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## SOCIO-ECONOMIC CAUSES OF THE LONG-TERM REPEAT OF THE CRISIS IN THE COUNTRIES OF SOUTHEAST EUROPE

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**ABSTRACT.** The paper critically analyses the basic socio-economic causes of the long-term crisis in the countries of Southeast Europe (SEE). The aim of the paper is to focus on three basic manifestations of post-socialist deviations, which are predominantly related to usurpation and abuses of nomenclatures of power: inherited opportunistic behaviour, quasi-neoliberal experiment, and alternative institutions. Their three-pronged influence causes the crisis, as we have suggested for the initial hypothesis of the study. The paper uses methods of abstraction, description, and analysis (political-economic, institutional, and comparative analysis). The main conclusion is that the phenomena under study were based on underdeveloped quasi-institutional monism. They developed to a great extent and managed to pervade all or almost all social subsystems through the cause-and-effect relationship: social losses - enrichment - impoverishment. The consequences are severe, devastating, and clear. Viewed through this prism, it is clear that the root causes of the crisis can be reduced to the non-existence and/or insufficiency of institutions.

**JEL Classification:** D02, O17, P31, P37

**Keywords:** transition, crisis, path dependent, quasi-neoliberalism, alternative institutions, countries of Southeast Europe.

### Introduction

A word by the Russian writer and historian N. Karamzin has echoed for decades in the social pathology oasis of the SEE countries. At the beginning of the 19th century, at the train station in Paris, Russian emigrants asked Karamzin, "What's new in our homeland?", and he replied, "Stealing!". Even today, that word metaphorically explains and relativizes all quasi-neoliberal, cynical, metaphysical, and petty banalizations of the ideological struggle between liberalism and protectionism (i.e., "liberals" and "proponents of dirigisme"). These programmed and constant simplifications ignore the civilizational need for a mass of efficient owners, freedoms, motivation, entrepreneurship, employment, the rule of law, etc.

Sophisticated quasi-neoliberal rhetoric of apologetics gave rise to original methods of organized use of privileges. Over time, they have evolved into a strong and destructive socio-pathological braking mechanism (Draskovic et al., 2019), the dictates of the nouveau riche and institutional "nihilism" (our expressions). The destructive quasi-neoliberal mission in the post-socialist SEE countries has lasted for three decades. It has maintained conditions of reduced

market and selectively privileged "entrepreneurship", which are based on state's appropriation and reproduction of non-market acquired wealth. These anti-developmental and anti-civilizational conditions are characterized by an insurmountable gap between oppressed masses and privileged individuals. This gap is maintained and exacerbated alongside strong growth of debt dependence, continued use of inefficient governance models, strengthening of systemic corruption at all levels, growth of many other unnecessary social and transaction costs and negative externalities, and absence of a consistent development strategy. In every social, economic, institutional, and moral sense, it is indisputably a failed quasi-neoliberal experiment.

## 1. Theoretical approach

Most of dilemmas in economic theory and practice stem from different understanding of the role and relationship of the state and the market in the economy, as well as the tendency to ideologically influence official economic policy. Theses on eternity and universality of the principles of market choice and self-regulation, on the one hand, and state-planning dictation, on the other hand, the practice relativized and verified the need for flexible combination and convergence of economic competition (horizontally), and economic coercion (vertically), self-organization (from the bottom) and organization (from the top), subjective aspirations and objective conditions. Through this prism, in this article we will observe and analyze the current transition processes in the SEE countries. We have always forced the opinion that these processes must be evolutionary, irreversible, progressive, developmental, and non-confrontational. Therefore, we reasonably concluded that the transition must be based on a combination (and not on unification), on creation (and not on improvisation), on reality (and not on abstraction), on realization (and not on verbalization and rhetorical apologetics), on organization of differences (and not on highlighting the organizational differences).

The transition in the SEE countries provides an opportunity to check the conclusions of certain economic theories on new empirical material. From the beginning, two basic approaches to the transition of post-socialist countries have been opposed in the economic literature: *gradualist*, based on the gradual (evolutionary) realization of changes, and the so-called "*therapeutic shock*" ("big leap"), based on the rapid introduction of a market economy. Other understandings are rare, such as our view, based on O. Williamson's (2000) understanding that institutional and systemic change requires not only decades of gradualism, but also a stable political and economic system. The historical distance of over 30 years and the practice of institutional pluralism in developed countries (Soyyigit, 2019) conditioned our conclusion that the basic disagreements of different directions of economic thought were more apologetic than resulted from different understandings of the role of the state and markets in the process of transition, as well as the role of aggregate demand (i.e. its surplus or deficit).

*Monetarists, neoclassicists, and neoliberals* absolutized the role of the market and believed that the role of the state should be reduced primarily to the elimination of financial instability through strict regulation of aggregate demand. R. McKinnon (1991) rightly remarked: "*The area in which the Soviets made a mistake is also incomprehensible to Western economists, who exerted pressure to encourage price liberalization, free exchange rates, privatization, and decentralization of the decision-making process, although before that, the necessary fiscal and monetary control over the Soviet economy was not provided.*" *Monetarists* acknowledged that the application of their recipes inevitably leads to a decline in production, employment, and many other indicators of economic activity. According to them it was a normal price for the "mistakes of the past", which must be paid from time to time, but it was, after all, the lowest price and the inevitable "fate" of all post-socialist economies.

They followed the logic that lower real wages (as a result of decreased production and inflation) would lead to an increase in employment and production over time, and thus to

stabilization in the near future. Recognizing the problem of political risk, which is related to the acceptance of such recommendations, they emphasized the importance of forming a new system of social guarantees, financial and technical assistance of the international community under favorable conditions, and the like. Since the focus of the monetarist recommendations was essentially on limiting aggregate demand, they clearly advocated the implementation of a restrictive financial policy. Since the main initiator of inflation is an increase in money supply, the restrictive financial policy should have eliminated the danger of uncontrolled monetary expansion in the conditions of establishing market mechanisms. However, it is known from theory that limiting the aggregate demand curve relative to the existing aggregate supply leads to a decline in production and only a partial reduction in inflation. The practice of the SEE countries has completely relativized the monetarist understanding, as a significant increase in money supply, and consumer prices has been achieved with a decline in GDP. Eliminating monetary pressure as a strong initiator of the *price-cost-price* spiral was not a reliable protection against stagflation, because the factors of influence were much broader (they included supply, not just demand).

*Neo-Keynesians* claimed that the deficit of aggregate demand is a key problem of the economies of post-socialist countries, so they recommended stimulating aggregate demand by fiscal and monetary policy methods. They explained transitional inflation primarily by cost inflation, not by excess aggregate demand. In the conditions of restrictive fiscal and monetary policy, there were tendencies of production cost growth, which, in their opinion, is the result of increased prices of raw materials and energy, transport services, lease of premises, indirect taxes (which served to cover the budget deficit), the growth of prices due to devaluation, an increase in interest rates, etc. The stated argumentation was illogical, because the restrictive policy of aggregate demand leads to an increase in costs and inflation, and the methods of stimulating aggregate demand contribute to the elimination of economic recession and inflation. In this way, the difference between cyclical and transformational decline was ignored: the consumer deficit (due to decreased real wages) and investment demand was seen as a decisive factor in the recession, and it was associated with underutilization of production capacity. Therefore, the same recipes were proposed for both post-socialist countries (characterized by a transformational decline) and for industrialized countries (in which a cyclical decline in production was observed). In addition, it is unclear how a deficit of aggregate demand is possible in the period of transition of post-socialist countries, which is characterized by a rapid growth of nominal money supply and a constant increase in the budget deficit? As known, even in the conditions of the great investment crisis, most post-socialist countries managed to improve macroeconomic balance, to slow down inflation, and to ensure the growth of private sector incomes, which (with the inflow of foreign capital) significantly influenced the stabilization of aggregate demand.

Representatives of *neo-institutional economic theories* (NET) have rightly given the first-class importance to the formation of efficient property and market institutions, which would enable the rational allocation of resources and successful business. They reduce the role of the state to the period preceding the market process, because, according to them, the state is an agent for specification and protection of property rights. Although NET representatives ignored social inequalities and formally explained many terms and phenomena, they provided a valid basis for formulating concrete models of privatization and real institutional changes. However, in the conditions of deep economic, social, political, and general social *crisis* and *unsystematicity* (organizational, institutional, and normative vacuum), it was difficult to quickly form efficient market institutions. The interesting motives of the “reformers” created an *illusion* that the basic problem of privatization is to define the title of property, and that private property itself is (automatically) the most efficient form of property. Instead of controlled and fair

institutionalization, there were non-market, illegal, speculative, and lobbying forms of enormous enrichment of privileged individuals and appropriate social stratification.

Due to their insignificant importance, alternative institutions are not a direct subject of research in developed countries. Nevertheless, in the Western literature there are traces that refer to them, such as: a) “*exploitative approach to the state*” within the so-called “*interest approach*” (North, 1981) and theories of social choice (Buchanan, 1990), b) “rent-oriented motivation” theory (Krueger, 1974; Posner, 1975; Buchanan et al., 1980; Tullock, 1996; Rose-Ackerman, 1999; Acemoglu and Verdier, 2000; Congleton & Hillman, 2015), c) theory of externalities (Coase, 1960; Buchanan & Stubblebine, 1962; Arrow, 1973), d) theory of “predatory (rapacious) state” (Evans, 1993; Robinson, 1999; Przeworski & Limongi, 1993; Marcouiller & Young, 1995), e) theory of “total institutions” (Goffman, 1968, p. 41), f) theory of the influence of powerful administrative-bureaucratic groups (Mc Auley, 1991, p. 26), g) theory of “violence”, i.e. “*system with limited access to resources*” - North et al. (2009), h) theory of opportunistic behavior and limited rationality (Williamson, 1985; 1985a; 2008), and i) theory of the so-called “*rational bandits*”, who rule the so-called “*predatory state*”, creating the majority of the population deprived (alienated) of property – M. Olson (1982, 1993); M. Vahabi (2016).

## 2. The impact of path dependence (inherited behavior)

Inadequate cultural and civilizational environment, etatist traditions, introduction of a new elitist order, use of the state as a screen for the manifestation of expansive nomenclature interests and non-market appropriation of its significant resources, propaganda of “absolute truth”, etc. - all this has led to a disastrous and long-term tendency that has delayed development. Regardless of the propagated illusion of idyll and progress, socialism was a conflicted and crisis society, in which problems and contradictions accumulated and intensified. Over time, they grew into dissatisfaction, open conflicts, and a general crisis of socialism as a movement, practice, and idea. The success of ideas depends on the people who implement them. When these ideas collapse, there is usually a change of leadership with many previous system links, as well as the introduction of new institutional solutions. However, when institutional changes are implemented slowly and inadequately, old problems become more acute and new ones open up. This has happened in the SEE countries. The decades-long domination of party-bureaucratic centralism (essentially: dirigisme) over the economic base and social superstructure, along with ideological improvisations, has conditioned the reproduction of stagnation and crisis. All reforms undertaken were palliative, unsuccessful, and compromised. The dominance of some socialist habits has been prolonged, and especially wasteful spending according to the needs of rare and hastily enriched individuals.

Socialist “evolution” created many degenerative elements, which continued their destructive effects in the later period. This was especially felt in the part of weak economic development, democracy, the tradition of civil society, and the alienation of centers of power (nomenclature of power). These elements have significantly conditioned the continuation of disastrous *methods of governing* through various divisions, slogans, false promises, external indebtedness, formal institutional and structural reforms, declarative rule of law, and fictitious democracy. A metastatic and recombined mutation of the old dirigisme into the new one was carried out, which resulted in new and socially more severe deviations. The essence of the new problems was in continuing the old trend of opposing real institutional changes, but now due to much larger and more visible interest claims of the government and its alienation from the people. Methodology of that alienation became comprehensive and sophisticated. It included domination and almost total control in all segments of society, parasitism, opportunism, false

patriotism, apologetics, strengthening power, elitism, and privilege with the inviolability of party careerism and clientelism.

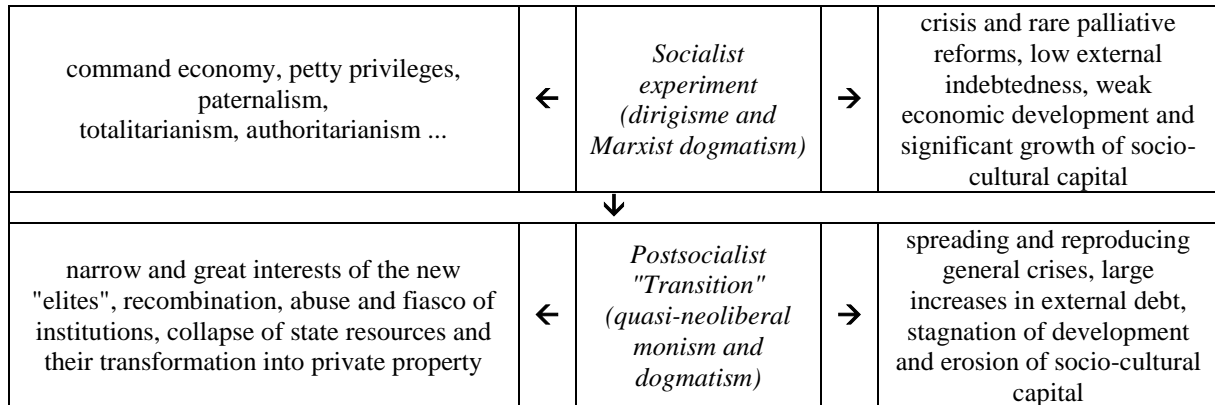


Figure 1. The logic of Path dependence in SEE countries

Source: *Own creation*

This has enabled the spread of subservience ideology, nepotism, negative selection of staff, and ignorance. It was accompanied by party employment and the creation of a "private state", dominated by alternative institutions, run by the top party coalitions in power. The system of social motivation has been unscrupulously destroyed, value criteria have been degraded, as well as the principles of social justice and responsibility. The uncontrolled and unlimited system of non-market (privileged) enrichment has been tacitly affirmed, without the possibility of proving the origin of property, with significant criminalization of society. Unnecessary and dangerous problematization and abuse of national identity issues continued. The economic crisis, rare and dubious investments, and living standards were regulated (serviced) by borrowing abroad. Democratization and the protection of human rights and ecology have been ignored. The new leaderships of the ruling parties (coalitions) continued the tradition of establishing production of (social) relations at will, but allegedly on new messianic (neoliberal) recipes, which created a disastrous system of elitist domination through the aforementioned alternative institutions. They were monistic, voluntaristic, highly interest-driven, exploitative, anti-developmental, and quasi-democratic, based on bureaucratic privileges and quasi-neoliberal dogmas. In this way, the promised development wheel of transition reforms has been turned upside down.

After three decades of the regime, which could rightly be called "post-socialist neo-imperialism", it is clear that no success has been achieved in any of the main directions of transition: privatization, democratization (with the rule of law), economic stabilization, and real institutional change. Uncontrolled quasi-liberalization was established, which served only the so-called "new elites". The basic problems and functions of economic philosophy (as well as the Pareto optimum) have been forgotten, among which the *origin of wealth* is primary. However, this "forgetfulness" was not accidental: it originated from the development of Yugoslav economic thought, which was greatly influenced by authoritarian rule, etatist dogmatism, voluntarism, formalism, subjectivism, and utopianism.

Observing the transition and its numerous paradoxes<sup>11</sup> in general, it can be stated that it fundamentally contradicted the dialectic and strategy of modern pluralistic development, which

<sup>1</sup> Apologetics and Democracies (abuse of K. Popper) of "spontaneous order" and "minimal state" (abuse of F. Hayek and A. Smith), marginalization of institutions and mass individualism (abuse of D. North), neoliberalism and alternative institutions in relation to the institution - freedoms - violence, as well as national interests - (abuse of Mc Auley and J. Buchanan).

verified the need for resource-allocation, organizational, motivational, informational, and institutional interdependence, which must characterize the ideal of the so-called "acceptable world". Therefore, it is necessary to explain the modern post-socialist paradox and the phenomenon of post-totalitarianism (or: neo-totalitarianism), which exists in the environment of weak formal and informal institutions, and their faithful satellite and determinant - alternative institutions. It can be concluded that this phenomenon has been imposed on the society by disguised and selfish proponents of *neo-dirigisme*, who abused the state functions entrusted to them. In such a context, economic freedoms, competition, private property and entrepreneurship (as mass phenomena), democracy and the rule of law – remained only as slogans and promises.

### 3. The impact of quasi-neoliberal experiment

The neoliberal experiment was a strong ideological ground for strengthening autocratic, irremovable, and corrupt authorities, rent-oriented, and opportunistic behavior of the "new elites", and criminalization of society. It weakened cultural, educational, and other value criteria of society and all economic indicators. The programmed and sophisticated application of neoliberal economic policy conceptually generated a conglomerateically complex, negative, and contradictory economic and social context, which had its doctrinal, terminological, institutional, developmental, cognitive, strategic, interest-oriented, redistributive, property, civilizational, geo-political, and geo-economic sense. This context has been marked by numerous practical quasi-manifestations: paradoxes, contradictions, problems, robberies, frauds, myths, restraints, systemic corruption, monopolies, control and inhibition of change and freedom, greedy, limitless, and non-market enrichment, and strengthening the power of privileged individuals (Delibasic, 2019). All this was constantly followed by theoretical and media apologetics. The result was devastating: the constant collapse of state resources and their transformation into the private wealth of rare and privileged individuals, most often from the ranks of government nomenclatures and their lobbyists. In this way, the neoliberal experiment had exclusively "quasi" characteristics, in which amorphous, anti-people, anti-developmental, and anti-civilizational abuse of the state and functions of power by irresponsible individuals came to the fore. This quasi-neoliberalism was reproduced through a specific quasi-institutional monism, that is, through the interest-rhetorical absolutization of freedoms and markets, which relativized everything. In practice, it manifested itself as an immoral, inhuman, brutal, chaotic, crisis, hegemonic, and essentially neo-imperial system (order) of power, rule, violence, exploitation, and greed of power structures. However, this was not the first time that the peoples of post-socialist countries hastily clung to promises, to unmake everything (or almost everything) they had worshiped for decades, and then (today) to bow nostalgically over what they once had. In the aforesaid statement, we do not intend to advocate a return to the old, but to point out one of the general causes of great social problems, deformations, and creation of a new dogma, with an uncertain duration.

The forcing of quasi-institutional monism (market type) with various market constraints has contributed to the flourishing of uncontrolled forms of markets, which have nothing in common with the institution of efficient market regulation. A logical consequence followed: crisis elements reproduced (low standard of living, social stratification, weak motivation system, unemployment, declining production and all economic indicators, spreading social pathology, criminalization of economy and society, systemic corruption, gray economy, insufficient rule of law and other). This has deformed and reduced the economic reality and the general institutional structure. Real institutional changes have lagged behind other transitional changes in time, structure, quality, quantity and function, instead of being their support, stimulus, and guarantor. Privileged interests have been turned into the sole guide and motive

for economic and any other behavior. This has turned post-socialist society into a specific managerial organization in which all social values were marginalized and adapted to the greedy “culture” of business, which was consistently accompanied by destructive and irremovable government policies.

In addition, there was a large gap between formally established economic institutions and economic behavior in practice, which was far from regular norms. Many market substitutes, mutant and pseudo-market structures, which have only imitated the market infrastructure, have rooted. Competition has been reduced to these primitive market structures. Rigid and inconsistent quasi-neoliberal “development” experiments have been applied in the context of inadequate (imported and imposed) macroeconomic recipes, on the one hand, and inadequate post-socialist microeconomic environments and underdeveloped institutional environments, on the other. This has led to catastrophic and lasting consequences. The absence of institutional pluralism as an important development criterion has caused the application of anti-development strategies, which have neglected knowledge (Mikalauskiene and Atkociuniene, 2019) and their impact on economic growth (Oliinyk et al., 2021; Samoliuk et al., 2021), innovation, production and employment. Partially, these consequences may be explained by socialist heritage which is not eradicated totally and slowdown the economic growth and welfare state development (Ko & Min, 2019), no less important feature of this heritage is the essential corruption in SEE countries (Jovovic, 2021). In such conditions, the degree of entropy and unsystematicness, external indebtedness, and various forms of dependence of SEE countries were constantly increasing.

Table 1. Basic economic indicators for the selected SEE countries

Country	Unemployment rate in %		Real GDP growth in %		Average net wage (in €)		External debt (in 247million USA\$) / % in GDP		
	2006	2019	2006	2019	2008	2020	2002	2015	2020
Bosnia & Herzegovina	31,07	15,69	5,4	2,7	390	490	2,1 / 54	4 / 52,1	4,2 / 58
North Macedonia	36,3	17,2	5,1	3,2	312	454	3,2 / 42,9	6 / 64,4	7,8 / 78
Montenegro	20	17,9	8,6	4,1	410	525	1,14 / 65,7	2,3 / 48	4,1 / 87
Croatia	11,13	7,51	5,0	2,9	711	890	38 / 36,8	36 / 88	44,5 / 82,8
Serbia	20,85	9,01	5,1	4,2	385	512	14,2 / 68,3	26,2 / 78,5	28,5 / 52,8

Source: IMF, The World Bank, ILO et al.

The facts show that quasi-neoliberals in the style of “alibi” economists, despite the catastrophic economic results (pronounced *Unemployment rate*, large *External debt*, *Average net wage* and *Real GDP growth* – Table 1) tried to reverse all the principles of economics (as well as morality), selectively using the thoughts of the classics of liberalism – according to their own needs.

#### 4. The impact of alternative institutions

The quasi-monistic, quasi-institutional, normative, and subjectivist approach of the alleged “neoliberals” implied and represented the interests of exclusively narrow and privileged social groups. The former could be realized only in an environment of “*elitist anarchy*” (Nozick, 1974), with the rule of alternative institutions, which are based on a deficit of institutions and a

deficit of the rule of law<sup>2</sup>. L. Henderson (1991), as well as M. Draskovic et al. (2020) rightly point out that the emergence and negative action of *alternative institutions* is directly proportional and complementary to the level of authoritarianism (totalitarianism) of the regime, which can be formally (declaratively) imitating freedoms and democracy (Table 2). They are based on institutional constraints (regulatory, property, and market relations, ways and functions of division of powers, protection of contracts, measures of social stability, elements of democracy, etc.). In 2021, the observed SEE countries were ranked in the range from 48<sup>th</sup> place (Slovenia) to 82<sup>nd</sup> place (Bosnia & Herzegovina), which still represents a certain significant improvement compared to 2002, when Slovenia was in 72<sup>nd</sup> place, and Croatia in 83<sup>rd</sup> place (Gwartney et al., 2004).

Table 2. Economic freedom in the selected SEE countries 1998-2021

Country	1998	2000	2005	2010	2015	2021
Bosnia & Herzegovina	29.4	45.1	48.8	56.2	58.6	62.9
Croatia	28,2	53.6	51.9	59.2	61.5	63.6
North Macedonia	-	58.0*	56.1	65.7	67.1	68.6
Montenegro	-	46.6*	-	63.6	59.2	63.4
Serbia	-	46.6*	-	56.9	60.0	67.2
Slovenia	60.7	58.3	59.6	64.7	60.3	68.3

Note: \* 2002;

Source: *Miller et al., 2021.*

In most SEE countries it is neglected that freedom must have moral, legal, environmental, social, institutional, and other social constraints. According to W. Neukom (Agrast et al., 2011, p. 1), “*The rule of law is the foundation for communities of opportunity and equity, the predicate for the eradication of poverty, violence, corruption, pandemics, and other threats to civil society*”. In other words, the rule of law is the best defense against autocracy, violence, exacerbation of institutions<sup>3</sup> and predatory behavior of the so-called “new elites”. Unfortunately, this postulate has been ignored. The deficit of institutions and the rule of law have enabled the realization of the paradoxical need for public economic policies to serve private interests.

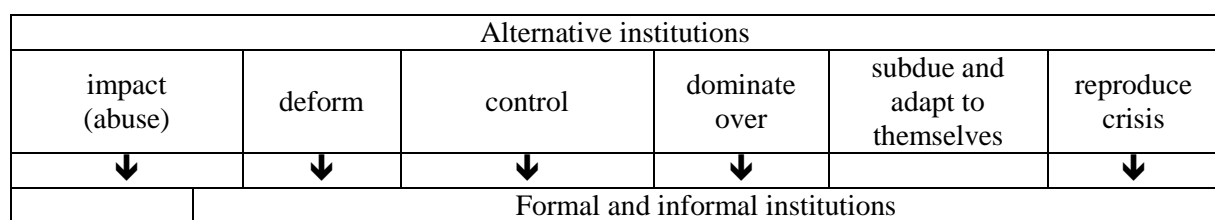


Figure 2. Negative role of alternative institutions in the SEE countries

Source: *Own creation*

Alternative institutions have formulated and formed a specific paradox, which allegedly exists between individual and institutional behavior. Clearly, this illusion was created on purpose. In reality, their non-exclusivity (complementarity) is not disputable. Namely, their synergy is the generator of their successful operation in practice. In addition, the

<sup>2</sup> The rule of law deficit can mean less or more control and/or abuse of formal (especially political) and informal institutions by alternative institutions.

<sup>3</sup> Ill-conceived behavior of individuals and social groups (coalitions) for the realization of their specific (special) interests.



institutionalized state, through its exclusively *impersonal relations*, protects, specifies, stimulates, and develops private interests and property rights, as well as economic freedoms, contracts, and healthy market competition. On the other hand, an individualized (essentially: “predatory” and captive) state is based mainly on personal relations and “connections” through which it develops and protects privileged monopolies and individual interests. Such a state enables the undermining of property rights and blocks the formation of their efficient structure. It does not guarantee the execution of contracts and economic freedom, it does not favor the formation of a relatively stable system of preferences, it reduces economic and public choice, etc. Ultimately, the institutionalized state certainly does not know the newly composed (quasi-neoliberal) epithet “minimal”, because it strives for maximum results (macroeconomic policies and microeconomic entities). On the other hand, the individualized state is minimal by the nature of things. In the first, institutional (among them legal) restrictions are consistently applied to everyone, and in the second it is done selectively (which is contrary to the original nature of institutions). In the first, there is a simultaneous openness and limited access to resources for all, and in the second there is closedness for the majority, and unlimitedness for individual (privileged) members of society. In the first there is a clear and consistent specification of rights, obligations, and restrictions, and in the second their faking and avoiding, even in cases of inevitable “mass” (“collectivity”): referendums on important state issues, voting for government bodies at various levels, etc.

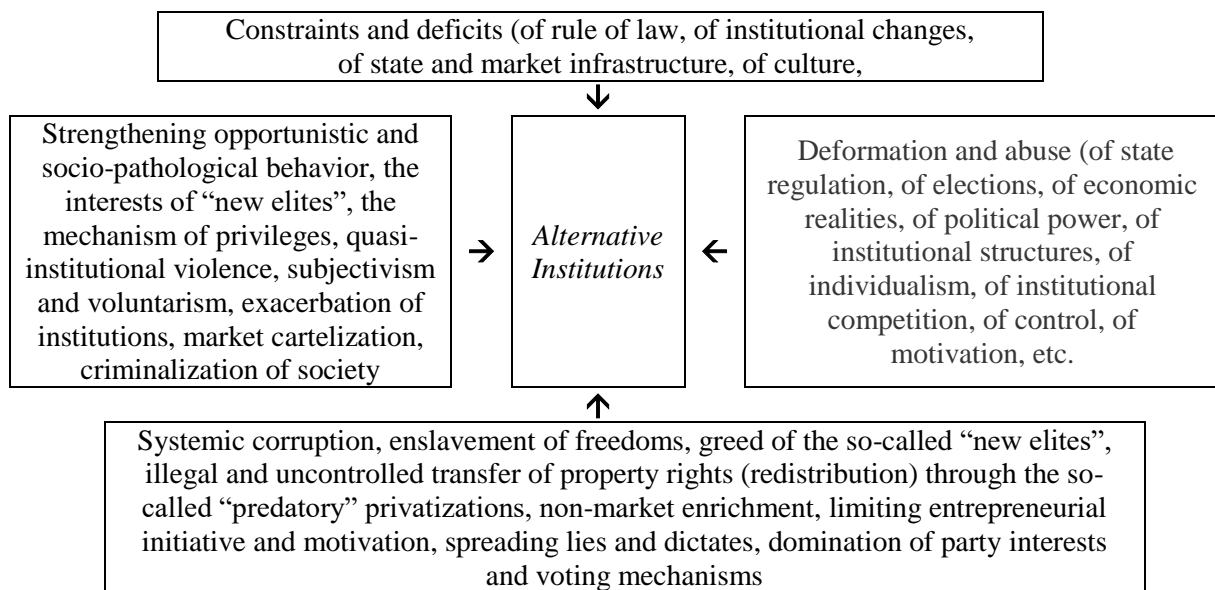


Figure 3. Forming a system of alternative institutions

Source: *Own creation*

The interpretation of two types of freedoms cited by K. Polanyi (according to Scatamburlo-D’Annibale, 2021) fits well here: *bad freedom* (which serves to exploit many and extract huge profits, independent of the public good, including ecosystems and democratic institutions), and *good freedom* (freedom of conscience, opinion, speech, assembly, association, choice of work, which can ultimately be squeezed out by giving primacy to bad freedoms).

## Conclusion

In most SEE countries, new dogmas, absolutizations, myths, improvisations and monistic privileged choices have emerged, based on Path dependence experiences,

supplemented by the application of new quasi-neoliberal experiments, and sublimated in the formation and strong action of alternative institutions (from the shadow, parallel, essentially criminal). They actually become the mediator and controller of key relations between the state, the people, and formal institutions. They have become a mechanism of neo-totalitarian order of domination of privileged persons and groups.

The biggest contradictions of transition in the SEE countries were observed between their leaders (bearers, creators) and outsiders (observers, peoples). They have resulted in palliativeness, failure, increased criminalization of society, opportunistic behavior, and enslavement of formal and informal institutions by alternative institutions. It all sublimated in the general crisis. As a result, the transition has lost the epithet of universality, integrity, and competence, and thus the trust of the people in their positive outcome. The boundless quasi-neoliberal dynamics of deregulation broke through the moral and institutional constraints of economic reality and rational human behavior. Therefore, transition reforms need to be seriously reformed.

New times require new ways of thinking and behaving, which should be reduced to adaptation to the achievements of civilization in order to be actively involved in modern world processes and trends. Therefore, an institutional and developmental alternative is urgently needed. It is contained in all exemplary models of developed countries, which relativize empty, manipulative, unprofessional, hypocritical, and interest-oriented stories about freedom and the market. Unfortunately, the SEE transition countries have failed to provide *institutional innovation* (even *institutional adaptation*), but have unsuccessfully tried to change institutional *imitations* and *improvisations*. Because of that, the paths and side roads of the transition were much more destructive than creative. The ways of salvation are still (wrongly) sought in industrialization, while the developed countries have long been walking the boulevards of post-industrialization.

Democracy must exist as a *meta-institution* and part of *socio-cultural capital* (Delibasic, 2018). The influence of political processes must not be directly and rent-oriented reflected on development economic processes. Politics must not be a destiny and a privilege, but an area of collective achievement of set goals (and not individually set goals)! Reducing, relativizing, and controlling the dominance of politics over the economy requires the dominance of institutions over politics and the economy. Real, strong, quality, and efficient institutions must be treated as a social good, because they enable control over all social processes and the elimination of possible destructive effects and tendencies. Deficit, imitation and/or fiasco of formal and informal institutions allow the power of alternative institutions, which lead to various social and economic disorders and retrograde processes. The controlled, complementary, and interactive functioning of all economic institutions in the SEE countries is an imperative of the times and it has no alternative.

The paper fully verifies the initial hypothesis about the decisive impact of the three mentioned types of influence on the reproduction of the post-socialist crisis in the SEE countries. As shown, these types of influence acted simultaneously at the social, political, economic, and institutional levels. By descriptive analysis and abstraction, we have clearly shown that alternative institutions are the result of a systemic and institutional fiasco, which in a paradoxical, organized and sophisticated way (through institutional abuses and manipulations) enabled the domination of privileged choices, i.e. interest-oriented individualism over institutionalism.

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