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EUROPE: LIBERALISM vs. AUTHORITARIANISM

Editor

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Kai Weiss, Eszter Nova,
Athanasios Grammenos, Elena Makrevska Disoska
and Katerina Shapkova Kocevska.

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EDITOR'S NOTE

By Tanja Porčnik*

It is with great pleasure that I present Issue 4 of *The Visio Journal*. This issue features a debate on liberalism versus authoritarianism, which is fought in the realm of ideas, institutions, and public policies.

Over the past decade, sympathies and support for the authoritarianism are spreading across Europe. Against this backdrop, are liberal ideas and public policies rooted in values and norms adhering to the strong rule of law, protected individual rights and freedoms, and limited government able to stand their ground?

In this issue four papers are presented. In the first one, Kai Weiss articulates the historical perspective of the transition of liberal ideas and institutions in Europe starting in the 17th century. With the fall of the Iron Curtain, it appeared that liberalism was unstoppable and could not be successfully contested. In recent years, liberal ideas and institutions have been attacked from many sides. Clearly, in several Eastern European countries the rule of law has been weakened, the freedom of the press and association have been curtailed, and economic freedoms have been in descent. On the other hand, the liberal institutions are proving to be more robust in the Western European countries, though they had not been spared of the attacks. Weiss argues that for liberalism to continue to prevail, it needs to make a moral and cultural case for a free world.

Next, Dr. Eszter Nova analyses the introduction of the new Loan-for-Babies Program in Hungary, with the main tool being a state-subsidized loan that rolls into a non-refundable subsidy upon the birth of a certain number of children. Dr. Nova concludes that this policy bears all the hallmarks of an authoritarian staple by being dehumanizing and pitting demographic groups against each other. Further, the policy leads to paternalism, distorts the housing market, and provides a conducive ground for cronyism.

Third, Dr. Athanasios Grammenos explores the rise of the New Right in Greece during the 2012-2019 period, and its impact on the country's institutions and the respect of the human rights of people living in it. Dr. Grammenos argues that the collapse of the social-democratic Panhellenic Socialist Movement (PASOK) in 2012 created a space for the radical Left to become the new pole of the political system, followed by the conservatives responding with an appeal to the populist right-wing. Hence, the political platform of the Greek New Right is entrenched with authoritarian attitudes cultivating anti-liberal ideas and policies.

Fourth, Dr. Elena Makrevska Disoska and Dr. Katerina Shapkova Kocevska lay out that institutions shape human behavior and reflect the norms and values in a society. Being an important determinant of economic prosperity, where institutions adhere to personal choice, self-ownership, and the rule of law, economies and societies flourish. Their paper focuses on exploring the fractional effects of institutional changes on economic growth and on productivity. Their cross-country regression models demonstrate that institutions supporting human freedom and human capital

have the strongest influence and are statistically significant determinants of economic growth and productivity in the selected economies of Eastern Europe.

Finally, I would like to recognize the generous contribution of the Friedrich Naumann Foundation for Freedom for supporting the journal that is before you.

* Tanja Porčnik is President of Visio institut and editor of *The Visio Journal*.

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Central Europe and the Baltic States

The Liberal Order and Its Backlash: Transition and Realignment in Eastern Europe and the West

By Kai Weiss*

A transition is conditioned on changes to the setup of societies. Europe went through a substantial transition at the end of the 17th century, when liberal ideas and institutions took hold in a sustainable and durable way for the first time in history. The liberal order started to develop and has continued to exist, with some hiccups along the way, until today, not only in Europe but also in other parts of the world. With the fall of the Soviet Union in 1989, it seemed inevitable that the whole world would follow suit. Postcommunist countries in Eastern Europe, actually, adopted liberal policies quicker than anyone else.

In recent years, however, liberal institutions have been attacked from many sides, especially in Eastern Europe where illiberal reforms have been implemented, the rule of law weakened, the freedom of the press and association curtailed, and economic rights constrained for those not in power. It is not only in East Europe in which movements have garnered increasing support for replacing liberal institutions at least to some extent. The traditionally liberal Western Europe has also been affected by it, though its institutions have proven more resilient.

Explanations for the increasing unpopularity of liberalism are manifold, including a loss of belonging and identity, breakdown of social institutions, spiritual crises, and political organizations that have excessively centralized political systems. For liberalism to continue to prevail even after the current political realignment, it needs to make the moral and cultural, less the economic, case for a free world, and take into account that humans are social beings and in need of strong communities and social bonds.

Key words: liberalism, transition, crisis, Europe.

Introduction

The end of history seemed to have been reached when the Soviet Union fell in 1989. The liberal order had finally prevailed over the authoritarian, capitalism over socialism, and freedom over coercion. The 1990s and the 2000s were dominated by a globalized, extended order based on free trade, multilateral governance through supranational organizations, and the United

States as the unrivaled global voice.

Ever since, though, much has changed. As Kolev (2018, 86) writes, “The development of the past years can be characterized as a process of cumulative implosions of order,” as this new and seemingly stable and durable order has been faced with “new fragility” (*Ibid.*, 85). From the election of Donald Trump as U.S. President and the Brexit referendum, both in 2016, to the rise of new anti-establishment forces in countless countries, including France, Germany, Italy, the Netherlands, and Spain, which, some more than others, advocate for illiberal, often nationalist policies, has brought a new dynamic to politics. In countries like Russia and Turkey, authoritarianism has returned, while other movements in Hungary and Poland are attacking their own liberal institutions. Looking beyond the West, China seems to have abandoned entirely liberalization efforts. Instead, it is focusing on instituting an Orwellian police state (Vlahos 2019).

Thus, the consensus that seemed to have been reached that liberal political systems are the best and most-desired systems has faced significant backlash in recent years. Instead of a simple backlash to the politics and economics of the last decades, some see a “realignment” (Davies 2018) ongoing, as not only institutions we thought to be durable are suddenly attacked and rethought, but also the topics change that people care about. Instead of economics, cultural and identitarian issues have made a comeback as problems that are discussed in a time when many think that these concepts have lost their meaning.

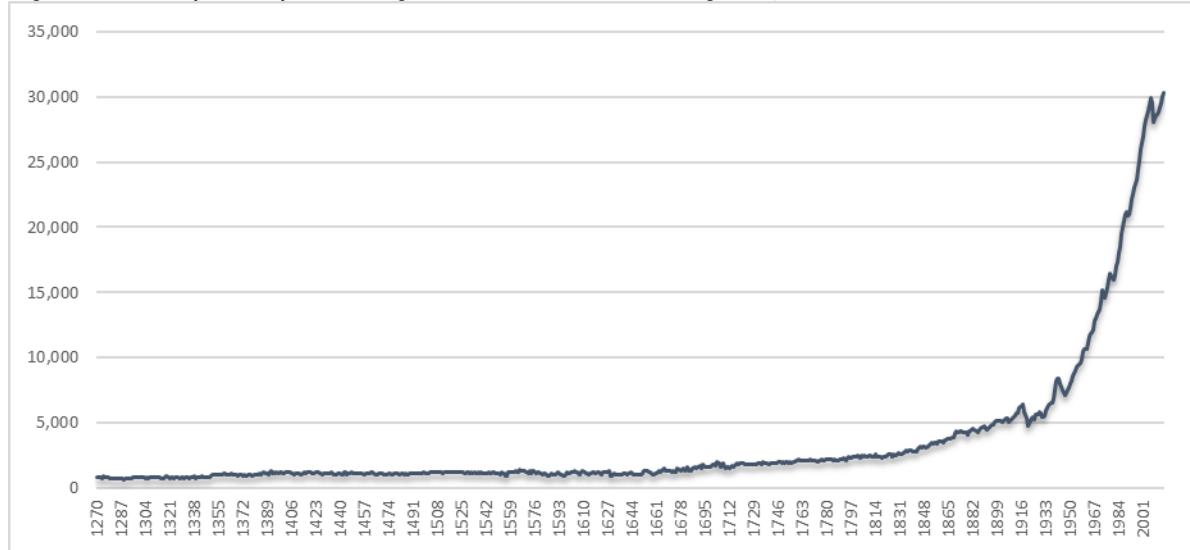
Is it true that as Davies (2018) writes, “What most developed democracies are experiencing is a realignment of politics”? And if so, where are we heading? To what are we transitioning?

This paper will not provide a definitive answer to these questions. However, it will try to analyze what has happened in recent years in the context of past transitions, take a look at the current situation, ponder about reasons what is happening, and finally – in a more normative ending – present a way of how the liberal order could be saved after all.

Enlightenment Transition

We trace the beginning of the liberal order back to the industrialization. What occurred in the 17th century in Britain and what subsequently spread to many other European nations as well as across the Atlantic has been described by Goldberg (2018, 10) as nothing short of “the Miracle” – not a miracle, but the Miracle. While the industrial revolution was accompanied by many furious responses due to strenuous working situations in factories early on, wealth accumulated rapidly. For all of previous human history, from the hunter-gatherers to Medieval Europe, humans were more or less equally poor (Clark 2007). However, gross domestic product (GDP) in England and the United Kingdom as a result exploded (see Figure 1). As Goldberg (2018, 7) writes, “The startling truth is that nearly all of human progress has taken place in the last three hundred years.”

Figure 1. GDP per Capita in England and the United Kingdom, 1270–2015



Source: Our World in Data 2013.

What was the reason for this sudden spurt in growth, which has since continued, even accelerated, and engulfed much of the world to this day? The reasons for why the industrialization happened is still much disputed to this day. Some see the reason in the decentralized nature of Europe, which spurred competition between different governing institutions, thus leading to best practices, i.e., liberal institutions, gaining the upper hand over more authoritarian and intrusive practices. For instance, Raico (2018 [2004]) argues that “Although geographical factors played a role, the key to western development is to be found in the fact that, while Europe constituted a single civilization — Latin Christendom — it was at the same time radically decentralized.” The resulting “demonstration effect” that has been a constant element in European progress — and which could exist precisely because Europe was a decentralized system of competing jurisdictions — helped spread the liberal policies that brought prosperity to the towns that first ventured to experiment with them.” Rouanet (2017) agrees that Europe’s decentralized nature “gave birth to individual liberty.” Moreover, Röpke (1960, 244) argues similarly in *A Humane Economy* that “Decentrism is of the essence of the spirit of Europe.”

Others see the Protestant work ethic as the defining aspect of how industrialization was made possible (Weber 2002 [1904]), or that a military revolution transpired at the time (Davies 2019), or that the British historic love for liberty led to the evolution of liberal institutions in England (Hannan 2013). Meanwhile, McCloskey (2016, XXIII) argues that “bettering ideas, and especially ideas about betterment … drove the modern world.” Thus, for McCloskey, a change in the ideas that were being held was mainly responsible for this overarching change in history. As such, McCloskey (2010, 390) argues, “change in rhetoric has constituted a revolution in how people view themselves and how they view the middle class, the Bourgeois Revaluation. People have become tolerant of markets and innovation.”

Regardless of what the defining factor was that “enriched the world” (McCloskey 2016), it is clear that the West went through a transition at that point. A transition is not merely economic growth or further development. Rather, it is a process that brings about significant changes to the setup of a society in general.

The transition that happened at that point in history brought forth the liberal order that we cherish so much today. What is this liberal order? For Goldberg (2018, 8), the liberal order, which he sees most clearly in the “Lockean revolution,” i.e., in the ideas of John Locke – though, one has to add, others have seen ideas that are typically considered liberal already present, and in a more convincing way, in the likes of Aristotle, St. Augustine, and St. Thomas Aquinas (Anderson and George, 2019) – “held that the individual is sovereign; that the fruits of our labor belong to us; and that no man should be less equal before the law because of his faith or class.”

Derived from this definition are three principles. First, democracy, as only in a democracy individual can truly be sovereign – not ruled by some authority which does not at least represent the will of the people in some way – and be equal before the law. Second, the market economy, as only in a market economy can one have private property and trade it freely. And third, the rule of law, as only with the rule of law would the democratically elected rulers be prevented from doing what they want.

From these first principles, others can be derived, such as freedom of speech and association, a free media, and religious liberty, or self-government by the people and a system of checks and balances set out in some type of constitutional document (Burns 2019). These liberal ideas would quickly spread around Western Europe and North America, where it perhaps came to full fruition in the United States.

Transition in Postcommunist Europe and Beyond

Liberal principles would take hold of what would become the West: the area of Europe, North America, and other countries heavily influenced by liberal principles, such as Australia and New Zealand. There were collapses of the liberal order once in a while, most notably during the two World Wars of the early 20th century. However, in general, the liberal order endured, and with it, wealth in these countries continued to accumulate with accelerating pace. The post-war era saw a major rebuilding of war-torn areas, followed by decades in which the West, led by the United States, hoped to prove that liberal democracy was superior to the communist counterpart. The win for the former came with the fall of the Soviet Union in 1989. The “end of history” was quickly called by some (Fukuyama 1989), and those that disagreed at least thought that with the eventual and evident triumph of the liberal democratic system, we had found the best system imaginable. From here on out, “decline is a choice” (Goldberg 2018, 351).

With the fall of the Iron Curtain, Eastern Europe was liberated from communism and was able to reconnect with the rest of Europe after decades of suffering under totalitarianism. It was clear from the beginning that the primary task of postcommunist countries would be to catch up to the West, not only in wealth but also structurally, both by implementing liberal reforms. After all, if liberal democracy was the best political system available, then progressively catching up to it

would be a natural path, letting Eastern European countries reach the end of history, too.

At first, the catch-up process brought impressive results. At the 25th anniversary of the fall of communism, Shleifer and Treisman (2014, 14) wrote that “In most postcommunist states, life has improved, often dramatically. Citizens enjoy higher living standards, broader political rights, greater autonomy and personal dignity.” Indeed, many of these countries quickly became part of the Western international community, joining NATO and the EU, and becoming exemplary models of how to implement liberal reforms around the world.

The transition in Eastern Europe was in such a swing that the traditional West focused on new parts of the world to liberate, specifically the Middle East, where the democratization of the Arab world seemed for many to be inevitable (Beck and Hüser 2012, 4-5). These assumptions proved hasty in the end. Nonetheless, political systems of several countries, like Tunisia, transitioned into something often akin to liberal democracy. And states like Poland, the Czech Republic, or Slovakia, reached levels close to any other stable Western democracy. It seemed at this point merely like a matter of time until Eastern Europe would join the traditional West as fully liberal democratic regimes.

The Backlash

Instead of an everlasting victory of liberalism, backsliding occurred. While economic growth is still robust and catching up is at least still ongoing in terms of wealth and prosperity (Bayer 2018), many Eastern European countries have seen a rollback of the previous transitional process that introduced liberal institutions to this part of the continent. “With the rise of nationalism, populism, and hybrid forms of authoritarianism, freedom has been for years under assault in many parts of the world,” including Poland and Hungary, writes Porčnik (2018) in a review of her *Human Freedom Index*, which shows that many in Eastern Europe enjoy less freedom today than in the past (Vásquez and Porčnik 2019).

It is not a subject of this paper to go into detail about how this happened in each country. Instead, it can be summed up that liberal principles, from freedom of the press and free association to the rule of law and political rights, have been attacked across postcommunist countries. For instance, in Poland with an attack on the independent judiciary and in Romania with an attempt to abolish charges against corruption. Meanwhile, Viktor Orbán’s government in Hungary has pursued “the systematic dismantling of checks on political power” (Rohac 2019). Concurrently, free association in Hungary has been constrained by pushing foreign NGOs (Open Society Foundations 2018) and one university out of the country (Redden 2018). Further, the media landscape has been consolidated around people close to the Hungarian government (Kingsley 2018), while a new economic oligarchy of friends and relatives of Prime Minister Orbán has been high on the agenda (Rohac 2019). Hungary, as well as the other mentioned countries, are far from being illiberal, fascist states – criticism of the regime can still be openly voiced, and life in Hungary is by and large relatively open and free (Collins 2019). However, the attacks on liberal institutions and principles have been noticeable.

Despite all of this, support for the government in the respective populations is as high as ever. Orbán’s Fidesz is polling around 55 percent with a lead of almost 45 percent to the second

place (Századvég 2019). In October 2019, the Polish electorate handed the Law and Justice Party “one of the largest victories in Poland’s democratic history” (Day 2019). Thus, the question naturally abounds why that is the case: Why would the people that had to live through decades of totalitarianism and subsequently enjoyed the economic, social and cultural benefits of liberalism voluntarily give away this order again for authoritarian features?

Crucial for finding a reason is the concept of “shared mental models,” i.e., the way a group of people sees the world and thinks how the world should be structured. These shared mental models are deeply influenced by cultural, religious, and historical elements, and they will be decisive in how readily accepted will be the introduction of certain ideologies (Zweynert 2004, 1).

Eastern Europe has been less susceptible to liberal ideas and is recently even backpedaling from it because of shared mental models. One argument along these lines is that liberal reforms in postcommunist countries were too rapid and ignored the local circumstances (Marangos 2004, 221). In contrast, in Germany after World War II, where the shared mental model of the population was also not in favor of capitalism, the introduction of it worked because it was framed in a way in which it was acceptable for the Germans (Zweynert 2004).

Another such argument is that the religious element in the shared mental models is less compatible with liberal principles, leading to the aforementioned backlash. While Western countries, as well as some postcommunist countries like the Visegrad nations, are dominated by Latin Christianity, others, like Russia, Ukraine, Romania, and parts of the Balkans, are dominated by Orthodox Christianity which is less receptive to liberalism due to its holistic worldview (Zweynert and Goldschmidt 2005, 8-9). While this argument may explain why these Orthodox Christian countries never transitioned to liberal institutions as quickly as postcommunist countries with dominant Latin Christianity, it does not explain, however, why those dominated by Latin Christianity are affected the most by the backlash.

Finally, it might be the case that the liberal institutions implemented were too fragile because these countries did not have much experience with them, even in pre-communism era. In contrast to Germany, for example, which was already embedded in the West before fascism took over – and where, because of this, there was a tradition more susceptible to the liberal order – Eastern Europe had less experience. Collins (2019), for example, argues that in the case of Hungary, “it would be more accurate to describe Orbán as the latest in a long line of Hungarian rulers who practiced their own versions of soft authoritarianism.” Thus, “A more plausible explanation for recent developments within Hungary is that liberal democracy, having expanded only recently outside its historic core of wealthy states in North America and Western Europe, is now contending with unfamiliar and often inhospitable political terrain.”

The explanation could be a mixture of all of these arguments. It is not to be forgotten, however, that it is not only Eastern Europe which is currently experiencing these backlashes to liberal ideas. In several countries in the West, such as the United States, Germany, France, Italy, and the

Netherlands, movements have made major gains that want a rollback of liberal democratic institutions. These countries have shown more resilience to these attacks due to liberal democracy having a longer and stronger tradition there than in the East, as well as liberal democracy having been ingrained in the shared mental models of Westerners more clearly, at least since the post-war era (in the United States and the United Kingdom even for many centuries).

Nonetheless, this again begs the question of why so many of our fellow beings are turning away from liberal ideas. Many observers, such as Timothy Carney in his *Alienated America* (2019), see the main culprit in a loss of belonging, loss of identity and security, weakened civil institutions, and a disintegration of society. Indeed, “the decline of strong communities with dense social ties” has been ongoing for many decades (VerBruggen 2019). And Carney (2019, 253) finds that especially in *Trump Country*, predominantly rural areas and working-class people, one will see the erosion of communities and social institutions the strongest: “if you want to know what happens to individuals left without a community in which to live most fully as human, where men and women are abandoned, left without small communities in which to flourish, we should visit *Trump Country*.⁷”

Most of the crises of today are particularly prevalent in non-urban areas, a phenomenon which Wilkinson (2019, 4) has called the *Density Divide*: “Urbanization, I argue, has sorted and segregated national populations and concentrated economic production in megacities, driving us further apart—culturally, economically, and politically—along the lines of ethnicity, education, and population density.” This urban-rural divide can be observed around the West, where traditionally liberal parties still win in big cities, whereas illiberal competitors dominate in other places in the country (Olmstead 2018).

Other explanations abound, though we can only focus on a handful more. David Goodhart (2017) goes deeper into the urban-rural divide, arguing that it is not divided into geographical terms only, but also between general attitudes of people, between ‘anywhere’ that follow the creed of *Global Citizenship*, calling earth home rather than a particular place, and ‘somewhere,’ for whom roots, home, and family are still crucial.

In a different direction go those that see in our world a spiritual crisis, as Aleksandr Solzhenitsyn (1978) predicted in his Harvard Commencement Speech four decades ago: “Everything beyond physical well-being and the accumulation of material goods, all other human requirements, and characteristics of a subtler and higher nature, were left outside the area of attention of state and social systems, as if human life did not have any higher meaning.” Carney (2019) supports this finding by arguing that in the United States, people living in places with higher Church attendance are much more likely to be happy with the current world (and much less likely to support Trump) than others, regardless of whether they live in an urban or rural area.

Meanwhile, classical liberals will point out that in recent decades, we have seen certain excesses of liberal policies and institutions occur that turned out to be illiberal. The European Union, for instance, under the guise of liberal pretenses, has adopted an increasing number of compe-

tencies from national governments. However, with the European Union governing 500 million people, with them having little say over the decision-making in EU institutions, the EU may have also robbed Europeans of agency and their nature, if we rely on Aristotle (4th century BC, 1253a-1), as *political animals*.

Finally, when we look at today's crisis of the liberal order, there might be an inherent weakness of it in that it has changed the way people interact with one another. While in traditional, pre-liberal societies an order was based on a small, tight-knit group, liberal democracy has brought forth an extended order with millions upon millions of people interacting day in, day out and without knowing each other. The relationships have thus inadvertently turned from familiar to transactional. Social institutions and concepts of belonging have, thus, been weakened in an internationalist world of supposedly all *Global Citizens*. The German Ferdinand Tönnies (1887, 8-87) contrasted this on the one hand as *Gemeinschaft* as in the traditional community, and *Gesellschaft* as in the larger society.

The paragraphs above can explain the demands for nationalist leaders that attack liberal principles and practices in the name of bringing back identity, belonging, and security. Just because this change in voter's preference as well as national policies and institutions of many countries has not resulted in an actual backsliding in the traditional West yet, does not mean that it will never do.

Conclusion

The liberal order is still a relatively young system by and large. Over millennia before the industrial revolution and the ascendancy of liberal ideas did tribalism of some sort or the other prevail. The legacy of liberal order is undeniably impressive. It has brought individuals endless ways to fulfill their lives, to travel where they desire, to trade with whomever they want, and to enjoy civil and political freedoms. Consequently, the market economy has brought forth immense wealth and enabled hundreds of millions of people to escape poverty. Nonetheless, liberal principles are being attacked today from many corners. People are not as happy with their effects, with rapid upheavals and disruptions. Has the liberal order failed, or will it fail, as many predict (see, for example, Deneen 2018)?

Not necessarily. If we look, however, at the problems and possible reasons that were described in this paper, we realize that today's issues and challenges that liberal systems face are not economic in nature. Thus, the remedy to these crises cannot be economic either. They are political due to ever further centralization, which can have undemocratic consequences in political communities of hundreds of millions of citizens. The remedy is decentralization and a greater focus on local democracy, instead of a further outsourcing of decision-making to supranational organizations. The problems are social as well as cultural. In this regard, a strong and healthy civil society needs to supplement the liberal order. This part has been missing in recent times.

Finally, the problems are essentially moral. A functioning free society needs to stay close to its moral and ethical foundations that made it possible in the first place – mere markets and end-

less calls for more freedom are not enough, and, all by themselves, at worst, potentially dangerous to the system's own continued existence (Levin 2019).

In this, we would do well to follow the example of Friedrich A. von Hayek's "true individualism" (Hayek 1948). This individualism is based on the view that free individuals are born into a society, into a family, and other institutions (Weiss 2019). Humans are social animals. Traditions, social rules, and institutions – that is, culture – do matter, and humans sometimes prioritize other things in life over mere economic aspects of their lives. Humans have an innate need for a sense of belonging, for an identity that goes beyond oneself, for strong communities that can help in times of personal crises. Indeed, for the liberal order to remain accepted, it needs to take these considerations into account, or else wither away, replaced by illiberal forces promising to fulfill these needs.

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Authoritarian Demographic Policies in Hungary: Demographic Policy as the Ultimate Authoritarian Central Planning Tool

By Eszter Nova*

In 2015, the government of Viktor Orbán announced the reintroduction of an old family policy tool, a state subsidized loan that turns into a non-refundable subsidy upon the birth of a certain number of children, as part of a broader Family Protection Action Plan. This Plan, which bears all the hallmarks of an authoritarian staple, is dehumanizing, pits demographic groups against each other and distorts the markets. It also creates a distraction for the citizens and puts the opposition in a corner where their only option is a bidding war.

The Orbán family policy creates a lifetime of bureaucratic entanglement for the recipients, as well as dependency from the welfare state and political influence over them. As its socialist-era predecessor, the loan-for-babies Program results in a population anticipating nudges from the government in the form of conditional pay-outs. Further, by redrawing the housing market with micromanaging specificity, the policy arbitrarily distorts markets and creates damaging incentives.

The policy also purposely excludes disfavoured ethnic, social and economic groups and minorities. Further, by "only protecting the family," the government gives itself a justification to attack homosexuals, minorities and single people. In this context, politicians are demonizing women and bringing back medieval views. The family policy in Hungary is an example of authoritarian paternalism, an overgrown state that redistributes resources to benefit its own political clients, while ostensibly attempting to support the economic victims of its own policies.

The paper sets out to describe the new Loan-for-Babies Program, compare it to the pre-1989 edition, and puts it into broader policy and political context.

Key words: Hungary, demographic policy, paternalism, central planning, authoritarianism.

Introduction

The Orbán government's loan-for-babies Program is not new for Hungarians. The pre-1989 authoritarian regime has also attempted to boost the population by offering subsidized loans that turn into non-refundable subsidies upon meeting certain conditions on family size and legal conditions, such as the birth of the third child into the same marriage. These kinds of loans (both

before 1989 and in Orbán's family Protection Action Plan, however, come due in one sum and with punitive interests, if the third new citizen is not born within the provided time.

The evaluation of a family policy can take place on several levels. In 2019, four years after its reintroduction, it is too early to evaluate the fiscal and economic impact of Orbán's Family Protection Action Plan (FPAP), a series of policies designed to boost marriage and birth rates, especially since its details and conditions continuously change. We can, however, observe the initial reactions on the housing markets and in the recipients' behaviour. We can also assess initial political and psychological implications—how it impacts families and how it affects the government's power ambitions.

Family policy in Hungary has an authoritarian bent, with sizable welfare state redistribution and a central planning intention. The policy is micromanaging citizens' lives on the family level and intruding into their most private decisions. Offering money in exchange for the birth of new citizens may look like an innocent nudge, until one takes into account the alternative, whether staying out of the program is a viable option, partly because of the price effect of the policy itself. The other unseen cost of the policy falls on those who do not participate in the program. The full program's impact can only be assessed on a historic scale and only on collectivist premises, but its disadvantages are imminent and affect actual individuals.

The less obvious but more potent authoritarian bent of such a policy is, however, what it posits itself against. First, the policy leaves out non-traditional families, such as non-married couples, single parents and non-heterosexual couples, with an intent to achieve a desired demographic goal of a homogeneous (ethnically and in lifestyle) population. Second, the policy leaves out poor people and minority ethnic groups. The program's explicit target is to boost the reproductive rate of the ever-shrinking ethnic Hungarian middle class, creating an ethnically homogeneous society without immigration.

Lastly, the policy can be evaluated based on how it works in silencing opposition—internal and external—and boosting the government's support base. And with so many successful authoritarian policy tools, Orbán's FPAP excels in this regard.

The first part of the paper will discuss the current and previous demographic policy tools in Hungary. Due to the frequent policy reversals in 2015-2018 and the proposed demographic impact being far in the future, its evaluation will focus on the policy's use as a communication tool, as the tool of cementing the power of the ruling elite, its redistributionist and authoritarian nature, its built-in opportunities for clientelism, cronyism and corruption, as well as its impact on the life choices, options and world views of its target groups. The second part of the paper will evaluate these policies as authoritarian power tools, its redistributionism, its communication, and its intended side effects.

The Orbán government's demographic policies, the Family Protection Action Plan

The Homemaking Benefit for Families (HBF) (Családi Otthonteremtési Kedvezmény) is a subsidized housing loan program in exchange for babies. It was first proposed in 2015 after a weeks-long verbal assault on women by leading Fidesz party politicians, who called for women to go back to birthing and to the kitchen. The program was later renamed to Family Protection Action Plan (FPAP) (hun. Családvédelmi Akcióterv) and prominently mentioned in Prime Minister Viktor Orbán's 2019 state of the nation speech.

The FPAP and its most prominent flagship policy, HBF, announced a government handout of ten and twenty million forints (approx. 30 and 60 thousand euros) in housing loans for families with children that turn into non-refundable subsidies if certain conditions are met, most notably the birth of the third child. The measure resonated strongly with the population. Many potential beneficiaries grew up in families that benefited of similar state subsidies under the pre-1989 socialist state. It was in the country's DNA to anticipate state nudges when it comes to a couple's major life decisions such as where to live and how many children to have and when. The old policy was left to deflate during the last decade of its existence and officially cancelled in this form in 2009. It has largely been replaced by encouraging housing-related savings in general, not tied to reproductive conditions.

In 2015, with the first announcement about its resurrection, the housing market reacted immediately and with a frenzy that has not receded, not even in the face of policy fluctuation, unpredictable and ever-changing rules that specify which types of properties are eligible for the program.

After another sweeping election victory and in possession of another constitutional supermajority, Prime Minister Orbán used his 2019 annual state of the nation speech to announce the so-called new era of "demographic governance" in Hungary. In it, he mentioned new details of his FPAP, including the baby-expecting loan, the extension of HBF, personal income tax relief for mothers of four, and car subsidies for parents. According to the State Secretary of the Prime Minister's Office for Strategy and Parliament, Balázs Orbán, 117 thousand HBF contracts had been applied for by September 2019, pledging over 45 thousand new babies (Molnár 2019).

The Baby-Expecting Loan

The program guaranteed women under 40 years a 10 million forints (approx. 30.000 euros) loan when they marry for the first time. The law did not, however, include conditions regarding age or the number of previous marriages for a husband. Also, the law included a measure under which the debt becomes interest-free and repayment is suspended if the married woman gives birth to a child within five years, and it gets eventually cancelled if she has three children within ten years while being married to the same man. The rules and conditions of the legislation have kept changing ever since.

The policy came with a caveat, as poor women could not obtain a bank credit check which was a requirement for a loan. Another such requirement was a 3-year continuous employment in Hungary, excluding the much-desired returning emigrants from participation. To accommodate the returning emigrants, for instance, a new rule allowed them to count in their employment abroad, but the last 180 days still had to be in employment in Hungary.

The overt goal of assigning the debt to women was to reduce the number of divorces (four out of ten marriages ended in divorce in 2018), over 70% of which is initiated by women. Therefore, even if the babies are born within ten years, the loan is in effect for 20 years and comes due with interest if the marriage breaks up.

HBF – Homemaking benefit for families

The HBF policy was first announced by János Lázár, Minister of the Prime Minister's Office in 2015, but Prime Minister Orbán announced the extension of the program in his state of the nation speech in 2019. The extension was made necessary not just for communication purposes, but because the original announcement back in 2015 had made housing costs skyrocket. By 2019, the initially promised sums were barely enough to make up for the price increase the very announcement (and other policies) triggered. Just like the wife loan, HBF also comes with increasing concessions and eventual cancellation after the third child.

One particularly disturbing element of HBF is the so-called village HBF, a policy tool whose goal is to *keep villages alive*. In its effort to keep the number of settlements across Hungary at its current level, the government has released an actual list of 2.486 villages with 5.000 or fewer inhabitants, mostly in poor regions, that are eligible for village HBF applications. In essence, the government is making incentives for people to move to economically unviable villages and raise three or more children while there, with no regard to said children's wellbeing or future opportunities. Keeping a lifeless concept, such as a village, alive only makes sense from a collectivist perspective. Furthermore, it is only a good thing for symbolic, political purposes. No individual can benefit from moving against economic rationality, away from opportunities, education, healthcare and other services. Further, the published list shows elements of political bias, and it is also a testament to the micromanaging nature of authoritarian central planning. The list had redrawn the asking prices on the housing market immediately, but interest in it proved to be relatively minor at its launch.

Lifelong exemption from personal income tax for mothers of four

One of the most headline-grabbing policy from Prime Minister Orbán's speech in the international media was the promise of personal income tax exemption for mothers of four or more.

The combination of the Hungarian welfare system and non-progressive work culture strongly encourages women to stay at home for three years after the birth of each child. As a consequence, average families with four children do not typically have a breadwinning wife. A lower personal income tax threshold would cover them, but that would also benefit men and that is something the lawmakers did not want. According to the National Office of Statistics, in Hunga-

ry in 2016 there were 29 thousand families of marriage with four children. There were also 12 thousand registered partners, 8 thousand single or widowed women, and 725 single fathers who all raised at least four children, all being left out of this policy.

Policy predecessors

The loan-for-children policy tool is nothing new in Hungarian policymaking. It was first introduced four decades earlier by the then communist regime. Social policy became the buzzword for ever-so-paternalistic policies that intended to influence the behaviour of families both in Eastern and Western Europe, and housing policy has always been an integral part of social policy. The predecessor of HBF, previously called Social Policy Benefit (SPB) (hun. Szocpol), has been part of the housing and family policy for most of the life of current generations. According to daily Napi Gazdaság (2019), between 2001 and the program's discontinuation in 2009, SPB had 41.305 contracts signed, pledging at least one baby each in exchange for loans. Out of those contracts, 9.571 were not fulfilled (i.e., the applicants have failed to deliver at least 9571 new taxpayers) and are now in various stages of foreclosure and repayment of the loan at worse than market conditions.

SPB has been an integral part of family planning for Hungarian families, although with varying relevance, until its discontinuation in 2009. The reintroduction of the policy under a new name in 2015 caused much delight in specific segments of the population who have learned to anticipate such policies and to make compliant family planning decisions.

Since the 1990s, there has been another form of housing policy tool by Hungarian government, the system of home savings accounts (LTP), where savings of individuals were topped up by the state – up to a limit. The construct allowed every individual to such an account without income, age or employment restrictions. Like HBF, LTP was focused on housing priorities, but it was not linked to reproductive conditions. It encouraged savings and the construction was available to everyone and it was not limited to those who could produce a positive credit score. Apart from individuals, even housing associations opened such accounts to save for renovations and to keep the value of their savings on a galloping housing market. After the discontinuation of SPB in 2009, LTPs became very popular.

The home savings accounts were abruptly abolished in October 2018 to make way for the new HBF: The change happened overnight, sending a shock wave through society and leaving struggling aspiring home buyers with pledging a baby as their only option. Nothing is under individual control. Moreover, with a long-term decision such as having children, this exposure is permanent.

According to the official explanation of the bill the government abolished the LTPs because demography is a higher priority than encouraging savings and that the institutions that administered these accounts made an “extra profit” (Government of Hungary 2018).

Demographic policy as the ultimate authoritarian central planning tool

Demographic policy efforts and the underlying fertility-focused redistribution in Hungary presuppose, as well as create, an ethnically homogeneous population that is receptive to these measures. Regardless of rhetoric, authoritarian strongmen are always at the vanguard of redistribution policies, the question is only the goal and the beneficiary of such redistribution. Moreover, when it comes to populist policies, the louder and the more spectacular, the better, crowding out public discourse and cornering counterarguments. The central redistribution on such a scale should also alarm defenders of a limited state, non-interventionists and opponents of central planning.

Authoritarian thinking can be broken down to certain ideologically neutral characteristics such as fondness for order, inability or unwillingness to embrace uncertainty, submissiveness to authority, authoritarian aggression toward the underdog (victim blaming), conformity, the need to homogenize society (along race, opinion, faith, wealth or customs), fear of outsiders (xenophobia), admiration of strength and power, the loss of individual perspective and adopting that of the powerful, adopting the group perspective (often also majoritarianism), impatience with the rule of law (helplessness compensated by enabling a strongman), conventionalism, political intolerance (e.g., restriction of free speech), moral intolerance (e.g., homophobia, supporting censorship), punitiveness, hierarchical and status-oriented thinking, favouring group authority and conformity to individual autonomy and diversity, fondness for conspiracy theories and scapegoating as a way of regaining control over complexity and zero-sum thinking. (Nova, 2016, Stenner, 2005, and Altemeyer, 2007)

Any demographic policy checks many of these characteristics, with the most paternalistic ones checking all of them. Offering money in exchange for limiting citizens' life choices is the opposite of giving. It creates state dependency, positive as well as negative, exposure to the political will, while the opportunity cost of lives lived in compliance as well as resources not staying at their creators are rarely accounted for. The necessarily resulting compliance attitude is the hotbed for authoritarian thinking. It also incentivises the justification of such paternalism by its victims. The elimination of individual choices of the recipients may appear voluntary, but the real issue lies in the choice architecture.

Communication flash bombs

Authoritarians are captivated by contrasting fertility with immigration. Both fertility and migration are combustible political topics on their own right. The most poignant aspect of such an authoritarian and paternalistic policy is the difficulty of countering it. Its opposition is left with either demanding austerity by taking handouts away from families, or to engage in a populist bidding war. Even limited-state proponents may agree to such tax loopholes or tax cuts. In short, demographic governance is a communication flash bomb, as well as a spending opportunity and a tool of economic micromanagement and clientelism. Moreover, its discussion crowds out other, more relevant topics such as emigration, corruption and the demolition of checks and balances.

In the announcement of a new FPAP in 2019, Prime Minister Orbán transitioned away from warrior king towards loving father of the nation. It was a soothing and reconciliatory tone after the hysterical warmongering of the 2018 election campaign when the anti-migration propaganda reached shrill heights. Curiously, however, he still used war rhetoric to explain his “protection of the families.” The multiplication of ethnically homogeneous Hungarians was contrasted with the invading hordes of immigrants of a different culture ('culture' being code for another race and religion).

The other communication method underlying the fertility agenda is the plethora of things that can be effectively attacked by “just protecting the family,” with the phrase “protecting the family” implying that something or someone is attacking it.

The inherent collectivism of fertility policies and “protecting the family” shows itself in the fact that a family is a unit that must be protected, while its members are not. Protecting a collective entity even at the expense of individuals is the hallmark of both left and right wing collectivism.

Big state welfare redistributionist policies

FPAP was estimated to cost 0.1% of the gross domestic product (GDP) and is projected to grow to 0.4% of GDP by 2020 (Central Bank of Hungary 2019).

Demography-based redistributionism is the ethnic nationalist way to play big redistribution and central planning. Limited government voices have no place at a demographic policy table. No wonder pre-1989 socialist authoritarians invented this tool, with post-2010 nationalist authoritarians reintroducing it.

Biopolitics is the ultimate central planning. Supporting the multiplication of an ethnically select group is the flip side of the coin of resenting the existence of other groups – as it was demonstrated by Orbán’s communication switch from savage anti-outsider to a fatherly pro-fertility politician. Biopolitics and the sheer existence of demographic goals and policy tools illustrate the deepest level of intrusion into private lives, the most sweeping central planning instinct conceivable.

The real extent of the intrusion into privacy and personal life of these policies comes visible when we contemplate those who are not the beneficiaries of such policies—the opportunity cost of lives and the extra taxes they pay. Anyone without a plan or the opportunity to have children has to face the skyrocketing housing costs as well as carrying the tax burden of other people’s loans.

For those who are eligible for this particular type of state support, the depth of intrusion becomes apparent when things do not go according to plan. The questions that emerged upon the announcement of such a policy speak loudly about the intrusion as well as the gruesomeness of the underlying premises.

The intrusion is also evident in the small print and conditions of the FPAP. What happens if people get a divorce? What happens if one or both spouses suffer from infertility? If a child counts for loan purposes after the 12th-24th week of pregnancy (depending on the loan and the ever-changing conditions), does the loan have to be repaid in case of a late-term loss of pregnancy? Hungarians have reached a point where ultrasound images of unborn children and other personal medical information is routinely attached to tax relief requests and car subsidy applications. The existence of such policies is not possible without a highly intrusive bureaucratic practice.

In a country with an authoritarian past and present, many are still hanging on the government's words for guidance on how to live their lives. The least educated and least informed citizens are the most prone to fall prey to these programs.

The program also puts at disadvantage poor and minorities.

Policy complexity and unpredictability as authoritarian power tools

Predictability would be conducive to more responsible family planning and even to demographic goals, argues Tóth (2012), or at least the absence thereof is detrimental to it. As the above description of ever-changing, often contradictory and unpredictable policy rules demonstrates, compliance is a never-ending endeavour. Compliance with regulation, legislation, and administrative procedures is time consuming and, as such, takes an applicant away from other efforts.

The untold toll of lives lived in compliance

The softest but most significant aspect of criticism of such a fertility program comes from the human toll of big state authoritarianism. Being a "szocpol child", i.e., the third child born to fulfil a contractual obligation for the government's housing loans has often been an excuse for child abuse in the past (Tóth 2012). As Tóth (2012) summarises, children born out of prestige reasons sound even kind compared to those born out of tax considerations or to get "Szocpol" benefits. Mortgages, at their best, tend to keep marriages together. A state-sponsored loan-for-babies program comes with even tighter conditions in terms of cohabitation and lifestyle. Having a mortgage could be a reason for avoiding divorce and often the root of domestic tension, abuse or violence. A state program is even more inescapable. However, blunt, quantitative tools, such as this policy, cannot account for the qualitative aspects of life, such as unhappiness, poor choice of partner, the desire for more children or the absence thereof. Nevertheless, for an authoritarian leader, that is not a priority. The goal of such policies is their impact on citizen's lives through the dependence they trigger.

Conclusion

Since the Orbán government's announcement of the loans-for-babies program, tens of thousands of babies had been pledged by people desperate for housing.

The policy bears all the hallmarks of an authoritarian staple. It is not only dehumanizing, but it also pits demographic groups against each other. In fact, the policy benefits only certain ethnic and social groups as well as certain investors. Furthermore, by "protecting the family," the gov-

ernment in Hungary argues that it has grounds to attack homosexuals, minorities, and single people, to demonize women, and to bring medieval views back to the forefront of political discourse.

Furthermore, the policy leads to paternalism, interferes with the housing market, artificially keeps economically unviable settlements alive, creates dangerous incentives, and provides a conducive ground for cronyism. However, by outsourcing credit assessment to private banks, the Hungarian government projects a free-market image of the policy.

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The Greek New Right and the Eve of Conservative Populism

By Athanasios Grammenos*

The economic crisis in the Eurozone and its dire consequences for Greece terminated the post-1974 political consensus, which was based on a pro-European and democratic concord. The collapse of the social-democratic Panhellenic Socialist Movement (PASOK) in 2012 allowed space for the radical Left to become the new pole of the political system. To this advancement, the conservatives, being the other pole, responded with a prompt enlargement attempt to the populist right-wing, engulfing several elements of the New Right. This new political order had had evident effects on the party's social and economic agenda, escalating the political debate at the expense of established liberal principles. While in opposition (2015-2019), New Democracy (ND), member of the European People's Party (EPP) in the European Parliament, voted against a series of liberal bills (gender issues, separation of Church and State, the Macedonian issue, etc.) giving out positions with authoritarian and populist essence.

The purpose of this paper is to focus on the rise of the New Right in Greece (2012-2019) in both rhetoric and practice, and its consequences for law institutions, human rights and foreign affairs. It is argued that ND, currently holding office, has been occupied by deeply conservative elements as a response to the rise of the radical Left, adopting occasionally ultra-conservative positions in a wide range of social issues. Although the case of Greece is unlike to those in other European countries, nevertheless, to the extent to which the preservation of traditional hierarchies come into question, the political platform of the Greek New Right, which has embedded authoritarian attitudes cultivating an anti-liberal sub-culture to the party's voters, is in accordance with several European conservative movements like in Hungary, Austria or Czechia.

This paper seeks to expound the authoritarian side of the New Right in Greece and offer an assessment of whether liberalism has the capacity to stand its ground against the sharp increase of the right-wing populism. In an effort to produce a well informed and accurate analysis, the sources include the bibliography, official documents and announcements, and press clippings.

Key words: liberalism, New Right, populism, Greece, neo-conservatives.

Introduction and Methodology

In contemporary European public life and politics, “liberal” is an ambiguous term. Although the term reflects an old movement with certain values, such as protecting and enhancing individual freedom, market economy, human and civil rights, it is nowadays used not only frequently but also casually which results in confusion. In Greece, which is the focus of this paper, several individuals, parties, think tanks and even media define and name themselves as liberal, although it is questionable whether they comprehend the origin and suppositions of liberalism. For example, a recent survey has shown that an increasing number of Greeks identify as “liberal” or even “neo-liberal” (Dianeosis 2017). However, the same survey reveals that the interviewees consider enough a pro-market attitude, regardless of the position they hold towards human rights or civil liberties.

For the time being, many respondents are also influenced by the new leadership of ND, which made vague references to liberal values and holds a new privatization agenda. In the next pages of the paper, it will be shown that age, education and public image of politicians are not determinants of a liberal. Instead, there is a general research strategy in political science to outline the ideological framework in which they operate and define them. More precisely, the paper shows that ND is a typical conservative party with an increasing New Right inclination, in line with other EU and US political parties.

The paper begins with a concise discussion about liberalism, to provide a common understanding of the liberal concept across Europe and help the reader distinguish elements that may be falsely attributed to it. The New Right is discussed in the respective section, too, exploring its post-modern character along with certain populist aspects. The second part focuses on the Greek experience from the development of a New Right wave in and around the conservative party. The dominance of this wing, it is argued, has had significant repercussions to the political discourse, in and out of the Hellenic Parliament because some of its positions were so illiberal that made the authoritarian extremes look less unconventional. The last part of the paper attempts to evaluate the situation and its consequences for Greece and the European Union at the time with so much at stake, before making an attempt to answer whether liberalism is able to stand its ground against the backdrop of increasing populism. At this point, it must be stressed that this is not a partisan thesis; the analysis attempts a methodological approach to the phenomenon of populist Right in Greece and its implications for the rise of authoritarian policies.

The European liberalism

Liberalism is a political theory founded on the notion of freedom. Starting from the Aristotelian angle of individualism and popular government, liberal thinkers talk about a state of nature in which humans are free and equal (Benn 1988, Rawls 2001). A liberal believes in four fundamental values: democracy, human rights, civil rights and (social) market economy and they apply to all people without exception. Nevertheless, merely the abstract endorsement of these values is not enough to distinguish a moderate conservative or social democrat from a liberal. For this, there is a system of political parties and civil organizations that consolidate the liberal agenda translating the principle of freedom into politics, economics and all other social affairs.

In consequence, national liberal parties likely endorse the Stuttgart Declaration of 1976 and associate with the Alliance of Liberals and Democrats for Europe (ALDE) in the European Parliament. Besides, there are parties close to the political Centre, either to the Right or Left, that agree with selective liberal ideas, yet they belong to other European political families, such as the European People's Party (EPP) or Socialists & Democrats (S&D). Those parties cannot be considered liberal in the true sense, although they can all work together, in the good spirit of democracy, to advance society and provide sustainable development to all. The same applies to their supporters. It is misleading to call oneself "liberal" for being a free-market advocate while not supporting democracy; or, be someone who fights for human rights while favouring a collectivist economic model. For this paper, this is a critical clarification because it helps understand the situation in a country like Greece, where the absence of a liberal party allows some space for Right-centrists to present themselves as liberals. To follow, it will be analysed that the political prescriptions of the Greek conservatives have illiberal features, affected deeply by the New Right that rejects the liberal consensus.

The New Right and its origins

In the late 1960s, the United States witnessed a quiet but powerful revolution in American politics. The deadlock on the Vietnam War and the contradictions of domestic policies, gave rise to a neoconservative school of thought that would become the prevailing faction inside the Republican Party. As Heywood (2005, 157) explains, this movement held within two distant ideological concepts, neoliberalism and social conservatism where "neo-liberalism can be seen as a manifestation of the libertarian tradition." Fukuyama (2006, 38) adds that

"from the late 1970s on it became increasingly hard to disentangle neo-conservatism from other, more traditional varieties of American conservatism, whether based on small-government libertarianism, religious or social conservatism, or American nationalism. Even identifying who qualified as a neoconservative became difficult."

The neo-conservatives rejected liberal idealism, especially that of the 1960s (O'Sullivan 2008, 160), while they favoured American localism (Gottfried, 1999, 125). On economy, they were very critical of the welfare state, on both financial and ethical grounds (King 1987) supporting "the construction of asymmetric market freedoms" (Harley 2005, 195) beyond the control of the government. This theoretical approach generated a distinct political fashion within the conservative audience, be it politicians, think tanks and individuals, providing fertile soil for radical movements to grow, such as the New Right (Del Pero 2005) as economically neoliberal and socially authoritarian (Hamburger and Steinmetz-Jenkins 2018). The ideas of the New Right occupied a limited but significant part of the American conservatives but they crossed the Atlantic at a time when the neoliberal premise manifested a high degree of success with Ronald Reagan and Margaret Thatcher being in power in the US and the UK respectively.

That being said, continental Europe was not much affected by the diffusion of neoconservative ideas because the same time, the 1980s and the 1990s, it was absorbed by the project of European integration. Before the global financial crisis of 2008, nothing seemed capable of disturb-

ing the political status quo of stable political systems moving around the axis of Centre-Left and Centre-Right. However, the unpredictable events of 2007-2008 had severe consequences for many states and the axioms for sustainability of Western economies were challenged. Suspicion for the international and national institutions became apparent while the failed attempts to pass the European Constitution and to deepen integration among member states gave birth to a new wave of Left and Right populism and Euro-scepticism (De Vries 2018). Eventually, the conditions had become suitable for the New Right to communicate its views.

Berggren and Neergard (2015) argue that xenophobia (including anti-immigration feelings) and ethnopopulism are, in different ways, central elements in the ideologies, politics and practices of right-wing populist parties in Europe. Countries like France, Austria and the United Kingdom developed influential political parties, such as the UK Independence Party that set-in motion Brexit. The Greek case had its own features, although heavily influenced by the events mentioned above. The Right has always been strong in this country, with an illiberal and anti-communist (until the restoration of democracy in 1974) political tradition. This changed with the establishment of the two major poles in the 1980s, ND and PASOK, which established equilibrium between them that contained the radical elements within the respective parties (Clegg 1992).

The situation changed in the late 1990s and early 2000s because of frictions in the conservative party and the secession of some extreme members who formed the populist Popular Orthodox Rally (LAOS). The party revived the political cleavage between the “real” Right and the “soft” Centre-Right, which, according to the populist narrative, yields to the demands of the Left and serves the “new world order.” Following the Eckstein’s classical typology (1966), it is argued that the schism between the mainstream and the populist politics in Greece, expressed a time-resistant social differentiation centred on collective attitudes and values and it could not anymore be constrained by the leadership of the leading political parties.

When the Greek crisis broke out in 2009, the Radical Left party of SYRIZA posed a new threat to the political system, absorbing a big part of PASOK, while striking ND from the left of the spectrum. In alliance with other European populist parties (e.g. Podemos in Spain), SYRIZA campaigned on an ideologically anti-capitalist platform, accusing the old parties of corruption and elitism. ND was thus pressured into the Right again, proposing conservative policies on a series of issues (the economy, migration, law and order) to safeguard its traditional voters who would be charmed by leftist populism. That electoral ascent of SYRIZA mobilized also the formation of a small libertarian initiative, as a coalition similar to the Tea Party movement in the United States; Recreate Greece (Greek: Dimiourgia Xana - DX), which partnered with former ALDE-associate member Drassi, called for a significant reduction in the size and scope of the government, voicing for immediate budget cuts. Politically, it refused to recognize SYRIZA and the Communist Party (KKE) as legitimate counterparts while raising historical claims to deny the value of the Greek resistance in WWII (according to the DX party president “the [communist] resistance guerrillas were the abettors of the Nazi crimes”) (Tzimeros 2017). With contentious and provocative interventions, DX also advocated for strong border security and anti-immigration measures (Tzimeros 2016).

The Greek conservatism in retrospect

The electoral rise of the Greek New Right started in the early 2000s when the conservative ND attempted a political shift toward the Center under the leadership of Kostas Karamanlis. Political antagonisms within ND turned to a mini crisis, which ended with the expulsion of several party members among whom were the journalist and former member of the Hellenic Parliament Georgios Karatzferis. As already mentioned, a few months later, Karatzferis formed his own party LAOS on a nationalist, xenophobic and homophobic agenda, which until then, it was contained within ND's lower ranks. Taking advantage of his small but nationwide TV station, Karatzferis attacked ND from the right, expressing from very early an anti-Semitic, anti-globalization and anti-systemic rhetoric (For LAOS see Papadimitriou 2011).

In 2004, Karatzferis was elected Member of the European Parliament (MEP) sitting with the Eurosceptic group of Europe of Freedom and Democracy (EFD) and in 2007 his party entered the Hellenic Parliament with ten seats. Attracting many populists and opportunists, LAOS was aligned with parties like the French Front National and the Austrian Freedom Party of Austria (FPÖ). In 2011, amid the economic crisis in Greece, LAOS accepted to support the coalition government with ND and PASOK, on the basis of the EU-IMF "Rescue Package" and the implementation of the reform and austerity political platform. In exchange, four of their MPs received a position in the new government (Karatzferis himself preferred to keep distance) with most notable Adonis Georgiadis, a TV-host and publisher, who became Vice-Minister for Shipping, and Makis Voridis, a lawyer, who became Minister for Infrastructure.

Georgiadis published and publicly advertised an anti-Semitic book, authored by Konstantinos Plevris, the neo-Nazi ideologue in Greece (and father to another LAOS MP, Thanos Plevris). Through his book-selling TV show at Karatzferis' channel, he used to promote xenophobic views and conspiracy theories, especially on issues of foreign policy (The Times of Israel 2013). Voridis is a radical far-rightist, who in the 1980s was leading the youth branch of a political group founded by jailed dictator Georgios Papadopoulos that ruled Greece from 1967 to 1974. His position in that group was previously held by Nikos Michaloliakos, today leader of the neo-Nazi Golden Dawn (GD) party. In the 1990s, Voridis had founded a short-lived ultra-nationalist party named Greek Front on an anti-immigrant nationalist ticket (Wheeler 2000).

In the meanwhile, president of ND had become Antonis Samaras, a politician who just like Karatzferis parted ways with ND in the 1990s founding his own party, Political Spring (Greek: Politikē Anoixi), on a nationalistic agenda over the Macedonian name issue (Tziampiris 2000). Having caused a political disaster to the ND government in 1993, Samaras returned to the party in 2004, when he was elected Member of the European Parliament (MEP). In 2010, he refused to support the first EU-IMF bailout because he rejected the "medicine" of austerity (Gemenis and Nezi 2016). His vague and unlikely political program not only received criticism that "he put personal ambition before national interest" (Jackson 2012) but furthermore fuelled speculation from the extremes, whose anti-austerity rhetoric alike gained some credibility.

Samaras was expected to put pressure on LAOS and indeed managed to garner a significant portion of its voters, leaving it out of Hellenic Parliament in the 2012 elections. Previously, he had secured the transfer of Adonis Georgiadis, Makis Voridis and Thanos Plevris to ND, setting upon a firm basis the new right profile of his party. One can argue that it was only a tactical manoeuvre at a time when the electoral ascend of the radical Left posed a threat to Greece's European membership with ill-informed promises. As discussed above, though, the rise of the populist Left was partly facilitated by Samaras' political choices at the beginning of the crisis. Yet, the most severe consequence was that, with a hard-core Right leader and an enlargement based on Right-wing populists, ND made room for radical-Right attitudes to enter the mainstream of Greek politics by the back door. The impact of this development was so profound that two extreme parties, the GD and the far-right Independent Greeks (Greek: ANEL), entered the Hellenic Parliament in 2012 on the anti-austerity agenda that Samaras has invented.

The party of New Democracy and the rise of right-wing populism: case studies

A conservative party ND was founded to help establish a sound democracy after the military dictatorship between 1967 and 1974. Konstantinos Karamanlis, founder and first ND party president, envisioned a modern party with strong European orientation, which could cover the entire political spectrum ranging from the center-right to the far-right. However, the ambitious targeting combined with the overriding personality of the leader did not allow for the consolidation of ideological identity. Karamanlis himself was the first "ideology" of ND, and he was focused on practice rather than on political theory. As one scholar puts it, in practice, ND remained attached to state-paternalist and interventionist policies and a "pseudo-progressive ideological and socio-economic approach" (Loulis 1981). It was Konstantinos Mitsotakis, elected president in 1985, who gave ND a clear political identification, described in his manifesto, "A new proposal for freedom" (Konstantinos Mitsotakis Foundation). Mitsotakis himself named his program "neoliberal" but Loulis (1981) argues that it was so only in theory.

The situation did not change over the years. In the 2000s, ND president Kostas Karamanlis (nephew of the party's founder) declared his will to cover the centrist space, rebranding his party as moderate, cooperating and open-minded. Again, it was a tactical move that helped ND to secure a parliamentary majority, but it was an apolitical one. The "centrist" approach was substituted by social liberalism from Samaras, who succeeded Karamanlis in 2010. Samaras interpreted social liberalism as the "via media" between the collective and the individual: "liberal" because it seeks a new production system and "social" because it aims to defend the welfare state. However, his actual performance left much to be desired. His circle of advisors consisted of hard Right individuals; during his tenure, he issued a vast number of ministerial decrees skipping the process through the Parliament, and he put pressure on the judiciary. The latter became evident when, in autumn of 2013, he decided to conduct legal proceedings against the GD party. GD, whose trial has not reached a decision yet, was accused of multiple crimes, including murder and paramilitary activities (Angouri and Wodak 2014), and there is no doubt that it should account for these indictments to justice. However, Samaras intervened in a questionable way to move the case faster. He claimed that although the judiciary had the legal framework to act,

“political will” was missing; with his statement, Samaras opened the Pandora’s Box, disturbing the separation of powers. With his own words:

“[All we achieved] it was with the existent legal framework. It was thus shown that there is sufficient legal framework from our democracy that allows the state to protect democracy and protect the democratic legality. What missing was Political will! And now, we displayed that there is *political will*. And this is a step forward” (Prime Minister of Greece 2013; emphasis added).

Soon afterward, an openly pro-ND journalist called the party to cooperate with the neo-Nazis to neutralize the opposition of SYRIZA. Babis Papadimitriou, who despite his views was elected MP with ND in July 2019, said:

“I know I will provoke both my friends and enemies but [...] if SYRIZA wants the Communist Party, let them work together. But, why not assume that a more serious Golden Dawn could support a more conservative coalition, as happens in many other European countries, such as Norway?” (Left.gr 2013)

Political scientist Pierre-André Taguieff (2012), writing about the European populist Right, argued that it had displayed indignation and rejection against the ruling elite. Indeed, Mitsotakis did not hesitate to use the motto “Go away!” (Greek: “Fygete!”) against the elected government, to encapsulate his doctrine. The New Right was already well established in and around the conservative party. The following paragraphs will discuss how much that evolution affected the engagement of critical challenges for the country.

The Macedonian name issue

For most Europeans, the dispute between Greece and the then Former Yugoslav Republic of Macedonia was a non-issue, an unthinkable inquiry that had to be resolved as soon as possible. Many officials in Brussels and other European capitals were not in a position to comprehend the Greek concerns and they charged Greece, a big player in the Balkans, for rigidity and stubbornness. The situation changed when both states elected centre-leftist governments with eagerness to engage in talks and find common ground for a viable relationship. The progress in bilateral negotiations became apparent at the beginning of 2018 and resulted in the final Agreement next June. The Greek conservative opposition was either sceptical or negative. ND, which in 2008 accepted in principle a compound name including the term “Macedonia” for its neighbour, rejected the agreement, sharpening the political discourse (Srdjan 2019).

Given a potential settlement, a small number of grassroots organizations and ultra-right movements organized several rallies, in Thessaloniki and Athens, to denounce any compromise vis-à-vis the name of Macedonia. In both cities, many cultural unions, military officers, Church leaders and other clergy members, as well as the Golden Dawn, ultra-orthodox supporters and far-right groups joined the gathering. Although none of these rallies exceeded the attendance of 150.000 people, ND found an opportunity to put pressure on the government on such a sensitive situation. Not only was it openly supportive of the demonstrations, but also if felt comfortable having some of its top members protesting among radical Right extremists. Antonis Samaras,

Adonis Georgiadis and other members of ND joined the rather diverse group of protesters. The agreement predicted that the state would provide an annual subsidy to the Church as an exchange. In principle, throughout this period, ND claimed that SYRIZA had “betrayed” the sacred values of the nation because it gave in to something like the new world order of transnationalism and multiculturalism.

On the other side, the solution to the Macedonian issue given with the Prespes Agreement (Grammenos 2018), gave rise to positive reactions in the European Union, NATO and the United Nations. The UN mediator Matthew Nimetz hailed the agreement as a model of problem-solving, and Federica Mogherini, the EU’s high representative for foreign affairs, marked the occasion as a “historic day for the Balkans and for Europe.” Simultaneously, the major European media welcomed the progress as historic and necessary. Domestically, it was rejected by the opposition as more or less an act of treason, not to mention reckless comments such as the one by Adonis Georgiadis, who tweeted on June 17, 2018 that when ND was negotiating a compound name with a geographical prefix in 2008, it was only to eyewash the EU and NATO.

The situation became more intense when the Agreement was introduced to the Hellenic Parliament for ratification on 23 January 2019. The rhetoric of the ND party pandered people’s nationalist drives. An exemplary case was George Koumoutsakos, MP, head of the party’s foreign policy committee, who said that the Agreement does not respect that “a lot of Greek blood has been shed for Macedonia” (Hellenic Parliament 2019a, 2984). Makis Voridis, MP, the parliamentary spokesperson of ND, went far beyond his colleague. In his intervention, he called the Prespes Agreement “the blowout of Macedonia” and he called SYRIZA “a government of high treason.” To make his statement more intense, he turned to the MPs of SYRIZA with a derogatory tone and shouted: “Your argumentation is more Skopjan than the Skopjans!” (Hellenic Parliament 2019c, 3207). He then received the applauses of his President Kyriakos Mitsotakis, who was sitting in the front row. The latter, in his speech, described the Agreement as a major catastrophe for Greece, a failure of the foreign policy and an “unacceptable retreat.” He suggested that Greece should blackmail North Macedonia with the power of veto for its EU candidacy until they abandon the name. In addition, he expressed his pessimism that the neighbouring country could exploit the provisions of the Agreement to pose a threat to Greece’s integrity, accusing his political opponents that they wanted to divide the Greeks to unite the “Skopjans” (Hellenic Parliament 2019b, 3153-54).

Separation of Church and State

A decades-long pending political issue with social and financial consequences has been the Church-State relations in Greece, or, in other words, the separation of Church and State. Although Greece is a secular state, the current situation creates political entanglements and requires further action (Molokotos-Liederman 2016). The Greek government and the Church of Greece reached a landmark agreement in November 2018, which was followed by a joint statement by Premier Alexis Tsipras and Archbishop Ieronymos II. The agreement was twofold and it concerned: (a) the salaries of approximately 10.000 priests who are considered civil servants and are registered to the government payroll; (b) the creation of a joint fund tasked with managing

Church property, a big part of which is used by the State. Simultaneously, the Church agreed not to have any further property claims and not to oppose moves to make the state (more) religion neutral. Although not progressive to pursue a full separation, partly because of legal peculiarities, the agreement had liberal orientation, complying with the situation as it is in most western states.

In the political arena, the reaction of the conservative party was inconsistent. On 6 November 2018, ND issued a short press release in which it hailed the agreement, asserting that SYRIZA plagiarized one of the party's political proposals (New Democracy 2018a). The statement also expressed the wish that the agreement would prove beneficial for both Church and State. The next day, nonetheless, a new press release condemned the agreement with the excuse that it would dismay the vocation and personal life of the clergy (New Democracy 2018b). By conjunction, a similar note was issued by the association of Greek clerics arguing that their new status, as predicted by the deal, would deny them certain rights (Kallergis 2018) while many local Bishops took a hard stance, albeit off the record (Kitsantonis 2018). To their support, Elena Rapti, a conservative MP for the first district of Thessaloniki, tweeted on June 18, 2019 that a conspiracy aiming to de-Christianize Greece is going on, but she suggested that "those who follow the God's plan will be rescued." Finally, ND rejected the proposed reform towards deeper secularization of the state, while failing to explain the reasons. As a leading news portal observed, Kyriakos Mitsotakis, despite his liberal references, arrogated to himself the "Lord's right hand," joining forces with the hierarchs and the clergy who were hooked to the previous benefits (In.gr 2019).

According to a recent Pew Institute survey, Greece is a country where religion plays a significant role (Pew Research Center 2018). Politicians and analysts use this argument frequently to explain the ways in which many lawmakers act and vote. However, it is supported here that this is a stereotypical assumption that decreases the responsibilities of politicians implying that they just satisfy the "will of the people." Politicians are not supposed to take orders but to vote independently and for the public good; and, this means that occasionally they have to turn to their constituents and offer clarifications on sensitive matters, without fear or prejudice. After all, blaming the Church every time the outcome is not desirable is an undertaking of giving politics into superstition; it also ignores that beyond the conservative clerics also stand progressive hierarchs who have defended human and civil rights (Grammenos 2016). This observation is leading to the last case study.

Human rights

Therefore, the perception that the Greek New Right flirts with the Church for political gains should not prevent someone from seeing the actual positions of this group and their consequences for Greece and Europe. Anti-Semitism, for example, as discussed above for the incumbent ND Vice President Georgiadis, is a political view. Nevertheless, Georgiadis is not the only one with such a record. Makis Voridis, his former colleague at LAOS, has a well-known pro-dictatorship past, but his anti-Semitic views became the central point of discussion only when he became Minister for Agriculture. A few days after his party won the snap elections of 7 July 2019, the Gov-

ernment of Israel stated that “it will not work with Greece’s new Agricultural Development and Food Minister Makis Voridis because of his anti-Semitic past” (Keinon 2019; Kathimerini 2019). The Greek Prime Minister’s office offered no comment, although the prime minister is considered a friend of Israel (World Jewish Congress 2019).

Equally controversial was the stance Mitsotakis took to issues of gender. ND refused to back the law that would legalize same-sex marriage because it was not clear whether adoption is allowed or not. Neither did they support the law that allows transgender citizens over the age of 15 to change their legal gender in official documents with a simplified procedure (Becatoros 2017). Mitsotakis himself exerted vociferous criticism of the bill because he did not trust the judgement of the people who would apply for the legal gender change without a psychiatric examination. Addressing the plenary of the Hellenic Parliament, he gave a rather unusual example: he said that a psychiatrist told him about an 18-year-old male who wanted to change legal gender because “he went up Mount Hymettus [at Athens] and an alien told him to” do it (Hellenic Parliament 2017, 420). One should add the controversial statement of journalist and ND MP Constantinos Bogdanos, that he has a problem with vegan lesbians because they want to impose their veganism violently (ONE TV 2019). Bogdanos, a self-determined “conservative patriot liberal and Orthodox,” has also tweeted on September 19, 2019 that Barack Obama was “the dispatcher of Arab Spring which gradually destroys Europe.”

The above views reflect a general understanding of human rights as optional. Regardless of the international declarations, which are the norm in most political parties in the EU, practice reveals ND’s increasing intolerance to diversity and attack on human rights. Factions or individual members in various levels of the party, adopt a hard stance on social issues with the leadership unable to respond convincingly for or against. This school of thought does not differ much from the Republican Party in The U.S. during Trump presidency or the Alternative for Germany (AfD) in Germany. Similarly, an Athens University professor, quoted in French magazine *Slate*, underscored that the political footprint of ND combines “a form of authoritarianism in the management of the state, a very neoliberal agenda on the economic level and a nativist populism that highlights identity politics” (Kottis 2019). Considering the above facts, the last chapter will examine if and how liberalism can challenge this course and stand its ground to the rise of authoritarian tendencies.

Conclusions: liberalism in the era of the New Right

In the last decade, Greek society experienced not only harsh austerity but also a deep division. The leftist populism promised an unreasonably easy escape from the crisis, defending “the people” against “the corrupt elites.” Aggregating disappointed and undecided voters, it implemented aggressive activism and denied being part of the solution to the Greek problem. When SYRIZA took a chance to govern the country, ND reversed the paradigm of populism; it was no more *the people against the elites*; the conservative narrative had *the patriots* and those who love their country against *the traitors* and *the communist internationalists*. The role-playing between the two parties recalled old disputes, schisms and hatred; memories of the Greek Civil War (1946-1949) and the illiberal democracy of the 1950s and 1960s revived poisoning the political life.

Greece has not managed yet to acquire a *rational minimum*, in the sense of a consensus for the country's political orientation (a Greek grand strategy) where the coexistence of the parties is based on mutual respect and open channels of communication. The German example, where the two main rivals, Christian Democrats Union (CDU) and Social Democrats Party (SPD), form a Große Koalition and they work together on a strategic agreement despite their differences, is still inconceivable in Athens. This is partly because of the absence of a cohesive, centrist and liberal party, with deep roots in society, standing in between the two major forces. A liberal force, although not yet visible, could stabilize the political discord to a new standard, because the voter transition because of extreme views would be easier, had it been towards the Centre.

Therefore, on the question of whether liberalism is able to stand its ground against the backdrop of increasingly present authoritarianism, this paper suggests that in principle, the liberal theory consolidated in political practice can get a new impetus. Nevertheless, recent developments, such as the rebranding of ALDE-Group to Renew Europe, pose questions about the scope and the political creed of the liberal representation in the European Parliament. Equally, it has been noticed that a limited number of individual members endorse or vote for non-ALDE parties. That being said, for liberal movements to bloom in political systems like Greece's, it is crucial to redefine liberalism or re-introduce it throughout Europe.

A more inclusive liberal family that rejects elitism is desirable together with a cohesive political platform. There is much work yet to do to defend values of freedom before populism and authoritarianism that place the European liberal order in peril and this work must start immediately.

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Human Freedom and Economic Prosperity: Evidence from Eastern Europe

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The main mechanism that relates human freedom to economic growth is channeled through institutional and economic factors, such as government effectiveness, investments, and trade. Therefore, institutions are an important determinant of economic prosperity in countries worldwide. Institutions shape human behavior, set the “rules of the game” in society, and reflect the prevailing norms and values. Both economic science and history have proved that economies and societies flourish in a market-supportive environment where institutions adhere to personal choice, self-ownership, and the rule of law.

In this paper, we focus on exploring the fractional effects of institutional changes on economic growth (measured as GDP per capita) and on productivity (measured as GDP per person employed). We developed ordinary least squares (OLS) panel regression models for selected economies of Eastern Europe, or around 20 cross-section units (countries) in the period between 2008 and 2016. The cross-country regression models demonstrate that institutions presented with human freedom and human capital have the highest influence and are statistically significant determinants of economic growth and productivity in the selected economies of Eastern Europe.

Key words: institutions, liberalism, human freedom, economic growth, Eastern Europe.

Introduction

Eastern Europe has overcome the period of Soviet repression and is now oriented towards the Western values of freedom and democracy. However, 30 years after the fall of the Berlin Wall, authoritarianism in Europe is becoming increasingly popular among politicians, policy makers and the general public. The process of globalization and the presence of transnational companies, the 2008 financial crisis followed by the European debt crisis and the rise of the populist parties and leaders in Europe, has thus created challenges to the rule of law and democracy, being truly global in nature. Unfortunately, Eastern European countries are not an exception.

The latest *Human Freedom Index*, which is co-published by the Cato Institute, the Fraser Institute, and the Liberales Institute at the Friedrich Naumann Foundation for Freedom (Vásquez and Porčnik 2018) concludes that human freedom in Eastern Europe has been decreasing over time.

The *Human Freedom Index* defines freedom as the absence of coercive constraints, and incorporates personal, civil, and economic freedom. The average human freedom score in Eastern Europe in 2008 was 7.71, while in 2016 it was 7.67. We make an assumption that a decrease in the average human freedom score reflects a rise in authoritarian inclination and an erosion of liberal values. If the average human freedom score in Eastern Europe is proven to be statistically significant, then difficult times for Eastern Europe is on the horizon.

The key question that we aim to answer with our research is: Does respecting and protection of human freedom create economic benefits for the countries? The main hypothesis we are testing is that improving human freedom does not impose economic costs on the country, but on the contrary, it creates an economically stimulating environment with regards to economic growth. More precisely, we are interested in the following questions: 1) Can a relationship between economic prosperity and human freedom be documented empirically? and 2) Does human freedom contribute positively to economic prosperity, or is there a trade-off between these two?

We employ the *Human Freedom Index* (Vásquez and Porčník 2018) as a broad measure of the institutional environment. The index presents human freedom understood in a negative context, as the absence of coercive constraint. The areas covered by the index are: rule of law; security and safety; movement; religion; association, assembly, and civil society; expression and information; identity and relationships; size of government; legal system and property rights; access to sound money; freedom to trade internationally; and regulation of credit, labor, and business. Using a sample of 22 countries between the years 2008-2016, we have constructed several ordinary least squares (OLS) regression models to study how changes in the level of human freedom effect economic growth. Our analysis will improve the understanding of the concept of human freedom and how it relates to economic and societal prosperity.

The rest of the paper is organized as follows: Section 2 reviews the empirical literature on human freedom, human rights, democracy and economic prosperity. The data sources and the description are presented in Section 3. The findings of the empirical study and discussion of the results are presented in Section 4. In the last section, the main conclusions from the research are given.

Literature review

Institutions and their impact on economic prosperity are closely examined by the New Institutional Economics (hereinafter: NIE). Institutions can be defined as humanly devised constraints that structure human behavior (North 1994, 360). More specifically, institutions can be seen as legal, administrative or customary arrangements, whose purpose is to enhance repetitive human interactions that cannot be predicted (Pejovich 2008). According to NIE, effective institutions reduce transaction costs (North 1991), reduce market inefficiencies (Acemoglu, Johnson, and Robinson 2005) and support good governance (Pejovich 2008; Kaufmann, Kraay, and Mastruzzi 2009).

In the economics literature, institutions are acknowledged as important determinants of economic growth (Rodrik, Subramanian, and Trebbi 2004; Moral-Benito 2012). Effective institutions and good governance have positive implications on economic growth (Marslev and Sano 2016). In

our previous paper (Kocevska and Makrevska Disoska 2017), we examined the impact of institutions and free trade on economic growth in selected transitional economies from Central and Eastern Europe and the Western Balkans. The findings indicated that countries should put a greater focus on the institution's quality, which is likely to result in enhanced growth prospects.

Acemoglu, Johnson and Robinson (2005) argued that different institutions create different outcomes in economic performance. These authors define two types of institutions: economic and political institutions. Economic institutions shape the incentives and constraints of economic actors, while political institutions allocate de jure and de facto political power. Glaeser et al. (2004), show that countries evidence economic growth if political institutions are stable and predictable, and there are investments in human and physical capital.

With the introduction of political institutions to the research agenda of the NIE, a variety of research projects emerged to investigate their economic impact. Here we would like to highlight two separate flows: human rights and democratization as an explanatory variable of economic prosperity. Regarding human rights, one group of economists and political scientists take up the stance that protecting human rights collides with economic growth. This group of scholars argues that granting too many political or civil rights to individuals could even make the economy worse off (Koob, Jørgensen, and Sano 2017). Seymour and Pincus (2008) warn about the possibility of delegitimization of social choices that deny minority rights to generate growth of the majority in a society.

Nevertheless, most economists emphasize the positive role of human rights on economic prosperity. The fundamental argument in favor of this thesis is that societies, where human rights are respected, generate certainty and predictability for economic actors. Secure and predictable environments are supportive of economic growth and welfare, investments and productivity. Koob, Jørgensen, and Sano (2017) consider human rights as freedom and participation rights defined in Empowerment Rights Index from CIRI human rights data (hereinafter: CIRI index) (Cingranelli and Richards 2008). Their research confirms the instrumental role of human rights in economic growth.

Blume and Voigt (2007) examine the effect of four different categories of human rights on economic growth and welfare. Precisely, they are interested in the impact of fundamental human rights, property rights, civil rights and social rights on investment and productivity. Their factor analysis shows that none of these categories of human rights has a significant negative impact on welfare and growth. By using pooled ordinary least squares regression models, the authors have found that fundamental human rights and property rights encourage investment, while social or emancipatory rights have a distinct impact on total factor productivity. Accumulation of physical capital (investments) and total factor productivity, according the authors, are possible channels of influence of human rights on economic growth.

Blanton and Blanton (2007a; 2007b) examine the implications of protection of human rights on trade and foreign direct investments. By using pooled regressions, these authors have found that

better protection of human rights proves to be stimulating for trade and attracting foreign investments in the countries. Some authors have examined the opposite relation, i.e., how economic growth impacts human rights. McKay and Vizard (2005) argue that although it is expected that economic development has an impact on human rights, the strength and direction of the relationship are unclear.

Another important aspect of political institutions, essential for the economy, is the democratization of societies. Theoretically speaking, the relationship between democracy and economic prosperity is unclear. Some authors argue that democracy and economic growth are clashing concepts (Lindblom 1977; Schumpeter 1942; Wood 2007), while on the other hand, there are scholars who support the thesis that democratic environment supports growth. The argument in favor of democratization follows the same logic as human rights. Thus, Sen (1999) discusses that civil and political freedom is beneficial for societies because they promote economic security and predictability. Disrespecting human rights can lead to an unfortunate economic climate by lowering investments, productivity and growth in the country.

A substantial literature in political science and economics examines the relationship between democratization and economic prosperity. One of the first organized attempts to explore in detail this relationship comes from Barro (1996), who finds that the effect of democracy on economic growth is minor and negative. After this breakthrough, many authors followed his research agenda. Although different data and model specifications have been used, their work strengthens the evidence in favor of the hypothesis that democracy is supportive to economic growth (Rodrik and Wacziarg 2005; Persson and Tabellini 2008; Bates, Fayad and Hoeffler 2012).

Acemoglu (2008) argues that in the long run, democratic institutions perform better than non-democratic institutions. Democratic redistribution can often be a drag for economic growth, but sometimes it may take the form of education or public goods, and thus become supportive for economic growth (Benabou 1996; Lizzeri and Persico 2004). Papaioannou and Siourounis (2008) have constructed a new measure of permanent democratizations. They find that on average, democratizations are associated with a 1% increase in annual per capita growth, but in the medium and long run, it stabilizes at a higher level. Moreover, Acemoglu et al. (2014) report that democracy has a robust and sizable effect on economic growth by using a panel of countries in the period between 1960 and 2010. The authors estimate a 20 percent rise of the country's GDP in the long run, following a shift from non-democracy to democracy. Their results show that there is no differential effect of democracy on economic growth according to the level of economic development.

Data and methodology

This section of the paper serves to test whether human freedom has a statistically significant impact on economic prosperity. For this purpose, we have constructed a model based on the work of Blume and Voight (2007), and Koob, Jørgensen, and Sano (2017). Usage of OLS panel regressions in explaining the institutional environment and political rights as a determinant of economic growth is characteristic of the work of Blume and Voight (2007). A selection of variables is

made in accordance with the work of Koob, Jørgensen, and Sano (2017), who use institutional factors, economic factors (variables) and alternative aspects of quality of human capital to estimate the GDP per capita growth. These authors are more interested in evaluating long-term effects on economic growth by using an autoregressive model with distributed lags (ADL). However, the length of the time series data for our sample is very limited. To overcome this obstacle, all our models are panel regressions using the OLS method.

We investigate how human freedom affects economic growth in the countries of Eastern Europe. In our research, we focus on a geographically compact region. In addition, what is common for these countries is that they share a similar historical institutional background. Eastern Europe overcame a period of repressive communist regimes and oriented itself towards the Western values of freedom and democracy at the end of the twentieth century. For this reason, we created two sets of regression models with separate dependent variables. In the first case, the dependent variable is the economic growth measured by “initial” log GDP per capita. The data is retrieved from the World Development Indicators. In the second set of models, the dependent variable is GDP per person employed (constant 2011 PPP \$) as a standard measure for labor productivity. GDP per person employed is calculated as the gross domestic product (GDP) divided by the total employment in the economy. Purchasing power parity (PPP) GDP is GDP converted to 2011 constant international dollars using PPP rates. The data covers the period from 2008 through 2016.

The novelty of our work is that we use the *Human Freedom Index* (Vásquez and Porčnik 2018) (hereinafter: HFI) as an institutional variable used to forecast economic growth instead of the CIRI index. HFI has already been utilized in the literature as a variable used to explain the institutional environment (Coka, Freier, and Mollerstrom 2017; Lawson 2019; Berggren, and Gutmann 2019). We decided to use HFI instead of the CIRI index because two different sources in CIRI are based on expert assessments rather than surveys, which can make the CIRI data biased (Koob, Jørgensen, and Sano 2017). HFI presents a broad measure of human freedom, and it uses 79 distinct indicators of personal and economic freedom in the areas of Rule of Law; Security and Safety; Movement; Religion; Association, Assembly, and Civil Society; Expression and Information; Identity and Relationships; Size of Government; Legal System and Property Rights; Access to Sound Money; Freedom to Trade Internationally and Regulation of Credit, Labor, and Business. On a scale of 0 to 10, where 10 represents more freedom, the average human freedom rating for 162 countries in the period 2008-2016 for the observed counties was 7.67.

Human development factors are included in the analysis with two variables: human capital retrieved from the Penn World Tables version 9.1 and life expectancy from the World Bank's World Development Indicators. The easy access to information, education and mobility of the population can lead to a more educated and healthier population that will contribute to economic growth. Enhancing the economic, social and cultural rights can influence the human development factors. The literature broadly suggests a positive relationship between human capital and economic growth (Barro 1991; Levine and Renelt 1992; Mankiw et al. 1992). However, unlike Koob, Jørgensen, and Sano (2017), we exclude the institutional variables that refer to the effec-

tive institutions and good governance mostly because these variables are part of the *Human Freedom Index*. The correlation matrix presented us a significantly high correlation among these variables.

For the economic factors, we used the following variables: net investment in non-financial assets (as % of GDP), trade as a % of GDP and unemployment (as a percentage of the total labor force, ILO estimate). Net investment in non-financial assets includes fixed assets, inventories, valuables, and no produced assets. Net investment in non-financial assets also includes consumption of fixed capital. The data is retrieved from the World Development Indicators database.

Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product. The data is retrieved from the World Development Indicators. A number of existing empirical literature supports a positive link between trade openness and growth (Dollar 1992; Dollar and Kraay 2002; Sachs and Warner 1995). However, the direction of the relationship between them is ambiguous, as some studies find no robust evidence (Rodriguez 2007).

Regarding the unemployment variable, we use the logic behind Okun's Law. Output depends on the amount of labor used in the production process, so there is a positive relationship between output and employment. The unemployment rate is calculated as a % of the total labor force in the country according to the unified methodology from the International Labor Organization. The data is retrieved from the World Development Indicators. Total employment equals the labor force minus the unemployed, so there is a negative relationship between output and unemployment (conditional on the labor force).

Basic descriptive statistics about the variables used in the regression models, including mean, median, maximum and minimum values, standard deviation and number of observations, are provided in the following table (Table 1).

Table 1. Descriptive statistics of variables

	GDP per capita	GDP per person employed	Human freedom	Human capital	Life expectancy	Net investment in non-financial assets	Trade	Unemployment
Mean	12202.91	45179.66	7.67	3.23	75.31	2.44	109.09	12.40
Median	11911.13	48251.30	7.81	3.23	75.32	2.30	105.19	10.03
Maximum	35391.04	73307.63	8.45	3.77	81.39	8.13	183.99	33.76
Minimum	1525.53	9553.58	5.84	2.69	67.95	0.14	46.19	3.66
Std. Dev.	7489.91	14855.83	0.55	0.24	3.04	1.13	34.07	7.08
Observations	198	198	190	162	198	180	198	198
Observations	198	198	190	162	198	180	198	198

Source: Authors' calculations.

Note: Descriptive statistics refer to individual samples.

Results and discussion

In the following tables, we present the results for both sets of regressions. In the first seven regressions (Table 2), the dependent variable is a log of the GDP per capita. In the second seven regressions, the dependent variable is the GDP per employee (Table 3). The independent variables are the same in both sets of regressions. As it can be observed, regressions present similarities and slight differences. Still, the most important thing is that most of the independent variables have a statistically significant influence on the GDP per capita growth and increase of productivity. We will outline and comment on the results separately for each set of regressions.

Table 2. Dependent variable: log (GDP)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Constant	3.094*** (0.557)	2.214*** (0.795)	2.476*** (0.801)	-2.943*** (0.979)	-3.162*** (1.209)	-3.167*** (1.034)	-2.955*** (0.986)
Human freedom	0.080*** (0.007)	0.075*** (0.008)	0.068*** (0.008)	0.034*** (0.008)	0.038*** (0.010)	0.037*** (0.010)	0.033*** (0.008)
Human capital			0.041** (0.019)	0.042** (0.019)	0.042** (0.016)	0.047** (0.018)	0.047** (0.019)
Investment in non-financial assets				0.102** (0.04)	0.105*** (0.034)	0.101*** (0.034)	0.100*** (0.034)
Life expectancy					0.107*** (0.014)	0.105*** (0.014)	0.106*** (0.016)
Trade (% of GDP)						-0.001 (0.001)	-0.001 (0.001)
Unemployment							-0.001 (0.009)
Adjusted R-squared	0.389	0.395	0.410	0.575	0.574	0.571	0.573
S.E. of regression	0.553	0.555	0.548	0.465	0.466	0.467	0.467
Obs. (unbalanced)	190	162	153	153	153	153	153

Note: Numbers in parentheses are corresponding standard deviations. ***: p<0.01; **: p < 0.05; *: p < 0.1.

In regressions with the log of GDP per capita being a dependent variable (Table 2), the variables human freedom, human capital, investment in non-financial assets, and life expectancy are statistically significant determinants for the increase of the GDP growth in the selected countries. The results show that our “focus” variables – human freedom and human capital – have a positive and significant influence on GDP growth. In all seven regressions, the values of the coefficients are rather high. An increase in the protection of the human freedoms by 1 unit (on a 0 to 100 scale) results in a rise in economic growth by 3–8%. Rise in the index of human capital by 1 unit (on a 0 to 100 scale) results in an increase of the economic growth by approximately 4%. In other words, upholding the right to human freedoms will demonstrate a significant positive effect on economic growth.

From the selected economic variables, only the investment is statistically significant with a positive sign. The coefficients indicate that a 1% increase in investments leads to a higher level of GDP per capita by around 10%. The coefficient of the unemployment variable is negative, which is expected, but unfortunately, it is not statistically significant. The sign of the variable trade is negative, meaning that an increase of trade leads to lower GDP per capita. However, the em-

pirical literature suggests that trade impacts growth negatively for countries that specialize in low-quality products (Huchet, Le Mouël, and Vijil 2011). This suggests that increasing the dependency of the observed economies to trade without ensuring the improvement of the quality of their exports may have negative consequences in terms of economic growth. Nevertheless, the model shows that this explanation cannot be taken into consideration since the variable is not statistically significant. In general, the results from the first group of regressions indicate that GDP growth in these countries is likely determined by non-economic variables or by institutional variables.

Table 3. Dependent variable: log (PRO)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Constant	7.128*** (0.358)	5.755*** (0.527)	5.858*** (0.531)	2.650*** (0.674)	2.337*** (0.705)	2.426*** (0.692)	4.204*** (0.607)
Human freedom	0.046*** (0.005)	0.046*** (0.005)	0.041*** (0.005)	0.020*** (0.006)	0.026*** (0.007)	0.030*** (0.007)	0.048*** (0.006)
Human capital		0.043*** (0.012)	0.046*** (0.013)	0.046*** (0.011)	0.054*** (0.012)	0.066*** (0.013)	0.080*** (0.013)
Investment in non-financial assets			0.084*** (0.026)	0.086*** (0.023)	0.079*** (0.023)	0.082*** (0.023)	0.080*** (0.024)
Life expectancy				0.063*** (0.010)	0.060*** (0.010)	0.048*** (0.011)	
Trade (% of GDP)					-0.001 (0.001)	-0.002* (0.001)	-0.003*** (0.001)
Unemployment						0.015** (0.006)	0.027*** (0.006)
Adjusted R-squared	0.338	0.382	0.407	0.539	0.543	0.559	0.501
S.E. of regression	0.355	0.368	0.363	0.320	0.319	0.313	0.333
Obs. (unbalanced)	190	162	153	153	153	153	153

Note: Numbers in parentheses are corresponding standard deviations. ***: p<0.01; **: p < 0.05; *: p < 0.1.

The results from the other set of regressions in Table 3 are similar. All six variables appear to be statistically significant for the increase in productivity in the observed group of countries. The positive signs of the coefficients of human freedom, human capital, and life expectancy remain with high coefficients. In these sets of regressions, the influence of the human capital is greater than human freedom, which is expected having in mind that the main driver of productivity is the human capital. Life expectancy also has a positive and significant influence over the labor productivity.

The economic variables, investments, unemployment rate, and trade, have a statistically significant influence over the productivity growth. The values of the coefficient for investment are considerable and indicate that a 1% increase in investments could lead to around an 8% increase in productivity. Regarding the trade variable, in these sets of regressions, the coefficient is negative and statistically significant over productivity. We confirm the previously stated argument about the negative relationship, although the coefficient is rather low. The unemployment variable is positive and statistically significant, which is also expected to have in mind that the dependent variable in this set of regressions is productivity. Productivity growth makes the downward wage

constraint binding, thus leading to higher long-run unemployment. Since productivity is measured as GDP per employee, when the number of employees decreases (higher unemployment rate) the value of the productivity rises. The model shows that the increase in unemployment by 1% leads to the twofold increase in productivity.

Conclusions

This paper contributes to the existing literature by innovating and expanding on the human freedom approach towards economic progress. It explores the determinants of economic prosperity in Eastern Europe, which is a region including countries with a common historical and institutional background. The liberal democracy is currently under threat, especially in the established democracies in Europe. Eastern Europe is presently full of populist leaders who attack human rights and the rule of law while choosing nationalism over liberalism. For example, the Visegrad countries are governed by populist parties, such as Viktor Orbán's Fidesz in Hungary and Jarosław Kaczyński's Law and Justice in Poland, which are also characterized by authoritarianism, attacks on the judicial independence and the free press, and nationalism.

Our OLS regression models offer an insight into the relationship between economic prosperity and human freedom in Eastern Europe. We find that better and freer institutions have a positive impact on economic growth and productivity in the selected countries. Both human freedom and human capital are statistically significant determinants that have the most substantial influence on economic prosperity. These findings suggest that Eastern Europe should embrace liberalism and uphold human freedom to enhance growth prospects. We encourage reform in this region oriented towards the values of liberalism and non-coercion, and respect for human rights and civil liberties.

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