with ethno-nationalism, native mono-culturalism and leftist welfare policies for the impoverished by expanding state activism. In general, the post-communist Western Balkans countries exhibit symptoms of intermediately developed transition economies with high levels of state corruption, high youth unemployment, the lack of strong middle class, lack of media freedom, lack of rule of law and lack of efficient small business capital allocation. On a macro scale these are the typical European debtor states with persistent budget deficits, negative trade balances and fiscal irresponsibility due to unproductive public spending. There is a total disregard for freedom of expression and

Figure 1 — Inward vs. Outward Populism

the media is closely linked with the party-state apparatus via tight relations between government and media moguls. Hence party propaganda is served on a daily basis throughout most media outlets. There is a weak market economy and low protection of property rights. The private business elite is subject to pressures from the government unless they support the ruling party. There is no independence of the judiciary and there is a clear dominance of the executive branch over every public institution. In terms of economic orientation, the strategic position of both populist platforms is somewhere between the economic left and the economic right. They are leftist in supporting welfare transfers, increased deficit spending and state activism in the economy but also hold neo-conservative right stances with market liberalism, FDI orientation and economic internationalism. Because of the party-state corrupt system and decades of populist rule, there is clear scepticism and a lack of trust towards the institutions of government and a general disenchantment with representative democracy. In these countries the leaders in power follow the profile of patriarchal fathers of the nation posing as saviours of "the people" which gets them repeatedly re-elected despite the overall dissatisfaction with the state of politics and persistent lack of trust in the government (Figure 1).

Policy characteristics of populist parties in the Western Balkans:

1. Welfare policies "vote buying" via benefits, subsidies and free services.
2. Unproductive deficit spending on infrastructure (Marušić, 2015).
3. "Economic liberalization" image via ineffective FDI policies.
4. Fiscal irresponsibility and concealment of the long-term economic costs.
5. State controlled public institutions and administration.
6. Media control and lack of freedom of expression (Freedom House, 2017a, 2017b).
7. Ethno-Nationalism driven rhetoric (Balkan Insight, 2017).
8. State controlled judiciary system (N1, 2017).

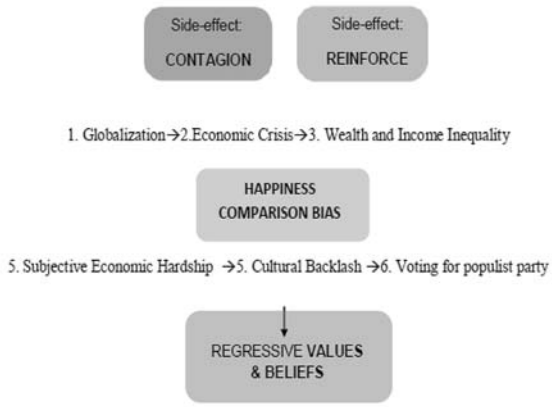

Figure 2 — Why populism is so popular all across Europe

9. Lack of rule of law and corruption.[9]
10. Party nepotism and state clientelism.
11. Abuse of state resources for electoral gains and pressure on voters.

Such supply side rhetoric's difference between the inward and outward oriented countries is a direct byproduct of the historical difference in demographic, cultural and socio-economic factors in play.

Heads or Tails? Two sides of the same Coin

The existence of multiple theories on populist voter choice and turnout made us aware of the interlaced, complex, correlated effects between the macro crisis theory and micro explanatory variables (attitudes, outlooks, perceptions). Hence, we believe the useful explanatory power of voter dissatisfaction and turn towards radical and extremist ideology choices can be achieved by a top-down dissection (Figure 2).

It is an indisputable fact that the globalisation witnessed in the last decades brought many benefits for both developing and developed countries around the world. On a positive note, we are living in times with higher life expectancy, increased life quality and a drastic reduction in world poverty. However, it has also brought extreme income and wealth inequality and gigantic environmental degradation. Also, it delivered a level of international interconnectedness which in times of economic crisis creates spillover and contagion effects influencing different economies and countries in different ways and multiple micro levels (Mendoza and Quadrini, 2009). Hence simultaneous appearance of populist discourse across dif-

[9] See Fokus (2015) for the full wire-tapping materials revealing the corruption of the highest Macedonian government officials.

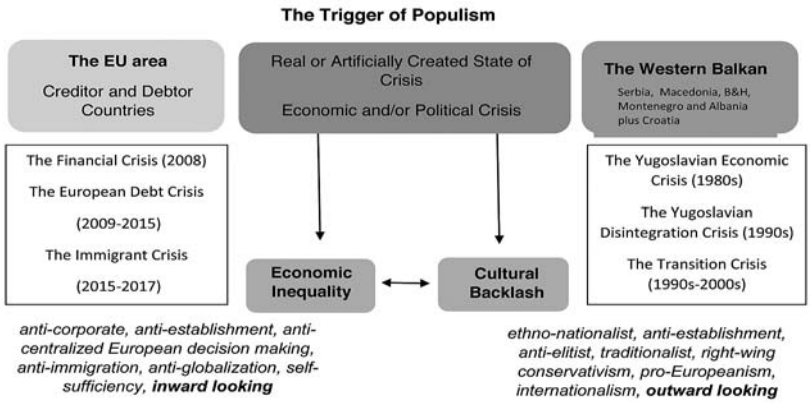

Figure 3 — The Trigger of Populism in the EU and the Western Balkans plus Croatia

ferent countries affected is to be expected. Whether the state of crisis will reflect on the voter through subjective economic hardship or will take the form of cultural backlash depends on the most effective entry place of the populist party for optimal capturing of the highest percentage of dissatisfied voters. The second option is that the cultural value scales and economic insecurity hypotheses are connected. Decline in economic security has a negative direct impact on socio-political value systems and beliefs.

How these two pressure points fill the content offered by populist parties largely depends on country-specific factors and historical background. In the EU countries economic inequality is mainly portrayed as a movement against the "corporate rich elitists", the political establishment and economic experts who are perceived as enablers and protectors of their own interests and utility functions. This creates a state of economic marginalisation of the periphery of the countries and generates income stagflation which fuels increased subjective perceptions of economic hardship.

On the other hand, the cultural backlash in the EU countries is depicted through anti-immigration rhetoric and through the traditionalist older birth cohort's disenchantment with the liberal value system in the capital rich metropolis. In non-core parts of Europe populism manifests itself through increased need for clear nativism and economic self-sufficiency due to the economic trauma which was largely felt in the most socially and financially insecure parts of the society, the youth and the pensioners. Most radical movements started as a cultural backlash against the EU budget austerity policies in the aftermath of the European Debt Crisis (Figure 3). In the Western Balkans pus Croatia, the cultural backlash is traditionally portrayed through the struggle for clear nativism in society and nationalistic discourse against ethnic minorities as leftover anger of the post-Yugoslav wars. The war and

aftermath experience created mistrust in representative democracy and politics in Western Balkans societies. We believe that such trauma of the Balkan war generation created a clear preference for nationalism, self-sufficiency, traditionalism, regressive value scales, negative sentiment towards international diplomacy, deep mistrust in liberal democracy and political actors with a clear preference for a strong nation state. Economic insecurity in the Balkans is constantly reinforced by persistent unproductive government spending, ubiquitous corruption, low standard of living and high economic inequality dating back to the disastrous privatisation processes which disabled the societies from building solid base of capital formation and efficient capital allocation, resulting in three decades of sustained unemployment rates in the double digits (Figure 3).

All this factors are rendering the part of the electorate who is predominantly composed of less-educated, older, rural habitants are a core supporters of a decades long protraction of populist leaders.

Rodrik (2017) notes that all crises have the net effect of increasing average voter disappointment and result in declining trust in the ruling establishment. On the macro scale, economic and/or political crises act as a root cause for the entrance of populist platforms onto the main stage, while both economic inequality and cultural backlash serve as the best explanatory variables for predicting populist voting choice. Hence, they are not mutually exclusive but rather interlacing pieces or two sides of the same coin. The popularity of culturally-stimulated anger against immigrants, ethnic minorities or rich educated city elites is simply an easier way for parties to capture and mobilise voters. Ethno-nationalism and mono-culturalism are superior propaganda themes in organising the collective towards homogeneous voting patterns.

Conclusion

The brave new world of mainstream support for populist parties has changed the political landscape of European societies. What's behind this phenomenon? Three theories on the demand side were introduced: The Economic Crisis Hypothesis, The Economic Inequality Hypothesis and The Cultural Backlash Hypothesis. We argue that economic and political crises provide solid grounds for development of voter backlash against the current establishment. While the backlash may have been predictable on a macro level, the specific form it can take can varies greatly in accordance with country-specific problems. However, on a micro (individual voter) level, radical political views, ethno-national discourse, strong leadership desires, and intolerant regressivist attitudes are activated as defensive mechanisms during economic and political turmoil both in the EU and in the Western Balkans. The eroded middle-class in the suburbs and the rapid workforce transformations that took place in

the new globalised economies lead to economic crises which manifested themselves through rising economic inequality everywhere.

On the supply side of party strategy, a new methodology of binary classification was presented drawing a clear comparative line between inward-looking EU populists and outward-looking Western Balkan autocrats. Kakkar and Sivanathan (2017) test the hypothesis of strong leader preference in a deteriorating socio-economic condition during crises. They prove that populist leader profiles are most likely to meet the expectations for protection that a populist voter seeks. There is a clear preference and fondness for patriarchal, powerful, dominant and decisive leaders throughout the entirety of the electorate in the Western Balkans. Furthermore, voters show rational ignorance for the moral vague compasses such a leader has. In the Western Balkans the electorate is willing to re-elect a populist leader, despite an awareness of corrupt means of ruling, suppression of basic freedom of expression and diminished plurality of opinion. Why would voters put high value on pluralism and tolerance while being faced with an existential risk on a daily basis?

We do not choose populists because we fear them, but because they are a reflection of our fears. Populist leaders are just a symptom of an overall economic hardship and systematic economic failure which voters have been experiencing for years. The rational response of the supply side is to offer the electorate the greatest utility function and satisfy its latent desires in order to stay in power.

Economic, political and violent crises created a strong foundation for populism in the Western Balkans. When the optimal combination of demographic, economic and political factors are present, the voters repeatedly vote for populist leaders in line with their learned value system. In societies in which past experiences with nationalism and authoritarianism are part of the voter value system, the growing class struggle during crises re-activates the backwardness and regressive traits. The turbulent post-communist transition created a persistent economic uncertainty which continuously replicated the same values throughout multiple generations of populist rule. When the new populists came into power, they kept the advantage of the corrupt and extractive institutions in place, further eroding economic incentives and creating a pool of citizens disenchanted with politics. This self-reinforcing cataclysmic mechanism failed to provide the necessary stimulation for people to save, invest, innovate and generate economic value.

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