

THE POLITICAL ANTIECONOMY OF TRANSFORMATIONS IN CEE COUNTRIES

Povilas Gylys

Professor, Habil. Dr.
Vilnius University
Department of Theoretical Economy,
Saulėtekio al. 9, LT-10222
Vilnius, Lithuania
E-mail: povilas.gylys@ef.vu.lt

Transformations in CEE countries traditionally are studied in the framework of methodological individualism. As a result, the scope of economic analysis is reduced to the development of the private sector. Thereby, part of economic reality, namely the public sector, is excluded from economic reality.

The holistic approach allows to overcome this shortcoming. Holistically perceived transformations encompass the whole economy – both the private and the public sectors. Furthermore, it opens the possibility to widen the scope of investigations by introducing the negative side of transformations in economy as a whole. Conceptualization of this side allows formulating the concept of anti-economy. Introduction of this concept and the extension, development of the political economy tradition give the opportunity to speak about a new direction of scientific explorations – political anti-economy of transformations.

Key words: transformations, CEE countries, economy, anti-economy, political anti-economy

Introduction

Three and a half decades ago William Nordhaus and James Tobin introduced the concept of *net economic welfare* (NEW). This measure of a country's economic activities encompasses the gross national product and the value of non-market activities together with the value of leisure minus the value of bads such as pollution. It was, and still is, a rare example of scientific attempts to conceptualize and hereby to incorporate into

the scope of economic science the negative side of human activities with its detrimental, destructive outcomes.

Regrettably, neither the authors of this concept nor other economists grasped the opportunity to further develop the idea and to give it a more precise, more structured form. Our profession is still stuck to the idea that economic actors are rational, effective in their search of personal benefits, in their utilization of (limited) resources, and that the negative side effects are so negligible that

economic science can ignore them without risking cognitive and practical losses.

In our view, it is one of the greatest misunderstandings among us, economists. Yes, that's true that on the stage of initial steps of cognition, when concepts are defined, when we use the procedure of idealizing abstraction, we define economic phenomena in their *pure, ideal* form. When we conceptualize the economy or economic man (*homo oeconomicus*), we include in their definitions the traits that are essential, usually in their positive sense, and abstract from their inessential characteristics. As a result, the economy, the *homo oeconomicus* in their pure, ideal conceptualized form are understood as a set of certain positive characteristics.

But *real* society, *real* human beings are not ideal. Alongside their positive traits there exist weaknesses and deficiencies. Social actors, be they individual or collective, make mistakes and blunders, therefore they produce both good and bad. Sometimes the extent of the negative, destructive side of social life is huge and the implications are severe. Thus we cannot avoid discussing them in our everyday life. Alas, on the scientific level these phenomena are not appropriately reflected. In other words, economic science has very limited cognitive instruments to explore the negative side of economic activities, to draw conclusions, to make the diagnosis and to produce relevant recommendations for policy makers. In our earlier investigations, we tried to overcome this shortcoming of traditional economic science by introducing the concept of *antiekonomy* which is different from shadow (underground) and hidden (unrecorded) economies (Gyls, 2005).

In this article, we apply the earlier developed conceptual apparatus to a set of

problems connected with transformations in the Central and Eastern European (CEE) countries. Furthermore, we develop the conceptual framework by introducing the notion of political antiekonomy.

Why political, why antiekonomy of transformations?

The term "political economy" has deep historical roots. It has been used for almost four hundred years and became dominant in economic theory in the end of the eighteenth and almost in the whole nineteenth century when classical political economy evolved. During this period, the tradition of political economy research was tied with such fundamental issues as the origin of wealth, the very meaning of wealth, its structure and principles of movement (among other things – distribution). Unfortunately, this scientific tradition to explore the fundamental issues of wealth production, movement and consumption weakened, fell into decay at the end of the nineteenth century and never recovered to the extent it deserves. This turn in economic science may be explained by emergence and prevalence of the neoclassical school and the shift from political economy to economics. In this sense, neoclassical thinking was a break from classical mentality of A. Smith and others.

Nevertheless the term of **political economy** is still alive. It is used by the economists who do not belong to the mainstream and who explore the issues on the frontier of political and economic sciences. In the latter case, the problems of the influences of power centres on the flow of wealth in its different forms are studied. It is a legitimate and fruitful direction of scientific explorations, in many cases giving more knowledge about the real econo-

mic life than does the highly formalized model presented by mainstream economics, based on a simplified set of assumptions.

In this paper, we use the term “political economy” in both its initial classical and contemporary meanings and tie it both to classical and contemporary traditions which, in our view, don’t contradict but complement each other. In other words, we study, firstly, the very changes of wealth in post-soviet era and, secondly, the character and implications of the influence of power structures on those changes.

But we do not stop here and for the first time introduce the concept of political antieconomy. By this term, we want to say that alongside wealth there exists anti-wealth with a set of conditions for its emergence and the elements of power structures which for different reasons contribute to the appearance and expansion of antieconomy. If classics wrote about the origins of wealth and contemporary political economists investigate economic processes in the light of political influences on them, we want to disclose the regimes that produce economic bads. One of such regimes is politics understood as a system of power centres pursuing certain goals, acting on the basis of certain motives and interests. They could be driven by virtue and not by evil intentions; however, their outcome could be damaging and therefore presenting bads, anti-wealth, antieconomy.

The explication of antieconomy is impossible without a clear, systemic definition of economy itself. Paradoxically, the concept of economy remains fuzzy, because it is treated as self-evident and supposedly the explanation of its contents doesn’t need scientific efforts. But this is not the case. This concept is fundamentally important because, in fact, it

must define the nature and boundaries of the scope of economic activities and the subject matter of economic science. At the same time, its content is not self-evident.

Given that the problem of the contents of the concept “economy” is discussed in an other publication (Gyls, 2008), we will confine ourselves to several short postulates here.

Firstly, economy is *the aspect* of social life which reflects the movement of wealth. Therefore, economy, like all concepts, is a product of intellectual procedures and should be treated as a mental (not physical or biological) model of a certain side of the reality, but not the reality itself.

Secondly, the need for the concept “economy” follows from the fact that social agents pursuing their goals encounter a limitedness of resources. Some resources are inexhaustible (solar energy, wind energy, etc.), others are scarce, finite. The scarcity of resources presses individual and collective actors *to economize*, to use resources effectively, prudently to seek an optimal ratio between benefits (utility) searched for and the input of resources. In case of the abundance, infiniteness of resources social actors are not compelled to economize, to seek effectiveness in their behaviour. In such circumstances, the economic aspect of our life would not exist.

Thirdly, economy includes the movement of not only private goods, commodities, but also of public goods. In fact, the majority of economic goods are mixed – partly private, partly public, but by their nature some of them (like food, garments, footwear, etc.) are more private than public, and others have more traits which are characteristic of public goods (e. g. roads). Thereby, a real economy is a mixed economy in which market and public

economies overlap. Inclusion of the public sector into economy, what contradicts both neoclassical and Marxist traditions, is based on the argument that not only market actors, but also public actors face the problem of scarcity and have to economize, i.e. to seek an optimal ratio of input and output in their activities.

The concept of antieconomy differs from economy in the sense that the former reflects the cases of social activities when economic bads, not goods, appear and individual as well as communal, social entities at large are not able (or not willing) to achieve an optimal relation (ratio) between costs and benefits. Sometimes those cases happen willingly, sometimes without vice, perverse intentions, and conscious production of bads and squander of resources adds more to antieconomic character of such social activities that unintentional destructive acts. In short, *antieconomy* is a concept which reflects such features of social life as production, dissemination and consumption of economic bads, waste of resources, deviation (divergence) from the principle of economization, which requires to observe the optimal ratio between costs and benefits.

This concept denotes the negative side of social life in its pure form. Therefore, it metaphorically might be called *black economy*. But a social phenomenon rarely exists in its totally pure form. Negative aspects, features of processes and their outcomes intertwine with positive ones. If pure economy metaphorically could be called *white economy*, then real economy almost always represents a mixture of white and black economics, i.e. *grey economy*.

Some could ask: what is the need for introducing the concept of antieconomy when

the concept of shadow, underground (informal) economy already exists? The explanation is that antieconomy and shadow economy reflect different characteristics of social reality. Shadow or underground economy appears as a result of deviations from the formal, official order.

These deviations, as we argue elsewhere, are not always totally negative or black (Gyls, 2008). On the other hand, antieconomy could be present not only in shadow, but also in official, formal economy. Thus, shadow economy and antieconomy are similar but not identical concepts. The very similarity causes confusion in social sciences when researchers are not able to discriminate between illegality and "badness", "blackness". Illegality is not always totally black, and black elements are present in the formal, official order.

Generalising the conceptual part of the paper we would like to emphasize that introduction of the term *political antieconomy* is based on the old scientific tradition to explore the nature and structure of wealth and a relatively novel experience of studies directed towards interrelation between the movement of wealth and the role of power structures. We add to this tradition, showing that power centres are present and therefore responsible not only for what we call white economy, but for the appearance, expansion and/or stable presence of black economy, or antieconomy. This applies to all countries, which are on the different stages of their development, but we concentrate our attention on CEE countries and on the negative side of transformations they have undergone in recent times. That doesn't mean that these transformations as a whole were negative. They had evident positive sides. We concentrate on the darker sides of those processes because they

are not sufficiently investigated, and that is the gist of this article.

**Transformations
in the CEE countries:
the tragedy of the commons**

Now we are conceptually and terminologically prepared for a more concrete, detailed analysis of the negative sides of transformations. Once again we stress that by such an emphasis we don't want to say that dark aspects in all countries prevailed over bright ones. Simply they are the subject of this study. Furthermore, a relevant diagnosis of pathologies allows to cure them more effectively. On the other hand, we have to admit that the scope of the study and the space available do not allow us to cover all negative aspects of transformations. So we have to confine ourselves to several most important problems.

They are mostly related to the functioning of the public sector. In our understanding, the public sector (which in reality is not purely public) includes activities that are related to public choice and public goods. In contrast, in the private sector (in reality, it is almost never absolutely private) private goods are produced and regimes of private choice are functioning. Thus, the public sector encompasses not only national security, roads, waste disposal, water supply systems, but also legislative, executive and judicial branches of authorities, weather forecasts, common knowledge (information) producing branches. Being quite separate on the conceptual level when the very definitions of the public and the private sectors are given, in real life they are intertwined, mixed. On the one hand, those sectors cannot survive or at least effectively function without each other. The private

sector supplies the public sector with private, tangible, material goods. The public sector, on the other hand, assures that the whole visible (roads) and intangible (public order, organization) infrastructure works appropriately. Without this infrastructure, which could be compared with the blood circulation and nerve systems in the organism, the private sector, market regimes would collapse.

It seems an evident and simple postulate, but our science is not coping with the problem of interrelations between the private and the public sectors appropriately. This might be explained by paradigmatic reasons and namely by the shift from coercive collectivism to radical individualism in our region.

After the collapse of the soviet system, methodological individualism became the dominant economic paradigm with all ensuing consequences. In many countries it happened without open "philosophical" discussions on the nature of the transformations that should take place in a country and what the leading philosophy should be behind the economic reforms in the region. As a consequence, by the majority of reformists the economy was identified with the market, i.e. with the private sector, and the public sector, both ideologically and politically, fell out from the sphere of the strategic economic considerations. Paradoxically, both for classical Marxists and individualists, the public sector for different reasons is a non-economic sector, a sphere where wealth is not produced. For Marxists, it is so because economy and wealth are tied to the production of material, tangible products, and for individualists because products produced by the public sector rarely have the market measurement, i.e. price.

The dominance of individualistic approach towards economic reforms in the region

meant, and in many cases still means, that the public sector was and is treated as exogenous to economy and as a burden to “true” economy, – i. e. to the private sector. And every burden must be reduced, lightened (Balcerowicz, 1998)¹.

In our view, it was a major paradigmatic bias and mistake which could be explained by at least two reasons: 1) instinctive, ideological resentment, repulsion, indignation of all what smacks, smells, has the taste of collectivity, commonality because of the bad soviet experience of coercive collectivism; 2) the global strength of individualistically thinking power centres (political forces, media, business) in times of the beginning of economic transformations in CEE countries (Eatwell, 2000).

However, in science, politics and in general public, instincts and the biased external influence usually do not necessarily mean the accuracy of perceptions and the effectiveness of actions. From the outset and especially now, after more than fifteen years of transformations, many even among those who stood for the individualistic strategy of reforms, admit that the latter were too painful and costly (Kissinger, 1994).

Using the terminology of this paper, one can say that there was quite a tangible portion of antieconomy in these reforms, although the extent of it in different countries was different. In Czech Republic, Slovenia and several other CEE countries, the share of antieconomy in the processes of transformation was considerably smaller than in Moldova, Russia or Ukraine. This share should be measured not only by the loss of GDP, but by the shrinkage

of all parts of the holistically defined national wealth, such as massive bankruptcies of firms in manufacturing, agriculture, the loss of human capital in physical terms (increased mortality and morbidity), deterioration of social capital in the form of degraded, weakened morality and unproductive migration, huge defects in the regimes of political governance and public administration. As we can see, only part of these losses could be attributed to the private sector, while the others belong to the public sector which must procure common goods.

The loss of national wealth was so big (and at the same time misunderstood) that some countries in the post-soviet area are not able to reach the level of the last years of the soviet system. Lithuania, for instance, achieved this level in terms of yearly national product only by 2003–2004. And it was so despite the fact that the country lived and developed in conditions of peace. Thus, there must exist the reason for claiming that the transformation was not a total success and that there were some fundamental deficiencies in the ideology, perception, strategy and implementation of reforms.

In our view, the major factor of sizeable antieconomy in the processes of transformation was a specific economic bad – distorted, only partly relevant economic philosophy of transformations, based on premises of methodological individualism. This philosophy, to a different extent in individual CEE countries, was the driving force for a large part of major political decisions. One of such decisions was to follow the logics of *shock therapy*, proponents of which didn't evaluate the fact that transformations anyway, because of the system change, will be rapid; secondly, they underestimated the importance of the quality of political, legal, moral regimes for the suc-

¹ Some economists from the region took a somewhat milder, more sophisticated position (Kornai, 1990).

cess of transformations and hereby contributed to the appearance of many economic bads (Kornai, 2006).

One of them is a more or less open denial or at least negligence of what could be called the republic – the term whose initial meaning is a public, social matter. That is the expression of what could be called the tragedy of the commons. Although G. Hardin (1968), the author of this concept, applied it to the ecological sphere, it is quite applicable to the destruction of common goods and the emergence and evolution of public bads.

As a consequence, the regimes of private choice were overvalued. It is a logical outcome of individualistic thinking and acting, because for an individualist the only real social actor is the individual pursuing his self-interest. The explicit or implicit denial of communities, collectivities meant *de facto* the denial of a common, public interest or attributing it to the non-economic, purely political sphere. But, as we have said, the production of public goods belongs to the economic domain, although they are not tangible as physically intangible are the very producers of these goods – communities, states. The intangibility should not be confused with unreality because many social and economic phenomena have no physical representation. For instance, demand, supply, inflation are not physically sensed, observed. The same holds for communities and norms that regulate their behaviour. The state is not the physical but quite a real entity as well.

In its holistic understanding, which contradicts the well known doctrine formulated by J. Buchanan and G. Tullock (1962), public choice differs from private choice by at least two peculiarities. Firstly, it is oriented to public, not private needs and goods, and secondly, it is based on public regimes of decision-

making, on widely and systemically understood democracy.

Public choice, i. e. choice oriented towards the common, public good and welfare has existed through the whole history of human civilization, because from the outset there existed needs and wants which couldn't be satisfied by a separate individual and required *supraindividual* regimes of governance. However, until recently public choice was usually implemented through autocratic or authoritarian regimes. In other words, public choice was made by authorities, which by definition had to serve public needs and welfare, because the only explanation for the need of *supraindividual* structures is the existence of *supraindividual*, common needs. But in those non-democratic political regimes the main power structures monopolized the very right to decide what is good and what is bad for the public as a whole. Sometimes this monopoly was used satisfactorily or even well, but in most cases public choice was ineffective, destructive from both individual and communal (public) perspectives. It is a good reason to argue that in this sense in the past, in times of the dominance of autocratic and authoritarian regimes, public choice was distorted both in terms of its contents and ways of implementation. Despite considerable improvements, even in the 20th century mankind was not able to cope effectively with the problem. That means that real regimes of public choice were heavily permeated with *antieconomy* – a massive waste of limited resources and production of a great deal of public bads in the form of misleading theories, political strategies, unjust law and justice at large. Studying the soviet and fascist systems in the conceptual framework presented above would provide us with a vast amount of concrete examples of such an *antieconomy*.

Unfortunately, the collapse of the soviet system was not followed by the formulation of an adequate doctrine of public choice and its relation to the private choice, market regimes. The eternal belief in the invisible hand, which is one of expressions of market fundamentalism, meant, and still means, that our economic strategies are based on flawed, misleading perceptions of economy as a market, economy reduced to the procurement of private goods. This cognitive amputation of economy leaves public choice beyond the scope of interest of economic profession and is the major reason for the tragedy of the commons in the region.

Antieconomy of politics

As has been said above, politics, among other things, means the governance of the production (and dissemination) of public goods in the form of visions, strategies, programs, decisions, laws, public institutions, etc., the formulation and promotion of public interests, the representation of what is called republic. With the collapse of the Soviet Union and the soviet system as a whole, the new opportunities for the Eastern and Central European post-soviet area opened in terms of an improvement of the efficiency of public choice. The regimes of public choice could be strengthened, enforced, enhanced by the democratization of public life. The totalitarian and later the authoritarian character of the soviet political system was the major hindrance on the way to a more balanced, sustained and less antieconomic development of the region. In fact, it was the decisive factor of the demise of the system itself which could efficiently provide neither private nor public goods and thereby guarantee the systemic, comprehensive welfare for the countries and for their citizens.

Many researchers imply that the very collapse of the soviet system meant an automatic and rapid democratization of public life. Usually they implicitly, unconsciously accepted the notion of *instant democracy*, i.e. the view that democracy is costless and could become mature and dominant automatically and speedily right after the collapse of the old system. In reality, however, antidemocratic instincts were deeply rooted in some quarters of the post-soviet society and were, and still are, vividly expressed in such forms as rule by stealth, rule by obfuscation (Muller, 2001), aggressive, militant nationalism, oligarchy, bureaupathology, mentality of cliques, clans, nepotism, inclination to high centralization and formalization of social procedures (regimes), predilection for games with rules instead of games according to rules, drive for ideological monopoly and dislike for genuine pluralism and popular feedback, adherence to the principle "might is right", negligent attitude towards the rule of law, plutocracy and so on. Some of these antidemocratic features are widespread globally, but part of them have post-soviet peculiarities.

Anyway, these features of social life don't represent true (mature) democracy, and they are antieconomic by their character and consequences. Paradoxically enough, despite the widely accepted opinion that CEE countries experience the democratic deficit, a conceptual analysis of the reasons of such a situation is quite shallow, based in many cases on the common sense rather than on a rigorous scientific analysis. The latter requires at least one precondition – a strict definition of the very concept of democracy.

Although in social sciences, media and general public there prevails the attitude that democracy is a purely political phenomenon, holistically treating the concept one could dis-

cover that it is a multidimensional concept which has, among others, also the economic aspect. For a holistically thinking economist, *democracy is an economic good* with two aspects which make it valuable, namely costs and utility. Thus, democracy is a good, but not a free, costless good. The procurement of this good requires a certain input of limited resources (time, efforts, finance, various equipment, etc.). So, there is no free lunch, but there is no free, costless democracy with its multi-party system, free elections, free and responsible media, either. Exactly for this reason, democracy is part of constantly reproduced national wealth, the indicator of quality of life, the effectiveness, competitiveness of a country, one of the elements of a *genuine progress indicator* – a new measure of systemic welfare of societies.

In post-modern, post-industrial world, democracy is not only part of national wealth. It is also an increasingly important **endogenous** factor of economic development. When societies mature and enter the stage of development called knowledge society and knowledge economy, democracy becomes an indispensable prerequisite of economic success because true democracy, among other things, means a free and effective production, dissemination, exchange and consumption of knowledge. How to explain this thesis?

Having no ambition to give a full description of democracy because we are aware of the complexity of the task, we nevertheless will try to present a schematic, sketchy definition of democracy in its pure form. In doing this, we again will use the method of idealizing abstraction, which allows to present a phenomenon in its pure, ideal, perfect form. So we do, for instance, defining the market. The perfect market is a mental model which is purified from alien elements

such as monopoly or government intervention. Alas, upon completing this idealizing procedure many researchers forget that it is only in our minds that the market as a concept is pure. In reality, it is always intertwined with and “mired” by elements belonging to other phenomena, among others by monopoly, community or government actions.

The same applies to democracy. Ideal, pure democracy can exist only in our minds. In reality, it is marred by oligarchy, telecracy, bureaupathology and other undemocratic, non-democratic elements. Despite this fact, nowadays society should strive for strengthening democracy, for purifying it from alien elements.

Democracy etymologically is the authority of people. One could add – and for people. Simple by this concise definition, actually democracy is immensely complex. Below, we will name several essential features of pure, perfect democracy:

there exist perfect conditions for the formulation of public needs. That means that society has developed the regimes of free discussion, free exchange of views on the contents of these needs, i. e. pluralism;
the whole hierarchy of state, its political authorities which are by definition representatives of public interest and in an ideal situation a public good, are elected (not arbitrarily appointed) through free, responsible, enlightened, rational, prudent elections;
the competition among the parties and individuals competing for certain positions in the authority structures is fair, decent, moral and based on merits, on knowledge, experience, capabilities and will to implement the true public choice by those political competitors;

a democratic system encompasses not only authority structures, but also power structures as a whole, which comply with the rules and principles of the democratic game (procedures). Thus, parts of the democratic system are not only parliaments, governments and courts, but also the media, business, labour unions, church, etc. In pure democracy, they all contribute to a proper balancing between the needs and interests of different (individual, community, state) levels; all power centres participate in a fair exchange of views. Not power itself, but the merit of the proposal, political position is the criterion of its acceptance; one of the basic criteria of the value of a proposal is its contribution to the relevant relationship, equilibrium between common and partial interests, to the rationality and efficiency of public order understood in most general terms; the authority is passed over from one party to another through free and fair elections, but not by means of *coup d'état*, plots, conspiracies, collusion; an active position of citizens and their groups regarding public matters, active participation in all stages of public (civic) decision-making, respect of public order understood in the widest possible sense.

Such are the ideals of democracy. The reality in the post-soviet space is different. There is a variety of deviations from perfect democracy, what means that CEE countries experience the deficit of democracy (Lazutka, 2007, p. 78). According to "The Economist Intelligence Unit", only Czech Republic and Slovakia are fully democratic countries. The

Baltic countries and Ukraine belong to flawed democracies, while Russia to hybrid political regimes and Belarus to authoritarian regimes (Kekic, 2007).

We could disagree with the methodology and some evaluations made by the unit, for instance, that Slovenia and Czech Republic are fully democratic countries, but it is difficult to confront the very ranking of the countries and the notion that the post-soviet countries, travails towards democracy couldn't be explained merely by the failures of political leaders and political parties. Something more substantial is behind the deficiencies of the political regimes in the area.

One of such reasons, in our view, is the individualistic worldview that prevails in the region. As a result, public needs and interests are not properly understood even by politicians who have to promote and safeguard them. When private and public interests are in conflict, very often (too often) private interests win over public ones. It happens because the individualistic thinking pushes public needs to the margins of decision-making. For instance, in Lithuanian Constitution one article talks about the untouchability of ownership. In most cases, even in law it is understood as a defence of only private ownership with all practical consequences – the public ownership is not properly defended. If politicians, the media and law would clearly signal by word and by action that the Constitution defends *all* forms of ownership, public ownership included, cases of shadow economy and antieconomy in this respect would be rarer (Vaišvila, 2005).

Some other reasons for the immaturity of political systems in the post-soviet-space are derived from the first one. If politics as a governance of the common matters is not im-

portant and exogenous to economy (and thereby to society), it could be left to itself in terms of its financing. Meagre or, especially at the beginning, no subsidies from the public funds to the political parties forced them to search for private sources of financing. Regrettably, private entities provided and provide support for parties pursuing their own, private interests. That means that political financing was conditional and private-oriented. Therefore, political parties became, at least partly, hostages of private interests. A large part of shadow and antieconomic phenomena could be explained by this reason – by the financial dependence of parties on privately oriented private sources. For all that, we do not exclude that some private money comes to party politics without preconditions to payback in one or another form.

With time, the inability of authorities to defend public interest, their dependence on and closeness to business become more and more obvious, resulting in the dissatisfaction, disappointment, suspiciousness and, finally, political apathy of society. One of the outcomes is the longing for the past and eagerness for dictatorial regimes (Kornai, 2006). All these features of social psyche are expressions of political antieconomy because they are public (and to some extent individual) bads which circulate in the political vicious circle.

A special element of this vicious circle is *negative (perverse) political selection* (Gylys, 2007) which takes place when more and more people with limited intellectual and moral abilities occupy positions in the parliaments, governments, public administration. Different kinds of “saviours”, representatives, henchmen of clans and cliques, oligarchy take over these positions. This is not to say that all political and administrative posts are taken by such

people, but such cases are widespread, and in some CEE countries their portion is comparable to this in some failed democracies of Africa, Asia and Latin America. All this adds to the scale of shadow economy and antieconomy.

The mass media contributes to the political antieconomy of the CEE. In an ideal, pure democracy, the media is the cornerstone on which the regimes of formulating public needs and interests, setting the balance between common and partial interests, the positive selection of politicians and administrators and other pillars of an effective political system dwells.

Despite the fact that the media in the region is glorified as a guarantor of democracy, in most cases, being a form of business, it only imitates the defence of the public interests. It is often involved in the struggle for power, represents shadow structures, forms an overly negative attitude to authorities², etc. Therefore, by distorting public discourse, by disseminating big amounts of disinformation, being not directly interested in fairly informing people nor responsible for outcomes of political processes, though in reality it is a mighty power centre and part of the politics, it enhanced hatred toward politics and politicians – one of the reasons why capable people do not join political parties which are so weak in terms of the human capital possessed.

In short, the media is part of a truly democratic system only in the sense that it promotes harmony of public and private interests, prudence, efficiency, morality and the rule of

² For instance, the Lithuanian mass media instead of the term *public finance* uses the term *finance of the authority sector*. This terminological shift strengthens the antipublic, anti-tax sentiments, psychology among citizens (Kropas, 2007).

law. Otherwise, as an immoral, irrational part of the political system, it contributes to the political degradation of societies, to the expansion of antieconomy and shadow economy to into politics. We adhere to the principle: the free and responsible media is the prerequisite and part of democracy, but the lax, scandalized, self-glorifying media is a threat to national and sometimes to international security – the factor which in fact sustains such features of our political life as bureaupathology, cliques, clans, nomenclaturas, disdain to public matters, i.e. to be republic. One should keep in mind that the political responsibility of the media is proportional to its power.

Conclusions

Though not only general public, but even epistemic community is of the opinion that politics is not the kind of economic activities, it is. The explanation is the scarcity, limitedness of resources used by political actors. The latter have to economize, to strive for an optimal ratio between inputs and outputs, costs and benefits. But only on rare occasions they are able to act absolutely effectively, according to the principles of pure, “white” economy. That’s why in real political life there are, numerous examples of antieconomy which should be distinguished from shadow or underground economy. CEE countries present special cases in this sense. This gives the possibility to introduce the concept of political antieconomy.

Examples of antieconomy are expressed in

a variety of forms such as oligarchy, rule by stealth, or rule by obfuscation, marginalization of public needs and interests in this sense represent the special cases. In some of CEE countries the portion of antieconomy is relatively smaller, while in others it is larger and more destructive.

In our view, there are two factors by which we could explain the differences in the influence of political bads. One of them is the cultural resilience, which means that more mature cultures not destroyed by soviet regimes which, in turn, differed in individual countries in their severity, could withstand the challenges of transformation and maintained a relative stability in terms of culture, civilization and thereby didn’t go far from the Schumpeterian model of creative destruction. Countries with harsher soviet regimes and those that didn’t avoid internal or external political conflicts underwent the processes that were heavily, vividly, strongly marked by antieconomic features.

Antieconomy in politics could be diminished if all major power centres, first of all the media, business and political parties, would realize that antieconomy threatens the very foundations of the survival and sustainability of the social systems and contradicts their broadly understood self-interest (Putnam, 2001). The latter includes not only partial, but also common interests. If the main private power centres realize that they live in the conditions of hard political and public constraints, there will be a hope that the revitalization of public, among them political, regimes will take place.

REFERENCES

1. Balcerowicz, L. (1998). *Socializmas, kapitalizmas, transformacijos*. Vilnius: Algarvė.
2. Buchanan, J., Tullock, G. (1962). *The Calculus of Consent* – Ann Arbor: University of Michigan Press.
3. Eatwell, J. et al. (2000). *Hard Budgets, Soft States* – London: JPPR.
4. Ellman, M. (1994). The Increase in Death and Disease under Katastrojka. *Cambridge Journal of Economics*. No 3.
5. Gylys, P. (2005). Economy – Antieconomy – Underground Economy. *Ekonomika*, No 72.
6. Gylys, P. (2008). *Ekonomika, antiekonomika ir globalizacija* – Vilnius: Vilniaus universiteto leidykla.
7. Hardin, G. (1968). Tragedy of the Commons. *Science*, No 162.
8. Kekic, L. (2007). *The Economist Intelligence Unit's Index of Democracy*. 2007. http://www.economist.com/media/pdf/DEMOCRACY_INDEX_2007_v3.pdf. Accessed 22.08.2007.
9. Kissinger, H. (1994). *Diplomacy* – New York: Simon & Schuster.
10. Kornai, J. (1990). *The Road to a Free Economy* – New York, London: W. W. Norton & Company.
11. Корнай, Ю. (2006). Великая трансформация Центрально-Восточной Европы: успех и разочарование. 2006, No 2.
12. Kropas, S. (2007). Globalizacija ir instituciniai viešosios politikos klausimai Lietuvoje. *Lietuvos ekonomika Europoje ir globalioje erdvėje*. Vilnius: Lietuvos respublikos ūkio ministerija.
13. Lazutka, R. (2007). Gerovės kapitalizmo raidos problemos Lietuvoje. *Lietuvos ekonomika Europoje ir globalioje erdvėje*. Vilnius: Lietuvos respublikos ūkio ministerija.
14. Müller, K. (2001). The political economy of pension reform in Eastern Europe. *International Social Security Review*, vol. 54.
15. Putnam, R. (2001). *Kad demokratija veiktų*. Vilnius: Margi raštai.
16. Vaišvila, A. (2005). Tautos išbandymas laisve: nuo liberalizmo iki oligarchinio valdymo. *Tautinės tapatybės dramaturgija*. Vilnius: VPU.