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TOWARDS A POLITICAL ECONOMY OF WELFARE IN CROATIA

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ABSTRACT: *A political economy of social welfare in Croatia explores drivers of, and impediments to, change, addressing the impact of processes of neo-liberalisation, the complexities of regulatory and institutional landscapes and the interactions of nation, familialism, and class. Instead of a stable welfare regime, Croatia's welfare system is marked by hybridity in the context of a political economy that continues to be crisis-prone. This paper focuses on the social welfare implications of the mix of 'crony', 'authoritarian' and 'predatory' capitalism present in Croatia since independence. Other than the role of international actors including the World Bank and the European Union, and notwithstanding the lack of political will for reform, we suggest that*

two broad forces are dominant in shaping social welfare in Croatia. The first is war veterans' associations and their supporters, keen to maintain and even extend their significant benefits in return for continued support for the HDZ party (Croatian Democratic Union), a quasi-institutionalised form of 'social clientelism'. The second is an empowered radical right, promulgating a conservative Catholic agenda of a return to 'traditional' – that is, heteronormative – family values, reinforcing an aggressive Croatian nationalism and advocating 'demographic renewal'.

KEY WORDS: *welfare, Croatia, political economy, authoritarian neoliberalism*

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WHITHER POLITICAL ECONOMY? AN INTRODUCTION

Croatia gained independence from Yugoslavia in 1991, and is the second most populous country in the post-Yugoslav space with a population estimated at 4.1 million in 2017 (Croatian Bureau of Statistics 2019). It is the post-Yugoslav country with the second highest GDP per capita– \$22,828 in 2017 when it finally surpassed the level at the onset of the 2008 economic and financial crisis of \$22,012¹ (World Bank 2019a). Croatia is ranked 46th in the UNDP Human Development Index (HDI) and is in the group of countries with “very high human development” (UNDP 2018). At the same time, based on Eurostat methodology, in 2017 26.4% of Croatia’s population was at risk of poverty or social exclusion, the eighth highest figure among EU Member States (Eurostat 2019a), and Croatia had a Gini coefficient of 29.9, the fourteenth highest figure in the EU (Eurostat 2019b). What has been termed Croatia’s “uneven welfare patchwork” (Stubbs and Zrinščak 2007: 85) must be understood as the outcome of a series of unsuccessful attempts to secure a “political solution to societal contradictions” (Offe 1984: 147), underpinned by the paradox that “while capitalism cannot exist *with*, neither can it exist *without*, the welfare state” (ibid; 153). Offe’s statement has stood as a broad truth since the mid-1970s, with welfare states appearing both functional for capital accumulation and dysfunctional in terms of channelling resources away from private individuals for public purposes. Welfare in Croatia represents an important case study in the politics of class, gender, and (ethnicized) nationalism, requiring both a critical political economy and a conjunctural analytical approach.

In broad brush-stroke terms, critical political economy is much more than the study of economics with some politics added; rather its focus is on the dynamic interactions between, and hence inseparability of, processes commonly termed ‘political’ and those commonly termed ‘economic’. In short, it is concerned with “the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time” (Collinson 2003: 10). A political economy of welfare addresses power struggles between groups (social classes) and also between fractions of changing and fragmenting politico-economic elites. The concern is less with “varieties of capitalism” (Hall and Soskice 2001), with their tendency towards „methodological

¹ Based on Purchasing Power Parity at constant 2011 international \$.

nationalism” through an over-emphasis on the autonomy of nation state structures, and more with “variegated capitalism” (Peck and Theodore 2007), concerned with “the systematic production of geo-institutional differentiation” (Lendvai and Stubbs 2015: 448) in which globalising neoliberalisation processes produce discontinuous and heterogeneous “mutating macro-institutional frameworks” (Brenner et al. 2010: 208). In broad terms, the tradition of ‘variegated’ analyses acknowledges the global and transnational nature of capitalist forms and relations and rejects an exclusive focus on nation-state container approaches.

Alongside this, conjunctural analysis, described by John Clarke as “not a theory but an orientation” (Clarke 2014: 115), seeks to understand “the exact balance of forces (and) state of over determination of the contradictions at any given moment” (Althusser 1970: 311) or “the character of the ... moment – the forces, tendencies, forms of power, and relations of domination and subordination ... condensed in a conjuncture” (Clarke 2014; 114). It is a form of analysis concerned with space-time relations at multiple scales, addressing national, transnational, and regional specificities as well as global compressions. Particular focus is placed on ‘moments’ of crisis and transformation out of which new settlements may emerge. It focuses attention on “the multiplicity of forces, accumulated antagonisms, and possible lines of emergence from the conjuncture, rather than assuming a singular crisis and one line of development” (Clarke 2013: 115). The uneven nature of ‘crisis-proneness’ is an important framing assumption of the variegated capitalism approach, necessitating an understanding of the “complex ecology of accumulation regimes, modes of regulation, and spatio-temporal fixes” (Jessop 2007: 67) and the ways in which discursive framings of ‘crisis’ create a kind of “insatiable need for ‘next stage’ reforms” (Brenner et al. 2010: 210).

Relations, even within the European political space, between so-called ‘core’ and ‘periphery’ are being constantly reworked and reconstituted, with policy models themselves reinforcing this division as the centre judges reform progress in the periphery as too slow, formalistic, and instrumentalized. A kind of ‘stick and carrot’ approach to disciplinary regulation is institutionalized that often merely reinforces an “internal ambivalence” (Blagojević 2009) and inertia (Stubbs and Zrinščak 2019) in terms of the hegemonic reform agenda. At the same time, crisis-proneness allows for a radical recalibration of economic, fiscal, and welfare

policies (Lendvai 2009), producing both a ‘clientelistic’ or ‘captured’ and a re-residualized ‘social’ (Stubbs and Zrinščak 2015).

As Sofiya An (2019) has argued recently, the Agency, Structure, Institutions, Discourses approach (ASID), adapted from original work by Moulaert and Jessop (2006) by Deacon and Stubbs (2013) as a holistic framework for global social policy studies, is particularly suited to the dynamic and fluid arena of post-socialist social policy that, whilst evolving as national projects, “continues to be shaped by global and transnational actors, processes and ideas” (An 2019). The complex interactions between agency (significant individual or collective action), structure (macro-level constraints and opportunities), institutions (sets of governing routines and practices), and discourses (sets of inter-subjective meanings) can be unbundled, at least analytically, as determining factors of radically unfinished, fluid, and contingent welfare assemblages (cf. Stubbs and Zrinščak 2018).

What follows is divided into five sections. The next section develops a tentative conjunctural political economy of independent Croatia and its relation to developments in social welfare. This is followed by a critique of what can be termed the ‘Europeanisation paradigm’ in which membership of the European Union is conceived as a defining moment in the re-orientation of social welfare in Croatia. A fourth section addresses an alternative thesis in which long-standing forms of political and social clientelism are re-joined, in the current conjuncture, by a shift to the right in terms of the discourses and practices of a radical familism and a turn to authoritarian neo-liberalism. A tentative fifth section sketches elements of what might form a renewed attention, in the analysis of structures of social welfare, to class analysis. A concluding section looks at the implications of the analysis and suggests avenues for research on welfare futures.

CRISIS, WHICH CRISIS? CROATIAN POLITICAL ECONOMY AND SOCIAL WELFARE ACROSS CONJUNCTURES

An apocryphal statement circulating at the time of the economic and financial crisis, not only in Croatia but also across most of the post-Yugoslav space, was “they say we are in the depths of crisis, but we have always been in crisis for as long as I can remember”. In this sense, a conjunctural analysis needs to try to

distinguish between different crises through identifying momentous events² that signal the movement from one conjuncture to another, rather than to point to any one crisis as crucial. In these terms, convenient discursive breaks, at least for analytical purposes, are the end of war hostilities in Croatia (and involvement in the conflict in neighbouring Bosnia-Herzegovina) in late 1995 (although Eastern Slavonia was not reintegrated formally into Croatia until January 1998); the death of President Franjo Tuđman in December 1999 and the election of a centre-left coalition government in January 2000; the beginning of the economic and financial crisis in 2008; and accession to the European Union on 1 July 2013. This section is premised also on the assumption that, whilst welfare arrangements cannot be read off deterministically from the prevailing political economy of any given period, there is a strong linkage between such arrangements, discursively, programmatically, and in terms of welfare outcomes, and prevailing political economic forces and antagonisms.

Wartime

The period between 1990 and 1995 was dominated by the quest for statehood in war conditions, such that the Croatian state in the period can be understood as both ‘strong’ in terms of centralising tendencies, and ‘weak’ in terms of not controlling its entire territory. The regime, symbolized by the persona of Franjo Tuđman, had both democratic legitimacy and authoritarian tendencies, with formally democratic institutions and procedures continually undermined in the interests of key members of the ruling nationalist Croatian Democratic Union (HDZ) (Dolenec 2013). Enjoying near autocratic presidential power, Tuđman tended to delegate economic policy to a series of technocratic, even pragmatic, Prime Ministers and Ministers of Finance whilst setting the tone for close links between political and business elites, not least in his much-quoted aim to create “two hundred rich families to rule Croatia” (Rašeta et al. 2017). The nature of the first phase of privatisation in independent Croatia, radically different from the privatisation models introduced by the government of Ante Marković in the dying days of the Yugoslav Federation (Franičević 1999), was crucial in shaping the path of Croatian capitalism and was marked by rewarding insiders through financial sector allocations based on political patronage, understood by some

² These are what Moulaert and Jessop (2006) term “emblematic moments” that mark a significant change in the state of social relations and forces.

commentators as “legalized robbery” (Baletić 2003). Although it can be seen as being along the lines of ‘neoliberal’ reforms elsewhere in post-communist Eastern Europe, it did not signal the full-fledged institutionalisation of neoliberalism.

Some other decisions in this period in the sphere of political economy, along with trends that were a direct result of war events, have had a long-term impact on social welfare in Croatia. Crucially, in the context of a war-induced recession, the preferred solution to growing unemployment, particularly in the industrial sector, was to offer incentives for early retirement, artificially reducing levels of registered unemployment but creating significant expenditures and contributing to an unsustainable ratio of workers to retirees for the foreseeable future. Employment fell from 1.51 million in 1990 to 1.00 million in 1997, with most of the fall occurring in 1991 and 1992. How much of this fall was a result of war-induced recession – the most dramatic falls in Croatian GDP were in 1991 and 1992 – and how much was an inevitable post-socialist restructuring in the context of previous over-employment is impossible to estimate. What is clear is that although unemployment increased from 8.2% to 14.9% between 1990 and 1991, the policy of encouraging early retirement kept unemployment rates relatively stable between 1992 and 1995 (Table 1).

Table 1: Croatia: Employment, Unemployment, and GDP Change 1990–1996

	1990	1991	1992	1993	1994	1995	1996
Employment (thousands)	1513.6	1314.7	1159	1108.4	1061.5	1026.8	1028
Reg U Rate	8.2%	14.9%	15.3%	14.8%	14.5%	14.5%	16.4%
GDP Change		-21.1%	-11.7%	-8.0%	5.9%	6.8%	5.9%

Source: Katić (2006): 30–31.

In addition, although it is literally the case that “post-1990 legislation of veteran benefits (in Croatia) was able to rely on both symbolic and institutional legacies from Yugoslavia” (Dolenec 2017: 62), Tudjman and the HDZ’s acceptance of a “moral asymmetry” between veterans and the state (ibid: 60), in terms of a debt of gratitude that can never be paid in full, has had long-term repercussions. Legislation on so-called ‘Homeland War’ veterans’ rights from 1994 onwards successfully locked some 500,000 individuals and their families into a form of political clientelism (Stubbs and Zrinščak 2015), with commitments to (largely

passive) veterans' benefits reaching some 1.8% of GDP in 2013 (Dolenec 2017: 63), distorting the social welfare system and securing the mobilisation of veterans' organizations as a significant political force.

A third tendency from this period is what has been termed "welfare parallelism" (Stubbs and Zrinščak 2007), reorienting relations between state and non-state actors and between central and local actors, and, most crucially, introducing a wide range of international actors playing a crucial role in both the governance and delivery of social welfare. In the context of massive forced migration of refugees from Bosnia-Herzegovina and internally displaced persons from parts of Croatia not under government control, statutory Centres for Social Work (CSW) were overwhelmed and a parallel humanitarian apparatus of international and local NGOs emerged, given only begrudging recognition by the state.

This mutual distrust between state and non-state actors proved extremely hard to erase. What is perhaps even more problematic is the elision – a feature of this conjuncture – between authoritarian statism and state provision per se. CSWs and indeed the entire social protection apparatus began to be framed in some quarters as a problematic legacy of socialism that hindered the transition to a capitalist market system. The dominance of 'historical institutionalism' as an explanatory frame for post-communist welfare state analysis – suggesting that socialist legacies tend to be 'locked in' and exert a path-dependent influence on subsequent reforms – added to the problems. International organisations tended to pick this up and to ignore or dismiss the 'exceptional' legacy of Yugoslav social protection, based as it was on a mixture of Bismarckian social insurance, statutory social work services, and socialist self-management, working according to highly productivist assumptions (Stubbs 2018).

Stealth Neoliberalism and the Enemy Within

A kind of "stealth neoliberalism" (Arandarenko and Golicin 2007), a rather soft, undramatic, and incremental version of neoliberalism, was consolidated along with territorial integrity and the mass exodus of the Serbian population in the period between 1995 and the death of Tudjman in December 1999. Whilst the conjuncture is most associated with the change of direction of Tudjman's disciplinary authoritarianism towards the so-called 'enemy within', it is perhaps most pronounced in his speech on returning from the United States, following

mass protests against the withdrawal of the concession from Zagreb's Radio 101, where he railed against "black, green and yellow devils" and "all sorts of false prophets, pseudo-democratic illusionists who preach grand ideas about human rights and media freedom" (quoted in Dolenc 2013: 143–4). The period also saw dramatic demographic change as ethnic Serbs left the territories returned to Croatian government control through military-police operations in May and August 1995 and after the return of Eastern Slavonia through peaceful negotiation in January 1998. Even before the military actions, the OSCE estimated that some 100,000 Serbs lost their tenancy rights in Croatia (ECRE 2010). Subsequent territorial reintegration led to a further exodus of perhaps up to 300,000 Serbs, with only a third of all Serbian refugees returning (Djuric 2010). Some 581,663 people (or 12.2% of the population) declared themselves ethnic Serbs in the 1991 census, but only 201,631 (4.5%) in the 2001 census and 186,633 (4.36%) in the 2011 census, pointing to a general trend and the impact of anti-Serbian rhetoric and practice throughout the Tuđman era.

Alongside privatisation in the first half of the 1990s, Croatian pension reform in the second half of the decade largely set the path of Croatian capitalist development. Here was a critical conjunctural moment, as a major pillar of a credible social insurance system reached 'crisis' point with the ratio of insured persons to retired persons falling from 3.0:1.0 in 1990 to 1.38:1.0 in 1999, with further dramatic falls projected (Stubbs and Zrinščak 2007: 91). In addition, in 1998 the Croatian Constitutional Court, in a sign of its increasing independence, nullified a 1993 government decision to restrict the rise in pensions, creating a 'pensioners' debt' that needed to be repaid. An assertive World Bank filled the crisis space, keen to transfer the findings of its flagship report, *Averting the Old Age Crisis* (World Bank 1994), across Eastern Europe. As early as November 1995 a joint World Bank-Croatian Government conference on pension reform brought Jose Pinera, responsible for introducing Chilean pension reform under Pinochet in 1981, to promote the Chilean model in Croatia (Stubbs and Zrinščak 2007: 93).

In the end, the reforms adopted were closer to the Argentinian model, with the introduction of a mandatory contributory second pillar for those fulfilling certain age criteria and a voluntary supplementary third pillar but without abolishing the pay-as-you-go first pillar (Vukorepa 2018). Although arguments to reverse the

partial privatisation of the pension system in Croatia have never gained widespread political support, unlike in Hungary, for example (cf. Lendvai and Stubbs 2015), it is certainly the case that the initial reform created the conditions for a kind of ‘casino capitalism’ and forged a gateway for the growth of “intermestic” (Pugh 2000) finance capital ready to invest in real estate, infrastructure, and the financial services sector, parts of which were subsequently implicated in a number of corruption scandals, including Hypo-Alpe-Adria, Ina-MOL, and, most recently, Agrokor. As noted some time ago, “the ruling party (HDZ) effectively used pension reform as a way of demonstrating its willingness to implement market reform ... and its readiness to engage with international financial institutions” (Stubbs and Zrinščak 2007: 95), with the results strengthening both ‘insider capitalism’ and ‘stealth neoliberalism’.

After Tuđman

The death of President Franjo Tuđman in December 1999 and the election of a centre-left coalition government in January 2000 are generally viewed as watershed moments in terms of the consolidation of democracy in Croatia. The period was certainly marked by an openness to all manner of international agencies pushing ‘reforms’ of one kind or another, often neoliberal in intent. USAID, for example, paid for the former Hungarian Minister of Finance, Lajos Bokros, to act as an economic advisor in the office of Prime Minister Račan to advocate for ‘flexible’ labour market reforms, although he had limited influence beyond the discursive sphere (Jelinić 2002). The ‘carrot’ of so-called ‘Euro-Atlantic integration’ – membership of both the European Union and NATO – was conditioned upon the ‘stick’ of full co-operation with the International Criminal Tribunal for the Former Yugoslavia in the Hague. Račan’s government, in close co-operation with the newly elected President Stipe Mesić, a former member of the nationalist HDZ who had broken with Tuđman in the second half of the 1990s, did purge hard-line nationalists in the Croatian army, but was largely powerless as those perceived as Croatian war heroes, notably Ante Gotovina, fled in the face of ICTY indictments, and grassroots mobilisation of war veterans continued apace. Račan’s government completed the legal and administrative aspects of the pension reform, largely uncritically, but attempts to secure wider reform of the social welfare system led nowhere (cf. Lendvai and Stubbs 2009). Faced with a fragmenting coalition, Račan also chose not to revisit the privatisation processes of the previous decade, whether in policy terms or even in

terms of judicial investigation, instead opening up new opportunities for the expansion of intermestic financialisation, notably in the banking sector.

After Račan's second coalition government collapsed, a reformed and supposedly modernised HDZ, led by Ivo Sanader, came to power in December 2003. Sanader, who began a second term in office in January 2008, was later found to be at the centre of a number of corruption scandals, including some dating back to his time as Franjo Tuđman's Chief of Staff. As noted above, many of these scandals were linked to financialisation. At the same time, Croatia's annual GDP growth between 2000 and 2007 was never lower than 3.5% (in 2001), with peaks of 5.6% (in 2003) and 5.3% (in 2007) (World Bank 2019b). Whilst not exactly 'jobless growth', Croatia's employment rate throughout the period hovered around 55% (Eurostat 2019c) and, crucially, services, including financial services, grew more quickly than the real economy. Growth led to a consumption boom, consisting mainly of imported goods.

Global Crisis, Local Effects

By the time Sanader resigned as Prime Minister on 1 July 2008, to be succeeded by his Deputy, Jadranka Kosor, the impact of the global economic and financial crisis had already begun to be felt in Croatia, and was to last much longer than in most countries in the region. The impact was in terms of a loss of industrial production, a concomitant increase in unemployment in those few industrial sectors that remained intact after the deep recession of the early 1990s, and a decrease in exports (Bartlett and Prica 2012). One important and long-lasting transmission mechanism of the crisis in Croatia was the expansion of domestic credit – including loans in Swiss francs, mainly from foreign-owned banks – which later led to massive problems of mortgage default for a substantial section of the Croatian population (*ibid.*). The policy response to the crisis was largely focused on austerity, including cuts to public sector salaries, the postponement of some planned social programmes, and some reshaping of public expenditure.

The extent to which the EU accession process during this period contributed to a kind of institutional strengthening and resilience to shocks is a matter for debate, not least as the EU itself prioritised fiscal policies, primarily debt reduction and austerity as disciplinary mechanisms. It is certainly not the case, as outlined in more detail below, that Europeanisation processes led to significant changes in

social policies, at least in terms of impacts. Huge problems, in part related to earlier corruption, became more visible in key industrial sectors, including energy, primarily in the controversial Ina-MOL partnership between leading Croatian and Hungarian oil companies. As HDZ itself became the subject of court proceedings over illegal election funds, it was more or less inevitable that a new centre-left coalition, led by the Social Democratic Party of Zoran Milanović, would take power, as it did in the elections of December 2011. Once again, a supposed centre-left government was complicit in a kind of ‘stealth neoliberalism’, with renewed attempts to introduce greater ‘flexibility’ into Croatian labour markets.

The Resurgence of the Radical Right

At the same time, the merest hint of curbing war veterans’ rights led to a new and more radical mobilisation, culminating in a tented protest outside the Ministry of Veterans’ Affairs that lasted 555 days, from October 2014 to April 2016, with significant escalations in May 2015, when on two occasions veterans blocked roads with gas bottles. Although the issue of veterans’ benefits in relation to clientelism is discussed at greater length below, what is important here is both the hegemonic nature of the enshrinement of veterans’ rights within Croatian politics, with the centre-left government making huge efforts to pacify the protests, and the politicised nature of veterans’ protests as a continuous critique of the mere existence of centre-left governments in Croatia. In addition, not unrelated to the broader phenomenon of ‘democratic backsliding’ after gaining EU Membership (Iusmen 2015; Sedelmeier 2014), this period saw a vociferous extra-parliamentary movement, connecting senior members of the Catholic Church in Croatia with an energetic grassroots and seeking to act ‘In the Name of the Family’ (as the key organisation was called), initially against gay marriage and subsequently against sex education in school, abortion rights, and a range of other moral political questions – a clear example, as one text put it, of a conservative religious-political movement exploiting opportunity structures in Croatian political economy (Petričušić, Čehulić, and Čepo 2017).

The significance of the parliamentary elections held in November 2015 lies not so much in the inconclusive nature of the result but in the sea change to Croatian politics with the rise of Human Wall (*Živi Zid*), building on the strong performance of its candidate in the presidential elections in January 2015, and

Bridge (*Most*), a hitherto unknown centrist party arising from local political initiatives in and around Metković in the south of Croatia and which subsequently played the role of kingmaker, eventually settling for a coalition with the HDZ whilst insisting that HDZ's leader, Tomislav Karamarko, should not be Prime Minister. The search for a 'technocratic' Prime Minister eventually saw the mandate being given to Tihomir Orešković, a Croatian-Canadian businessman and Chief Financial Officer of a large multinational pharmaceutical company, who lacked direct political experience and, indeed, Croatian language skills, having spent much of his childhood and adult years abroad. A rather surreal period of governance ensued, with Orešković pursuing neoliberal policies and claiming to be a magnate for significant Foreign Direct Investment whilst his wife pursued the agenda of the religious right, participating in anti-abortion demonstrations and reportedly lobbying for the canonisation of the controversial Cardinal Stepinac, Head of the Catholic Church during the WWII fascist Independent State of Croatia (NDH), in an audience with the Pope (*Jutarnji list* 2019). The experiment ended in acrimonious and abject failure, and led to Karamarko's exit from the HDZ, to be replaced by the seemingly more moderate, technocratically minded European parliamentarian Andrej Plenković.

The rise of vulture capitalism

Plenković became Prime Minister of a coalition government in October 2016, originally with *Most* and later with the centrist HNS (Croatian People's Party), with the support of MPs from the party of the Mayor of Zagreb, Milan Bandić. Plenković has presided over a number of scandals, highlighting his highly instrumentalised and pragmatic approach to politics – at times even willing to secure narrow parliamentary majorities in return for amnesties for politicians charged with corruption. Perhaps more importantly, two major crises at the heart of the Croatian economy, first Agrokor and most recently Uljanik and 3 Maj, provide a clear illustration of the kind of capitalism currently dominant in Croatia.

The unfolding of the crisis in the Agrokor Group, Croatia's largest retail, food, and beverage company, and the hasty passing of Lex Agrokor in March 2017 symbolised the passing from a Tuđman-inspired domestic 'crony capitalism' (Klepo, Bičanić, and Ivanković 2017), however unhelpful the term, in the persona of a lone entrepreneur utilising his political connections (in this case Iвица

Todorić), to a more ‘intermestic’ vulture capitalism³ with restructuring in the interests of a network of venture capitalists, consultants, and political and financial insiders, in this case centred around the Borg group and Plenković’s Minister of the Economy, Martina Dalić (cf. Dalić 2018). Not unlike earlier ‘strategic investment’ decisions made under the Milanović government, the restructuring of Agrokor, presented as being in the national interest, has privileged particular financial interests over others, notably small traders and the workforce (Grubišić Šeba 2018). By contrast, the crisis of shipbuilding in Croatia – dating back to the civil war or even before, and itself illustrative of shifts in the global division of labour, culminating in the bankruptcy of one shipyard in Pula (Uljanik) and the possible bankruptcy of another in Rijeka (3 Maj) following the failure to secure Chinese investment – indicates a willingness on the part of government to let traditional industries die if there is no financial interest in them. In many ways, Plenković has led yet another HDZ government with no clear economic or social policy, thus far uniting diverse wings of the party through a kind of ad hoc-ery in political economy. Crucially, the failure of Europeanisation as a progressive project and the rise of the radical right have each been of particular importance in terms of social welfare. These are discussed in the following sections.

BEYOND EUTOPIA? THE LIMITS OF THE EUROPEANISATION PARADIGM

A critical political economy is, of necessity, suspicious of a positive, linear, modernist understanding of Europeanisation and its impact on social policy in terms of “catch-up, convergence and mutual learning” (Stubbs and Lendvai 2016: 32), focusing instead on “a set of mediated, post-colonial encounters and translations, marked by the enactment and embodiment of performative fictions and frictions” (ibid). However, when we consider that processes of Europeanisation in Croatia coincided with the European Union’s emphasis on debt reduction and austerity, culminating in a radical re-assembling and disciplining of ‘the social’ and a reconfiguration of the European ‘core’ and ‘periphery’, the space for inducing progressive social policy was reduced to virtually nil. Even this kind of argumentation may, inadvertently, lead to an

³ The phrase ‘intermestic vulture capitalism’ connotes the co-production of financialisation by Croatian and international actors and the tendency to asset-stripping and quick profits rather than sustained and sustainable direct investment.

exclusive focus on the role of the European Union at the expense of an exploration of the reanimation and reworking of the transnational policy space in which both the World Bank and the IMF play crucial roles (Lendvai and Stubbs 2015).

In a sense, the fiscal space for any expansion of social policy in Croatia was constrained by Croatia's inclusion in the EU's 'excessive deficit procedure' between January 2014 and June 2017, and successive governments' insistence that veterans' benefits are untouchable and, in the case of the current government, that expenditure on such benefits could and should even be increased. Although never subject to the 'fiscal waterboarding' that the Greek government faced, the focus on debt reduction and balanced budgets as the prime objectives of economic policy remained significant in structuring Croatia's fiscal policies in the years during and immediately after the global economic and financial crisis. As Mislav Žitko has argued recently (Žitko 2019), Croatia's quest to join the eurozone as soon as possible will constrain development options in the future and make any kind of reindustrialisation impossible, whether environmentally sustainable or not. Croatia, like other European peripheral states, is trapped by a European re-animation of the Washington consensus (Stubbs and Lendvai 2016), with social policies 'disembedded' within the new international division of labour between the 'Troika', amidst the recalibration of EU regulatory discipline to focus exclusively on economics and finance. The rapidly changing landscape of EU governance involves the rolling out of macro-economic adjustment programmes to policy domains such as pensions, healthcare, labour markets, and social protection, combining an emphasis on 'doing more with less' with a rise in explicit 'responsibilising' conditionalities.

Indeed, notwithstanding periodic attempts, at least discursively, to render the 'European Semester' more social, the cycle of assessment, reporting, and recommendations that all EU Member States are subject to remains "primarily about economics", as a European Commission staffer stated in Zagreb recently in a consultative meeting. Indeed, one can argue that attention to social policy also tends to be dominated by fiscal issues, even when framed in more neutral terms such as 'modernisation': recent Country Specific Recommendations for Croatia have focused on the unsustainability, rather than the inadequacy, of pensions, and the failure to curb health expenditures. In this context, even the cursory attention

given to veterans' benefits in the Commission's Staff Working Document for 2017, alerting the government to the need to assess the efficacy of spending on veterans "in the context of other social expenditure items ... (and) labour market effects" (European Commission 2017: 37) was relatively mild and reinforced by a message, from the same consultative meeting noted above, that "veterans' benefits would never become a Country Specific Recommendation". The World Bank has also frequently stated that spending on veterans is a political choice that the government is free to make (Stubbs and Zrinščak 2019:296).

The impact of the European Union on Croatian social policy can also be addressed in terms of the prolongation and deepening of a kind of 'projectisation' in which social welfare and its reform become 'micro-ized' (Tendler 2002). In short, the 'project imperative' substitutes for initiatives on 'a broader canvas' (ibid: 2) and serves to depoliticise social policy, in the process rendering NGOs mere 'implementing partners' – technocratic managers rather than vociferous advocates for progressive change. EU-financed projects have gradually become 'the only show in town' but their relevance and impact, low to begin with, is decreased further by the time taken from initial assessment to implementation and by the instrumentalised nature of that implementation.

The European Union has barely addressed 'welfare parallelism' in Croatia, despite occasional reference to the need for policies to challenge growing spatialised inequalities. Although heavily centralised, welfare in Croatia is implemented at the local level and there is considerable discretion for local governments, particularly the richer cities, to pursue their own social policy, often enrolled in clientelistic capture networks (Hoffman et al. 2017). There appears to be an inverse care law regarding local projects, in which the most active and best-funded NGOs operate in areas that need them least (Stubbs and Zrinščak 2019b). The European Union's 'timid' focus on social welfare is almost exclusively focused on the national level. At the same time, quite expansive sub-national-level EU 'regional programmes' focus on competitiveness and innovation issues with almost no social dimension (ibid).

However, some processes that predate the economic and financial crisis, notably Croatia's enrolment in the Joint Inclusion Memorandum (JIM) process from 2005, resulted in a discursive re-ordering of priorities in Croatian social policy.

When combined with the Joint Assessment of Employment Policy Priorities (JAP) signed in May 2008, the emphasis tended to be on employment and labour market issues, although the JIM document, signed by the Government of Croatia and the Commission in March 2007, opened up some social policy issues that were not directly related to questions of employment. Certainly, JIM and subsequent monitoring processes challenged the absence of any impact assessment based on clear indicators, much less on rigorous evaluation and lesson-learning. If only performatively, it also challenged the absence of any stakeholder involvement and consultation, although services users were still, on the whole, excluded.

The JIM process did serve to broaden discussion of social policy to include domestic violence, anti-discrimination, and deinstitutionalization (Stubbs and Zrinščak 2019b). It also led to statistical convergence between Croatia and EU Member States. As the crisis hit, some commitments within the JIM were dropped, notably a ‘social pension’ for those over 65 neither receiving a pension nor claiming social assistance and a proposed law enshrining the right of people with disabilities to an assistant. In any case, JIM commitments were largely confined to a marginalised part of a marginalised ministry with little impact on issues of healthcare policy or education. Even at the height of the commitment to JIM, linkages to progress on accession and use of EU funds were rarely made. As we note below, as well as technical backsliding (in 2017 and 2018 Croatia did not even draw up a National Social Report), in the context of the re-assertiveness of a radical right it is the more political elements of backsliding that are most important.

THE GREAT MOVING-RIGHT SHOW? CLIENTELISM, FAMILIALISM, AND NEW AUTHORITARIAN NEOLIBERALISM

The concept of ‘authoritarian neoliberalism’, whether rendered singular or plural, captures something of both global trends in political economy since the 2008 global economic and financial crash and the nature of the contemporary state formation in Croatia. Understanding the many, and sometimes perverse (Dagnino, 2005) ways in which a mutated neoliberalism has combined with an authoritarian, nationalist, and populist political settlement is crucial to understanding the current conjuncture. Stuart Hall’s strictures on the UK under Thatcherism, focusing on ‘authoritarian populism’ as central to ‘the great

moving-right show', is helpful for the analysis of Croatia here. As Hall noted, the governmental work performed by authoritarian populism is always that of "map(ping) out the world of problematic social reality in clear and unambiguous moral polarities" (Hall 1980: 179).

In Lendvai-Bainton's terms, authoritarian neoliberalism combines political and social authoritarianism, seeking to produce "targeted and systematic patterns of social divisions, marginalisations and insecurities" (Lendvai-Bainton 2019: 270). In Croatia it rests on a renewed heteronormative familialism, repatriarchialization, national and ethnicized demographic renewal, and anti-immigrant sentiments. Social welfare, then, is not marginal or a side effect of authoritarian neoliberalism, but a privileged arena of struggle for a hegemonic moral economy. Authoritarian neoliberalism foregrounds welfare as socio-political govern mentality through discipline, compliance, and control, combined with what Bruff (2014) has termed an explicit and systematic marginalisation of subordinate social groups. We are witnessing, then, in Croatia but also more widely across the European periphery, an „intensification of state control over every sphere of ... life combined with radical decline of the institutions of political democracy and with draconian and multi-form curtailment of so-called 'formal' liberties" (Hall et al. 2013: 203–204).

Still, in Croatia, much of this renewed energy on the right remains discursive and has not yet impacted fully on the lives of much of the population. It is perhaps in the arena of gender and sexual politics and policies that the restructurings have been most dramatic. Processes that Josip Županov termed 'repatriarchialization' (Županov 2002), a form of Hall's 'regressive modernization' (Hall 1988), have continued apace. If we accept that patriarchy never really went away, we may rephrase this as a 'reformed', 'renewed', or 'radical' patriarchalization. As noted above, Croatia forms a key nodal point in a broader transnational movement or network of religious conservatism. In Croatia, key figures in the Catholic Church and a number of right-wing politicians have supported citizen's initiatives from below. The greatest success of this movement was in redefining, through a popular referendum held in December 2013, the definition of marriage in the Croatian Constitution as 'the union of a man and a woman', a crucial building block in a wider attempt to rollback the Europeanisation of gay rights (Slootmaekers and Sircar 2018). The opportunistic nature of this movement is

most clearly illustrated through the example of the mobilisation against the Council of Europe's Convention on the Prevention of Violence Against Women, popularly known as the Istanbul Convention, that connected ratification of the Convention with so-called 'gender ideology' (Petričušić 2018).

The political agenda of this movement extends to restricting abortion rights in Croatia, as well as desecularising education. In short, what is at stake is nothing less than renewed control over the means of reproduction, enhanced corporeal control, particularly of women's bodies, and the establishment of a welfare settlement based on variegated, or layered, social citizenship, with rights for the 'deserving' combined with control of the 'undeserving'. As this grassroots agenda is turned into central and local state practices it evokes an extension of benefits to 'good Croats', especially women who stay at home and look after children. Notably, at the local level the Mayor of Zagreb has been a forceful advocate on behalf of this radical right conservative agenda, including a return to 'traditional' family values, and has introduced measures to promote so-called demographic renewal including a scheme to pay mothers to look after their own children (Stubbs and Zrinščak 2019b).

The recent establishment of a Ministry of Demographics, Family, Youth and Social Policy shows, discursively at least, the new government's prioritising of the issue of demographics in the context of low birth rates and significant emigration of people of working age, including skilled workers and some professionals. Measures to stimulate the birth rate include increased birth grants and the widening of criteria for entitlement to child benefits. This focus on demographic renewal has gone hand in hand with elements of welfare chauvinism, including rhetorical statements by politicians in areas of high Roma settlement on the need to replace cash benefits with food vouchers (cf. Brakus 2019), and a constant discursive undercurrent relating to memories of the 'Homeland War' and even a revision of historical accounts of the Second World War (cf. Pavlaković, Brentin, and Pauković 2018).

A state-led turn to 'illiberalism' remains more advanced in Hungary, for example, than Croatia (cf. Lendvai-Bainton 2019), but aspects of this are relevant, including the curbing of independent voices such as the Ombudsperson for Children (Stubbs 2016) and independent media, as well as interference with

judicial structures. Perhaps even more importantly, a combination of discursive authoritarianism and nationalism is likely to have a pernicious impact on a social welfare and healthcare system largely based on front-line bureaucratic and administrative discretion, as well as informality in terms of relying on personal contacts with people in the system rather than on institutional rules (cf. Brković 2017 on similar processes in Bosnia-Herzegovina).

Indeed, the weaving of clientelistic capture into this mosaic challenges the dominant view of capture as being largely incompatible with free market neoliberalism. Crucially, by redefining clientelism as “a broad set of hegemonic political practices and strategies marked by particularistic modes of governance, exclusivist definitions of citizenship, and asymmetrical distribution and redistribution of resources” (Stubbs and Zrinščak 2015: 398), the study of clientelism can be steered away from linear notions of exchange of patronage for votes, thereby opening up new avenues of research focused on political actors and their schemes.

One aspect of clientelism is the enrolment of the Croatian diaspora in the Croatian nationalist state-building project, including, crucially, ethnic Croats from Bosnia-Herzegovina. This is important not only in terms of political and citizenship rights, but also in terms of Croatian state funding and steering of educational and healthcare provision in Croatian-majority areas of Bosnia-Herzegovina. However, the central pillar of clientelism in social welfare relates to the distorting and ‘crowding out’ effects of benefits to war veterans and their families, noted above. The continued salience, indeed expansion, of these rights, as well as their transmission inter-generationally, continues to have far reaching implications in terms of undercutting social welfare claims based on need and citizenship. Croatia has the highest rate of disability pensions in the European Union (Bađun 2011: 2017) with a significant amount of claims related to diagnoses of trauma or PTSD, with veterans’ disability benefits claimed, on average, at a younger age, and being some 2.5 times higher, than pensions paid to non-veterans. Such benefits crowd out rather than trickle down: Croatia still has “a severely under developed system of support services for civil disabled and low levels of integration of children with disabilities into mainstream education” (Stubbs and Zrinščak 2015: 404). As Table 2 shows, social protection benefits increased between 2008 and 2014 but remain significantly below those in the EU-

28, while means-tested benefits are only a fraction of the EU-28 average. Perhaps even more importantly, as noted above, it is the institutionalisation and solidification of clientelism into the Croatia political fabric that is most important, linked with opportunities for international venture capitalism particularly in areas designated as ‘strategic investments’, including at local state level (Hoffman et al. 2017).

Again, rhetorically at least, Croatia is marked by a discursive shift from needs-based social welfare to a kind of caritative humanitarianism. This was most marked, symbolically, in the discourse of Croatian President Kolinda Grabar Kitarović in her election programme (Škokić and Potkonjak 2018). It exists next to a residualised, marketised, and fragile social welfare system for anyone at risk of poverty and exclusion. In short, the systemic production of insecurity seems set to become a core feature of welfare policies in which normative frameworks, institutional structures, and professional and voluntary conduct are all reconfigured. New discourses and practices of ‘welfare’ and ‘care’ are emerging that are “fraught, uncertain, and provisional” (Hromadžić 2017: 90), creating new chains of meaning, new regimes of blame and virtue, recalibrations of ‘moral citizenship’ (Muehlebach 2012), and new marginalisations, subordinations, and silences. In Croatia the idea of a welfare state is less attractive to political elites than harsh workfare for the undeserving, reliance on the mobilisation of connections wherever possible, and a lottery of caritative humanitarianism even for those seen as more ‘deserving’.

Table 2: Social Protection Expenditure 2008–2016, % GDP

	CROATIA		EU-28	
	Social protection	Means-tested	Social protection	Means-tested
2008	18.2	1.0	24.8	2.9
2010	20.5	1.0	27.4	3.3
2012	21.1	1.1	27.6	3.3
2014	21.4	1.1	27.6	3.3
2016	20.9	1.0	27.1	3.3

Source: Eurostat

BRINGING CLASS BACK IN? WELFARE STRUCTURES, EXIT, AND LOYALTY

Clearly, a political economy approach must of necessity ‘bring class back in’ to the picture, whether or not class is conceived in a Marxist or neo-Marxist framework. Theorisations of social class have a long history in studies of social welfare in the North and West. As noted elsewhere (Stubbs 2018), Marxist analyses can be marked by a problematic functionalist determinism, with welfare seen as a necessary correlate of class rule, not least in terms of accumulation and reproduction, or as a repressive state apparatus (Althusser 1970). The pioneering work of Esping-Anderson (1990) began to see ‘welfare regimes’ – albeit still too fixed within a methodological nationalist understanding of the nation state as container – as a product of class struggles and in particular the struggles of organised labour in relation to the capitalist class. More explicitly, Marxist work by Ian Gough (1979) and James O’Connor (1979) sees welfare states as essentially class compromises, contestations, and contradictions. Nancy Fraser’s work (Fraser 2017), building on earlier Marxist-feminist texts, seeks to address the complex relations between welfare, households, and paid and unpaid work.

Following Erik Olin Wright (2015), a narrow adherence to classical Marxist theory, immune from the influences of ‘bourgeois sociology’, is unhelpful. Recognising that the conditions of capitalism that Marx wrote about are very different from those today, there is a need to highlight both the existence of intermediary classes between the bourgeoisie and the proletariat and, following Bourdieu in particular, to recognise the tendency of classes to fracture internally in relation not only to economic capital but also to social, cultural, and symbolic capital (Bourdieu 1986). Although heavily criticised, Guy Standing’s work on ‘the precariat’ (Standing 2011), most helpful if we think more in terms of dynamic processes of ‘precaritization’ across the international division of labour, has also enriched class theory.

There has been too little work undertaken on the class structure of the post-Yugoslav space, including contemporary Croatia, with little of this focused directly on social welfare. Although utilising imprecise concepts such as ‘societal interests’ and ‘interest groups’, Vuković and Babović (2013) have explored how fractions of the middle class formed a relatively stable and influential policy network, composed of academics, NGO workers, and professionals, able to exert a significant influence over the shaping of social policy in Serbia. Following Reay

(2005), Karin Doolan and her colleagues (Doolan et al. 2019) have focused on “the affective dimension of class” in charitable giving and receiving in Croatia, but the class structure that allows for the replacement of public provision by charity is largely absent from their analysis.

Intuitively rather than empirically based, and with no attempt made to address the relative size of different social classes, Figure 1 below, when allied with Hirschmann’s classic understanding of “exit, voice and loyalty” (Hirschmann 1970), is illustrative of key aspects of the Croatian social welfare system when viewed through a class lens. Clearly, the capitalist class portrayed in this way has no interest in the development of a universal welfare state. Managerial and political elites are also far more likely to turn to the market or to use their not insignificant informal power to receive priority and privileged services. The fracturing of the middle class, the splitting of an impoverished public sector class from the traditional middle class, and, crucially, a new ‘project’ class, “the projectariat” in Catherine Baker’s terms, adapted from the idea of ‘precariat’ (Baker 2014), also mitigate against the exercise of voice in favour of universal social rights. The shrinking of the relatively well protected unionised working class and the concomitant reduction on the power of trade unions is linked to the precariatization of many aspects of the labour market and the existence of a significant surplus labour of permanently or semi-permanently unemployed or labour-market inactive people.

Crucially, loyalty and voice in Croatian society is exercised through the status of being a war veteran or the family member of a war veteran, and through claiming or being assigned a positive Croatian national identity. Not unrelated to previous waves of out-migration under socialism, but taking on increased significance since Croatia joined the European Union in 2013, exit from the system through labour market migration, not only to ‘traditional’ places such as Germany and Austria but to new centres such as Ireland and compounded by the material benefits of remittances for those left behind, represents a further erosion of any possibility of a demand for a welfare state.

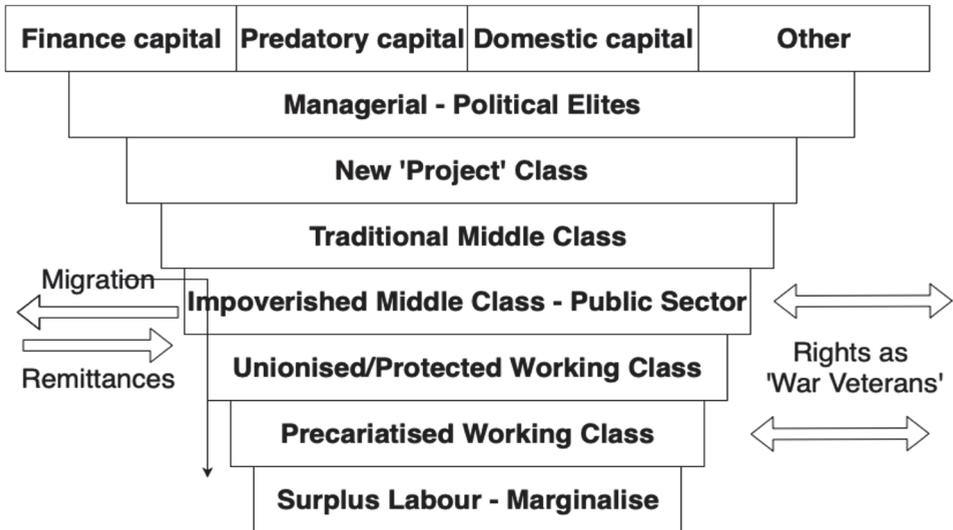
This sketch is in urgent need of empirical validation and amendment if it is to be anything more than a “plausible story” (Stubbs 2015: 67). At the very least, though, it suggests that a number of indicators not normally associated with

welfare and well-being need to be brought into the picture. These include the number of registered war veterans: as noted above, this is now over 500,000 and needs to be multiplied perhaps three-fold to include their dependants and survivors. In addition, levels of out-migration, notoriously difficult to calculate from official statistics, become of central importance. One recent study suggests that the active population in Croatia has fallen by around 10% in a decade, losing some 183,000 workers (Prvi Plan 2019), the majority of the lost workforce having migrated.

A crucial indicator is the level of trade union membership, which remains above the EU average at around 34% (European Commission 2014), although Bagić (2010) suggests that the proportion is much higher in the public sector (68%) than the private sector (around 17%). In addition, the proportion of the working population on temporary contracts is significant, and here Croatia has one of the highest figures in the EU, reaching 22.2% in 2016 compared to the EU average of 14.2%, and with only Portugal, Spain, and Poland having higher rates (Eurostat 2017). The size of the project class is impossible to estimate and here there is in any case a need to distinguish between managerial consultants, such as those who benefitted enormously from short-term assignments during the restructuring of Agrokor, and those in NGOs struggling to maintain a decent income through a series of projects. Managerial contracts tend to be significantly high in Croatia, and together with other forms of income for the top 10% suggest that traditional measures of inequality, such as the Gini coefficient, need to be replaced or at least complemented by ratios of, say, the top 10% compared to the bottom 50% of incomes (cf. Blanchet et al. 2019).

Of course, if we consider class in both structural terms and in terms of consciousness and action, then the impossibility of a welfare state cannot be read off from such a class structure. Indeed, predictions of ‘the end of the welfare state’ in other parts of Europe have had to account for its persistence, seemingly against all odds. In any case, as John Clarke reminds us, it is the welfare state as imaginary, expressing different conceptions of “the relationship between politics and society, between people and government and between state and society” (Clarke 2004: 19) that matters. A cold and dry depiction of class structure, then, can tell us only so much in terms of the ideological work that conceptions of welfare perform.

Figure 1: A representation of class and welfare in Croatia



CONCLUSIONS: SOCIAL POLICY RESEARCH RELOADED

This paper has covered very many, but not all, of the issues necessary for a thorough political economy of social welfare in Croatia. It pays too little attention to social mobility, or the lack thereof, and the role of the education system in perpetuating the inter-generational transmission of inequality (cf. Doolan et al. 2017). The complexities of intersectionality linking – at the very least – gender, class, and ethnicised identification have also proved difficult to address. In addition, the link between social welfare and the environment in the context of a fragile eco-system (Stubbs 2013), and the importance of struggles for a “social commons” (Mestrum 2016) have been largely ignored, primarily through lack of space. In recent years, particularly in Spain and now in Croatia, a renewed attempt to develop social programmes within a radical municipalism is again on the agenda and will likely need to be given more attention in the future. In addition, issues of migration and remittances will of necessity play a greater role in the development of transnational assemblages of welfare and care. None of these issues, separately or together, run against the logic of the importance of political economy and conjunctural approaches to social welfare.

Speculating on future scenarios for a political economy of welfare in Croatia is fraught with danger, although the combination of heightened political conservatism at the level of discourse alongside an active reform agenda seems most likely still to result in relative ‘inertia’ in terms of actual changes on the ground (Stubbs and Zrinščak 2019). At the same time, the absence of a ‘strong leader’ willing and able to harness right-wing grassroots mobilisations and introduce more explicitly ‘authoritarian populist’ politics and policies cannot be taken for granted. Croatia seems destined for a kind of ‘contradictory etatism’ in welfare terms, assigning an important role to market forces of both ‘predatory’ and ‘captured’ forms, nationalism, and a charitable humanitarianism reworking ‘moral economies’ of ‘deserving’ and ‘undeserving’. Rescuing the study of social policy from the residual and marginalised position it occupies currently in the social sciences is no guarantee of more universalist conceptions of social welfare in the real world. It is, however, a useful first step.

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