# THE INSTITUTIONAL PLURALISM AS A CONDITION OF THE ECONOMIC DEVELOPMENT

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*В период постсоциалистической трансформации препятствующие позитивному развитию факторы, возникшие при сломе прежних моделей, породили становление неэффективных общественно-экономических механизмов и дисфункциональность институциональной структуры экономики. Эти эффекты породили деструктивную синергию, что стало угрозой для экономических реформ в целом.*

*В статье обсуждаются эффекты, порожденные институциональным вакуумом и институциональным монизмом неолиберального типа, способные разрушить трансформационный механизм в экономике. Критике подвергается неолиберальная экономическая политика. Автор исходит из гипотезы о том, что институциональный плюрализм является необходимой предпосылкой для перехода от институционального вакуума и монистической квазиинституционализации неолиберального типа к эффективной экономической системе.*

*During the period of the post-socialism transition, the whole system of the inhibiting factors has been working and caused forming conglomerate and institutional system disfunctionality. The mentioned effect was synergetic and destructive.*

*The article discusses the effects on institutional vacuum and institutional monism of neoliberal type on the creation of transitional brake mechanism. We are criticizing neoliberal economic policies. The article departs from the hypothesis that institutional pluralism is a precondition for the overcoming of the institutional vacuum and monistic quasi-institutionalization of neoliberal type.*

## 1. Introduction

Most of the post-socialist countries (hereinafter: P-SC) are characterised by post-socialist transitional economic systems with deep problems, deformations, and disproportions, which have been deepened and complicated even more by global economic crisis. These consequences are results of erroneous economic policies and nonexistence of consistent developmental strategy and they also represent the focus of threatening crisis. Certain decision makers of economic policies, in the midst of unprecedented state interventions, are glorifying neo-liberalism (thanks to which and on which waves they most probably came to power). They are forgetting that significant donations from abroad, direct foreign investments and loans are not the result of neoliberal economic successes but of a concrete politics of the West towards the region. Dialectics of economic development has verified the necessity for resource-allocational, organisational, innovative, motivational, institutional and information combinations as well as pluralistic functioning of all economic, political and other institutes. It is not the problem when economists are making mistakes, but when (if) they make mistakes on purpose because of different interests, especially if their interest ambitions can actively influence the actual economic politics, with accompanying „*opportunistic ignorance*" (G. Myrdal). This leads to promotion and realization of own choices, with which one is to maximise personal gain at the expense of somebody else's (and with which somebody else's choices are reduced). Non-alternative interest one-sidedness is seen in performances of many economic politics in the post-socialist region and is characterised by paradoxical domination of socio-pathological brake system of anti-developmental, privileged and monopolistic interests, in which the notion of origin of property has been persona non grata.

There is no doubt that the profound factors of the economic development, besides the geographically-resourcing, innovatively-technological and socio-cultural, are institutionally-evolutional ones. The institutes as a set of formal (defined by the state) and informal (slow changing) rules directly and indirectly determine the type (form) of the economic

system and the direction of economic development, through the impact on the level of transactional and production costs, together with the applied technologies [10, p. 36]. Consequently it is clear why they are in the focus of attention (theoretically and practically) in all P-SC. But, it is unclear why there were a little knowledge and papers about them at the beginning of the P-SC transition. The economic institutes are always created by the people, who realize certain administrative, economic and/or other business functions in the society. The institutes are only the rules of the game. They differ from the organizations as the groups of people with the joint goal functions (firms, syndicates, political parties, government bodies, etc.). The people formulate or not the quoted rules. They accept them or not, applied them or not, usually they avoid, modified, ignore them, and create quasi-institutes, which they often glorify.

There is no matter how versatile modern theoretical approaches are, and how frequent considering of the institutional problems of the economic growth and development are, the questions of the concrete contents, of the dynamics and improvements of the economic institutes, and especially of their functional applications in the traditional economics of the P-SC do not have deep and complex basis, nor satisfying analytical and practical answers, up to now. All is reduced to the descriptive scientific approach. This was in a way the initial hypothesis for formulating the subject matter of this paper. They consist in an attempt of identifying real and concrete reasons of reproducing the institutional vacuum in the transitional economics of the P-SC. Simultaneously these are the reasons of the clash between the formal rules and their slow and weak usability in the practice. Though, this paper attempts to explain: a) the essence of neglecting the real institutionalization in the post socialism countries, through the identification of the quasi-institutionalization model and the short analysis of the mentioned reasons, and b) the paradox of the established phenomenon that the institutes as the rules and constrains became the barrier for their unlimited avoiding and quasi-institutionalization.

## 2. Anti-institutional economic policy

Economic development of P-SC is based on permanent discrepancy between rhetoric on pluralistic institutional changes and monistic implementation of neoliberal recipes of macroeconomic politics. The latter one has been extremely motivated by interests of insatiable appetites of state nomenclatures, which represented the main obstacle for institutional changes, apart from noticeable sociopathologic milieu. All of this resulted in long-term destabilisation of economic systems through disinvestments and spilling over of positive effects in spending instead of production. *Institutional innovations* are, when it comes to timing, structure, quality, quantity and functionality, undeveloped compared to other transitional changes, instead of being their foundation, stimulant and a guarantee. There was a big lap between formally established economic institutes from foreign economic politicies and economic behaviour in practice, which was far from standard norms. A strategic significance of practical institutional innovations was disregarded as well as their priority role compared to economic politics. Vulgarized individualism was imposed by certain „skilful and capable entrepreneurs" („efficient owners") as a social and civilizational norm. Such reduced individualism (of the privileged) became very fast a foundation of formal institutional monism as theoretic and ideological basis for neoliberal economic politics (which resembles economic „Reseller Fog" i. e. „selling of nothing" — without consequences for sellers.) The main cause of the mentioned phenomenon is a paradoxical need for the public economic policy to serve private interests.

A complete distrust in the institute of state regulation is neither logical nor productive and is not appropriate for increasing IT, production, innovative, financial and civilizational integrations. Wrong post-socialist economic policies contributed to creation of a specific brake and crisis transitional model „**23d**", which is made of :

**i. d**eformation (of the economic reality, entrepreneurship, value criteria, competition, market principles),

**ii. d**eficits (of the rule of law, developed democracy, institutional environment and changes),

**iii. d**eregulation (excessive, non-selective, interest-motivated),

**iv. d**egeneration (of the institutional environment, market structure and the healthy competition),

**v. d**egradation (of economic, social, moral values, economic freedom, private initiative and entrepreneurship),

**vi. d**isinvestment (mercantilist orientation in the selling of key economic facilities),

**vi. d**estructivity (of the neo-liberal economic policies, government nomenclature),

**vii. d**eviations (transition, institutional, motivational, enrichment at all costs, civilizational standards, freedom of choice),

**ix**. **d**ifferentiations (social, between rich and poor),

**x. d**isproportions (economic, between promises and results),

**xi. d**omination (politics over economics, institutional monism over pluralism, individualism over mass phenomena, monopoly, social pathology, totalitarianism),

**xii. d**iscrimination (against real economic freedom, middle class),

**xiii. d**ictates (of the new "elite" party coalition, the party in power, institutional imitation and improvisation),

**xiv. d**emagogy (of neoliberal economic ideas and rhetorical alibi-liberals, alleged "reformist", which have abundantly profited in this rhetoric, switching hypothesis in terms of individualism and mass, etc.),

**xv. d**etermination (philosophy of a leader),

**xvi. d**uality (rhetoric and practice, individualism and mass, wealth and poverty, democracy and partycracy, enjoyment and survival, protectionism and neo-liberalism),

**xvii. d**ichotomy (of the economic institute of state and market regulation),

**xviii. d**ogmatism (of neo-liberal recipes),

**xix. d**isorijentation (of economic agents, population),

**xx.d**isorganization (of all social subsystems, lack of institutional control)

**xxi. d**estabilization (of the economy and society, reproduction of the crisis),

**xxii. d**enationalization (carried out as a robbery) and

**xxiii. d**emotivation (of economic agents, population).

The above mentioned model „23d" is characterised by functioning of „rapacious country", which substituted the „country of development", which eroded the socialist institutes and which created an institutional vacuum. This has enabled the initial rapacious mass privatisation and later on the so called „privatisation of gains and nationalisation of losses" [7, p. 7].

Populist and paternalistic tendencies are not avoided and the only unclearness is to which extent they compensated the primitivism of rapacious trends, monopolisation and criminalisation of post-socialist economies, accompanied with reduction of institutional changes (innovations), of economic freedoms and healthy market competition. One of indicators of unsuccessfulness of post-socialist economic policies in the region can be a high level of systemic, political and economic risks, which are the best illustrated by high interest rates, cautiousness of foreign investors and enormously low prices when privatising companies, hotels, banks, land and other property. A theoretic approach implies state regulation of economic policy measures in all cases of inefficiency of market regulations, when economic growth and sustainable economic development are endangered. Since this type of interventions did not happen in the last two decades, the economic policy in that period cannot be called, at first glance, crisis policy. However, the practice shows something different: complicating of economic problems, erosion of state property and its decantation into the ownership of rare individuals (making of illegitimate profit), drastic social stratification and pauperization of citizens, high unemployment and fictive employment, flourishing of black and grey market, erosion of trade and industry and so on. A recombined regime was created. It is a system in which the economic policy resembles marionette of certain political parties and individuals and which serves, as it seems, only for preservation of power and increase of property of few. Since institutional solutions did not work, the responsibility should lie with those who create government policy (economic and other).

Even before the global economic crisis, the economic policy of small and less developed post-socialist countries refracted in the prism of different shapes of economic assistance, direct foreign investments, creation of conditions for Euro-Atlantic integrations and for foreign trade relations in which import component dominated. Overcoming crisis and propitiating of its consequences depends on the right choice of anti-crisis measures of economic policy, which have to be directed towards overcoming of limitations of economic growth and development. It is impossible to unify the list of mentioned measures, which is different from country to country and has different priorities that depend on the level of a reached economic development, specificities of certain industries, indicators, consequences and different level of crisis of a certain economy. Rational anti-crisis economic policy has to be based on: a) consistent developmental strategy, b) implementation of defensive measures which will, as a priority, take into consideration the so far mistakes,

ecologic limitations and social requirements, c) maximal support to civilizational innovations in the area of technology, organization, regulatory mechanisms, political, economic and social relations, saving and rational allocation of resources, d) modernisation of state regulations, as the main institutional innovation, e) development of human resources and f) change in the way of thinking and behaving.

Institutional innovations imply civilizational norms, placing economic behaviour in realistic, moral, human and institutionalized frameworks, creation of competitive economic policy, which will honestly (and not rhetorically) favour healthy market competition and will take into consideration a given objective developmental frameworks and numerous market limitations. All of it without mythology, ideology, dogmatism and interest related misuses. Freedom of choice and free market — yes, but at own risk and money, within the limits of moral criteria, state responsibility, rational behaviour, institutional standards, protected and well specified property rights! Only institutional innovations can neutralize party-lobbystic structures and can activate missing control mechanisms, rule of law, economic freedoms and efficient instruments of economic policy.

### 3. Obstructive mechanism of economic development

Mouths of politicians and some economists from the P-SC are full of optimism, promises of a better future, accession to the EU and the expected economic growth and development. Is it realistic in the current environment, where economic and social crisis are being reproduced for decades and their causes are being sought in between global-regional-local levels? Those who are responsible for economic development have not contributed much to it, on the contrary. Nomenclatures of authorities have increased the degree of dominance of politics over economy, followed by democratic rhetoric. In this way, the lobbyists created the so called „concealer's economy'', with new economic elites, controlled by political elites through log-rolling and other methods. These quasi-elites, supported by the apologetic, quasi-intellectual elites reinforced their power and they represent the main obstacle to institutional and other changes. Instead of pursuing the real institutionalization, violence against it was carried out, under the banner of spreading of individual freedoms. The fact that when freedom lacks moral, legal, environmental and other social restrictions, greed becomes the boot drive for the enrichment of individuals at any cost was forgotten. Economic behavior in practice is far from the regular norms and rules because it is controlled by subjective regulators. Distorted and reduced individualism is being imposed as social and civilization norm. [4, pp. 22-25].

Interest motives of quasi-elite dominated over rational economic and social choices. Paradoxally, the reduction of economic theory and practice has become a basic methodological tool for the suppression of institutionalization, particularly in terms of institutional competition. There was an excessive impoverishment of the people and the enormous enrichment of the minority, the destruction of the middle layer, the concentration of political and economic power and the continuation of authoritarian tradition. The existence of interest-based and other types of bonds between political leadership and newly established „businessmen" is beyond any doubt. The grey economy flourished simultaneously with armed conflict and economic blockade. The consequences are incalculable. The system of social values is disrupted. Party affiliation, authority, eligibility and belief instead of professionalism are being forced rather than creativity, knowledge and science. Negative selection of personnel, criminalization of economy, corruption and a range of socio-pathological phenomena flourishes. The rhetoric of change is substituting the real change — civilization change, institutional change and other. We are sinking into apathy, lower standard of living and growing uncertainty. A vicious obstructive circle is created.

In these conditions, a consistent development strategy and a successful economic policy cannot be created or implemented. All conceptual elaborations are being blocked and modified through political decisions and choices that are motivated by the interests of the creators of „reforms". Coping with economic and ideological myths and stereotypes continue to fail. Real need of institutionalization and institutional complementarities are being ignored as well as the development of science, education, public interest, effective owner as a mass phenomenon and an efficient economy. Sustainable development is being delayed as well as creation of competitive skills and competences etc. Detailed analysis would create even darker image of the present and the future of the P-SC. The past was also a crisis. The crisis began back in socialism. The transition in the P-SC was followed by nationalism, war, war circumstances and the economic blockade. Infrastructural,

economic and market links in the region collapsed. The „reforms" began with inexplicable, illegal and automatic conversion of public property into property of the state. Ownership transformation was further carried out through reassigning of state resources through various methods in favor of the rare and privileged individuals. Simultaneously, the dependence on foreign "teachers" and other debt increased. Gradually, to the greater or smaller extent, Buharin's prophecy of the modern form of slavery was being realized, as well as Lenin's doctrine of imperialism and the Kondratjevljev's theory of cyclical economic dynamics. Transition in the P-SC was conducted as a Velvet Revolution and as a response to the socialistic tyranny (the party, goals, slogans, promises). However, the recombination of old and new form of tyranny was being enforced. New and larger problems, contradictions, crisis, poverty, disintegration and uncertainty occurred. Socialist vices were packed in new, more dangerous robe. The common denominator of socialist and post-socialist economic and social problems in the P-SC is the institutional vacuum dominated by disrupted market institutional monism. Proclaimed competition is replaced with various forms of monopoly.

**3.1 Ideological and mafia-style „alternative institutes" system**

The economic development of P-SC has been against the background of permanent controversy between rhetoric on pluralist institutional changes and monistic application of neoliberal recipes for macroeconomic politics. The latter was extremely interest-wise motivated by insatiable appetites of the government nomenclatures and their immediate surroundings. The paradoxical need for having the public economic policies serve the private and party interests was and remained baleful. It represented the main obstacle to institutional changes, in addition to the prominent sociopathological milieu. It all resulted in a long-term destabilisation of economic systems, through lacking investments and the recasting of positive effects into consumption instead of production. In literature, we can find hypothetical economic theories, interpreting and revealing politics as an imperfect process of interchange: Buchanan's theory of social choice (regardless of the basic motif related to the negation of state control efficiency), economic theory of politics and economic theory of bureaucracy. It is about the study on political market, in which greedy individuals implement their interests, unable to fulfil them in regular market interchange. It has been proved that political decisions have a great impact on the allocation of resources. In a „natural" way, by the logic of organized interest of the small, privileged and lobbying groups, political government passes into the hands of political leaders being their representatives. Through activating the mechanism of privileges, in time, their insatiable economic interests become fulfilled and great latent groups exploited (collectively alienated individualism, massively liberated from real and advocated economic freedoms).

Apophatic (Greek *Apofazis* — negative) transitional economies in literature are mainly associated with „inefficient institutes", „irrational individual behaviours", „abnormal banking system", „insufficient market discipline" and similar. The causes are mainly searched for in some general academic statements and characteristics, lacking the phenomenological examination of the problem roots, although they are visible to bare eye and pretty much unveiled by media. By their silence and inactivity (with some rare honourable exceptions) the academic sphere acts as their spiritual accomplice in all the negativities in question. On the other hand, being loud apologists, they would provide dogmatic interpretations for anything. Half a century ago, in a famous discussion on the publication of the political economics textbook, J. V. Staljin (being as he was) correctly named it by an impolite term, the least rude substitution of which would be „thrashing". The reason for apologetics at that time was fear. Today, the reason for apologetics is demonic enrichment and efforts to secure the networking and lasting power (political, economic, social, scientific and other) and an unimagined paradise. Certain economic authors of neo-liberal post socialist reforms, as a monument for their works and „successfulness", in addition to being rich, also made their own (private) universities and faculties (together with political mentors and messiahs), and still emphasising that they have set up their „schools of economics"!

In post-social period, the alternative institutes system has been created. It comprises various sociopathological creations, grey economy, endurance in the application of wrong monistic recipes of neo-liberal „shock therapy", compensating for the strictness of formal rules by their non-performance, corruption, attenuation of property rights, formation of various behaviour stereotypes, actuation of informal behaviours (spreading institutional conflicts) etc. The effects of the alternative institutes system were especially visible in numerous examples of the

grabbing privatization, which still hasn't been completed in most of the P-SC. And being conducted hastily and unevenly, it resulted in the enrichment of a minority at the expense of the vast majority of common people. In addition to this, it is quite clear that the newly enriched privatized only what common people lost; since the wealth neither comes from nowhere nor without reason (work, knowledge, innovation, heritage etc.), nor from abroad. The consequences are intimidating, we find them every day in media, where their real causes could be named and perceived, pretty much matching the clarification of the title. Institutional changes in P-SC were transitory, structurally, qualitatively, quantitatively and functionally falling behind other transitional changes, instead of being their support, stimulant and insurer. There was a huge gap between formally established „alternative" economic institutes and economic behavior in practice, which was far away from regular norms.

Many market institutes were not formed, including even some of its main segments. Also, market infrastructure and culture were not significantly improved. Integral market is still a figurative noun. Many market substitutes routed, mutant and pseudo-market structures of alternative type. They just imitate market infrastructure. Flea market, black, grey and quasy-market (which are in function of surviving for most of the population), and monopolies (which are in function of beneficiating minorities). Competition is reduced on above mentioned primitive market structures. All of the market relation analyses in most of the P-SC show that monopolies fully used all the chances they had. Turning the essence of institutionalization upside down as the social-economic „technology", using it's basic characteristics (subjectivity to manipulation, lack of „project documentation", delivery deadlines and guaranteed quality of the final „product"), quasi-reformers and quasi-institutionalists, supported by the postulate of methodological individualism (also a part of neoinstitutionalism!), put the individual „efficiency and rationality" above the social. Then, by various methods and procedures, they transferred a significant part of the social (state) property into private. In this two-decade process, many of the state institutes failed, primarily state control and examining of the property origin. Neither practice nor numerous theoretic studies do point to the massive economic efficiency (as the target function!), justification and consistence of the conducted privatization that has been following the „naive" (privileged and of a dominant interest) and still actual shock strategy for the institutional transplantation of the allegedly western and institutionally monistic „role models". The analyses of specific data on the privatization results or e.g. private sector efficiency growth compared to GDP, confirms our estimate, as well as the lines by P. Murrell [8, p. 31] saying that it is „the most dramatic episode of economic liberalization in economic history".

The out-of-the market enriched individuals standing among the post-socialist „reformers" today, from their position of easily gained power, arrogantly, vainly and unconvincingly provide explanations on the reasons of the failure. Those meaning well are clear that the implementation of any kind of codes of conduct can be multivariate, depending on the institutional and cultural environment factors, but primarily on the way the dominant political interests are implemented by the ruling party (or coalition). This is pointed out even within the opening lecture of economic textbooks regarding the domination of the politics over economy. The „institute growing" strategy [11] doesn't fit in here. On the contrary, it is being absolutely annulled by the „alternative institutes" system. The causes are always the same — politics and interests, and the reproduction methodology of institutional dysfunction („alternativeness") as well (paternalism, nepotism, passivity, tradition to obstruct legal norms, possibilities for safe and well-organized manipulations and compensations, log rolling, lobbying, rent-oriented behaviour etc.)

Is this why the grabbing practice and apologetic economic theory have destructively rejected the Hegel's saying that institutes are the "firm foundation of the state"? The state was simply treated as public property that needs to be devastated, reduced it to the minimalism (so called „micro state"), since this is the precondition for the rapid enrichment and long-term preservation of the wealth gained that way. Under the stated syntagm, the economic radicalism was conducted; therefore it's not a surprise to have such extremely poor outputs of the state regulations institute in the period of transition of the Balkans states (and not only them). Following J. Buchanan, there are more and more opinions that political competence is not regulated through the election rules and that politicians compete for gaining private rent [6, p. 632]. The P-SC haven't been an exception. Nominally (formally) there are democratic and economic institutes. Unfortunately, they only serve as a folding screen for exercising and

fulfilling the interests of the distributional coalition, consisting of certain members of the government nomenclature and their close and devoted newly enriched „businessmen". They are often said and written to be related with mafia structures. These new "elites" are not interested in the strengthening of the infrastructure and institutional power of the state, society or economy. They created the system of „alternative institutes". That way the market is being cartelized and, like a parasite, it develops back-influence on public policies, substitutes the promised competitive and integral market with monopolistic quasi-competition and illegal ways of privatizing state property and/or rent. Individuals „create" enormous wealth and enlarge it to the extent threatening to in, various ways, compel the vast majority of the population. Their networking, both formal and informal power is being replicated and it disables the realistic institutionalization, mostly determined and dosed by the ruling (coalition) parties.

The „alternative institutes" to a great extent turn the story on institutionalisation into the opposite. Instead of the stabilization of the natural ambient, it has been additionally destabilized, instead of the incrementality of institutional changes, they have been negatively substituted with „alternative" quasi-institutionalisation. The domination of political (party) interests functionally subordinated all economic institutes, especially in the part of the allocation of property rights. That way, all significant economic processes, economic policies and main events are being controlled. What is being forced is the superordination of the „alternative" informal codes of conduct over formal institutes, with parallel processes of great interests. The economic imperialism from neoinstitutional theory has been literally copied and pasted to postsocialist practice of the P-SC. There's no doubt that the economic institute of the state government, politically structured and determined, during the transition period of the P-SC was an „alternatively" directed instrument serving certain beneficiaries (the privileged ones), performing its patronizing and redistributive role in a vulgarized way, under the form of neo-liberal strategy.

### 4. Priority of pluralistic institutional development

Totalitarian party control coming from the governmental structure, which rests on the principle of log-rolling, narrow lobbying interests and subjective behavioral regulators, disabled the institutional control and adequate competition. The privileged „players" and their widespread and strong „connections„ dominated over institutes (rules of the game). It deformed and reduced the choices of economic agents, the economic reality and the institutional structure. The adoption of certain measures of economic policy was often influenced by powerful administrative and bureaucratic groups. Violence against institutionalization was carried out rather than real institutionalization. Institutional changes are significantly behind other transitional changes in terms of structure, quality, quantity, functionality and time instead of being their support, stimulant and guarantor. There was a large gap between the formally established economic institutions and economic behavior in practice, which was far from the regular norms and rules. The strategic importance of real institutional change and their primary role in relation to economic policy was neglected, especially in relation to self-sufficient, institutionally unfounded neo-liberal economic policy which did not solve the key problems of transition over long period of time. The priority of economic institutes in relation to economic freedoms, as well as their complementarity was also neglected. It has been proven that institutes stimulate the creation, motivation, initiative, entrepreneurship, interests and healthy competition while disabling the institutionalization of privileges and procedural forms of domination and totalitarianism as they stand for a direct opposite of unlimited political power [2, p. 30].

Key control and other instruments of the socialist regulation of the state were rapidly destroyed, whereas new instruments were insufficiently formed and they were not duly adapted to meet market principles and requirements even in their reduced form. Rapid and non-selective removal of the „created" state property and its conversion into private ownership have further weakened the institute of state regulation. Handling the main levers of economic system was reduced whereas its un-systematic features were increased, the economy was criminalized and many forms of quasi-institutionalization were expanded. Corrective activity of the state regulation „from above" is absent, which should accelerate the development of other economic institutes (the market regulation and property rights), which were separately developed in monistic and metastatic fashion. Closely privileged motivation and entrepreneurial initiative of rare individuals was forced.

Privatization was not conducted in accordance with certain legal and economic criteria; therefore it did not create the conditions for increasing the eco-

Table 1

**Target and instrumental parametrs of economies in transition**

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|---|---|
| Target parametrs | The strong and effective government that participates in the creation and support of the comfortable institutional environment; Development of a strong and diversified competitive economy; Institutional environment that contributes to the realization of entrepreneurial initiatives; Socio-political system that respects the interests of citizens, eligibility, and the variability of the higher authorities, and the existence of active feedback relationship between citizens and government; The existence of an informal institute, which reflects specifics of national culture and provides tolerance towards other cultures; Reasonable openness of the economy and society. |
| Instrumental parametrs: 12 pillars of economic competitiveness (The Global Competitiveness Index) | Basic requirements: institutions, infrastructure, macroeconomic stability, health and primary education;<br>Efficiency enhancers: higher education and training, goods market efficiency, labor market efficiency, financial market sophistication, technological readiness and market size;<br>Innovation and sophistication factors: business sophistication and technological innovation |

nomic efficiency and economic freedom. It usually presents an insufficient condition for economic efficiency as its main promoters are the competition, management improvement, efficient and flexible regulation of the state. Competition is reduced to primitive market structures whereas the monopolies took advantage of all the chances that occurred (that were made possible for the privileged individuals). The lack of economic efficiency as the undisputed target functions and/or basic privatization criteria says enough about its failure. Transition dogmas were formed replacing the socialist ones with an uncertain shelf life and altered value criteria ranging from 'shock therapy' through the theological replacement of goals of economic growth end development (finding the way out of the crisis, economic growth, efficiency) with the means (liberalization, privatization, democratization, institutionalization, stabilization), to the socio-pathological demagoguery and rhetoric which were used to create the alleged real institutional changes. Economy institutes have been replaced by pseudo-forms (imitation and improvisation), such as: meta-institutionalization (creation of over-institutes and institutes of total control), institutional monism ("messianic" uncontrolled market without parallel formation of complementary institutes) and the quasi-institutionalization (paternalism, monopoly, lobbying, social pathology, grey economy, annuity-oriented behavior, naturalization, street currency conversion, dominance of politics over economy, predacious privatization — „pocketisation", privileged „newly established entrepreneurs" as alleged „efficient owners" etc. The effect of these obstructive factors in the period of post-socialist transition in the P-SC was synergistic and destructive.

Total disbelief in the government regulation is neither logical nor productive, nor is it compatible to the growing IT, manufacturing, financial and civilization integration of the XXI century. Controlled and interactive functioning of all economic institutes is an imperative of time with no alternative. There is one mandatory common element, condition and priority for development, which will sooner or later have to be applied by all post-socialist economies. It is a universal mechanism of institutional coordination, which contains known target and instrumental parameters [see: 12, pp. 3-7].

Table 1 is indicative enough regarding the need of the active role of government in times of economic modernization, not to mention the difficult periods of finding the way out from a long-lasting economic crisis. Comparison of target and instrumental parameters allows drawing of many conclusions. Two main conclusions among them stand out by their significance: first, the need for simultaneous implementation of restructuring and modernization of economy at several parallel levels and second, the selective usage of various parameters in different periods of reforms: starting from the range of active resources through efficiency of utilization of resources to the application of innovations for dynamic economic development. These indicators can usefully serve as a specific mirror of development in which the interested parties may find their own reflection and question the validity of their own remedies for economic development. They will be able to see immediately to which extent these remedies are in line with the above given parameters. Thus they will also be able to evaluate their validity in the period of transition so far, as well as for building of long-term economic development strategy. Quality

institutional changes are the main forces of the economy development. The economic institutes contribute to the functionality and rationality of the economic activities, economic politics, and accordingly to the economic development of the society. There is an opinion that the quality of the institutes depends on the political stability, efficiency of the public administration, quality of the law and its employing, law governing, corruption control and freedom of the public opinion [Kaufman et al., due to: 1, p. 178].

### 5. Neo-liberalism as the cause of inconsistent economic politics

Global crisis has amplified the local economic and social crisis in P-SC. Once again it emphasized the necessity of complex modernisation — a social, economic, infrastructural and technological one. In such a complex modernization, a significant place would be reserved for the modernisation of economic politics. The global world crisis is a difficult field for examining the possibilities of economic politics of P-SC. Nevertheless, it the right field for testing the inconsistency of the thus far dominant neo-liberal economic politics in the countries mentioned above. It is the inconsistency in the elementary and known development factors of „normal" periods. Not to mention the necessity of recognizing the complex dynamics of economic systems and their immanent instability.

Considering the economies of P-SC from the point of view of institutionalisation, the economic neo-liberalism has turned the government regulation from the institute into a public enemy. The masterly manipulation over public opinion in media by certain politicians and apologetic economists accompanied their nearly total control of economic, quasi-marketing and quasi-competitive and other processes, resulting in their enormous enrichment. It, in the best way, revealed the paradox between rhetoric on competition and maximum reduction of competition in practice. In the era of pluralist hyper-institutionalisation and hyper-complementarity of the market and government regulation („invisible hands" and „visible heads") in P-SC, their synergism has been annulled and institutional monism has been urged ("market fundamentalism"). It was the main formula for the economic success of „reformers" and rare individuals (propagated individualism) and failure of their economies and group interests.

In the style of economic theory ideologization as it's key feature, for over three decades neoliberally-oriented authors from developed countries, probably not accidentally, have been recommending to underdeveloped countries the macroeconomic recipes and „wisdoms" they apply themselves. These recipes have been undertaken and further propagated by certain economists and P-SC officials. The analytical strictness of these recipes has been followed by their practical inconsistency and fatality for the economy and the society, as well as by interest-oriented motivation.

Many, including P-SC, couldn't wait to accept the naive fraud of neo-liberal ideology. This ideological-economic „teaching" was based on initially incorrect premise and pious platitude that all private is good and all state-owned is bad. The „big lie" (term by P. Krugman) was meant for the small, underdeveloped, depending and obedient ones. The idea and myth of neo-liberal perpetuum mobile originates from the utopian vision of the free market and allegedly „clean" competition. Such environment, allegedly a „natural" one, suits individual freedoms. In the economic reality there's nothing alike this idealistic neoliberal vision. On the contrary, P-SC are dominated by the privileged codes of conduct, monopolistically inclining the economic field to one side (of the privileged). It is a direct and paradoxical opposition of the institutional, even elementary market behaviour. Social privileges have been substituted by much greater postsocialist privileges. The dictate of an economic pseudo-institute (government regulation) was replaced by another economic pseudo institute (market regulations). Why? Because both government and market regulation are created by people, who, by their dominantly interest-oriented behaviour, deform institutional performance (as agreed codes of conduct).

As the basis for the above mentioned neo-liberal wisdom, the idea of so-called „Mini-state" is propagated simultaneously. It is elementary unsustainable in methodological, logical, practical and empirical sense. It is not methodologically specified in what sense the state should be „mini": whether in economic sense (which would mean the reduction of macroeconomic instruments), or legal sense (reduction of the rule of law), or social (reduction of social equality), or political (reduction of democracy, etc.), or in terms of limiting state sovereignty under the rush of globalization, or institutional (reduction of institute, which characterized economic and social environment), etc. The consistency of the preoccupations of the liberal democratic tradition — a democratic state as an institutional mechanism, which articulates the private and general interests of society

cannot be denied. The post-socialist praxis does not fit much into mentioned model; however it fits much more into „exploitative approach" to the State, with the „uneven distribution of the potential of enforcement, maximizing the income owned by a group of people, regardless of how it affects the welfare of the society as a whole" [9, p. 22]. When it is stated in liberal jargon that the state has no higher goals than the welfare of individuals, it is probably clear that it relates to all individuals and the massiveness of this phenomenon, not just the privileged individuals. Long ago J. S. Mill raised the issue of balance between individual independence and social control. R. Nozicki rightly points out that the „minimization" of the state may be only justified when limited to the narrow functions of protection against violence, theft, fraud, breach of contract and so on.

If we analyze the post-socialist practice through the prism of these concepts, the picture will be rather dark and cloudy. Individualism of the few rich dominated in the practice, those who entertained the impoverished masses in a pluralistic rhetoric and demagogy in the media, and in practice they plundered and brought them to the verge of poverty and survival. As a philosophy of methodological individualism, neo-liberalism has been extremely successful in the formation of individual economic freedom, wealth, power and influence of the few privileged individuals. The enrichment process was not of innovative, productive and hereditary character but predatory. Minorities received much, but still-just what the majority of the people and the state lost. As with all other market distortions of monopoly, there were social losses that no one was appropriated, but they simply appeared as collateral damage. Institutional interventionism is imperative for developed economies whereas neoliberalism presents a tissue in metastasis and the risk which should be eliminated. Disastrous neo-liberal economic policy in the post-socialist region principally replaced the economic (and also the social, environmental and other) objectives and means. It was used solely to improve the material position of the narrow circle of the „elite". Under the banner of freedom, democracy, private property, entrepreneurship and the like, it directly and permanently caused pauperization of the population, the collapse of economic structures and other systemic disorders.

### 6. Conclusion

The modernization of every transitional economy of P-SC has its own features and specific development problems and priorities. Their main similarities would be a) long-term and inertial reproduction of crisis development and b) conflicts between formal and informal institutes as their own generator of economic and social crisis. Naturally, the state-economic crisis of P-SC has a lot of similarities, regardless their specific differences in the level of development, size, economic, infrastructural and other indicators. What is dominant is probably the mutual characteristics of the crisis they share: a) its spiral form, which started its formation in socialism and continued spreading over time, b) its long-term reproduction, c) combination of external and internal influence factors, primarily resulting from the „infection" (theoretical and practical) imported from the west and domestic cyclic (and inherited) crisis, d) existence of programmed institutional vacuum marked by the combinations of mythical and dogmatic institutional monisms (dictating state regulations and pseudo-market regulations), e) high universality of economic and social problems and crisis factors, which formed the specific braking mechanism of long-term impact and f) performance and non-performance of government nomenclatures.

The story of pluralism (of interests, politics, democracy, freedoms, media etc) has been replaced by the materialistic cynicism of the newly-composed „elites", party centralization and nearly total control (over political and economic processes), which enabled privileges, enrichment of organized minority and impoverishment of the unorganized majority. The story of institutionalization has been turned into it's opposite. Instead of the stabilization of the natural environment, it has been additionally destabilized. Instead of the incrementality of institutional changes, they have been substituted by the growing insecurity, social pathology and crisis. The future devolopment of P-SC needs to be based on the converention of two approaches: globalizing (anticipating adjustment to achievements and mutual development goals of all economies, regardless their level of development) and civilized (respecting national economic specifics and different paths of development).

There is one mutual element that each postsocijalist economy would, sooner or later, have to change. It is the universal mechanism of institutional coordination. It comprises familiar target and instrumental parameters. But, their economic modernization and relevant development strategies need to be based on similar as well as on different meas-

ures of economic politics, which would follow the specifics of the economic environment and reached level of development. The findings of economic science and crisis economic reality have shown that it is inevitable to have regulation and control over market mechanisms (i.e. the institutionalization of the market as economic institute), if you want to avoid serious economic problems, crisis, unemployment, impoverishment and uncertainty, i.e. reduce the consequences of uncontrolled market actions. In the conditions of general lack of system (organizational, institutional and normative vacuum) in the P-SC, it wasn't possible to set up efficient economic institutes. The government structures chose to recombine institutes, which enabled the establishment of various forms of quasi-institutional relationships. Focusing on institutional monism (related to market, of dominant neoliberal type), narrowly privileged motivation and entrepreneurial initiative of rare individuals lead to an immeasurable and long-term crisis consequences. The failure of transition in the P-SC undoubtedly resulted from the application of „reform" politics with double standards. Under the rhetorical neo-liberal mask of the market, competition and freedoms, the politics and strategy of „reformers" were oriented toward non-market process, motivated strictly by individual interests, instead of propagated social and economic results. Social and human values were degraded. Everything or nearly everything was out of control. Incorrect and retrograded processes were abundantly materially awarded, and social and economic results were catastrophic. Focusing on the process and neglecting results is possible only in the conditions of institutional underdevelopment, which enables the „flourishing" of interest-oriented errors and ambitions and their active impact on the economic politics. Crisis challanges may, in principle, have only one efficient response, which is the same at the global, regional or local level. It anticipates focusing and coordination of five development i-factors: institutes, infrastructure, inovations, investment and information (knowledge).

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