

ECONOMY, POLITICS, POLICY

RUN THE STATE LIKE IT IS YOUR BUSINESS. A POLITICAL ECONOMY APPROACH TO THE RULE OF LAW CHALLENGES IN CENTRAL AND EASTERN EUROPE

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Abstract

The debate around democratic backsliding in Central and Eastern Europe focuses on changes in formal rules that weaken the rule of law by populist right-wing leaders. However, this paper argues that the concept of democratic backsliding has limited explanatory value and overemphasizes formal institutions. Instead, a broader view, taking political and economy power into account, should be adopted: It allows for a conceptualisation of democratic backsliding as the result of the dominance of elites on state structures and the merging of political and private interests. The concept of state capture provides a suitable theoretical framework for this approach and reveals different strategies employed by elites, namely party and corporate state capture that undermine the independence of democratic institutions in the region. The example of the Czech Republic under former Prime Minister Babiš underpins the argument that the debate around democratic backsliding overlooks the risks of corporate state capture, which finds expression in high levels of corruption and the concentration of vast economic, political and media power.

Keywords: Rule of law, EU, political economy, state capture, Czech Republic, corruption, Central and Eastern Europe, democratic backsliding;

1. INTRODUCTION

Democratic backsliding has been an issue in the EU for years, arguably one of its most existential ones. Shortcomings concerning the rule of law have been identified in nearly all Central and Eastern European countries (CEE).² Most prominently, Hungary and Poland have been making headlines: The Hungarian ruling party Fidesz³ has been introducing increasingly authoritarian laws since coming into power in 2010 while in Poland, the Constitutional Court engages in increasing escalation with the Court of Justice of the European Union, openly refusing to comply with EU law. So far, the EU's toolbox has proved ineffective to stop the deterioration of the rule of law.

Scholarly explanations of the phenomenon of democratic backsliding often revolve around the coming into power of a populist right-wing party winning an absolute parliamentary majority, concentrating executive power, weakening, or disabling checks and balances, and exercising biased control over public institutions (Cianetti et al., 2018: 245). Upon closer examination, this conception of democratic backsliding offers limited explanatory value for the regional phenomenon. It assumes a previous period of democratic consolidation (Cianetti et al., 2018: 247) based on formal institutional measurements of the quality of democracy. Such indicators

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² In this paper, the term 'Central and Eastern Europe' refers to post-communist countries that are EU Member States.

³ Fidesz, the Hungarian Civic Alliance (Fiatal Demokraták Szövetsége) has been in a coalition with the KDNP, the Christian Democratic People's Party (Kereszténydemokrata Néppárt).

have turned out to lead to an overly optimistic picture of the stability of democracy in the early 2000s when, in reality, democracy was still fragile in many Central and Eastern European countries. Instead, it is helpful to consider the underlying socio-economic causes of democratic deterioration. In Central and Eastern Europe, democratisation in the 1990s was a largely elite-driven process (Bunce, 2003). Focusing on the interests of elites may thus offer insight into what can trigger democratic deterioration and these forms of ‘executive aggrandisement’ (Bermeo, 2016).

The concept of state capture concerns the extent to which government policymaking is unduly influenced by interest groups and provides a useful theoretical framework here. When comparing patterns of state capture in Central and Eastern Europe, two dominant patterns emerge: populist party state capture, which Hungary and Poland are examples of, and corporate state capture through corrupt elite networks that can be observed in the Czech Republic and Bulgaria (Innes, 2013: 93). While there is a lot of research on Hungary and Poland, less attention has been on corporate state capture and the concentration of economic and media power, as opposed to political power (Hanley and Vachudova, 2018: 284). However, it will be argued here that both constitute a risk to democracy and the rule of law. There is thus a need for more research on cases such as the Czech Republic.

This paper seeks to show the risk to democracy and the rule of law represented by corporate state capture using the example of the Czech Republic where the populist anti-corruption ANO movement, led by billionaire Andrej Babiš, won the general election in 2017 with the promise to ‘run the state like a business’ (Drda, 2014). Nominally, Czechia has been a robust liberal democracy, but the extensive economic and media power Babiš accumulated warrants closer examination (Brookings Institution, 2019: 2).

From a European perspective, tackling democratic backsliding is becoming an increasingly pressing issue as the EU is a community based on the rule of law and the primacy of EU law. That is why there is the need for understanding the underlying causes of the issue. By demonstrating the risk to the rule of law in the Czech Republic, this paper aims at providing a better understanding of why and how democratic deterioration occurs and thereby inform a more effective strategy for the EU to tackle the issue of rule of law by. The first part of this paper provides the theoretical framework of the issue, examining the term ‘democratic backsliding’ and its explanatory value regarding the deterioration of democracy observed in Central and Eastern Europe. The second part of this thesis will focus on the case of the Czech Republic.

2. UNDERSTANDING THE DEMOCRATIC DECLINE IN CENTRAL AND EASTERN EUROPE

Before 2008, there was a scholarly consensus that the majority of Central and Eastern European countries’ democracies had consolidated (Cianetti et al., 2018: 247), and authoritarian reversal was inconceivable (Ekiert and Kubik, 1998: 579ff). However, in more recent years, a number of democracies in Central and Eastern Europe have shown signs of fragile or deteriorating democratic institutions (Dimitrova, 2018: 257). There are issues with regards to the rule law in most new Member States (Innes, 2013: 88), thus constituting a regional trend beyond the often cited cases of Hungary and Poland. These changes in politics led to the wide use of the concept of democratic backsliding (Cianetti et al., 2018: 243) to describe the observed deterioration of seemingly stable systems turned into ‘illiberal democracies’ (Zakaria, 1997), ‘hybrid’ (e.g. Bozóki and Hegedűs, 2018) or ‘competitive authoritarian’ (Levitsky and Way, 2002) regimes.

According to Robert A. Dahl, to qualify as a democracy, modern regimes are generally considered as having to meet four criteria, namely open, free, and fair elections to choose executives and legislatures; a universal right to vote; independence of the executive from

military or clerical leaders; and political rights and civil liberties (Dahl, 2008: 233). In democracies, there are no broad or systemic violations that could impede the democratic challenge to incumbent executives and fair contestation and participation in the four mentioned arenas (Levitsky and Way, 2002: 53). For the discussion of democratic backsliding, however, the focus is not on whether a state qualifies as a democracy but rather on changes in the quality of democracy in a state; that is to say, whether the hindrances to fair contestation and participation in the democratic challenge of incumbent executives in the four mentioned arenas are increasing.

Antoaneta Dimitrova describes democratic backsliding as the result of executives systematically devising and implementing measures (formal legislative, organisational or informal), “that enable them to dominate the institutions and organizational structures of the state, erode the balance of powers and increase their control of the state and judiciary” (Dimitrova, 2018: 258). This definition is similar to Nancy Bermeo’s conceptualisation of executive aggrandizement, “when elected executives weaken checks on executive power one by one” (Bermeo, 2016: 10). Scholars use the term democratic backsliding to refer to changes in formal or informal institutions that move the polity in the direction of from democratic to hybrid regime (e.g. Erdmann 2011). Unlike during a *coup d’état*, democratic backsliding describes a gradual process rather than a sudden breakdown and is driven by elected incumbents rather than from outsiders (Hanley and Vachudova, 2018: 279).

Over the past few years, countries in Central and Eastern Europe have produced a plethora of examples how checks and balances can be undermined, amongst them the changes to the constitution and electoral laws in Hungary in 2011 and 2012 (Scheppelle, 2013); the reversal of anti-corruption efforts in Romania (Freedom House, 2017); and changes in the rights and composition of the Constitutional Court in Poland that undermine its independence (Pech, 2021). More subtle but equally harmful actions of ruling parties have been the harassment and replacement of members of the judiciary (Dimitrova, 2018: 258) and even the skewed allocation of cases to well-disposed judges (Vadász and Kovács, 2020).

While there is a lot of literature on democratic backsliding, it is mostly descriptive in nature, without a theoretical framework to explain de-democratization (Scheiring, 2015: 4). Overall, democratic deterioration in Central and Eastern Europe was unexpected and is weakly explained by academia (Hanley and Vachudova, 2018: 243). One apparent conceptual shortcoming of the concept of democratic backsliding is that it assumes a prior period of successful democratisation (Cianetti et al., 2018: 247). The scholarly consensus before 2008 was that most post-communist Central and Eastern European countries built and consolidated stable democracies in just a few years (Ekiert and Kubik, 1998: 579). The trend of democratic deterioration in and of itself is a strong indicator that that was not the case.

The assumption that Central and Eastern European countries had reached a stage of democratic consolidation relied on institution focused democracy indices and the similarly formal EU accession criteria (Dawson, 2018: 312). According to Freedom House (Csaky and Schenkkan, 2018) and the V-Dem Institute (Gabriel, 2016) that use a formal approach by checking whether all the required institutional features existed, democracy in many CEE states had consolidated almost immediately after the regime change in 1990.⁴ Indeed, the formal institutions of democracy can be established in a short period of time. Equating these features with democratic consolidation, however, can lead to overly optimistic conclusions as they “ignore the time factor of changes” (Székely-Doby, 2020: 3).

For a democracy to mature sufficiently to be stable, it appears that a longer learning process is required (Ibid.). Democratic institutions that have not matured and become embedded in

⁴ For example, V-Dem reported that Hungary’s liberal democracy index rose from 0.13 to 0.73 between 1988 and 1999 (Julia Gabriel, 2016). Hungary’s score in 2018, for comparison, was 0.44 (V-Dem, ‘V-Dem Annual Democracy Report 2019: Democracy Facing Global Challenges’ (2019)).

society are more fragile and prone to democratic backsliding (Buštková and Guasti, 2017). Taking this into account, it is not surprising that states in Central and Eastern Europe did not have consolidated democracies before joining the EU in 2004 and 2007, respectively and experience difficulties with maintaining such systems (Székely-Doby, 2020: 3).

Instead of formal institutions, modern democratic theory focusses on practices of deliberation (Dawson, 2018: 302). Based on the extent and content of public sphere discussion, this offers an alternative theoretical framework for the evaluation of democracy. For example, James Dawson's analysis of democracy shows for Serbia and Bulgaria that neither state comes close to democratic consolidation when measured in terms of civic culture and citizens' willingness to uphold liberal norms (Dawson, 2018: 302). Considering the state of democracy in Central and Eastern European countries with a similar historical and cultural background, this assessment could hold true beyond the mentioned case studies. This conclusion is echoed by Robert Sata and Ireneusz Pawel Karolewski who claim that, in the cases of Hungary and Poland "the loyalty to democratic norms and values of both citizens and elites was weak way before Orbán and Kaczyński returned to power" (Sata and Karolweski, 2019: 209). In short, formal institutions of democracy were successfully established post-communism, but consolidation is still in progress, leaving democracies in Central and Eastern Europe fragile (Székely-Doby, 2020: 3).

Consequently, the term democratic backsliding flows from a measurement of democracy that is partial to be inflated by political elites who are willing to implement superficial institutional reforms which are not matched by a broader societal process that can underpin the values democratic institutions are intended to foster (Cianetti et al., 2018: 247). The term democratic backsliding may thus be misleading, as it puts an overemphasis on institutional rules and organisational structures while disregarding political economic developments, mass-elite relations, and societal structures (Dimitrova, 2018: 258).

In addition, the debate around democratic backsliding has focused on the two most concerning cases in the EU, Hungary and Poland (Müller, 2014) and their trajectories: An illiberal populist party winning an absolute parliamentary majority and concentrating executive power, disabling checks and balances, and exercising biased control over public institutions as part of a conservative-nationalist project (Cianetti et al., 2018: 245). Viewing other Central and Eastern European states through the prism of the Hungarian and Polish model, however, may lead to a distorted view of the state of democracy, as the following discussion will show (Cianetti et al., 2018: 245).

2.1. STATE CAPTURE: ELITE INTERESTS AND DEMOCRATIC DECLINE

Instead of seeing democratic deterioration as an issue of institutional arrangements that could be solved by introducing different formal rules, a broader view allows for a conceptualisation of democratic backsliding as the result of the dominance of elites on state structures and the merging of political and private interests (Dimitrova, 2018: 263). The concept of state capture describes this mechanism and provides a useful alternative theoretical framework for democratic deterioration in Central and Eastern Europe because democratisation here was a largely elite-driven process (Bunce, 2003). Evaluating the interests of elites may thus offer insight into what triggers democratic deterioration.

Joel Hellman, Geraint Jones, and Daniel Kaufmann first introduced the notion of state capture in a working paper for the World Bank (Hellman et al, 2000). According to Theodor Tudoroiu, it "concerns the extent to which government policymaking is unduly influenced by a narrow set of interest groups in the economy which provide private benefits to politicians" (Tudoroiu, 2015: 657). State capture, unlike conventional forms of interest representation such as lobbying, provides "private gains to public officials via informal, non-transparent, and highly preferential channels of access" (World Bank, 2000). This way, state capture

undermines legitimate and transparent means of political influence and interest representation. It limits the access of competing interests and interest groups to state officials, resulting in skewed policy decisions (Gray et al., 2004:11).

State capture stems from the extent to which competition and participation is possible, and transparent, in a state's policymaking and legislative processes. Gray, Hellman and Ryterman identify the following factors that foster state capture: high concentration of economic power; underdeveloped forms of collective interest representation beyond the firm; thus, a monopoly for political influence by dominant firms (Gray et al., 2004:11). One can distinguish between indirect and direct capture: private individuals, groups, or firms seeking advantages from the state through financial contributions to influence rent-seeking regulators is called indirect capture (Wexler, 2011: 284). When public officials capture the states themselves by abusing their authority to further their private economic interests, it is called direct capture (World Bank, 2000: 3). During direct capture, public policy becomes a tool serving the private interests of the government or ruling elite (Jalilian et al., 2006: 14).

State capture, meaning the seizing and using of state resources for private gains, is reflected in high levels of corruption. However, its effects go beyond that of corruption. State capture creates a permanent coalition of power between public officials and private businessmen by abusing and undercutting democratic institutions. It affects both democratic accountability and public resources (Dimitrova, 2018: 263).

2.1.1. STRATEGIES OF STATE CAPTURE IN CENTRAL AND EASTERN EUROPE

In Central and Eastern Europe, the relations between state and society were shaped by the elites involved in the transformation processes of the post-communist period (Dimitrova, 2018: 259). Many countries in the region ventured on the path of transition with economic, political, and social preconditions that made them highly susceptible to state capture: State institutions had weak administrative capacity while there was a high concentration of vested interests (Tudoroiu, 2015: 670). This setting made it possible for strong private interests to prevent institutional reforms that would hinder their capacity for extracting rents from state resources. While the executive lacked means of control and accountability throughout the state bureaucracy to implement institutional and policy reforms (Ibid.), developing civil society was unable to counterbalance concentrated vested interests (World Bank, 2000). Since then, those elites have remained part of the political landscape (Dimitrova, 2018: 260) and have incentives to maintain a state of partial reform: Joel Hellman found that, in regimes in transition, the early winners from the first steps in reforms receive high rents and thus will try to prevent further reforms (Hellman, 1998).

Reviewing different processes of state capture in Central and Eastern Europe, Abby Innes identifies two dominant modes. In the first group, predominantly ideologically committed elites engage in state capture via strong ruling parties, i.e. 'party state capture' (e.g. Poland, Hungary, Estonia and Slovenia). In the second group, more business-oriented political elites establish a 'brokerage' party system in which public policy remains a side-product of otherwise essentially economic competition, i.e. corporate state capture (e.g. Czech Republic, Slovakia, Romania, Bulgaria and Latvia) (Innes, 2013: 88). In this system, public power is a means for private gains (Hellman et al., 2000: 2).

Similarly, Antoaneta Dimitrova distinguishes between backsliding regimes based on the character of the dominant rent-seeking coalition. She describes the first group as an "ideological party-type dominant coalition consisting of politicians from one political party in power and associated businessmen" and the second group as "a network-type dominant coalition, consisting of businessmen and politicians formally belonging to different parties or with connections to several political forces" (Dimitrova, 2018: 264).

In theory, both strategies of state capture could operate combined. However, according to Abby Innes, states in Central and Eastern Europe appear to fall into either category relatively clearly. In Hungary and Poland, corruption is comparatively low while there are “vivid attempts to re-monopolize the values and allegiance of the state” (Innes, 2013: 88). In the Czech Republic and Bulgaria, corruption is rather high and state capture appears to be aimed “more at financial than political monopoly” (Ibid.).

2.1.2. CORPORATE STATE CAPTURE BY MASS ELITE PARTIES

In both types of state capture, the role of dominant elite networks is essential. Understanding their respective interests and strategies thus offers insight into what symptoms of democratic backsliding may occur and why.

Abby Innes finds that whether a state in Central and Eastern Europe is vulnerable to party state capture or corporate state capture follows from two different patterns of party competition (Innes, 2013: 88). This dichotomy of party competition is based on Shari J. Cohen’s distinction between ‘ideological’ and ‘mass elites’ in post-communist politics. She describes ‘mass elites’ as ideologically non-committed and hence motivated by short-term personal self-interest (Cohen, 1999: 5). The Czech Republic, Romania and Bulgaria are examples of states dominated by mass elite parties. Hungary and Poland, by contrast, have been dominated by ideological elites (Innes, 2013: 92).

Mass elite parties are characterized by the strong flexibility of what is called ‘business-firm’ parties. Rather than win elections to formulate policies, such parties will formulate policies to win elections (Innes, 2013: 93). They are not primarily organized around realizing certain social objectives. Instead, public goods are a by-product of the pursuit of private interests (Hopkin and Paolucci, 1999: 310). Post communism, mass elite parties in Central and Eastern Europe were able to establish themselves by monopolizing and asset-stripping state resources and information (Ganev, 2001: 401). The hesitancy of governing parties to build regulated state institutions created an environment for “primarily opportunistically entrepreneurial party behaviour” (Innes, 2013: 91).

Depending on the type of elite network, the approach to formal democratic institutions differs. In the ideological party state capture, formal rules are changed to concentrate power, checks and balances are weakened, and administrative and judicial staff is replaced and controlled (Dimitrova, 2018: 264). In the elite network-type corporate state capture, formal rules are disregarded, leading to a weak rule of law. Elites undermine or dismantle democratic institutions such as anti-corruption bodies when they present a constraint on rent seeking. They seek to control the composition of administrative and judicial personnel and informal rules are widely used (Ibid.). Albeit with different symptoms, both types of state capture lead to backsliding.

The literature on democratic backsliding focuses more on the concentration of political power than on the concentration economic and media power. There is, however, substantial research that confirm the detrimental effects of economic oligarchies for democracy: the interventions of extraordinarily wealthy individuals in politics leads to distorted policy outcomes, distorted democratic representation and undermines the public’s trust in democracy (Hanley and Vachudova, 2018: 284). And, oligarchs are likely to intervene, even in democracies: Even though administrative states, the rule of law, and property rights defend their wealth, oligarchs are still likely to interfere in political decision-making to protect their sources of wealth (Winters, 2011: 36ff, 256). Efforts to exercise influence are especially problematic when they are not transparent. When the spending by wealthy elites is hidden from the general public and the media, the democratic political process favours the rich. Other voters cannot effectively assess campaign discourses and advocacy campaigns if the support from elites is not transparent (West, 2014: 156).

A tool commonly employed by elites in both types of state capture is media capture. This is to evade accountability and ensure that the media does not act as a watchdog but rather a servant of politics. Alina Mungiu-Pippidi describes media capture as a process whereby media is increasingly politicized and restricted in its capacity to act autonomously to undermine democratic discourse (Mungiu-Pippidi, 2008: 71). Ownership is a widely researched instrument of media capture which can be employed by the economic elite (see e.g. Knott, 2018). It is thus especially relevant for corporate state capture. The ownership of media allows to create biased media content in the interest of affiliated elites (Segura and Waisbord, 2016: 26). Sergei Guriev and Daniel Treisman propose the term “informational autocrats” to describe regimes that use state resources or pro-government media outlets to shape the media agenda according to their own policies and win over the electorate (Guriev and Treisman, 2020). The use of media control by elites to promote certain messages weakens countervailing forces in civil society (West, 2014: 18). In addition, in the media sector, as well as in other industries, dominant coalitions that have political as well as economic power can control job opportunities, create certain incentives, and empower or suppress emerging interests (Dimitrova, 2018: 269). Political and economic power become mutually reinforcing.

3. RESEARCH METHODS

While Hungary and Poland have clearly exhibited autocratic tendencies, and been the subject of plenty of research, Czechia has not received as much attention. However, as identified in the previous chapter, the Czech Republic displays signs of corporate state capture and can serve as an example of democratic backsliding through informal power.

This paper aims to show to what extent corporate state capture poses a risk to the rule of law and the quality of democracy in Czechia. To that end, three categories will be examined: the state of liberal democracy and the accumulation of political power; the level of corporate state capture and the accumulation of economic power; and the level of media capture. The theoretical framework outlined above suggests that examining the first category, formal indicators of liberal democracy in the Czech Republic, will support the appearance of a stable democracy. The second and third categories, the level of corporate state capture and media capture are likely to reveal a more nuanced picture as they offer more space to take the accumulation of informal powers into account.

Each category will be evaluated by, first, examining quantitative measures to assess the general level of state capture and identify trends. To measure Czechia’s level of liberal democracy, this paper focuses on the V-Dem Index. For corporate state capture, the Worldwide Governance Indicators (WGI) will be used. The Media Pluralism Monitor (MPM) offers insight on the level of media capture. Details can be found in the appendices to this paper. The advantage of using recognized and peer-reviewed indexes is that they contain a large number of indicators that remain constant over time. For the purposes of this paper, this allows for both, an overall assessment, and a comparison over time. Second, a qualitative analysis will allow for a more comprehensive picture. Recent EU reports, scientific and grey literature as well as journalistic sources will be used for this purpose. To provide context for the following analysis, the chapter starts with a brief introduction to the Czech Republic’s recent political developments.

4. STATE CAPTURE BY ECONOMIC ELITES IN THE CZECH REPUBLIC

4.1. POLITICAL DEVELOPMENTS IN THE CZECH REPUBLIC SINCE 1990

As part of the political transition in Central and Eastern Europe after the end of the Cold War, the ‘Velvet Revolution’ peacefully ended the Communist Party’s reign in Czechoslovakia at the end of 1989. In 1993, the country ‘divorced’ into two national states, the Czech Republic and Slovakia (CIA World Factbook, 2021). The first phase of the country’s political, social

and economic transformation was led by politically inexperienced intellectual elites and socialist reformers who had emerged from the Prague Spring period (BTI Transformation Index, 2020).

The Czech party system quickly became stable during the 1990s. Four strong parties emerged that integrated well with the Western European party traditions: the Civic Democratic Party (ODS), the Czech Social Democratic Party (ČSSD), the Christian Democratic Union - Czechoslovak People's Party (KDU-ČSL) and the Communist Party of Bohemia and Moravia (KSČM) (Hanley, 2012: 1). With voters largely shifting between these established actors, this party system appeared stable.

The 2010 parliamentary elections proved this assumption to be untrue. The support for the two main parties, the Civic Democrats (ODS) and the Social Democrats (ČSSD), fell to historically low levels and two new populist parties, TOP09 and Public Affairs (VV) emerged, winning a combined 26.7 percent of the vote (Hanley, 2012: 2). President Klaus declared the elections “[...] a political earthquake” (Bašánek, 2010). The country joining the European Union in 2004 as part of the Eastern Enlargement might have contributed to this outcome as the depth of European integration became a political dividing line between parties and led to a re-fragmentation of the political spectrum (BTI Transformation Index, 2020).⁵

One political movement that emerged after the 2010 elections was founded by billionaire Andrej Babiš. He established the Action of Dissatisfied Citizens (ANO) movement in 2011 on a populist, anti-establishment and anti-corruption platform (BTI Transformation Index, 2020). In 2013, ANO ran a successful campaign accusing established parties of corruption and incompetence while Babiš painted himself as a successful businessman who would run the state efficiently (Havlík and Voda, 2018: 169). In the October parliamentary elections, ANO received the second biggest share of votes with 18.65 percent, largely at the expense of established right-wing and left-wing parties (Hanley and Vachudova, 2018: 277). After joining a tense coalition with the Social Democrats in January 2014, Andrej Babiš became finance minister. In May 2017, however, he was ousted from his position over allegations of fraud and tax avoidance: In the Stork's Nest case,⁶ Babiš was accused of using EU subsidies to build a private leisure complex.

In October 2017, just before the parliamentary elections, a preliminary report by the European Anti-Fraud Office was leaked which found that Babiš had indeed committed fraud against Czechia and the EU (BTI Transformation Index, 2020). This scandal and the fraud charges against Babiš made it difficult to build a coalition after the 2017 elections, which ANO won with 29.6 percent of the vote, because many parties refused to support him as prime minister. Eventually, during the summer 2018, Babiš was able to build a minority coalition government with the Social Democrats (who received 7.3 percent of the vote, a significant drop from 20.5 percent in 2013) and support by the Communist party (who received 7.8 percent of the vote) (BTI Transformation Index, 2020).

In the general elections on 8 and 9 October 2021, Babiš narrowly lost to the centre-right SPOLU alliance consisting of ODS, KDU-ČSL and TOP 90. The alliance, which campaigned on the goal to remove Babiš and accused him of conflict of interest, obtained 27.8 percent of the vote while ANO received 27.1 percent. SPOLU forged an alliance with two other centrist parties. The new government took office on 17 December 2021 (Al Jazeera, 2021).

⁵ For an overview over the debate of the EU as a causal factor for backsliding see Cianetti et al. (2018), p. 245.

⁶ The company ‘Čapí hnízdo’ (Czech for Stork's nest) firm, which built the conference center was part of the Agrofert holding until December 2017. It was then transformed into a joint-stock company, with bearer shares by Babiš's relatives and partner. It then received an EU subsidy of around 1.9 million Euros which it would not have been eligible for as part of Agrofert. The company later became part of Agrofert again. Czech News Agency (ČTK) ‘Police want to charge Czech prime minister Andrej Babiš with fraud’ (Expats.cz 31 May 2021).

4.2. DEMOCRATIC BACKSLIDING: THE STATE OF LIBERAL DEMOCRACY IN CZECHIA

Formal institutional measures of democracy, such as the indicators that will be analysed in the following section, focus on changes in formal rules. The theoretical framework suggests that they may first, overestimate the quality of democracy in regimes in transition and second, not adequately reflect corporate state capture. Notwithstanding this caveat, formal institutional measures still provide an overall assessment and indicate trends.

4.2.1. QUANTITATIVE MEASURES OF LIBERAL DEMOCRACY

For the quantitative analysis of liberal democracy and the degree of democratic backsliding in Czechia, this paper relies on some of the most widely used democracy indexes: the Bertelsmann Transformation Index (BTI), Freedom House and V-Dem.

In V-Dem's 'Regimes of the World' measure, ranging from 'closed autocracy' to 'liberal democracy', the Czech Republic was downgraded in 2020 to an 'electoral democracy'.⁷ This means that the Czech Republic has *de facto* free and fair multiparty elections and thus reaches a minimum level of Dahl's institutional prerequisites for democracy (Dahl 2008) but either the rule of law, civil rights or transparent law enforcement are not fully granted. In its Democracy Report 2020 (Ferrari, 2020), V-Dem notes that the decline in democracy indicators in the Czech Republic is mainly due to corruption, an indication for corporate state capture.

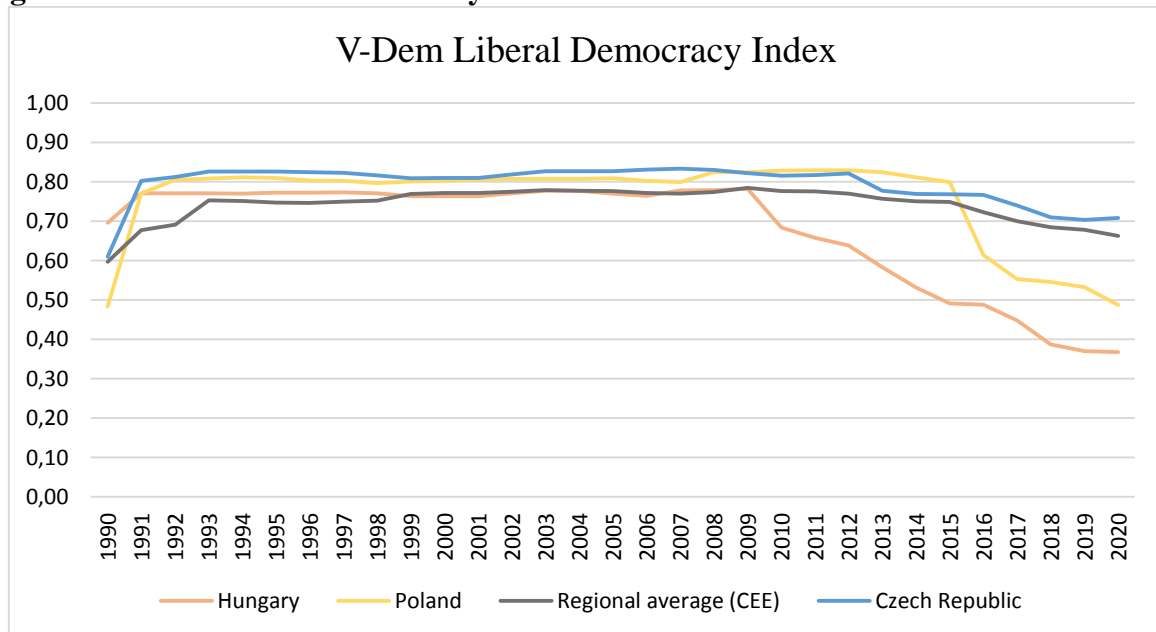
However, while V-Dem sees the decline in democracy measures in Czech Republic extensive enough to classify the country as 'electoral democracy', other indexes like the BTI and Freedom House still consider the Czech Republic secure and, by regional standards, high-performing democracy (Bernhard, 2017).

The phenomenon of democratic decline in Central and Eastern Europe is generally reflected in these indices. In the V-Dem Liberal Democracy Index (see Figure 1), Hungary and Poland are clearly driving the trend in the region, while the Czech Republic is showing a slower but still clear decline since 2012. However, the Czech Republic still performs better than the regional average.

Figure 1 shows how the Czech Republic quickly improved its liberal democracy score after the 1990 transition.⁸ After a stable period from 1991 to 2012, Czechia's scores have gone down with a low in 2019, and only very slight improvement in 2020. This may be a reflection of the development of the Czech party system described above: It quickly consolidated after 1990 and remained stable until the 'earthquake elections' in 2010 (Bašánek, 2010).

⁷ This measure takes the indicators V-Dem Electoral Democracy Index and V-Dem's Liberal Component Index into account. See Appendix.

⁸ For methodology, see Appendix Table 3 and 4.

Figure 1: V-Dem Liberal Democracy Index

<https://www.v-dem.net/en/data/data/v-dem-dataset-v111/>. Own illustration.⁹

To conclude, democracy indices note a slight deterioration in Czechia's democracy score since the start of the 2010s. Compared to the regional average, the Czech Republic appears to be a stable democracy, but the downward trend since 2011 in the V-Dem Liberal Democracy Index and its downgrade to 'electoral democracy' indicate some risk of democratic backsliding.

4.2.2. BABIŠ' FORMAL POLITICAL POWER

This quantitative assessment is in line with a formal assessment of democracy: the Czech Republic is a parliamentary democracy with a largely power dispersing political system featuring proportional representation, a strong upper house, an independent central bank, and a constitution that with high requirements for amendments (Roberts, 2006).¹⁰ Political rights and civil liberties are generally respected (Freedom House, 2021).

In Czechia's 2017 parliamentary election, ANO won 29.6 percent of the vote. Although ANO was able to bag more than twice as many votes as the second largest party, the centre right Civic Democratic Party (ODS) with 11.3 percent, it still lacked the majority to form a government without a coalition partner (Hanley and Vachudova, 2018: 277). It also did not have the power for constitutional amendments. Babiš's rather weak coalition and limited legislative powers suggest that he lacked the power to engage in democratic backsliding (Newton-Cheh, 2020).

The democratic backsliding in Hungary and Poland has been characterized by changes in formal rules through a political majority. This has not (yet) been the case for the Czech Republic, at least not to the same extent. To what extent Czechia is still at risk of a different model of state capture, namely corporate state capture, will be explored next.

⁹ The regional average includes the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovakia.

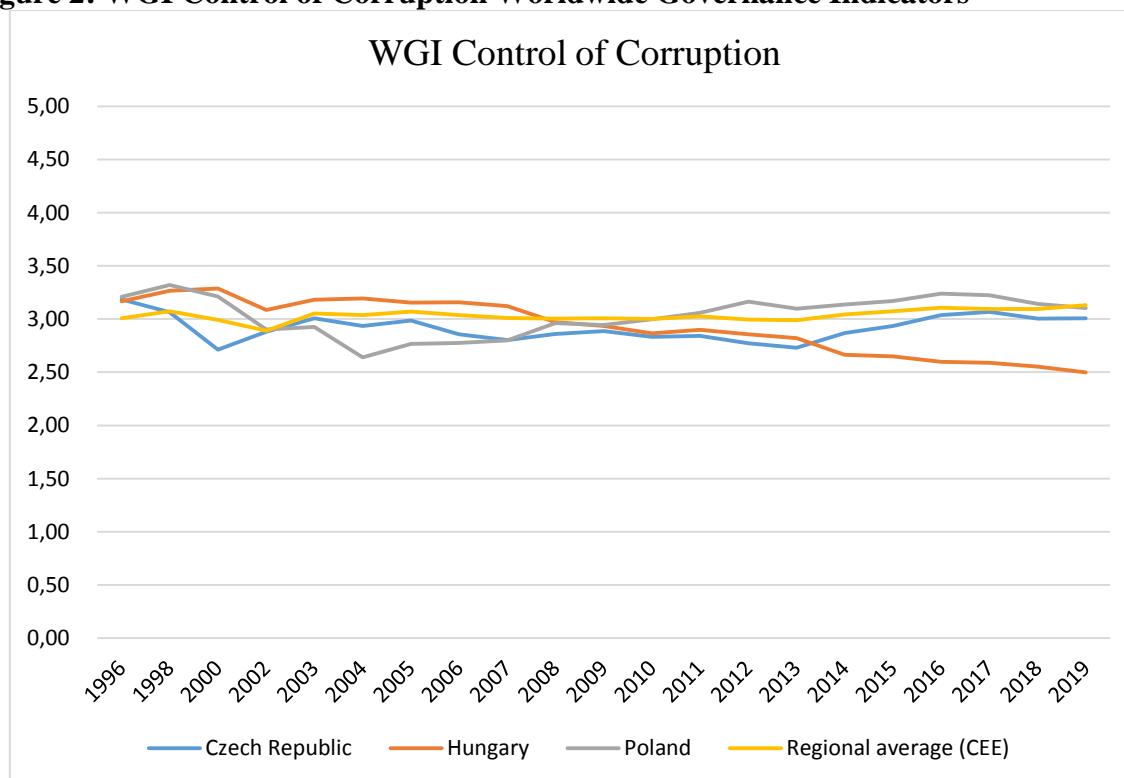
¹⁰ The constitution can only be changed by a Constitutional Act (Czech Constitution Art. 9 para. 1). For the adoption of a constitutional act, the concurrence of three-fifths of all Deputies and three-fifths of all Senators present is required (Czech Constitution Art. 39 para 4).

4.3. CORPORATE STATE CAPTURE: GOVERNANCE AND CORRUPTION

4.3.1. QUANTITATIVE INDICATORS OF CORPORATE STATE CAPTURE

To assess the level of corporate state capture, the Worldwide Governance Indicator ‘control of corruption’ offers a reliable measure (Kaufmann et al., 2010: 4). The WGI combines 15 indices¹¹ and is designed to capture “perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as ‘capture’ of the state by elites and private interests.” (Worldwide Governance Indicators, 2021).

Figure 2: WGI Control of Corruption Worldwide Governance Indicators



<http://info.worldbank.org/governance/wgi/Home/Reports>, Own illustration.¹²

Figure 2 shows that the Czech Republic, in 1996 performed slightly above regional average.¹³ Its score dipped in 2000, then improved until 2003. Since then, its score has remained somewhat stable, slightly below regional average. In the global rankings from 1996 to 2019, the Czech Republic has consistently fallen in the 60th to 70th percentile rank, reflecting a generally high level of corruption (Worldwide Governance Indicators, 2021).

The Czech Republic’s score improved from 2017. Since then, it has deteriorated in 2018 and in 2019. This decline could indicate an effect of Andrej Babis taking office in 2017. However, when examining the individual indicators that feed into the aggregate percentile rank, no clear trend can be identified: While some indicators drop during this timeframe (e.g. BTI), some are consistent (e.g. Freedom House), and some improve (V-Dem). Out of eleven indicators that have collected data from 2011 through 2019, most vary around the same levels over the years

¹¹ See Appendix for details.

¹² The regional average includes the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovakia.

¹³ For methodology, see Appendix Table 3 and 5.

2016 to 2019 (Worldwide Governance Indicators, 2021). The unclear results of these quantitative measures show the need for more detailed qualitative analysis.

4.3.2. BABIŠ' CORPORATE STATE CAPTURE

The Czech Republic has one of the lowest income inequality in Europe, but it stands out for the relative wealth of its billionaires: In 2016, they owned assets amounting to over 4 percent of national wealth, one of the highest quotas in the EU (Hanley and Vachudova, 2018: 284). Andrej Babiš, and most of the Czech super-rich, initially made his fortune from the privatisation of state assets during the country's political and economic post-communist transformation (Roberts, 2016: 33).

From 1998 to 2002, Andrej Babiš expanded Agrofert as a Czech-based conglomerate by acquiring several Czech state-owned firms and by winning state contracts through his political contacts with the Social Democrat government (Ibid.). To ensure Agrofert continued its path of growth, Babiš made sure to be involved in the decision-making processes related to the regulation of relevant policy areas. For example, as his core business was industrial agriculture and the accompanying chemical industry, he aimed for the whole agricultural sector to use as much chemicals as possible. He devoted a growing part of this business operations to the influencing of state policies and made considerable profits from the manipulation of regulations and subsidies (Corporate Europe Observatory, 2018). From this perspective, Babiš entered politics already in 1997 when he started expanding the Agrofert conglomerate, much before he founded ANO in 2011 (Kmenta, 2017).

This business model appears to have been successful until 2010. In the Czech parliamentary elections that year, the support for the two main parties, the Civic Democrats (ODS) and the Social Democrats (ČSSD), plunged to historic lows, seriously disrupting the established post-communist party system (Hanley, 2012: 2). With Babiš' previously successful channels of influence collapsing, he sought to assume direct control of the state. Using the fact that there was a demand for alternatives to the political establishment, he positioned himself as anti-corruption, anti-system alternative. In 2011, Babiš established his political party ANO and bought influential media outlets to establish himself on the political plane (Corporate Europe Observatory, 2018).

With a net worth around 3.5 billion US dollars, Andrej Babiš is one of the richest people in the Czech Republic (Forbes, 2021). His Agrofert Group is Czechia's largest trading conglomerate and has an estimated market value of 3.7 billion Euros. With 33,000 employees, it is Czechia's largest private employer (Agrofert.cz, 2021). Agrofert firms are reliant on public procurement opportunities and state subsidies and have continued to be after Babiš entered politics. Just in 2014, they received 3.1 billion Czech crown¹⁴ in state contracts, state subsidies and EU subsidies (Hanley and Vachudova, 2018: 284). Babiš fully owned Agrofert until a new conflict of interest law, known as *Lex Babiš*, was adopted in February 2017 (Reuters, 2021). To comply with the law, he transferred the ownership of Agrofert to two family-controlled trusts (Reuters, 2017). However, the European Commission launched an investigation into to what extent Andrej Babiš continued to control Agrofert and confirmed in April 2021 (European Commission, 2021), that Babiš was still the *de facto* owner Agrofert (Naxera and Stulík, 2021).

When corruption is endemic, as is the case in the Czech Republic, it enables elites to take advantage of a weak rule of law and weak state capacity (Vachudova, 2015: 525). By indirectly capturing state institutions, they are able to accumulate power and private wealth. This strategy of state capture does not depend on winning absolute majorities. The above analysis suggests that Andrej Babiš engaged in indirect corporate state capture before

¹⁴ That corresponds to around 120.908.432 Euro.

officially joining politics. In other words, he relied on illegitimate channels to distort democratic decision-making to his advantage. After taking office, the evidence suggests he engaged in direct corporate state capture, for example by fraudulently claiming subsidies. The accumulation of political and economic power in the hands of Andrej Babiš suggests that there is a high level of corporate state capture in the Czech Republic.

This analysis confirms that Czechia should be viewed as an example of a different model of backsliding, not the beginning or a slower version of the party state capture model.

4.4. MEDIA SECTOR: MARKET CONCENTRATION IN CZECH MEDIA

From a formal perspective, Freedom House notes that the media in Czechia operates relatively freely, without any undue restrictions by the government. However, there are concerns about the extent to which oligarchs control the media sector and the potential impact of this on journalistic independence (Freedom House, 2021).

4.4.1. QUANTITATIVE MEASURES OF MEDIA CAPTURE

The Media Pluralism Monitor (MPM) provides a comprehensive and widely used overview of risks to media pluralism and freedom in EU Member States.¹⁵ The dimension market plurality *inter alia* evaluates the concentration of media ownership, which has been identified as a strategy of media capture above. The assessed risk scores range from Low (0-33 percent), Medium (34-66 percent) to High (67-100 percent) for each indicator and subindicator.¹⁶

Table 1: Czech Republic Media pluralism and independence risk areas; MPM

Year	Fundamental Protection	Market Plurality	Political Independence	Social Inclusiveness
2020	26%	85%	54%	62%
2019-2018 ¹⁷	27%	74%	56%	50%
2017	24%	67%	49%	53%
2016	18%	64%	48%	55%

https://cadmus.eui.eu/bitstream/handle/1814/71942/the_czech_republic_results_mpm_2021_cmpf.pdf, own illustration.

The MPM appears to confirm the high risk of media capture in the Czech Republic. The risk to all four dimensions has risen significantly since 2016 and is especially high in the category of market plurality.

¹⁵ Other indicators such as the RSF World Press Freedom Index and Freedom House's 'Freedom and the Media' also offer information on this. The MPM is chosen here because it provides the most detailed information on market plurality.

¹⁶ 2016-2020 is chosen as the timeframe for closer examination here because Babiš became Prime Minister in 2017. For details see Appendix Table 3.

¹⁷ The MPM did not publish a report in 2018. In 2019, it published a report on both years.

Table 2: Media Market Plurality in the Czech Republic; MPM

Year	Transparency of m Media Ownership	News Media Concentration	Online Platforms Concentration and Competition Enforcement	Media Viability	Commercial & Owner Influence over Editorial Content
2020	88%	89%	73%	85%	88%
2019-2018 ¹⁸	81%	87%	75%	36%	90%
2017	75%	68%	63%	60%	71%
2016	75%	68%	67%	40%	71%

https://cadmus.eui.eu/bitstream/handle/1814/71942/the_czech_republic_results_mpm_2021_cmpf.pdf, own illustration.

As seen in Table 2, the MPM 2020 for the Czech Republic identifies a high risk regarding media ownership transparency, media ownership concentration, and commercial and owner influence over editorial content. These risks have increased since Andrej Babiš took power in 2017. Especially the concentration of news media outlets and the influence over editorial content by owners has risen in comparison to 2016. The MPM identifies a lack of regulatory limitations on horizontal concentration for print media and on cross-media ownership as a reason for this (Stetka and Hajek, 2021: 10). The change in government to Andrej Babiš also took a toll on the rating of the political independence of the media. This indicator aims to assess the influence of the state and political elites on the media market. In the Czech Republic, it changed from 48 percent in 2016 to 54 percent in 2020.

The MPM identifies a clear trend towards a higher risk to market plurality and the media's independence since the change in government in 2017. While market plurality is rated at high risk, political independence of the media is still at medium risk, according to the indicators assessed by the MPM. Against this backdrop, the following qualitative analysis will go more into depth on the concentration of the media sector in the Czech Republic, as well as the consequences for political influence of the government.

4.4.2. QUALITATIVE ANALYSIS OF MEDIA CONCENTRATION

The 2008 financial crisis drastically changed the media landscape in the Czech Republic and other Central and Eastern European states (Stetka, 2012). Before 2008, 80 percent of the Czech print media were controlled by foreign investors, most of them German. After the crisis, they were quickly replaced by local oligarchs who sought to gag critics and further their own business and political interests (Reporters Without Borders, 2016).

In June 2013, Andrej Babiš acquired MAFRA media group, thereby gaining control of the two most influential daily newspapers in Czechia. According to a 2014 ranking of the Czech edition of Forbes magazine, Andrej Babiš was the most influential person in the Czech media (Reporters Without Borders, 2016). When taking office, Babiš placed his media holdings in a trust which is in part controlled by close associates of his (Freedom House, 2021).

However, Andrej Babiš is not the only Czech billionaire who has recently shown interest in media outlets. Marek Dospiva, who owns an investment company and has a regional print media monopoly through a group of daily newspaper, clearly stated his reason for entering the media business: "The fact that we own these media ensures that it will be harder for anyone to

¹⁸ The MPM did not publish a report in 2018. In 2019, it published a report on both years.

attack us” (Freedom House, 2021). The high market concentration and the ownership of media outlets by oligarchs results in self-censorship as well as censorship through intimidation.

When Andrej Babiš entered into national politics, he also entered into the media business. There is evidence that Babiš not only used his media outlets to influence public opinion and build his reputation, to compensate for ANO’s lack of political and social implantation, but also to discredit political rivals through selective coverage (Hanley and Vachudova, 2018: 286). To that end, Babiš interfered directly in the editorial content of his media outlets (Reporters Without Borders, 2016). *Inter alia*, in May 2017, recordings of Babiš were released where he discusses when to publish a damaging story about a political opponent with a reporter from his newspaper. What is more, the story was based on information obtained illegally through Babiš’ contacts in the secret services and the police (Hanley and Vachudova, 2018: 287). As Nicholas Newton-Cheh claims, with his control of major news outlets, Babiš’ influence on the media has a similar effect as autocrats such as Erdoğan in Turkey even without passing restrictive legislation through parliament (Newton-Cheh, 2020).

4.5. DISCUSSION OF FINDINGS

This analysis has shown that nominally, the Czech Republic appears to be a robust democracy, although seeing a slight deterioration. The examination of indicators for corporate state capture specifically suggests that Andrej Babiš’ taking office had no discernible effect. However, taking the qualitative analysis into account, the quantitative indices of democracy appear not to reflect the level of corporate state capture in the Czech Republic adequately and underestimate the extent to which power is concentrated in the country. The analysis of the media sector supports this finding. It shows how the accumulation of power in the media amplifies political and economic power.

The fact that the Czech Republic ranks as a liberal democracy suggests that its democratic institutions can withstand backsliding. However, Andrej Babiš’ informal economic and media power made up for his lack of parliamentary majority that would have allowed for Constitutional amendments (Newton-Cheh, 2020). Babiš used his non-legislative powers to gain influence in state entities and the media. This strategy facilitates reaching a high level of entrenchment and state capture without the much more conspicuous party state capture strategy of executive aggrandizement. In other words, just because Babiš’ rise did not follow the same path some neighbouring states took does not mean it did not pose a risk to democracy and the rule of law. As Seán Hanley and Milada Vachudova put it: “[...] the concentration of power by Babiš in the name of efficiency may represent a quieter politics of backsliding that is just as consequential in the longer term” (Hanley and Vachudova, 2018: 278). The fact that one person controlled the government, owned one of the country’s largest fortunes and owned the most influential media can be considered clear warning signs of autocratic tendencies (Reporters Without Borders, 2016). This finding is not affected by Babiš’ recent electoral loss. However, his voting out of office now presents the opportunity for further research on whether his government had any effect on corruption levels and Czech democracy and the level of entrenchment of his power.

Measuring multifaceted constructs such as ‘democracy’ is inherently a difficult task. This is even more so for ‘corruption’, by nature opaque. The quantitative measure of corporate state capture here relies on the Worldwide Governance Indicators. Due to the limited scope of this paper, the indicators that make up this index and take different approaches to measuring corruption could not be explored in more detail which could have offered additional insight.

Overall, further research on how to improve indicators that measure liberal democracy could be useful. A more comprehensive picture of the state of democracy could inform better reactions from actors like the EU. Of course, formal institutions are easier to assess and

compare over time than informal ones. Nevertheless, awareness for the limitations of democracy indicators and the need for additional sources could already be an improvement. This paper focuses on the mechanisms leading up to democratic decline. More research could be done on the output, the consequences of corporate state capture such as the distortion of policy outcomes or its effect on media coverage. This could also be the basis for a comparison to cases of party state capture. It would be an added value to assess whether the two modes of state capture lead to similar outcomes. For example, one could assess whether formal restrictions on the media and freedom of speech, and informal means of censorship yield similar results.

Considering corporate state capture a path to democratic backsliding, even if it is less blatant, has implications for the way the EU institutions approach the issue of democratic backsliding. Firstly, when assessing what countries are at risk of democratic deterioration, formal institutions as well as the informal accumulation of power need to be taken into account. Viewing Central and Eastern European states through the lens of the ‘Hungarian model’ might lead to underestimating the risks to democracy in states like Czechia. Secondly, when addressing areas of concern, there should be awareness of the underlying factors for backsliding rather than just focus on improving or restoring formal institutions. The EU’s toolbox could be adapted accordingly, for example by strengthening and supporting civil society and independent media.

5. CONCLUSION

This paper has shown that the concept of democratic backsliding and its focus on formal measures is likely to lead to an overly optimistic assessment of the quality of democracy in post-transformation regimes. Moreover, the threat posed by the accumulation of informal power in countries prone to corporate state capture is not reflected by formal measures.

In the Czech Republic, Andrej Babiš accumulated vast economic power, political influence and media outreach as an oligarch, and then created a political party that allowed him to exploit opportunities in government (Hanley and Vachudova, 2018: 278). The oligarchical power structures that preceded Babiš’ formal powers yielded his political success. This sequencing is inverse to the much-discussed cases of Hungary and Poland, where “populist electoral victories triggered oligarchical concentrations of economic power” (Hanley and Vachudova, 2018: 284).

This strategy of state capture does not depend on winning an absolute majority in parliament as informal power and channels of influence make up for a lack of legislative control. This finding supports the distinction between party state capture and corporate state capture in the region. Corporate state capture undermines legitimate channels of influence and distorts policy outcomes while media control weakens countervailing forces in civil society. The concentration of economic, political and media power can lead to outcomes comparable to formally more autocratic regimes. Babiš’ motto of “running the state like a firm” undermines liberal democratic institutions and leads to their delegitimation (Buščíková and Guasti, 2018: 320). When addressing the issue of democratic backsliding, EU institutions should aim for a more comprehensive assessment of liberal democracy and adapt their strategy to different modes of state.

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APPENDICES

Table 3: Methodology: Definition of Indicators

Indicator/ Index	Definition	Scale	Data Source
V-Dem: Liberal Democracy Index	The Liberal Democracy Index aims to answer the question: “To what extent is the ideal of liberal democracy achieved?” With 1 being achieved and 0 being not achieved. “ Definition from V-Dem: “The liberal model judges the quality of democracy by the limits placed on government. This is achieved by constitutionally protected civil liberties, strong rule of law, an independent judiciary, and effective checks and balances that, together, limit the exercise of executive power. To make this a measure of liberal democracy, the index also takes the level of electoral democracy into account.” (V-Dem)	0 (being not achieved) to 1 (being achieved)	V-Dem https://www.v-dem.net/en/analysis/
V-Dem Regimes of the World	The Regimes of the World Measure The regime-classification builds on the work of Lührmann et al. and aims to answer te question: “How can the political regime overall be classified considering the competitiveness of access to power (polyarchy) as well as liberal principles?” Definition from V-Dem: “0: Closed autocracy: No multiparty elections for the chief executive or the legislature. smallskip 1: Electoral autocracy: <i>De-jure</i> multiparty elections for the chief executive and the legislature but failing to achieve that elections are free and fair, or de-facto multiparty, or a minimum level of Dahl’s institutional prerequisites of polyarchy as measured by V-Dem’s Electoral Democracy Index (v2x_polyarchy). smallskip 2: Electoral democracy: De-facto free and fair multiparty elections and a minimum level of Dahl’s institutional prerequisites for polyarchy as measured by V- Dem’s Electoral Democracy Index (v2x_polyarchy), but either access to justice, or transparent law enforcement, or liberal principles of respect for personal liberties, rule of law, and judicial as well as legislative constraints on the executive not satisfied as measured by V-Dem’s Liberal Component Index (v2x_liberal). smallskip 3: Liberal democracy: De-facto free and fair	0: Closed Autocracy 1: Electoral autocracy 2: Electoral democracy 3: Liberal democracy	V-dem https://www.v-dem.net/en/analysis/ Anna Lührmann, Marcus Tannenberg, Staffan I. Lindberg, ‘Regimes of the world (RoW): Opening new avenues for the comparative study of political regimes.’ (2018) 6 Politics and Governance 1, p. 60.

	<p>multiparty elections and a minimum level of Dahl's institutional prerequisites for polyarchy as measured by V-Dem's Electoral Democracy Index (v2x_polyarchy) are guaranteed as well as access to justice, transparent law enforcement and the liberal principles of respect for personal liberties, rule of law, and judicial as well as legislative constraints on the executive satisfied as measured by V-Dem's Liberal Component Index (v2x_liberal)." (V-Dem)</p>		
<p>Worldwide Governance Indicators: Control of Corruption</p>	<p>Definition from the World Bank: "Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. This table lists the individual variables from each data source used to construct this measure in the Worldwide Governance Indicators" (World Bank, WGI).</p> <p>The Indicator Control of Corruption consists of multiple data sources, that vary over the year and are weighted differently each year. It consists of the Bertelsman Transformation Index, the Business Enterprise Environment Survey, the Economist Intelligence Unit, Freedom House, Gallup World Poll, Global Integrity Index, HIS Markit World Economic Service, Institute for Management and Development World Competitiveness Yearbook, Institutional Profiles Database, Political Risk Services International Country Risk Guide, Transparency International Global Corruption Barometer Survey, Varieties of Democracy Project, World Bank Country Policy and Institutional Assessments, World Economic Forum Global Competitiveness Report, and the World Justice Project.</p> <p>For a detailed explanation of the methodology see: Daniel Kaufmann, Aart Kraay, Massimo Mastruzzi, 'The Worldwide Governance Indicators: Methodology and Analytical Issues' (2010) World Bank Policy Research Working Paper No. 5430</p>	<p>The indicators are reported in two ways: (1) in their standard normal units, ranging from approximately -2.5 to 2.5, (2) in percentile rank terms from 0 to 100, with higher values corresponding to better outcomes (WGI).</p>	<p>WGI – World Bank https://info.worldbank.org/governance/wgi/Home/Documents and Daniel Kaufmann, Aart Kraay, Massimo Mastruzzi, 'The Worldwide Governance Indicators: Methodology and Analytical Issues' (2010) World Bank Policy Research Working Paper No. 5430.</p>
<p>MPM: Fundament</p>	<p>These indicators measure 'a number of potential areas of risk, including the existence</p>	<p>'The results for each thematic area and</p>	<p>Vaclav Stetka, Roman Hajek,</p>

al Protection	and effectiveness of the implementation of regulatory safeguards for freedom of expression and the right to information; the status of journalists in each country, including their protection and ability to work; the independence and effectiveness of the national regulatory bodies that have competence to regulate the media sector, and the reach of traditional media and access to the Internet.’ (p.8)	indicator are presented on a scale from 0 to 100%. Scores between 0 and 33%: low risk Scores between 34 to 66%: medium risk Scores between 67 and 100%: high risk’	‘Monitoring Media Pluralism in the Digital Era. Country Report: The Czech Republic.’ (2021) Research Project Report.
MPM: Market Plurality	‘The Market Plurality area focuses on the economic risks to media pluralism, deriving from lack of transparency and concentration of ownership, sustainability of the media industry, exposure of journalism to commercial interests.’ (p.9)	“The results for each thematic area and indicator are presented on a scale from 0 to 100%. Scores between 0 and 33%: low risk Scores between 34 to 66%: medium risk Scores between 67 and 100%: high risk”	Same as above.
MPM: Political Independence	“The Political Independence indicators assess the existence and effectiveness of regulatory and selfregulatory safeguards against political bias and political influences over news production, distribution and access.” (p. 11)	“The results for each thematic area and indicator are presented on a scale from 0 to 100%. Scores between 0 and 33%: low risk Scores between 34 to 66%: medium risk Scores between 67 and 100%: high risk” (p.5)	Same as above.
MPM: Social Inclusiveness	“The Social Inclusiveness area focuses on the access to media by specific groups in society: minorities, local and regional communities, women and people with disabilities. It also examines the country’s media literacy environment, including the digital skills of the overall population” (p.13)	“The results for each thematic area and indicator are presented on a scale from 0 to 100%. Scores between 0 and 33%: low risk Scores between 34 to 66%: medium risk Scores between 67 and 100%: high risk” (p.5)	Same as above.
MPM: Transparency of media ownership	This indicator “examines the existence and effectiveness of provisions on transparency of media ownership.” (p. 9)	“The results for each thematic area and indicator are presented on a scale from 0 to 100%. Scores between 0 and	Same as above.

		33%: low risk Scores between 34 to 66%: medium risk Scores between 67 and 100%: high risk” (p.5)	
News media concentration	This indicator examines “Lack of competition and external pluralism” of the news media	“The results for each thematic area and indicator are presented on a scale from 0 to 100%. Scores between 0 and 33%: low risk Scores between 34 to 66%: medium risk Scores between 67 and 100%: high risk” (p.5)	Same as above.
Online platforms concentration and competition enforcement	This indicator examines “Lack of competition and external pluralism” of the online media “considering separately horizontal and cross-media concentration; the concentration of online advertising market; and the role of competition enforcement” (MPM 2020, p.9)	“The results for each thematic area and indicator are presented on a scale from 0 to 100%. Scores between 0 and 33%: low risk Scores between 34 to 66%: medium risk Scores between 67 and 100%: high risk” (p.5)	Same as above.
Media viability	“The indicator on media viability measures the trend of revenues and employment, in relation with GDP trends” (MPM 2020, p.10)	“The results for each thematic area and indicator are presented on a scale from 0 to 100%. Scores between 0 and 33%: low risk Scores between 34 to 66%: medium risk Scores between 67 and 100%: high risk” (p.5)	Same as above.
Commercial & owner influence over editorial content	This indicator “aims to assess risks to market plurality posed by business interests on production of editorial content, both from commercial and owners influence.” (MPM 2020, p.10)	“The results for each thematic area and indicator are presented on a scale from 0 to 100%. Scores between 0 and 33%: low risk Scores between 34 to 66%: medium risk Scores between 67 and 100%: high risk” (p.5)	Same as above.

Table 4: V-Dem: Liberal Democracy Index across the region by years

Year	Czech Republic	Hungary	Poland	Estonia	Latvia	Lithuania	Slovakia	Slovenia	Regional average (CEE)
1990	0,61	0,70	0,48	0,70	0,45	0,74		0,50	0,60
1991	0,80	0,77	0,77	0,50	0,50	0,73		0,67	0,68
1992	0,81	0,77	0,81	0,39	0,57	0,73		0,76	0,69
1993	0,83	0,77	0,81	0,82	0,63	0,76	0,64	0,77	0,75
1994	0,83	0,77	0,81	0,80	0,69	0,78	0,57	0,77	0,75
1995	0,83	0,77	0,81	0,80	0,68	0,78	0,55	0,77	0,75
1996	0,82	0,77	0,80	0,80	0,69	0,77	0,54	0,77	0,75
1997	0,82	0,77	0,80	0,81	0,70	0,77	0,55	0,77	0,75
1998	0,82	0,77	0,80	0,80	0,70	0,77	0,59	0,77	0,75
1999	0,81	0,76	0,80	0,81	0,70	0,77	0,74	0,77	0,77
2000	0,81	0,76	0,80	0,81	0,71	0,77	0,76	0,76	0,77
2001	0,81	0,76	0,81	0,81	0,71	0,77	0,76	0,75	0,77
2002	0,82	0,77	0,81	0,82	0,72	0,77	0,75	0,75	0,78
2003	0,83	0,78	0,81	0,81	0,72	0,77	0,75	0,76	0,78
2004	0,83	0,78	0,81	0,81	0,72	0,77	0,76	0,74	0,78
2005	0,83	0,77	0,81	0,81	0,72	0,78	0,76	0,74	0,78
2006	0,83	0,76	0,80	0,81	0,71	0,77	0,74	0,74	0,77
2007	0,83	0,78	0,80	0,81	0,68	0,78	0,74	0,75	0,77
2008	0,83	0,78	0,82	0,81	0,68	0,78	0,74	0,75	0,77
2009	0,82	0,78	0,82	0,81	0,69	0,80	0,74	0,81	0,78
2010	0,82	0,68	0,83	0,83	0,70	0,80	0,76	0,80	0,78
2011	0,82	0,66	0,83	0,82	0,72	0,80	0,77	0,79	0,78
2012	0,82	0,64	0,83	0,82	0,73	0,79	0,75	0,78	0,77
2013	0,78	0,58	0,82	0,82	0,74	0,78	0,73	0,79	0,76
2014	0,77	0,53	0,81	0,83	0,75	0,78	0,73	0,80	0,75
2015	0,77	0,49	0,80	0,84	0,76	0,79	0,73	0,81	0,75
2016	0,77	0,49	0,61	0,85	0,75	0,78	0,73	0,80	0,72
2017	0,74	0,45	0,55	0,85	0,74	0,76	0,72	0,78	0,70
2018	0,71	0,39	0,55	0,85	0,75	0,76	0,70	0,77	0,68
2019	0,70	0,37	0,53	0,84	0,74	0,76	0,73	0,74	0,68
2020	0,71	0,37	0,49	0,83	0,74	0,76	0,76	0,65	0,66

Table 5: Worldwide Governance Indicators: Control of Corruption across the region by years

Year	Czech Republic	Hungary	Poland	Estonia	Latvia	Lithuania	Slovakia	Slovenia	Regional average (CEE)
1996	3,18	3,17	3,21	2,95	2,30	2,92	2,72	3,61	3,01
1998	3,07	3,27	3,32	3,15	2,67	2,82	2,59	3,71	3,07
2000	2,71	3,29	3,21	3,34	2,43	2,86	2,73	3,38	2,99
2002	2,88	3,08	2,90	3,24	2,52	2,70	2,49	3,31	2,89
2003	3,01	3,18	2,92	3,41	2,78	2,88	2,81	3,43	3,05
2004	2,94	3,19	2,64	3,48	2,68	2,93	2,89	3,53	3,04
2005	2,99	3,15	2,77	3,53	2,88	2,83	2,99	3,41	3,07
2006	2,86	3,16	2,77	3,52	2,87	2,66	2,92	3,53	3,04
2007	2,80	3,12	2,80	3,50	2,85	2,63	2,85	3,51	3,01
2008	2,86	2,97	2,96	3,49	2,75	2,64	2,86	3,48	3,00
2009	2,89	2,93	2,95	3,51	2,73	2,73	2,77	3,56	3,01
2010	2,83	2,87	3,00	3,50	2,73	2,88	2,79	3,42	3,00
2011	2,84	2,90	3,06	3,55	2,79	2,83	2,78	3,45	3,02
2012	2,77	2,86	3,16	3,60	2,75	2,89	2,60	3,34	3,00
2013	2,73	2,82	3,10	3,69	2,83	2,93	2,58	3,23	2,99
2014	2,87	2,66	3,14	3,80	2,92	3,06	2,66	3,23	3,04
2015	2,93	2,65	3,17	3,79	2,97	3,12	2,68	3,27	3,07
2016	3,04	2,60	3,24	3,77	2,93	3,21	2,73	3,32	3,11
2017	3,07	2,59	3,22	3,74	3,04	3,05	2,72	3,31	3,09
2018	3,00	2,55	3,14	4,01	2,83	3,00	2,86	3,37	3,10
2019	3,01	2,50	3,10	4,04	2,98	3,18	2,83	3,41	3,13