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ARTICLE

# Post-Neoliberalism and External Financial Liberalization: Comparing Left-Wing and Right-Wing Populism

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**Abstract**

This article aims to discuss to what extent populist parties with opposite ideological backgrounds have differed in their policies towards inherited external financial liberalization (EFL). Building upon a comparative case study centred on Argentina under Kirchnerism (2003–15) and Hungary under Viktor Orbán (since 2010), I conclude that both experiences led to a partial EFL reversal. However, reflecting their opposite ideological underpinnings, each subtype of populism opted to restrict a different dimension of EFL. Argentina's left-wing populism re-regulated cross-border capital flows, harming financial operators, foreign investors and primary exporters through capital controls and export surrenders. These interventionist capital account regulations were needed to shield expansionary macroeconomic policies that attended the interests of subordinate socioeconomic strata, fuelling the tension with financial markets and domestic economic elites. Conversely, Hungary's right-wing populism focused on the ownership structure of the banking sector, aiming to redistribute assets from foreign to domestic private banks and improve the credit conditions for native capitalists. In this case, even when resorting to macroeconomic heterodoxy, the maintenance of fiscal balance and price stability retained support from both foreign investors and domestic business groups, mitigating tensions derived from financial nationalism.

**Keywords:** populism; post-neoliberalism; external financial liberalization; Argentina; Hungary

In the transition from the 1980s to the 1990s, neoliberalism became the dominant policy paradigm in emerging and developing countries, replacing different patterns of economic interventionism with the impulse for market reforms (Ban 2016). Among many prescriptions, one of the cornerstones of this agenda was the pursuit of external financial liberalization (EFL), which was expected to boost private investment, as well as contribute to consumption smoothing, financial development,

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inflation control and institutional improvement (Henry 2007; Levine 2001; Mishkin 2005).

However, while the empirical literature regarding these benefits remains inconclusive (Kose et al. 2009), the negative consequences of EFL have been made clear in the form of more frequent currency and financial crises, especially throughout the 1990s and 2000s (Ostry et al. 2016). This context paved the way for so-called post-neoliberalism – an umbrella term that encompasses a myriad of hybrid arrangements that reinforced state functions and repoliticized development issues without fully departing from neoliberal governance (Grugel and Riggirozzi 2012). In regard to financial policy, post-neoliberalism may include the protection of domestic banks against foreign competitors, the tightening of capital flow management and the strengthening of state-owned credit supply.

In some countries, the economic instability associated with neoliberal reforms fed support for populist parties which embraced post-neoliberalism as a path to power (Toplišek 2020; Wylde 2016). In these cases, the specific content of post-neoliberal policies reflected the fact that populism is a thin-centred ideology in which the Manichean description of pure people and evil elite varies according to the ideological features of each political party (Mudde 2004, 2021). According to this ideational approach, left-wing populists pledge to defend the subordinate socioeconomic strata against the economic elite as a whole, targeting both domestic and foreign capitalists (Mudde and Kaltwasser 2013; Roberts 2021). Right-wing populists, on the other hand, mobilize nativist grievances against a myriad of external threats, taking native entrepreneurs as part of the pure people, while excluding ethnic minorities, immigrants and the 'undeserving poor' (Enyedi 2016; Filc 2015).

Against this background, this article discusses the relationship between the ideological underpinnings of populist parties and their policies towards the inherited levels of external financial liberalization. Besides assessing if these parties have embraced a post-neoliberal agenda on this issue, I investigate to what extent left-wing and right-wing populisms differ in their policy goals and instruments.

In light of this research question, my preliminary argument is that both kinds of populism are compatible with post-neoliberal policies that hold EFL back. However, reflecting their ideological underpinnings, I contend that left-wing and right-wing populisms target different EFL dimensions, leading to contrasting combinations of financial restrictions. Specifically, left-wing populist parties tend to characterize financial interests as the cornerstone of the economic elite, ergo choosing measures that affect both domestic and foreign investors, such as capital controls and prudential regulations with repercussions for cross-border flows; whereas right-wing populist parties are more inclined to target only foreign actors that allegedly harm the national economy, therefore focusing on selective measures to curb the market power of foreign banks.

Methodologically, I build an exploratory two-case study centred on Argentina under Kirchnerism (2003–15) and Hungary under Viktor Orbán (since 2010). On the one hand, these cases are populist administrations which attained power in a context of financial instability associated with economic liberalization (Gezmiş 2018; Johnson and Barnes 2015). On the other, they represent different varieties of populism, being, respectively, prototypical cases of left-wing and right-wing subtypes (Aytaç and Onis 2014; Enyedi 2015).

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The contribution of this article lies in the intersection between comparative and international political economy by articulating the recent literature on populism, post-neoliberalism and financial nationalism. In this regard, I build upon the diversity of populist and post-neoliberal experiences to shed light on the ideational determinants of EFL. Furthermore, I add to the debate surrounding financial nationalism by giving equal importance to measures targeting banking ownership and capital flow management.

After this introduction, the remainder of this paper is organized as follows. The next two sections discuss what neoliberalism, post-neoliberalism and populism mean for external financial policies. The fourth section details the research design. The fifth and the sixth sections analyse financial policies in Argentina and Hungary under left-wing and right-wing populism. The seventh section contrasts the main argument with alternative explanations. The final section presents the conclusions of the article.

## External financial liberalization: from neoliberalism to post-neoliberalism

As previously discussed, neoliberalism became prevalent in emerging and developing countries in the transition between the 1980s and 1990s. Building upon Karl Polanyi's (1980) notion of double movement, Cornel Ban (2016) conceptualizes neoliberalism as a set of ideas and policies which aim to dismantle institutional arrangements that restrict the self-regulating market.

In this agenda, external financial liberalization – defined here as the combination of the deregulation of capital flows and the entry of foreign banks into previously captive financial systems (Wolfson and Epstein 2013) – occupies a key position for three primary reasons. First, neoliberal ideologues conceive the right to move capital across borders as a corollary of the right to property, taking capital controls as a threat to the market system (Palley 2009; Soederberg 2002). Second, EFL is expected to boost private investment and economic growth by contributing to microeconomic efficiency, financial development, institutional improvement, consumption smoothing, attraction of foreign credit and reduction of interest rates (Henry 2007; Levine 2001; Mishkin 2005). Finally, the control of domestic credit supply by foreign banks and the integration into global financial markets exert a disciplining influence over policymakers, favouring further market reforms such as the privatization of state-owned companies and the adoption of inflation-targeting regimes (Kose et al. 2009).

Besides the rise of governments committed to the neoliberal agenda, EFL progress in emerging and developing countries also stemmed from the pressure exerted by advanced countries and multilateral organizations, which included liberalizing reforms as a condition to external debt refinancing and regional integration initiatives, as well as technological changes which eroded the effectiveness of financial regulations (Andrews 1994; Eichengreen 2008). According to Menzie Chinn and Hiro Ito (2006, 2020) and Robert Cull et al. (2018), this combination of factors led to a consistent increase in the degree of capital account openness and the foreign banks' market share in emerging and developing countries throughout the 1990s and 2000s.

In general, the outcomes of neoliberalism were at best mixed. Although economic restructuring helped with inflation control and access to new technologies, market

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reforms were not enough to turn emerging and developing countries into advanced economies, failing to achieve sustained growth and social inclusion (Ostry et al. 2016).

EFL can be seen to contribute to the negative impacts of neoliberalism. For instance, the removal of capital controls and the penetration of foreign banks amplified the exposure of emerging and developing countries to the global financial cycle, leading to recurrent currency and financial crises (Kregel 2004). In terms of distributive effects, higher levels of capital mobility eroded the bargaining power of workers, fuelling income inequality (Quinn and Inclán 1997). Finally, EFL also served as a constraint to national autonomy, allowing foreign investors to take control of key sectors such as manufacturing industries and public utilities (Crooty and Epstein 1996).

Against this background, different sociopolitical groups began to resist further liberalization and lobbied for protective measures, especially amid periods of financial instability (Gallagher 2015). In many emerging and developing countries, in the wake of the 1990s currency crises and the 2007 global financial crisis, this process led to the rise of post-neoliberalism, here defined as heterogenous political-ideological projects which aimed to resubordinate the economy to society by reinforcing state functions and repoliticizing development issues (Grugel and Riggirozzi 2012).

While the concept of post-neoliberalism initially referred to the Latin American left turn, I use the term to characterize national experiences from any ideological orientation that consistently resumed some forms of economic interventionism while avoiding a complete departure from the inherited neoliberal governance model (Toplišek 2020; Wylde 2016). In practice, this hybrid arrangement can take different forms such as expanding industrial policies alongside the maintenance of high levels of trade openness.

In line with this hybridity, I expect that post-neoliberal governments will seek a partial reversal of the inherited levels of EFL. In terms of capital account policies, for instance, the rise of post-neoliberalism may lead to the deployment of new capital flow management measures, especially amid periods of excessive cross-border financial flows. Similarly, regarding the banking system, post-neoliberal measures may attempt to change ownership distribution, strengthening the position of domestic banks at the expense of foreign ones.

It is important to note, however, that this policy reorientation does not imply any radical transformation as foreign investors are still welcome and nationalizations remain targeted or transitory. Depending on the context, it is also possible that post-neoliberal administrations may resort to economic interventionism in other issues, safeguarding the inherited EFL. Finally, as discussed in the following sections, the adherence to post-neoliberalism does not mean that banking ownership and capital flow management must change in the same direction. In other words, post-neoliberal projects may vary in their strategies for each policy dimension, reflecting different sociopolitical coalitions and macroeconomic regimes.

## Populism and external financial re-regulation: assessing the role of ideological underpinnings

In light of the contested meaning of the term (Collier 2001), it is necessary to define populism before discussing its relationship with post-neoliberal policies. In this

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regard, the argument of this article builds upon the so-called ideational approach, which conceives populism as a thin-centred ideology that separates society into two antagonistic and homogeneous groups, the corrupt elite and the pure people, seeking to express the general will of the latter (Mudde 2004). Being highly context-dependent, populism varies as a result of the articulation with host ideologies (Filc 2010). This chameleonic nature leads to subtypes with different – and even opposite – concepts of people, elite and general will (Zulianello 2020).

Left-wing populists, for instance, combine populism with various forms of socialism (Mudde 2021). Accordingly, their definition of 'the pure people' embraces all subordinate socioeconomic strata – such as formal and informal workers, the unemployed, immigrants and ethnic minorities – whose inclusion is supposedly blocked by domestic economic elites with the assistance of mainstream political parties (Font et al. 2021; Roberts 2021). Moreover, in regions which occupy a peripheral position, such as Latin America, left-wing populism blends with an inclusive, anti-imperialist nationalism, which also blames foreign investors and international organizations like the International Monetary Fund (IMF) for the oppression of the socioeconomic underdog (Filc 2015; Mudde and Kaltwasser 2013).

Right-wing populists, on the other hand, combine populism with nativism and conservatism (Mudde 2010; Zulianello 2020). Consequently, they pledge to protect an ethnically or culturally homogenous people against a myriad of external threats – such as immigrants, ethnic minorities, foreign investors, cheap imports, foreign-minded individuals and international organizations – that are allegedly supported by the political elite (Filc 2015). Differing from left-wing populism, this nativist perspective takes national capitalists as part of 'the pure people', while excluding groups that lie at the bottom of the income distribution such as ethnic minorities and the 'undeserving poor' (Caiani and Graziano 2019; Enyedi 2016).

As a result of these ideological underpinnings, the differences between right- and left-wing populism cut across symbolic, political and material dimensions (Filc 2010). Specifically, left-wing populists tend to foster inclusionary processes in these realms, whilst right-wing populists take a predominantly exclusionary stance (Filc 2015; Roberts 2019).[1]

In the material dimension, which is where the topic of this article stands, a recurrent example of policy divergence takes place in the realm of social welfare. In short, left-wing inclusionary populists push for the expansion of social safety nets, seeking to include different marginalized groups, while right-wing exclusionary populists defend welfare chauvinism, aiming to protect the benefits of natives through the exclusion of immigrants and ethnic minorities (Mudde and Kaltwasser 2013).

Still with regard to the material realm, it is possible to find instances of economic nationalism in both varieties of populism. For example, left-wing populists in Latin America have historically advocated for the nationalization of natural resources explored by foreign investors, and right-wing populists in the USA and Europe recently moved away from market fundamentalism and embraced trade protectionism (De La Torre 2014; Rodrik 2018).[2] This apparent convergence, however, hides a fundamental difference. The nationalist measures of left-wing populists are part of a broader statist agenda, which confronts both domestic and foreign business

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**Table 1.** Varieties of Populism and External Financial Policies

| Policy aspect | Left-wing populism | Right-wing populism |
|---|---|---|
| Core political commitment | Socioeconomic inclusion | Protection of natives against external threats |
| External financial policy main goal | Autonomy from financial interests | Reduction of foreign banks' market power |
| External financial policy instrument | Tightening of capital flow management | Discriminatory regulations against foreign banks |
| Nexus with macroeconomic policies | Regulations shield macroeconomic regime | Macroeconomic regime shields financial nationalism |

*Source*: The author.

interests (Roberts 2021). This is different from right-wing populists, whose economic nationalism is more selective as it seeks to safeguard national capitalists and workers without expressing hostility to the market system (Hopkin and Blyth 2019).

A similar rationale may apply to the position of populist parties towards the financial sector. In this sense, left-wing inclusionary populists perceive the pressure from financial capital as a key restriction to policies that could enable the inclusion of the socioeconomic underdog (Kioupkiolis 2016). Right-wing exclusionary populists, for their part, do not challenge financial interests as a whole, keeping the grievances restricted to foreign actors and their negative impact on the national economy (Enyedi 2016; Johnson and Barnes 2015). In addition to these specific reasons, where mainstream parties converged in the defence of liberalizing reforms, the eruption of financial crises served as a window of opportunity for populist parties, which became perceived as the only alternatives to neoliberal governance (Aytaç and Onis 2014; Hopkin and Blyth 2019).

Against this background, it is possible to contend that both left-wing and right-wing populist parties have reasons to implement policies that hold EFL back. However, due to their opposite ideological underpinnings, these varieties of populism have different repercussions for each EFL dimension and, consequently, the relationship between financial and macroeconomic policies (see Table 1).

Regarding left-wing populist parties, I argue that they will emphasize the re-regulation of capital flows as a means to gain autonomy from the structural power of financial interests. According to this strategy, the tightening of capital flow management aims to shield macroeconomic policies from destabilizing financial movements which erode policymakers' ability to extend welfare benefits and public services. In terms of coalition-building, the expansion of social protection is necessary for keeping the support of popular sectors such as formal and informal workers. Moreover, as left-wing populists pledge to fight against the economic elite as a whole, the re-regulation of capital flows has the advantage of affecting both domestic and foreign capitalists across different sectors.[3]

Right-wing populism, on the other hand, conceives of native entrepreneurs as part of the people who deserve protection from external threats. Therefore, I expect that governments led by right-wing populists will seek to curb the market power of

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foreign banks through policies such as the provision of incentives to domestic private banks, the deployment of discriminatory taxes and regulations against foreign banks, and the favouring of domestic investors in the privatization of nationalized banks. With respect to coalition-building, these measures contribute to attracting the support of national business groups in financial and real sectors as the former become able to increase their market share and the latter benefit from improved credit conditions. Furthermore, despite defending generous welfare provision for natives, right-wing populists do not give the same priority to socioeconomic inclusion as left-wing populists do, being better positioned to achieve macroeconomic targets that mitigate dissatisfaction within financial markets such as fiscal balance and price stability. In this regard, even when resorting to heterodox policies, it is possible to argue that right-wing populists use the macroeconomic regime to shield financial nationalism.

## Research design

To assess the argument presented in the previous section, this article relies on a qualitative, exploratory two-case study of Argentina under Kirchnerism (2003–15) and Hungary under Viktor Orbán (since 2010), which are, respectively, prototypical examples of left- and right-wing populism (Aytaç and Onis 2014; Enyedi 2015). Despite the differences in respect of core constituencies, political systems and regional settings, these countries share relevant similarities such as the condition of industrialized emerging economies, the prevalence of market reforms throughout the 1990s and difficulties in maintaining macroeconomic stability (Bohle and Greskovits 2019; Etchemendy and Collier 2007). Moreover, both populist parties entered office amid deep financial crises (Calvo and Ponce 2013; Scheiring 2019), while adopting relatively similar strategies with regard to the building of a network of grassroots organizations and the articulation of clientelistic and programmatic linkages (Greskovits 2020; Levitsky 2003; Mares and Young 2019; Riggirozzi 2009a).

Against this background, I seek to investigate how each variety of populism affects the two EFL dimensions, namely the capital flow management and the ownership structure of the banking sector. Specifically, the focus of my analysis lies in the connection between the ideology of the populist party and the EFL dimension the interventionist policies target most.

In terms of capital flow management, Argentina's left-wing populists are expected to deploy further restrictions, while Hungary's right-wing populists are supposed to safeguard capital mobility. As far as the banking sector is concerned, however, the expectation is the opposite: right-wing populism is expected to benefit domestic private banks at the expense of foreign institutions, whereas left-wing populism is expected to remain equidistant from market disputes between private actors.

A potential objection to the case selection could be that Argentina was not as liberalized as Hungary at the start of the analysed periods. However, it is important to note that the case studies discuss which EFL dimension is targeted by populist parties instead of assessing the aggregated impact of populism on EFL. In this sense, when Néstor Kirchner came to power, Argentina had relevant levels of foreign bank ownership and capital account openness (Chinn and Ito 2006, 2020; Cull

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et al. 2018), which made it possible to target either of the two EFL dimensions. In a similar vein, even though membership of the European single market prohibits cross-border financial restrictions, Hungary could still adopt measures that disincentivize capital flows such as currency-based prudential regulations and non-discriminatory taxation of share acquisitions.

To make the comparison more straightforward, I follow the same structure in both case studies. Specifically, I discuss the history of the ruling party, its position towards the crisis of neoliberal policy regime, its core constituencies, the rhetorical role of external financial policies, their objectives and instruments with respect to banking ownership and capital flow management, and the relationship between these measures and macroeconomic and social policies.

In regard to sources, I relied on academic publications and the electoral manifestos with the aim of identifying the positions of each party towards the causes of financial instability, the costs and benefits of EFL, and the role of state authority in face of the inherited crisis. In order to analyse the external financial policies implemented by each party, I consulted the related academic literature and the IMF Article IV reports. The use of IMF documents is justified by their standardized structure, which favours the comparison of economic policies across time and space, as well as the pivotal role of this institution in EFL promotion.

## The financial policies of left-wing populism: the case of Argentina under Kirchnerism (2003–15)

Kirchnerism has been the main political force in Argentina since 2003, when the Front for Victory (FpV), led by Néstor Kirchner, won the presidential election.[4] After that, the same electoral alliance triumphed in the two subsequent elections, under the leadership of Cristina Kirchner, remaining in power until 2015. Composed of left-leaning Peronists and minor progressive parties, the FpV presented a left-wing populist platform, articulated around the need for a deep national renovation in the wake of the 1998–2002 economic crisis (Aytaç and Onis 2014; Frente para la Victoria 2011).[5]

At the level of political institutions, the stated goal of Kirchnerism was to restore the legitimacy of the state as an arbiter of social relations after the massive protests that toppled the De La Rua government in December 2001 (Frente para la Victoria 2003; Riggirozzi 2009b). In this regard, as part of the effort to obtain the support from the unemployed workers' movement and the trade unions that led the demonstrations, the FpV defended the reform of judiciary power, the strengthening of political participation, the recovery of wages and the revision of amnesty laws which exempted those involved in crimes against humanity during the military dictatorship (Alonso 2010; Cantamutto 2016; Longa 2017).

In line with left-wing populism, the FpV focused its criticism on crisis-prone neoliberal policies that favoured the interests of domestic economic elites and foreign investors such as the privatization of state-owned companies, labour market deregulation, abrupt external financial liberalization and the maintenance of an overvalued currency (Alonso 2010; Aytaç and Onis 2014; Onis 2006). Against this background, Kirchnerism pledged to champion the interests of poor people by guaranteeing the right to work and expanding social protection (Longa 2017;

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Muños and Retamozo 2008). To fulfil this core commitment, Kirchnerism embraced a neo-developmentalist strategy with a focus on the recovery of the manufacturing industry (Atzeni and Grigera 2019; Gezmiş 2018; Riggirozzi 2009a).

In light of this agenda, the adoption of post-neoliberal external financial policies performed two complementary roles. In terms of coalition-building, the rhetoric underlying this policy reorientation contributed to keeping the unity of all subordinate socioeconomic strata against the harmful elite interests that allegedly opposed inclusionary policies (Wylde 2014). Initially, this polarizing rhetoric targeted economic elites and IMF staff due to their participation in the liberalizing reforms (Alonso 2010; Riggirozzi 2009a), but it was adapted according to the conjuncture, eventually directed at financial market operators who resisted external debt renegotiation, foreign investors who managed privatized public utilities, primary exporters who opposed further taxation, the middle classes who preferred to save in foreign currency, and domestic capitalists who attempted to move funds abroad (Lapegna 2017; Vanoli 2018; Wylde 2016).

In addition to this, external financial policies under Kirchnerism also shielded the reorientation of the macroeconomic regime. In this regard, it is possible to organize the analysis around two periods, divided by the 2007 global financial crisis. Immediately after taking office, the focus of the FpV administration was external debt renegotiation, which aimed to safeguard the policy space by imposing losses to creditors which were mainly composed of foreign financial investors (Campello 2015; Setser and Gelpern 2006).[6] In the wake of this political victory and the global commodity boom, the presidency of Néstor Kirchner (2003–7) experienced a favourable macroeconomic scenario, keeping fiscal balance and a relatively moderate inflation rate despite increased public expenditures and low-interest rates (Bartis 2017; Bonvecchi 2011; Damill et al. 2015). In this regime, restrictive measures like a mandatory 365-day unremunerated deposit over 30% of the inflows and export surrenders and taxes towards the primary sector were used to defend financial stability and the inherited weak currency, avoiding exit threats from financial markets as well as safeguarding the external competitiveness of the manufacturing industry (Aytaç and Onis 2014; IMF 2005; Stallings and Peres 2011). As expected, these initiatives had a negative impact on EFL by re-regulating capital movements, especially inflows (Calvo and Ponce 2013; Fernandez et al. 2016).

In the presidencies of Cristina Kirchner (2007–15), however, the global financial crisis and the end of the commodity boom made the distributive conflict hard to manage, leading to fiscal deterioration and stronger inflationary pressures (IMF 2016; Steinberg 2017; Wylde 2016). In light of this adverse context, the FpV administration deployed new restrictions – including limits, approval and repatriation requirements, surrenders and prohibitions – to curb outflows that could lead to a massive currency devaluation with negative repercussions for inflation and financial stability (Fernandez et al. 2016; Santarcángelo et al. 2017). In comparison to the measures deployed during the presidency of Néstor Kirchner, these initiatives had an even greater negative impact on EFL by making it harder for domestic economic elites and foreign investors to move their funds abroad (Steinberg and Nelson 2019). To mitigate fiscal imbalance, the government also attempted to increase taxes over primary exporters, but the protests of rural landowners led to the rejection of the proposal (Gezmiş 2018; Lapegna 2017).

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The aforementioned macroeconomic and financial policies functioned as enablers of socioeconomic inclusion. In this regard, the Kirchner administrations increased minimum wage and social expenditure, nationalized and reformed the pension system according to a pay-as-you-go model, and strengthened the institutionalized bargain between capital and labour (Anigstein 2019; Bonvecchi 2011; Datz 2014). These initiatives led to an increase in wage share, an improvement in income distribution, and an expansion of unionization and collective agreements' coverage, attending the interests of core constituencies of Kirchnerism such as unionized workers and marginalized groups (Etchemendy 2019; Marticorena 2015; Trujillo and Retamozo 2017).

Before concluding this section, it is important to highlight that post-neoliberalism did not mean a complete rupture with the inherited neoliberal governance. In terms of economic structure, Argentina under Kirchnerism remained dependent on primary exports, avoided penalizing agribusiness for its environmental impact and was unable to build a coherent industrial policy for high-value-added sectors (Feliz 2019; Lapegna 2017). Similarly, at the level of political institutions, despite strengthening corporatist bargaining, the FpV administrations gradually limited the participation of autonomous social movements (Etchemendy and Collier 2007; Longa 2017).

Concerning EFL, Kirchnerism reproduced the same pattern of hybridity. In this sense, the increase of the level of capital controls was not followed by discriminatory policies against foreign banks, which maintained an almost unaltered participation in the ownership structure of the domestic financial system (Cull et al. 2018). As discussed in the previous section, the re-regulation of capital flows harms financial interests as a whole, being more aligned with the ideological underpinnings of left-wing populism. Moreover, the need to boost economic growth may have counteracted initiatives that could have a negative impact on credit supply.

## The financial policies of right-wing populism: the case of Hungary under Fidesz (2010–)

Unlike Kirchnerism, Fidesz and its leader Viktor Orbán have been present in the national political debate since the country's democratization in the late 1980s.[7] Founded as a liberal party, Fidesz gradually embraced populism as a means to become hegemonic in the right-wing camp (Enyedi 2015). Relying on this new platform, articulated around the need for regaining national independence in the wake of the global financial crisis, Fidesz has been in power since 2010, obtaining a two-thirds parliamentary majority in three consecutive elections (Kim 2020).

At the level of political institutions, Fidesz takes the defence of national sovereignty as the primary role to be performed by the state authority (Buzogány and Varga 2018). Based on a rhetorical equivalence between resistance against Moscow-led communist apparatchiks and opposition to Brussels-led post-communist politicians, Fidesz tried to establish itself as the heir of the long history of the fight for Hungarian independence, demonstrating this through the strengthening of political participation through national consultations, the protection of Hungarians living abroad and the recovery of national powers delegated to multilateral and regional institutions (Bozóki 2008; Fidesz 2010; Greskovits 2020; Pappas 2014).

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In line with right-wing populism, Fidesz focused its criticism on cosmopolitan political elites who favoured foreign interests by deploying neoliberal policies such as the de-nationalization of key sectors and public utilities, the fulfilment of multilateral rules, the removal of restrictions on foreign-currency indebtedness and the easing of immigration barriers (Csehi 2019; Enyedi 2016; Fidesz 2014). In light of this context, Fidesz pledges to defend a more restricted definition of people, rooted in natives who embrace Christian values and perform productive activities (Bluhm and Varga 2019; Enyedi 2016). Within this broad nationalist coalition, it is possible to argue that Fidesz gives special attention to national capitalists, whose strengthening is framed as a necessary condition for the recovery of the country's economic autonomy (Naczyk 2014; Rogers 2020; Scheiring 2019).

Regarding external financial policies, as expected, the rise of Fidesz to power in 2010 led to a retreat in the inherited levels of EFL. In comparison with the case of Argentina, this process had some similarities, but also important differences. In terms of coalition-building, for instance, the post-neoliberal reorientation of these policies also helped to unify a heterogenous alliance against the interests that allegedly oppose national autonomy (Buzogány 2017; Illés et al. 2018). However, Fidesz's polarizing rhetoric targeted mainly foreign banks, which were blamed for the crisis, and the European Union (EU) and its pressure to adopt austerity measures (Vachudova 2020). Depending on the conjuncture, Fidesz has also contended that foreign financial interests are behind a myriad of threats against Hungary, including illegal immigration, non-governmental organizations and opposition parties (Orbán 2020).

Further differences emerge with respect to which EFL dimension was the object of post-neoliberal reorientation. From Fidesz's perspective, the strong negative impact of the global financial crisis on Hungary stemmed from foreign control over the banking system and the loss of monetary sovereignty, which led to the excessive accumulation of foreign currency debt, especially in the housing sector, and credit rationing for native entrepreneurs (Ban and Bohle 2020; Fidesz 2010; Johnson and Barnes 2015). To deal with these issues, the Fidesz administration took initiatives that directly harmed foreign banks, including the conversion of foreign currency debt to Hungarian forints under a discounted exchange rate as well as the deployment of a special bank tax to contribute to the country's fiscal consolidation (Bohle 2014; IMF 2011, 2015). Even though other countries adopted similar measures, the Hungarian levy is the highest in the world, targeting virtually all banking assets and functioning as a Pigovian tax that has greater impact on large foreign banks (Capelle-Blancard and Havrylchyk 2017).

Additionally, the government strengthened state-owned credit supply and offered advantages to domestic banks to participate in the privatization of nationalized foreign banks, reshaping the composition of the banking system (Bluhm and Varga 2019; Piroska 2021; Toplišek 2020). For example, after its nationalization in 2014, the reorganized MKB Bank was sold to domestic business groups with close ties to Fidesz (Voszka 2018).

As expected, the aforementioned initiatives had a negative impact on EFL by reversing the penetration of foreign banks into the domestic financial system (Cull et al. 2018; Piroska 2021). Furthermore, it is possible to connect this preference for financial nationalism to two core aspects of a right-wing populist platform. As

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far as support for native entrepreneurs was concerned, Orbán's policies benefited both domestic private banks, which increased their market share, and Hungarian non-financial business groups, which gained access to improved credit conditions (Ban and Bohle 2020). With respect to welfare chauvinism, the definancialization of mortgage markets was part of a broader reorientation of social policies, which channelled resources to high-earning working families with children (Fabry 2019).

On the other hand, the rise of right-wing populism in Hungary did not affect capital flow management, keeping distance from capital account and prudential regulations that could have a negative impact on cross-border financial flows (Fernandez et al. 2016). As observed in Argentina, the option for partial EFL reversal sheds light on the hybridity that underlies post-neoliberal projects. In the case of Hungary, the lack of initiative regarding capital flow management stems mostly from the self-imposed limits of economic nationalism under Fidesz. As a result of this strategy, the government sought to recover national control over industries that operate within captive domestic markets, but refrained from challenging dependency in the most dynamic sectors, such as the automotive industry, providing fiscal incentives to foreign investors due to their contribution to exports (Bohle 2018; Bohle and Greskovits 2019; Vukov 2019).

Moreover, in contrast with Kirchnerism, the Fidesz administration has not used external financial policies to enable a broader reorientation of the macroeconomic regime. To some extent, it is even possible to argue that macroeconomic policies shielded financial nationalism by keeping Hungary's credibility with foreign investors, multilateral organizations and European institutions (Johnson and Barnes 2015). Regarding fiscal policy, for example, the government managed to reduce the public deficit to comply with EU budget rules (IMF 2014). Despite benefiting from heterodox strategies to boost revenues, such as the deployment of special taxes on selected sectors and the nationalization of private pension funds' assets, the option for fiscal consolidation deviated from Fidesz's anti-austerity rhetoric during elections (Bohle 2014; Enyedi 2015).[8] In the same vein, the gradual decrease of the policy interest rate did not introduce further inflationary pressures, and the exchange rate remained according to the fundamentals (IMF 2017).

In the social realm, Fidesz implemented relevant changes. However, their exclusionary orientation put little pressure on macroeconomic policies. Seeking to build a workfare society, the government cut social spending while linking eligibility for welfare benefits to the participation in a public works programme that pays less than the minimum wage. Similarly, the right-wing populist administration introduced a family tax allowance and a flat-rate income tax, favouring the middle and upper classes (Bohle and Greskovits 2019; Buzogány 2017; Enyedi 2016). Moreover, reflecting the close relationship with business associations, Fidesz altered labour laws, deregulating labour relations while restricting workers' rights to strike (Fabry 2019). As expected, these measures paved the way for increased inequality and stagnant wage share (Lugosi 2018; Vachudova 2020).

## Assessment of alternative explanations

In the previous sections, I traced the different external financial policies in Argentina and Hungary to the ideology of the respective populist parties.

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However, there are at least three alternative explanations which warrant further examination.

For instance, it is possible to argue that the different policies of Argentina and Hungary were a function of *social and interest group pressures* in each country. In the case of Argentina, labour unions were strong enough to pressure the government for an immediate macroeconomic reorientation, increasing the need for policy autonomy and consequently capital controls (Longa 2017; Steinberg 2017). In Hungary, conversely, national capitalists were the core constituencies, favouring the combination of financial nationalism, fiscal consolidation and welfare chauvinism (Naczyk 2014; Scheiring 2019).

In response to this perspective, I raise two complementary arguments. First, I do not dispute that populist parties designed these policies to meet the interests of their constituencies; rather I contend that the selection of the core clientele also reflects the ideological underpinnings of each party. In this sense, even though the pressure from interest groups affects policy goals and instruments, this does not deny the pivotal role of parties in interpreting and even organizing societal preferences.

Moreover, the strength of workers and native capitalists is not a sufficient condition for changing external financial policies. This argument appears to resonate if cases with similar constellations of interests are analysed. For example, despite having strong labour unions and facing similar economic shocks in the late 1990s and mid-2000s (Etchemendy 2019), Uruguay has kept a fully open capital account during the administration led by the Broad Front, a non-populist, centre-left party (Chinn and Ito 2006, 2020; Fernandez et al. 2016). Likewise, after the global financial crisis, during the tenure of the centre-right Civic Platform (2007–15), Poland saw a decrease of foreign ownership in the banking sector that was much smaller than in Hungary and did not result from discriminatory measures like the ones deployed by the Orbán administration (Cull et al. 2018; Kabza and Kostrzewa 2016; World Bank 2017).

Moving to another alternative explanation, the opposite paths of Argentina and Hungary regarding capital flow management could also result from different *international constraints*. According to this view, participation in the European single market made it harder for Hungary to restrict capital mobility, while Argentina benefited from increasing IMF tolerance towards capital controls.

In this regard, as with the discussion about interests, I do not contest the role of international constraints in the formulation of external financial policies. However, I contend that these constraints were not asymmetrical between the EFL dimensions in each country. This point is important because I am not interested in the question of which country did more against EFL as a whole, rather this article discusses what shapes the decision of targeting one EFL dimension instead of another.

Concerning Hungary, for example, it is possible to argue that the EU equally resists initiatives like capital controls and discriminatory measures against other EU members' banks due to their harmful impact on the financial integration of the bloc (Epstein and Rhodes 2018). Moreover, despite the constraints imposed by European rules, members of the single market kept some ability to affect cross-border financial movements. For example, since accession to the EU, Poland has adopted macroprudential regulations that have had a negative impact on capital flows such as currency-based restrictions on loans and risk-adjusted reserve

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requirements (Kabza and Kostrzewa 2016). Even though these regulations are not capital controls, their implications for capital flow management explain why Chinn and Ito (2006, 2020) and Andres Fernandez et al. (2016) consider Poland to have only intermediate levels of financial openness. In a similar vein, as with Spain during its current progressive administration, countries can charge taxes over all share acquisitions, obtaining an indirect effect on capital inflows. Finally, even though this decision is not exempt from costs, governments can still deploy standard capital controls if they successfully frame these measures as temporary, as Iceland, Greece and Cyprus did following the global financial crisis (IMF 2020).

In the case of Argentina, on the other hand, it is far from accurate to suggest that the IMF supported or even tolerated the tightening of capital flow management. First of all, the IMF opted to support temporary capital controls over inflows after the global financial crisis, publishing its new institutional view only in 2012 (IMF, 2012). Even after this ideational change, the organization maintained fierce opposition to outflow restrictions (Ghosh et al. 2011). Additionally, the tension between the IMF and Kirchnerism is evident in the country's Article IV reports (IMF 2016).

Finally, another alternative explanation could be that the policies adopted in Argentina and Hungary were mostly an idiosyncratic product of *specific populist leaderships and the policy opportunity spaces* under which they were operating upon taking power. To address this generalizability concern, it is worth briefly assessing if populist parties with similar ideological underpinnings had analogous repercussions for EFL.

For instance, from 2007 to 2017, Rafael Correa and his Proud and Sovereign Homeland Alliance governed Ecuador according to a left-wing populist programme (De La Torre 2014).[9] With regard to EFL, in line with the theoretical framework put forward in this article, the presidency of Correa decreased the level of financial openness by deploying a new tax-based control over all kinds of capital outflows (Chinn and Ito 2006, 2020; Wolff 2016). Moreover, in a move that had negative repercussions for cross-border financial movements, the Correa administration declared a partial default on external debt, weaponizing the threat of repudiation to reduce the price of outstanding bonds (Unda and Margret 2015). On the other hand, as observed in Argentina, the impulse for financial repression did not include discriminatory measures against foreign banks, which kept an unaltered market share throughout the period (ASOBANCA 2019; Cull et al. 2018).

Moving to another illustrative example, the Law and Justice Party (PiS) has governed Poland since 2015 based on a right-wing populist agenda (Zulianello 2020). Accordingly, the PiS made a clear commitment to the re-polonization of the financial system, speeding up the reduction of foreign ownership in the banking sector (KNF 2019; Naczyk 2021; World Bank 2017).[10] The measures that harmed the interests of foreign banks included the takeover of foreign banks by state-owned institutions, official support for the acquisition of bank shares by domestic private owners, the imposition of a bank levy and the creation of a mortgage relief fund based on payments by banks with portfolios of foreign-currency mortgages (Mérő and Piroska 2016; Toplišek 2020). Finally, as in the case of Hungary, the reversal of EFL remained partial as the PiS administration eased capital flow management by removing prudential regulations over collective investments and derivatives (Fernandez et al. 2016).

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## Final remarks

Building upon case studies centred on Argentina under the FpV (2003–15) and Hungary under Fidesz (2010–), this article compared the external financial policies enacted by left- and right-wing populist parties. In this regard, taking the economic crisis as a result of neoliberalism, both populist parties curbed external financial liberalization. However, reflecting the hybridity that underlies post-neoliberal projects, the EFL reversal was kept partial. Relying on different notions of people and elite, the aforementioned parties focused on opposite EFL dimensions, harming different interests. Specifically, the left-wing populist FpV restricted capital account openness, affecting financial interests as a whole (Santarcángelo et al. 2017; Stallings and Peres 2011; Steinberg and Nelson 2019), whilst the right-wing populist Fidesz targeted foreign banks, deploying measures to erode their market power in the domestic financial system (Ban and Bohle 2020; Bluhm and Varga 2019; Toplišek 2020).

In considering the implications of these findings, it is worth highlighting three aspects. First, regarding the debate about the programmatic evolution of right-wing populists (Roberts 2021; Rodrik 2018), the research put forward in this article shows that the move towards economic protectionism may even affect the financial system, going beyond issues like trade and welfare.

Moreover, the analysis centred on EFL sheds light on the fact that right- and left-wing populists do not face equivalent obstacles with respect to policy implementation. In this sense, the redistribution of bank ownership depends on one-off measures that can be discontinued after domestic banks recover their market share, while the adoption of stricter cross-border financial regulations must be permanent and recurrently updated in order to curb capital flows and related financial innovations. This technical difference gives a relative advantage to right-wing populists in the achievement of their policy objectives. From both technical and political perspectives, a similar rationale seems to apply to social policies, as it is potentially easier to exclude 'aliens' and the 'undeserving poor' from welfare benefits than expanding protection for all subordinate socioeconomic strata.

Finally, this article provides additional support to the thesis that populists gain ground when social democrats move to the centre in the economic debate (Hopkin and Blyth 2019; Mudde 2021). In this regard, none of the external financial policies adopted by Argentina and Hungary is populist per se, being fully compatible with a social-democratic agenda. In both countries, however, the parties affiliated to the Socialist International embraced neoliberal reforms and macroeconomic orthodoxy, leaving populists as the sole proponents of the re-regulation of market forces.

**Supplementary material.** The supplementary material for this article can be found at https://doi.org/10.1017/gov.2021.50.

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## Notes

**1** Despite acknowledging the limits of this correspondence, Zulianello (2020) argues that the conception of left- and right-wing populism includes the distinction between inclusionary and exclusionary populism.
**2** In the right-wing camp, there are also neoliberal populists, but they became less prevalent after the recent crisis of neoliberal growth regimes (Hopkin & Blyth 2019; Zulianello 2020).
**3** Capital controls harm domestic economic elites by, for example, curbing their exit threat in the form of capital flight, cutting their access to external sources of credit and investment and deepening financial repression.
**4** In the Online Appendix, Tables A1, A2, A3 and A4 present supporting evidence regarding external financial policies, exchange and monetary policies, fiscal policies and social policies.
**5** In this article, FpV and Kirchnerism are used interchangeably.
**6** The external debt restructuring was concluded in 2005 and gave further degrees of freedom to Kirchnerism (Campello 2015; Riggirozzi 2009b).
**7** In the Online Appendix, Tables A5, A6, A7 and A8 present supporting evidence regarding external financial policies, exchange and monetary policies, fiscal policies and social policies.
**8** In contrast with Kirchenerism, the nationalization of private pension funds' assets by Fidesz did not mean the unification of the pension system, keeping the existence of the second pillar (Lugosi 2018; Toplišek 2020).
**9** After Correa's presidency, the Proud and Sovereign Homeland Alliance adopted a social-democrat position, leading him to create a new left-wing populist party (Union for Hope).
**10** Even though the retreat of foreign banks began under the Civic Platform government, the takeovers were justified as technical, case-by-case decisions (Naczyk 2014, 2021).

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