

## **Heterodoxy from the Right: Economic Policy Concepts of the Nationalist Right in Europe**

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Karl Polanyi showed in his seminal work on the “Great Transformation” that two alternatives to liberal capitalism existed as the gold standard with its enormous constraints on wages and national economic policies collapsed in the 1930s: a left, socialist alternative and anti-democratic fascism (Polanyi 1990: part 3, cf. also Brie 2015: 45 ff.). He emphasized that left-orientated governments repeatedly failed in the interwar years in dealing with the rigid monetary system and in imposing sufficiently strong restriction on international capital movements (Polanyi 1990: 302 ff.). The debate back then called this “the wall of money” (Morin 2006: 15) which made the left alternatives fail. Dudley Seers, using the Latin American dependency paradigm on the European situation, envisaged in 1980 that the European Monetary System (EMS) – the predecessor of the European Economic and Monetary Union (EMU) – would end up with deflationary policy and austerity (for peripheral European countries) like the gold standard if not countered by balancing integration and industrial policies (Weissenbacher 2015a). The euro system today, indeed, creates similar restriction for left or progressive economic policies in the periphery of Europe.

The left-wing Syriza government in Greece suffered from a strategic defeat when the German Minister of Finance put it before the alternative to leave the euro zone or to accept neo-liberal austerity and structural adjustment. Since Syriza had not seriously prepared for exiting the euro zone and was under enormous pressure, it acquiesced to austerity and deepening neo-liberal structural adjustment. Syriza’s strategic defeat has weakened other left-wing parties like the German Die Linke and Spanish Podemos which had advocated alternatives within the euro zone. The nationalist right in the EU – from Lega Nord to Prawo i Sprawiedliwość (PiS) – has been strengthened as an alternative to euro liberalism. Many of the nationalist right-wing parties use the rejection, or at least a strong critique of the present form of the euro zone at the very heart of their economic programme. They do not interpret the conflict between Syria and the EU institutions as a conflict between differing economic policy concepts or as conflict between a democratic mandate (of the Syriza government) and the liberal-authoritarian concepts of the creditors, but as a struggle between a suppressed nation-state and the EU (cf. Becker 2015a).

### **The Spectrum of the Nationalist Right**

In this constellation, a critical analysis of economic and social policies and programmes of the nationalist right is urgent, and also historical fascisms need to be revisited, in order to learn from the nature of fascist parties and the social, political, and economic environment they were fostered in. Wilhelm Reich (1986 [1933]:13ff), for example, described the difference between fascist political movements and other 'reactionary parties' that fascism is based on a mass movement. But fascism is not revolutionary because it does not aim to change society. He compares fascism with a doctor who curses at an illness but does not cure it. Reinhard Opitz (1996:183ff) argues that monopoly capital has an interest in protecting the existing mode of production (and private property) and explores other options if contradictions in society cannot be brokered democratically. Clearly, the 'system time' ('Systemzeit') as the German fascist called the Weimar republic, laid the ground for the Fascist seizure of power. Fascism was, however, not the only right-wing response to the

crisis of the interwar year. Neoliberalism with its liberal-authoritarian orientation emerged in the same period. The first wave of neoliberals (like Hayek) and ordoliberalists (like Eucken) agreed in the repudiation of the welfare state, labour law, or workers rights. Both found comfort in the conservative and then fascist state theorist Carl Schmitt whose 'authoritarian liberalism' laid the ground of the emergency laws of the pre-Hitler government of Heinrich Brüning with its deflationary policies and austerity programme (Scheuerman 1997, Oberndorfer 2012a&b). Neoliberals, ordoliberalists, and the state theorist tradition of Carl Schmitt continued to influence postwar European history before the Hayek renaissance of the 1970s, authoritarian competition state and authoritarian constitutionalism of the EU. The present nationalist right in the EU is not simply a re-edition of the fascist right of the interwar years, but there are parallels between the social basis of historical fascism and the present far right. The fascist right was openly anti-democratic and anti-parliamentarian. As with the Weimar 'system time' and 'system politicians' etc., today's far right-wing currents of the nationalist right sharply criticize the established "political class" (Bischoff et al. 2015: 12), but they are usually not openly anti-parliamentarian. It tends, however, to reduce democracy to the act of voting and views elections and tries to use referenda as plebiscites of the "national will" (embodied by the nationalist right-wing parties).

The nationalist right encompasses a broad range of forces from the more nationalist liberal-conservative forces – like the EU sceptic wing of the British conservatives – to openly fascist forces like Hungarian Jobbik or Greek Chrysi Avgi. In many cases, nationalism has been radicalised into open racism which has increasingly taken the form of anti-Muslim racism. Therefore, the nationalist forces are often classified according to the degree of nationalism and racism which they display (cf. e.g. Bischoff et al. 2015: 22 ff.). Alternatively, classification could refer to the degree of neo-liberal, national-conservative, racist and eventually fascist elements. This seems to be a more adequate classification approach for analysing economic and social policies of the nationalist right (cf. Becker 2015b).

Neo-liberal and national-conservative elements usually are key planks of the economic and social policy programmes of the nationalist right. In some cases, a nationalist neo-liberalism predominates, e.g. in the Czech Občanská demokratická strana (ODS), UKIP and initially (though not presently) in the Alternative für Deutschland (AfD). In many cases, a mixture of neo-liberal and national-conservative positions is blended with strong agitation against "migrants", e.g. in the case of Fidesz, Freiheitliche Partei Österreichs (FPÖ), Lega Nord or Front National. In Polish PiS, the national-conservative elements are more strongly accentuated than in Fidesz, FPÖ etc. Some formations even show openly fascist tendencies and references like Hungarian Jobbik, Greek Chrysi Avgi or Slovak Ľudová strana – Naše Slovensko (ĽS-NS).

The mix between neo-liberal and national-conservative elements is strongly shaped through the economic policy choices. The stronger the national-conservative orientation is, the stronger tend to be deviations from mainstream proposals and the inclusion of some heterodox policy elements.

In most parties, national-conservatism tends to be particularly strong in regard to the views and programmes on gender relations and gender roles. However, there are exceptions. Dutch Partij voor de Vrijheid (PVV) is possibly the most notable one. It is on issues like abortion or homosexual relations almost "libertarian" (Vossen 2015: 52), but emphasizes this as a distinction between Western achievements and allegedly backward Islam.

In the more far right-wing formations, a strong emphasis on a “national preference” in social and labour market policies can be observed (cf. Caldiron 2009: 51 f., 156 ff.). On the basis of a pronounced exclusion of the “others”, the ultra-nationalist right tries to portray itself as a “social right” (Caldiron 2009). The Lega Nord has left behind its (verbal) distance to Fascism and openly cooperates with the fascist social movement 'casa pound' (Weissenbacher 2015b). Liberal-conservative (and at times as well social democrat) forces increasingly adopt “national preference” elements in their social policy discourse and practice. The first step is the discrimination of refugees in accessing social security.

In some cases, the nationalist right already governs in the EU – both Fidesz and PiS have an absolute majority in parliament. In other cases, like Belgium, Denmark and Finland, the nationalist right is directly or indirectly part of the governing camp. In the past, parties like FPÖ or Lega Nord already have been part of governing coalitions. Insofar, the nationalist right is in quite a number of cases already a well-established political force. Thus, it is already possible not only to evaluate the programme of right-wing parties, but also their economic and social policy practice.

### **Right-wing Economic Policy Heterodoxies**

Many, but not all of the nationalist right wing parties have increasingly incorporated heterodox, etatist elements into their programmes and policies. Likewise, they have tended to include selective economic and social protection mechanisms in their programmes (cf. Caldiron 2009, Bischoff et al. 2015: 70 ff., Meret 2015: 20, Juhász et al. 2015). This shift had already begun before the recent global crisis. In Polanyi’s perspective, it can be interpreted as an authoritarian embedding of market societies. The selective adoption of heterodox elements is motivated by enlarging the social basis and by the need to deal with specific development blockades and crisis phenomena.

The economic policy proposals of the nationalist right are strongly shaped by the position of their countries in the European division of labour. This is particularly clear in the question of monetary and exchange rate regimes. Germany and Austria where industry as a key sector of neo-mercantilist regimes of accumulation have proved relatively resilient to crisis, the nationalist right – AfD and FPÖ – has advocated the creation of a core euro zone consisting of strongest exporting countries. In this vein FPÖ demands “a rapid restructuring of the euro zone through the exit of the weak economies and the reduction to economies of comparable strength if the euro does not stabilise” (FPÖ n/d). A similar orientation can be observed in AfD. In its nationalist neo-liberal beginnings AfD even emerged out of the critique of EU credit programmes for the South European euro zone countries (Friedrich 2015: 20 ff., 53 ff.). Among business interests, this position has been particularly supported by primarily regionally or locally orientated family enterprises (ibid.: 89 ff.). Whereas the critique of the euro was a key topic of the party in its beginnings, it has turned increasingly towards anti-refugee and anti-migrant agitation after the more national-conservative majority took the party over and the strongly neo-liberal wing left and formed a new, insignificant party.

In Italy and France which have suffered from severe de-industrialisation, Lega Nord and Front National have taken a clear stance against the euro. In a booklet on the euro, Lega Nord emphasises that the euro is overvalued for Italy and is harmful for Italian manufacturing. It compares the position of Italy in the euro zone with the position of Southern Italy in Italy during the lira period (though without the then compensatory mechanisms; Borghi Aquilini 2014: 16). The party views exit from the euro zone as a key precondition for

overcoming the crisis (ibid.: 3). For Lega Nord, an exit from the euro zone would not be a panacea, but would have to be complemented by measures of industrial and investment policies (cf. Weissenbacher 2015b; In Italy, Cinque Stelle has equally taken an increasingly critical position towards the euro. The Front National has taken a stance against the euro since the early 1990s (cf. Reungoat 2015: 229 ff.). Opposition to the euro zone is complemented by demands in favour of small- and medium-sized enterprises (Tarrit 2015: 76 f., Ivaldi 2015: 178 f.. Weissenbacher 2015b:84). There are clear programmatic parallels between Lega Nord and Front National.

In Central Eastern Europe, Fidesz, PiS and ODS have positioned themselves against adopting the euro. They want to preserve the possibilities of a national exchange rate policy. For Fidesz, foreign exchange credits have been a major policy issue. Such credits had been provided on a large scale by mostly foreign-owned banks in Hungary without the Hungarian governments – including the Fidesz government between 1998 and 2002 – having taken any steps against this banking policy before the global crisis. The 2008 crisis and the massive devaluation affected the highly indebted middle class, the core Fidesz electorate – massively. The then social-liberal government did not deal with the problem and adopted orthodox austerity measures as part of an EU/IMF programme with the hope to re-stabilise the exchange rate. After being elected into government, Fidesz gradually imposed the conversion of the foreign exchange credits into national currency, partially to exchange rates that favoured significantly foreign exchange debtors (Bohle 2013: 126, Becker 2015a: 71). The measure increased the space for autonomous exchange rate and interest rate policies. The Fidesz government increased its influence on the Central Bank. The Central Bank has followed a policy of low interest rates and has created a special programme for small- and medium-scale enterprises. The Hungarian government is seeking to increase the share of domestically-owned banks in the banking sector (Becker 2015a: 71 f.). In dealing with the banking sector, the Fidesz government entered into limited conflict with core EU countries and the European Commission (Bohle 2013).

In the run up to the most recent Polish parliamentary elections, PiS adopted foreign exchange credits as a key policy issue – following the Hungarian example. The share of foreign exchange credits is, however, significantly lower than in Hungary since the Polish National Bank had put a brake on such credits. In summer 2016, PiS finally came out in favour of a “voluntary” conversion. Compared to the desire of expanding the role of domestic banks in the financial sector by buying up shares of foreign banks wanting to reduce their role in the region, the forex credits seem to be an issue of secondary importance to PiS. And the conversion of foreign exchange credits would obviously be a certain burden for neo-Polish banks as well (Lauterbach 2016: 9). Differently from the Fidesz government in Hungary, the PiS government sees the need to change the development strategy, in particular in regard to industry. In the so-called Morawiecki Plan, the Polish Ministry of Development states that the hitherto sources of growth – cheap labour, external capital inflows – are in a process of exhaustion (Ministerstwo Rozwoju 2016: 7). It calls for a re-industrialisation and more emphasis on innovation. The philosophy is more pro-active than in the past when the idea had prevailed that no industrial policy is the best policy. The instruments, however, are rather vague. It is doubtful that the measures proposed will suffice to correct existing maldevelopments. Policies are to be closely concerted with business whereas trade unions are hardly mentioned in the document (cf. Sutowski 2016).

Besides monetary and exchange rate issues, industrial development has become a field for which parties of the nationalist right have drafted heterodox and more etatist policies. This

has, however, only been the case where a substantial domestically manufacturing sector does exist. This is, for example, not the case in Hungary. And Fidesz is completely banking on FDI in industry.

### **Heterodoxy in Combination with Orthodoxy and Social Exclusion**

From the nationalist right-wing viewpoint, capital is the main actor of development. Many of the parties, like Lega Nord, Front National, Fidesz or PiS, emphasise in particular the role of “national” capital resp. of domestic small- and medium scale enterprises. Nationalist right-wing parties in the core (or semi-core) like Front National and Lega Nord (cf. Tarrit 2015: 76, Weissenbacher 2015b: 84) put more emphasis on industrial capital than in parties in peripheral countries with outsourced industrial production, like Fidesz in Hungary. The more diversified manufacturing structure and the higher degree of domestic ownership seem to be key reasons why PiS puts more emphasis on industrial policies than other nationalist right-wing parties in Eastern Europe. The Hungarian government’s promotion of “national capital” is mainly confined to protected sectors what seems to be reflection of the peripheral status of the Hungarian economy. Industry remains the *chasse gardée* of foreign capital in Hungary. The Hungarian economist András Toth (2014) characterises this policy as “selective economic nationalism”.

Many of the nationalist right-wing parties advocate or implement measures that benefit particularly firms in technologically less advanced and often rather labour intensive sectors. The nationalist right tends to take anti-trade union stances. This is in line with the long term tradition of this political current. And as Ivaldi (2015: 175) points out for Front National, the hostility to trade unions is a strong residue of openly neo-liberal policies. PiS is to some extent an exception from the usual hostility towards unions. Nevertheless, PiS is much closer to business rather than trade unions as the Morawiecki Plan demonstrates clearly (cf. Sutowski 2016). Significant differences can be seen between PiS and Fidesz. The Fidesz government massively reduced workers’ rights, particularly in regard to dismissals. The role of trade unions has been weakened both at the firm level and beyond the factory floor in Hungary (cf. Tóth 2013: 13 ff.).

Similar orientations can be observed in social policies. They often combine very strict workfare regimes with some conservative social policy measures (like child allocations). In Western Europe where migrant communities are much more significant, the emphasis on the principle of “national preference” can be observed. The French Front National has early on heavily betted on “national preferences” in social policies (Caldiron 2009: 51 f.). Exclusionary and stigmatising policies are not exclusively directed against migrants, but also against particularly vulnerable groups like long-term unemployed or ethnic minorities. This is extremely visible in the case of Fidesz which has criminalised certain social groups like homeless people and targeted cuts of social budgets particularly against the poorest. It was only in the so-called family policies with their conservative gender bias that the Orbán government increased social expenditures (Tóth 2014: 209 f., 219 f.). Fidesz is a clear example of the combination of a particularly harsh workfare regime with some conservative measures. Child allocations, i.e. a conservative family policy, are the social policy flagship of Fidesz. However, the emphasis on workfare is absent from the Morawiecki Plan (cf. Sutowski 2016).

In line with social policy proposals and measures, fiscal policies of the nationalist right tend to be socially regressive. Thus, Fidesz introduced a 16% flat income tax. This was combined

with the more heterodox element of special taxes on enterprises in highly monopolised sub-sectors, usually controlled by foreign capital (Tóth 2014: 220). The flat tax can be found in the Lega Nord programme as well (Weissenbacher 2015b: 84).

## **Conclusions**

Generally, the economic and social policy concepts of the nationalist right are inspired by the idea of creating national competitive communities. They blend orthodox and heterodox policies. To a significant degree, the concrete policy measures are shaped by the position of the country in the European division of labour and at times respond to development blockades. It is an important factor in defining the position towards the euro zone or the place of industrial or more generally developmental measures in the programmes. It cannot be claimed that the nationalist right wing parties are inherently anti-EU. For example, PiS and Fidesz count on EU funding for their programmes. However, they want to broaden the scope for national policies to increase competitiveness – both inside and outside the EU. Lowering social standards is part of their standard programmes. This does not exclude favouring protective measures in some fields.

The nationalist right is a bourgeois right (cf. Becker 2015b). Specific capital fractions are at the very heart of their programmes. Specific groups of the petite bourgeoisie and more generally the middle strata are seen as another core constituency. To differing degree, right wing nationalist parties try to integrate certain sectors of the popular classes as well, particularly in smaller towns and in the countryside. Their social policies have a strongly exclusionary character and aim at re-affirming gender roles of the past.

The response of the left cannot be to oppose simply “European” solutions to nationalist right-wing proposal. They should rather focus on socially egalitarian policies that promote regionally more equal and ecologically sustainable forms of development. This would include selective and rather inward-looking reindustrialisation in the periphery. For the periphery, the adoption of protective measures seems to be necessary. More short-term counter-cyclical policy proposals should have a productive restructuring perspective. All this runs against the *acquis communautaire*. This requires selectively challenging the EU institutions and must include the option to leave the euro zone if alternative policies are not possible within the euro zone. Given the uneven development of the economy and of social forces, the national terrain of struggle is of significant importance. It should not be left to the right.

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