

# Theorizing the New Populism in Eastern Europe: A Look at Bulgaria\*

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## Abstract

This article offers a new theoretical approach to populism that allows for a better understanding of the rise of populism in Eastern Europe and its appearance from across the political spectrum. It argues that populism is a political strategy utilized by personalist parties to reduce the transaction costs of politics by increasing the use of informal political institutions, which have an association with direct and immediate action, and decreasing the use of formal political institutions, which have connotations of slow or non-action. This approach allows for better understanding of voter behavior and voter support for populist parties and introduces a dynamics-based component which helps understand the rise and evolution of populist parties and changes in their voter support, further linking them to changes in the political and economic context. Moreover, highlighting the strategic aspect of populist political behavior, this approach allows for examining the effects of populism on institutions (the transaction cost framework constituting the core of institutional economics), business, and the functioning of democracy. The Bulgarian case is used to illustrate and substantiate this theoretical proposition and to stipulate the effect of populist movements and parties on democracy.

*Keywords: populism; personalist parties; transaction cost; Bulgaria*

DOI: 10.5817/PC2016-2-182

## 1. Introduction

The rise of populism across Europe has spurred voluminous research on the topic in recent years. Scholarship has come a long way since the early days of Ionescu and Gellner (1969) and Laclau (1979) and has moved beyond descriptive to more mature and theory-driven research. Scholars have agreed that populism can be both right- and left-wing (Mudde 2004, Weyland 2013, Brett 2013), is present both East and West (Skolkay 2000; Tismaneanu 2000; Zaslove 2008), and can be examined at different levels – from an ideological (Mudde 2004;

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\* The paper has been published with the support of the Faculty of Social Sciences, Charles University in Prague.

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Stanley 2008; Kriesi, Pappas 2015) and party organizational perspective (Zaslove 2008), as a communication style and political discourse (Jagers, Walgrave 2007; Deegan-Krause, Haughton 2009) or as a political strategy (Jones 2007; Wear 2008; Weyland 1999; Jansen 2011; Gurov, Zankina 2013). Research has also produced more refined conceptualizations and definitions of the phenomenon and a more nuanced and detailed analysis of populism's relationship with democracy, namely that populism may create tension with, but is not necessarily opposed to, liberal democracy (Canovan 1999; Mény, Surel 2002; Plattner 2010).

This paper offers a new theoretical approach to populism that allows for a better understanding of the rise of populism in Eastern Europe and its appearance from across the political spectrum. It argues that populism is a political strategy utilized by personalist parties to reduce the transaction costs of politics by increasing the use of informal political institutions, which have an association with direct and immediate action, and decreasing the use of formal political institutions, which have connotations of slow or non-action. This 'transaction-cost framework' has several advantages: 1) it takes into account informal institutions (including the media and social media mobilization, quasi-political entities and actors with stakes in political outcomes, etc.), 2) it allows for better understanding of voter behavior and voter support for populist parties (unlike studies that focus primarily on populist leaders and parties), and 3) provides a dynamics-based component which helps understand the rise and evolution of populist parties and changes in their voter support, further linking them to changes in the political and economic context. Moreover, highlighting the strategic aspect of populist political behavior, this approach allows for examining the effects of populism on institutions (the transaction cost framework constituting the core of institutional economics), business, and the functioning of democracy.

Following a brief outline of scholarship efforts in conceptualizing populism, the article introduces the transaction cost framework, examines the link between populism and personalist parties, and applies these theorizations to the Bulgarian case. The article concludes by outlining the challenges that populist politics pose to democracy.

## 2. Research on populism

With the continued rise of populism in both East and West, research on populism has grown tremendously in recent years. The changing nature of the phenomenon, far from its original agrarian form, and its appearance in a variety of contexts has posed great challenges in terms of definition and conceptualization, causing great disagreements among scholars. Despite theoretical leaps and the large volume of literature on the topic, much remains to be done. Research on populism tends to carry an implicit negative normative judgment (Pappas 2015) – populist movements are characterized as reactionary (both in terms of platform and as being a response to crisis), constituted by marginalized and politically uninvolved people who are organized because of a charismatic leader, and, if not a threat to democracy (as concluded in the older literature), a stress on liberal democracy (as argued more recently). Conceptual stretching (Pappas 2015), in turn, has led to paradoxes such as lumping together Chavez, Berlusconi, and Clinton in the same category. Most importantly,

research remains tied to older schools of political science that focus on elites and cause-effect frameworks rather than individuals, dynamics, and processes involved.

Notwithstanding such shortcomings, the literature on populism has evolved significantly through (1) a shift in focus from populist leaders toward the relationship of the leaders with the people, (2) a continued effort to better understand – and, ultimately, put aside – the importance of populist platforms, and (3) the ways in which populism may be conceptualized (e.g., a particular type of agenda, an elite-managed political strategy, a political communication style). These advances led to important breakthroughs in our understanding of populism. One such breakthrough is the more nuanced and detailed analysis of populism's relationship with democracy, namely that populism may create tensions with but is not necessarily opposed to liberal democracy (Canovan 1999; Mény, Surel 2002; Plattner 2010) and can be considered a form of democratic illiberalism (Pappas 2015). Furthermore, research that has zeroed in on the relationship between populist leaders and movement participants has led to a better understanding of the strategies and methods used by both political and non-political elites (Wear 2008; Jansen 2011). Thinking about populism not as a platform or ideology, but either as a strategy or style of politics, led to better typologies of -isms, namely through teasing out the differences between populism, radicalism, and extremism (Mudde 2010). Due to these breakthroughs and others, scholars have a stronger set of analytical tools (e.g., rational strategic frameworks for understanding elite decision making) and a better foundation (e.g., by moving from deterministic, historical, and descriptive accounts<sup>1</sup>) on which to continue the effort.

Extant research can be grouped in three main categories, as already mentioned. Agenda- or platform-based approaches figure into the descriptive sections of many analytical pieces, with the significant breakthrough that populism can be both right- and left-wing (Mudde 2004; Weyland 2013; Brett 2013) and is 'thin' ideology that can be found in combination with established, 'full' ideologies (Mudde 2004; Stanley 2008). These accounts see the movements and their activities through the prism of their leaders and often emphasize the role of the charismatic or personalistic leader. Alternatively, a significant body of work treats populism as a method or style of communication that allows for differentiation and disassociation from established parties and leaders (Jagers, Walgrave 2007; Deegan-Krause, Haughton 2009). A third major approach sees populism as a political strategy, specifically a strategy led by elites. Like the communications approach, populism as a political strategy is less concerned with the details of specific movements and whether they meet preconceived platforms and agendas. A common view in this approach is how populist movements operate: Populist movements aim to bypass formal political institutions and use informal institutions in the name of direct and immediate action.<sup>2</sup> Most notable is Jones's idea of populist leaders as 'political entrepreneurs' who compete to catch any voters and replace established political parties as the main mechanism for capturing votes (Jones 2007: 38). Weyland similarly views populism as 'as a political strategy whereby a leader reaches voters directly in a personal manner that bypasses established intermediary organizations, championing a party with a low-level of institutionalization that remains a personal vehicle' (Weyland 1999: 381).

### 3. A transaction-cost approach to populism

Building on the formal *vs.* informal idea and in attempt to rebalance the elite-centered bias of existing research, I forward an approach that focuses on the transaction costs associated with different political strategies and processes that can be applied from the perspective of leaders, voters/followers, and investors/special interests alike.<sup>3</sup> This approach is based on transaction-cost economics (TCE) and new institutional economics (NIE), including the works of Douglas North (1993; 1994), Ronald Coase (1960), and Oliver Williamson (1981). Williamson, for example, specifically uses this approach to understand politics by focusing on ‘the comparative costs of planning, adapting, and monitoring task completion under alternative governance structures’ (Williamson 1981: 552). Transaction-cost models can be easily designed to accommodate a variety of groups and individuals, thereby opening the door to a better understanding of the decisions and activities of elite and non-elite participants, as well as other relevant (sub)groups such as investors and special interests. The definition that ensues from such an approach is as follows:

Populism is a political strategy to reduce the transaction costs of politics by increasing the use of informal political institutions, which have an association with ‘direct’ and ‘immediate’ action, and decreasing the use of formal political institutions, which have connotations of slow or non-action. (Koepeke et al. 2011)

Like other definitions and approaches, this definition builds on a core well-founded notion in the literature that populism prefers to avoid or minimize formal political institutions. Unlike other approaches, though, this definition: (1) notes the importance of informal political institutions, (2) avoids elite bias through the universally applicable decision-making component that explicitly opens the door for comparison with alternative political strategies, (3) provides a dynamics-based framework through the inclusion of an inter-temporal decision-making aspect, and (4) allows for an improved understanding of the behavior on non-elites (voters, investors, special interests), i.e. preference for populist leaders and parties can be a rational choice *vis-à-vis* perceived or real ineffectiveness of formal institutions.

Unlike other definitions and approaches, this definition places populism as an alternative, albeit not in a mutually exclusive manner, strategy to formal political paths of change. Using this definition and keeping these four points in mind, a framework emerges for understanding the dynamics of populist movements and parties. The definition and framework assumes individuals associate informal institutions with direct, immediate, and unconstrained changes, to name a few, and formal institutions with deliberated, incremental, and constrained change – a logic that equally applies from the perspective of leaders or ‘political entrepreneurs’ attempting to capture votes, voters, and investors and special interests with stakes in the political process. Which institutional arena is preferred depends on the individual and the political situation. At the risk of oversimplifying but in the hope of providing substantive examples: an individual (be it a leader, voter or investor) may prefer incremental, consensus-oriented, and constrained politics (i.e., formal institutions) during prosperous and stable times, whereas during unstable and troublesome times – change that

happens rapidly and is not constrained through the checks, balances, and gates of formal institutions.

The individual's ability to develop a preference for political institution primacy is a critical element of the transaction-costs framework, as is the individual's capability of assessing and re-assessing an evolving political situation. For example, an individual may support formal political institutions (e.g., political parties, voting) at one point, but then turn toward populism at another point due to her changing assessments of the political situation. This may have to do with her views on the efficacy of formal and informal political institutions, to what degree she believes reform ought to be quick/slow, and whether formal political institutions and those players are receptive to her positions.

**Table 1: Strategic considerations of formal and informal institutional choice**

	Advantages	Disadvantages
<b>Informal Institutions</b>	<ul style="list-style-type: none"> <li>• Potentially rapid change (i.e., quick achievement of special interest goals)</li> <li>• Bypass formal institutional veto players</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced accountability</li> <li>• Policy volatility</li> <li>• Reduced control over events/developments</li> </ul>
<b>Formal Institutions</b>	<ul style="list-style-type: none"> <li>• Consensus seeking</li> <li>• Checks/balances</li> <li>• Minimal volatility and uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively long timeframe for change</li> <li>• Variety of veto points (e.g., individuals, institutions)</li> </ul>

*Source: Koepke et al. (2011).*

Such a dynamic framework can help explain the varied support (both of voters and investors) for populist leaders and parties through time and across different contexts, as well as the varied incidence of populist leaders and parties or the shift of parties and leaders in and out of populism (the Hungarian FIDESZ being a case in point). In other words, in given situations populism can prove a win-win formula for leaders, voters and investors alike, thus, explaining the populist *zeitgeist*.

A point not examined here, but worth drawing attention to is the explicit balance between formal and informal institutions and the relationship between the two. In fact, the characterization of politics ebbing and flowing between the two political arenas may incorrectly suggest a zero sum balance and/or their mutual exclusivity. Instead, a major goal is to highlight each arena's closeness and interconnectedness to the other. This includes, but is not limited to, (1) understanding the efforts of populists in office to promote political action through informal institutions and reshape formal institutions to promote special interest, thereby reducing the transaction costs of formal political institutions and (2) calling attention to the connections to formal institutions that so-called anti-politics or anti-established populist leaders have. Whether it is Chavez and his military connections, Borisov and his police associates, or the financial connections between the Koch Brothers—who are major funders of the Tea Party Movement—and established conservative politicians within the United States, the literature appears to have a major blind spot with regard to populist leaders and their links to formal institutional networks.

## 4. Populism and personalist parties

The transaction-cost framework allows us to theoretically link populism to the rise of personalist parties. Here I adopt Kostadinova and Levitt's conceptualization of personalist parties that rests upon two main criteria: the presence of a dominant leader, and a party organization that is weakly institutionalized by design. A personalist party, Kostadinova and Levitt argue, exists and functions around a prominent individual, a political entrepreneur who needs (and, often, simply creates) a party or a movement in a pursuit of his or her agenda (Kostadinova, Levitt 2014). This person may or may not be charismatic, but is necessarily absolutely dominant in determining policy direction, nominating candidates, allocating organization resources, and distributing spoils, and does so through formal and informal channels alike.

Kostadinova and Levitt justly argue that, following such definition, personalist parties need not be necessarily populist and *vice versa*. Yet, we often find populism and personalism overlapping, as illustrated in the Bulgarian case described here. A populist-personalist party exhibits a model that includes a new leader often marginal to politics or what I term part of 'second-tier elites', a new party centered on this leader, a weak party structure, and a new formula of attracting voters and exercising power that is strictly populist. The new face and new formula are key in this model, as they are usually not present in personalist, non-populist parties. Taggart and Kaltwasser similarly argue that populists attain power and move from being outsiders to being insiders (2015: 2). In the Bulgarian case, personalist, non-populist parties are most often offshoots of bigger parties, centered on a leader with a well-established political career, who uses established ways of attracting voters and exercising power. Such parties usually steal votes from the 'mother' party, but are much less successful than the personalist-populist type in mobilizing voters. By contrast, a key factor in the success of populist parties is their ability to mobilize previously apathetic and passive citizens (Schmitter 2007; Jansen 2011).

But personalist populist parties can appear in a variety of ways and are not simply parties with a strong leader. A party can have a strong leader for a long period of time without becoming personalist or populist in character (the German CDU is a case in point) and without undermining the internal democratic procedures. In the case of populist-personalist parties we can see a new or established political figure establishing a new party of restructuring, reorganizing or seizing control of an established party, while changing the rules of the game and undermining the principles of accountability and transparency, resulting in increased control of the leader. Another characteristic of populist-personalist parties is that, unlike traditional parties, they rarely have established and lasting relations with major socio-professional organizations such as trade unions, industry associations, professional organizations, etc. By contrast, such parties develop short-term relationships with various business circles that are focused on immediate returns to their political investments. This leads to questionable alliances and intensified connections between political and economic elites. Borisov, Berlusconi, Orban and Sarkozy all show such tendencies which in some cases have led to public scandals.

I argue that populism, defined as a political strategy utilized by populist-personalist parties to reduce the transaction costs of politics by increasing the use of informal political

institutions, leads to sidetracking of political parties as intermediaries between voters and political leaders and a shift from classical political parties<sup>4</sup> to personalist parties. The elimination of political parties as intermediaries (1) creates a direct link between populist leaders and voters, and (2) changes the relationship between political leaders and investors and special interests with high stakes in the political process by modifying the nature of the bargaining process from multilateral to bilateral, i.e. a single actor is much more reliable and easy to deal with than a group of individuals who inextricably face a collective action dilemma problem (Olson 1965; Hardin 1982). In other words, the removal of the traditional form of intermediaries (classical political parties) modifies the incentive structure by lowering the transaction cost (the cost incurred for carrying out an exchange) for promoting private and collective (special) interests through electoral and/or other political means.

Personalist parties, understood as weak organizations with a dominant leader, by definition reduce transaction costs. The shift to a personalist party model grants the leader quasi-unilateral control over the organization, thus reducing the number of veto points. Private and collective interests can then relatively easily influence the political process through investing in such a leader, as opposed to investing in an established, well-structured political party where decision-making is a function of a complicated, multi-level process with hardly predictable outcomes. In other words, it is easier for lobbying and special group interests to financially support and actively negotiate with one person who appoints subordinates than it is to negotiate with parties where there are multiple actors and power is diffused, institutionalized and interdependent. While in a traditional party there is interdependency in terms of power and control, in a personalist party the decision-making process is governed by a clear top-down approach (Bozoki, Sükösd 1993; Weyland 1999).

Some examples of reduced transaction costs include search and information costs (identifying a politician to invest in), negotiation costs (reaching an agreement), monitoring and policing costs (enforcing the agreement).

**Table 2: Incentive analysis for political investment from investor's perspective**

	Advantages	Disadvantages
<b>Classical party</b>	<ul style="list-style-type: none"> <li>• Long-term investment</li> <li>• Continuity</li> <li>• Policy consistency</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic uncertainty</li> <li>• Diffused accountability</li> <li>• Slow return on investment</li> </ul>
<b>Populist party</b>	<ul style="list-style-type: none"> <li>• No strategic uncertainty</li> <li>• Direct accountability</li> <li>• Quick short-term gains</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term investment</li> <li>• No continuity</li> <li>• Policy volatility</li> </ul>

*Source: Gurov and Zankina (2013).*

## 5. Populism and personalist parties in Bulgaria

Populism and personalist parties have become a permanent factor in Bulgarian politics. Here I focus on two such parties, the National Movement Simeon II (NDSV) and the Citizens for European Development of Bulgaria (GERB), for three reasons. First, both parties

combine populism and personalism, which, as already pointed out, do not always go hand in hand. Second, they both exhibit a brand new type of populism rather different from the radical right-wing populism witnessed across Western Europe in the 1980s and 1990s. The populist radical right appeared in Bulgarian politics as well and has now become a permanent factor in the political arena. Yet, its electoral gains remain limited, ranging from 7–12% for all radical right parties combined. While, such parties have gained increasing support among mainstream voters, their prime electorate remain the disenfranchised.<sup>5</sup> By contrast, NDSV's and GERB's form of 'soft populism', as Smilov and Krastev term it (Smilov, Krastev 2008), utilize a more moderate and distinctly pro-EU (though still clearly populist) rhetoric that appeals to mainstream voters.<sup>6</sup> Hence, NDSV and GERB enjoyed much broader support which allowed them to win elections and form governments. Not unique to Bulgaria, such parties are a growing phenomenon in Central and Eastern Europe and have also been termed 'centrist populist', as they manage to combine 'fiercely populist rhetoric with a moderate ideological appeal on typical policy issues' (Havlík, Stanley 2015). Third, having been ruling parties, NDSV and GERB have had access to government posts and therefore greater ability to balance between the use of formal and informal institutions and channels.

The 2001 parliamentary elections and the return of the exiled Bulgarian king, Simeon II of Saxcoburggotha (a.k.a. Simeon Saxcoburgotski) as Prime Minister, mark the emergence of populism in Bulgarian post-communist politics (Jones 2007; Smilov 2008) and the establishment of the personalist party model as a successful political strategy. Although there were previous attempts by personalist parties with populist appeal,<sup>7</sup> throughout the 1990s, Bulgarian politics was characterized by a bi-polar political model with two dominant parties – the former communist party, renamed Bulgarian Socialist Party (BSP), and the democratic opposition, the Union of Democratic Forces (UDF) – and an ethnic Turkish party, the Movement for Rights and Freedoms (MRF), serving as a balancer. Despite political instability and frequent change in governments (nine for the first ten years of the transition), the bi-polar model with its alternation of power gave certain predictability to political dynamics in the country. The unexpected victory of NDSV abruptly destroyed that model along with the domination of the UDF and the BSP. Since then, new populist personalist parties have made their way into parliament with every subsequent election.

Simeon announced his intention to run for parliament only 11 weeks before the 2001 elections. Calling for 'new ethics in politics, new economic decisions, new ideas and new leaders', Simeon claimed that his 'alliance of likeminded individuals' would solve the problems in the country in 800 days (The Economist 2001). Such an unrealistic promise came during a time of perceived political crisis (despite overall improvement in all economic indicators) due to growing disappointment among voters with both the UDF and the BSP and overall transition fatigue and disillusionment. Just a week after Simeon proclaimed the founding of his political project, public opinion polls were indicating a 43% support which, in fact, translated into votes.<sup>8</sup> One seat short of absolute majority in parliament, NDSV formed a coalition with MRF after both the BSP and the UDF turned down NDSV's invitation to take part in a government of 'national unity'.

NDSV has been unequivocally categorized as a populist party (Jones 2007; Smilov, Krastev 2008; Cholova, De Waele 2011) that capitalizes on popular frustration with the dominant elites. As Ghodsee argues, Simeon appealed to the general disgust most Bulgarians

felt toward BSP and UDF after a decade of partisan bickering, corrupt politicians, and failed electoral promises (Ghodsee 2008: 28). Centered on its leader (and in fact bearing his name), NDSV lacked an established party structure and ideological coherence.<sup>9</sup> Instead, Simeon relied on a quickly gathered team of experts and pronounced populist rhetoric, with elusive and undeliverable promises of prosperity. The people he attracted to his movement were from various backgrounds and political orientations, and with unclear motivations. Lacking clear criteria and recruitment mechanisms, NDSV developed a national, yet loose structure (Gurov, Zankina 2013). Simeon's persona dominated the party and was key for its success, as proved by the virtual disappearance of the party following Simeon's retreat from politics in 2009.<sup>10</sup> Although NDSV's success was short lived,<sup>11</sup> it demonstrated the electoral potential of the populist approach. Consequently, populism both as a political strategy and as a viable electoral choice became firmly established in Bulgarian politics.<sup>12</sup>

GERB was founded in late 2006 by Boyko Borisov, who was serving as mayor of Sofia at the time. Soon after being established, GERB scored a victory at the 2007 Bulgarian European Parliament elections. With the endorsement of the European Peoples Party (EPP), GERB gained five of the 18 EU parliament seats – a success only matched by the BSP which was the leading party in the governing coalition at the time. By the 2009 Bulgarian parliamentary elections, GERB had confirmed itself as a major political player, receiving 39.7 % or 116 seats in the 240-member parliament. Short of majority, GERB formed a minority government. GERB reaffirmed its hold on power in the 2011 presidential and local elections, securing 52.8 % of the votes in the second round of the presidential vote and winning over half of the mayoral seats in the country. With Rosen Plevneliev as president, majority in parliament (achieved through co-opting MPs from other parties in parliament<sup>13</sup>), and a Borisov-led government, GERB held all levers of executive and legislative power.

Following mass protests in February 2013, GERB was forced to resign three months before the scheduled regular elections. The early elections in May 2013 brought 30.5 % to GERB, the largest percent in the election. Yet, GERB was unable to muster enough support in parliament to form a government, yielding its mandate to the BSP. The BSP's Oresharski government proved short-lived, again resulting in early elections in October 2014. GERB scored 32.67 % in that election, far ahead of the second party, BSP, which scored a lowest ever 15.4 %. A fragmented parliament with an unprecedented number of parties (eight to be exact), posed a great challenge to government formation. GERB was ultimately able to return to power and form a coalition government with the Reformist Bloc – uniting parties such as the UDF and the DSB among others, the Patriotic Front – a nationalist coalition that stole votes from ATAKA, but also managed to attract new voters, and the Alternative Bulgarian Revival (ABV) – an offshoot of BSP centered around former BSP leader and former president (2001–2009), Georgi Parvanov.

Starting out as a true populist party, GERB lacked an established party structure and ideological coherence. Similar to NDSV, GERB's program consisted of elusive and symbolic issues such as 'corruption' and 'crime' that resonate well with a discontented electorate, while its party officials were a hastily and often randomly selected group of experts and people from Borisov's personal circle. Lacking any recruitment criteria, other than Borisov's personal judgment, GERB (and in fact Borisov) are known for frequently changing ministers (four health ministers in less than three years during GERB's first government, two

justice and two education ministers during GERB's second government) and other political appointees. GERB's main resource is the appeal of its leader. Borisov's populist rhetoric and image seem to resonate even better with voters than Simeon's aristocratic bearing.<sup>14</sup> Portraying himself as a 'man of the people', Borisov uses colloquial language and espouses a kind of Balkan-style machismo in which simplicity, honor, and the ability to quickly deal with unexpected situations are highly valued.

Yet, GERB (and Borisov) have been evolving, which is particularly evident in GERB's second ruling mandate. Borisov has been attempting to de-personalize the party by establishing an executive commission and a control commission and by stepping away from the limelight. Following the 2014 elections, for example, he appointed a three-person negotiation team in charge of coalition formation, of which he was not a part. In addition, GERB has been very active in building territorial structures, youth organizations, a women's organization and more. Lastly, Borisov has been making less media appearances and these have been carefully selected. This evolution of the party is particularly interesting from the point of view of the transaction cost framework, as it allows us to see a shift away from a populist strategy at a time when GERB feels like it has consolidated its power and electorate. This new situation allows GERB to act more like a mainstream party, while still flirting with populist rhetoric and appeal.

## 6. Applying the transaction-cost framework to the Bulgarian case

Next, I examine NDSV's and GERB's successes and appeal through the transaction-cost framework from a voters' perspective, from an investor's perspective, and from the perspective of political entrepreneurs seeking to enter the political arena. I argue that support for populist and personalist parties (particularly on the part of voters) is not irrational or exclusively based on a charismatic relationship between a messiah and followers. Rather, such support can be viewed from a strictly rational perspective that maximizes returns on investment (of both voters and special interests). The examples further demonstrate how this approach offers a new and enriched understanding of political processes and current events in Bulgaria, as well as a general framework that can be applied beyond the Bulgarian context.

Why did voters choose Simeon and later Borisov and their respective populist parties? In 2001, conditions in Bulgaria were steadily improving following a severe financial and economic crisis in 1997 that resulted in a monthly inflation rate of 242 % (Minassian 1998). The UDF government of Ivan Kostov, elected in 1997 amidst the crisis, was the first post-communist government in Bulgaria to complete its full mandate and to bring about sensible and sustained improvement. Kostov's government launched a comprehensive stabilization program that included the introduction of a currency board (still in effect today), acceleration of privatization, recovery of the banking sector, comprehensive tax reform, and several other macroeconomic measures (Mihov 1999). The program showed remarkable results, reducing inflation to single-digit numbers and bringing about an annual economic growth

of 4 %. Moreover, the government clearly reoriented the country towards the Euro-Atlantic structures, paving the way for EU and NATO memberships. Yet, Kostov's government fell short of its promises to bring to justice those who benefitted from the hyperinflation and became known as the 'credit millionaires'. Consequently, the government was never able to dissipate critiques of corruption, clientelism, and illegal privatization deals lacking transparency (Gurov, Zankina 2011). Its approval ratings were steadily falling, reaching a record low of 28 % in 2000, with distrust in government more than doubling from 25 % in 1997 to 52 % in 2000 (Barany 2002: 148). Disappointed by the UDF government which failed to restore justice, and doubly disappointed by the BSP which had brought about the economic and financial crises of 1997, Bulgarian voters were in search of a third alternative and a 'savior'. Simeon's royal charisma, marginal status in Bulgarian politics, and untarnished reputation made him the perfect candidate for such a 'savior'. While the NDSV attracted a lot of undecided voters, it also stole chunks of each major party's support base (Barany 2002: 149). Voters saw both Simeon and the NDSV as the quick fix that the country badly needed. They were less concerned with the legal and ethical implications of a king becoming a prime minister, and were enchanted by Simeon's persona and his 800-day promise. They preferred a radical choice with a promise of quick results over the established patterns and elites.

GERB was facing a rather different situation that, nevertheless, resulted in a very similar dynamic and behavior on the part of voters. By 2009, Bulgaria was already a member of both NATO and the EU, and has since witnessed a much improved political and economic situation compared to the turbulence of the 1990s. Nevertheless, Bulgaria has been continuously criticized on accounts of corruption, organized crime, embezzlement of EU funds, and an inefficient judiciary, and continues to be closely monitored through the EU's Cooperation and Verification Mechanism (CVM). Moreover, in July 2008, Bulgaria had up to €1 billion in EU funding suspended over corruption scandals, which resulted in a whole array of projects – from road building to job creation – being halted. This unfortunate development coincided with the peak of the global economic and financial crisis that has inevitably affected Bulgaria. Foreign direct investment, for example, plummeted almost five times between 2008 and 2010, from roughly \$10 billion to \$2 billion (OSN 2011). Thus, once again Bulgarian voters found themselves amidst an economic crisis, inefficient state institutions, and corrupt politicians. Growing even less patient, they once again searched for an alternative that would offer a quick way out of the crisis through direct and immediate action.

Being only tangentially involved in politics up to this moment, Borisov was perceived by many voters as being uncorrupt, as well as unfamiliar with and disinterested in political power games. His police background and previous career as a general secretary of the police force, as well as his experience (and previous connections) in dealing with mafia and criminal networks, were seen as strong assets in his ability to fight organized crime and corruption.<sup>15</sup> His tenure as mayor, in the eyes of many, demonstrated an ability to quickly and effectively solve problems – a view reinforced by Borisov's tight control over his cabinet and party. Finally, Borisov gained the support of the European People's Party (EPP), which came to view him as a credible political actor and a good choice for political investment. The EPP's endorsement boosted Borisov's status in the political arena and made him a legitimate political actor with access not only to domestic but to European networks (and funding) as well. Espousing a more moderate kind of populism that does not denounce the

merits of representative democracy and is far from the extremism and cultural conservatism of the populist radical right, Borisov (just like Simeon before him) was viewed by voters as an alternative capable of transforming the very mechanisms by which power is exercised, distributed and controlled, by instituting direct and immediate change. Against the background of transitional elites with marred reputations, Borisov seemed a much better alternative and someone that could quickly deliver on his electoral promises.

Special interests similarly viewed Borisov as someone who could deliver. The EPP's support for Borisov and GERB offers a good example of the GERB's attractiveness to special interests, but also of the appeal of the personalist party model to investors in general.

European Parliament parties started giving support to various parties in the EU-candidate states long before accession. Their rationale was securing EU parliament seats once these countries gained membership, but also impacting domestic policy, which Europarties could hope would have consequences for policymaking in the EU once integration was achieved (Spirova 2007: 796). Bulgarian parties had looked for Transnational Party Cooperation (TPC) which could provide them with expertise, finances and legitimacy (Stoyanov 2006) since the early years of the transition. The main political organizations in Bulgaria all have affiliations with Europarties. With the very first Bulgarian EU parliamentary elections in 2007, however, the nature of TCP changed, and now Europarties expect their Bulgarian partners to deliver votes. Thus, Europarty support took on a character of political investment (in domestic politics) by (transnational) special interests.

GERB managed to secure EPP membership shortly before the first Bulgarian European Parliamentary elections in 2007 for. The high popularity of then mayor Borisov assured the EPP that he was a legitimate political figure who could guarantee more parliamentary seats than the EPP's traditional Bulgarian partners from the UDF and the Democrats for Strong Bulgaria (DSB). Consequently, the EPP started investing in GERB while disinvesting from the UDF and the DSB. This was not a value-driven decision, as all three parties formally ascribe to center-right ideologies, but rather a rational choice on the part of the EPP in selecting the one party that offers the highest return at lower cost and risk. The UDF and the DSB fell short of EPP expectations by showing disappointing results in the 2006 presidential elections, thereby confirming the high risks and unpredictability associated with backing them. Borisov's success at the 2007 elections, by contrast, reaffirmed the EPP's decision and assured continued EPP support for GERB.

Applying the transaction cost framework, we notice a clear shift in preference and strategy on the part of the EPP, i.e. investing in a leader-centered populist party like GERB that has been able to deliver quick returns on investment and disinvesting from parties with well-institutionalized structures and a longer history of affiliation with the EPP, namely the UDF and the DSB, but who have been unable to deliver the expected returns on political investment. This example demonstrates how a personalist party significantly reduces search and information (pre-electoral) costs, providing higher short-term return on investment at reduced cost and risk. It further speaks to the sustainability of the personalist party model which enjoys the support of voters and investors alike.

Lastly, let us examine the appeal of populist-personalist parties for political entrepreneurs. One example that merits attention in this regard is the coalition between the NDSV and the Bulgarian Party of Women (BPW). The BPW was founded just before the 1997

elections, scoring a meager 0.38 % and being one of the parties with the lowest registered performance (Rashkova, Zankina 2014). In the 2001 elections, the BPW was offered the unexpected opportunity to run in a coalition with the NDSV. Having been formed less than three months before the 2001 election, the NDSV was not registered as a political party. Under Bulgaria's electoral law at the time, only registered political parties could enter the electoral process. Hence, a coalition with the BPW would allow the NDSV to enter the electoral race. In return, a coalition with the NDSV would provide the BPW with the unprecedented chance to enter parliament – something it would never have been able to do on its own, given its meagre electoral support; another coalition, such as one with the BWP, was not considered a viable political partner by any of the established parties at the time. The NDSV used the BPW mandate to register for the 2001 parliamentary elections; this gave the BPW a unique position and allowed it to negotiate the nomination of a much larger number of female candidates (Kostadinova 2003: 311). The result was the highest representation of women in parliament (40.5 %) in Bulgarian post-communist politics, and a number of parliamentary seats for the BPW. While the BPW managed to preserve some parliamentary seats in the 2005–2009 parliament, it virtually disappeared from politics thereafter (along with the NDSV), failing to gather the necessary 7,000 signatures to register for the 2011 local elections (Rashkova, Zankina 2013). The example of the BPW illustrates the ability of political entrepreneurs to ride on the anticipated success of populist-personalist parties, thereby achieving their political objectives.

Another example of the advantages that populist-personalist parties offer to political entrepreneurs is the case of 'independent' MPs – a practice that is not new in Bulgarian politics, but that has become more prevalent with the advent of populist and personalist parties. Every Bulgarian parliament has witnessed MPs leaving their parliamentary group (and party) and becoming independent. More than one party has been formed in parliament in that way – GOR (Citizens' Union for the Republic), the Euroleft Party, and Novoto Vreme (New Time) being the most obvious examples. GERB has proven the most successful in attracting newly independent MPs, who pledge their support for the party and vote in parliament en bloc with GERB. During GERB's first mandate 18 MPs who joined parliament primarily as members of ATAKA or OLJ (Order, Law, Justice) – both unquestionably leader-oriented populist parties – shifted their loyalty to GERB. This practice led to the disbanding of OLJ's parliamentary group and threatened to break apart ATAKA's parliamentary group as well.<sup>16</sup> In addition to voting in parliament, the main question in regard to independent MPs is their state subsidies. According to the Bulgarian party law, state subsidies given to parties represented in parliament are tied to the party's individual MPs.<sup>17</sup> If an MP leaves their parliamentary group, they are free to designate their subsidy to any party represented in parliament. Consequently, GERB increased its state subsidy by almost 4 million Leva (Mediapool 2012), and it increased its parliamentary support, gaining a *de facto* majority in parliament.

In applying the TSF model, we see political entrepreneurs and investors aspiring to political office invest in a leader-dominated populist party in return for a parliamentary seat and an opportunity to influence political outcomes. When a larger and more influential populist party offers them a better return on their investment (either through kick backs from state subsidies, better guarantees for political office, or some other preferential treatment), these entrepreneurs easily switch loyalties. Their choice brings not only quick short-

term returns on their investment, but also greater opportunity for long-term investment (in the event GERB wins another mandate). Such political entrepreneurs would find it much harder to secure a seat from a classical party with well-established structures and recruitment mechanisms. It is not surprising then that the newly 'independent' MPs were almost exclusively from ATAKA and OLJ (Gurov, Zankina 2013).

## 7. Conclusions

The firm establishment of the personalist-populist model in Bulgaria has already had a visible effect on democratic politics. After more than a decade of populist politics in Bulgaria we notice rapid circulation of second-tier elites who tend to be the main recruiting pool for populist leaders. Simeon and Borisov (also Barekov) represent marginal political players who quickly rose to power on a populist platform. Their marginal status greatly contributed to their success as they were viewed in opposition to the established elites, thus channeling anti-elite populist feelings. Campaigns based on populist rhetoric and the charisma of the leader drastically modified the perceptions and expectations of Bulgarian voters towards the very essence of political action. Voters grew less patient and less mature in their political choices (searching for a savior), thus, more open to charisma-based and populist appeals. The democratic deficit that results from such model threatens to become a chronic condition with little incentive to be addressed both by voters and investors. While counter-forces contesting populist politics are present at all times, they might prove too weak to uproot a model that is already very attractive to voters and investors alike.

The Bulgarian case makes us pessimistic about the link between populism and democracy. Unlike most recent arguments which view populism as a corrective mechanism to democracy, I argue that populist parties create a democratic and institutional deficit and contribute to a shift from representative to procedural democracy. Although the 'soft' populists do not contest the principles of democratic governance, their increased use of informal power coupled with procedural but value-empty adherence to democracy threatens the very foundation of democratic rule which is *a priori* value-driven.

## Footnotes:

1. For an overview of the structuralist approach to populism and the subsequent moves toward non-structuralist views, see Weyland (2001).
2. One of the earliest formulations in this direction originates with William Kornhauser who distinguishes between populist and liberal democracy: Populist democracy involves direct action of large numbers of people, which often results in the circumvention of institutional channels. Liberal democracy involves political action mediated by institutional rules, and therefore limits the use of power by majorities as well as minorities. The difference between liberal democracy and populist democracy, then, does not concern who shall have access to power (in both cases, there is representative rule); rather, it concerns how power shall be sought, the mode of access. In liberal democracy, the mode of access tends to be controlled by institutional procedures and intermediate associations,

whereas in populist democracy the mode of access tends to be more direct and unrestrained (Kornhauser 1959: 131).

3. This approach was first formulated by Koepke et al. (2011).
4. 'Classical' here meaning parties with interdependent decision-making mechanisms and well-established organizational structures.
5. I am referring to ATAKA (Attack) – an extremist right-wing populist party that appeared shortly before the 2005 parliamentary elections – and its leader Volen Siderov. Since then, ATAKA has attracted a steady percentage of voters (7–10 %) and has enjoyed continued representation in parliament. Kostadinova and Levitt (2014) argue that ATAKA is not strictly a personalist party, since it is a coalition united around a nationalist platform which goes beyond the personal power of Siderov. For a detailed analysis of the 2005 elections and the emergence of ATAKA, see Ghodsee (2008). In the 2014 election a new nationalist party emerged – the National Front for Salvation of Bulgaria (NSFB). An offshoot from ATAKA, NSFB is clearly nationalist, though not necessarily populist. Unlike ATAKA, it is not centered on its leader and, in fact, has a collective leadership. The NSFB formed a coalition prior to the 2014 parliamentary elections with another nationalist party, the Internal Macedonian Revolutionary Organization (IMRO). The NSFB and the IMRO coalition, the Patriotic Front, is part of the 2014 GERB-led coalition government. Although, the Patriotic Front does not hold ministerial seats, GERB relies on its support in parliament.
6. For a discussion of 'soft' vs. 'hard' populism and their manifestations in Bulgaria, see Smilov and Krastev 2008.
7. For example, the Bulgarian Business Bloc (BBB) of George Ganchev – a party that was primarily represented by and identified with its leader, who utilized populist rhetoric to attract voters.
8. NDSV received 1,952,513 votes or 42.74 %, despite two phantom parties (National Union Simeon II and Coalition Simeon II), registered with the sole purpose of diverting votes from NDSV, that scored significant results due to misled voters (1.7 % and 3.44 % respectively).
9. Following Simeon's retreat from Bulgarian politics in 2009, NDSV was renamed 'National Movement of Stability and Prosperity,' preserving its initials in Bulgarian to NDSV ('Национално Движение за Стабилност и Възход').
10. NDSV's coalition 'Center – Freedom and Dignity' received 1.63 % in the 2013 parliamentary elections and 0.24 % in the 2014 parliamentary elections.
11. In 2005, NDSV received 21.83 % of the vote and was included in a BSP coalition government, along with MRF. In 2009, NDSV received a low 3.26 %, failing to pass the electoral threshold. Consequently, Simeon submitted his resignation as leader of the party.
12. The Order, Law, Justice Party (OLJ) and Bulgaria without Censorship (BBTz) are other examples of populist parties revolving around their leaders (Yane Yanev and Nikolay Barekov, respectively) that adopt an anti-elite stance. For a more detailed discussion of OLJ as a populist party, see Pencheva (2009).
13. For more on this, see Gurov and Zankina (2013).
14. Three months after assuming power, Boyko Borisov's approval rating reached an unprecedented 77 %. By comparison, previous prime ministers' rating at the 3-month mark were as follows: Simeon – 68 %, Kostov – 52 %, and Stanishev – 40 %. See Dnes.bg (2009).
15. In 2001, Borisov was appointed General Secretary of the Ministry of the Interior by none other than Prime Minister Simeon Saksokoburgotski. Before that he was known to have been 'a close associate of the biggest mobsters in Bulgaria,' as reported by Congressional Quarterly (Stein 2007), and to have assisted in 'money laundering, methamphetamines trafficking, oil deals benefiting the Russian company Lukoil, and more,' as revealed by a WikiLeaks document (2011).
16. Given the 4% electoral threshold in Bulgaria for a party to enter parliament, a parliamentary group needs a minimum of 10 MPs. In the event that one or several MPs leave the parliamentary group leading to its number decreasing below 10, all members of the parliamentary group become formally independent.
17. See, Bulgarian Law on Political Parties.

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