

**Explaining Second Generation Reforms in the Visegrad  
Countries**

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**Assessing the Role of Party System Institutionalization and  
the Patterns of Conflict**

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## Abstract

There is a puzzle in the second decade of transition in East Central Europe. Former laggards of transition, such as Slovakia, Bulgaria or Romania have a much better record in the second generation of reforms than the front runners of the first decade. This paper assesses explanations that claim this variance can be explained by party system institutionalization and ideology. In the following thesis I argue that there is no causal inference between the level of party system institutionalization and second generation reforms. Furthermore, I show that ideology is not a universal marker for party stance on market reforms. I use the model of Pater Mair to evaluate party system change, and the historical legacy approach of Herbert Kitschelt to assess party system divide. With a qualitative analysis on a sample of the Visegrad countries I find that the cause for a presence or a lack of a radical second generation reform agenda can be found in the legacies of the first decade. Where the rule of illiberal governments in the 1990s posed a real threat to the success of European integration, and led to a seriously deteriorating economic performance more comprehensive second generation reforms were implemented.

# Contents

Introduction	5
1. The Framework of Analysis	12
1.1 Second Generation Reforms	12
1.2 Party system institutionalization	14
1.2.1 Party system institutionalization and economic reform	16
1.2.2 Measuring the level of institutionalization: the problem of volatility and the distinction between party and party system institutionalization	17
1.2.3 Defining the patterns of competition: assessing party system change	19
1.3 Party cleavages and patterns of conflict	23
1.3.1 The impact of first elections and ethnic cleavages	25
1.3.2 Historical legacies	26
1.4 Research questions and hypotheses	31
2. The Case of Slovakia	34
2.1 Party system institutionalization in Slovakia 1998-2006	35
2.2 Patterns of competition in Slovakia 1998-2006	37
2.3 The role of illiberal legacies	52
2.3.1 The role of conditionality	54
3. The Czech Republic, Hungary, and Poland	46
3.1 Party system institutionalization	47
3.1.1 Czech Republic	47
3.1.2 Hungary	48
3.1.3 Poland	59
3.1.4 Conclusion	51
3.2 Patterns of conflict	51

3.2.1 The Czech Republic	51
3.2.2 Hungary	53
3.2.3 Poland	56
3.2.4 Conclusion	58
3.3 Second generation reforms in the Czech Republic, Hungary and Poland	59
Conclusion	63
References	65

# **Explaining Second Generation Reforms in the Visegrad Countries**

## **Assessing the Role of Party System Institutionalization**

### **and the Patterns of Conflict**

## **Introduction**

There is puzzle about the Visegrad countries. Slovakia, the laggard of the first decade of transition had become the star performer of the second (Györfy 2009, Greskovits 2008b, O'Dwyer and Kovalcik 2007). Perhaps the most dramatic is the contrast with Hungary which was seen as a prodigy in the 90s, and became a problematic country, almost a cautionary tale by the end of the second decade. Whereas Slovakia, a country which was almost left out from the first round of the transition and was characterized by a political regime with highly controversial democratic record in the 90s has become a reference for best practices in economic reform. Slovakia is the only Visegrad country, and the second of the post-communist member states to acquire the Euro. This is an outcome which would have paid well if one would have bet on it in 1998. Slovakia was able to catch up with its more successful neighbors through the implementation of a radical market oriented reform agenda between 2002 and 2006. It transformed the country from a black hole for foreign investment into a top priority target of investors. Even though the social costs were enormous, the Slovak governing coalition chose and stood by these radical reforms.

What explains the variance in second generation economic reform in East and Central Europe? What are the probable causes for the fact that the most successful countries of the first generation of reforms are unable to catch up with late comers such as Slovakia, Romania or Bulgaria? This paper assesses two parsimonious explanations to this puzzle advocated by influential recent papers: the role of party system institutionalization and ideology (O'Dwyer

and Kovalcik 2007, Tavits and Letki 2009). However, I argue for an alternative, more complex explanation, which does not seek universal validity for all post-communist EU member states, the impact of the partial reform equilibrium of the first decade.

The role of party system institutionalization is assumed to be salient in connection with economic reforms, because the weaker it is, the more reformers are insulated from opposition to reforms (O'Dwyer and Kovalcik 2007). O'Dwyer and Kovalcik claim that the variance accounted for in second generation reforms cannot be explained with the help of the existing literature on economic reform of the first decade of the transition in East a Central Europe (Przeworski 1991, Hellmann 1998, Frye 2002). These reforms are even more unpopular than the first generation reforms, because the losers of the transition have to bear the burden (O'Dwyer and Kovalcik 2007, Bohle and Greskovits 2006). These policy measures are financed by severe welfare cuts. That is why insulation is seen as the most salient factor in implementing them.

This finding not only seems to revive the old debate between insulation, inclusion, and veto players (e.g. Przeworski 1991, Nelson 1993, Balcerowicz 1994, Hellmann 1998, Kiefer and Stasavage 2003, Andrews and Montolina 2004, Gelbach and Malesky 2010), but also means that regimes with a lower democratic quality – at least in the post-communist world – are more inclined towards economic reform. This is not the same assumption, as the democratic J-curve observed in Latin-America, that is, economic liberalization causes political backlash and deterioration in democracy, but the outcome of it, i.e. economic liberalism, predicts a higher democratic quality (Gans-Morse and Nichter 2008). This argument means that low democratic quality is *a priori* a necessary prerequisite for further liberalization. There is

another important assumption, which states that the level of the party system institutionalization explains programmatic competition in post-communist party systems.

O'Dwyer and Kovalcik (2007) not only claim the salience of weak institutionalization of party systems at the time of the implementation of second generation reforms, but the importance of conservative incumbents as well. Another recent paper, although not focusing solely on second generation reforms, but economic reform in general, found however, that economic reform is implemented typically by post-communist successor parties, which were able to transform themselves into social democratic parties (Tavits and Letki 2009). What the two findings have in common is that party ideology is a universal marker of the stance on economic reform of political actors in Central and Eastern Europe.

The findings of O'Dwyer and Kovalcik do not have external validity, because countries with institutionalized party systems such as Sweden, Finland or Ireland, were able to implement large scale economic reforms (Györfy 2009). I would add that there are at least outliers in the sample as well. Neither Slovenia, which is equally under institutionalized as Slovakia between 1991 and 2006, nor Poland which is although more institutionalized than Slovakia (Casel Bértoa 2009), but by no means reach any Western standard did implement a radical second generation agenda. Furthermore, the two contradictory claims about the political economy of ideology cannot be true at the same time. I think, however, that the argument for the importance of party system institutionalization, and ideology in the implementation of economic reforms cannot be refuted so easily. The validity of these findings should be thoroughly evaluated, because they affect a number of important issues.

The evaluation of these findings is important because if there is a clear effect of party system institutionalization and ideology on economic policies in post-communist countries, many things have to be reconsidered. First of all, there is a broad consensus that post communist democracies are different from Western European ones (Mair 1997, Enyedi 2006, Kitschelt 2001). The consolidation of these democracies for example came before any consolidation of the party system, precisely to the contrary it should have happened according to Western experiences (Tóka 1997, Markowski 2000). Secondly, the party system institutionalization argument suggests that in post communist countries with more consolidated party systems the systematic divide is one dimensional. This dimension is a Western-like left-right divide on redistribution (O'Dwyer and Kovalcik 2007). The literature on post-communist party systems, however, seems to deny such a casual inference between party system consolidation and the dimensions of divide, as well as programmatic crystallization (Kitschelt et al. 1999, Kitschelt 2001, Enyedi 2006, Vachudova 2008). The same applies to the role of ideology. Other approaches explicitly deny any kind of universal correlation between economic and cultural positions of parties. According to this strain of the literature in post-communist Central and Eastern Europe it is impossible to tell what kind of economic policy a party will pursue in office solely after its ideological label (Kitschelt 1992, 2001, Kitschelt et al. 1999, Vachudova 2008).

In this paper I will contribute to this debate. In the first chapter I draw up a theoretic framework of analysis. My analysis is based on three dimensions: party system institutionalization, the patterns of conflict in the party system, and the legacies of the first decade of the transition. To assess party system change I will use the model of Peter Mair (1997, 2006), and challenge the view that aggregate net volatility is the best single measure of party system consolidation. I show that there is no causal inference between the level of party



system institutionalization, and the implementation of second generation reforms. Furthermore, instead of explaining the level of programmaticness with party system institutionalization, or inclination towards reform with ideological self perception, I derive a framework of assessing patterns of conflict and programmaticness on the basis of the historical legacy approach of Kitschelt et al. (1999). I show that a universal divide across the sample on economic-redistributive issue does not exist. I find that the variance in the patterns of conflict, that is, cleavages in the party system – the salience of cultural *vis-à-vis* economic-redistributive issues – do not account for the variance in second generation reforms in the sample. Finally, I will hypothesize the impact of a partial reform equilibrium (Hellmann 1998), in the first decade of transition on second generation economic reform. I expect this to be the most salient variable explaining the variance of second generation reforms in the Visegrad countries.

In the second and the third chapters I test my hypotheses with case studies on a sample consisting of the Visegrad countries. The heterogeneity of East and Central European regimes emerged against the backdrop of the homogenizing effect of communism. The unit homogeneity of these countries despite their obvious differences is even higher when we take into account the process of European integration as well. (Frye 2002, Roberts 2010). The unit homogeneity among the Visegrad countries is even stronger. Their economic and social characteristics make them a distinct group (Bohle and Greskovits 2007, Roberts 2010). Moreover in spite of their similarities there is not only a variance in the economic policies of the second decade of the transition (see e.g. Györffy 2009, O'Dwyer and Kovalcik 2007), but there is a variance in their historical legacies, and their institutional and political outcomes (Kitschelt et al 1999, Kitschelt 2001, Enyedi 2006). I devote an entire chapter to a detailed single case study on Slovakia, the only country in the sample introduced radical second

generation reforms. The Czech Republic, Hungary and Poland are assessed in a subsequent chapter and compared to one another, as well as to Slovakia.

The methodological reason for the choice for second generation reform as the dependent variable, that is, reforms that are not aimed at establishing the market economy, is that these are implemented in normal times (Roberts 2010). Thus, the political economy of second generation reforms should tell us more about the democratic quality, and the role of parties in these regimes. The effect of external and internal constraints on and the incentives and interests of political actors can be assessed better, than with looking at the reforms of the early 90s, which were implemented in the wake of the collapse of the communist party states, and planned economies in a time of extraordinary politics (Balcerowicz 1994).

The time frame will entail the period between 1998 and 2008. 1998 marks the defeat of Meciar's HZDS in Slovakia, and it is the year for the other three Visegrad countries when they gained the official applicant status to the European Union. Thus, for Slovakia 1998 opens up the opportunities to catch up with the region, both in economic terms and in the process of the European integration. For the three other countries the official applicant status shows that the first phase of transition is over. 2008 is the first year of the global economic crisis, and including the period from 2008 till 2011 would only cause unnecessary distortion in the study. The effects and likely outcomes of the crisis are still under research, and these are not subjects of this analysis. By 2008, Romania and Bulgaria, the other two countries beside Slovakia where hegemonic parties dominated the 90s joined the EU. A time frame that reflects the dynamics of the accession process are important as second generation reforms are implemented to exploit the investment opportunities opened up by the EU, and are part of a competitive deregulation process (O'Dwyer and Kovalcik 2007). The structural part of second

generation reforms also implemented to meet to convergence criteria set by the EU (Greskovits 2008).

The case studies are followed by a brief concluding chapter. In this I check the validity of my findings on all post-communist EU member states. I conclude the results from the case studies, and make suggestions for further reform.

# 1. The Framework of Analysis

In this section I draw up a framework of analysis for the case studies. I start with the dependent variable, and define what second generation reforms in this article mean. Then I give a brief overview on the debate on how party system change should be defined, and justify my choice for the particular model I apply. The role of ideology, and claims on the relationship between party system institutionalization and programmatic competition are also assessed. I argue why labels like Left and Right, socialist and conservative are misleading without an analysis of the political cleavages in a particular country. I also define what should be a subject of analysis instead of ideological divide. I show that in East Central Europe when assessing the degree of programmatic competition not party system institutionalization rather the patterns of conflict should be examined.

## *1.1 Second Generation Reforms*

Perhaps the most simple way of defining second generation reforms is saying that all policy reforms belong here that do not serve the transition from a planned to a market economy. A study assessing democratic quality in the post-communist member states of the EU defined them this way, and chose two structural reforms for analysis (Roberts 2010). I will however be more restrictive, and confine the scope of analysis to a particular reform agenda.

There is an influential literature on the post and after-Washington Consensus debate, where the consensus about second generation reforms emphasizes institution building, the institutionalization of market reform, political and social inclusion, closing the gap in social

inequality, enhancing rule of law (Santiso 2003, Williamson 2005, Rodrik 2006). These “prescriptions“, however are not tailored to the new Central and Eastern European EU member states. This institution building was completed during the EU accession, and the problem in the region is rather a premature welfare state (Kornai 1992), a rampant fiscal illusion (Györfy 2009), and paternalistic socialization of the people (Kornai 1997).

Firstly, in Central and Eastern Europe second generation reforms are a set of economic and labor policies that are aimed at attracting business (generous incentives for investors, tax cuts, loosening labor regulations, deregulation). Secondly, and this is not less important, cuts and structural reforms in welfare, as well as fiscal prudence are also introduced in order to curb public deficit, and to achieve a sustainable macroeconomic balance, to make welfare systems, such as healthcare or pension viable in the long run. These policies try to solve the typically low employment rate of post-communist countries as well by giving more incentives to work (and by cutting taxes, linking social benefits to contribution to work legally). The overall goal of this reform package is to achieve steady high rate growth, thereby making convergence with the EU 15 sustainable. But the sources of these reforms are not solely to attract business, but for example the pressure for macroeconomic convergence on the former communist EU member countries. (Greskovits 2008) These reforms can partly also be introduced to decrease to politicization of the economy, to weaken clientalistic networks for example. (Fisher et al. 2007)

To operationalize the second generation reform agenda for this study, I define them as “neoliberal” policies. By neoliberal I understand policies that are aimed to increase personal responsibility as opposed to social solidarity, and that „seek to dismantle institutions that socialize the risk of failure in economy“(Fisher et al. 2007: 978). These structural reforms

change „the fundamental incentives structure of economic actors“, and lead to a „deep and lasting transformation of the allocation mechanism in the economy without the violent destruction of existing power structures“. Furthermore „structural reforms increase the role of market forces as well as individuals‘ autonomy of choices *vis-à-vis* hierarchical bargaining and the bureaucratic power of the state“. (Györffy 2009: 59-60) Admittedly, according to these criteria the most coherent second generation reform package was introduced in Slovakia. I will use the Slovak reform agenda as a blueprint for comparison to assess to what degree these reforms have been introduced in the other three Visegrad countries.

## ***1.2 Party system institutionalization***

Party system institutionalization became a focus of research after the third wave of democratization. More and more Third World countries embarked on democratization. In 1989 countries of the former communist bloc started a democratic transition process as well. This aspect of party systems has not been assessed by the classics of the literature. The consequences of high electoral volatility, which in many regions – most notably Latin-America – favored anti-party, populists (Mainwaring and Scully 1995, O'Donnell 1994) highlighted the importance of party system institutionalization as an important measure of democratic quality (Mainwaring and Scully 1995, Mainwaring and Torcall 2005, Mainwaring 1999, Thames and Robbins 2007, Roberts K. and Wibbels 1999, Wallis 2003). It was observed however, that in spite of the conventional wisdom party system institutionalization does not necessarily precede democratic consolidation, like the case of many countries in Central and Eastern Europe shows (Tóka 1997, Markowski 2000, Randall and Svasand 2002, Casal Bértoa 2009).

The question, however, should be answered that in polities with high electoral volatility, how can citizens successfully hold their representatives accountable. Where parties, divides, patterns of conflicts are in continuous flux, the weakness of the opposition (since it is also a subject of under institutionalization) vertical and horizontal accountability is limited (O'Donnell 1998, O'Dwyer and Kovalcik 2007). If this is true, it can be concluded that governments in countries with high electoral volatility are to a large degree insulated from public and political pressure. As Tóka (1998) suggests high volatility can make it impossible for voters to judge parties on the basis of their previous record. Political parties, and because of the flux of the instability of the parties themselves, their MPs act as independent legislators. In more institutionalized party systems with moderate electoral volatility, goes the argument, political actors are better held responsible (Tóka 1998, Tóka 1997, O'Dwyer and Kovalcik 2007, Mainwaring 1999, Mainwaring and Scully 1995, Mainwaring and Torcall 2005, Thames and Robbins 2007, Casal Bértoa 2009, Mair 1997, 2006). Institutionalized party systems provide programmatic competition between parties thereby offer voters meaningful choices on the direction of public policy (Mainwaring 1999, Tóka 1998, Casal Bértoa 2009). Thus, accountability and responsiveness is higher than in weakly institutionalized party systems.

In stable, consolidated party systems politicians behave differently as well, they have a longer time-horizon. Because the electoral volatility is low, there are stable constituencies; politicians know that they will be held effectively accountable. Moreover politicians have a strong incentive to stick to their party, instead of quitting, and creating new ones. Parties are also programmatic not clientalistic or created around one, charismatic politician. Political entrepreneurs, interest groups have no other choice than seek their interests through

established parties whose politicians have a stake not only in their own party, but the existing political system and constitutional setup (Tóka 1998).

### **1.2.1. Party system institutionalization and economic reform**

The cost of second generation reforms is mainly reduction in welfare. These policies hit people with low and middle income harder than those with high income. Thus, second generation reform are unpopular and particularly hard to implement (Györffy 2009, Fisher et al. 2007, Greskovits 2008, Bohle and Greskovits 2006, O'Dwyer and Kovalcik 2007). That is why, O'Dwyer and Kovalcik explain their successful implementation with the state of institutionalization of the party system: countries with under institutionalized party systems are conducive to reforms, whereas countries with institutionalized ones are not. Under institutionalization insulates reformers from social pressures because in such systems the opposition to reforms is unable to organize itself. Thus, the vertical accountability is low. They argue that these party systems are not structured by the conventional left-right, economic-redistributive dichotomy, but along ethnic, socio-cultural or national-cosmopolitan divides (O'Dwyer-Kovalcik 2007). A quantitative research on veto players' contribution to economic reform in Central and Eastern Europe provided evidence to this. Gelbach and Molesky found that there is a negative estimated effect of veto players at very high levels of reform. Thus, second-generation reforms are more likely in countries with relatively few veto players, they conclude, with direct reference with O'Dwyer and Kovalcik. (Gelbach-Molesky 2010)

There are however findings that contradict with this scheme. A recent large N statistical analysis provided evidence on a sample encompassing all the ten post communist EU member



countries, that there is a strong accountability in the region regardless the – although overall higher than Western but large – variance in electoral volatility (Roberts 2010).<sup>1</sup> This finding is very important because it challenges the argumentation of O'Dwyer and Kovalcik, as well as the finding of Gelbach and Molesky. The finding of Roberts suggests that despite the variance in the level of party system institutionalization, incumbents are held accountable by the electorate. The case of Slovakia does not seem to fit the argument that under institutionalized party systems does not allow the opposition to reforms to organize itself. Smer that built its popularity mainly opposing reforms, won the elections in 2006, and formed a programmatically coherent, anti-reform coalition government.

### **1.2.2. Measuring the level of institutionalization: the problem of volatility and the distinction between party and party system institutionalization**

The Visegrad countries are characterized by high electoral volatility according to Western standards. The Hungarian party system has shown the signs of having stable electorates in 2006, but than in 2010 volatility rose again. The problem of concentrating on volatility alone as a measure of party system change is that it overlooks many things that in our case can be decisive factors. Net aggregate electoral volatility per se does not necessarily is a salient indicator. Within-block volatility is an important unit of analysis, and should be controlled for when assessing the effect of volatility on party system change (Bartolini and Mair 1990). There can be situations when the main actors and patterns of conflict does not change despite high volatility within the blocks (for example the Slovak right wing is very fluid, but the two dominant parties within the governing right wing block is the same as in the previous one

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<sup>1</sup> In the 10 post communist countries that gain accession to the EU in 2004 and 2007, the cost of governance was more than five times the level of established democracies between 1990 and 2006. The average government lost 15% of its vote share. In this time period only four governments managed to gain vote share, and these improvements were minimal, ranging from 0.2 to 3.8%. (Roberts 2010: 58-59)

between 2002 and 2006). Moreover, low volatility can be an outcome of a deep, antagonistic divide between two political blocks, engaged in some version of the prisoners' dilemma, which is hardly a sign of institutionalization (Tóka 1998). In fact volatility is not a good measure for democratic consolidation in East and Central Europe, as the two are not closely related with each other (Tóka 1998: 591). But not only a too strong emphasis on volatility can be misleading.

In Central and Eastern Europe party membership is typically low, so are partisan identities, parties are weakly grounded in civil society, and financially dependent on the state (Tóka 1997, Enyedi 2006). That is, the institutionalization of parties can be a unit of analysis in party system models of the third wave of democratization, because as a consequence countries with weakly institutionalized systems are characterized by personalism and anti party politicians. (Mainwaring 1999) Creating a new framework for party system theory of democracies of the third wave of democratization, Mainwaring differentiate four dimensions of party system institutionalization. First, stability, which is understood as stability with regards to the electorate of a party. More or less stable electorates provide regularity in the patterns of party competition. Secondly, there must be strong linkages between parties and citizens. In more institutionalized systems, goes the argument, parties have strong roots in civil society. As a consequence of these linkages major parties have persistent ideological positions. Thirdly, political actors' accord legitimacy to parties, they see them as a necessary part of democratic politics, however critical they might be towards them. In other words, there are no major populist, anti-party type political leaders. Finally, in institutionalized party systems, party organizations matter. The organization has an independent status and a value of its own as opposed to the leading group of professional politicians. There is a routinization of intraparty procedures, including the changing of the leadership. Parties are not

subordinated to the will and interests to a leading clique or a charismatic leader. (Mainwaring 1999: 26-27)

Neither a main focus on electoral volatility, nor the elaborate model of Mainwaring is suitable to the proper analysis of party system institutionalization. Because these approaches does not concentrate on the systematic relationship between parties, but parties *vis-à-vis* the electorate or their own organization (Mair 1997). The model of Mainwaring does not make a distinction between party institutionalization and party system institutionalization (Randall and Svasand 2002, Casal Bertoá 2009). At least two of the four dimensions are rather an elaborate model of party institutionalization than party system institutionalization. In East and Central Europe well institutionalized parties are not a necessary prerequisite of democratic consolidation (Tóka 1997). Early party institutionalization can also significantly delay democratic consolidation. A hegemonic party with close ties to the former regime can emerge, and use the resources of the state to weaken its opposition, thus delay the institutionalization of other parties (Randall and Svasand 2002, Wallis 2003). “Backwardness” in this sense can prove to be a useful asset in the democratic and economic prospects for new democracies (Kitschelt 2001).<sup>2</sup>

### **1.2.3 Defining the patterns of competition: assessing party system change**

In the Czech Republic, Slovakia and Hungary between 1998 and 2008 more or less reliable patterns of competition emerged. Some political parties became surprisingly stable in spite of their weak institutionalization, and the weak sociopolitical differentiation of these societies. To evaluate systematic change in party systems, thus, a model that focus on the relationship

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<sup>2</sup> I will further elaborate on this in 1.4

between parties is needed, which measure the systemness of their interactions. The model of Peter Mair assesses changes and stability in the party system along the dimensions of the relation between political parties. (Mair 1997, 2006) This model focuses on change in the core of party systems. Party systems are structured by the competition for control of the executive power. Parties which count as the core of the system are thus those that are involved or have an impact on this competition. That is, party system change is a change in the structure of the competition. (Mair 2006: 65)

There are three dimensions of change in this model that should be assessed as units of analysis. First, change can be understood as change in the prevailing pattern of alternation in government. These patterns are the following: non-alteration, wholesale, and partial alteration. Second, the stability of governing alternatives has to be taken into account as well. To which degree for example are these consistent or innovative over time.<sup>3</sup> Third, the extent to which access to government is open or limited for parties must also be assessed (do only a few established parties have the chance to govern, or government position is accessible to a wide range of parties) (Mair 2006: 66).

Table 1. Party system institutionalization (operationalization)

Features	Institutionalized Party Systems	Weakly Institutionalized Party Systems
Alternation of government	Wholesale/Non (1)	Partial (0)

<sup>3</sup> For example Swedish block politics proves to be very consistent, even the parliamentary entry of an extremist party in 2010, which made a clear majority of either of the blocks impossible did not ended in an „innovation“ and the entry let’s say of the greens into the right-wing coalition government in order to secure legislative majority. This has of course a lot to do with the Swedish constitutional setup and political culture that makes minority governance possible.

Governing formulae	Familiar (1)	Innovative (0)
Access to government	Closed (1)	Open (0)

Source: Casal Bertoá 2009

Mair's model of party system change has been quantitatively operationalized by Casal Bertoá, in order to minimize judgments and opinion. As Table 1. shows, government changes are assigned a value of 1 on all variables which correspond to a closed structure, and a value of 0 on all variables which correspond to an open structure. The values of individual government changes are summed up and divided by the number of government changes occurred in the time period which is the subject of the study. (Casal Bertoá 2009: 15)

Table 2 Index of Party System Institutionalization (IPS) in the Visegrad Countries

Countries	Time span	IPS (%)
Hungary	1990-2006	77.8
Czech Republic	1993-2006	55.6
Poland	1991-2006	46.2
Slovakia	1993-2006	33.3

Source: Casal Bertoá 2009

In the case studies however, I will qualitatively evaluate what is behind these numbers, because this quantitative operationalization still does not control for within-block volatility. It is important to control for this, because without it a rather closed party system can be mistaken for an open one. There can be party systems for example in which two opposing blocks emerge with stable senior, but highly volatile junior partners. If the junior members of the respective blocks do not have coalition potential with the senior member of the other

block, the party system can be categorized more close than open. The alternation in government is thus in every case wholesale – which is measured by this model as well – but the innovative governing formulae and open access to government might be outweighed. It can happen that in one block there are less and less parties, because the biggest party incorporates the others (or just their voters). This is indeed no innovation. The other possibility is that although with every election new parties emerge, this takes place within well defined blocks and along existing, and persistent issue divides (Kitschelt 2001). In this case it should at least be assessed that in spite of the seemingly innovative governing formulae and open access to government, to what extent these junior newcomers are indeed new. Do they fill in the same ideological and programmatic niche in the block, hence the patterns of competition and political division do not change significantly, or do they represent systematic change in the core of the system?

In the Czech Republic and until very recently in Hungary, both seen as having highly institutionalized party systems, there is a clear, although quite different bipolar structure. A bipolar structure has emerged in Slovakia as well, despite continuous intrablock volatility (Enyedi 2006). At the time of the Slovak reforms, however, the left, nationalist camp was characterized by internal struggles between its leading figures Meciar and Fico. The nationalist, populist block was under construction. At the end of the term, however, it crystallized and provided the voters with clear choices in the 2006 elections. The left, nationalist block despite the electoral losses of the junior partners stayed remarkably stable. The Slovak right wing block can be considered stable as well, despite the volatility of the smaller partners of the SDKÚ. These new parties did occupy existing electoral niches on the right.

To conclude: analyzing party system change one should concentrate on changes in the core of the party system. Relevant changes, that is. Changes that lead to significant alternation in the relation between parties, the dimensions of the system and in the patterns of competition (Mair 1997, 2006).

### ***1.3 Party cleavages and patterns of conflict***

Does the ideological position of parties influence what kind of economic policies they implement once in power? There are two papers which both supported evidence to the importance of ideologies, but to different ones. According to O'Dwyer and Kovalcik besides party system under institutionalization conservatism is the main explanatory variable. In under institutionalized party systems with conservative incumbents at the time of the implementation of second generation reforms the neoliberal policy agenda was radically introduced. (O'Dwyer and Kovalcik 2007)

Communist successor parties that turned social democrat are to a greater extent responsible for economically more sound policies, for economic reform and have a better democratic performance than right wing parties, states the other. The main reason for this is that their initial pariah status gave them a bigger incentive to show their commitment to market economy, democratization and European integration than right wing parties emerged from former dissident organizations. Furthermore, these post-communist parties are held accountable for their economic policies to a lower degree than right wing parties, because their electorate chose them for something else (e.g. nostalgia for the safe communist days, the Christian, conservative, nationalist rhetoric of the right) (Tavits and Letki 2009) O'Dwyer and

Kovalcik also found an outlier that fits this pattern, Lithuania, where a left wing government introduced a competitive flat tax in 2005. (O'Dwyer and Kovalcik 2007: 22)

Although the two findings contradict with one another in the sense that they identify opposing ideological positions, they are indeed having an agreement, which is much more important. Both papers find not only that there is a causal relationship between ideological position of incumbents and economic policy, but more importantly both papers find that these ideological positions are the same throughout the sample. That is, with rather high confidence it is possible to predict the economic policies of a party after its ideological position. O'Dwyer and Kovalcik (2007) also claim that there is a causal inference between the party system institutionalization and programmatic competition in East Central Europe. That is, more institutionalized party systems are characterized by a programmatic competition on the classic left-right socioeconomic divide.

But something is not right with these findings, because they contradict with each other on exactly which ideological position makes a party more conducive to reform. The reason why they identify opposing ideological camps as reform and anti-reform forces, is that they err on the implicit, more important statement. It is indeed not possible to draw up more or less universally valid Left and Right economic policy positions in East Central Europe. (Vachudova 2008) I will argue here for the abandonment of any universalistic ideological explanation. The positions on economic policy and cultural issues the different parties take, and the salience of these (one over the other) should be evaluated against the backdrop of the different systematic divides in the respective party systems.



### 1.3.1 The impact of first elections and ethnic cleavages

What define party positions and party system divide in East Central Europe if not ideology? Especially what factors influence party system divides on economic policy? In Mair's words what are the patterns of conflict? What are those divides along which the opposing poles crystallize? There is an argument for a path dependency defined by the outcome of the first elections (Fish 1998). Where non-communist opposition came to power, economic reforms were implemented to a much greater extent than in those countries where the former communist stayed in power. This path dependency in many cases, however, in the second decade of transition seems to have been broken. Both Romania and Bulgaria, where the former communist kept their power (in the case of Bulgaria after a brief anti-communist government period) embarked upon reforms. Slovakia does not really fit this model, but the partial reform equilibrium (see Hellmann 1998) of the Meciar era resembles – not only in this sense – the nature of the Romanian and Bulgarian regimes in this period. Nevertheless, the impediment of reforms in the 90s did not have a lasting influence on Slovakian economic reform policies either. On the other hand, the leaders in reforms in the 90s, Hungary, Poland or the Czech Republic did not introduce such radical second generation reform agendas. The first elections thus, do not define the party system in the long run. Despite the partial reform equilibrium and the fragmentation of the moderate right until the second half of the 90s, the main systematic characteristic of the party systems of these countries is no longer an all defining divide between a clientelistic, nationalist communist successor party and its diffuse opposition.

Do ethnic cleavages have a long lasting effect? In countries, like the Czech Republic, Poland and Hungary where there are no sizable ethnic minorities that can be presented as a threat to

the unity of the nation, it is not possible to mobilize voters along ethnic nationalism. As a consequence, the socioeconomic divide in the party system is not distorted by nationalism as in Slovakia, Romania and Bulgaria. (Vachudova and Snyder 1997) This model neither did endure the test of time. In Slovakia, although ethnic nationalism is a still salient issue, it seems to be outweighed by other issues or at least cross-cut and subordinated by the left-right divide in the country (which is nonetheless by no means a pure socioeconomic divide). Moreover, although the new party that attracts the most ethnic Hungarian votes, the Hungarian dominated but multiethnic, multicultural and conservative-liberal Bridge (Most-Híd, even the name is supposed to symbolize its multicultural appeal) belongs to the right wing block, it is in a municipal coalition with Fico's Smer-SD in Kosice, the second biggest city of Slovakia. In Romania there are no ethnic-nationalist parties present in the parliament anymore, and the Hungarian Democratic Federation of Romania (RMDSZ) has the broadest coalition potential in the country. Despite the expectations based on the experiences of the early 90s, ethnic parties play a stabilizing role in the region (Enyedi 2006).

### **1.3.2 Historical legacies**

None of the above mentioned approaches explain the divide in party systems, and their predictions did not prove to be correct for the later stages of the transition process. But both described certain aspects of the emerging political divides correctly. Here again the problem with these explanations is that they connect the variance in post-communist democracies to a single variable. In order to draw up a framework for analysis for the patterns of competition, political divides and dimensions of post communist party systems I will base my analytical framework on the more sophisticated, historical legacy explanation of Herbert Kitschelt and his collaborators. (Kitschelt et al. 1999)

Kitschelt already at the outset of the transition observed that unlike in Western Europe where party systems were centered around a promarket/authoritarian versus antimarket/libertarian axis, in Central and Eastern Europe the main axis is around promarket/libertarian and antimarket/authoritarian. In less industrialized countries, such as Hungary, Slovakia and Poland „more parties are clustered around populist positions“ (Kitschelt 1992: 20). Kitschelt and his collaborators in their seminal work about post communist party systems (Kitschelt et al. 1999) elaborated on this early observation and presented a path dependence model that traces back the differences in the party system divide – i.e. the most salient issues, the level of programmatic competition – to the nature of the communist regime (and explains the variance in this latter with the societal and political characteristics of these countries between the two world wars). Different kind of communist regimes had different strategies towards their opponents, they had different level and sources of legitimacy, applied different kind of economic policies, and consequently these factors defined the strength of the opposition, the nature of the regime change, and the following transition process. (Kitschelt et al. 1999)

According to this model there were three main types of the East and Central European communist regimes, a bureaucratic-authoritarian, like in Czechoslovakia, a national accommodative, like in Hungary or Poland, and a patrimonial, as in Romania or Bulgaria. Kitschelt and his collaborators identify five main divide in post communist party systems, the political regime divide (the more the old regime relied on repression and less on co-optation, the more salient and durable this is), the economic-distributive divide, the socio-cultural divide, the national-cosmopolitan divide and the ethnic divide. The type of the communist

regime predicts – but not uniformly – the salience of these main divides in the party systems of East and Central European countries.<sup>4</sup> (Kitschelt et al. 1999: 64-69)

Bureaucratic-authoritarian regimes evolved in countries which were characterized by an already high industrialization, early secularization, and an existing socioeconomic class divide (a strong and organized working class), as well as experiences with democracy in the interwar period. These characteristics and the consequent repressive, orthodox Marxist nature of these regimes (relying on a professional and effective bureaucratic machine) left the economic-distributive issues as the dominant divide in the party system. The regime divide is not significant despite the strong repressive nature of the communist regime, because the orthodox Marxist post-communists are politically isolated. Patrimonial regimes were characterized by an intransigent ruling party that transformed the regime with preemptive reform (as the National Salvation Front in Romania), a corrupt and unprofessional party state that was penetrated by clientelistic networks, and a weak, disorganized, fragmented opposition, without any historical appeal to another form of modernization that of communism. In these countries there are reinforcing economic and political-cultural divide. The regime divide remains important even after the initial years of transition. (Kitschelt et al. 1999: 69-77) That is, economic divisions are of primary importance but are reinforced by socio-cultural issues (Kitschelt et al. 1999: 239). In national accommodative regimes, such as Hungary and Poland, the socio-cultural and national-cosmopolitan divide is cross cut with the economic-redistributive divide, with the dominance of the cultural divide. The communist regimes of these countries were characterized by technocratic experimentation with economic reform, co-optation rather than full blown repression. The economic reforms implemented

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<sup>4</sup> There are other typologies for the divides or cleavages, as in Hlousek and Kopecek (2005), but these are usually not as universal, and their categories can be described with the typology of Kitschelt et al. (1999).

under the communist rule, and the negotiated nature of the transition made economic issues less salient. Parties clustered around cultural, nationalist and religious divide. The party system of the post-national-accommodative communist democracy provides less relative representation on economic issues than in cultural ones. (Kitschelt et al. 1999: 387) The communist successor parties transformed themselves into social democratic parties, with culturally more liberal, secular views. The regime divide loses its initial importance. (Kitschelt et al. 1999: 69-77) In spite that in principle the economic policies of these parties were middle of the road, they embarked on economic reforms, implemented necessary adjustments. The Polish and Hungarian post-communist parties were more pro-Western, more pro-market than the center right parties. (Tavits and Letki 2008) In the 90s the most programmatic competition was observed in the post-bureaucratic-authoritarian Czech Republic, the competition in the national-accommodative Poland and Hungary were less programmatic and cultural issues were more important (although to a different degree), and the weakest programmatic competition was found in the patrimonial Bulgaria. (Kitschelt et al. 1999: 157-194)

Table 3. The Consequences of Communist Rule for the Party System

Type of Communist rule	Bureaucratic-Authoritarian	National-Accommodative	Patrimonial
Citizen-Elite Linkage	Stronger programmatic than clientelist	More programmatic than clientelist	Stronger clientelist than programmatic
Dominant Divisions of Party Competition	Weak regime divide, strong economic divide,	Weak regime divide, weak economic divide,	Strong regime divide, strong economic divide,

	weak socio-cultural divides	crosscutting socio- cultural divides	reinforcing socio- cultural divides
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Source: Kitschelt 2001

This model serves of course only as a sound theoretical foundation for the evaluation for party system divide, a blueprint for this aspect of the current analysis. The following development must be controlled for, and taken into account. Bipolar structure has been broken or changed (as in Slovakia, Romania and Bulgaria). The clientelistic post-communist nationalists and independence right (to use the term of Vachudova 2008) have been defeated after they dominated the political life in the 90s (Bulgaria, Romania and Slovakia) (Kureková 2006). They either changed into moderate social democratic parties as their Polish and Hungarian counterparts, or failed to do so and eventually fell out of the parliament as the Slovak HZDS. After the period of consensus between the major political parties for EU accession (during which euroskeptic, anti-EU parties were isolated), the moderate right has become in many countries after the accession euroskeptic (Vachudova 2008). This has of course a lot to do with a post-accession crisis in many countries. (Greskovits 2008) It was also pointed out that the regime divide – i.e. anti-communism – did not disappear in the national accommodative regime after the initial period of the transition. It has indeed been an important marker of right-wing identity, as the case of the Hungarian Fidesz or the Polish PiS demonstrate (Enyedi 2006).

Party system institutionalization should be assessed together with the patterns of conflict in the system. If controlled for this I expect that the causal relationship merely between the level of party system institutionalization and the level of programmatic competition will not stand. System divide can also consolidate party systems to a degree in spite of a high volatility, if

parties tend to cluster around the same divisions. If left and right for example are meaningful cues – whatever these might mean in a given country – despite changing party labels voters are able to make real choices. Thus, the system might be at least partially consolidated.

#### ***1.4 Research questions and hypotheses***

Is there a causal inference between party system institutionalization and the implementation of second generation reform? Party system institutionalization as I have shown cannot be measured only through net aggregate electoral volatility. Assessed with the model of Mair (1997, 2006), with a control for intra-block volatility (Bartolini and Mair 1990), and with a qualitative assessment of the particular cases, I do not expect party system institutionalization to explain the variance in second generation reforms. Thus I will state a 0 hypothesis:

Hypothesis<sub>1</sub>: Party system institutionalization does not explain the variance accounted for in second generation reforms across the sample (the Visegrad countries).

As I have argued, instead of ideological divide the patterns of conflict should be assessed. I expect that the stance of the left and the right on economic reforms will vary from country to country according to the model of Kitschelt et al. (1999). There will not be an ideological position that universally defines the stance on economic policies across the sample.

Hypothesis<sub>2</sub>: The party system divide and patterns of conflict largely define the variance accounted for in second generation reforms in the respective East and Central European countries.

I expect, however, that party system divide and patterns of conflict will not explain the variance in second generation reforms. There is not even a correlation between the two variables. In the analysis I show that the socio-economic cleavage is in fact the least salient in Hungary and Poland, neither of the two countries, did introduce comprehensive second generation reforms. I also show that only the most programmatic Czech party system fit the original hypothesis of O'Dwyer and Kovalcik: the socio-economic cleavage had a clear and decisive primacy, and no second generation reforms were introduced (although I give an alternative explanation for this). In Slovakia the socio-economic and cultural divides mutually reinforced each other and second generation reforms were introduced.

To find some plausible explanation for the variance of second generation reforms one will have to look somewhere else. Vachudova (2008) argues for crisis as the explanation for economic reforms. Crisis as a cause for reforms is not only methodologically problematic, because it is not falsifiable, but it still does not explain the variance in the implemented policies. It neither explains why different countries act in different pace (Rodrik 1996). However, crisis can explain the opportunity for reform (Rodrik 1996, Györffy 2009). The implementation of a radical neoliberal agenda is a product of many factors, of which crisis, thus, only provide the opportunity.

Radical second generation reforms were introduced in countries where –to borrow the terms of Vachudova (2008) – a nationalist communist, in case of Slovakia an independence right party dominated the first decade of the transition. These regimes were characterized by clientelism, and consequently a partial reform equilibrium (Hellmann 1998). The rule of these parties was often on the edge of semi-authoritarianism. Randall and Svasand (2002) drew attention to this problem by Third World experiences. The uneven institutionalization of



parties cause that one party with ties to the former regime emerge as the dominant player. These incumbent parties capture the state and are able to successfully delay the growth and institutionalization of potential contenders. As another scholar put it, „the playing field is tilted in favor of parties that continue to enjoy privileged access to state resources“ (Wallis 2003: 21). Corruption, economic mismanagement and an underperforming economy led to that these countries lagged behind their neighbors and their euroatlantic integration was seriously threatened to halt. Parties were clustered either around the incumbent or against it. This perception of a deep political and economic crisis – the waning prospects of convergence with the region, and of European integration process, as well as the politicization of the economy – helped to forge a consensus for the implementation of a radical reform agenda on the moderate right in Slovakia (Fisher et al. 2007). Similar tendencies could be observed in Bulgaria and Romania as well. Reform in these countries became a necessity.

Hypothesis<sub>3</sub>: Slovakia because of the partial reform equilibrium and authoritarian tendencies in the 90s, were more inclined to implement second generation reforms.

I must stress, that this hypothesis is limited to Slovakia, and could be probably tested successfully on Romania and Bulgaria as well. In the case study I show how the legacy of the Meciar-regime helped the implementation of radical second generation reforms. Nevertheless, this hypothesis would certainly not hold in the case of the Baltic countries.

## 2. The Case of Slovakia

In this chapter I test my hypothesis on an analysis of Slovakia, with the use of the analytical framework established above. In a subsequent chapter I contrast my findings with the other three Visegrad countries.

Once the laggard of the region, it has become the front runner of economic reform after 2002 (Győrffy 2009, O'Dwyer and Kovalcik 2007). Yet, this is not as simple as it seems at the first glance. A closer look would perhaps alter this perception. The country did not perform badly in macroeconomic terms at all before the implementation of second generation reforms (see Table 4). The situation, however, by 1997-1998 deteriorated (Greskovits 2008b, Kureková 2006, Carpenter 1997). Moreover, while in Hungary, the poster boy of transition in the 90s, the independence of the governor of the central bank was always questioned – in several occasions even to the point of open hostility between the central bank and the government –, in Slovakia this was never the case (Greskovits 2006, 2008b). Despite its relatively high level of economic and institutional transition, Slovakia – together with Romania and Bulgaria, which did significantly far worse according to every transition indicator – was left out from the first group of countries that gained candidate status to the EU. The problem was more of political, than of economic nature (Greskovits 2008b, Carpenter 1997). The country has become a black hole for investors, and lagged behind in the EU accession process because of the nature and practices of the Meciar regime.

Table 4. Aggregate Cumulative EBRD Index of the East Central European States in 1998 (the maximum score is 4, 33)

Bulgaria	<b>Czech Republic</b>	Estonia	<b>Hungary</b>	Latvia	Lithuania	<b>Poland</b>	Romania	<b>Slovakia</b>	Slovenia
2,75	<b>3,45</b>	3,41	<b>3,71</b>	3,04	3,04	<b>3,5</b>	2,66	<b>3,25</b>	3,2

Source: EBRD country report 1998 (calculation of the author)

What was the nature of this political problem, and how did it affect second generation reforms? In the following sections I first evaluate the party system institutionalization argument, and find that it does not explain the radical second generation reform agenda chosen by the right wing government from 2002. I also check the patterns of conflict, to assess whether economic issues were subordinated to socio-cultural issues. I find that the salience of economic issues did in fact increase largely due to the structural change in the party system after 1998, as the HZDS gradually lost its former dominant role. At the end of the chapter I will assess the legacies of the 90s, the illiberal, semi-authoritarian attempt of Meciar to secure its rule. I find that an experience of an emerging partial reform equilibrium, clientelistic network building, the perception of economic and political crisis, the threat of being left out from the European integration process helped to create the window of opportunity for radical reforms.

## ***2.1. Party system institutionalization in Slovakia 1998-2006***

It is conventional wisdom that Slovakia produced one of the most volatile party systems in East and Central Europe. Its democracy is however consolidated at the end of the 90s. Slovakia is in fact one of the best examples of the harmful consequences of uneven party institutionalization (Randall and Svasand 2002), which contributed to the delay of the consolidation of other parties. But did this high electoral volatility provide the insulation of

the government for the implementation of second generation reforms? Is it the most significant explanatory variable for the implementation of second generation reforms?

The aggregate net volatility between 1992 and 1994 was 55.1%, between 1994 and 1998 it dropped, but was still very high 40.9%. It, however, dropped almost to the half of the 1998-2002 figure by 2006 to 24.5%, in 2010 there were no change, the volatility was 24% again. While 24% is very high by Western standards, volatility in the Czech Republic, which is often called as highly institutionalized was at 16% between 2002 and 2006, but it rose to 36% between 2006 and 2010 (data: O'Dwyer and Kovalcik 2007, and calculations of the author). What happened in Slovakia that volatility declined?

The trend in volatility is linked to the change of the party system divide and government formation, that is, changes in the core of the system. Between 1992 and 1998, the HZDS dominated the political life of Slovakia. Its share of the votes in the three elections in the period was 37.3%, 35% and 28.7% respectively. In 1998 only a broad and ideologically heterogeneous coalition could defeat it. Isolated and with its share dropped to 19.5%, it still kept its position as the biggest party of the country even in 2002, but could not get out from the political isolation, this time strengthened by the EU as well (Vachudova 2006).

Thus, what we see in volatility until 1998 is one institutionalized party, that keep its power by polarizing the political life and building clientelistic networks (almost institutionalizing these) (Fisher et al. 2007), and successfully using state resources to impede the institutionalization of other political actors. From 1998, however, the volatility starts to decline, because from the heterogeneous coalition that ousted the HZDS new right and left-wing actors emerged. These had relatively stable electorates but highly volatile junior partners (eventually the HZDS itself

became such a junior partner). The transformation that had started in 1998, finished in 2006. By this time there were two blocks, with still high within block volatility (especially on the right), but stable senior parties, the Smer on the left, and the SDKÚ on the right. Assessing the tendency with Mair's model that focuses on government formation: the alternation between 1998 and 2010 is wholesale, the government formulae from innovative becomes more familiar (in fact the innovation is due to the emergence of Smer, which seemed to have secured its dominance over the left, and the volatility within the right), the access to government is open. But if one takes a closer look on this openness, it becomes clear that from a structural point of view, the access to government is rather closed. In the left and national radical block, Smer became the only actor (SNS just was able to reach the 5% threshold in 2010 thus at least for now delayed the total incorporation of this political pole into Smer). While on the right, the two new comers, the liberal Freedom and Solidarity, and the more pragmatic and multicultural Hungarian party, the Híd-Most, with Béla Bugár a veteran of Slovak politics, occupied the same positions as their respective predecessors. However, the tendency is clear, the Smer and the SDKÚ are the two poles in the party system. The Christian, liberal and ethnic Hungarian parties belong to the right, the nationalist and populist parties to the left wing block (SNS, HZDS).

To assess whether this process of change between 1998 and 2006 favored the implementation of second generation reforms, the patterns of competition have to be examined.

## ***2.2 Patterns of competition in Slovakia 1998-2006***

In this section I examine the claim that the multi-dimensional Slovak party system divide contributes to the insulation of reformers. I find that the salience of the economic-

redistributive divide increased steadily, as the socio-cultural (nationalism and authority) divide lost its dominant structuring position, to a large degree due to the reform process. In the 2002 elections partly, and in 2006 clearly, economic issues played an important role. The downfall of HZDS and the emergence of Smer are evidence to this tendency.

In 1998 the rule of HZDS ended in an election that was called pivotal (Kureková 2006), and watershed (Vachudová 2006) by scholars, and marked the end of an illiberal development of Slovak democracy. An exceptionally high 84% turnout also signaled the importance of this election (Bútorá and Bútorová 1999). The rule of the third government of Vladimir Meciar was characterized by openly unconstitutional practices, as the deprivation of two MPs from their mandates, or the abduction of the son of the president of the republic – organized by clandestine agencies – who opposed Meciar (Haughton 2001, Kureková 2006). Corruption, an increasing clientelism, an open hostility towards foreign capital also was distinctive features of the reign of Meciar. In 1995 only five out of 367 privatization decisions favored foreign investors, and this rate dropped to a mere 2 out of 400 in 1996 (Haughton 2001). These practices eroded the reputation of Slovakia in the eyes of such organizations as the European Union or the NATO. The hysterical reactions of HZDS prominents to foreign criticism just made the already existing tensions more severe (Greskovits 2008b).

Not surprisingly the main, all subsuming cleavage in the party system became that on authority by 1998 (Deegan-Krause 2004), or in other words the character of the regime (Hlousek and Kopecek 2005). Meciar were able to maintain its political dominance through the polarization of the Slovak electorate around national and authority issues. This polarization however resulted in an unlikely tight cooperation among those parties that were pro-European integration and anti-authority (i.e. anti-Meciar-regime). With the defeat of the

HZDS in 1998 the importance of the socio-cultural and regime divide started to fade, and by 1999 the divide on authority was at the same level as the slowly, but steadily emerging divide on economy. (Deegan-Krause 2004: 266-270).

The political fortune of Meciar with this restructuring of the patterns of competition in the Slovak party system started to decline. In 1998, Meciar's party received the most votes (27%), but had to move into opposition, as its opponents formed a broad coalition over ideological and ethnic lines, as the governing coalition entailed beside the right-wing, Christian-democratic Slovak Democratic Coalition (SDK) the post-communist SDL, the Party of Civic Understanding, and the united Hungarian ethnic party (MKP) as well (Deegan-Krause 2004, EuroStat). The new coalition turned Slovakia back on the European integration track, Slovakia became a candidate of the EU in 1999, and the NATO membership became a possibility again. The anti-HZDS coalition, however, due to its heterogeneous character was unable to come to an agreement on economic reforms. It did have to act, nonetheless, in many areas due to the inherited macroeconomic imbalance, and a banking sector on the edge of insolvency. Fiscal prudence, although it slowed GDP growth, helped to achieve macroeconomic balance (Fisher et al. 2007).

In 2002, the share of the votes of HZDS fell to 19.5% at a significantly lower, but still relatively high turnout (70% as opposed to 84% four years earlier) (Deegan-Krause 2004, EuroStat). HZDS again, despite still being the biggest party found itself in opposition, this time facing an ideologically more homogeneous right-wing coalition. The divides in the party system was about to radically change. The stabilization and the debate on economic reform helped the divide on economy became more and more salient. This was signaled by the emergence to the third position of a new party, the Smer (Direction) of Robert Fico, for which

support depended more on economic attitudes than socio-cultural issues (Deegan-Krause 2004). The weakening, and isolation of HZDS, and its inability to redefine itself in a changing political environment, made the party the biggest loser of the 2002-2006 term. It lost its dominant position. The HZDS desperately sought a way out from the political isolation which was largely due to an open warning from the EU to the people of Slovakia, which made the 2002 elections to a choice between Europe and Meciar (Vachudova 2006). The HZDS rejected a support for vote of confidence, after the Dzurinda-government due to defections lost its majority in the parliament, and supported the right-wing government on many accounts. Prime minister Dzurinda did not exclude a future coalition between his new party the SDKÚ and the HZDS (although the other parties of the coalition did not support the idea). Meanwhile Smer became the fiercest opposition to reforms, and the HZDS lost its momentum. Fico realized the salience of economic issues, and in spite of its initial ambiguous position on the left-right divide, grasped the left, anti-liberal pole. The renaming of the party in 2004 to Smer-Social Democracy (Smer-SD) made this official, and easier to voters to identify the party as the opposition to the neoliberal reform agenda of the conservative-liberal coalition government (Hlousek and Kopecek 2005, Hamberger 2007).

This strategy paid off well, as Smer in the 2006 elections became the biggest party of Slovakia, and was able to form a government with the SNS, and Meciar's HZDS. The record low turnout (55%, EuroStat) helped the radical nationalist SNS reenter the parliament. As Greskovits (2008b) notes the Slovak population reacted on the reforms with radical voice (food riots and violent demonstrations against the radical cuts in welfare subsidies), and mass exit (the low turnout shows this clearly). The entry of SNS and HZDS into the government made national issues, especially anti-Hungarian sentiments salient. The assumption, however,



that the economic was subsumed by ethnic and socio-cultural divide, as in O'Dwyer and Kovalcik (2007) does not hold.

The party system divide in Slovak politics between 1998 and 2006 shifted from the authority, socio-cultural divide and the insignificance of the economic divide, to a strong economic divide with reinforcing socio-cultural divides. The ethnic divide does not structure the party system *per se*, but fits into this pattern. (The emergence of the multicultural Híd-Most as the Hungarian party, the decline of the ethnic Hungarian MKP, as well as the SNS in the 2010 elections – although the latter was able to cross the 5% threshold – signals the subordinated role of the ethnic cleavage in Slovak politics.) By 2006 a traditional left-right economic-distributive divide cross cut, and reinforced by socio-cultural divide on ethnic, and national issues emerged. The initial observation of Kitschelt (1992) in the case of Slovakia hold, pro-market forces are less authoritarian, more liberal, and less nationalistic, while anti-market forces are more authoritarian, and nationalistic. In Slovakia the role of communist nationalists was played by the independence right of HZDS, which by 1994 – together with its radical allies – became left leaning on economic issues. Since the HZDS was not able to transform itself for a more programmatic competition, its position, eventually together with most of its voters, was taken by the openly left populist Smer-SD.

Between 2002 and 2006, when the second generation reforms were implemented, the opposition was not able to obstruct them, and could not channel public dissatisfaction successfully (O'Dwyer and Kovalcik 2007, Fisher et al. 2007). It was largely due to its internal divide. Volatility however fell, and that party became the largest party of the country – a position that it did not lose since – which ran on anti-reform ticket. It might be correct that the lack of an existing salient programmatic division and a presence of a relatively high

volatility, and a fragmented opposition made the implementation of reforms possible, on the other hand reforms helped to strengthen programmatic competition. As the defeat of the right and the following wholesale alternation showed, vertical accountability existed and worked in Slovak politics. Furthermore the salience of the economic-distributive divide rose from 1999 gradually, but steadily. Thus, claims about the role of party system under institutionalization and the socio-cultural and ethnic divide that helped to insulate reformers should be handled with care. The underlying assumption that the democratic quality of Slovak democracy is low, hence the possibility for a comprehensive second generation reform agenda, at least on the ground of the above examined indicators, such as party system institutionalization and the patterns of competition, cannot be confirmed.

### ***2.3 The role of illiberal legacies***

Between 2002 and 2006 a comprehensive neoliberal reform agenda was introduced in Slovakia. It comprised of the following policies:

- Flat tax: introduction of a 19% flat tax
- Public finance responsibility: transparency budgetary framework, introducing program budgeting
- increasing the flexibility of the labor market
- easing the process of establishing business
- social policy reforms: reducing the unemployment insurance from 9 to 6 month, and from 60% to 50% of the former gross income, receiving unemployment benefits became a condition for actively searching for job, employers had to pay for the first 10 days of sickness benefits (this was created as an incentive for monitoring)

- the retirement age was raised to 62 years, and a three pillar pension system was introduced
- in health care the insurance market was opened for private competitors, and co-payment fees were introduced
- judicial reform: the penal code became more rigorous (the three strikes was introduced for example), and anti-corruption measures was also implemented
- tax incentives and direct subsidies for foreign investors

(Source: Györffy 2009, Fisher et al. 2007, O'Dwyer and Kovalcik 2007)

In this section I will argue that the causes for this strict and radical reform agenda can be found in the legacies of the hegemonic regime of the 90s.

Fisher et. al (2007) gives a comprehensive account of the malpractices of the Meciar-era. Meciar's coalition captured the state, and used the economic transformation process for the building of clientelistic networks. Slovakia, under the rule of the HZDS, - because the Slovakia received the lowest share of FDI in the region – took foreign loans to finance growth with credit transfers to political clients of Meciar and his allies. The partial privatization of banks, politicized lending, the rampant evasion of tax and social payments, expensive, inefficient and corrupt subsidies for the defense and construction industry, and unreformed welfare system, together with countries international financial and political isolation led to a severe crisis. (Fisher et al 2007: 988-989) Meciar based its rule on the refusal of the radical market reforms of the Czechoslovak Klaus-government that had affected Slovakia far worse than the Chech lands.<sup>5</sup> His rule was characterized by the refusal of the liberal democratic and market liberal principles. This aggressive illiberalism, the resulting perception of political and economic crisis, and the credible threat of being left out form the EU, all contributed to an

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<sup>5</sup> Between 1990 and 1992 GDP declined by 22% and employment decreased by 13%, whereas in the Czech part of the country the corresponding figures were 13% and 9% respectively. (D. Györffy 2009: 165)

epistemic community that see the solution for the problems of the country in liberal reforms (Fisher et al. 2007).

### **2.3.1 The role of conditionality**

This alone is, however, not enough to account for the success of second generation reforms in Slovakia. Romania also had a watershed election that ousted the post-communist nationalists from power in 1996. The new, heterogeneous government however, was unable to introduce the necessary reforms that would have been able to set the country on a radically different path (Gross and Tismaneanu 2005). This is clearly reflected in the party competition. The 2000 elections brought back a somewhat reformed post-communist party into to the power. This in fact almost happened in Slovakia as well, in spite of the successes of the anti-Meciar coalition between 1998 and 2002, both in putting back the country on the European integration track and solving the countries macroeconomic problems. If it were not for the split of the radical Slovak National Party, which resulted in the party not being able to meet the 5% threshold, the Slovak right-wing coalition could not have got the chance of governing in 2002. The extreme conditionality for the opportunity for second generation reforms in Slovakia cannot be exaggerated.

Even to their own surprise, the conservative and liberal parties were able to form an ideologically and programmatically homogeneous government in 2002 (although in socio-cultural and religious issues the Christian Democrats and the liberal ANO did not have much in common). Despite the efforts of the first Dzurinda government, the credibility of Slovakia among investors was not established, because of fears of the return of Meciar to the government. This pushed the new government to enact further reforms. Fisher et al. (2007),

just as O'Dwyer and Kovalcik (2007) emphasize the strong belief in neoliberal principles of the key ministers of the Dzurinda-government. The sociological composition of the government, young and Western educated, also played a key role. Vachudova (2006) emphasize the role of the influence and coercion of the European Union in stabilizing the liberal democratic and market liberal turn of such countries as Slovakia, Bulgaria, Romania, Croatia, and even Serbia. However, internal political factors had a bigger influence on the particular reform agenda the second Dzurinda-government has chosen, because the EU – although promoting market solutions – did not advise such radical measures (Fisher et al. 2007). Second generation reforms showered the country with appraisal from international economic organizations. The World Bank named Slovakia the world's leading economic reformer in 2004. The number of large scale investment project rose immediately from 25 in 2002 to 47 in 2004. Car manufacturers like Kya, Peugeot, Hyundai, and the electronics giant Samsung all chose Slovakia (O'Dwyer and Kovalcik 2007). But the government had internal political incentives as well to put Slovakia on a radically new path.

### 3. The Czech Republic, Hungary, and Poland

How did party system institutionalization, the patterns of conflict affect the chance for second generation reforms in the other three Visegrad countries, the Czech Republic, Hungary, and Poland? The second generation reform agenda between 1998 and 2008 is rather absent in these countries, although Hungary in 1997, and Poland in 1999 implemented pension system reforms. In this chapter with a parallel analysis of the three countries I will show:

- a high volatility in Poland, and in comparison with Hungary rather more open than predictable patterns of competition in the Czech Republic (Millard 2007) did not contribute to the implementation of second generation reforms;
- despite the weakness of programmatic competition *vis-à-vis* the salience of socio-cultural issues, a Slovak-like second generation reform agenda were not implemented in Poland and Hungary;
- the decline of volatility in Hungary did not lead to an increased programmatic competition, the divide on socio-cultural issues remained salient;
- the declining volatility in Hungary is not necessarily a sign of societal embeddedness of the parties (Enyedi 2006b), but rather due to a high polarization of the party system (Tóka 1998);
- party positions on the economic-distributive divide do not fit a universal left-right pattern;

In two separate subsections I give a concise summary on the party system change and the patterns of conflict in each country. Both subsections end with a respective conclusion where I compare the three countries with each other and Slovakia. A third, separate subsection will be devoted to the second generation reforms in each country. Here I analyze the inference

between the party system institutionalization, the patterns of conflicts and second generation reforms and test the hypotheses.

### ***3.1 Party system institutionalization***

#### **3.1.1 Czech Republic**

There is a widely shared perception that the Czech Republic is one of the most institutionalized of the East and Central European party systems. This may be true, but one should not conclude that the party system of the Czech Republic is institutionalized. The two statements mean something else. The net aggregate volatility decreased in the Czech Republic between 1998 and 2006. However, it was not paralleled by stable government formation. On the contrary, between 1998 and 2002 a minority cabinet of the social democrats (CSSD) governed with the help of an agreement with the center-right ODS that secured its position in the government. In 2002, the CSSD formed a government again. This time a heterogeneous a coalition government with two right wing parties, the centrist KDU and the liberal US. The coalition government had only a minimum majority of 1 in the Chamber of Deputies. This made the government highly unstable, and it collapsed after the 2004 European Parliament elections (Kopecky 2006). The situation did not improve in 2006 either, as both sides had exactly 100 seats out of 200 in the Chamber of Deputies. A grand coalition between the ODS and CSSD was out of the question, and as the communists were still isolated, the the ODS had the chance of forging a conservative-liberal coalition. This proved to be highly unstable again, and in 2009 it lost of a vote of confidence.

Despite unstable governments, parties became stabilized and stable by 2006, only two deputies left its parties between 2002 and 2006 (Millard 2007). In 2010, however, the picture changed again, aggregate volatility rose (from 16% to 36%), and the two big parties, although keeping their positions, were the biggest losers of the elections. The ODS fell behind with almost 15%, the CSSD with 10%. The Communist proved to be quite stable, and two new centrist parties profited from the electoral losses of the social democrats and the conservatives. The access to government in the period was open in the sense that all parties except the communist were able to participate in government. The alternations were not wholesale, but partial, and the governing formulae were innovative due to the emergence of new parties as the Greens in 2006. The party system was characterized by the opposition of the CSSD and the ODS, rather volatile center and liberal parties with a coalition potential to the both big parties, and an isolated communist party (Millard 2007).

### **3.1.2. Hungary**

The general trend in the Hungarian party system was concentration from 1998 and 2006. Parties became both institutionalized and stable. Already by 1998, two almost equal sized blocks stabilized the post-communist socialists with the liberals as the junior partner, and a conservative block lead by Fidesz (Enyedi 2006b). Between 1998 and 2002 Fidesz finished the concentration and incorporation of the right. The populist Smallholder Party did not survive the coalition with Fidesz. It was picked apart by internal struggles, and corruption scandals. The extremist MIÉP did not survive the 2002 elections, because the extremely polarizing and hysterical campaign resulted in a record high, 70.53% participation which put the party under the 5% threshold. The liberals had a brief attempt to overcome the block barriers, but they did not succeed. In 2002 Fidesz could have only continued to govern with



the liberals as a junior partner, but by then the mutual hostility between the two parties could not be overcome. In 2006 volatility fell to 6.6%, and concentration peaked. The two biggest parties together received more than 85% of the votes, and the four parliamentary parties almost 97%. The alternation in government was wholesale in 1998 and 2002, and in 2006 the incumbent social-liberal coalition won a second term. The governing formulae were familiar and the access to government was closed. An extreme polarization lay behind this high level of concentration. As the analysis of the patterns of competition will show, as Enyedi notes, this stability was in fact relative and fragile, because it did not reflect any socio-structural divide or organizational isolation of constituencies. The polarization between the parties within the system contributed to this concentration and rigidity, not the social environment. (Enyedi 2006b: 199)

### **3.1.3. Poland**

The Polish party system stayed volatile and flux between 1997 and 2008. Parties came into and fell out of the parliament, merged, and split. In 2001 the liberals fell out of the parliament, and a populist euroskeptic party arrived, only to disappear on the next elections. In 2001 the former broad right wing coalition party, the Solidarity Electoral Action split, and the parties it consisted of ran separately. In 2005 the left collapsed. The post-communist socialists not only suffered a devastating defeat, but came only to the fourth place. An extremist party, the Self Defense came in to the third place both in 2001 and 2005. In 2005 two post-Solidarity right wing parties, the populist PiS and the centrist PO received the most votes respectively. In 2007, the populist, right wing League of Polish Families, and none of the offshoots of the Self Defense were able to gain enough votes to secure representation in the Sejm. The socialists formed an electoral coalition, but it did not lead to the expected results, they were still not

able to regain their former structural importance. They remained in opposition, far from the real stakes in the political competition, which was now on the right (Millard 2007, Szczerbiak 2006).

Aggregate volatility showed a declining trend: it fell from 49.3% in 2001, to 38.39% in 2005, and eventually in 2007 to 24.94%. Although this was the lowest level of volatility in post-communist Poland, it was still very high according to Western standards. Election turnout rose from 40.6% in 2005 to 53.9% in 2007, the highest ever in legislative elections after 1989. However, this is still lower than the average turnout for those countries that joined the EU in 2004, which was at 64.9% between 1994-2003 (Poland included). These are all signs of a somewhat modest consolidation. Taking into account the low institutionalization of parties, their low links to voters, and the high level of personalism that still characterized Polish politics (turnout on presidential elections was always higher than on parliamentary elections), this consolidation seems even vaguer (Szczerbiak 2008: 431-432).

Governmental stability was higher than in the Czech Republic, with the exception of the populist, catholic and extremist coalition lead by PiS between 2005 and 2007. During the then years assessed here, there were wholesale and partial alternation of governments, the access to government was rather open, and the governing formulae innovative. In Poland however, there were clear majorities, governments were not paralyzed as in the Czech Republic.

### **3.1.4 Conclusion**

With a closer look at the party systems of the other three Visegrad countries it seems that not Slovakia, rather Hungary is the outlier. The Slovak and Polish volatility was both large, and

the Polish party system seems far more chaotic than the Slovak. Moreover the Polish system lacked a clear pattern of government formation in this time period, while this was not the case in Slovakia. Both the Slovak and the Polish party systems, however, showed decreasing levels of volatility and increasing consolidation. In the much lower volatile Czech system parties were not able to form stable governments. The distinctiveness of the Czech party system is an insulation of the communists, and small, middle sized conservative and liberal parties that have a coalition potential both to the left and the right. However, in the Czech Republic in this time period the isolation of the communists, the third biggest party of the country, resulted in an inability to form stable governments. The highly concentrated Hungarian block politics resembled the post 2006 Slovak party system in the sense that there was no cross block coalition potential of parties. But unlike in Slovakia, the system was rigid, with no within block volatility and changes. Beside the two giant parties there was little room of maneuver for anyone.

### ***3.2 Patterns of conflict***

#### **3.2.1 The Czech Republic**

The Czech Republic was characterized by Kitschelt et al. (1999) as the country with the most Western-like party system divide in the post-communist world. Already in the first decade of the transition the party system of the Czech Republic showed the greatest programmatic competition and a dominance of the economic-distributive cleavage. Moreover, party positions on the left-right axis corresponded the most with the Western European ones. That is, the right in the Czech Republic was economically liberal, pro-market, while culturally more conservative, than the culturally more liberal, and economically more solidaristic,

populist left (as the communist were isolated in the entire period, and did not affect the patterns of conflict, the term left here is restricted to the social democrats). A highly volatile liberal pole existed as well, which were culturally liberal, and economically market oriented.

In 1992 the political agenda concentrated around the question of market reform to such a degree, that the Czech party system was close to being one dimensional (Mansfeldová 2004). Although this broke up with the closing of the period of radical reforms and large scale privatization, socio-economic questions, along the traditional, Western-type economic left-right still defined the patterns of conflict in the party systems. Socio-economic questions stayed as the most salient issues for voter identification as well (Mansfeldová 2004, Hlousek and Kopecek 2005, Novak 2010). From 1998 on, however, new cleavages started to manifest. The most salient one was a socio-cultural cleavage: cosmopolitan versus national orientation as described by Mansfeldová (2004), or a divide between those culturally, and by attitudes more liberal versus more state-centered, authoritarian as it was identified by Hlousek and Kopecek (2005).

If the limited electoral success of the Freedom Union in 1998 could be interpreted as evidence to the increasing importance of a cultural divide, the fate of the party was evidence to the continuous dominance of the socio-economic divide. The culturally liberal, economically pro-market US were not able to create a new, cultural cleavage which would be equally important as the economic-distributive divide. In fact the 2002 coalition with social democrats eroded the support for the party, and led to internal strife over the economic policy of the government the party was part of. The party literally disappeared in the 2006 elections. But cultural issues became important for the ODS as well, its cultural conservatism and nationalism found its best manifestation in an increasing euroskepticism (Mansfeldová 2004, Hlousek and Kopecek

2005, Vachudová 2008). Although it never evolved into the opposition of the EU membership of the country, the party became one of the most outspoken critiques of an overstretching integration, and one of the most ardent defenders of national sovereignty within the EU. Euroskepticism, however, did not become a structuring factor for the party system. The cosmopolitan-national divide is cross-cutting with the left-right divide on economy at best (Mansfeldová 2004), but it stayed subordinated to the socio-economic divide between 1998 and 2008.

### **3.2.2 Hungary**

In Hungary the patterns of conflict between the parties was defined by cultural issues. This prevalence of cultural issues over the economic-distributive divide was linked to the conflicts within the elite. The similarities on non-economic issues overwrote party stances on economic policy as well (Enyedi 2006b, Tóka 2004). The choices and behavior of parties had the biggest explanatory power for the party concentration and the resulting culturally defined one dimensional left-right divide. As Tóka (2004) shows by 2002 citizen level links between economic policy, religion, anti-communism and nationalism do not account for linking religion to anti-communist, and nationalist issues on the party level. Moreover, correlations between economic policy attitudes and attitudes on the three non-economic issues dimensions did not explain why the latter three are separated from the economic-left right dimensions. Neither was the decisive ideological party stance that linked anti-communism, nationalism and clericalism together corresponding to the attitudes of the people on these issues (Tóka 2004: 317).

Thus, collective political identities were built around cultural elements, not on economic issues. The right in Hungary means Christian-nationalist, morally and culturally conservative and anti-communist, while the left is perceived to have a cosmopolitan, libertarian stance on moral and national questions, and communist legacies (Enyedi 2006b). Some sociological determinants of voting behavior had significance at the outset - such as membership in communist party, age, education – but gradually lost their importance. Others, such as being a non-religious, former communist party member manager above 45, or being a church goer between 30 and 60 with no former membership in the Hungarian Socialist Worker Party (MSZMP) had a large impact on voting behavior, but these groups were insignificant (2-3% of the electorate) (Enyedi 2006b: 195).

Initially the reformed, turned social democratic former communist party was clearly a party of the losers of the transition. Their 1994 landslide victory was largely thanks to their image as good managers, technocrats and to a nostalgia for the relative social security of the Kádár-regime. By 1998, however, after tough austerity measures aimed at avoiding a crisis and achieving macroeconomic balance, socialists were no longer the party of those who had enough of economic liberalism. The left block comprising of the post-communist MSZP and the former dissident, pro-market, culturally liberal SZDSZ was ready by 1998 (although the liberals made a last failed attempt in 1999 to break out of block politics), and was cemented by the right wing rule between 1998 and 2002. Meanwhile Fidesz finished the establishment of the united right wing block. The corruption scandals and endless internal strife of their coalition partner, the Smallholder Party, did not affect the popularity of Fidesz. They were able to successfully incorporate the rural electorate of the Smallholders. The existence of the two roughly equally sized blocks lead to ideological polarization in order to mobilize on the one hand, and a welfare populist consensus on the other in a bid to attract the median voter.

This competition gave economic issues salience, but it was cross-cut by, and subordinated to the cultural left-right axis.

The two opposing blocks portrayed Hungarian politics always as a dichotomy between the forces of the past (the post-communist MSZP) and the future (Fidesz), the autocrats (Fidesz) and democrats (MSZP). The leak of the infamous lie-speech of the socialist prime minister in the fall of 2006, and the following riots lead to again the subordination of programmatic competition. While the socialist-liberal government tried to introduce some kind of cautious reforms, and had to introduce austerity measures, the political debate was not about different economic strategies. Fidesz opposed any kind of market reforms, any kind of cut in government spending, and mobilized against these. The results of 2004 referendum, started by Fidesz on citizenship for ethnic Hungarians in the neighboring countries and on the privatization of hospitals showed that welfare questions are more important for the electorate than national issues. The 2008 referendum, again launched by Fidesz was devoted entirely to welfare, to some symbolic measures introduced by the government (university tuition, and co-payment in health care). It was a huge success, and eventually led to the brake up of the coalition, and a socialist minority government.

Still, I argue that socio-economic questions were still only of secondary importance in the party-system divide. The dichotomy in the perception of the right wing opposition from 2006 to 2008 was between a lying immoral, post-communist millionaire, and his socialist oligarchs and the true representatives of national interests. Meanwhile, the socialist prime minister portrayed himself as a reformer, a modernizer, a European who is fighting against a chauvinist, militant right with ties to extremist groups, all familiar themes of the Hungarian left. Fidesz gradually turned against the whole political construction of the negotiated

transition, and voices for a true regime change, which was a two decade old claim of the extreme right became accepted and later a norm for the moderate right as well. Thus, although socio-economic issues gained in importance from 2006 on, the cultural divide kept its primacy. The economic left-right divide does not correspond to a Wester-like axis; both big parties were characterized by welfare populism, in fact the right wing Fidesz to a larger extent (I must add that they were in opposition between 2002 and 2008).

### **3.2.3 Poland**

In the Polish party system the socio-economic divide is cross cut and subsumed by cultural divides. The post-communist divide kept its major significance until 1997, but declined with the 2001 elections, when most of the centrist voters chose the post-communist parties over post-Solidarity parties (Grzybowski and Mikuli 2004). The 2005 elections resulted in the Polish left losing its structural role. From 2005 until 2008 the main divide of the party system ran between post-Solidarity right wing parties. This divide was still mainly a cultural one. Although both parties that grew out of the post-Solidarity umbrella Solidarity Election Action (AWS), the more right wing and populist Law and Order (PiS), and the center, market liberal Civic Platform (PO) shared many elements of the critique of the post-communist and social liberal legacy of the 90s – the mild lustration for example – the latter was much more centrist in its appeal (Brier 2009).

The AWS came to power in 1997, the last election when the division between the post-communist and the post-Solidarity camp was revived, and played an important role. Socio-economic issues were subjects of the campaign as well, but these did not become as salient as the post-communist divide, and other national and cultural issues. The AWS, especially its



labor union wing was rather skeptical about further economic liberalization, only one party, the Freedom Union was openly in favor for further reforms. The AWS government did introduce wildly criticized reforms. The internal struggles, scandals and new party formations eroded the electoral base of the AWS. In 2001 the left came back, and it seemed that the post-communist divide was over, or that it has turned into a liberal-authoritarian cleavage (Grzybowski and Mikuli 2004).

In 2005, however, the populist right wing PiS won the elections, running on an anti-reform, anti-communist and “revolutionary” ticket. The PiS called for tougher lustration against former communists and informants, and it made the opposition to the 1997 constitution the main elements of its identity (beside its law and order character of course). In the view of the PiS, the legacy of the Solidarity was betrayed by the liberals who made their deals with the post-communists, and urged a new constitution, a IV. Republic based on Christian-nationalist values. Although the PO did share some of its goals, like a more thorough and strict lustration, and was critical to the left, it stayed as a centrist party with an appeal to center-left voters as well (Bier 2009). Euroskepticism also gain salience as the accession negotiations unfolded. Particularly the question of the level of direct subsidies to Polish farmers stirred much debate. A study has found that a previously unrepresented euroskeptical electorate has helped Self Defense and the League of Polish Families to carve out an electoral niche for themselves (Markowski and Tucker 2010). Euroskepticism, however, stayed as a framing strategy for parties (Vermeersch 2010). To put in the words of Kitschelt et al. (1999). euroskepticism was not a structuring divide in itself, but has been used to reinforce other socio-cultural divides. The 2007 elections resulted in the victory of the PO, the defeat of PiS, and the continuous marginal role of the left, and the disappearance of extremism from the parliament. The 2007 elections functioned as a referendum on the polarizing government of

PiS, and its IV. Republic project. Centrist voters chose PO, because it had the chance of defeating PiS. The result again seems to indicate that the post-communist divide losing its importance, and raises expectations for a bipolar, more programmatic competition (Szczurbiak 2008).

### **3.2.4 Conclusion**

The patterns of conflict in the Czech Republic, Hungary and Poland show the impact of path dependence even after 20 years of transition. The impact and consequences of historical legacies on East and Central European party system divide defined Kitschelt et al. (1999) has still a very powerful explanatory power. The main conflicts in the party system are still along the same divides. The exception is Slovakia in the sample, where largely due to the impact of the European integration process, illiberal tendencies eventually could not fully unfold (Vachudová 2006). Still, Slovakia fits into the model, where Kitschelt et al. (1999) put the country more than 10 years ago: somewhere between countries of patrimonial and national accommodative communist legacies. The cultural, national, and the socio-economic divide mutually reinforces one another. The socio-economic divide due to the partial reform equilibrium of the 90s, and the subsequent radical second generation reform agenda is more salient than in Hungary and Poland. Hungary and Poland again are the most similar to each other, in both countries cultural cleavages have been stronger in defining party competition and party system divide, coalition building than socio-economic issues. The most programmatic competition, with the primacy of socio-economic issues was found in the Czech Republic.

The Hungarian party system stood alone in the examined period with its extreme polarization and increasing concentration. The patterns of conflict alone do not explain this outcome. The electoral systems, which are the least proportional of the four countries, cannot account for this concentration alone as Tóka (2004) points out. Countries with even more majoritarian electoral systems had a less concentrated party system. Tóka (2004) finds that presence of the constructive vote of no confidence is the best explanation for this concentration of the system, that is, the low number of parties and the simple, almost one dimensional cleavage structure.

The economic left-right axis corresponded to social and cultural conservatism only in the Czech Republic. In Slovakia the right was pro-market, but especially on the authority and democracy divide on the more liberal side than the left. In Hungary and Poland, the left was more pro-market, cosmopolitan, libertarian than the right. Although in Poland as the main divide in the party system shifted from being between the post-communist and post-Solidarity camps to being between the right wing post-Solidarity camp, the picture changed. The PO is similar to the Slovak SDKÚ, it is not libertarian, but liberal in its democratic values, pro-European and pro-market as opposed to the populist and nationalist PiS. To summarize the main argument of this section briefly: neither on economic issues, nor on cultural ones exist a universal left-right divide in the Visegrad countries.

### **3.3 Second generation reforms in the Czech Republic, Hungary and Poland**

What was the dynamics in economic reforms between 1998 and 2008 in the Czech Republic, Hungary and Poland? How did party system institutionalization and the patterns of conflict effect what kind of economic policies were implemented in this countries? In this section I show that neither the level of party system institutionalization, not the patterns of conflicts

can explain the absence of radical second generation reforms in these countries. The list of second generation reforms in the three Visegrad countries, the champions of the first generation of reforms is rather short, as shown in Table 5.

Table 5. Second generation reforms, Czech Republic, Hungary, Poland

1998-2008	Czech Republic	Hungary	Poland
Tax cuts (income tax stayed progressive in all three countries)	Modest	Modest	Modest in income tax, high in corporate profit tax (from 34% in 1998 to 20% in 2004)
Pension reform	Increase of retirement age, PAYG system unreformed (introduction of voluntary private pension funds)	Increase of retirement age, PAYG system reformed (introduction of a three-pillar pension system)	Increase of retirement age, PAYG system partially reformed (introduction of a three-pillar pension system, PAYG kept for farmers)
Health care reform (no reform in insurance in any of the three countries)	Co-payment introduced (2007)	Co-payment introduced in 2007 but reversed in 2008 (because of a referendum abolishing it)	Partial (1999)

Incentives to foreign investors	Yes	Yes	Yes (between 2005-2007 the PiS government was hostile to foreign capital)
Reduction in welfare commitments	No	Partial	No
Loosening labor regulations	No	No	No

(Source: EBRD Transition Reports, Economic Intelligence Unit Country Reports)

The highly under-institutionalized, fluid Polish party system did not lead to a radical second generation agenda, nor did the secondary relevance of the socio-economic cleavage. Neither the collapse of the right in the 2001 elections, nor the collapse of the left in the 2005 elections meant an insulation for reform minded governments, even if governments between 1997 and 2005 were in fact inclined towards reforms (and the Buzek government introduced local government, health care and pension reforms, which in fact contributed to the macroeconomic imbalance in the examined time period).

There were no comprehensive second generation reforms in the Czech Republic either, that have the most programmatic competition, and a more institutionalized party system than the Polish. Although the parties themselves, except the Christian democrats and the post-communists were highly under institutionalized. The salience of the socio-economic divide in fact could have led to comprehensive reforms, as pro-market parties formed an in this sense

coherent government from 2006. If one were looking for probable causes related to the party system for this failure, the inability to form stable governments is a better candidate than the level of institutionalization, or the patterns of conflict.

The highly concentrated and polarized Hungarian party system probably did contribute to the inability of governments to introduce comprehensive reforms. The socio-economic cleavage was of secondary importance in comparison with cultural cleavages, but it did not help the implementation of reforms. The welfare populist consensus on socio-economic issues did not help reforms either. After the leak of the “lying speech“ of its premier in 2006 the social-liberal government lost the momentum for reforms. The chance of the opposition drastically increased to mobilize against austerity measures and the cautious reform steps, and Fidesz did not hesitate to grasp it.

Party system institutionalization and the patterns of conflict do not explain the variance in second generation reforms in the Visegrad countries. The alternative hypothesis seems to have the biggest explanatory power. The absence of a partial reform equilibrium in the first decade, and a hegemonic, illiberal party, high FDI inflow, and the leading role in the European integration process resulted in a lack of a perception of crisis in these countries. Consequently, the politically and socially costly second generation reforms were only partially introduced (if introduced at all).

## Conclusion

This analysis has shown that neither the level of party system institutionalization, nor the patterns of conflict could explain the variance in second generation reforms in the Visegrad countries between 1998 and 2008. The detailed case study on Slovakia provided evidence to the impact of the legacy of the Meciar-regime that resulted in a favorable political environment for second generation reforms. Conditionality, however, must be emphasized: the surprising outcome of the 2002 elections, which gave a chance to a programmatically and culturally rather homogenous, pro-market, pro-EU conservative-liberal government provided the window of opportunity for reforms without any major compromise. But this neoliberal epistemic community was a product of the economic mismanagement, and illiberal nature of the third Meciar-government between 1993-1998 (Fisher et al 2007). In Bulgaria and Romania as well such a legacy and consequently second generation reforms can be found. This explanation however does not explain the implementation of the radical neoliberal reform agenda in the Baltic countries.

This paper also emphasized the limits of universal, and parsimonious approaches seeking to explain the variance in political and economic variance in East and Central Europe. The qualitative assessment of different models on party system institutionalization have provided evidence to the approach of Mair (1997, 2006), that instead of measuring electoral volatility or the number of parties, concentrates on the patterns of competition between the parties and the systematic characteristics of government formation. The historical legacy model of Kitschelt et al. (1999) also proved to be the best predictor on the patterns of conflict, and party system divide. Despite the changes in the patterns of competition and party system

consolidation, the cleavages, or divides in the party systems have shown an unexpected degree of path dependence.



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