
Ten years of rebuilding capitalism:

Czech society after 1989

EDITORS:

JIŘÍ VEČERNÍK & PETR MATĚJŮ

ACADEMIA

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Academia

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Foreword

Every society, like every individual, needs to stand back and examine itself from time to time. It is a moment when the question of identity merges with the capacity of projection into the future. If it is true that Czech historians are something like 'psychoanalysts' of society (putting old traumas as well as the recent 'white spots' in Czech history into a new context), then sociologists Jiří Večerník and Petr Matějů together with their colleagues are in a way the 'radiologists' of post-communist Czech society. Nearly ten years after the fall of the old totalitarian regime, they are now bringing a detailed and clear description of the changes that society has already gone through and still continues to go through including the basic economic and political transformation of the nineties.

'Troubles with history', as it was called by Czech writer Josef Kroutvor, are relatively speaking, perhaps even more unpleasant than the 'troubles with the present'. The reason lies both in the fact that modern historiography was to a large extent decimated by the 'normalization' purge followed after the Soviet occupation of Czechoslovakia in 1968 (witnessed by the sacking of 145 Czech historians). In addition, today's society has difficulty in coming to terms with its own history, as shown not long ago with the embarrassment caused by the 30th anniversary of 1968. While the then-only burgeoning discipline of political science was abolished outright by the practitioners of 'normalization' and absorbed into Marx-Leninist instruction, sociology seems to have survived the period of 'darkness' relatively unscathed, so that the professional level of studies is at a comparable level with its Western counterparts.

Despite all of this, Czech society has remained a largely unknown phenomenon to most observers during the 'Velvet Revolution' following November 1989. What do we find in this 'black box' of post-communist societies after the failure of the totalitarian system, which had stigmatized over two generations of Central and Eastern Europeans? What is the adequate approach to understanding them? Publications such as this one are considered to be a useful teaching tool in the stable democracies of Western Europe. Yet of even greater importance is the monitoring of social trends and the perception of changes in societies during the transition towards democracy and a market economy. This 'report on society' thus fills the gap in the specialized literature, which has been involved primarily with political changes and economic reform up until now.

To understand the transformation period means to redefine the basic notions describing the relationship between state and society, the balance between equality and freedom, and the choice between security and liberty. The communist system had simple answers to these classic political questions. The state, egalitarianism, and security always had precedence, both in the sense of social security 'from the cradle to the grave' and in the sense of protection against dangerous ideas and illicit acts by the ever present state secret police.

On the other hand, individual rights, diversity of civic activities, freedom of speech, and enterprise were deemed undesirable.

What balance in this equation will the renewed democracy in the center of Europe find? To what extent is Czech society prepared for the 'shock of freedom' and for liberalizing changes? And how far is it still influenced by the heritage of the evidently bankrupt but comfortable etatism? It seems that Czech society of the 1990s has opted for a rather undemanding synthesis of old attitudes and new opportunities. The authors of this publication have documented three related questions: 1. How to 'build capitalism' (or to privatize by 'the Czech way') without capital? 2. How to reestablish the middle classes (without which there could be no stable democracy) in the conditions of the continuing devaluation of 'human capital'? 3. Was the political success of the Czech liberal right in fact tied to its social democratic practices?

Our first question concerns privatization, which was the key element in market transformation of the Czech economy. Given its importance, it is understandable that the authors dedicate considerable attention to the subject. 'Small privatization' and restitution did in fact help to establish a new entrepreneurial class. The business register lists over a million private entrepreneurs, which is surprisingly high in a country with a population of a mere ten million. It is surely linked to the birth and expansion of a 'service society' and the 'information revolution' after 1990. The idyllic vision of a flourishing entrepreneurial class has been somewhat blurred by the fact that the majority of business license holders rely largely on their double status as both self-employed and employees.

The pride of the Czech transformation was without a doubt its 'large' privatization and the coupon method. The assessment of the 'Czech model' therefore naturally focuses on their results. Quite simply, it was a brilliant political move which after decades of etatism, enabled Czech society to come to terms with the perspective of a market economy and greatly contributed to the right-wing victory in 1992. At the time, some believed that Václav Klaus was using politics as a tool for the sake of economic reform, but the opposite was true. The economic results are disturbing both in comparison with the expectations and results from Hungary and Poland. Following decades of malfunctioning socialism, Czech citizens were then becoming acquainted with malfunctioning capitalism.

After the failure of the Marxist version of 'people's ownership', the liberal-populist version of ownership also failed. Today's owners of privatized companies are mainly their former managers and deputies, so that the core of the new bourgeoisie consists of members of the old *nomenklatura*. This need not be a tragedy providing that Czech 'capitalism' was really able to work, but the coupons were purchased by investment funds, often backed by the 'big five' quasi-state owned banks. The outcome is rather notorious as privatization in the Czech Republic did not bring about the most important thing it was expected to do. Instead of restructuring, companies have continued to operate much as they did before. At present, 80 % of respondents are convinced that the members of the new wealthy class have acquired their riches through largely dishonest means. The refusal of the 'liberal' government to apply a bankruptcy law is related to today's perilous crisis in the banking sector. The Czech Republic is the only Central European country showing negative economic growth, which has encouraged foreign investors to take their money elsewhere. Under these circumstances it will not be easy to catch up with the so-often scorned 'social market' of EU countries by showing 'just' three per cent growth.

After years of arrogance, when representatives of the Czech Republic were lecturing the rest of Europe what a real market economy was and even intended to incorporate an interdiction of a budget deficit into the constitution, it became time to return to reality. The Czech industry cannot continue without structural changes, whether by foreign investors, or as economist Lubomír Mlčoch has advised, the state (provided it has the means). This would also entail a fast rise in unemployment and the end of social peace. The Czech right did not dare to take these steps while in power. Can anyone expect a minority left government to do so?

Another important topic of this 'social report' is the rebirth of the middle classes. In addition to the above-mentioned increase in the number of entrepreneurs and tradesmen, the most striking and most important long-term change from the situation before 1990 is obviously the fact that success in life is still to a great extent linked to human capital, i.e. education, ability, and performance. Whereas before 1989 less than one-third of those surveyed listed education among their priorities; today over 60 % consider education a condition for success.

If the ability to share a world of information is undoubtedly an important condition for the economic success of a person in modern society, then access to education and the equalization of chances for higher education are an important test for the new democracies in Central and Eastern Europe. Under Communism, the elite were systematically destroyed and a stricter *numerus clausus* was applied in access to university education. This meant that Central and Eastern Europe did not enjoy a tremendous expansion in university education, which has occurred in the West since the end of 1960. The problem of the transition period is therefore how to combine the dual and contradictory task awaiting any modern and open society, that is, to revive the elite and at the same time widen the basis of university education. This important project demands extraordinary resources, upon which to a great extent Czech integration into Western Europe will depend. Unfortunately, none of the administrations have made a commitment to this priority, and the salaries in research and education have remained at the socialist level, if not below.

The idea that 'human capital' is decisive for the life success of an individual as well as how society is linked to the renaissance of the middle classes, the ethos of which is so important even for modern democracy: 'No bourgeoisie, no democracy,' wrote Barrington Moore in his book *The social origins of dictatorship and democracy*. The communist system gave preference to workers and farmers for ideological reasons. Paradoxically, ten years after the fall of the old regime and the implementation of a market economy, workers have not suffered greatly (the unemployment rate in the Czech Republic was up to now among the lowest in Europe, together with Liechtenstein and Luxembourg), whereas the conditions of the middle classes have improved only modestly, if at all. Marx affirmed that capitalism is marked by the relative impoverishment of the working class. Czech capitalism, however, is characterized rather by the 'relative impoverishment' of the educated middle classes. This will have long-term negative consequences in such key areas as science, health care, and education. It was this new middle class which had most strongly identified itself with the post 1989 transformation. Instead of an expected valorization of knowledge and subsequent social ascent, they met mostly with disappointment.

The third related question concerns liberal rhetoric and social-democratic practice. Czech politics is marked by an extraordinary stable structure of voter self-location on the left-right axis, and sociological surveys show that the impact of social-class allegiance on

election results has increased during the 1990s. This is linked to the establishment of a standard political party system with the possibility of a change in government, as is the case elsewhere in Central Europe. As one could hear in Prague after the break-up of Czechoslovakia, the leftist victory in Poland (1993), and Hungary (1994), the uniqueness of Czech society lay in the fact that it remained the last island of right-wing liberalism in Central Europe.

However, a more detailed analysis shows a somewhat different picture. The Polish and especially the Hungarian left enforced a truly liberal economic policy (the Bokros plan), whereas the Czech right got stuck in a social-democratic, consensual politics, the consequences of which are today well-known. This policy, together with radical free market rhetoric was economically counterproductive but highly successful politically which is why it was purposefully nurtured. As the surveys analyzed in this publication show, 60 % of ODS and ODA voters (compared with 76 % of the average) thought that the task of the government was to guarantee jobs for everyone and four-fifths of citizens today think that the government should regulate prices and secure assistance for industries. An absolute majority of Czechs are in favor of a strong and socially generous state. In other words, 'right-wing liberalism' was acceptable to Czech society only when it was limited to rhetoric and accompanied by social-democratic practice. The *bon mot* of Jiří Večerník from 1996, 'think left, vote right', accurately captures the Czech situation of the 1990s.

The Czech experience therefore shows how misleading political and ideological labels can be. What the majority of West Europeans have known for a long time is just beginning to be perceived by the Czech public. Czech politics of the nineties was still caught in the ideological polarization of the eighties marked by the Reagan-Thatcher 'neo-conservative revolution' and the fight against the Eastern 'evil empire'. All that evaporated in the West after the fall of the Berlin Wall and the departure of Reagan and Thatcher into political retirement. Their rhetoric could still be heard in Prague and was finding open support in a society which in December 1989 had indeed overthrown the totalitarian communist regime but was not compelled to bear any actual consequences for 'liberal policy'.

While the 'leftist' Bill Clinton became the most radical defender of the global free market, laborist Tony Blair continues to dismantle the welfare state (which he calls the 'third way'!) and the conservative liberal investors (not the ideologists) are again oriented towards social-market EU countries. After the bankruptcy of the Asian 'tigers' (so admired in Prague), they are considered to have the most promising future and in terms of investment to be the safest countries with stable economic growth, transparent capital markets, functioning court systems, and the rule of law. The sobering new path of the Czech transformation can therefore lead only from the loss of ideological illusions to the prospect of European integration.

Jacques RUPNIK, Fondation Nationale des Sciences Politiques, Paris

Introduction: the Social Report

This publication of the *Social Trends* project intends to partially fill a gap we see in pieces on Czech society, especially from social and political perspectives. If it is true that the Czech Republic is again becoming a member of the family of developed countries (as witnessed by its acceptance as a member of the OECD and its gradual approach to the EU), it is necessary that it reaches the level of information in these countries. The information coverage in Czech society today is no match for the West, or even Poland or Hungary. This is also the case with so-called social reports or surveys, which are commonplace in all West European countries, be it in various forms and in varying frequencies. Despite the fact that the authors largely make use of already existing data or material, the contribution of such reports is necessary in attempting to bring together knowledge from various areas.

A few examples of such publications who have the longest traditions include the British *Social Trends* and the French *Données sociales*. The annual British publication was started in the sixties and is almost exclusively dedicated to data. The French publications were initiated in 1973 by Alain Darbel (a close collaborator of Pierre Bourdieu), and are published once every three years and have richly documented articles. However we should not neglect the regular German or Austrian reports of the labor and social affairs ministries, nor the numerous Scandinavian comparative yearbooks written by various circles of authors (e.g. Vogel, 1991). Similar publications may also be found in Southern European countries like Italy, Spain, and elsewhere. Among reform countries, especially noteworthy is the Hungarian series of *Social Reports*, which began in 1990 (Andorka, Kolosi and Vukovich, 1990) and had already released its sixth edition in 1999, and last but not least, the annotated report *Slovakia 1995* (Bútora and Hunčík, 1996).

There are also publications distributed by various international institutions which combine commentary with data. OECD issues contain regular economic 'surveys' of individual member countries. The first survey on the Czechoslovak Federal Republic was issued in 1991, when Czechoslovakia was an associate country. An individual and highly optimistic report was issued (OECD, 1996) after the acceptance of the Czech Republic into the organization at the end of 1995. For twenty years, the World Bank has published the *World Development Report*, the annotated part of which has always focused on a specific topic. In 1996 it was the path 'from the plan to the market' (World Development, 1996) and in 1997 the role of the state in a changing world (World Development, 1997). Since 1993, UNICEF has issued its annual *Regional Monitoring Report* dedicated to the social situation in reform countries (UNICEF, 1993–1998).

The Czech field on the other hand has not by any means been completely barren. By 1996, the Czech Republic joined the UN *Human Development Report* and in this framework the first report was prepared by a team led by Zdeněk Pavlík (Human Development Report, 1996) and a second one by a team headed by Michal Illner (Human Development Report, 1997). The Statistical Office, which normally compiles the regular *Statistical Yearbooks of the Czech Republic*, also published *Facts on the social situation in the Czech Republic* in 1997, containing annotated objective data as well as some results from public opinion surveys. The area of demography is also important, where regular surveys are being published and also a synthetic collective work *The population of the Czech lands* (Dějiny, 1996) was published. Among past publications, we should also consider the extensive publications of Pavel Machonin and his team on social structure (Machonin and al. 1969), which was resumed in the 1990s (Machonin, Tuček and al., 1996). The primary editor of this volume has collaborated on the last two mentioned publications as well as on the first *Czech Report on Human Development*, which only documents the relationship between various activities in this area.

Despite the fact that particular publications are certainly available, a more extensive 'social report' on Czech society has so far been lacking, and its shape is by no means a given. As is clear from the previous examples, social reports come in various forms, largely influenced by the interests of the institution which produce them. For example, an editor who is employed at the statistical office, influences much of the data used in the publication. However, this is not the case in France, where the statistical office is also a large and high prestige research institution. Ministries of labor and social affairs are very active (e.g. in Germany or Austria), but they tend to remain focused on their particular areas of interest. Often such reports are published by teams of sociologists, who tend to monitor mainly social stratification and disparity issues, social problems, and so on. Frequent topics of international organization reports are poverty, social exclusion, and corresponding policies.

The present publication was prepared by a team in which sociologists were the majority, but economists, political scientists, demographers, and experts on education were also present. The scope is wide, but our ambition was not to cover all social issues. Our original inspiration was the French *Données Sociales*, and, following this example, various chapters were conceived as richly documented texts with 'didactic' boxes explaining certain concepts, methods, and experiences. While our publication is much more concise and modest than the *Données Sociales*, it nonetheless covers a rather wide range of issues. In addition to the population, labor market, incomes, social security, and social structure, which are addressed in the French publication, we also describe the political context of the current changes and investigate various areas of public opinion. Our 'social report' also has its own specific points of departure and ambitions.

The project *Social Trends* was based on the assumption that one of the conditions for understanding social movement is the availability of normally accessible data about the widest variety of aspects of social life. The description of the main developmental trends in the area of demography, economy, politics, social matters, or education is an important condition not only for analytic considerations of various institutions and bodies, but also for the current needs of students, experts, and all interested citizens. But trends are much more than just averages and aggregates in the forms usually documented by statistics. It is also about a certain insight into the social microcosm as the 'workshop' of these aggre-

gates and the individual sources of the compiled averages. In other words, society must be seen not as an accomplished structure but as a living and profoundly diversified organism. This means that the purpose of a social survey is not to serve merely as a 'sociographic' gathering of data, but also an authentic research in the sense of data analysis, their interpretation and subsequent presentation of the most important knowledge in the most condensed and clear form.

A social report should also show something more than individual trends and implemented changes. It should discuss the context of various areas, and be a challenge to search for latent social tensions and conflicts, usually found just on the boundary of the individual 'large spheres' of social life, such as the economy, population, social structure, or politics. If a social report is limited to only one of these areas (which is usually the case), it deprives the authors of interesting research challenges and the readers of important information. We know well the boundaries which still separate demography, economy, sociology, and political science, despite sporadic attempts and even some success in overcoming them. We are aware of how difficult it is to overcome differences in methodology and data sources. Nevertheless, there is a need to build bridges between the various approaches despite the criticism which any such attempts may provoke.

This publication intends to present Czech society in all its multi-facetedness and motion, rather than a list of social issues and societal pathology. Society is not the object of meticulous examination, but rather a self-generating and self-propelling body, which in the end must help itself under any and all circumstances. We are monitoring it as an active entity, in which its socially problematic components are not excluded but are rather its organic parts. We know that in society nothing falls from heaven (and unfortunately very little disappears into hell), and that the process of change does not consist of continuous progress, and the players are not always clearly identified, both for the good as well as the bad. Nevertheless we take the liberty to discuss a particular sequence based upon an active perception of society, based in economics by the theory of human capital, in sociology by the theory of social stratification, and in political science by the theory of crystallization of the political scene.

The first section of the report is dedicated to human resources, especially to education, business, and the family, as the tools and the environment in which human activity is generated, developed, and applied. The second part is dedicated to economic inequality and its formation mechanisms, an individual's ability to climb the social ladder and the 'division of territory' between the market and the state. The social structure, which is formed by economic and other human activities does not only tell us about living standards and life-styles. It also greatly contributes to the structure of political orientation and behavior, which in a democratic society results in the way a regime is defined and thus the general environment for the generation of human resources. The focus on the relationship between the social and political structure, to which the third part is devoted, is an attempt to create a sort of arch, returning us to the beginning of the commentary and to complement the context of the issues discussed here.

An equally important part of the publication is the *Appendices*, which contain two types of information. There is a chronological series, which represents independent topics (such as macroeconomic indicators), or complementary topics discussed in the text by clearly outlining the ongoing changes (such as demographic or socio-political indicators). There is also information about the surveys which were used which, together with the ref-

erences to the sociological archives, should serve as a challenge and a guideline for the interested reader on how to begin other projects about the Czech Republic or other countries. This applies especially to the *ISSP surveys*, some of which were conducted in the framework of the project *Social Trends*. In fact, the creation of an institutional basis for the implementation and use of those surveys, research was the original inspiration.

This publication is not intended to be ideological or partisan. We have attempted to avoid any such tendencies. However, since we work with ideas, ideology is almost necessarily present. Because man is by nature a 'political creature', our commentary is perhaps not always as neutral as we had hoped, not only because the authors have their own political preferences, but because at the boundaries between the economic, social, and political spheres, it is very difficult to find areas where fully neutral and purely 'technical' solutions are imaginable. As a rule, there are no perfect solutions, but only somewhat better and somewhat worse ones. We are convinced that behind any so-called pragmatic approach is hidden an ideological or political bias. At the same time one cannot say that this is either unfortunate (because the intuitive choice is not necessarily the best one) or fortunate (because it proves that people are not merely machines processing information).

Despite the rather wide scope of this report, there are many more topics which are not included here. We certainly did not intend to make a list of events which the Czech state had experienced after 1989, a period which, in addition to the political transformation and economic reform, was dominated by the separation of Czechoslovakia. This was already largely described in political science and historical literature. Nor was our primary aim to analyze the economic reform, and certainly not from the macroeconomic point of view (see for this Svejnar et al., 1995). While we provide a great deal of international comparison in our analysis, we do not study the situation in the Czech Republic in an international context or from the perspective of international organizations. In conclusion we must emphasize that this publication is not a 'social report' in the traditional Czech sense of the term, i.e. a description of disadvantaged groups of the population and marginalized areas of the country, poverty, discrimination and criminality. These topics would require the attention of another and more focused report. As we have already mentioned, our intention was to depict society above all from the perspective of its active potential.

This publication was intended as a starting point for regular 'social reports', with a focus on less common topics and with the character of an informational handbook for experts, students, and all interested citizens. We believe that the challenge presented by this publication will not remain without reaction, and that an institution or a team will be created to continue the work initiated here.

Part One

Resources of Socio-Economic Change

1 Labor market and human resources

Despite the precepts of Marxist political economy, a certain type of labor market existed even during the period of 'really existing socialism' and functioned as a mechanism for the allocation of the labor force according to needs of production as well as a tool for the distribution of wages. Its form was, however, significantly distorted by regulations from the planning center, the rigorous administration of labor and centralized wage policy. Subsidies of branches with high shares of unskilled labor led to the maintenance of excessive numbers of jobs, while strict wage regulation and the financing of the social infrastructure of these branches maintained over-employment. In its omnipotence, the communist regime transferred entire occupational categories onto the primary labor market, which under standard market economies are more likely to be found on less advantageous secondary labor markets, i.e. with lower wages and greater uncertainty in employment. These privileges were enjoyed mainly by cooperative peasants and miners, but also by a number of less skilled manufacturing workers as well.

As is the case with other economic and social institutions, since 1990 the labor market in the Czech Republic has undergone far-reaching changes. With the fall of Communism, full employment ceased to be a political imperative. The considerable decline in production, combined with the abolition of inefficient and undesirable production along with the loss of COMECON markets, led to an immediate drop in employment. Thus, the extent of citizen participation in the labor force has been reduced to the level common in market economies. Between 1989 and 1994 overall employment dropped by more than 10 % followed by a moderate increase not long after. The reduction of employed pensioners played an important role in declining employment; in 1989 there were 520,000 pensioners working who represented one-tenth of the total workforce, whereas in the following year there were fewer than 300,000 and in 1997 less than 270,000.

The labor market today is gradually becoming a decisive mechanism for the allocation of human resources. Principles of competition and selection are beginning to be asserted, based upon the quality of workers, level of education, and abilities. The younger generation anticipates the strengthening of this proclivity in the near future, which explains the considerable increase in the number of students seeking secondary and university level education. Subsequently, the significance of human capital for the economy increases, due to the rise in job competition among skilled persons. At the same time, there are processes taking place on the labor market which have already been carried out in developed market economies. In particular, these include the growth of national economy dependence on the world market and its cyclical development, as well as the tendency towards the spread of labor-economizing technology, and preconditions for success on the global labor market.

Even though low mobility of the labor force continues to prevent the labor market from making headway with the allocation and creation of human resources, certain positive steps have been taken. Three negative vestiges of the past are slowly disappearing: the illusion that full employment is an inevitable precondition for economic growth, the standard of a life-long job, and the belief that being unemployed is a disgrace.

The development of the labor market has been strongly influenced by the pace of modernizing changes and by the increase in labor productivity, while to a certain degree has also been dependent upon investment in new technology and work organization. In areas where modernizing trends have been introduced, human capital is more valued, and over-employment has decreased. However, soft conditions for transformation have been created in the Czech Republic, allowing for a high rate of mutual indebtedness and sustenance of inefficient labor-hoarding firms. In addition, incomplete legislation has made uncontrollable transfers of capital and assets from privatized companies feasible. Such conditions not only weakened internal stimulation towards modernization, but in addition gradually discouraged many foreign investors, whose participation significantly decreased between 1995 and 1997. But in areas where modernizing changes have been implemented, for example in the automobile manufacturing, human capital is greatly valued, and at the same time over-employment has dropped. The demand for flexible employees is increasing and it is probable to assume that the significance of retraining and life-long education will likewise increase.

Because economic efficiency and the demand for skill and productivity of labor have thus far increased at a rather slow pace, the significance of human resources in the dynamics of labor productivity and wage disparities have shown themselves only partially. In their adaptation to market changes and a reorientation towards new markets, Czech firms who have suffered from shortages of financial resources for modernization have built upon the comparative advantage of a cheap labor force. This illustrates why the economic growth was first based upon the intensity of labor. This strategy to a certain extent, has also preserved technological delay in such companies. The discrepancy between the anticipated trend to utilize human capital and the limited ability of the economy to accept and exploit larger amounts of highly skilled workers, has resulted in the gradual increase of the problem by making use of high school and university graduates.

In general, some market conforming changes have not yet been introduced to the economy nor to the labor market in particular. Measures which have yet to be completed are primarily the privatization of banks, clarification of ownership relations, and creating legislative and procedural conditions to ensure the credibility of the capital market. Even without these measures, certain occupational categories have become marginalized on the labor market, especially those who were privileged by the communist regime, but no longer enjoy job security and stable wages. This marginalization is expressed in particular by the greater risk of long-term unemployment or the relatively frequent turnover of employment and unemployment (so-called fragmented occupational career). Particular regions have been similarly marginalized, where handicaps in branch structures of individual regions can be seen. Poverty has emerged especially on the level of smaller regional units characterized by a relatively high rate of unemployment. This is the case in micro-regions with an insufficiently diversified economic structure and those dominated by heavy manufacturing, undeveloped infrastructure, low level of skills, and an inflexible labor force.

This chapter focuses on the development of the labor market and the issue of unemployment in the Czech Republic during the transformation period 1989–1998. Data has been extracted from various labor force surveys, registers of labor offices, several specialized sociological surveys, and international comparative studies. Using these sources and relevant concepts of the theory of the labor market, we will attempt to explain the inner logic of the transformation. Our aim is not to describe in full detail all of the changes in the Czech labor market during this period, rather we would like to focus upon only its main characteristics, which are substantial even from the standpoint of long-term developmental trends.

1.1 Transition from a command to market economy

In the command economy, the labor market was distorted and strongly segmented into a number of internal markets (company and cooperative), governed primarily by the principle of seniority. The work contract was not a personal contract, but rather a social and political one. While formally it concerned employment, in practice it functioned as a tool for social control. It was as if an employee had exchanged his tolerance of the totalitarian regime for job security in addition to accepting a fixed standard of living in exchange for low work effort (Možný, 1994). Access to benefits were exchanged for loyalty to the regime and a commitment to one's employer; the social policy of the system was based upon the close dependence of employees to their firms.

Box 1.1 The segmentation of the labor market

According to the theory of labor market segmentation, there are two labor markets. It is important to distinguish between primary and secondary labor markets, and also between the internal labor markets of individual companies and the external labor market (including the entire region of a given country). The primary labor market provides jobs with higher prestige, better opportunities for professional growth, higher salaries, and greater job security. The secondary labor market rather offers jobs with low prestige, low requirements of skills, low salaries and significant job uncertainty. Internal labor markets provide certain career opportunities within individual firms, in which employees have the ability to change positions without being laid-off. In the external labor market, employees must locate firms who match their skills and offer available positions.

Although during the privatization process the area of the internal markets narrowed significantly, these markets continue to function and are a significant source of over-employment. Many companies have tried to maintain their core labor forces even during the period of purchasing difficulties following the breakdown of COMECON. There was an imminent fear of losing their skilled and experienced employees as it would be difficult to locate new employees if needed later. The larger state and semi-state companies released workers from the periphery of their internal labor markets while shifting a number of auxiliary workers (guards, janitors, and even the suppliers of certain raw materials) onto the competitive external labor market.

Table 1.1 Numbers of employees and structure of the labor force by sector and ownership

Indicator	1990	1991	1992	1993	1994	1995	1996	1997
Numbers of employees (in thousands)	5387	4889	4776	4774	4807	4940	5001	4970
<i>By sector in %:</i>								
Primary	11.4	9.8	7.7	6.8	6.7	6.0	5.7	5.4
Secondary	45.9	45.3	44.6	44.1	42.8	41.6	40.8	40.6
Tertiary	42.7	44.9	47.7	49.1	50.5	52.4	53.5	54.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>By ownership in %:</i>								
State and municipal	79.6	70.5	60.2	40.2	35.8	24.5	22.4	21.0
Cooperative	12.3	9.6	7.5	5.7	4.8	4.2	3.7	3.3
Other	1.1	0.8	0.9	0.6	0.5	0.7	0.6	0.7
Mixed	-	0.3	0.3	6.4	5.9	13.4	14.4	11.4
Private	7.0	18.8	31.1	47.1	53.0	57.2	58.9	63.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Statistical Yearbooks.

The position of those employees who remained loyal to their companies in this process strengthened. This was due to the fact that internal labor markets actually guaranteed job security on the basis of a paternalistic relationship between the management and employees. However, the other side provided social protection for workers at lower wages. Little emphasis is placed on wages in the internal labor markets in the Czech Republic (in contrast to most European market economies), nor do trade unions exert much influence over bargaining in this respect (Možný, Mareš and Musil, 1995). Also companies paid their price for their internal labor markets by lower labor productivity and weak incentives for modernization.

Even though unemployment in the Czech Republic remained unnaturally low, certain changes on the labor market did occur. For example, the market is becoming increasingly selective and segmented. The low level of wages has had a different impact on the primary (internal, i.e. company) and secondary (external) labor markets. In addition to over-employment in company labor markets, unemployment in secondary segments of the labor market is increasing. Above all, this has affected certain categories of employees who had not been previously accustomed to the status of a 'cheap' labor force. Their improved position had before been invalid, due to the fact that the socialist regime artificially shifted them (with the leveling of wages and deformed wage rates) from the secondary labor force into the primary one.

The secondary labor market, which consists of auxiliary and unstable positions on company labor markets, low paid and unstable jobs in small-scale enterprises, and marginal positions in the informal economy, has also gradually expanded. This market belongs in part to the state sector, where wages are often lower than in the private sector – this is especially visible among operational workers and low-level white-collar jobs, but even among highly skilled professions, especially in health care and education.

Table 1.2 Economically active population by position in primary job (%)

Position in employment	1993	1994	1995	1996	1997
Employees	87.2	86.5	86.5	86.1	85.5
Members of production cooperatives	3.1	2.3	1.7	1.8	1.5
Self-employed	6.5	7.1	7.4	7.6	8.4
Entrepreneurs (with employees)	2.9	3.6	3.9	4.1	4.2
Helping family members	0.3	0.5	0.5	0.4	0.4
Total	100.0	100.0	100.0	100.0	100.0

Source: Labor Force Surveys (end of year).

The formation of the secondary market manifested itself in a rise in unemployment, and within certain categories of workers as well as an increase in under-employment (involuntary reduction of contractual hours) and temporary employment (fixed-term work). We can also see the effect of this on the decreasing economic activity of specific categories of employees (the unskilled, disabled, and the Romany population). At the same time, the mobility of the workforce in the secondary market grew, because the reduction of over-employment affected those employees who were traditionally placed in this segment of the labor market. Tendencies familiar to advanced countries are gradually being introduced such as the disparity of wages between various segments of labor markets.

However, the secondary labor market has its 'marginal segment' as well. In hiring workers, the internal labor markets closed themselves off to those employees who, from the point of view of employers, would not be able to offer high-intensity labor. In the Czech economy, which was not thoroughly modernized, considered high-intensity laborers to be the main source of performance and productivity. During times of low unemployment, certain categories of the labor force and regions with high concentrations of these workers, were affected by high unemployment, largely in part associated with the increasing share of the long-term unemployed.

As a result of the increasing selectivity in hiring and the relative decrease of wages in the secondary segment of the labor market (where in certain cases wages were near to the subsistence minimum), specific and long-term unemployment increased, as did the tendency towards unstable forms of employment, including temporary jobs (and even working in the informal economy) and involuntarily reduced working hours. This affected above all low-skilled employees and has been the source of social tensions, as people who are involuntarily affected by these forms of employment often consider their return to the secondary market as unfair. These sentiments become more prevalent as the standard of living drops, which as a rule is connected with such a shift.

In addition to the creation of a real labor market, changes tied to the transformation also affect the labor force itself. Over a very short time, the new economic environment unleashed a crucial but yet unused potential of individual initiative, enterprise, and creativity. Consequently, the mobility of workers between sectors, enterprises, and occupations was fortified. In the first period of transformation, skilled workers left state or privatized enterprises on their own accord to take jobs with better prospects and more potential to utilize their skills.

Between 1990 and 1992, the private sector emerged and experienced quick growth, partly due to the transformation of large state enterprises into joint stock companies coupled with the massive creation of small businesses. This process was facilitated by the simple expansion of formerly illegal side jobs which helped to train future entrepreneurs for the market system. Most substantial was the process of privatization in which many activities were separated from larger companies, such as maintenance, security, transport, and occasionally trade or representative activities. Subsequently, the structure of unemployment underwent significant shifts particularly in the first period of transformation where employment dropped in larger companies, while there was an increase in companies with less than 200 employees.

By the spring of 1993, small entrepreneurs constituted 9 % of the labor force and by the fall of 1997, their share had increased to 12 %, comparable with developed market economies. It is no secret that the ability to keep unemployment low was in part due to the vitality of small companies, even though they often lacked infrastructure, capital, business know-how, and advanced technology. Their strategies were often based on low wages, high work intensity, and to a significant degree tax evasion and unpaid contributions to social security. It is also necessary to mention the occurrence of illegal labor contracts and the employment of foreigners without work permits. Small businesses occupied a considerable space on the labor market, however such positions required extreme labor effort and were not without risks (permanent exposure to being laid-off, unpaid social and health contributions by the employer).

The small-business sector is rather heterogeneous. From one standpoint, it includes internal jobs within companies and is dependent upon social capital (even close personal relationships), experience, and information which has often been acquired on the basis of long-term activities and an individual's primary employment. After 1989, these activities created a useful springboard for a number of small businesses. On the other hand, the small-business sector also includes secondary and unstable (marginal) jobs, which were sometimes occupied by people who where themselves unable to start a business, but were looking for a way out of a difficult situation or had the illusion of fast gains. The small-business sector often overlaps with the informal economy, and it is here that marginalized workers are employed in temporary and informal work positions.

1.2 Flows and shifts on the labor market

Following the enormous changes brought about by the privatization process and the reorientation of production and services on the basis of demand, the mobility of the workforce during the transformation period greatly increased in all of its forms: inter-company, industry, occupational, and territorial. Unemployment was also a factor in the total mobility of the labor force which, according to labor statistics, has averaged yearly around 7–8 %. In the first wave of unemployment in 1989–1992, many workers from companies restricting production and the offices of the former regime had been affected. But undesirable or less effective workers were also let go. However, it was primarily those categories of marginalized workers on the secondary labor market who were closed off to companies and who were gradually trapped by unemployment.

If we consider all movements during the period from 1993–1996 (when the labor market did not experience any serious fluctuations), annual mobility increased to up to 20 % of the labor force (Kux and Makalouš, 1997). Over half of the progress consisted of mobility between employment and economic inactivity, one-third between employment and unemployment, and over one-tenth between economic inactivity (early retirement and disability retirement, study and maternal leave) and unemployment. The mobility of employees resulting from changes in employers, which is unable to be calculated statistically, would likely raise this number significantly.

The flows of the labor force copies several trends occurring previously in EU countries, especially concerning the transfer of large sections of employees to the private or to service sectors. This trend appeared immediately after 1990 and was one of the economic reasons for the low rate of unemployment in the first phase of transformation. Services also replaced manufacturing as the largest employer. The rapid transfer of employment between sectors can be accounted for by the fact that from 1997 the share of employees in the tertiary sector increased by approximately 11 %, a rate which is without parallel in all of post-war Europe (see Table 1.1 above).

The possibilities for transfer to private and service sectors have not been fully exhausted thus far. In comparison with developed market economies, the service sector in the Czech Republic is still relatively small and has a less favorable structure. That is, traditional personal services are preferred over modern based upon ‘manipulation with symbols and information’. From the standpoint of employment, the role of the educational sector is especially underestimated and the educational expansion has not yet become a decisive source of economic growth. In contrast with West European countries, the Czech Republic lags behind in services for manufacturing, research and development, public and social services, and public administration and social welfare (7 % of the labor force is employed in these sectors, as against over 9 % in Germany).

The labor market will certainly undoubtedly undergo another transformation from privatization. If large privatization of companies with enduring state participation is completed properly, those companies will be forced to reduce their workforces. The privatization of banks will also have a aggregation effect on the rate of unemployment. Large banks have surplus employees, but as they are important co-owners of labor-hoarding companies, they will have the need to extricate surplus employees after privatization. Subsequently, privatization is likely to strengthen an interest in investment to develop labor-economizing technologies.

If economic growth does not accelerate new job potential in the small-business sector, resources will be quite limited and therefore unemployment will rise. Moreover, as a result of the present demographic trends and changes in retirement and educational systems, by the year 2000 the labor force supply is expected to increase by about 3–4 % (Kux and Makalouš 1997). It is no longer possible to rely on a massive exodus of employed pensioners from the labor market as in 1991–1992, which was the definitive mechanism balancing the decline in the labor supply. Nor is it realistic to depend upon any further extensions of compulsory education. However, the number of individuals entering the labor market may be reduced due to the fact that there is an increasing number of young people entering colleges and universities.

Table 1.3 Gross flows of the labor force between branches in 1993–1997 (%)

Branch	Total in original period	Position one year later				Total in original period	Position one year later				
		1	2	3	4		1	2	3	4	
4/Q 1993						4/Q 1994					
Agriculture, forestry	100.0	83.7	10.1	0.9	5.3	100.0	91.2	4.8	1.0	3.0	
Manufacturing	100.0	89.6	5.7	1.8	2.9	100.0	91.2	4.8	0.7	3.3	
Construction	100.0	87.2	8.4	2.3	2.1	100.0	88.4	8.2	1.1	2.3	
Trade and catering	100.0	86.1	7.1	3.0	3.8	100.0	87.6	7.4	1.6	3.4	
Transport and communications	100.0	89.2	6.6	1.0	3.2	100.0	90.9	5.4	0.9	2.8	
Financial and business services	100.0	90.5	6.5	1.3	1.7	100.0	91.2	5.7	0.7	2.4	
Public administration	100.0	92.6	4.6	1.5	1.3	100.0	90.4	6.2	0.2	3.2	
Education, health services	100.0	90.1	4.9	1.0	4.0	100.0	91.2	5.2	0.2	3.4	
Other services	100.0	86.7	8.6	0.3	4.4	100.0	80.8	15.4	2.3	1.5	
4/Q 1995						4/Q 1996					
Agriculture, forestry	100.0	89.5	5.3	1.1	4.1	100.0	88.9	6.2	1.2	3.8	
Manufacturing	100.0	89.9	3.9	1.8	4.4	100.0	89.0	6.8	1.6	2.7	
Construction	100.0	88.0	8.9	0.8	2.3	100.0	89.8	6.1	1.9	2.2	
Trade and catering	100.0	89.6	5.5	1.2	3.7	100.0	87.2	8.4	2.1	2.4	
Transport and communications	100.0	93.3	3.7	0.4	2.6	100.0	91.2	5.1	1.5	2.2	
Financial and business services	100.0	90.1	7.6	0.7	1.6	100.0	89.3	7.5	1.6	1.6	
Public administration	100.0	94.5	3.4	0.7	1.4	100.0	90.9	7.1	0.9	1.1	
Education, health services	100.0	92.7	2.9	0.3	4.1	100.0	87.7	8.9	0.9	2.5	
Other services	100.0	90.5	6.2	2.2	1.1	100.0	85.2	8.1	1.1	5.7	

Source: Kux and Makalouš, 1997 (the authors are thankful to Ivo Makalouš who kindly computed also the last period which was not originally included in the article).

The categories of positions one year later: 1. Employed in the same branch, 2. Employed in a different branch, 3. Unemployed, 4. Economically inactive

During the long decades of the communist regime in the Czech Republic, the model of life-long employment dominated and was supported by state policy as well as individual companies. At the time, seniority was one of the main criteria for access to different social advantages. Labor mobility (labeled pejoratively ‘fluctuation’) was undesirable and employees who changed positions without sufficient reasons were *a priori* suspect. In the centralized labor system, the only legitimate circumstances were in locating to a new residence, health, or family reasons. Neither did employees themselves have any great interest in mobility because in the end it brought about little advantage in such a homogenous and wage-equalized system.

After 1989, labor mobility in the Czech Republic not only ceased to be undesirable, but in the context of the transformation it had become a meaningful strategy for personal careers. Increasing wage disparities have only strengthened this trend. Growing disparities in earnings also creates incentives for individuals to invest in their education and skills.

The educational system should better reflect requirements of professional careers, thus enabling life-long education. It may be assumed that the demand for highly skilled workers will increase, as will the demand for employees who are willing to adapt their skills and change their occupations during their professional careers.

Box 1.2 Labor Force Surveys

In the Czech Republic, the Labor Force Survey has been conducted quarterly since 1993. As its methodology follows the recommendations of ILO, EUROSTAT and OECD, they satisfy international standards. The representative sample incorporates up to one percent of households, i.e. about 60,000 adults. In contrast with current labor statistics, the Labor Force Survey enables the estimation of employment in all organizations and firms including the self-employed who run private businesses in accordance with business law and other legal norms. The sample is renewed according to a rotation method, where each household is surveyed for five quarters and each quarter one-fifth of the households is replaced. The questionnaire focuses on the main and secondary employment and their characteristics. If a respondent interrupts employment, the cause, ways of seeking a new job or reasons why a new job is not being sought are investigated. Because this method also includes people who are not looking for a job through the labor office, the unemployment rate according to Labor Force Survey is slightly higher than that according to statistics based on reports provided by labor offices.

Occupational mobility is, and certainly will remain at least for some time, limited by the nature and structure of available education. In this regard, retraining does not currently play a decisive role. This can be seen in the comparison of percentages of individuals undergoing retraining in the entire labor force in the Czech Republic. Here, the percentage over the long-term is only 0.2 %, which is not much lower than in advanced European countries (Sweden 3.4–4.4 %, Germany 1.6–2.0 %, Portugal 3.7 %), but is also lower in comparison with countries like Hungary (0.8–1.2 %) and to a certain extent Poland (0.5 %). In the majority of Western countries, retraining is understood as the core of an active labor market policy (Employment Outlook, 1997).

In the Czech Republic there is still very little emphasis placed upon occupational mobility and retraining, even though the demand for skilled labor is higher. As a consequence of the slow pace of modernization, low growth in productivity of labor, and the strategy of using cheap labor, there is little pressure to lay off workers from less productive jobs, but there is also a limited possibility of transferring workers to highly productive positions which demand high skills. Wage differences still do not fully reflect the skill level of work, since the greatest differences continue to be between the public and private sector. The main areas lacking a skilled labor force today in certain regions of the country are traditional manual and metal-working professions. Also, other unskilled laborers such as seamstresses and construction workers are in short supply, who then come from countries with even lower labor costs. Since firms have still not fully adopted modern technologies and the character of professional activities has been left unchanged, there have been no demands for more extensive retraining so far.

Following further market transformation and restructuring of the economy, the need for highly skilled professionals in all fields will increase and the manufacturing industry will place much higher demands on the skills of rank-and-file workers and specialists. In public administration the reduction of employees should lead to an increasing demand upon upper management, especially following the expected accession of the Czech Republic to the EU. However, present conditions continue to limit the territorial mobility of employees, which is necessary to quickly develop a balance of labor supply and demand. The non-existent housing market is an especially important factor in the Czech Republic. Consequently, this factor prevents frequent relocation and in certain regions jobs remain unoccupied due to a lack of employees with the necessary specialized skills.

It seems that the decrease in the general population will have its effect on the labor market only after the year 2000, however, until then it will continue to increase. Presently, the relative percentage of employees with higher skills is increasing as is the disparity between persons with higher or only elementary education. At the same time, the pressure on the secondary labor market is also increasing, as a result of a drop in demand for unskilled labor and stagnated wage levels.

This strategy is enabled by an increasing supply of cheap foreign labor. The prospect of hiring foreign workers increases flexibility, particularly at the lower levels of the secondary labor market. At the same time, it pushes wages down to such a level which is unacceptable for Czech workers. Foreign workers primarily come from Slovakia, Poland, and typically illegally from the Ukraine, Romania, Bulgaria, and Belarussia. In 1992 there were approximately 47,000 foreign workers with work permits, by the end of 1995 the number had increased to 149,000 and by the end of 1997 (even in spite of the rise in unemployment) an additional 131,000 had arrived.

However, it is assumed that the number of illegally employed foreigners in the Czech economy is approximately twice with the number of those with work permits. This is the case especially in construction, but also in leather manufacturing, shoe manufacturing, heavy manufacturing, and in a majority of unskilled positions. This situation is regarded rather negatively, since the practice of maintaining low wages hinders the already lacking weak technological level of many sectors, therefore discouraging incentives for introducing labor-economizing technologies.

1.3 Development and structure of unemployment after 1990

In the 1960s the unemployment rate in the majority of West European countries fluctuated under 4 %, but in the 1970s it had risen past 10 %. Concerning mass unemployment, it unfortunately has longevity and has severe implications upon both individuals and the society as a whole. For individuals, it means a drop in income, living standard, and overall life-chances. It may also lead to stigmatization for the affected workers and perhaps even their subsequent exclusion from society. For society, it brings about a decrease in work ethics and squandered human capital and work ethics as the number of citizens dependent upon state protection increases, the deficit of the state budget rises which in turn brings about currency instability. In the long term, a high unemployment rate could hurt public health and lead to a rise in criminal activity and the eventual breakdown of community life.

Box 1.3 Definition of unemployment

We distinguish between unemployment as 1. the state of an individual who does not have paid employment, and 2. a mass social phenomenon, when a group of individuals stands outside the economic process. The first refers to the personal life strategies of people who either try to change their situation or otherwise fall into the trap of unemployment. The second refers to the strategies of a society as it tries to limit unemployment either through retraining and the creation of new jobs (active labor market policy) or at least providing support for the unemployed in their job search (passive labor market policy). According to the general definition, the unemployed are those who are actually without paid work (or work fewer than the assigned hours). They are capable of work, look actively for employment (however they need not be registered at the labor office) and are willing and able to start work immediately. Mass unemployment is the state where the unemployment rate in a particular country or region reaches double-digit numbers and lasts for a longer period of time. Long-term unemployment includes individual cases of unemployment lasting for more than two years. The general rate of unemployment is the percentage of unemployed persons from the total labor force, i.e. people employed and unemployed in a given period.

Table 1.4 The rate of unemployment and flows of the unemployed (in % of economically active)

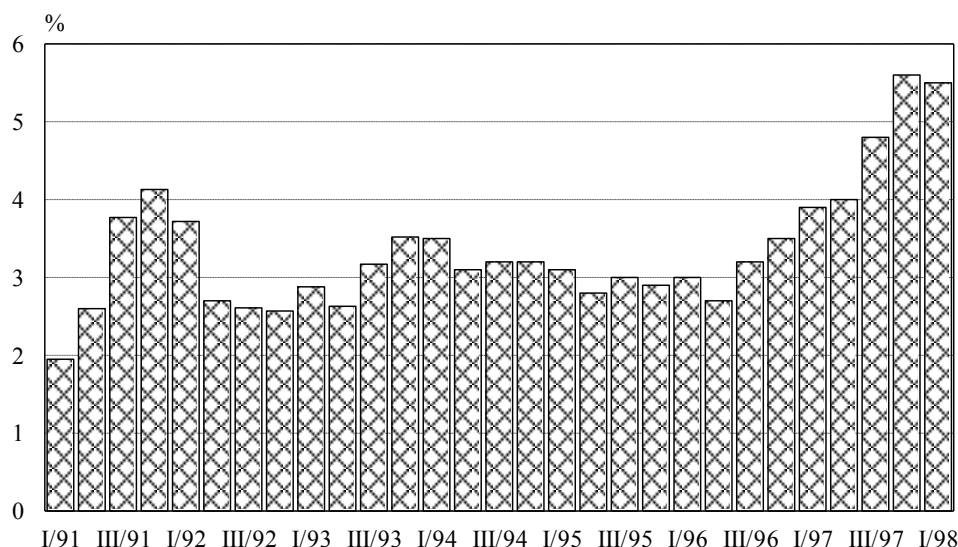
Year	Rate of unemployment	Inflow into unemployment	Outflow from unemployment	Number of unemployed per one vacancy
1991	4.1	8.8	5.3	4.6
1992	2.6	7.4	9.0	1.7
1993	3.5	8.2	7.2	3.4
1994	3.2	7.4	7.8	2.2
1995	2.9	6.9	7.2	1.7
1996	3.5	7.4	6.7	2.2
1997	5.2	9.6	8.0	4.3

Source: Ministry of Labor and Social Affairs.

The Czech Republic has moved from the peace of employment security to the stormy waters of the labor market where unemployment is quite common. Due to a range of factors, however, the yearly unemployment rate in the Czech Republic since 1990 has not crossed the double-digit mark, which distinguishes it not only from other post-communist countries, but also from the EU average. For example, in 1995 the unemployment rate in Poland and Slovakia was about 13 %, while in Hungary and the average of all EU countries was 10 %. Moreover, long-term unemployment in the Czech Republic represents only a very small portion of unemployment. While in EU countries long-term unemployment constitutes approximately 45 % of the total unemployment, in the Czech Republic in 1996 it was about 22 % according to labor statistics and 29 % according to data of the Labor Force Survey. Thus, the overall long-term level of unemployment has not met the

original expectation that privatization would put pressure on the productivity of labor and would lead to a departure from sectors and firms suffering from over-employment (Table 1.4 and Figure 1.1).

Figure 1.1 The rate of unemployment in 1991–1998



Source: Ministry of Labor and Social Affairs.

From an economic point of view, we can assume that these changes on the labor market constitute only the ‘first wave’ of unemployment. Labor supply in the first period was reduced by a decrease in the labor force, especially by the fact that the majority of employed pensioners left their jobs, which constituted for almost half of the drop in total employment. This first wave of unemployment was also affected by a strong inclination towards self-employment among Czechs and a relatively rapid advancement of small privatization. The departure of many superfluous workers from manufacturing flowed into the expanding service sector, small businesses, and the swelling sector of public administration. Thus, workers were not ‘fired’ per say, but were rather set free by companies, i.e. it was the voluntary exchange of jobs by more business-oriented individuals. Only some of these released workers remained unemployed for a long period, so that the share of long-term unemployment in the Czech Republic during the first years of reform was only about 16 % while in the countries of the EU it had reached a staggering 40 %.

A certain comparative advantage was the relatively favorable educational structure of the Czech population, although the number of individuals with a tertiary education was small. Some business experience of the population gained through on the side jobs during the gray economy under the communist regime also played a role, as well as the equipping of workshops by craftsmen during this same period. On the other hand it is impossible to overlook the effect of low labor costs which did not require that companies introduce labor-economizing technology. Under certain conditions some labor offices were also relatively successful, placing up to 60 % of unemployed.

Box 1.4 Calculation of the unemployment rate

In OECD countries, the number of unemployed and the rate of unemployment are calculated in two different ways: from the registers of labor offices and on the basis of Labor Force Surveys. Registered unemployment is based upon the number of applicants registered by local labor offices. An advantage of this indicator is the routine calculation and its connection to unemployment benefits paid by the state. The disadvantage is that they do not measure the hidden unemployment of individuals who, for whatever reason, discontinued looking for a job or who were seeking without the aid of the labor office. In the Czech Republic, the rate of unemployment according to Labor Force Surveys is only about one percent higher than registered unemployment, while in some countries the share of hidden unemployment in total unemployment is higher. From the point of view of the unemployment structure, the percentage of men and the elderly in registered unemployment is underestimated, while the percentage of unskilled workers over-estimated. Labor Force Surveys are periodically conducted on representative samples for a given population (see also Box 1.2).

Furthermore, the low unemployment rate may be viewed in a positive light: the state is not burdened with expensive labor market policies and the social peace is maintained. On the other hand, however, well-founded doubts are surfacing; for instance, the pressure of inflation, caused by the rapid wage growth which is not based on the rise in productivity of labor, and the inadequate supply of free labor force in several branches which require more dynamic growth.

However, it would seem that the period of low unemployment is coming to an end and the 'second wave' of unemployment is approaching, brought about by changes in ownership relations, restructuring of the economy, and technological changes. Over-employment still endures in companies which have been formally privatized but in which the state still retains significant stake, either directly or through banks and various investment funds. The magic boundary of 5 % unemployment was crossed in 1997 and the most significant fall in employment was registered in the secondary sector while the absorption capacity of previously unsaturated sectors has decreased (banking, insurance, real estate and services for companies). At the same time, the ratio between the number of unemployed and vacancies has also worsened illustrated by the fact that in 1995–1996 there was one vacancy for less than two applicants and in 1997 it had increased to more than four.

However, we cannot forget the non-economic factors of low unemployment, connected with the continued labor hoarding in large companies. Above all, this was caused by the attempt to maintain social peace during the period of fast rise of consumer prices. Ivo Možný (1994) argued that together with the inefficient economy along an abundance of unnecessary employees, the new political elite inherited the misfortunes of the previous elite. Under the new conditions, social peace is no less important to the feasibility of the economic transition than it had been in decades of 'building socialism' for maintenance of the communist regime. In addition, the relatively highly skilled labor force and the sustained inclinations of part of the population towards business have also contributed

favorably to this. Finally, interests of the management of companies privatized by anonymous, legal persons, especially privatization investment funds, also played a crucial role. In order to maintain their positions, they try to form social coalitions with their employees, thus maintaining a paternalistic relationship to them (Možný, Mareš and Musil, 1995).

Box 1.5 The specific rate of unemployment

The specific rate of unemployment is the share of the unemployed in a certain social category in percentage of the total of economically active members (employed and unemployed) in this category. For example, it is the share of unemployed women in the total number of economically active women, or the share of unemployed disabled individuals from the whole number of this category, etc. The specific rate of unemployment may also refer either to total or long-term or repeated unemployment. This measure is a more telling tool for the evaluation of how unemployment unequally affects certain social categories, in comparison with the share of individuals in various categories of the unemployed as a whole. By using this indicator, we can also compare the degree to which individual social categories are affected by unemployment. This is an observation which is not provided by shares of individual categories in the total number of unemployed because they do not take into consideration the frequency of the selected categories in the population.

In terms of unemployment, certain categories of workers have been affected more than others. Women, in particular up to age 34, have been significantly affected. Not only do employers refuse them because they must take maternity leave and be absent in times off children's illnesses, but women must often register with the employment offices in order to qualify for state social and health insurance. The risk of unemployment is substantially higher among those unskilled and persons between 15 and 19 years of age. The latter case includes school drop-outs without work experience and also very young people with only an elementary education who only find a job with great difficulty before adulthood. The specific rate of unemployment in this group is rising, while their overall unemployment has declined since 1991, to the benefit of people over 50 years of age. Disabled people have also been affected, whose unemployment has rapidly increased, and whose share in overall unemployment has doubled since 1991. The growth of specific rates of unemployment among the physically disabled in the course of 1997 continued to grow, reaching 20 % (Table 1.5).

From a regional point of view, the distribution of unemployment is increasingly disproportionate. The differences between regional labor markets continue to grow, both in the structure of the labor force and in the size and structure of available employment. Particularly striking is the connection between unemployment and the educational structure of the population in different regions (Mareš and Rabušic, 1994) as well as the intensity of social problems associated with them. In this regard, the limitations experienced at the beginning of the first wave of unemployment that had not yet been expressed are finally being addressed.

Table 1.5 Gender and age specific unemployment rates (in % of individual categories of employees)

Category of employees	1993		1996		1997	
	Men	Women	Men	Women	Men	Women
<i>Age categories:</i>						
20– 24	4.8	5.0	4.5	5.6	5.6	8.7
25– 29	2.4	6.9	3.0	8.4	3.6	9.5
30– 34	2.9	4.9	2.3	6.1	3.6	7.9
35– 39	2.0	2.8	2.6	4.1	3.8	5.8
40– 44	2.0	3.9	2.2	3.4	3.4	4.7
45– 49	1.8	2.4	2.4	2.7	2.8	4.5
50– 54	1.5	2.1	2.0	2.7	2.8	4.1
55– 59 years	1.7	3.6	2.3	3.1	2.2	3.4
<i>Educational level:</i>						
Elementary	8.4	7.6	12.6	9.3	14.9	12.8
Apprenticeship	2.7	4.7	2.9	5.3	3.7	6.8
Lower secondary	2.5	5.0	2.4	4.7	2.9	7.6
Apprenticeship with matura	4.7	7.3	1.0	3.1	1.0	7.5
Secondary general	5.8	3.7	4.2	3.3	4.9	6.7
Secondary vocational	1.9	3.1	1.8	4.0	2.7	4.9
Tertiary	1.4	1.6	1.0	1.7	1.3	2.7
With reduced capacity to work	9.7	13.2	14.0	12.8	18.3	22.4
Total	3.0	4.5	3.2	4.9	4.0	6.7

Source: Labor Force Surveys (end of year).

There are certain micro-regions which are often smaller than administrative districts and cross their boundaries. Today, there are several district regions, where ‘pockets of poverty’ have been formed, characterized by a higher rate of overall and long-term unemployment. Some of them belong to areas that have been threatened by unemployment since the early 1990s and in comparison to other regions, their specificity in this respect has continuously increased (Table 1.6). This development suggests that problems exist not only in the branches and educational structures of the labor force, but also in the local infrastructure of certain regions. The solution of regional inequalities is therefore a long-term task, which cannot be covered by short-term financial subsidies.

Currently, it is not only the traditional agricultural regions which are threatened because of a generally low educational level, inflexible labor force, regulated markets, and poor infrastructure (e.g. the districts of Znojmo, Šumperk, Jeseník, Louny). In addition, manufacturing regions with an unfavorable economic structure, and specifically those dominated by mining or heavy manufacturing is at risk (Most, Ostrava). This is despite the fact that in the case of mining, only rarely have attenuation measures have been adopted so far. Other regions relying upon internal labor markets and micro-regions dominated by several small companies which control the entire local labor market have also been affected (e.g. Nový Jičín). If such a dominant industry were to collapse, the

unemployment rate would rise even in places where it has thus far been relatively low (e.g. the economic growth of the Zlín region could be threatened by the collapse of the footwear manufacturing).

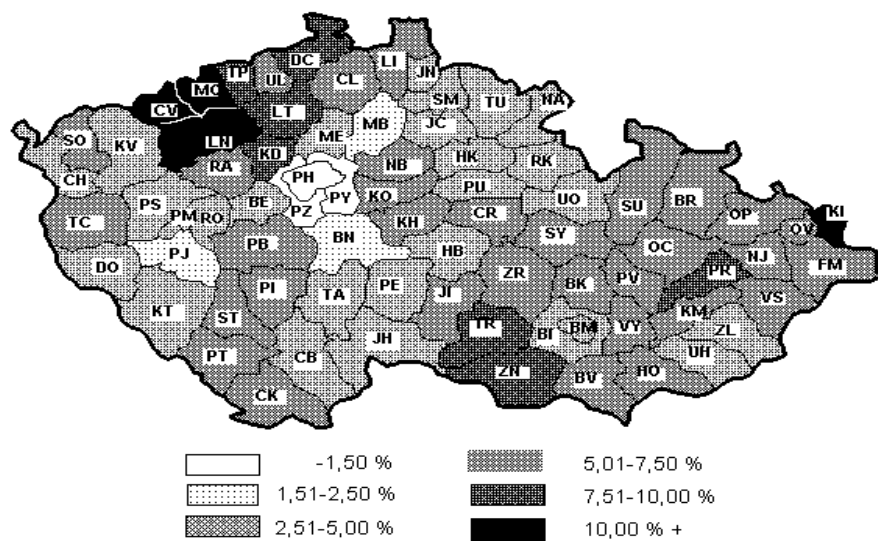
Table 1.6 Characteristics of the unemployed in four problematical districts (% of long-term and repeatedly unemployed in individual categories of the unemployed)

Category of the unemployed	Most	Louny	Karviná	Děčín
<i>Long-term unemployed:</i>	29	27	32	29
age 50–54 years	37	27	45	33
age over 55 years	32	32	60	35
Elementary or no education	38	33	42	39
with reduced capacity to work	45	48	51	45
Romany	55	53	-	63
<i>Repeatedly unemployed:</i>				
twice and more	50	42	24	48
three times and more	23	23	11	21
Men	28	29	14	28
Women	19	19	10	16
Elementary or no education	28	28	14	26
with reduced capacity to work	15	15	9	16
Romany	32	31	-	35

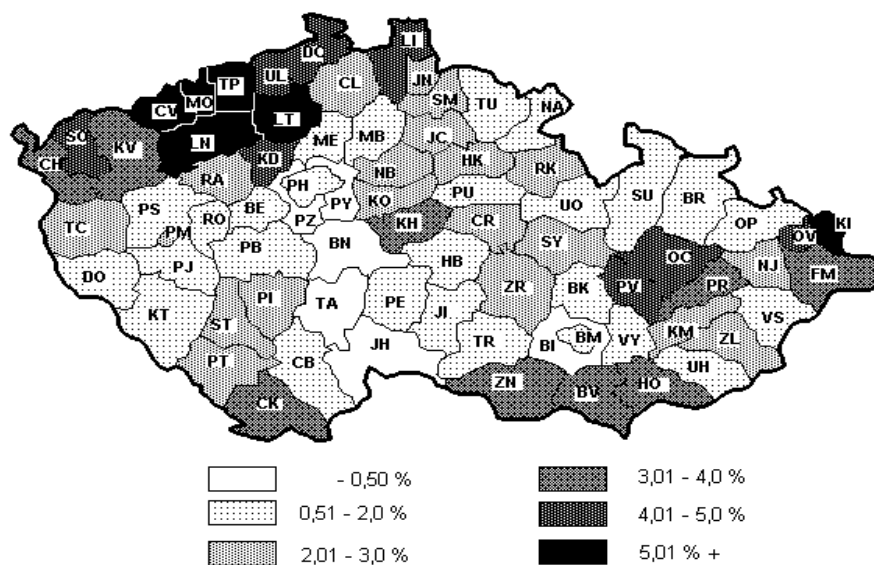
Source: Special survey in four district labor offices (end of year 1995).

In the development between 1991 and 1996, especially problematical were the following districts: Bruntál, Karviná, Nový Jičín, Přerov, Šumperk, the newly-created district Jeseník in Northern Moravia, Třebíč, Znojmo in Southern Moravia, and Louny in Bohemia. Districts with tendencies towards unemployment also include Tachov, Vyškov, Břeclav, Kladno, Příbram, Svitavy, Hodonín, Frýdek-Místek, Žďár nad Sázavou, Děčín, Teplice, Chomutov, Ostrava, and Most. Most recently, the rise in unemployment has hit districts in Northern Bohemia where unemployment peaked at the beginning of 1998 (e.g. the unemployment rate in Most exceeded 13 %). Regions affected by high overall unemployment are the same where long-term or repeated unemployment is high (Maps 1.1 and 1.2). What applies to regions also pertains to the social categories of the unemployed; repeated unemployment occurs among males, individuals between the ages of 20–24, unskilled workers, and Romanies (Mareš and Rabušic, 1994).

Map 1.1 Unemployment rates by districts as of December 31, 1997



Map 1.2 Growth of unemployment by districts in regions between 1992 and 1998



Source: Ministry of Labor and Social Affairs.

1.4 Strategies of the unemployed and the problem of marginalization

Unemployment is a heavy burden for society and for the absolute majority of affected people. They must adapt to the loss of their previous status and adjust to a lower standard of living. Changing conditions require the ingenuity of creating new life strategies, focusing on survival, overcoming the stigma of being unemployed and ultimately the search for a new job. The focus here is on the job search itself which indicates the active approach to overcoming this unfavorable state. In opposition to advanced European countries, in the Czech Republic a large share of unemployed people is successful in finding new positions by means the labor office (Table 1.7).

Strategies chosen by unemployed people are also shaped by the system of social protection, which includes unemployment benefits and state social support. This system functions differently depending upon the strictness of conditions for the entitlement to unemployment benefits, their amount of support, the length of the support period, and the way of avoiding abuse of benefits.

In comparison with EU countries, wage levels in the Czech Republic are low. This fact means that, especially for the long-term unemployed, expected wages from potential employment is close to the Living Minimum, which is the state poverty threshold entitling households with lower income to benefits of state social support. Analyses show that the distance between expected wage and received social benefits is often not considered to be a sufficient reason for accepting a new job. The willingness to work hard is not absent, however it comes with the expectation of a higher wage. Marginalized persons are as interested as others are in paid employment, but they differ rather in the estimation of their own chances to find it.

Table 1.7 Ways of seeking a job (%)

Methods of finding a job	Men	Women	Total
Through labor offices	69.3	74.1	72.0
Through private agencies	0.8	0.8	0.8
Advertising and responding to advertisements	2.0	4.6	3.5
Searching advertisements	23.8	24.5	24.2
With the help of friends	29.4	25.1	27.0
Visiting employers	20.3	17.3	18.6
Looking for equipment for enterprising	1.1	1.2	1.2
Securing conditions and resources for enterprising	0.4	0.3	0.3
Waiting for the results of a job application	0.9	1.3	1.1
Waiting for the results of public sector concourse	0.1	-	0.1
Alternative techniques	14.0	11.1	12.3

Source: Labor Force Surveys (end of year).

Note: The total number is higher than 100 % because respondents were allowed two options.

On the secondary labor market the position of unskilled workers is gradually changing. Under the communist regime they had either equal or even higher earnings than skilled

workers, but now their position is worsening. As low-paid and unskilled workers have been caught in the 'trap of unemployment', we interpret as a lack of interest in employment brought about by little or no increase in wages in the passage from welfare status to employment. This problem has emerged partly from low wage levels in the Czech Republic, which in only 1996 had reached the 1989 level, as well as from the system of social benefits which distorts the hierarchy between minimum wage, unemployment benefits, and the guaranteed Living Minimum. In the period between 1991–1996, the Living Minimum decreased with regard to the average wage, but at the same time unemployment benefits decreased and the minimum wage dropped even further. In 1997, the minimum wage was about 23 % of the average wage, unemployment benefit 24 %, the Living Minimum for an individual 29 %, and the Living Minimum for a four-member household was 90 %.

In regions with high unemployment, employers often offer positions with wages only a little above the minimum wage positions to unskilled workers and even women. However, the Living Minimum for a four-member household is still closer to the average gross wage and is higher than net average earnings. Earnings on the level of the first decile of wage distribution in 1996 were approximately half of the median (4,767 CZK in comparison with 9,626 CZK of gross wages), while the actual minimum earning level was 3,500 CZK of gross wages, i.e. approximately 2,900 CZK of net earnings. The benefits of the Living Minimum for a one-member household are the same as the average wage and for a four-member household three-times the average wage. This means that in such a household social benefits are one-third higher than two minimum wages. This relationship contributes to an employment aversion of several categories of unemployed people.

Box 1.6 Strategies of long-term and repeatedly unemployed people

In a project conducted by Masaryk University in Brno in cooperation with the Ministry of Labor and Social Affairs in 1994 and 1996, 'Social factors of selection and marginalization on the labor market' conducted, analyses were made using data from the Labor Force Survey, registers of the labor offices, and interviews with workers from selected labor offices (Table 1.5 and 1.7). Additionally, semi-standardized interviews were conducted in three localities with 150 respondents who had been repeatedly and long-term unemployed. The aim of these interviews was to identify various strategies which vulnerable categories of unemployed utilized for coping with the situation. The following strategies were outlined: 1. the effort to restore a position on the primary labor market or a shift to the secondary market to a better paying job (about 21 % respondents); 2. the acceptance of a job on the secondary labor market, often connected with periods of inactivity or changing jobs (37 %); 3. a dual position, i.e. the acceptance of uncertain positions on the informal labor market while collecting social benefits (14 %); 4. the programmatic refusal of a job on the secondary labor market and gradual inactive isolation due to the inaccessibility of the primary labor market (7 %); 5. resignation from labor market participation and acceptance of a welfare status (18 %). In addition, we also found sporadic strategies aimed at activities outside the labor market, e.g. caring for relatives (Sirovátka, 1997).

Table 1.8 Percentage of the long-term unemployed in the total number of the unemployed (% of individual categories of the unemployed)

Category of unemployed	1993		1996		1997	
	Men	Women	Men	Women	Men	Women
<i>Age group:</i>						
20– 24	21.9	9.4	19.9	17.2	19.3	13.8
25– 29	12.2	17.2	31.7	28.0	28.5	25.5
30– 34	20.1	16.8	38.1	35.0	34.7	30.0
35– 39	24.2	31.1	30.2	31.7	41.5	21.4
40– 44	26.9	12.3	38.7	21.2	43.9	36.7
45– 49	16.2	24.1	32.3	27.0	24.4	38.2
50– 54	26.2	31.2	38.7	11.4	45.3	33.2
55– 59	22.5	40.4	32.6	20.5	22.5	27.7
<i>Educational level:</i>						
Elementary	34.9	31.8	40.3	41.7	52.8	40.2
Apprenticeship	13.5	9.9	20.3	19.3	20.3	23.8
Lower secondary	13.6	17.0	20.8	25.9	31.1	17.2
Apprenticeship with matura	7.2	19.7	-	35.0	41.3	7.9
Secondary general	8.2	13.8	15.5	17.5	11.9	18.1
Secondary vocational	6.9	6.1	28.5	19.1	15.6	16.0
Tertiary	10.5	9.5	18.5	9.2	19.6	15.2
With reduced capacity to work	30.0	22.1	37.1	40.9	43.1	41.7
Total	18.1	17.9	26.8	25.8	28.8	25.5

Source: Labor Force Surveys (end of year).

Despite the low level of unemployment in the Czech Republic, social marginalization did occur. By this we mean that many individuals are, on the basis of their membership in certain social categories, at risk of long-term or repeated unemployment. The main mechanism of such unfavorable targeting on the labor market is discrimination based upon stereotypes and prejudices about marginalized people. Romany are the most affected group, marginalized solely on ethnic principle, which is however at the same time often supported by their low level of skills and by common assumptions about their low work ethic and unreliability. In particular, young Romanies, the majority of whom have never been employed, experience permanent marginalization. They react by adopting a hostile relation towards the 'white' population. On the contrary, older and more successful members of this group often attempt to solve this situation by leaving the Romany community (Table 1.5 and 1.8).

Another mechanism is discrimination on the basis of sex, age and health condition. Single women and disabled individuals have had personal experience with individual marginalization. This is also the fate of many people with low skills. Specific unemployment among unskilled workers is four-times higher for men and two-times higher for women in comparison with skilled people (with either vocational or secondary education). Marginalization is characterized by the accumulation of different handicaps, such as skill level,

gender, ethnic origin, or disability. Low-qualified people are more often Romanians but also older people and women. Marginalization commonly accumulates within individual families, although this type of accumulation of handicaps is not as common in the Czech Republic, as described by one British study (Morris, 1992). Special studies focused on families where both partners were unemployed (Sirovátka, 1997), showed that they are often socially problematical families, but also families where both partners are disabled.

The marginalization of the labor force is certainly an unfortunate phenomenon for those who are forced to come to terms with their own shift to the secondary labor market. In the category of manual workers, marginalization leads to a significant decrease in status in comparison to their previous situation, accompanied by feelings of injustice. On the other hand, the marginalized workforce is in some sense advantageous for the transformation of the economy and emergence of small private businesses. Low wages, together with expected high-intensity labor represent a comparative advantage in competition, not to mention possibilities for income tax evasion and illegal labor. For this reason, although employers often refuse to hire Romanians and illegal foreign workers, they hire them in temporary work activities and offer them low wages.

1.5 Conclusion

The main characteristics of the labor market after 1989 include a drop in employment, a change in the branch structure of the labor force, and the emergence of open unemployment. Despite the fact that the transformation of the labor market has been gradual and was not accompanied by a rapid growth in unemployment, it has still not been without significant implications. Above all, the post-1989 period set human potential free in contrast with the former practice of fastening of workers to one employer. This gave way to considerable mobility, thus shifting people to the private sector including small business and the service sector. Institutions of the labor market were also created to cover the beginning unemployment and to contribute to a relatively quick return of laid-off workers to paid employment. In the first wave of unemployment its rate was kept low while people moved to the private sector and to tertiary occupations.

Both in job orientation towards the internal markets and wage disparities, education has been increasingly valued and the pressure on the flexibility of the labor force has been strengthened. Despite this, over-employment has been maintained in the internal markets of companies, because the pace of modernization and productivity growth in the majority of sectors has been rather slow. The development on the labor market has also meant that the relatively low (yet insidiously increasing) rate of unemployment greatly contrasts with the considerable effects experienced by certain social categories and regions. Restructuring and modernization have yet to gather full strength and companies have tended to solve the problem of over-employment by letting go of the secondary or marginalized labor force. Problematic employees, part-time workers (either because they were juniors or had passed the age of retirement), as well as women with small children were laid off. However, it was only necessary to lay off only a small number of these employees, even those from these border categories, because many others had voluntarily left for better opportunities.

At the same time, companies have limited any further acquisition of a secondary labor force, which in large part would have had to be moved from company labor markets on to

a competitive external labor market (Možný, Mareš and Musil, 1995). New private subjects began to select employees according to their potential contributions. Today, emphasis is placed not only on the productivity of their labor, but upon their abilities. This disadvantages the category of people without skills or work experience, as well as the disabled, elderly and often also women caring for children. Today, these categories of workers form the core of long-term unemployment.

This process has occurred on all local labor markets, however, certain regions have been affected by greater restructuring, and thus are more dependent upon primary labor markets. Some workers were pushed onto secondary markets, thus increasing competition which led to long-term and repeated unemployment among certain categories of workers. The job shortage is uneven and depends upon the branch and skill level. Both handicaps come together in those regions which have been affected as a result of 'socialist industrialization' or have a greater share of unskilled or extremely specialized and thus less adaptable workers. On the other hand, incentives are insufficient to fill all low-wage jobs with Czech workers which attract legal and illegal foreign workers. Their willingness to work for substantially lower wages increases the flexibility of this segment of the labor market and lowers the relative wage of unskilled workers.

The growth of unemployment in 1997 has signaled what is likely to be a long-term trend. The dissimilarity of the present period and the first wave of unemployment in 1990–1991 can be seen on several different levels. In the first wave, production decreased, but productivity of labor and employment dropped even more. At the same time, real wages dropped and since employed pensioners and people in retirement age left the labor force, the economically inactive part of the population rose. Consequently, with the massive small-scale privatization, the number of small businesses expanded; due to the active labor market policy new jobs were created. During this period, the influx among the unemployed was not great, and the departure from unemployment as well as the placement of the unemployed was sufficient.

During the period between 1997–1998, the productivity of labor increased while unemployment stayed at the same level. Also, the rate of participation in the labor market remained stable, however real wages continued to rise despite restrictions in the public sector. In contrast to the first wave of unemployment, the pressure on the labor market has increased and with it also the number of unemployed. After 1993, the active labor market policies weakened, and in the course of 1997 it was unable to react sufficiently to the changing situation. Internal labor markets of large companies continued to be reduced and access for school graduates, women with children, laborers, and the disabled is becoming increasingly difficult. The growth of specific rates of unemployment among certain social groups signals rising marginalization risks on the labor market. However, increasingly skilled workers appear on the unemployment register, including males.

These developments on the labor market, together with demographic changes and rising numbers of graduates suggest that the pressure on the labor market will increase in the future, although unevenly, i.e. only in certain sections of the labor force and in particular regions. The advantageous skill structure of the population and its inclination towards business (which has both internal and external limits), effective legislation, the performance of labor offices as well as the active labor market policy are the main resources for the future development of the labor market in the Czech Republic.

There are, however, also certain risks to further development. A part of small business have sprung up on the edge between the formal and informal economy, where thorough taxation and full delivery of payroll tax may lead to the bankruptcy of several small businesses. Another risk is the lack of incentives to replace human labor with advanced technology, caused by lower wage levels, which are likely to remain stable because of the continuous supply of the cheap foreign labor. At the same time, a shortage of skilled manual workers is beginning to appear, thus resulting from the decline in vocational education which is endorsed by declining interest in blue-collar jobs. The mobility of the labor force in territorial and occupational terms is inadequate and the retraining process is rather weak; only about 12,000 people apply for retraining to labor offices annually.

The development of unemployment in the Czech Republic so far been influenced by the relatively flexible adaptation of the labor force (the development of small business) and the economy (growth of the service sector). There are also several favorable external factors which influence the Czech economy, including the tourist industry and foreign direct investment. On the other hand, it has also been shaped by the will of politicians to weaken potential social conflicts in the course of economic transformation. Standard market conditions have yet to be created due to slow and non-transparent privatization.

The emerging labor market and low level of unemployment can be observed from two opposing perspectives for future development. On one side, the development of society after 1989 brought about an impetus which led to swift movements on the labor market, releasing human potential for its further enhancement. On the other side, several factors blocked the creation of standard market conditions for the labor force. Despite this, the labor market had become structured insofar that its general characteristics today are in principle similar to those in developed market economies. The future development of economic efficiency must obviously be mediated by the quality of human resources and their valorization. Until now, this tendency has appeared in economic reality only partially, for example in the differentiation of labor demand, wage disparities, unequal growth of the productivity of labor in individual firms and branches of the economy, and also in the growth of tertiary education.

2 School system and educational development

Technological advances, economic development and even social transformations in modern societies are tied to significant growth in education. The acceleration of technological innovation continuously places greater demands on the labor force, which must not only be more educated, but at the same time more flexible than in the past. This has affected not only the qualifications necessary for employment, but also those skills needed to survive in an information society. The amount of information to which we are now exposed and the way in which we are assumed to manage it has meant that higher education has become a necessary precondition not only for good job, but for success in life in a rapidly changing society.

The increasing significance of education for life success has forced higher levels of education to permit an even greater number of young people, which in the majority of developed countries has led to the democratization of education and school systems. One part of this expansion's driving force has been the transformation of the motivation for the attainment of higher education. As the significance of education has grown not only as a mode to success in employment but for a higher quality of life in general, the center of gravity for motivation towards higher education has shifted from strictly utilitarian to more general concerns. Education is gradually becoming a value in itself. Among women, higher education has become an important token of success in their efforts towards true equality.

Likewise, what has been the case for individuals is also applicable to societies as a whole. At the risk of sounding too enthusiastic, it is possible to argue that education and human capital, which enable active participation in the world of information, are becoming increasingly more important prerequisites for economic growth and the social development of nations than all of their natural resources. The globalization of markets of goods and labor forces is inexorably de-railing those countries which are unable to adapt to contemporary trends in the development of education and school systems in time. In this respect, CEE countries aspiring towards membership in the EU are at the center of attention because at present their educational structures differ markedly from those in advanced countries.

The situation of the Czech Republic, in comparison with the other CEE countries, is even more complicated. Here, the pre-war, relatively effective and, at the time, advanced educational system was after the Communist putsch in 1948 transformed into a 'Soviet model' suited for a less developed country and was to remain that way until the end of the

1980s, when it started to undergo modest changes. For decades, educational growth had been stunted and education in Czechoslovakia gradually lost most of its economic, social and cultural value. Thus, we may ask how long the reconstruction of the school system, the dynamic development of educational structures, and renewal of the values of education will take. Presently, the available statistical and survey data do not offer much reason for optimism.

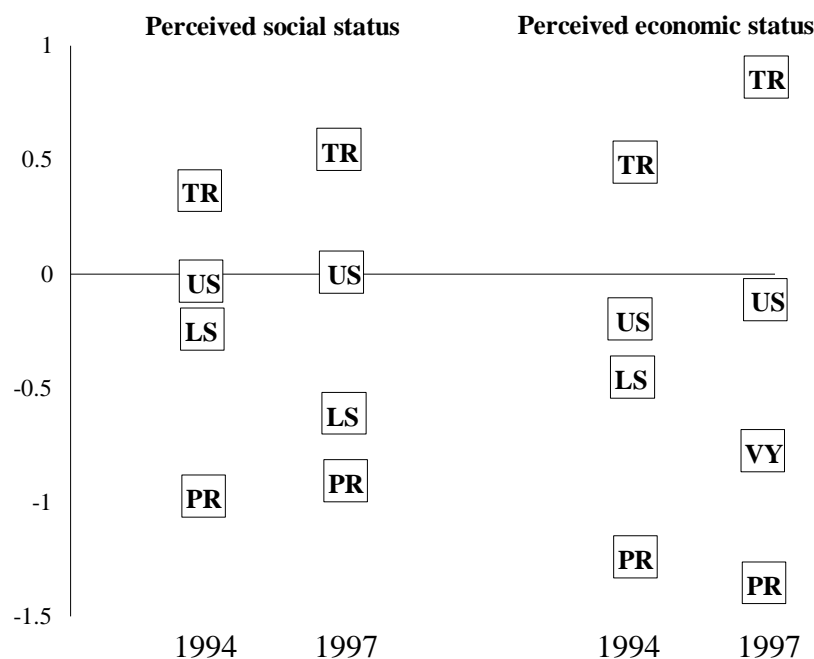
2.1 Education and life success

There is little disagreement that in advanced societies education is the key to life success. People with higher education have a greater chance of finding a job with higher prestige and higher wages. Education also represents 'cultural capital,' which opens the door to higher social strata with its corresponding life-style and social contacts. These contribute to the creation of a desirable environment for raising children, who already in their early years have an advantageous starting position for their own lives. While at first glance these relations may seem natural, during the long years of socialism, their solidity and even their very existence were under threat. It is well known that despite the ideological proclamations about the universal development of the individual, socialism undermined the value of education, both from economic and social standpoints (wages, socio-economic status, living standard, and prestige).

There are a number of studies which convincingly illustrate the dramatic decline in the significance of education in wage and earnings differentiation during the forty years of socialism in Czechoslovakia (Večerník, 1996). Others show the extent to which the concept of life success tied to education had disintegrated (Matějů, Tuček, and Rezler 1991; Matějů and Řeháková, 1992). By the end of the 1980s, in the eyes of young people, success in life was tied *either* to higher education, *or* skills, *or* to the ability to 'make money and get rich'. The meritocratic pattern of strategies of life success linking higher education, skills, and financial reward was deeply disrupted (Matějů, Tuček, and Rezler, 1991).

There exists the question of whether the collapse of an egalitarian regime, which itself led to a growth in economic and social inequalities, created the feeling among people that higher education is really the ticket to success in life. Is it really worth the investment of time, energy, and possibly even money? The degree to which the growth of this sentiment has been supported by changes in the role of education in shaping socio-economic status can be documented by changes in the consistency of the three main components of social status, that is, education, occupation, and earnings. Sociological surveys carried out in 1991, 1995, and 1997 allow us to capture this transformation over time. The analysis shows that in the given period the relationship between education, occupation, and wage continued to strengthen; the correlation between wage on the one hand and education together with occupation on the other was 0.38 in 1991, 0.55 in 1995 and by 1997 had reached 0.60. Thus, the growth of socio-economic inequalities over the past eight years in part contributed to the strengthening of deeply eroded relationships between education and the economic aspects of social status (earnings and living standard).

Figure 2.1 The perception of change in social status and economic status in comparison with 1989 by education (economically active people)



Source: ISSP-1997.

Note: The figure shows changes in the average value of self-ranking on a ten-grade scale representing hierarchies of social and economic status since 1989.

TR – tertiary education, US – upper secondary education, LS – lower secondary education, VY – vocational training, PR – primary education.

Figure 2.1 shows the degree to which higher education was actually seen by people as a gateway to a higher level of social status and living standard. Between 1989 and 1994 the importance of university education for social status and living standard increased significantly and this trend continued even during the following period from 1994–1997. It is worthwhile noting that the subjective upward mobility of people with higher education was greater on the scale of standard of living than social standing. People with secondary education maintained their position on the social status ladder, but from the perspective of living standard they began a downward turn. People with vocational training or only elementary education experienced a sharp decline in both directions, more however in standard of living and during the second period of observation. Of particular concern is the perception of decline among people with vocational training, which in Czech society is comprised of a much larger and younger population than people with elementary education.

Table 2.1 What is important for a person to be successful in life? (% of answers ‘very important’ and ‘important’)

Factor	Advanced countries ¹⁾	Post-communist countries 1992 ²⁾	Czech Rep. 1992	Czech Rep. 1997	Czech Rep. 1992–1997
Educated parents	30.1	32.2	9.6	26.0	+16.4
High education	78.8	56.9	30.5	60.9	+30.4
Ambitions	76.6	63.6	58.4	73.6	+15.2
Ability, talent	57.2	64.0	57.8	70.4	+12.6
Hard work	71.0	65.6	72.4	71.4	-1.0
Wealthy parents	20.5	36.7	14.4	34.5	+20.1
Race, ethnicity	17.6	9.8	4.4	13.2	+8.8
Religion	7.2	8.1	2.3	2.5	+0.3
Region	6.9	9.6	7.0	6.4	-0.6
Gender	14.2	16.1	9.3	16.6	+7.3
Political attitudes	10.4	12.3	13.8	14.4	+0.6
Knowing the right people	45.8	54.8	48.2	65.2	+17.0
Political connections	20.2	21.9	12.2	35.2	+23.0

Source: ISSP–1997.

1) Australia, Austria, Canada, Germany (former FRG), Great Britain, Italy, Norway, Sweden, USA.

2) Germany (former GDR), Hungary, Slovakia, Poland, Bulgaria, Russia, Slovenia.

The fact that education is slowly starting to pay off is expressed even in its position among factors contributing to life-success (Table 2.1). It is worthwhile noting that in 1992, in comparison with advanced countries, life-success in the Czech Republic was not only less frequently associated with education (where the situation was the worst), but also with so-called ascriptive characteristics (gender, origin, race or nationality). While ‘social capital’ (knowing the right people) played more or less the same role as elsewhere, in contrast, ‘political capital’ (having good connections) was much more significant than in advanced or in other developing countries. Development has however brought about major changes. Life success has become increasingly contingent upon the following factors: human capital, ability, performance, ascriptive factors, and social and political capital. In other words, in 1997 success in life was already perceived less as the product of luck or more or less random coincidence, and more as the result of particular factors, whether of a meritocratic or rather ascriptive nature.

The good news is that life success has become strongly associated with educational achievement, which had been the Czech Republic’s greatest deficiency. In 1992, approximately one-third of the population considered education to be an important factor of success, while in advanced countries it was almost 80 %. In 1997, the Czech proportion had almost doubled (61 %). The increasing importance of a strong educational background (parents with higher education) has also been associated with this trend. Thus people are increasingly aware of education as ‘capital’ which is passed on from one generation to the next. Thus, it is necessary to ask whether the growth of the significance of education to

life-success, which is undeniable, has been accompanied by an expansion of educational opportunities. If this is not the case, it may result in the emergence of serious tensions on the educational market, which may be transformed into the growth of educational inequalities because a greater demand for higher education than the actual supply of educational opportunities will be accompanied by continued attempts to monopolize accessibility to this increasingly scarce commodity by families with higher education.

2.2 Quantitative and institutional changes in the school system

During the past eight years, several important changes in the number of students and schools have occurred in the Czech Republic. As a result of demographic development, the number of students in elementary schools has fallen, while the number of schools has increased. There has also been a rapid decline in the number of students attending vocational training institutes, and in contrast, a rapid increase in the number of students in secondary vocational schools and in the number of these schools themselves; a stagnation in the number of students attending general secondary schools (gymnasium) and a rapid increase in the number of private schools. Even though the most significant changes in the Czech educational system have occurred on the level of secondary schools, the number of students at universities and the number of these schools have also increased rapidly (Table 2.2).

In regard to the structure of the secondary school system, it is notable that interest in its lowest level (apprentice schools leading to an apprentice certification) decreased to the benefit of complete secondary vocational education (with diploma). While in the 1989/90 school year, 61 % of the total number of post-elementary school students enrolled in apprentice/vocational schools, in the 1997/98 year it was only 40 %. Moreover, 12 % of students enrolling in apprentice/vocational schools in 1997/98 will earn secondary school diplomas. This detour from blue-collar occupations (which has also occurred in other reforming countries) may be interpreted as a sudden increase of educational aspirations among the younger generation and interest in education on the part of their parents.

Table 2.2 The number of students in their first year by type of school (in thousands)

Type of school	1989/90	1991/92	1993/94	1995/96	1997/98	Index 98/90
All secondary schools	198.5	173.7	211.2	208.9	172.3	86.8
Of which:						
secondary general	26.2	26.4	30.1	27.4	26.9	102.7
secondary vocational	51.1	54.5	74.0	78.0	65.5	128.2
apprentice school	121.2	92.8	107.1	103.5	79.9	65.9
Higher secondary	-	-	1.6	3.0	13.2	-
Tertiary	26.8	23.9	33.0	40.5	44.5	166.0

Source: Institute for Information in Education.

The most recent period suggests, however, that this development has also had negative consequences. On the one hand, there have been growing concerns about the insufficiency of skilled tradesmen (lathe-workers, cabinet-makers or brick-layers), whose training was and remains the main function of apprentice schools. On the other hand, there has been increasing concern that this trend will lead to a drop in the quality of vocational secondary schools as fewer and fewer students are enrolling, achieve unsatisfactory performance, and possess weak motivation to earn a diploma. It has also been shown that if these less motivated young people quit school, state funding and human investments have been wasted.

The second important change has been the rapid growth in the number of new students at vocational secondary schools, up by 30 % between the 1989/90 and 1997/98 school years and up 50 % until the 1995/96 year (the fall after 1995/96 resulted from the extension of required attendance at elementary schools to nine years). At the same time, the number of vocational secondary schools rose from 375 in 1989/90 to 796 in 1997/98, that is, the number of schools grew even faster than the number of students. This has led to a significant expansion of the 'supply' and variety of educational opportunities in these schools.

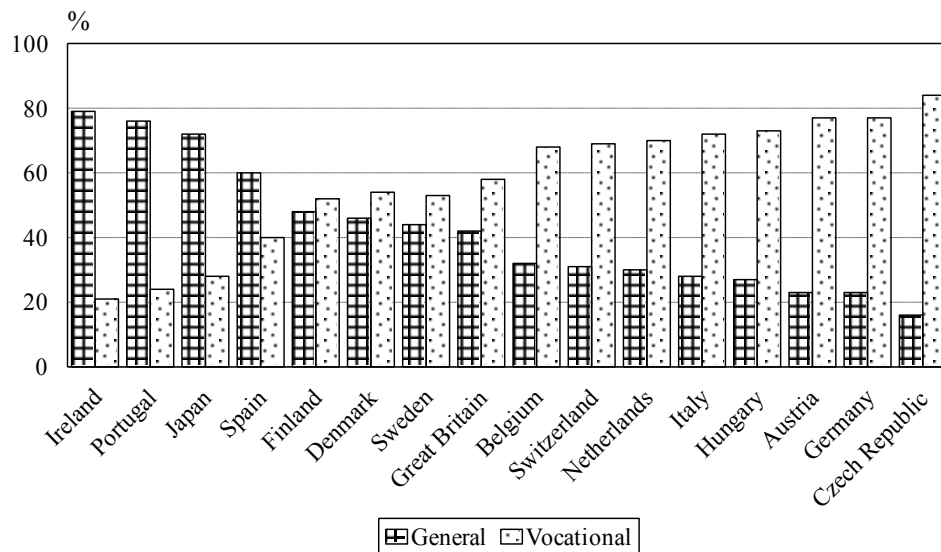
This expansion of vocational secondary schools has been greater in comparison with general secondary schools (gymnasiums), where during the past eight years the number of new students has remained the same. This stagnation has resulted from two contrasting tendencies; in addition to the four-year gymnasium, which was the only type in existence before 1990, an eight-year and gradually also six and seven-year gymnasiums have come into being. While the total number of students at four-year gymnasiums dropped between 1989/90 and 1997/98 from about 100,000 to 43,000, the number of students at six- and more year gymnasiums grew from zero to 85,000 in 1997/98. Overall in 1997/98 approximately 15 % of the population in this given age-group enrolled in gymnasiums of all types, in contrast to approximately 80 % of young people who enrolled in trade schools.

Three reasons explain the discrepancy between the development of secondary vocational and general education. First, vocational secondary schools have been a tradition since the time of the Habsburg monarchy, where there were industrial schools, business academies and so forth. In comparison with secondary schools in Western countries, in the Czech Republic they are considered to be very prestigious. Secondly, when compared with general secondary schools (gymnasiums), these schools have the advantage in the eyes of students and parents, that graduates may choose either to continue training at university level or seek a job with more modest educational requirements. Thirdly, a common understanding (whether justified or not) between the Ministry of Education and society that general secondary schools must remain selective institutions and accessible only to an elite few has also contributed to their rather low attendance and growth.

In this respect, the Czech Republic is rather exceptional because the percentage of students at general secondary schools and this as a proportion of the whole population is the lowest of the 25 OECD member countries (Figure 2.2). The present structure of secondary schools or debates about its development is often the subject of criticism. Many people consider the small share of general secondary schools to be in conflict with modern technological and economic development, which requires the broadest general education possible and the transfer of vocational education from the secondary level to the higher,

so-called post-secondary level. For the majority of society, the gymnasium should maintain its 'elite function' and the expansion of general education should occur within the framework of existing vocational schools, or possibly through the increase of the some kind of hybrid institutions, exemplified by the rather undeveloped technical 'lyceums'.

Figure 2.2 Percentage of general and vocational secondary schools in 1995



Source: *Education at a Glance*.

However, in the overall participation by age in secondary school education (table 2.3), the Czech Republic substantially differs from the majority of the OECD countries. While until 16 and even 17 years of age, the participation of the population in education in the Czech Republic is high and even above the OECD average, a sharp fall occurs following 17, and by 18 and 19 years of age (i.e. around the time of secondary school graduation), where participation drops to around two-thirds or less of the average OECD level. Sadly, this difference increases even more among older groups, in that only about 5 % of 24 year olds continue to study, compared with an average of 17 % in OECD countries.

The third important characteristic of the transformation of the Czech educational system is the opening and rapid development of private schools. During the past several years, 800 private schools have opened with over 100,000 students. Even though this represents only 5.5 % of the total number of schools and 4.6 % of all students, it still represents an 'explosion of private schools'. In contrast to the majority of West European countries where private schools on the level of elementary and general secondary school education outweigh those in other areas, in the Czech Republic private schools are geared towards vocational education. In 1996/97, 40 % of all vocational secondary schools with about 15 % of all students in this sector were in private hands, and over 100 private apprentice

schools opened (which accounts for approximately one-fifth of the total number of institutes). Another important characteristic is that private schools outweigh church schools; of 567 non-state schools in 1996/97 521 were private. Activity by the Church can be spoken of only in connection with non-state gymnasiums.

Table 2.3 Educational participation by age in 1995 (%)

Country	15 years	16 years	17 years	18 years	19 years
Austria	97	94	88	62	36
Belgium	103	103	100	87	75
Czech Republic	99	97	72	42	26
Denmark	98	94	82	72	55
France	98	96	93	84	70
Germany	99	97	94	84	65
Great Britain	98	87	75	54	45
Hungary	93	88	71	46	30
Netherlands	99	98	93	83	70
Portugal	88	77	73	55	45
Spain	94	83	75	63	53
USA	98	90	79	56	42
Average in OECD	93	88	79	64	47

Source: Education at a Glance.

Note: Since some students may participate in more than one educational program the total percentage may exceed value 100.

Table 2.4 Participation in tertiary education by age in 1995 (%)

Country	18–21 years	22–25 years	26–29 years	17–34 years
Austria	14.2	15.0	8.5	9.0
Belgium	40.7	16.5	3.6	13.2
Czech Republic	15.9	8.0	2.1	6.6
Denmark	8.9	22.6	11.2	10.8
France	34.2	17.7	4.6	13.6
Germany	10.6	17.0	11.4	9.3
Average in OECD	21.1	15.5	6.6	10.8

Source: Education at a Glance.

The growth of tertiary education is illustrated by the number of newly enrolled students, which rose by 66 % between 1989/90 and 1997/98, while the total number of students grew by about 48 %. In 1996/97, as many as 27,000 students had enrolled in one of five new regional universities, which accounts for about 15 % of the total. The share of 18 year-olds among new students rose from 15 % in 1989/90 to 22 % in 1997/98. Even so, the demand for higher education still exceeds the number of available spaces by half and in 1997/98 only 40 % of applicants were enrolled. We may argue that the Czech university system is currently at the start of a massive phase. If we use the broader concept of 'tertiary education' and if we group together students enrolling in new higher secondary

schools with university students, the number of newly accepted students has increased by 6 %, which accounts for approximately 30 % of 18 year-olds (Table 2.3).

The 1992 the OECD report shows that even despite these significant increases, in international comparison participation in higher education in the Czech Republic remained quite low. In addition, the trend towards an increase in participation among older students, which has been occurring in the West since the 1960s has for the time being not been the case in the Czech Republic. For example, in Germany and Denmark, 10 % of people between the ages of 26–29 are students. The low number of students in the communist period resulted in a small share of university-educated people in the active population. In the Czech Republic it is 11 % (according to a Labor Force Survey from Spring 1996), whereas the number in Western Europe is on average double and in many countries even higher. The concept of mass university education in the Czech Republic has been viewed rather negatively. Many people think that an increase in the number of students above a certain level would inevitably lead to a drop in the quality of education and institutions. At the same time, some Czech educational policy-makers are of the opinion that the number of people capable of studying at university is limited by ‘genetic factors’.

Structural changes have also occurred in the development of university education. The representation of individual departments has changed with a significant increase in humanities, social sciences, law, and economics with a decline in the number of technical departments, agriculture, and medicine. The share of students in the workplace has gradually declined from more than 20 % at the end of the 1980s to 11 % in 1994, but rose again to 14 % in 1997. A Bachelor of Arts (BA) study program significantly contributed to this growth as the majority of BA programs consist of three-year cycles, which is practical preparation for the labor market or may be conceived as the first phase of university studies. In 1997/98, 23 % of all students at university and 28 % of the newly accepted were enrolled in BA programs, while one-fifth were attending university and working full-time.

Box 2.1 The law on higher education

The new law on higher education which was passed in April 1998, defines the main responsibilities and mission of institutes of higher education including their role in life education, local and regional development and European cooperation. It contains several important innovations: 1. creating a legal framework for the emergence of the so-called non-university type of higher education; 2. creating a possibility to establish private institutions of higher education; 3. creating a Committee of Public Institution of Higher Education consisting of representatives from public life, regional and state management; 4. transforming institutions of higher education into public institutions, which among other things may acquire property and under certain conditions manage it. In summary, it is possible to say that the law contributes to the future diversification of the system of higher education and opens its institutions to the interests and demands of larger sections of society.

Table 2.5 Public spending on individual levels and types of schools (in billions CZK in current prices)

Type of school	1989	1990	1991	1992	1993	1994	1995	1996	1997	Index 97/89
Total	22.1	25.5	33.8	40.8	54.2	62.9	71.8	82.9	80.0	362
Kindergartens	1.9	2.0	2.6	3.3	4.8	5.5	6.5	7.6	7.4	389
Elementary	6.1	6.4	7.9	10.4	15.5	18.3	20.9	25.4	24.2	397
General secondary	0.6	0.7	1.0	1.3	2.1	3.0	3.9	4.2	3.9	650
Vocational second.	1.2	1.3	2.0	2.2	3.9	6.1	6.7	7.1	7.2	600
Apprentice schools*	1.7	3.1	5.1	5.7	8.0	8.8	9.8	9.9	8.8	518
Special schools	0.6	0.7	0.9	1.1	2.0	2.4	3.0	3.4	3.5	583
Tertiary**	12	4.0	4.6	4.7	6.6	8.5	9.4	11.0	11.0	314
Other expenses	6.5	7.3	9.7	12.1	11.3	10.3	11.6	14.3	14.0	215

Source: Institute for Information in Education.

* including expenses of firms and enterprises

** including support for student dormitories and cafeterias

Data on the financing of the educational system also accounts for its development. The share of educational spending from public resources rose from approximately 4 % of GDP in 1996 to nearly 6 % in 1996, exceeding the average in OECD countries (many of whom, however, for example, Norway, Denmark, Sweden and Hungary spent 7 % and more). The situation significantly worsened in 1997 as a result of the economic reforms, and for 1998 we expect again a fall to the 1989 level. The average spending per student on all levels of the educational system was \$2,650 in 1994, compared with an average of \$4,880 in OECD countries. The average spending per university student in the Czech Republic (\$5,320) was only about half of the OECD average (\$9,820). Even though the accuracy of this comparison may be questioned because of the differences in price and wage levels, the notable discrepancy in spending per student in the Czech Republic and OECD countries is undeniable.

Comparison of growth in the number of students with the development of spending on education (Table 2.5) reveals a major contradiction; universities with the greatest growth in the number of students have been allotted the smallest increase in spending. While costs for secondary schools rose more than five times, spending on universities rose only three times, that is, less than the level of inflation. It means that the average cost per student in constant prices fell by half. This decline was especially significant between 1994 and 1997, when the average spending per student in real terms dropped by one-third. In other words, secondary schools expanded at the expense of universities. In international comparison, public spending on the tertiary sector was 15 % of total expenditure, as compared with the OECD average of 23 %.

In 1996, higher secondary schools were also added to the structure of the Czech educational system. They represent the so-called non-university sector of higher education, which in contrast to the great majority of Western and Central European countries did not previously exist in the Czech Republic. By 1997/98, 158 higher secondary schools opened with almost 24,000 students. Their main goal has been to offer a practically oriented edu-

cation which differs from vocational secondary schools as well as from university programs. However, with regard to quality and size only about 10 of these higher secondary schools currently meet the demands placed upon the non-university sector of institutions of higher education. Yet despite these problems, it is necessary to consider the emergence of higher secondary schools as the development of the mass diversification of the tertiary sector of education.

The law also has serious shortcomings. The paragraphs which address non-university institutions of higher education are very vague, which may significantly threaten the development of this sector. In addition, this law addresses the diversification of the system only at its lowest level, that is, in relation to the first three to four years of higher education. Only indirectly does it strengthen the diversification at the highest, i.e. post-graduate level (for example the newly formed relations between the university and the Academy of Sciences). The law does not deliver a more precise definition of BA study, which would be able to at least partially prevent it from being only the first phase of traditional MA programs. There is no mention of higher secondary schools and their relationship to existing higher education programs. With the exception of the preamble, it does not expand consideration of the European dimension of higher education and its development and the emphasis upon the demands of education for adult or life-long learning is insufficient.

2.3 Reforms of the content and quality of education

Before 1990, decision-making about the curriculum was extremely centralized and subjected to the ideological indoctrination of youth. Only a uniform and directly manipulated curriculum was possible (teaching plans, content of lessons) with an emphasis upon the natural science disciplines, with exorbitant encyclopedic demands and limited and deformed content in the humanities. There was very little space for dialogue between teachers and students, and an authoritarian approach gradually began to dominate the entire pedagogical process.

After 1989, changes occurred in all of these areas. However, it is difficult to evaluate these reforms in the area and quality of the development of education, for three reasons: 1. There are few if any generally accepted statistical indicators which would make possible any evaluation and conclusions; 2. It is very difficult to ascertain whether the proposed and formally accepted reforms have actually been implemented and to what degree the old or only superficially modified approaches and methods persist; and 3. Questions about the quality of education are almost exclusively the subject of individual and subjective evaluation. Yet despite all of these uncertainties we may argue that a number of significant changes in the content and methods of education on all levels of Czech schools have occurred which have also affected their quality.

Above all, ideological control over education and the curriculum has been removed. Already during the first period of transition, particularly subjects related to humanities and social sciences were thoroughly transformed. Foreign language instruction has been restructured in favor of Western languages and broadened. The study of religion has been renewed as an alternative subject in the framework of elementary schools. In general secondary schools, the proportion of classes in mathematics and natural science has been

slightly reduced in favor of humanities and social sciences. The proportion of general subjects has increased also in the curriculum of vocational secondary schools.

The diversification of curricula has also been an important aspect of these changes, which are tied to the liberalization of the forms of educational programs and attempts at making them more applicable to the individual needs and interests of students. In place of a unified educational system, new types of schools and educational pathways are gradually opening, including private and church schools. The internal diversification of lesson plans place greater emphasis upon optional subjects, while the system of adaptable lesson plans allow for the variability and plurality of educational paths within the particular type of school. The Ministry of Education has left the creation of textbooks to independent publishers, retaining control only over their content and editing.

While there is agreement over the basic direction of reform, opinions differ over the evaluation to the degree to which the reforms are being implemented in terms of content and methods of education. Because no systematic evaluation of educational programs and their individual parts has been conducted, we have only subjective opinions which are not based upon any generally recognized statistical indicators. There is little question that certain contents and methods of education from the previous system have persisted. Yet it is possible to estimate that in at least 15–20 % of schools, a partner relationship between teachers and students has developed, and the encyclopedic approach put aside. This may in itself be a major development when we consider the brevity of the transformation process and that changes in the content and methods of education are typically slow when compared with the transformation of institutional structures or the school system.

The assessment of the quality of education may be divided into several categories: 1. ranking on the basis of surveys among students or employers; 2. multi-dimensional ranking based on different 'objective' indicators; 3. ranking based on the multi-dimensional evaluation of individual schools or departments; 4. ranking on the basis of international comparison. Here we consider several of these rankings in greater detail.

The most extensive survey-based ranking is probably the *Survey of Graduates 98*, which was conducted at all secondary schools in the Czech Republic in spring of 1998, with the participation 84,000 senior pupils (over 90 %). It is difficult to judge whether the average success rates shown in Table 2.6 testify to the higher or lower quality of the present education of secondary school students, since the results depend on the rigorousness of ratings in individual schools and the uniformity of the measure used. However, the survey clearly indicates the quality of education received at the different types of secondary schools. General secondary schools (gymnasiums) led in all subjects as well as in general learning capacities, while apprentice schools rank at the bottom. If the low level of apprentice schools is to be expected, the difference between gymnasiums and vocational secondary schools, including economic schools, may be reason for concern.

Another example is surveys which summarize student opinions (mainly students at universities and other institutions of higher education) about the quality of study. For example, the *Center for the Study of Higher Education*, conducted this kind of survey at the end of 1995 among 1535 students in their third year at 14 schools (27 departments). Their opinions about the quality of instruction were very positive. Nearly three-quarters of students responded positively to the question of whether they consider the lectures to be of

sufficient quality and interesting, and nearly 90 % shared the opinion that their teachers arrived well prepared for lectures and seminars. The most satisfied students were in agriculture, law, and social science departments, while students in medical and technical departments were less satisfied. Between 1992 and 1995, the percentage of positive responses significantly increased. Only the quality of language instruction received more criticism.

Table 2.6 Average success rate (proportion of successfully completed exercises) among students by type of school (%)

Type of school	CZ	EN	GE	MAT-D	MAT-E	GSA
All schools	49	46	46	55	46	55
Of which:						
general secondary	63	68	67	76	59	66
economic secondary	49	51	52	51	44	56
technical secondary	44	36	36	59	52	55
other vocational secondary	44	31	34	40	32	47
integrated secondary	42	32	34	42	37	48
apprentice school	40	28	28	40	41	49

Source: Survey of Graduates 98, Institute for Information in Education.

Abbreviations for particular tests: CZ = Czech language and literature, EN = English, GE = German, MAT-D = mathematics (more difficult version), MAT-E = mathematics (less difficult version), GSA = general study ability.

Box 2.2 The INES program (Indicators of Educational Systems)

*The aim of this OECD program is to help to raise the quality and to increase the breadth, relevance, and comparability of data in the area of education, thus contributing to the formation of education politics in individual member countries. The INES program consists of four sites which collect and analyze data on the results of education, entrance of graduates into the labor market, characteristics of educational institutions and systems, and also attitudes and expectations in relation to education. The most important outcome of this program is the yearly publication *Education at a Glance*, which contains over 40 indicators. Participation by the Czech Republic in the INES project is of great importance, because its results provide unique information on the state and development of educational systems in the individual countries. The comparison of the Czech educational system with those from developed countries from a number of qualitative and quantitative perspectives provides a valuable informational base for the formation of education policies as well as for the justification and institutionalization of their individual steps.*

So-called *objective indicators* do not attest to the quality of education *per se*, but rather to its different factors or conditions. For example, among such indicators are public spending on education. While it is not possible to determine the degree of dependence

between achieved quality and available financial sources, it is undeniable that a decrease in public spending on schools may threaten the development of the quality of education. Because the number of students at universities in particular is increasing, the already adverse budgetary situation in the Czech Republic continues to worsen.

Box 2.3 IEA/TIMSS programs

The prestigious international research project TIMSS (Third International Mathematics and Science Study) of the IEA (International Association for the Evaluation of Educational Achievement) is the main source for the evaluation of the knowledge of students in mathematics and natural sciences. The most recent version of this research project used six indices: F1 allowing for the comparison of acquired knowledge in mathematics and natural sciences between students in the 4th year of elementary school; F2 ascertaining differences between the knowledge of the most successful and less to least successful students in the same category; F3 probes differences in knowledge between boys and girls in the same departments and age groups. F4 analyzes the development of knowledge between students in the 4th and 8th years of elementary school; F5 focuses on the relationship between the knowledge of students in the 8th year and their family and social environments; F6 examines the relationship between the attitude of students towards mathematics and the results of their mathematical knowledge. The newest indicators are the results of knowledge of students of mathematics and natural sciences in their final year of secondary school.

Another indicator is the number of students per instructor. On all levels of schools in the Czech Republic, there are fewer students per teacher than in the OECD average: in 1995, in the first cycle of elementary schools, there were 19.6 students per instructor compared with the OECD average of 18.2, in the second cycle in the Czech Republic there were 13 students against the OECD's 16.2. In Czech secondary schools it was 11.4 again lower than the OECD's 14.4, and in Czech universities only 10.9 as compared with 14.4 in the OECD. However, the situation especially at the level of higher education, is changing. While in the 1994/95 school year there were on average 22 students per professor and per other instructors 11, in 1997/98 there were 35 and 17 respectively. However, no such change occurred in secondary schools. Yet even here it is important to emphasize that with regard to quality, these indicators are helpful but not very reliable. In the United Kingdom for example, during the past several years the ratio of teachers to students worsened significantly (from 1:10 or less to between 1:15 and 1:20 today), yet without necessarily leading to the conclusion that the quality of instruction has declined.

At least in the present period, it seems unlikely that the quality of education in the Czech Republic is endangered by an increase in the number of students. This is confirmed by indicators of class size in elementary and secondary schools. Even in this respect the situation in the Czech Republic is generally positive. The average class size in elementary schools has remained constant since 1994/95 (22 students), while at general secondary schools (gymnasiums) between 1994/95 to 1997/98 it decreased from 29 to 27 and at vocational secondary schools from 26 to 25. Thus it is not possible to speak of overburdened classes in which the number of students could pose a threat to the quality of instruction.

Neither has the *multi-dimensional evaluation* of individual schools and departments offered any definitive conclusions. Each school and department has its advantages and inadequacies regarding the instruction of individual subjects, teaching staff, overall school atmosphere, facilities, and so forth. The multi-dimensional evaluation of the quality of individual schools in the past has been the subject of more or less extensive investigation, from which it is possible to at least ascertain for purposes of orientation the quality of the Czech educational system.

The SET program is without question the most important evaluation program, whose aim is to inform applicants about secondary school education and their parents about the quality of schools leading to a diploma, thus facilitating their selection. From a total of 1057 schools, 947 participated and the investigation examined among other topics the success of graduates in university entrance exams, their acceptance rate at universities, 'school added value', drop-out rate, breadth of foreign language instruction and computer facilities, opinions of students about the quality and demand of instruction, atmosphere and prestige of the school. The resulting scores are a useful tool for the more objective selection of a school, yet at the same time indicate their often excessive qualitative heterogeneity which has resulted from, among other things, the expansive autonomy of schools and almost unregulated power/authority of their directors.

Three types of evaluation are conducted at universities: 1. evaluation conducted by state (mainly by the Accreditation Commission); 2. external evaluation from abroad; 3. internal evaluation (self-evaluation) within individual universities and departments. The Accreditation Commission of the Czech Republic focuses on the evaluation of new graduate programs (out of 1,500, 440 proposals have been approved), and further on the overall evaluation of the level of individual departments. With regard to foreign evaluations, the majority have been positive, as in the case of the Czech Agricultural University or the Veterinary and Pharmaceutical University in Brno. The audit of quality, which was conducted at the Czech Technical Institute by the European Conference of Rectors was also important, as were the evaluations from FEANI (*Fédération Européenne d'Associations Nationales d'Ingenieurs*) and NCFMEA (*National Committee on Foreign Medical Education and Accreditation*). At several departments, self-evaluation is becoming an integrated part of their activities and sometimes of the administration of universities. Yet it is necessary to stress that it is primarily a closed system, where the schools or faculties themselves set the criteria with regard to similar systems abroad.

Evaluation on the basis of international comparison makes possible the assessment of the quality of education from a broader perspective, though only in certain dimensions. The published results from the TIMSS/IEA surveys address knowledge of mathematics and natural sciences among students in three classes, that is the fourth and eighth year of elementary school and the final year of secondary school. Of the 17 countries surveyed, Czech elementary school students placed 4th in mathematics and 7th in the natural sciences, while students in the 8th year placed 3rd in mathematics and 1st in the natural sciences. The results of evaluation of knowledge of mathematics and natural sciences among students in the final year of secondary school were however worse. Among 21 countries Czech students placed 15th overall, in mathematics 18th and 14th in the natural sciences section. In advanced mathematics and physics (in the Czech Republic at gymnasiums) Czech students placed 13th and 14th of 16 countries.

This discrepancy in the ranking of elementary school and secondary school students has been the subject of different interpretations. One explanation is the distinct character of the tests of students in the final year of secondary school, in which they were asked to solve problem exercises, in contrast to tests of elementary school students, which were aimed at testing primarily knowledge and command of individual information. These results would confirm the prevalence of an 'encyclopedic approach' at the expense of independent thinking in the Czech educational system. Another partial explanation for these differences between the results of younger and older students in mathematics tests is the low popularity of mathematics among 13 year-olds (who still tested very well) which may be expressed in the decreasing interest in mathematics during later years of education.

In this context, the *World Health Organization's* survey from 1993/94, in which 11–15 year-old students were asked if teachers encouraged them to express their own opinions in class. While the percentage of Czech students responding positively to this question was not so low (40 % of 11 year-olds, 35 % of 13 year-olds, and 27 % of 15 year-olds), the results of this survey were overall quite dismal. Out of the 23 countries (the majority European), the Czech Republic was next to last place (above Russia) among 11–13 year-olds and among 15 year-olds third from bottom (above Slovakia and Russia). This means that during this period, one of the most important aims of the educational reforms, the creation of a less authoritative relationship between teachers and students, had not been realized. We do not know to what degree this relationship has changed since then.

2.4 Access to education in the Czech Republic and in the world

At present, one-fifth of the adult population of OECD countries have university education and another two-fifths at least complete secondary school education. The percentage of people with university degrees in the Czech Republic is half of that in the OECD and less than one-third of the adult population have secondary school diplomas. A recent study of adult literacy showed that in the majority of countries for which there are official results (at present 13 countries), the completion of at least secondary school education is the key to an individual's ability to work effectively with information and use it in the workplace and in their private lives (OECD, 1997).

The ability to participate actively in the world of information today is of utmost importance for the economic success of an individual. In the Czech Republic it is much less common than in those countries where the completion of secondary school education is more frequent (the average value of adult literacy in the Czech Republic is after Poland the lowest). At the same time, analyses show that great disparities in the level of education in turn become profound inequalities in living standards and quality of life. Thus, by overcoming inequalities in order to gain access to higher education is undoubtedly necessary for modern societies since access to education makes possible the usage and development of existing abilities and talents for economic development while simultaneously maintaining social cohesion due to mobility between social groups.

Without question, inequalities on the road to education exist in Czech society. As is everywhere, school success and education are affected by social and family environments.

Analyses of school success factors show that nearly one-half of the differences in results may be explained by the cognitive characteristics of the student upon entering school (the so-called presuppositions of study). Another quarter by his or her affective qualities (above all motivation to study) and the remaining quarter by school characteristics (quality of teachers, classes, and schools, the course of lessons, and so forth). The presuppositions of study include both those conditioned by heritage and those which are socially conditioned. Their interdependence, however, has been the subject of ongoing debates throughout this century.

Box 2.4 The research of adult literacy

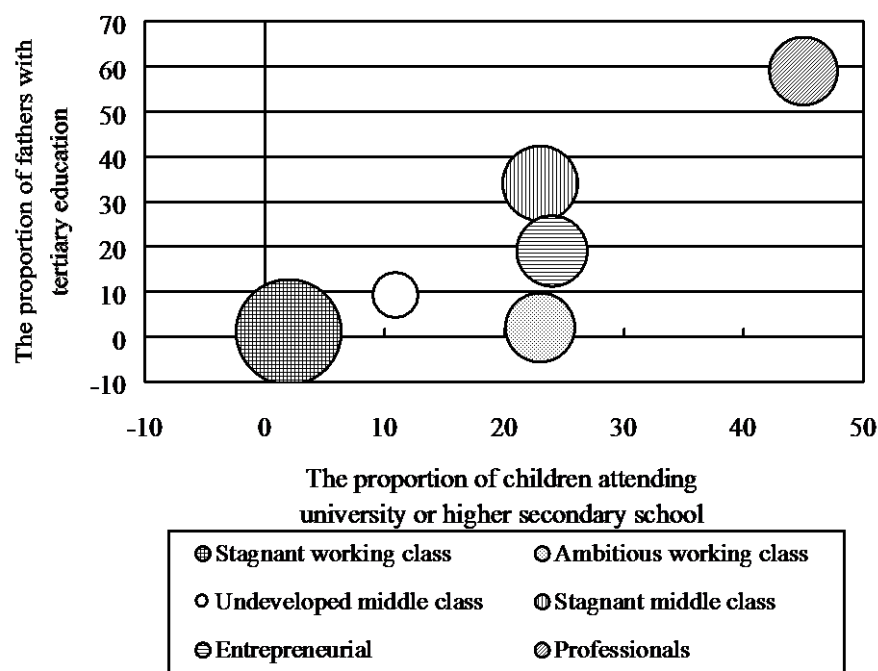
In 1997–1998 the Czech Republic together with 25 OECD countries participated in extensive research projects on the level of education among the adult population, the IALS and SIALS (International Adult Literacy Survey, Second International Adult Literacy Survey), which have been conducted since 1994. In addition to a number of other data, the surveys assessed the level of education of the parents and children (Underwood and de Broucker, 1998). The investigation included approximately 3000 adults between the ages of 16 and 70 from each country. Adult literacy is understood as a measure of an individual's ability to work effectively with written information. It is represented in three dimensions. The first is prose literacy, the ability to search for information in a general text (newspapers, essay, review, etc.). The second is document literacy, the ability to process information in concentrated form, i.e. to orient oneself in a set of directions (questionnaires, forms, instructions, etc.). The final, the quantitative literacy, tests a person's ability to operate with numbers, graphs and figures, tables, etc.

In modern societies, education is connected not only to higher wages, but also to the formation of more extensive social contacts and is an essential component of social status. In contrast to the period before 1989 when the relationship between education and economic capital in Czechoslovakia was weak, the 1990s meant the increasing interconnection of education and various forms of capital (economic, cultural, social). At the end of 1996 and beginning of 1997, this process was also the subject of research concerning factors which influence educational tracks and the achievement of children (Průša and Průšová, 1997).

This research shows that the parents' education is the overwhelmingly dominant factor influencing the educational track of a child (it explains 27 % of its variance). It has been more influential than any other form of capital, of which none had any direct effect on the education of children, but rather only through the educational level of the family. The only exception was the relatively independent influence of cultural capital. At the same time, the role of other observed factors (e.g. consideration of the family for a child's success at school or extra-curricular activities) was also influenced by parents' education. This confirmed the high level of dependence of a child's educational track on the type of family. Further, it was shown that 28 % of university students (in contrast with 12 % of all young people) stated that their parents were able to enlist the contacts necessary to their acceptance at university. However, an economic situation does not represent a likely barrier to university studies. Children from well-off families are likely to attend university is the direct result of the higher economic level of people with university educa-

tion. While university students come from families with higher education, within groups of families with particular levels of education, greater economic capital does not play any substantial role.

Figure 2.3 Typology of families according to the educational chances of their children



Source: Koucký, 1998.

On the basis of the main factors of family environment and the educational track of children, it is possible to identify six types of family environments in which children are growing up (Figure 2.3).

Approximately one-third of children live in ‘*stagnant working class families*’. Overall, the parents have elementary or lower secondary education, little economic capital, and an undeveloped cultural environment. These parents do not have wide social contacts, let alone any ‘influential acquaintances’. There is little interest in their children’s rate of success in school and generally have a lack of respect for education. There is little likelihood that children from these families will attain a higher education. From the start these children are affiliated with the unsuccessful group and nor do they like to study or participate in activities. If they continue to study after the elementary level for the majority it means at an apprentice school. The majority of children and their (often broken) families do not have any great ambitions and have come to terms with this fate.

A small number of these children want to free themselves from this trap, however the majority of them have little success. That is, their choice of secondary school is influenced above all by short-term practical reasons (e.g. proximity from home), and no real achievement in a given field. In both cases, however, the family reproduces its own low level of education.

Box 2.5 The three types of 'family capital'

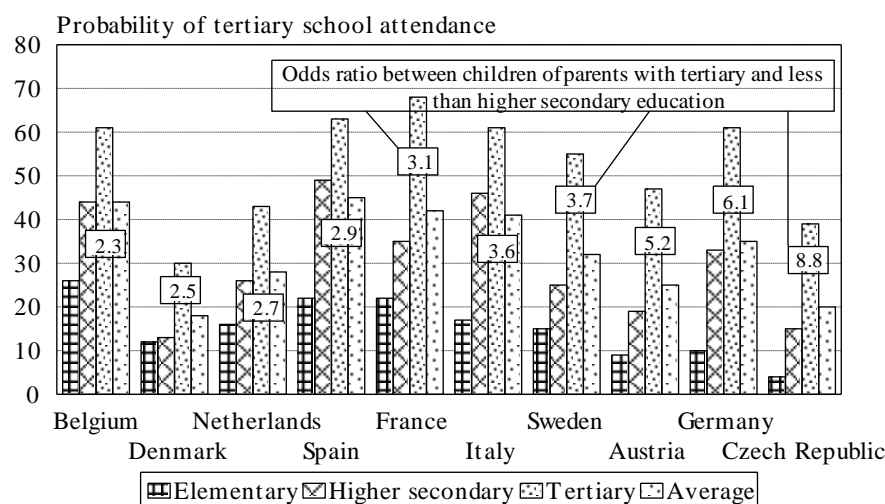
According to Pierre Bourdieu, families influence the education and life-chances of children by means of their economic, social, and cultural 'capital'. Economic capital is the material and financial standard of a family, which allows it to provide for its children's education and likewise acts as a positive psychological factor. Social capital refers to the network of acquaintances and social connections which are able to be effectively utilized, for example in overcoming the difficulty of gaining acceptance at a prestigious school. Cultural capital is characterized as the degree of acquisition of a particular behavior, life-style, and taste necessary for communication and participation in a status culture which is present in school as well. That is, linguistic and other symbolic codes used in school communication are derived from its status culture. Thus students who are in command of this culture have the appearance of being more gifted and intelligent, teachers are able to communicate with them easier and pay more attention to them. Understandably, not only in school but even during the selection of a higher level of schooling, these students surpass their less fortunate schoolmates. School success and the level of education attained by an individual are thus directly dependent upon the degree to which he is able to appropriate the 'dominant culture' or utilize that type of cultural capital. The original social inequalities are thus legitimized by the educational system and acquire the appearance of natural inequalities. In this way, the educational system functions as a tool for the transmission of social inequalities between generations and contributes to the self-reproduction of individual social groups (Bourdieu, 1986)

Within working-class families there is an even smaller sub-division of '*ambitious working class families*', in which approximately every seventh child is reared. The father is usually skilled and has a working class occupation and the mother often has a secondary school diploma. Their financial and material situation, like the family's cultural environment, are average, but their social capital is rather undeveloped. Greater interest in school results and the educational careers of their children is typical among these parents (often it is the more educated mother who plays a positive role). The children themselves desire to continue their studies because above all they expect education to be the source of greater practical and financial reward in the future. This is expressed even in the quality of criteria used in the selection of secondary schools, to which the majority of these children are accepted. A significant number of them continue to study even after graduation. Children from this type of family usually surpass the educational level of their parents.

The '*undeveloped middle-class family*' represents a smaller group (only about 7 % of children) which cannot be assimilated into any other category in which the majority of families are employees in lower or middle-level positions. The father usually has completed secondary school, the mother has either the same or a lower level of education. Their financial and material level is below average, while their cultural environment slightly

above average. Quite often these children do not grow up with both parents. There is little interest in education on the part of the children and their parents, and the parents' desire that their child study at secondary school is not expressed with sufficient motivation or with a clear aim or vision. The majority of these children are not satisfied in school and often they do not consider academics to be their own choice; after an unsuccessful attempt at acceptance to a particular school, they were forced to accept a substitute solution. More than half of these children attend apprentice schools and do not continue in their studies. It is a category of families with stifled ambitions resulting from low aims and motivation.

Figure 2.4 University students according to parents' education



Source: Koucký, 1998.

Nearly every sixth child comes from a '*stagnant middle class family*'. The father usually works in a technical occupation and most often has a technical degree (less often from a university), and in the majority of cases the mother has a secondary school education. The material level of the family is rather good while the cultural orientation is less so. The parents take interest in their children's results and encourage them to continue with studies, especially with a practical focus. This is also illustrated by their children's participation in practical extra-curricular activities (technical clubs, sports teams). Almost one-half of these children graduate from secondary vocational school, one in five from gymnasium, and about the same number continue at university or higher secondary school. This is the type of stable family environment with all of the characteristic middle-class qualities, which tend to reproduce themselves across generations.

Approximately 15 % of children come from '*entrepreneurial families*', where the father is self-employed and both parents have either a secondary school or university education. Their rather high economic capital is accompanied by a number of useful acquaintances and contacts. The cultural environment of the family is less developed (at home there is

often a computer rather than a big library), providing only average care for the development of their children. The selection of an educational track usually reflects the interests of the children, but parents' desires for a practical orientation are more important. These children often specialize in secondary vocational and in some cases higher secondary schools, while only a small number attend gymnasium and continue at a university (their educational tracks are similar to those of children from ambitious working class families). This is one example of how superior material conditions do not automatically produce a higher educational level.

Box 2.6 Survey on attitudes to education among young people

The survey was conducted in the 1996/97 school year among 2000 students between the ages 15–24, from which three-quarters made up the representative sample and one-quarter a complementary sample, in which were over-represented students of private, higher secondary schools and universities. In this survey, economic capital was indicated by the subjective rating of the financial situation and living standard of the family, ownership of house or apartment, and other material assets. Social capital was indicated by the parents' employment position and contacts for influential acquaintances, ability to secure acceptance at university or good employment, and so on. Cultural capital was indicated by the family's orientation towards ethical and cultural values, communication, and various characteristics of their life-style, including cultural activity, relationships, and family life (Průša and Průšová, 1997).

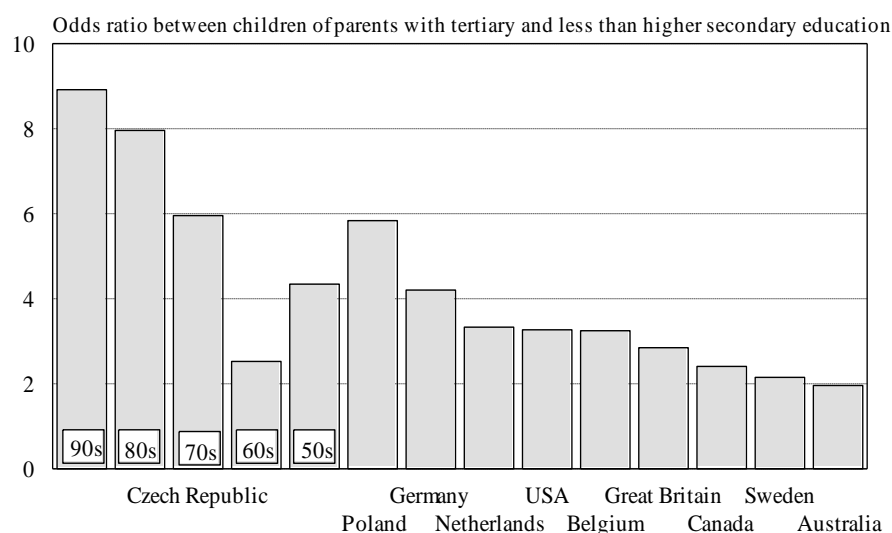
The typological analysis of families started from a discriminant, factor and cluster analyses. The discriminant analysis allowed for the elimination of unimportant variables (e.g. size of locality) and defined discriminating factors. The remaining variables entered into analysis through thirteen 'latent' variables of family environment which express the characterized tendencies in responses. These were then confronted with the indicators of the children's educational tracks. Finally, cluster analysis contributed to the classification of respondents into individual clusters of family environment and the children's educational tracks. Labels assigned to different types of families are not based only on the classification of its main earner, but on wider economic, social, cultural, and educational characteristics of the family. It is not possible to consider these groups as internally homogeneous, rather they express basic distinctions in family situations and their typical consequences for the educational track of a child.

Approximately one-seventh of children come from *families of professionals*. Their parents are often employed in managerial positions and they have a university or secondary school education. The material and financial situation of the family is stable and they also have very high social and cultural capital. These parents want their children to have a complete education, which is reflected in their support for their children's academic endeavors. The children themselves have a sincere interest in academics and participate in different extra-curricular and cultural activities. The majority at schools which meet their own desire and are the schools to which they had initially applied. Because their choice was based upon the level and reputation of the school, they are not in search of an easier route. Quite often they complete university. The educational track of these families is for the majority considered to be the successful outcome of their starting conditions.

This typology confirms the considerable influence of the family on a child's educational track, and shows the existence of quite sharp social differences. For example, the difference between the likelihood that a child from a family of 'professionals' will study at university is twenty times greater than would a child from a 'stagnant working class family'. One exception to this rule is the sub-group of working class families which we labeled ambitious, in which children do not simply reproduce their parents' lower level of education.

The comparison with other EU countries shown in Figure 2.5 also reveals that educational inequalities are by far the greatest in the Czech Republic (coefficient of variation in the Czech Republic is 0.90 compared with the EU average 0.59). The chances of qualifying to study at university and the high selectivity of the system has contributed to this situation. In the Czech Republic only 4 % of children from families in which the principle wage earner did not graduate from secondary school get an opportunity to study at university. At the same time, however, 39 % of children from university-educated families will study at university. This is why the difference in the inequality to attend university between these two social groups is by far the highest among the observed countries.

Figure 2.5 Inequalities in access to university education



Source: IALS, SIALS.

In contrast to the Czech Republic, where after the post-revolution equalization of inequality in educational opportunity in the 1950s educational inequalities began to grow again, advanced countries during the same period took significant steps towards the implementation of policies equalizing access to education. Educational systems underwent

structural and curricular reforms, which enabled the near complete integration of young people into secondary school studies and significantly expanded access to university education. Yet despite these improvements, relative inequalities in educational access were only reduced to a limited degree. Advanced nations progressed towards more equal access to higher education in terms of the overall expansion of educational opportunities, rather than in the significant reduction of unequal relative chances to acquire higher education. To a certain degree in all advanced countries, traditional models of inequalities in educational opportunities for children of different social backgrounds have persisted. Moreover, since the 1980s in some countries there has been a renewed trend towards growth in educational inequalities (OECD, 1997).

At the beginning we demonstrated how higher education opens the way to higher levels of human capital, which greatly increases the chances of economic success. Yet there is still one important aspect. Analyses show that differences in the human capital of family background has a strong effect on the chances of children to attain higher education. On the basis of comparison it is thus necessary to bring attention to the fact that university students in the Czech Republic, in comparison with EU countries, are recruited more frequently from the educated sections of the population. This strong selection in terms of access to university education has resulted in fierce competition, in which children from less-educated families often fail. As a result, the university system has become more exclusive rather than more accessible, thus losing its ability to reduce social inequalities and providing a world of information to a greater number of people.

Inequalities in access to university education, given the discordance between the large demand for university education and limited opportunities, are rooted in the inequalities which are formed or reproduced in the lower levels of education. Analyses show that the Czech school system has the tendency to reproduce and increase inequalities stemming from families rather than reduce and overcome them (Koucký, 1998). This is caused not only by the character of selection and admittance procedures at upper levels of schools, but by the overall structure of the school system and the nature of its individual sectors and institutions. The application and hidden content of training and education and other processes which take place in schools and the governing climate all contribute to this.

The sources of inequalities in access to university education may be compared using the international database of the TIMSS project. It shows that already among 13 year-old Czech students, differences in test results to a basic degree reflect the difference in their parents' education, which explains 38 % of their variation. In Western countries, these values range between 20–30 % (the lowest in Denmark and Norway with 16–17 %, the highest in Australia with 31 %), while the average among OECD countries is 27 % and in EU countries 24 %. Although Czech elementary schools have remained very unified and internally undifferentiated, they diminish parental influence on the cognitive capacities of children less than elsewhere. The persisting one-sided (transmissive, academic, scientific, encyclopedic) orientation of Czech elementary schools tends to favor children from educated backgrounds and with higher cultural capital.

Secondary schools also contribute to the reproduction of inequalities. It is natural that educated parents want to provide their children with higher education and thus a better start in life. If parents can effectively influence the selection process, it may result in very specific social educational tracks. Rapidly growing eight-year gymnasiums are likely to

play this role. The parents of approximately a tenth of children who are already in their eleventh year can be sure that their children will attend a school which emphasizes a 'dominant culture' of their own, which significantly contributes to the success in competitive acceptance into higher (university) education and life-success in general. It is not surprising then that the educational background of families of students attending an eight-year gymnasium is very much different than that of elementary school students in the same age group (Průša and Průšová, 1997)

The situation is not improving at other secondary schools either. In comparison with other countries, the overall differences in testing success, which can be explained by family background (education of parents), has been increasing in the Czech Republic. While in other countries the proportion of parental influence is an average of 37 % and in EU countries 34 %. In the Czech Republic it reached 53 % (in percent of explained variance), while students from university-educated parents were more than 25 % above the scores of students from less educated families (parents without diplomas). Socially determined inequalities in the test results of secondary school students in mathematics and natural sciences in the Czech Republic are by far the highest among the observed countries. Behind the Czech Republic is the USA, the country with the greatest social inequalities, followed by Germany, Australia, Hungary, Switzerland, and other countries.

Undoubtedly one of the causes of this situation is the nature of the secondary school system which ties social background with the type of attended school too strongly along with the quality of preparation for potential attendance at university. Nearly all differences in the overall results of Czech secondary school students may be explained by differences between the results of students at specific types of secondary schools, as the performance of students from different types of schools for the most part do not overlap. In comparison with Western countries, the Czech system is very selective in streaming students into three types of secondary schools; this selectivity is closely related to social background (parents' education). The greater the selectivity, the greater are the inequalities which can be explained by parents' education (the coefficient correlation here reaches the value 0.67). Proof of this can be seen in the association between selectivity and the overall effect of a school on the cognitive capacities of students (Koucký, 1998): the greater the selectivity in the secondary school system, the lower the overall contribution of a school to the knowledge and abilities achieved during secondary school attendance (the coefficient correlation here reaches -0.71).

All of this shows that in comparison with advanced countries, higher education in the Czech Republic is too great of a scarce commodity, and thus certain groups in the population attempt to monopolize access to it. The education of parents and the family's cultural capital are certainly legitimate tools for the increase of educational chances. The natural attempt by educated parents to provide their children with at least the same education as they had themselves should be accompanied by a growth in educational opportunities which also allows children from less-educated parents to study. This is the principle of upward educational mobility which is characteristic for advanced countries. All of the data suggests that, in the Czech Republic, the line at where the effects of parental origin lead to the closing of the system has already been crossed.

2.5 Conclusion

The growth of inequalities connected with the transition to market economy and the gradual overcoming of egalitarianism has led to the strengthening of associations between education, occupation, and earnings. In the Czech Republic, this has also been increasingly accompanied by the opinion that the attainment of higher education is becoming a tool for success in life, which applies especially to university education. The number of questions remain; whether or not the increasing importance of education for life success of an individual and meeting a country's goals enhance competitiveness in an increasingly globalized market? And does it reflect the direction in which the Czech school system is moving and how the availability for educational opportunities is transforming?

A number of indicators show that since 1989 there have been significant changes in the number of students and schools in the Czech Republic. We have shown that the number of students at apprentice schools has declined, while in contrast the number of students at vocational secondary schools has grown rapidly. The number of students at general secondary schools has, however, stagnated, which has contributed to the depth of the already unfavorable proportions of vocational and general education. Although both the number of students at universities, and the number of the schools themselves has increased, participation in higher education is still quite low in international comparison. In addition, in comparison with advanced countries the participation of older students in education and/or post-graduate studies has also been stagnant. Thus, it is no surprise that the Czech Republic is still far behind in the proportion of people with higher education in the active population. It is also important that in the Czech Republic attitudes towards mass higher education have remained reserved if not dismissive. A number of people assume that an increase in the number of students above a certain amount would inevitably lead to a drop in the quality of available education and schools. However, data from surveys does not provide much evidence for this hypothesis.

Data on state expenditures on education also reflect the rather slow rate of change. The share of spending on schools financed from public resources rose from about 4 % of GDP in 1989 to under 6 % in 1996 which, while surpassing the OECD average, has clearly not been sufficient for the increasing pace of changes in the structure of education. Not even the average public spending per student suggests that the development of education represents a priority of the Czech government. Comparison of growth in the number of students and the rise in expenditure on schools brings to light an explicit contradiction; at universities which have experienced the fastest increase in students, public spending has increased at the slowest rate. This means that the expansion of secondary school education has occurred at the expense of universities.

In the debate over whether or not the quality of education in the Czech Republic is low or high, available data do not confirm any of the radical positions. It certainly does not appear that the quality of education in the Czech Republic is somehow threatened by the increasing number of students per instructor, nor does the evaluation of individual schools or departments offer any unambiguous conclusions. Several prestigious international studies suggest, however, that the focus on an encyclopedic approach in the Czech system stifles independent thinking, which is generally expressed in the rather passive approach to information and in the emphasis on memorizing in university studies.

The long period of slow transformation in the Czech educational structure is also responsible for the rather less favorable development of educational inequalities. Generally, it is possible to argue that while advanced Western countries in the past decades have taken important steps towards the creation of greater social equality in access to education, or at least made attempts to prevent the increase of further inequalities, development in the Czech Republic has moved in the opposite direction. From the mid-1970s, when various 'quota systems' (aiming to support a higher number of children of working-class origin at secondary schools and universities) evaporated, social inequalities in access to higher education increased. During this very limited growth in educational possibilities, no other type of development was possible. At this time there is no conclusive evidence that this trend has stopped. The persistence of fierce competition, especially in access to university education, has meant that children from less-educated families lose the battle. The university system has continued to close and its ability to diminish social inequalities and to open the world of information to a greater number of young people.

If higher education is to become, after decades of stagnation, once again a decisive tool for success in life and a condition for participation in the information world, it would seem logical that interest will increase among all social groups. Yet everything points to the fact that the natural drive among groups of educated parents to provide their children with an education at least to the same level as they had, is one cause of the closing of the system to children from less-educated parents. In place of the principle of intergenerational educational ascent (upward mobility), which has been a long-term trend in advanced countries, for several decades in the Czech Republic the principle of intergenerational educational decline (downward mobility) has been dominant. This tendency is neither desirable nor one which we can afford to overlook. Its long-term consequences are not only economic (above all, limited skills and flexibility of the labor force), but also socio-political (disrupted social integration and cohesion) and cultural (decline in the cultural dimension of life-style).

3 Capitalist renewal: privatization and business

In 1990, after nearly four decades of a state-directed economy, the road to private property and free enterprise was opened once again. The state rapidly abandoned the economic field, which was expected to be revitalized through private initiative. The two-fold process – privatization of the existing production capacities and capitalization of private initiative – should have been more or less simultaneous and provided new momentum for economic growth. The actual calibration of these processes was, however, debatable. If the first process has been at least formally achieved rather quickly, the second one occurred relatively slowly and only in certain sections of the economy. In addition, while privatization became the focus of the attention and efforts of governmental expert teams, *de novo* companies were to a large extent left to follow their own course, and instead of assistance often encountered barriers.

‘A capitalist revolution’, brought about with an open route to free enterprise and in which entrepreneurs are to be the major players in the reinstitution of a market economy, cannot occur on its own. It must be accompanied by an ‘information revolution’, which opens the doors to technological and organizational innovation and makes possible the ascent of skilled and highly motivated individuals. The simultaneous development of a ‘service society’ is another important process; by eliminating the ‘Marxist privileges’ of the manufacturing sector, services have to help to adjust the obsolete economic structure, increasing the share of the tertiary and quaternary sectors. From a sociological point of view, these three processes bring the middle class back to the center-stage. Regarding the present situation and the future development of the middle classes, the fact remains that their expansion has been thus far insufficient for market processes to become firmly anchored in Czech society. While privatization and private business are rather well described in macroeconomic indicators, there has been far less microeconomic and sociological research on this topic. Our aim here is to bring together the most varied data and information available. Within given limits, we focus on various aspects of this complex and still continuing process. Our intention is to observe the behavior of the population during the voucher privatization and in the new enterprises. It is important to what extent privatization has been accepted and the assessment of how it has evolved. We then consider the development of the managerial and entrepreneurial classes. Finally, we must attempt to illustrate differing attitudes towards work and employment among employees from various sectors of company ownership, to underline the important role of motivation, and to point out the tension between the public and private sectors.

3.1 Privatization process and the participation of citizens

Changes in the regime made possible the beginning of the de-nationalization of the entire economy. The privatization of production included in principle the 'small privatization' of shops, businesses premises, and the 'large privatization' of state enterprises. The Czechoslovak privatization process was unique in that it allowed for the restitution of property to former owners or their heirs. This was carried out despite initial reluctance among some of the authors of the economic reform, who initially feared potential complications involving unending legal disputes, which would slow down the entire privatization process. As a result of public pressure, the government began the restitution process and set the year 1955 as the historical boundary for small firms and 1948 for larger enterprises.

The most striking form of the ownership transformation was voucher privatization which began in 1992. Its aim was to attain the final stage of collective ownership; the 'socialist', and thus completely imaginary share of each citizen in the nation's property would be realized in the form of 'capitalist' equal opportunity through voucher privatization. As Pavel Mertlík argues, behind the formal rules of equal opportunity associated with voucher privatization, there was a hidden assumption that only the social elite with its knowledge of the market and capacity for rational decision-making could be successful. 'In this way the social order will quickly and safely return from the dangerous and de-forming communist experiment to something like Hayek's spontaneous order, in other words to the natural state where the best are also the richest and vice versa' (Mertlík, 1995:325).

Whether or not such an assumption was behind the chosen method of privatization, it turned out to be pure fiction. Voucher privatization has undoubtedly shaken up the structures of ownership, but has remained far from achieving the desired state. It may be argued that in a way it merely transformed the previous mode of ownership into another form. Even during the socialist period, property was not equally owned; only the managers of state property made any profit from it and those who managed to steal. Those most successful in privatization were those individuals who, thanks to their 'revolutionary ethics' did not hesitate to capitalize upon legal loopholes and were able to profit by avoiding the entanglement of ownership rights. Surely it was important for an individual to have the ability to make rational decisions was also important, but it not the kind of decisions where a common good arises from the selfishness of an individual, to quote Adam Smith's metaphor about the 'invisible hand of market'.

In the privatization procedure itself, statistics show that 72 % of the voucher points in the first wave of privatization and 64 % in the second were invested through Investment Privatization Funds (IPF) (Kotrba, 1995). Our own research has also shown that only a minority of the population invested in both privatization waves. People were quick to waive the right to make their own decisions, due to either a subjective feeling of ineptness or to the objective lack of information. It is therefore no surprise that the decision to invest through IPF was in negative correlation with the level of education; the higher the educational level the greater was the willingness to take an 'investment risk' and to act independently. For example, 39 % of university-educated people in the first wave of privatization and 54 % in the second rejected the role of IPFs as intermediaries (EEA, January 1996).

Table 3.1 Participation in privatization and subsequent behavior (%)

Answers	1st wave	2nd wave	Shares sold
<i>Points passed to IPF:</i>			
No	27.5	38.7	52.8
Less than half	3.3	4.4	7.1
About half	9.5	8.3	16.2
More than half	2.9	2.8	4.7
All	56.8	45.8	19.3
Total	100.0	100.0	100.0
<i>'No' responses by education:</i>			
Elementary	13.0	15.8	37.3
Vocational	19.3	26.3	44.4
Secondary	27.1	41.0	51.2
Tertiary	38.7	53.6	60.7
Total	27.5	38.7	52.8

Source: EEA, January 1996.

The decision to invest either directly in company shares or indirectly through shares in investment funds is only weakly related to the subsequent decision to sell or hold onto them (Table 3.1). Many people who had themselves selected shares in companies sold them off rather quickly. Although educational level had a certain impact upon the usage of investment vouchers (higher than any other personal characteristic), it certainly did not play a decisive role. Nor may we go so far as to assume that possession of shares is some kind of proof of a feeling of ownership responsibility. The information about the obscure transfers of property shares and lack of protection of minority shareholders could hardly have left anyone with the illusion that small shareholders might have any influence over the management or the future of a large enterprise.

However, thanks to voucher privatization, for a short time Czechs occupied the top position in the number of shareholders per inhabitant worldwide. Because most people realistically understood vouchers as a means to improve their standard of living rather than as a means to participate in decision-making, the percentage of households holding shares has continued to fall. According to the EEA survey, at the beginning of 1996 it was still 70 %, while in 1998 it was already only just above one-half (Table 3.2). A further drop can be expected as a result of the decline in the prices of property shares and forced sales which accompany the process of property concentration in connection with an objective assessment of the actual value of the unstructured big state firms. As Amitai Etzioni (1991) summarized the reform experience, a large portion of capital inherited from Communism proved to be worthless with the arrival of the moment of truth, i.e. when this property had to be sold to a real investor.

While the official voucher privatization program consisted of only two waves, the creativity of the capital market together with the media raised the number to four. In the 'third privatization wave', which began in 1995, the remaining shares still owned by small shareholders were bought by banks and the IPFs, as were transfers between individuals by consolidated institutional investors, with the aim of optimizing their portfolios. While at the beginning it was still possible to acquire a controlling stake in a company fairly cheap-

ly, since then the prices have risen due to speculation, which subsequently increased the internal debt of companies. The 'fourth wave', which is still the source of hopeful expectations, should bring about more bankruptcies, a clearing of debts, and above all the appearance of truly interested owners, mainly from abroad. The expected structural changes and modernization should subsequently increase the efficiency of the economy, however at the expense of price increases and higher unemployment.

Table 3.2 Ownership of shares and bonds (%)

<i>Kind of assets</i>	1996	1997	1998
Shares of firms	43.6	39.3	30.0
Shares of IPFs	49.1	47.4	36.6
State bonds	3.0	1.9	9.8
Private bonds	1.1	1.6	0.8
<i>Respondents with:</i>			
no ownership	30.1	35.6	47.2
one item	44.7	41.6	31.7
two or more items	25.2	22.8	21.1
Total	100.0	100.0	100.0

Source: EEA, January 1996, January 1997 and April 1998.

Let us turn to the actual balance of voucher privatization as seen by the population and ask which type of individual 'investors' were successful. Here we must rely on a subjective assessment by the people, since the actual income derived from voucher sales cannot be measured with any degree of accuracy. Moreover, people tend to be rather uncommunicative on this topic. As far as the overall evaluation of privatization is concerned, the individual point of view is even more important than the objective one, due to the fact that people measure their gains by comparing them to the investment and the expectations fuelled by leading economists and politicians. Personal income position is equally important because it determines the relationship within the framework of which the profit from these irregular resources is assessed. This is based upon a question that has been included in the EEA surveys since January 1996 'Would you agree that overall you gained from voucher privatization?' (Table 3.3).

Table 3.3 Perception of gains from voucher privatization and preference of governing coalition parties (%)

	Gain in privatization			Preference of coalition		
	1996	1997	1998	1996	1997	1998
Certainly yes	21.6	15.0	12.2	56.1	70.0	53.3
Rather yes	37.6	31.2	32.7	49.1	50.1	44.1
Rather no	21.1	22.5	21.8	38.7	42.7	37.2
Certainly no	19.8	31.3	33.3	31.8	27.4	26.5
Total (average)	100.0	100.0	100.0	45.2	44.3	37.9

Source: EEA, January 1996, January 1997 and April 1998.

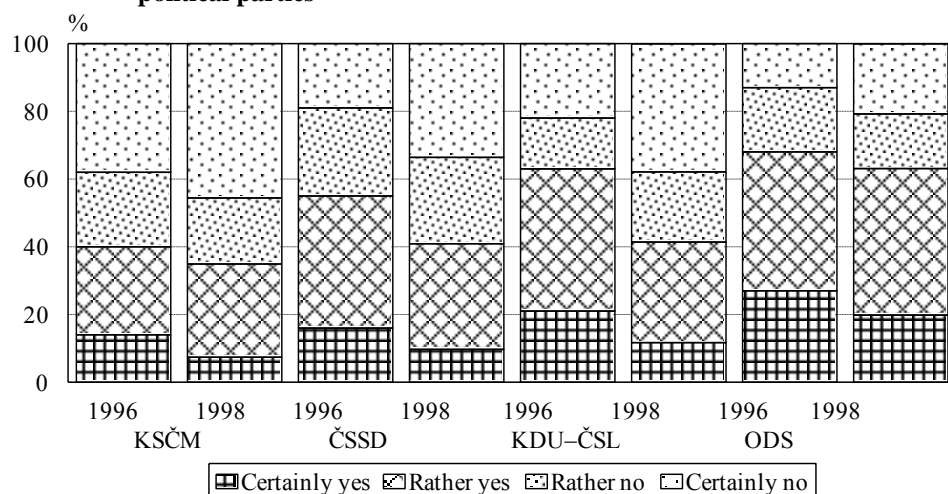
Box 3.1 An inside look at privatization

A qualitative analysis of large-scale privatization based on 'participant observation,' was conducted by economist Jiří Havel. In place of formal ownership, where only the type of institution is examined, his focus is on actual ownership, where the question is who if anyone at all exercises ownership rights. This position is based on the fact that in a command economy companies were practically in the hands of management, which survived the anarchistic period up until mid-1993, in order to prepare their own privatization projects (which had 'many of the qualities of the well-known masquerade of communist planning'). He states that 'in the highly demanding administrative process, there was no time to address question quality or economic efficiency'. By providing management, one succeeded to avoid formal errors and only moral scruples and public opinion would stand in the way of exercising anti-ownership behavior. As for the transfer of company assets into private hands, management had gained important experience in the previous regime, although the former methods were required to be less visible due to strict control. 'After November 1989, asset transfer activities met with unexpected opportunities' due to legal problems for the management in separating various activities from the company and running them as part of a private business. The original firm had thus become the basis for the 'conglomerate of the resident and non-resident management', which facilitated the transfer of revenues from the 'parent company' to private firms. Especially profitable was the combination of various privatization methods, because it led to a situation 'where the absolute fragmentation of owners guaranteed a key position to management' (Havel, 1997).

The answers collected for the first time at the beginning of 1996 clearly lean towards a positive assessment, especially among the more educated public. The feeling of personal gain from privatization, however, has over time been slowly dissipating, both in absolute figures (due to disappearing yields), or in relative terms (according to personal assessment as compared with stories of the fabulous privatization gains of some people). In January 1996 about 60 % were satisfied with their revenue from voucher privatization, by 1998 this had dropped to a mere 45 %. In January 1996 still 30 % of those surveyed had responded that during the last year, they had earned some income from these financial operations, in January 1997 this figure was down to 22 %, and in April 1998 to a mere 17 % (EEA). Households were not asked about the actual amount, but we know from household budgets that the indicated income source has shown great variations ranging from several to thousands of CZK.

Basic characteristics of individuals say little about who was involved with voucher privatization and what kind of success they had. We have focused on the role education, which seems to be the most important factor in this respect. This is followed by household income, even though its impact is less pronounced. It seems that it is in keeping with the well-known 'rule of St. Matthew' that more was given to those who already had it before. On the other hand, it is interesting to consider which factors had only a marginal impact or no impact at all. Among them is age and the size of locality. Middle-aged people were the most active in this respect, but variations from other age groups were very small. Similarly, one would assume that the 'stock exchange game' would be largely a city affair, but the results did not clearly support this assumption.

Figure 3.1 Perceived gains from voucher privatization among supporters of main political parties



Source: EEA, January 1996 and April 1998.

The main differences in an individual's success in voucher privatization lay in the personal characteristics, which are difficult to detect through conventional surveys. These were 'social capital' (the network of acquaintances which provide important information and convenient opportunities) and business instinct (which however often emerge only in a certain informational and social environment). Here we must stress that the less behavior is regulated by the state and the more open a society is, the more often sociological models based on the assumption of collective, i.e. class- or strata-specific behavior are likely to fail. This applies more than ever during periods of social turbulence. At the same time with increased amounts of money and wealth the accessibility of data concerning its size and owners diminishes.

Voucher privatization was indeed not only an economic operation but to a certain extent also a political act. Vouchers were a kind of election ballot for the chosen transformation strategy and a symbol of its economic returns in the future. The important role of privatization in the general market climate is unquestionable, reaching its peak in 1992, as our surveys show. Satisfaction with privatization progressively increases from the left side of the political spectrum to the right. The only exception was the Republican party located in this respect close to the Communists. The association between privatization gains and political preference was not unequivocal; in January 1996, 14 % of KSČM sympathizers were still convinced that they had gained through privatization, while in contrast the same percentage of ODS supporters had the feeling that they had suffered losses (Figure 3.1).

If those who profited from privatization and support right-wing parties are mainly well-educated people, are we not speaking about the same people? Was the feeling of satisfaction from privatization really an independently functioning factor for the support of right-wing parties? The analysis, in which a wide set of variables was included, shows unequivocally that such a feeling was not only important but was also an independent factor of political behavior. If we consider the personal characteristics, which play the most im-

portant role in the electoral choice of either the coalition or opposition parties, first place belongs to greater wealth, followed by younger age and higher education. Higher income follows closely after and then the above-mentioned perception of profit from privatization. *Ceteris paribus*, the answer 'certainly yes' added 6 % of votes to the coalition, whereas the answer 'certainly not' lost 7 % of votes (EEA, January 1996).

Box 3.2 Privatization and political attitudes

Using the EEA survey research from January 1996, John Earle (Stanford University and Central European University, Budapest) analyzed the impact of various privatization methods on three areas of attitudes : 1. retrospective and prospective assessment of economic reforms; 2. opinions about economic policies and the role of the state in the economy; 3. conviction about the legitimacy of reforms and democratic values. Multivariate analysis discovered that the participation in restitution, voucher privatization, and the ownership of shares (in contrast to their early sale) were all important indications of 'pro-reform' attitudes. Whether or not the beneficiaries of restitution and the winners in voucher privatization were more likely to evaluate the reform positively, they have a more positive outlook for the future, object against state intervention in the economy, prefer democratic values, and vote for the right-wing coalition. From the standpoint of gaining political support for reforms, the choice of privatization methods was thus favorable (Earle, Gehlbach, Saková and Večerník, 1997).

However, success in voucher privatization represents an important and independent axis of 'capitalist affiliation' among people in yet another sense. It has little or no association with the characteristics of respondents as self-employment, employment in the private sector, or a perspective of a professional career. Thus, success on the financial market is basically unrelated to activity in business or on the labor market. Such activity was influential in the same direction but remained independent. However, neither is the opposite true, that individuals who were successful in privatization would necessarily be less active in business or in the labor market – i.e. only very few such 'pure speculators' were documented in this survey, due to the small representation of this group within the entire population.

The association of political orientation to shareholding is much weaker than it is to success in privatization. It is possible to assume that people who consider shares as a permanent or long-term component of their wealth are likely to be rightwing oriented. On the other hand, those for whom shares were liquid cash, which was used as a quick remedy in times of price scare are on the left. This is accurate, however the association is more tenuous than in the previous case; for example, at the beginning of 1996, only 14 % of ODS supporters declared that they had already sold all of their shares, in contrast with 37 % of communist voters. This difference has been declining since the beginning of 1998, when already 40 % of ODS sympathizers had sold their shares, as had 60 % of KSČM voters.

At the same time, the fact that participation in privatization represented a relatively autonomous type of behavior and attitude among people might also mean that it may be remembered as little more than one episode in the transition process. If this is to be the case, it will not have met the expectations of its designers, who intended privatization to become a 'school of capitalist behavior', teaching responsibility towards property. In many ways, large privatization could only strengthen the already ingrained predatory attitude towards property, a product of the ambivalence between 'state' property (defended by draconian laws) and 'people's' property (where it was basically an unwritten rule to steal whenever possible). The concept of property as a permanent asset, which is bound to the owner's care, improvement and, reproduction, was evidently not renewed by the voucher privatization process.

3.2 Beliefs about privatization and its evaluation

The privatization process was in principle administrative, and no account has been taken of the final economic effect of property distribution or social profile of the new owners. The chosen privatization method tacitly relied on the assumption that by the moment of the distribution of ownership rights, conditions for the gradual allocation of property to the responsible owners would have been created. Thus speed was considered to be the most important parameter of success, necessary for 'jumping the chasm in one leap' (Jeffrey D. Sachs) and also to minimize the chances for illegal transfers of property during the brief period of anarchy. We can only speculate as to what extent the chosen method was based upon; an open and sincere reliance on essentially blind economic laws (in this case especially the so-called Coase theorem), and to what extent the tacit transfer of state property into the hands of its previous direct or indirect managers had been expected.

While from an official and rather formal perspective, one of the basic merits of the implemented transfer of ownership rights was considered to be speed. From an economic perspective, which takes into consideration the necessity of finding regular and responsible owners, the achieved results give reason for some doubt. New owners were indeed found, but in most cases they were not the final ones who would assume the full, long-term responsibility for the operation and development of the companies and firms. The question arises as to whether these first owners, many of whom were interested only in making an instant profit, will leave the company with sufficient capital for eventual development by a serious investor. Even more pressing is whether such entrepreneurs can grow and prosper in the environment created by privatization opportunities which favor short-sightedness and predatory behavior.

It may be argued that the transfer of ownership from state to specific owners got out of the hands of the privatization plan authors. The privatization process in its later stage merely transferred a significant part of the once atomized ownership rights into the hands of investment funds. Small shareholders have thus gone from being passive co-owners of companies to even more passive shareholders in these firms, if they did not waive their ownership rights altogether. At present, investment funds are not concerned with the exercise of their ownership rights, nor the aim of restructuring companies, nor increasing their efficiency. For this reason, company managers can not only ignore small shareholders, but can even avoid control by the larger shareholders, who tend to focus more on capital mar-

ket operations. For these and other reasons, the outcomes of large privatization have increasingly become the subject of criticism even though these outcomes are, as the authors of privatization stress ever more frequently, only preliminary.

Box 3.3 Comparison of the efficiency of domestic and foreign companies

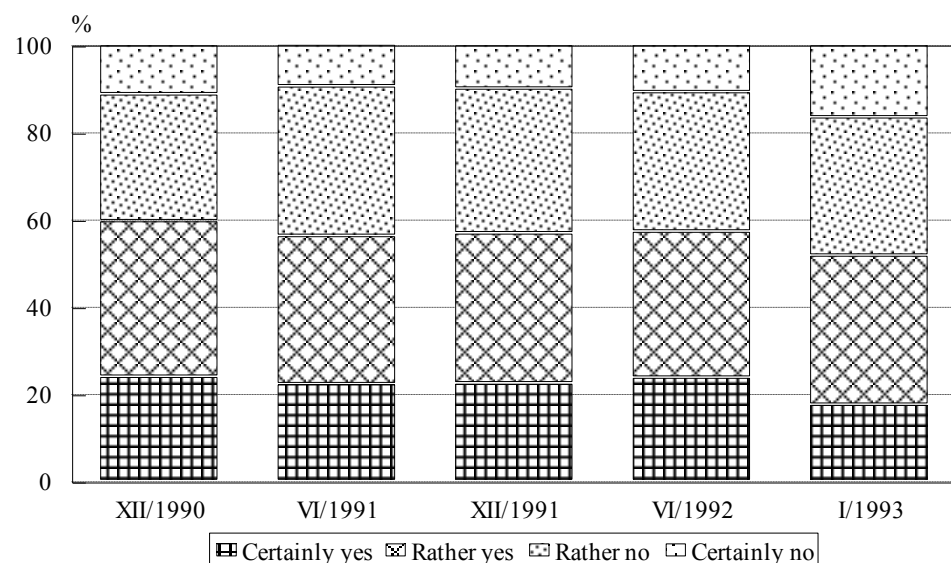
The success of large privatization will only become possible to evaluate after a greater period of time has elapsed, and according to the overall change in the performance of companies. However, economists Alena Zemplerová and Vladimír Benáček have already conducted a valuable analysis of 8,118 firms monitored in the database of the CSO (Czech Statistical Office), which were divided into domestic companies and those under foreign control. The comparison has shown that domestic manufacturing companies have achieved only 64 % of the productivity level of companies with foreign investment, and in some industrial branches as low as one-half, and in the automobile industry only one-third. The introduction of improved labor organization by the new management alone helped to improve the performance of companies by one-quarter. Foreign investors do not rely on cheap labor but rather on qualifications and abilities. Faster structural changes are visible in the newer and more expensive technology, which has resulted in nearly double the level of write-offs than in domestic companies. Moreover, firms with foreign investment are much more oriented towards exporting – on average 40 % (75 % in some areas) compared with 25 % among domestic companies. Foreign companies tend to emphasize long-term objectives, including a high rate of re-investment of profit and a stress on a qualified labor force (Zemplerová and Benáček, 1997). It is evident that a higher participation of foreign investors could have not only directly benefited the efficiency and the competitiveness of Czech manufacturing industry, but could have indirectly contributed to the establishment of a healthy business climate.

Although the official doctrine of the reform has been a ‘market without adjectives’, its implementation in the post-communist context brought about a situation where adjectives are abound. This has resulted from an ambiguous form of cross-ownership where the state is not directly represented yet is an important shareholder in large banks which in turn, control the most important investment funds and companies themselves. In this context, Lubomír Mlčoch has spoken of ‘state capitalism’ or, following David Stark (1992), of a ‘recombined ownership’ characterized by a rediscovered structural hierarchy (Mlčoch, 1997:110). The term ‘bank socialism’ is also used in the same context, which can only be prevented with the privatization of the five banking giants. The continuity of the managers’ rule and their extraordinary power within this tangled web of ownership, together with the state’s resignation from the operation of formally continuing ownership rights, is accurately captured in the term ‘managerial capitalism’ coined by Eyal et al. (1998).

Concerning the attitudes of the population, surveys show that privatization in its early stages was widely welcomed by Czech citizens. At the beginning of 1990, 60 % of respondents more or less agreed with the statement that large state firms must be transformed into joint-stock companies or private firms, and 55 % agreed that the activity of foreign companies should not be regulated (EEA, May 1990).

However, the population has gradually become aware of the hidden discrepancy between the formal and substantial aspects of privatization and has consequently altered its uncritical view of it. The intensity of the initial approval decreased over time, as shown by the decreasing share of responses supporting unregulated freedom for foreign companies, which by April 1997 had sunk to 30 % (Figures 3.2 and 3.3).

Figure 3.2 All state companies should be privatized



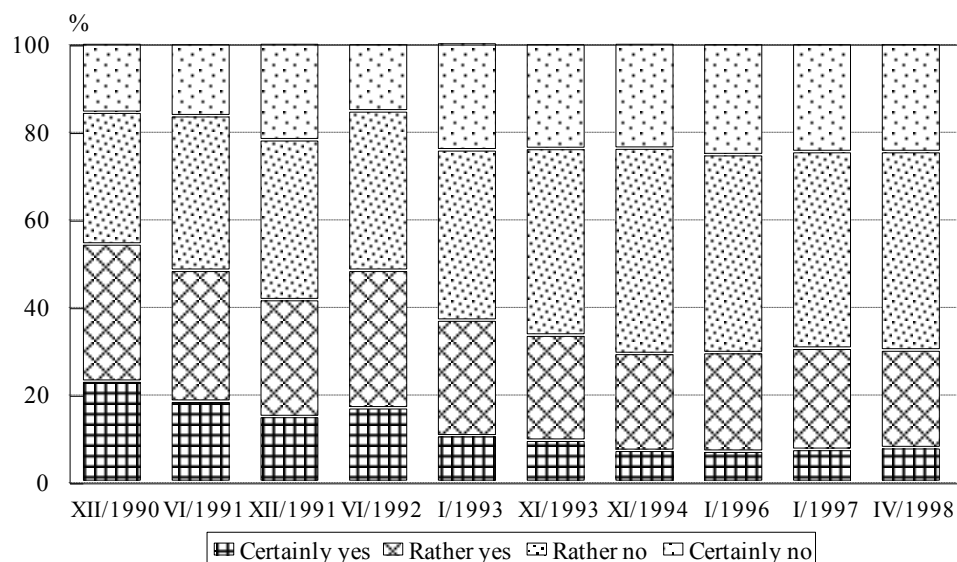
Source: EEA.

Admittedly, the downward trend in liberal attitudes is to a certain extent misleading. In relation to other attitudes it shows that shortly after 1989 people accepted market freedoms without serious thought, because at the same time they were in favor of strong state involvement in the economy, and continuity of generous social protection. The above-mentioned trend signals the remaining self-conscious and informed acceptance, in contrast with the spontaneous acceptance voiced in the initial stages of privatization euphoria. We can only hope that liberal euphoria will not be replaced by an equally uncritical 'etatist' or socialist one, as indicated by the growing nostalgia for the communist regime and its social security. Its core supporters are people who had been advantaged by the egalitarian system and were provided with social security. Regardless, an unwitting embellishment of the past has been a persistent feature of humankind since the most ancient times, and therefore cannot be considered an unusual feature (Sauvy, 1965).

Even before it began, there was a great deal of interest among people in voucher privatization itself. Nonetheless, at the beginning there were more people who claimed to understand the voucher privatization principle (44 %) than those who since its outset had been interested only in the purchase of the vouchers (35 %) (EEA, November 1990).

Percentages of both groups of respondents increased somewhat before the start of the first wave of privatization in May 1992, when already 57 % of respondents had stated that they understood its principle and one-half said they planned take part in it. More than half of the population shared the opinion that vouchers were the correct method for the redistribution of national property. Support for this method rose with the education level of the respondent and with the inclination towards the political right (EEA, December 1991).

Figure 3.3 Unlimited freedom for foreign firms



Source: EEA.

However, the turning point in the course of voucher privatization came with the aggressive campaign of the Harvard Investment and Consulting Funds. Their founder Viktor Kožený was the first to wage a bet on the popular understanding of privatization vouchers as a potential for liquid cash and to guarantee to buy back the coupons within one year for a tenfold of the initial investment. Ordinary participants in privatization were thus attracted more by the expectation of making a quick profit than the idea of joint ownership and shared responsibility. For this reason, people gave a considerably larger share of their vouchers to privatization investment funds than had generally been expected and more than what they themselves had initially intended. Still, by the end of 1991 roughly one half of those intending to take part in voucher privatization had decided to invest directly in companies (EEA, December 1991).

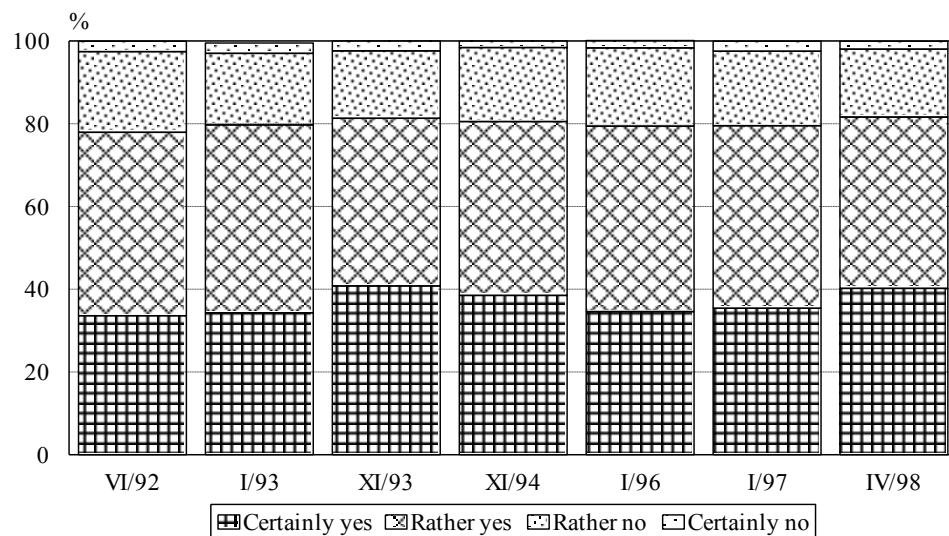
In keeping with the publicly proclaimed postulate of economic transformation, the people also agreed with the opinion that speed was of crucial importance. Not only did they agree that 'economic changes must be implemented as quickly as possible', but they also partially accepted the idea that the 'privatization should continue even at the risk that property may end up in the wrong hands', even at the cost of a temporary drop in living

standard. This is witnessed in the widely propagated belief by ODS that the transformation would be fast and that its specific 'Czech way' would not be threatened by any serious risks. The gradual sobering of the population resulted in a decline in the above-mentioned tolerance in both cases. Between the middle of 1992 and the end of 1993, the percentage of respondents who agreed that privatization should continue at any cost fell from 28 % to 18 %.

In contrast to the somewhat hesitant and fluctuating acceptance of voucher privatization, restitution was applauded by the general public from the very beginning, earning 77 % support of the Czech population (only 63 % in Slovakia). It is difficult to ascertain from our data which section of the population was in fact opposed to restitution, apart from those who remained committed to Communism, because we were unable to find any statistically significant relationship between attitudes towards restitution and relevant socio-economic characteristics of the population. Nonetheless, the opinion that restitution was limited in scope and was insufficiently effective was rather widespread; only one-tenth of respondents considered this solution as satisfactory and overall only one-half of the population was without criticism (EEA, December 1990).

Although the bulk privatization of state property is an exceptional event, its final evaluation is part of the overall awareness of the legitimacy of acquired wealth, which has a much wider set of associations. If the general sentiment is that it is not possible to acquire wealth honestly, we must then raise two questions. Is it a new phenomenon, which has been caused by the 'tunneling' of banks, investment funds and companies? If so, are we in this respect exceptional, i.e. is it a Czech national mentality or perhaps the consequence of the chosen method of privatization? Or, on the contrary, is it just an expression of a generally deeply rooted conviction that 'capitalist ownership is theft', as P.J. Proudhon once asserted?

Figure 3.4 Are people attaining wealth today by unfair means?



Source: EEA.

Privatization must certainly be viewed critically, and we would expect to find in survey responses certain sensitivity in the public with regard to the frequent scandals that have arisen in the recent period. Strangely enough this was not the case. The belief in the Czech Republic that the paths leading to property are generally dishonest is not new. We can hardly make a comparison with the pre-1989 period to the middle of 1991, when such a question first appeared in a public survey. Since then, the responses have steadily increased up to the point when a third of those surveyed responded 'certainly yes' and another half 'rather yes' (Figure 3.4). This dangerous lack of respect for the institution of private property did not diminish even during the 1992 elections, when public opinion had been more open towards liberalism, but neither did it increase during the 1996 elections, which were carried out in the spotlight of the re-opening of social security.

Box 3.4 'The veiled vision of transition'

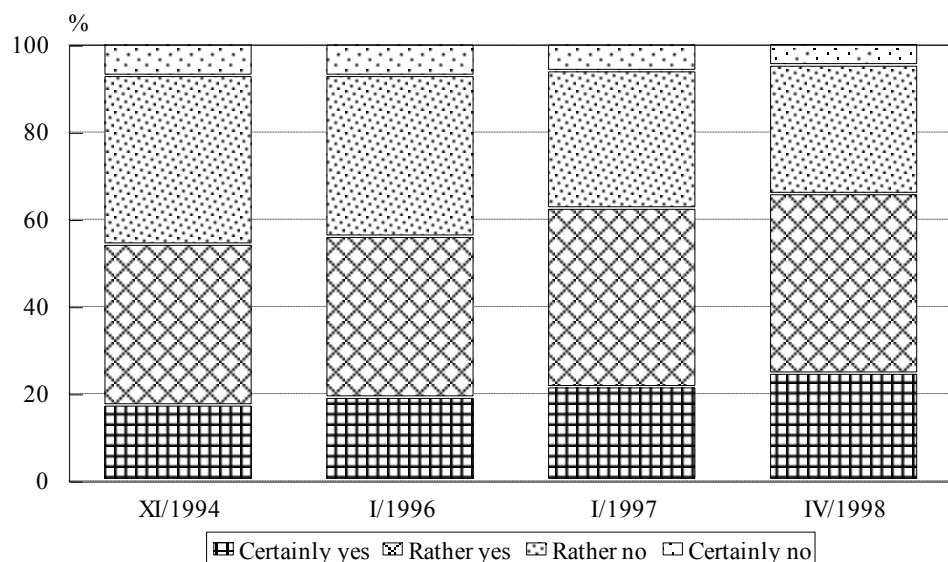
Lubomír Mlčoch uses the concept of 'path dependency', developed by David Stark, and shares his belief that it is not possible to free oneself quickly from the heritage of the past. He does not criticize privatization as a whole, but rather only the theory which led to the creation of the 'quasi-private recombined ownership'. The conditions in this sector led to the unfortunate state of the capital market, which does not guarantee the protection of the ownership rights of shareholders and thus discourages investment. The system does not mobilize people to save, because it cannot transform these savings into efficient investment and is not supportive in the generation of profit and its reinvestment on the company level. Small banks are unsuccessful and their clients are returning to the few semi-state owned banks. In place of competition, a group of oligopolies of quasi-private banks have returned, which behave like a state monopoly with all its negative aspects. As a result of the premature departure of the state from its big strategic firms, many of their problems have been left chronically unresolved. The author argues that Czech post-socialist capitalism is highly stigmatized by elements inherited from the paternalist 'really existing socialist' state, which has resulted in 'state capitalism' (Mlčoch, 1997:92–98).

If we compare the Czech Republic in this respect with other countries, it proves to be an integral part of the post-communist region. The doubts cast upon the legitimacy of property is similar in all reform countries and is nearly twice as high as in the West. However, important variations exist even among Western countries. For example, in liberal countries (USA and the United Kingdom) skepticism towards the honesty of wealth acquisition is higher than in the socially generous countries (the Netherlands and Germany). But in the Czech case, it is evidently not a sign of excessive liberalism but rather of the heritage of Communism. The fact that this attitude has remained at the same level throughout the entire transformation period proves that it is a continuation of the mistrust of private property disseminated by the communist regime, rather than a new phenomenon created by privatization and the problems which have accompanied it.

Attitudes towards actual privatization were examined by the following question: 'Do you believe that privatization means the transfer of property into the wrong hands?' As shown in Figure 3.5, agreement with this statement was already quite high (roughly half) even during the course of privatization, and increased only slightly in the following years.

As was the case of the general attitude towards the legitimacy of wealth, here the generally slow trend covers up a faster change in the political content and intensity of the above-mentioned attitude. It means that people who are likely to be suspicious of wealth as the product of dishonesty or even the transgression of law are adhering more and more to the left, which is also reflected in their voting behavior. Prior to the 1998 elections, people of the opinion that privatization transferred property into the wrong hands were: 75 % of the supporters of ČSSD, 84 % of DŽJ and 91 % of the Communist Party voters, against 40 % of ODS sympathizers (EEA, April 1998).

Figure 3.5 Belief that privatization transfers property into wrong hands



Source: EEA.

3.3 Managers and entrepreneurs: the capitalist expansion and its hindrances

In the whole framework of the transformation, privatization was a motor for a wealth of mobility within the population. It was not just the exchange of persons between already existing positions, but the emergence of entirely new social groups. Indeed, one of the main changes expected from privatization was its contribution to the creation of a group of entrepreneurs as a constitutive component of the middle classes. In addition, other significant categories of the active population were also created and characterized by a heterogeneous economic status, i.e. where the main dependent job is complemented by some form of business activity (which however – in terms of time and energy invested – is the actual main occupation). Each area of privatization has undoubtedly also a 'personal agenda' and thus social profile of actors. Unfortunately, there are only few possibilities to monitor them, and in principle the easier they are to observe, the more they take on a collective character.

Box 3.5 Firms according to the register of economic subjects

By the end of 1996, 1.5 million firms were officially registered. According to business law, there were 1.1 million private entrepreneurs, 98,000 farmers, 130,000 commercial companies, approximately 7,000 cooperatives, and less than 2,000 state firms (Statistical Yearbook, 1997). By the end of 1995, self-employed subjects without salaried employees amounted to 73 % of the functioning private firms and 26 % of the companies employing between 1 and 49 people (in the EU, these categories represent 66 % and 32 % of companies respectively). From the standpoint of employment structure, 17 % of self-employed individuals did not have employees, 31 % worked in companies with up to 49 employees, and 52 % in larger firms (in the EU it is 8 %, 43 % and 49 % respectively). The most represented areas are the commercial sector (29 % of firms), industry (16 %), and construction (15 %), which does not differ substantially from the EU average. In 1995 there were approximately 700,000 small and medium sized firms in existence, which is approximately 64 % of all registered companies. From the rest, 15 % were 'dormant' and 20 % had already ceased all activity (Stav, 1997:32n.)

Restitution consisted of the return of property to the former owners or more often to their children or more distant heirs. It is possible to assume that a number of them have continuously carried some kind of entrepreneurial zeal in themselves. The main forms of small privatization, i.e. direct sales, public auctions, and competitions were widely favored by the employees of shops involved, which was potentially a guarantee of considerable business interest. Unfortunately, auctions were also exploited by black marketers and immigrant businessmen from Eastern countries for purposes of 'money laundering', although they possessed no formal authorization to participate. Large privatization was dominated by approved projects which had been proposed by the present or past managers of individual companies, who could thus make efficient use of inside information and accumulated social capital.

Such reasoning is, however, rather hypothetical and over-simplified. Neither social origin, nor previous employment reliable guarantees of an actual 'capitalist' management, which would focus on efficiency, investment, and the maintenance of an adequate profit margin. From all three groups (restitution beneficiaries, employees and managers), we might also expect the opposite kind of behavior, resulting in the draining of company assets into financial capital or consumption. With a hopeless shortage of collectively recognized norms (which according to Max Weber represented Calvinist abnegation in the early period of capitalism) and immature business legislation lacking any regulatory mechanism, negative human qualities and habits from the communist period were not only able to surface, but had even become profitable, all in contrast to the actual meaning of economic efficiency and elementary human decency.

Contrary to the idealized assumption that in privatization only the strongest come out the winners, experience has shown that highly valued human qualities were not always the best capital. Rather than human capital and high ethical standards, previous positions, contacts and information, detailed knowledge of the given organization, or simply belonging to certain closed networks of people were more decisive for the success of the proposed privatization projects. According to official data, the existing company management

proposed only 21 % of privatization projects but 82 % of all approved projects (Mejstřík, 1997:208). It is only natural that under such circumstances managers of the former state firms and not necessarily only the best candidates were the most successful. Research findings speak in this context about a ‘revolution of deputies’, where a systematic and agreed upon exchange of positions was made between former company directors and their assistants who then either informally or formally took over the reigns of management (Hanley, Matějů, Vlachová and Krejčí, 1996).

Table 3.4 Total number of business licenses (BL) and entrepreneurs (thousands)

Numbers	1992	1993	1994	1995	1996	1997
Total number of BL	940,3	1263,8	1595,1	1859,2	2294,1	2611,4
Of which:						
individuals	799,1	1030,7	1276,2	1489,6	1813,2	2057,0
legal persons	141,2	233,1	318,9	369,6	480,9	554,4
foreigners	-	8,8	19,9	43,3	54,7	77,1
Entrepreneurs total	656,1	889,9	1113,9	1243,6	1470,8	1648,9
Of which:						
individuals	-	794,9	985,9	1116,8	1301,8	1456,8
legal persons	-	94,9	128,0	126,8	169,0	192,0
Entrepreneurs-foreigners	-	7,3	18,5	37,0	45,5	63,5
BLs per 1,000 inhabitants	91.15	122.35	154.35	179.94	222.30	253.22
Entrepreneurs per 1,000 inhabitants	63.60	86.15	107.79	120.36	142.53	159.88
BLs per entrepreneur	1.43	1.42	1.43	1.49	1.56	1.58

Source: Ministry of Manufacturing and Trade.

By far the biggest expansion of business was expected among new entrepreneurs, who were beginning with few resources (personal savings or previous engagement in the shadow economy) or from scratch altogether. Although the launch of *de novo* firms was rather vigorous, it can hardly be called an explosion. According to newly introduced Labor Force Surveys, in the spring of 1992 the self-employed represented 6.2 % of the total labor force, and entrepreneurs with employees 2.5 %, whereas by mid-1998 the corresponding percentages were 9.2 % and 4.2 %. In any case, the number of entrepreneurs and self-employed, as given by respondents in surveys, represent only a fraction of the numbers of business licenses issued. As Table 3.4 shows, by 1997 2.6 million licenses had been issued and there were 1.6 million registered entrepreneurs. However, according to Labor Force Surveys, the number of self-employed and entrepreneurs had reached only 600,000 in 1998.

This difference may be explained by the fact that the majority of the self-employed were still employed elsewhere and ran a business only as a second job. While in comparison with the initial period of the transformation the percentage of single occupations has grown (i.e. either dependent job or self-employment), the double job status is still by far the most prevalent. According to the EEA survey, at the beginning of 1997 private busi-

ness was the only source of income for 15 % of those surveyed with business licenses, the primary job for 35 %, and a complementary source of income for the rest (EEA, January 1997). Subsequent development has shown a stagnation in these percentages, and due to the overall situation, a clear separation between dependent and independent job is unlikely. The dual status, combining employment security and market freedom is in fact a typical post-communist solution which may be advantageous for individuals but is less so for the efficiency of the economy.

Box 3.6 International comparison of small firms

Because our analysis is based mainly upon data and on the behavior and opinions of the population, we must also mention sources based on statements provided by companies and their managers. In the CEE countries in autumn of 1995, national statistical offices conducted a survey (within the framework of the PECO program and in cooperation with EUROSTAT) among 92,000 registered companies. According to this survey, 54 % of Czech firms had no serious problems with either supply or demand, while the average in the CEE countries was only 39 %. Among the greatest difficulties in the manufacturing potential of Czech companies were insufficient resources and then deficiencies in available credit, payments, and employee qualification. Complaints were focused on the lack of solvency demands and severe competition.

Of equal importance was the survey of small firms, conducted in the spring of 1997 among 1680 Czech companies by regional consulting and information centers. The goal was to collect data on the attitudes of entrepreneurs and managers concerning financial issues, collection and the use of information, and expectations of EU enlargement. According to this survey, new entrepreneurs were mostly concerned with the lack of initial capital and difficulties in finding potential business premises. The lack of sufficient finances for investment and operational capital, high taxes, an unreliable and unstable legal framework, and lack of information for the business were also cited as problems. On the other hand, registration procedures and orders, raw materials and purchasing equipment had been less difficult. Smaller firms (under 10 employees) had more difficulty obtaining the initial capital and business premises at the beginning and experienced a greater burden of taxes as well as a lack of access to information. Access to credit has been undermined by the common approach among banks which, according to the surveyed companies, are hesitant to offer small loans and charge very high interest rates (Stav, 1997).

Retrospectively, let us now examine the fate of the population using the 1997 ISSP survey 'Work Orientations'. The commencement of private economic activity in the post-1989 period was reported by roughly 15 % of persons at a productive age. The range of individuals involved in some kind of business is quite varied. Even though males are the majority (62 %), the percentage of females is also significant (38 %). While all educational levels are represented, we find a higher percentage of people with university degrees among entrepreneurs (27 % as compared with 14 % of those not engaged in business). With regard to the size of community, no specific connection was found, but there was a greater representation of people from larger cities or from Prague. According to the area of activity, small private firms are largely focused on construction, retail, and services.

The difficult circumstances in which new entrepreneurs found themselves in the early transition contrasts with the relatively problem-free and undoubtedly greater financial success of managers. Indeed, new entrepreneurs were somewhat able to improve their standard of living, in exchange for extreme work burden and risk, yet they were ultimately unable to increase their share of economic power. Despite all of this, their perception of personal achievement is not negative, because it is based neither in power nor influence, but mainly upon the values of independence and autonomy. Therefore, according to their own statements, the great majority of entrepreneurs (85 %) would opt again for self-employment, which is why the members of this group are the most satisfied with their job (30 % compared with 12 % of the general population). From the standpoint of social rank, entrepreneurs do not perceive themselves to be better than others – only 18 % place themselves among the middle classes (not to mention the upper class), compared with 11 % of the general population (ISSP–1997).

3.4 Attitudes towards job: security or independence?

During the transition, privatization and business served as a mobilizing and selective process, which differentiated individuals who were had an inclination towards business, preferring autonomy even at the cost of risk, from the passive non-entrepreneurial types who preferred social security. The abolition of barriers to self-employment and the sudden change in the economic environment have opened the gates to new opportunities. The first ‘butter peddlers’ pointed the way to capitalist beginnings and many of them would become successful and wealthy merchants. Yet receiving property through restitution, whether a small trade or bigger enterprise was more advantageous than starting from scratch.

In the minds of people, there was and still is more of a desire for autonomy than what we see in reality. According to the ISSP–1997 survey, 40 % of economically active respondents said they would hypothetically prefer to be self-employed or entrepreneurs, yet only 10 % actually took the initiative. On the other hand, nearly three-quarters of those preferring a dependent job (i.e. the remaining 60 %), responded that they would rather work for the state than a private organization, which illustrates the importance of social security. Only minor differences exist in how each group judges their own work effort: over half of each group concede that they work to the best of their abilities even in cases where the job infringes on their privacy.

Let us now consider workers’ attitudes towards self- and dependent employment, and among the latter, in which sector of ownership they are employed. Generally, satisfaction with the present job prevails: 35 % of workers are more or less satisfied, 20 % are not satisfied and the rest replied ‘somewhere in between’. The highest satisfaction was registered among entrepreneurs and small entrepreneurs, followed by civil servants. The satisfaction level is thus dependent on either room for initiative (in the first group), or social security (in the second group). However, both self-employed persons and civil servants consider their jobs to be often more stressful than others.

On the other hand, dissatisfaction with one’s job is most pronounced among employees in joint-stock companies with foreign capital and in new private companies. Surprisingly, dissatisfaction is not closely linked with work intensity, which we would expect to be low-

est in the non-restructured, former state enterprises. Employees at local branches of big international companies often complain about the stress of their job, but it is more often the result of frequent organizational and technological changes than of a greater workload. Lack of satisfaction in these situations leads to a smaller degree of pride in the company, in contrast to employees of domestic and especially state enterprises.

Table 3.5 Desired values of job and as they are accomplished in respondents' jobs by type of ownership (index)

Item	Sector of ownership								Total
	1	2	3	4	5	6	7	8	
<i>Desired:</i>									
Security	78	81	88	85	87	87	79	81	84
Reward	64	66	70	70	73	66	70	65	69
Promotion	39	48	41	45	44	43	38	44	43
Interesting	76	79	75	76	75	68	69	79	75
Independence	66	64	44	56	52	47	49	57	54
Help to people	54	60	59	56	58	53	56	67	59
Useful	55	58	43	53	58	53	49	63	55
<i>Accomplished:</i>									
Security	45	66	56	50	46	50	46	55	51
Reward	26	42	20	22	17	15	18	17	20
Promotion	21	25	25	15	12	14	14	18	16
Interesting	65	71	44	55	54	49	38	67	56
Independence	79	91	59	59	59	56	49	61	61
Help to people	46	62	46	51	57	53	47	72	57
Useful	60	77	55	69	61	69	56	77	67
<i>Difference:</i>									
Security	-33	-15	-32	-35	-41	-37	-33	-26	-33
Reward	-38	-24	-50	-48	-56	-51	-52	-48	-49
Promotion	-18	-23	-16	-30	-32	-29	-24	-26	-27
Interesting	-11	-8	-31	-21	-21	-19	-31	-12	-19
Independence	13	27	15	3	7	9	0	4	7
Help to people	-8	2	-13	-5	-1	0	-9	5	-2
Useful	5	19	12	16	3	16	7	14	12

Source: ISSP-1997.

The index is created from five variants of an answer so that the desired values 'very important'=100, 'not important at all'=0, regarding actual values in the current job 'strongly agree'=100, and 'strongly disagree'=0.

Sector of ownership: 1. entrepreneur, 2. self-employed, 3. joint-stock company with foreign capital, 4. joint-stock company domestic, 5. new private firm, 6. state firm, 7. firm in other ownership, 8. public institution.

Based on the same data, we may compare how employees in various sectors of ownership see the value of their work and level of satisfaction at their present job (Table 3.5). Entrepreneurs and self-employed without employees value above all the autonomy and the appeal of their work. Private companies are attractive mainly for their high wages. Civil servants give great importance to the usefulness of their job in relation to society and are most willing to help others. On the other hand, employees at large companies with foreign investment have less value for the social usefulness of their work.

Table 3.6 Desired factors of earnings as they are accomplished in respondents' jobs (index)

Factors of earnings	Desired factors		Accomplished factors		Difference btw. desired and accomplished		Change in 1992–1997	
	1992	1997	1992	1997	1992	1997	desired	accompl.
1. Education	71.3	72.9	48.0	55.1	23.4	17.8	1.6	7.2
2. Conditions	68.2	66.4	38.7	40.5	29.5	25.9	-1.8	1.8
3. Effort	85.0	85.3	45.4	56.8	39.6	28.4	0.3	11.4
4. Responsibility	76.7	77.8	49.3	59.5	27.4	18.2	1.0	10.3
5. Family	42.2	33.8	27.5	21.9	14.7	11.9	-8.4	-5.6
6. Loyalty	50.6	51.3	44.3	43.6	6.3	7.7	0.7	-0.8
7. Gender	12.6	17.5	36.4	41.0	-23.7	-23.6	4.8	4.7

Source: ISSP–1992 and ISSP–1997.

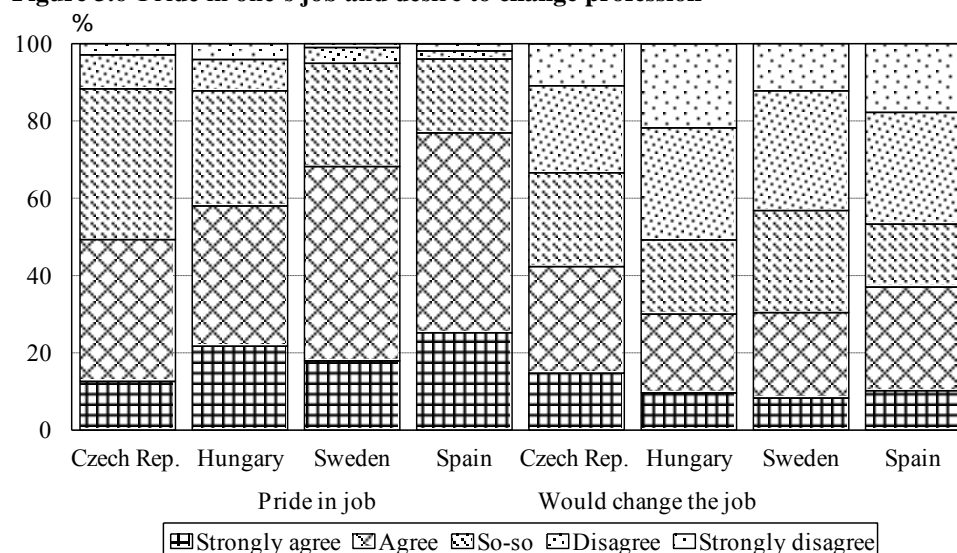
The index is created from four variants of the answer so that 'it has decisive importance'=100 and 'has no importance at all'=0.

Factors: 1. Level of education, 2. Work conditions 3. Personal effort, 4. Managerial responsibility, 5. Family burden, 6. Number of years with firm, 7. Male or Female

However, it is becoming clear that no matter how great the perceived differences are between types of ownership in desired job characteristics, they are much smaller than the differences in the actual jobs of respondents. In their own opinion, employees of small private and state companies have the least amount of security in comparison to the desired level. The same applies to wage dissatisfaction where the main split appears between all self-employed subjects (relatively satisfied) and dependent employees (more or less dissatisfied). A similar disparity also exists in opportunities for advancement, but its realization is rated much higher than the expectations of a good salary. Entrepreneurs consider themselves to be of greater use to society than is suggested by their potential ambitions.

In the assessment of factors influencing life success the obtained results were rather predictable. Whereas the self-employed consider the attainment factors (having ambitions, being gifted, and working hard) to be most important, dependent employees tended to consider ascriptive factors to be decisive (family wealth, well-educated parents and one's own education). It is quite common that when considered from 'the inside', better standing and wealth seem to be hard earned, while from 'the outside' they appear as unmerited and the result of an outside influence.

Figure 3.6 Pride in one's job and desire to change profession



Source: ISSP-1997.

An international comparison mirrors Czech attitudes towards work rather critically. The ISSP-1997 survey has yet to be carried out in all of the participating countries, nonetheless we now have data from a rather interesting group of countries. Participating in the survey were another reform country (Hungary), a representative of advanced capitalism (Sweden), and a representative of an economically advancing southern European member of the EU (Spain). The Czech respondents show remarkably strong signs of Communism, i.e. the need for job security combined with dissatisfaction in their current job. Many Czechs are strongly dissatisfied with their job (behind the Hungarians) and are convinced that with some effort they could find other job (just behind the Swedes). Czechs are the least likely to show pride in their job (Spaniards lead followed by the Swedes and Hungarians) and are most willing to change their present job should a better opportunity arise (42 %). Related to this is a weak loyalty towards the employer. Pride among Czechs in the company or organization in which they work is the least pronounced of all of the observed countries (44 % are more or less 'loyal' employees) (Figure 3.6).

These unflattering results should not be taken as representative of the Czech character, but rather of the incomplete state of transition, and the undemanding labor market. The labor market, which was formed after 1989 should have been an invitation to better performance and quality in exchange for the promise of higher earnings for better work. The expected mobility of labor, accompanying the far-reaching structural changes in the economy, should have promoted the able employees and served as a warning for those who were not performing up to par. The gloomy forecasts of unemployment as well as the spontaneous concern about layoffs voiced at the beginning of the 1990s were in fact expressive of the realistic expectations of painful cuts in the economy. But this did not hap-

pen and paradoxically it was the OECD experts who would censure Czech 'sceptics' for the forecasted growth in unemployment instead of warning against the shortcomings of the 'golden Czech way' to capitalism without sacrifices (Review, 1995).

The value oriented nurturing of productive work, like of other traditional values, played only a minor role in the transition. At the same time it is clear that the relationship a position, company, and its name represents an asset no less significant than production or financial capital; the only difference is that such loyalty is much more difficult to gain and maintain. It is no surprise to see that employee loyalty is higher in former state enterprises, which were islands of social security under the benevolent control of the state. On the other hand, loyalty among employees towards foreign and new private companies is lower not only due to the fact that they are new, but also because the guarantees of a well-established work system and social security do not apply. Yet this is precisely why foreign and new companies are more efficient (as illustrated by the comparison made in Box 3.3) and why they can offer greater long-term security, based not on state support but rather on competitiveness and healthy prosperity. In the values of work and their differentiation according to types of ownership, we may apply a criticism of the transition thus far, which is the conspicuous absence of a 'capitalist relation' towards one's own work.

3.5 Conclusion

Privatization and the renewal of private business were the main supporting elements of the economic reform. Although they should have been of equal importance, the energy input was by no means the same. Privatization enjoyed the focused attention of all interested parties – government teams, company management, financial speculators, as well as rank-and-file citizens who were partially invited into to participate. In comparison, the start of small- and medium-sized enterprises was left almost exclusively in the hands of its initiators, while the state limited its role only to regulation, control, and taxation. Financial support for new companies coming from the state budget amounted to just a few billion CZK and no serious consideration was given to their support in administration, credit, or taxes for starting businesses. In addition, new entrepreneurs were left on their own.

Large-scale privatization was conducted at record speed, but its results were met with mixed feelings in the eyes of citizens, where admiration would come to be replaced with disillusion. On the one hand, many people had profited from vouchers and accordingly had given support to the liberal parties. On the other hand, the public has been increasingly overwhelmed with information about privatization frauds and huge sums disappearing into unknown hands and places. Over time, the sense of privatization as a contribution had weakened, therefore raising the question of whether this had in fact been the initial intent of privatization. The ownership was transferred from one anonymous type of ownership (the so-called ownership of the people) to another (i.e. joint-stock), but the responsibility would remain in the same hands or become even less transparent. Very few people today believe that privatization offered equal opportunities to everyone. The general opinion that there has been no honest property acquisition has been supported by the conspicuous privileges of people with few scruples and greater access to information.

The most important outcome of large privatization, i.e. its impact on economic efficiency was not addressed this chapter. Its assessment would require further detailed economic analyses. Data show all economic indicators of production, export and use of labor force to be lower in firms privatized by the voucher method, in comparison with foreign-owned firms and firms which remained in the hands of the state. However, the selection of firms for different privatization methods could have been misleading and the measures applied were not always as cautious as needed. In any case, in comparison with initial expectations, the results of privatization are rather problematic. The former giant state enterprises have yet to sever their umbilical cord to the state and only distantly follow the example set by foreign-owned companies regarding the general focus on long-term development. While the capital constraints on domestic companies is both understandable and justifiable, organizational stagnation and waste of human capital is not.

Unlike the stagnation in larger firms, thousands of people have taken advantage of the new opportunity to start small- and medium-sized enterprises, and have accepted the challenge to their own abilities, endurance, and luck. However, conditions were not favorable enough to allow for the continuation of the initial expansion, and as a result many people have remained on the level of 'dual status', i.e. combining the advantages offered by the main dependent job and additional earnings from self-employment. At the outset, new entrepreneurs still hoped for some concessions and advantages, but were denied on the premise of 'standard' conditions for all. In fact, the conditions for *de novo* and continuing firms were very unequal. This applies not only to the heavy burden of 'fast' taxes and 'slow' write-offs, but above all for the generally opaque business environment, where debtors cannot be prosecuted and the winner is the one who bets on unrespectable acting.

As far as a 'capitalist' work ethic is concerned, the initial enthusiasm has faded as has the intention of returning to Europe and to Czech pre-war traditions, which might have been the source of pressure to change the ingrained attitudes of a significant part of the population. Billions of Czech crowns of national property have also disappeared, which could have been used for setting supply on the labor market in motion, for example, in building new apartments in promising regions. Based upon the responses of those surveyed, only a third of all economically active persons in the eighth year of reform affirm that the workload at their job has increased in comparison with the pre-1989 period (the biggest increase was logically declared by self-employed and entrepreneurs). Additionally, just one-fifth of workers believe that their qualifications are better utilized today than under the old regime. These results are certainly not very encouraging, but nor are they surprising when we consider the lack of pressure for microeconomic change and the persistence of a social welfare climate based on the generous crediting of former state enterprises.

Many formal conditions for capitalism have been created and many typical occupational categories for capitalism have emerged. But it is now clear that the creation of an environment which is supportive of behavior leading to 'capitalist virtues', which will require several more years. Fortunately, the recent tolerance for negative human qualities and anti-ownership attitudes, which were inherited from the past system have not caused irreparable damage. This means not only the draining of capital, but also the weakening of motivation for the types of business which drive a society forward, as stated in the spirit of Joseph Schumpeter: 'First of all, there is the dream and the will to found a private kingdom... Then there is the will to conquer, the impulse to fight, to prove oneself superior to

others, to succeed for the sake, not for the fruits of success, but of the success itself... Finally, there is the joy of creating, for getting things done, or simply for exercising one's energy and ingenuity' (1912:93, cited by Burt, 1993:91).

The replacement of family businesses with joint-stock companies has only slightly changed the definition of real business behavior. Although in approaching end of the century, we surely cannot expect a return to the situation as it was at its conception. Even today, smoothly functioning capitalism will not be possible without a full engagement of human forces and capacities.

4 The Czech family, the marriage market, and the reproductive climate

The transformation of the demographic characteristics of the Czech population are one visible attribute of the ongoing political, social, and demographic changes in the Czech Republic in the 1990s. Quantitative changes in family behavior, including marriage and reproductive activities, and also in the mortality pattern are so substantial that they suggest the emergence of new trends and allow us to speak of qualitative change. The novelty of these ongoing changes is, however, from the standpoint of individual phenomena rather relative, because in developed countries these demographic trends have already been occurring for 30 years. It is certain that Czech society, as far as the formation of families, births, and deaths are concerned is becoming more similar to European standards.

Two trends characterize the development of family behavior since 1989 both connected with the conception of a family. Each year in the Czech Republic the number of marriages is declining and fewer children are being born. Three conditions help to explain the internal sources of this development; the inheritance of a deformed Czech population structure from the former regime, the increase in the opportunities for self-realization of individuals, and a weak housing market. These limitations, while mutually independent, have had a similar outcome and have led to the transformation of the population climate, which for young families is expressed in two deferments – in starting new households and in the decision to have the first child. The marriage age and the age when families had their first child were artificially low in the Czech Republic. The increase in this age thus symbolizes the return of the Czech Republic back to Europe.

The return to European patterns of reproductive and family behavior is the strongest internal cause of the above-mentioned trends. A similar drop in births and marriages had occurred in Europe in the 1970s. In the upcoming decade, it is possible to predict that it will become increasingly common for Czechs to start families at a later age, which brings with it changes in marital decisions and reproductive strategies, which will be accompanied by the transformation of the internal structure of the Czech family. It is neither realistic to expect that all 'deferred' marriages will be realized nor that all children 'temporarily postponed' will eventually be born. However, this predicted development does not mean that in the next several decades the outcome of lower marriage and birth rates will pose a serious threat to Czech society. This is as long as young people are free to choose their own way of living together as well as the number of children they wish to have. The instability of the age structure, which Czechs bear as an unwanted heritage, is certainly one source of substantial economic and social losses.

4.1 Deformation of the age structure

In the countries of 'really existing socialism', natural social development was deformed by the voluntarism of state economic and social politics over several decades. Because politics lacked the democratic feedback of the people which comes from free elections (and from private companies in the market), the state was able to put forth demanding aims and often even achieve quick and far reaching successes. Any unintended consequences of these one-sided measures could be unnoticeable for a long time afterwards, thus it was necessary to react only when problems had gotten out of hand. For such belated intervention to bring about the expected consequences, the state had to react with decisive counter-measures, which also brought about unintended consequences of their own. The more radical the new measures were, the more the social system was shaken to the point where the regime lost balance completely and eventually led to its demise.

It is also true for society that wounds heal, but the scars grow with the body. The consequences of the deliberate pressures on social development and their subsequent and often eccentric repairs grew into a social organism. These changes were referred to by the new regime as the 'inherited deformations'. Often discussed are the cultural or so-called soft deformation (the decay of business or political culture) and hard deformation, which persists in the structure of the national economy. The deeply embedded but significant and generally influential deformation of the age structure of the population often escapes without being noticed.

When we compare the age pyramid of the population of European countries, we see first of all a substantial difference between several countries, which remained free from the catastrophes of war (Sweden, Switzerland), and others who were ravaged by war. Substantial losses caused by war had a direct affect on the birthrate and the subsequent baby-booms increased the effects even further. These age structure deformations were repeated by the next generation, with either a stronger or weaker fertile cohort of potential mothers. The number of births was also destabilized by the economic cycle (crisis in the 1930s amounted to a drop in births almost comparable to war). Because the age for having a first child has been also shifting, the resulting movement is difficult to predict and its explanation is neither simple nor definitive.

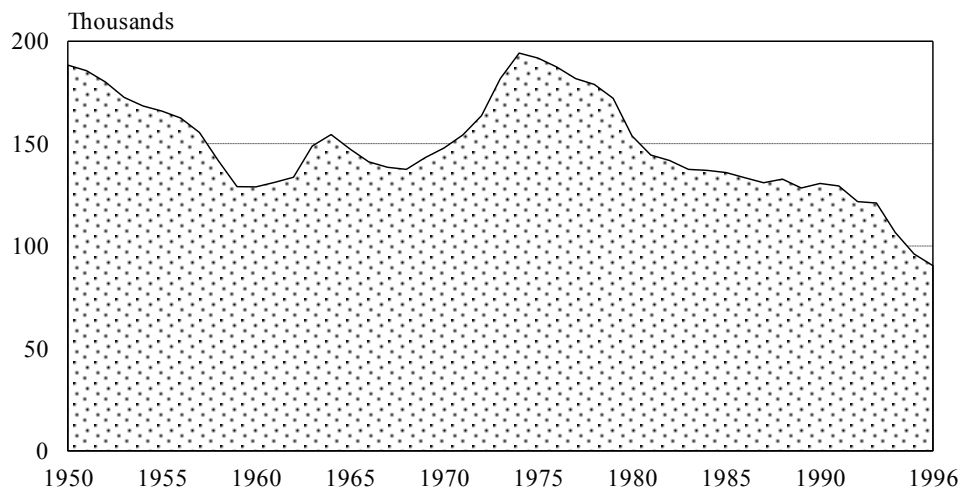
Europe has enjoyed a half-century of peace, but has undergone other divisions, which appear in the form of population development. After balancing the post-war compensation waves of births, West European countries have experienced an overall decline in the birthrate. In many countries, however, this decline stabilized 20 years ago, resulting in a relatively low but balanced population level. Even the post-war wave of mothers passed on the gift of fertility to their daughters and even granddaughters, thus balancing out the weak birthrate. This kind of development did not occur in the countries of 'really existing socialism' which in the 1970s experienced significant pro-natal measures and changes in social and population politics, which further destabilized the number of births.

Remaining examples of drastic population politics are the one-child policy of the Chinese government, which requires abortion among women pregnant with a second child, as well as the opposite measures of Ceausescu's Romania, which prohibited artificial interruption of birth and the persecution of women attempting to prevent pregnancy. The Czech population also carries within itself a deformation of the age pyramid as the result of the strong population politics of the past regime. In the mid-1970's, the most striking

political intervention had a strong influence upon the marriage and fertility behavior of strong candidates who are just now in the age of potential parenthood.

The Second World War baby boom came very early to post-war Czechoslovakia and was relatively important. Contrary to the majority of European populations, there was no shortage of potential fathers as the loss of Czech men in the war was rather minimal compared to neighboring countries. The country enjoyed the advantage of being spared any frontal destruction and lived with the expectation of an early economic revival.

Figure 4.1 Live births (in thousands)



Source: Demographic Statistics.

After the victory of communism, fertility drastically declined and several attempts at its resurrection failed, with the exception of one, instituted in the middle of the 1970s, which produced the most significant rise in fertility in post-war history. The number of births increased by almost 30 % during the previous period and in the 1970s, 200,000 more children were born than would have otherwise been without these attempts (Figure 4.1).

To explain the successful pro-natal politics of Gustáv Husák's normalization government, several parallel circumstances must be considered. The population measures were instituted just in time to affect the strong age group of mothers who were born in the post-war period at the beginning of the 1950s, at the age when they would be deciding about a second or third child (24–30). Women from an earlier born and non war-time group had already in the 1960s battled against a third, and sometimes even second pregnancy. The political climate after 1968 Soviet occupation was so oppressive that the natural instinct to withdraw into the private sphere of the family was substantially buttressed with advantageous maternal benefits and extended maternal leave provided by the regime.

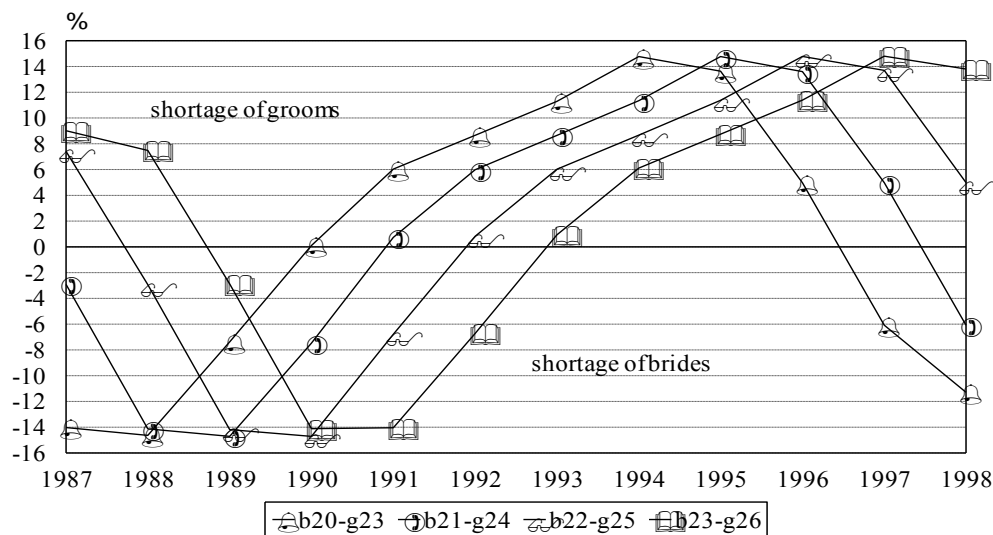
In 1980, the population wave ended with the historically largest inter-year population decline. The government checked its generosity by lowering benefits for children's clothing, which occurred at the same time as the coming of age of the weaker age groups of potential mothers born during the population decline of the mid-1950s.

4.2 Marriage squeeze

Children born during the population wave between 1974–1979 are now reaching adulthood and are beginning to look for appropriate partners. On the marriage market (Box 4.1) where the 'assortive mating' takes place, the result of this uneven population development 20 years ago becomes apparent. In sociological terms this condition is called 'marriage squeeze'. In the two large consecutive waves, the supply of potential grooms and brides did not meet the demand. In the first half of the 1990s there was a shortage of grooms, while in the second half the number of brides has been in shortage.

Figure 4.2 illustrates the situation regarding the Czech marriage market and the trailing wave of the deficit of males, which on average has reached 15 %.

Figure 4.2 Marriage squeeze: The relative shortage of appropriate partners given a three-year age difference upon marrying



Source: Simulation calculated by the authors.

Females who were born between 1971 and 1975 and began to look for appropriate partners at approximately age 20, were confronted with the reality that they were the undecided majority. Potential mates were males who were 2 or 3 years older from the weaker age groups born during the period of the big decline at the end of the 1960s. This situation, of course, is not historically isolated, and many Western countries experienced the same phenomenon as well when children from the post-war waves ended up with higher

birthrates. This phenomenon was the subject of sociological studies and the following piece of literature offers several explanations for it (Veevers, 1988; Oppenheimer, 1988; Musham, 1974; Akers, 1967).

Box 4.1 The marriage market and marriage squeeze

The marriage market is a metaphor for the social space for activities of people who are considering marriage. As in every market, participants evaluate the qualities of potential partners from the standpoint of advantages and – because there is usually the same number of men and women – leading to a balance of supply and demand. This comparison may offend our conviction that people get married out of love, however, it may help us to imagine the abstract notion of social space. It is true that romantic love may often work and that social security has given a significant amount of freedom to the individual when choosing a partner without economic considerations. However, sociological data suggest that during ‘assortive mating’, when a couple moves towards a partner relationship, wedding, and family life, the majority of us do not make decisions against our rational interests. At this point we try to maximize our gains, even if we weigh them using other than strictly property factors.

The marriage squeeze emerges at the moment when age cohorts born during the rise of a population wave appear on the marriage market. It is caused by the unequal average age of marriage among men and women and their approximately equal representation in the population. During a population wave, both sexes increase equally, and then as the natal wave is followed by a declining curve, the number of males and females drops again. However, during assortive mating, partners of different age cohorts are sought. In European culture, the bride traditionally tends to be five or more years younger than the groom, while in Czech culture for the past several decades brides tended to be about two or three years younger. A younger woman enters the marriage market earlier and looks for a partner born several years before her, that is, in age cohorts when the overall birth rate was lower. This produced a relative shortage of appropriate partners or a ‘squeeze’.

The natal wave first brought women into the marriage squeeze. Theoretically they could either begin to seek out partners from untraditional age groups, or wait for ‘Mr. Right’ and put off marriage until later. For Czech women, only the second possibility remained open. Essentially, there was no margin for another age difference, as age group of older men was already drained by women who entered the market before them. In the 1980s, Czechoslovakia had one of the highest marriage rates in Europe and very few men over the age of 25 remained on the marriage market (Figure 4.3).

To find a younger partner was not an option for Czech women as they tended to marry at a very young age. An international comparison illustrates that in the 1980s, Czech women were on average the youngest brides in Europe (Figure 4.4). Age at the time of their first marriage was approximately 22, and a half of all brides were already pregnant. The majority of women most commonly began assortive mating at about the age of 22. For a woman at that age to consider a younger partner would present a risk of tying her fate to a precariously immature man, not to mention social immaturity.

Figure 4.3 Crude marriage rate in European countries



Source: Demographic Statistics.

Figure 4.4 Average age of women at their first marriage in European countries



Source: Demographic Statistics.

Not even the postponement of marriage is an attractive strategy. Economist Gary Becker rightly noted that participants of the marriage market have limited information about the

benefits that their potential partners might offer because they do not know them well. If they could find another partner even after getting married and if there were no consequences of ending the first marriage, they would choose the first partner who appealed to them as any kind of marriage is better than no marriage at all. However, because marriage limits one's eligibility to single partners and the termination of a marriage can be rather difficult, marriage market participants do not usually choose the first potential partner, but maintain a relationship so to learn more about the partner without the commitment of marriage.

A continued search for potential partner information raises the expectations of the benefits of marriage and the quality of the selection. However, the search alone consumes a large amount of time and energy and postpones benefits of being married. During a more developed search, the rational individual widens the circle of potential partners and at the same time is able to complete and confirm information about already serious suitors. Thus the rational individual commits to marriage even though he or she is aware that by continuing to search may result in finding a more suitable mate, the costs of this postponement may at the same time outweigh any gain emerging from the potentially 'better match' (Becker, 1981:220).

The model established by Becker for finding a partner was based upon the economic job search model. However, the analogy between finding a partner and employment has many gaps, which he underestimates. The basic limit of this approach is that the model of the labor market may safely assume a greater gain from having work, while the model of the marriage market must make the similar assumption for marriage with particular caution. It is shown that married individuals have a generally higher life expectancy and overall better health in comparison to people who remain single. The economic advantages of family households are also significant. The family offers services and increases the value of raw materials (above all housing and foodstuffs), which increases the purchasing power of wages by about half in comparison to those at the hypothetical level of individuals who must pay for services (Ringen, 1997).

However, all of these benefits are age-dependent. In the Czech Republic, some believe that to remain single offers advantages which may be even greater than those offered by family life. The single individual may live in his/her parents' household without having to contribute. Moreover, a single person is free from many of the constraints of family life. Instead of having to work one can pursue an academic career, and thus invest in his future in the labor (and marriage) market. Even if the person is employed and does not live with his parents, he or she can save on costs tied with the division of his wages among a family, namely those associated with having a small child. Furthermore one is able to enjoy hobbies, travel freely, and live as he or she chooses.

In contrast to the end of the 1970s, when Becker applied his model of finding a job to that of finding a partner today, the main theme of social (and scientific) discourse is the individualization of life. The benefits of remaining single are quite visible, at least at a young age. The tendency to avoid maturity (the so-called Peter Pan syndrome) and family life is often labeled as a decline in family values. Such conceptualization is hardly acceptable from the long-term perspective. If we depart from the intellectual debate and look at the opinions of the general population, we learn that 86 % of Czech men and 74 % of Czech women consider family life as the highest life value (ISSP-1994).

4.3 The return of the Czech family to Europe

The situation in the marriage market following the fall of the old regime was very specific. Although this was perhaps the only free market even before the institution of a market economy, it has nonetheless undergone fundamental changes. From the balance of costs and benefits emerging from the postponement of marriage to the extension of the assortive mating period before marriage, many other historically singular factors have become relevant in the 1990s.

The postponement of marriage in the 1990s, as the drop in marriages can for the time being be understood (which must be, however, confirmed in the future), has resulted above all from the change in opportunity costs. Under the old regime, the choice of life opportunities was very narrow, so there was little threat that a person would come to resent having married early. In general, Becker's original model was valid, with a minor difference in that the chance of finding a truly economically appropriate partner was very small due to the wage equalization. In the logic of Becker's model the strategy which we may characterize as 'do not prolong the search but choose from what is available' was supported. As Figure 4.3 illustrates, the age of Czech brides was the lowest in Europe.

New conditions have, however, suddenly given young people the opportunity to travel, study, and do business. Among young people, travel in particular was considered as an important debt owed to them. Before 1989, the majority of Czechs who were over 20 years of age had not traveled abroad freely and were desperate to experience these missed opportunities. In business, the first half of the 1990s was a unique opportunity in that the first group to enter the scene faced little competition. They made large gains and competitive advantages over the others. On the basis of a rather unsystematic analysis of individual cases from the press (often in the context of revelations of scams and bankruptcies) we can say that in the Czech Republic, the number of multi-millionaires who hoarded property from scratch before reaching 30 was significantly above average.

More chances were provided by increasing education opportunities: in the 1989/1990 school year, 113,000 students were enrolled in university, in 1995/1996 the enrollment had already jumped by 23 % to 140,000. The number of newly registered students grew even more quickly, as in 1996 79 % more students had enrolled in university than in 1989. The share of 18 year-olds enrolled in university rose from 17 % in 1990 to 20 % in 1995 (Školství, 1996). As a result of the deformation of the age structure, universities raised the number of accepted students by more than half, but the chances of acceptance grew by only 3 %. Yet even this increase does not come close to meeting the expectations of the Czech Republic of ranking among developed countries, where on average two times as many young people receive a higher education, yet where there is also a notable deficit on the marriage market.

The opening of the borders to Western Europe has brought with it also the acceptance of their cultural models. From the point of view of our interest, this means a return to the West European family model, from which Czech society had been separated for half a century (Box 4.2). The level of births before was rather low, because since the early modern period, according to Hajnal's typology, Czech society shared the West European family type. The applicability of Hajnal's Line and its natural development was disturbed with the new European order following the Second World War. Hajnal's Line was replaced with a new division, the Iron Curtain. After 1945, the Red Army shifted this line

further to the West and the Czech Republic fell artificially under the influence of the East European and Communist demographic regime.

Box 4.2 Types of European family

From the point of view of the structure, demographic historians speak of Western and Eastern types of modes of formation and function of the European family. In the 1960s, John Hajnal coined this distinction on the basis of the study of historical models of marriage patterns in Europe. He discovered that the line dividing Europe from the 16th century had connected St. Petersburg and Terst. The so-called Hajnal's Line above all traverses Central Europe, on the border between Moravia and Slovakia (Picture 4.1).

The West European type, which also includes northern Europe, was characterized by relatively late marriages among both sexes (after 26 for men and 23 for women) and the existence of the nuclear family, composed only of parents and children. The high age of marriage resulted from the fact that only people with secured independent housing would get married. Newlyweds either started their own household or took over a household of one of the parents, who on the basis of an informal parent-child agreement were provided with subsistence. It was common that even young people from well-off peasant families often lived, before marriage, in the service of unrelated people as farm maids or servants, in order to earn money for their own housing. This manner of starting families resulted in a rather significant share of permanently single men and women (between 10–25 % among women).

The East European family, which also included families from southern countries, was characterized by a different marriage pattern. Marriages were formed at early age (usually before 26 for men and 21 for women), there were bigger age differences and after the marriage, couples often lived with the extended family, the head of which was the oldest member. Women commonly moved into the men's household. Thus it was the family composed of several generations living together. The institution of subsistence agreement between retired parents and their children did not exist and servantry was not common, because labor power was provided by both single children of the farmer and married sons with wives and children. Marriage was thus not dependent upon the economic independence of the individual, and could take place at a younger age. The percentage of permanently single people was therefore low.

The communist state was obsessed with planning and attempted to manipulate demographic development as well. Social policies were geared towards the support of marriages and births, following the unspoken principle 'the sooner the better'. The earlier that people got married, the sooner they would have children and thus the greater the likelihood that more children would be brought into the world according to Communism. The pernicious efforts of the state to control all aspects of everyday life even penetrated life in the bedroom. The relative success of these efforts, in comparison with the fiasco of economic planning, can be explained in that the interruption of the market economy meant

that in the private sphere there was a return to the old mechanisms of intergenerational dependence. Mothers were objectively interested in their daughters becoming mothers as soon as possible and this meant that as grand-mothers, would be free to help with grand-children. This also meant time to care for their own parents, who during this time had aged and would need their support (Možný, 1994b).

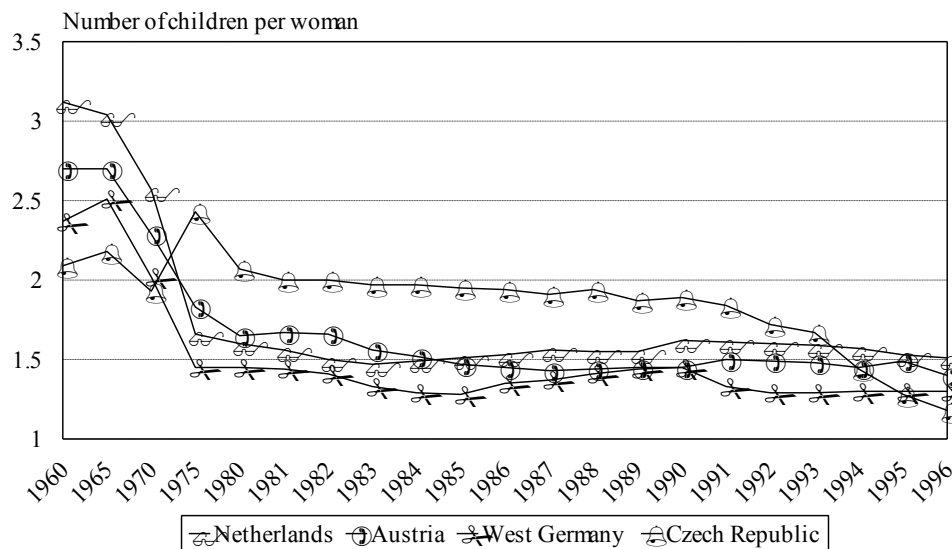
Picture 4.1 Hajnal's Line of demarcation between the West European and East European family patterns



The present development suggests that if Hajnal's line had retained its natural borders, today's Czech demographic regime would have characteristics similar to contemporary Austria, the western part of Germany or the Netherlands (Figure 4.5). This would mean that from the 1970s, the marriage level would have gradually declined, while the average age at the time of the first marriage would have risen, and the fertility rate would have remained somewhere under the border of fertility maintenance for twenty years.

The number of population thus would have slowly fallen if this drop were not offset by the immigration of cheap labor from less developed countries as in wealthy countries. Czechs would have slowly become accustomed to and better understood this change in the population climate.

Figure 4.5 Total fertility rate in four European countries



Source: Demographic statistics.

Population processes, which we have witnessed in the Czech Republic since the beginning of the 1990s, are inseparable from the so-called second demographic transition. In Western countries, this significant demographic change occurred at the end of the 1960s and throughout the 1970s, and resulted in a total fertility rate in the range of 1.2–1.8 children per woman. In the Czech Republic, this process was delayed by about thirty years and has thus been all the more intensive. The number of marriages of young men and women has dropped considerably, accompanied by a decrease in fertility and in the total number of inhabitants. Current population trends in Czech society suggest that young age cohorts just began this demographic transition.

The lower number of births in the Czech Republic often arouses concerns over the possible negative economic effects and of the overall slowing down of economic growth. As a rule, a decline in the flow of young age groups to the labor market results in an older labor force (the average age of economically active citizens increases). This older work force is followed by a drop in the productivity of labor, innovation, and occupational and employment mobility, which all might contribute to lower economic efficiency. Yet as experiences in other countries illustrate, a negative population balance need not be only detrimental either from an economic or social perspective. Over the next 30–40 years, the Czech labor force will continue to age, but this demographic fact will be richly compensated by its higher level of education of new generations and therefore higher productivity.

Box 4.3 Demographic transition

Demographic transition is the exceptional change in reproductive behavior of the population, which occurs in conjunction with social transformations; demographers identify first and second demographic transitions. The first occurred in Europe from the end of the 18th century, above all however during the 19th and the beginning of the 20th centuries, in the period of changing traditional societies into modern industrial ones. This resulted in a transformation from high and rather equal values of births and deaths to lower but still equal values. The death-rate dropped from about 25–30 per 1000 inhabitants to about 15. In Europe, this led to an exceptional population growth; this drop in deaths was thus accompanied by fewer births. In the Czech lands, the first demographic transition began approximately in 1870, lasting until the 1930s. In Western Europe, the second demographic transition began at the end of the 1960s. Above all, this entailed such a drop in fertility that the basic reproduction of the population was no longer ensured, because it fell below the critical level of total fertility rate 2.1. New forms of marital behavior accompanied this transition, including cohabitation without marriage and a high share of voluntarily childless couples. An unprecedented drop in the death-rate was an important component of this second demographic transition, which resulted in an average life expectancy among men of 75 years and for women 80–82 years.

There is no great need to be concerned about population decline. Among other things it means that greater investment in covering population growth will be unnecessary. Moreover, a moderate population decline combined with an increase in retirement age ensures that the share of the population in economically active age will remain relatively stable in the future. This could perhaps even lead to a small increase with the raising of the retirement age for both sexes to 65. The weakness of pessimistic forecasts based on the increase of the population in post-active age is that they ignore the compensatory influence of the decreasing number of children and thus the balanced development in the dependency ratio (the ratio of active to inactive segments of the population). After all, this ratio is decisive from the economic point of view.

In this context, we have to keep in mind that the purpose of people's activities is not economic growth (which economists understand as the increase in the real level of the national product) but economic development. By this is meant the rise in the living standard and welfare of the population, measured not only by real per capita income but also by other indicators, which are not directly expressed in financial terms. The association between population growth and economic development appears much more complex when we consider what economic growth actually brings to the population. No direct connection between income level and human happiness has even been proven.

4.4 Increasing costs of family start and the housing market

If having a family is to be for young people a rational and attractive decision, they should have the chance to acquire independent housing. Only when starting a family is accompanied by the creation of a household, may it bring advantages and pleasure. It would be

necessary to regress to the poverty of traditional societies and to come to terms with life in a multi-family household. If it is true that for strictly rational reasons family life is better than solitude, it must also apply that every change for the better is costly, or in economic terms, transition costs. These costs of starting a family have increased enormously in the past decade, particularly due to the rising costs of new apartments.

Box 4.4 Demographic development and economic growth

Population decline awakens fears because the population numbers are, from an economic standpoint, an important factor of economic growth; the population thus represents human resources, which form one of the wheels in the motor of economic development. Population growth also leads to the broadening of the market. Thus it should follow that population growth is a stimulator of economic development. Yet as Spengler (1964) has shown, from the economic standpoint, population growth in modern societies absorbs resources, which would otherwise be used in increasing economic and human capital. A decreasing number of employed people can be compensated by greater investment. For instance, Coale (1963) states that each one percent increase in the number of the labor force requires an investment of three percent of national revenue. Spengler estimated that a one percent increase in the number of population requires an investment of four percent of national revenue. Furthermore, more children in families also mean fewer possibilities to save, and fewer savings in the economy thus lowers the rate of investment. Because population growth entails a greater share of economically dependent children, Spengler assumes that if, according to this mechanism, the share of the population in its economically active age drops by about 1–5 %, the ratio of per capita potential productivity would drop by about the same rate.

Nor do the works of several well-known sociologists and economists (e.g. Espenshade, 1978; Easterlin, 1996; Cutler et al., 1990) confirm assumptions about the possible negative effects of an aging population on economic growth. In contrast, data from advanced countries suggest that economic growth in modern societies continues on even despite falls in the population. This process is not difficult to explain; if so-called human capital (educational level of the population, its labor skills and motivation) is one of the most important factors for the performance of contemporary economies, it is not the number of people in the economy which is decisive but a more educated workforce equipped with modern management and communications.

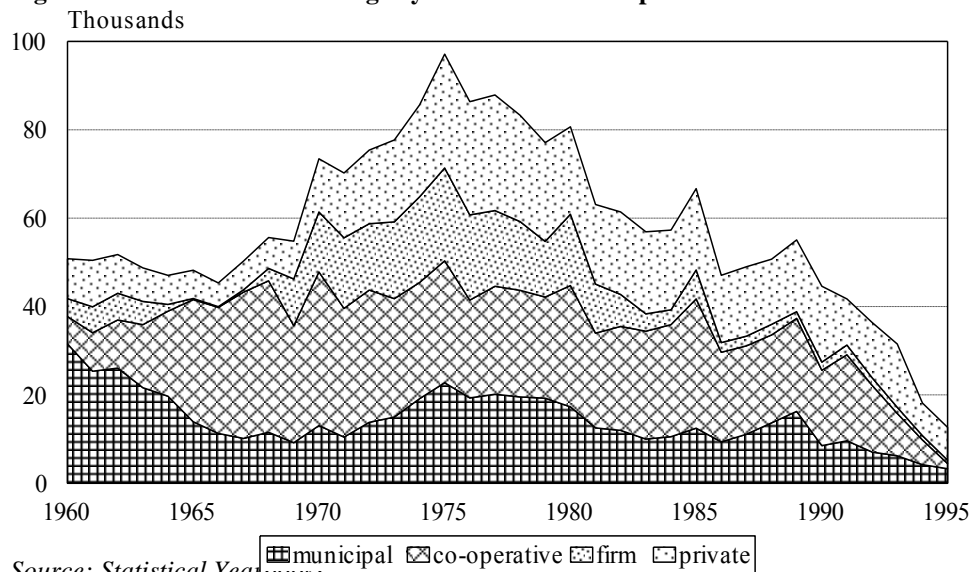
Approximately one half of the housing stock constructed during the last regime was not built by the state but by people for themselves. The generation of parents of today's young couples acquired its housing at artificially low prices for building materials, public transportation, cheap unofficial labor, and in many cases even using stolen construction and installation materials. All of these opportunities disappeared overnight. Even though the necessary deregulation of prices in 1991 and 1992 was accompanied by a growth in wages (such that more and more households are returning to their former living standard and many have already surpassed it), for the majority of households this growth in purchasing power did not extend to the commodity which is decisive for starting a family - own house or apartment. The majority of new potential families are not capable of mobilizing the

necessary half million CZK (or more in bigger cities) for a small two-room apartment, not even with financial support from the extended family.

The actual squeeze on the marriage market has been accompanied by a housing shortage, which has a long-term character. In the Czech Republic, there are presently 360 apartments per 1000 citizens, which is substantially lower than in Western countries. The approximate housing deficit at the beginning of the 1990s was estimated at 110,000–120,000 (Andrle and Dupal, 1996:94) or even 206,000 dwellings (Douša, 1993). Because the number of ‘census households’ (i.e. the core family consisting of parents and children) has risen over time, the general squeeze on apartments will not improve in the near future. According to the 1991 census, two or more households occupy approximately 9 % of all permanently occupied apartments. Only in a small number of instances is this due to intended cohabitation, while in the majority of cases it is the undesired outcome of the housing shortage. From another perspective, 84 % of ‘census households’ lived in their own apartments, and 16 % of the others share their apartments with other people – parents or other relatives.

There is a housing shortage across the country, but its urgency is not the same everywhere. Housing is more accessible in smaller, less industrialized areas with few employment opportunities and is in shortage in areas where there have been an abundance of jobs (Zpráva, 1996:75). This is reflected also in housing prices, which are the highest in attractive cities – Prague, Brno, Zlín, Karlovy Vary, and Hradec Králové (Malota, 1994). Thus inhabitants of the larger and desirable cities also have serious problems with housing (especially families with dependent children) (Andrle and Dupal, 1996). Any savings generated from living in a less expensive apartment outside of a big city is often outweighed by the time and financial burdens of commuting to work. In some areas, these expenses are so high, it has a negative effect on the labor market.

Figure 4.6 Constructed dwellings by sector of ownership



Source: Statistical Yearbooks.

It is above all young people who have been the victims of the housing shortage. This situation, in which more than one-third of the population between 25–29 does not have its own apartment, cannot be maintained further (Mladí, 1995:1). The number of finished apartments dropped from about 44,000 in 1990 to less than 13,000 in 1995. In the overall structure of housing construction, family homes dominate, while the construction of cooperative and rented apartments has fallen to a minimum. This has occurred despite the fact that there would be a great demand for them among young families – were they to be financially affordable (Figure 4.6).

In the increasing costs of the transformation come together all three explanations for the drop in marriages and birth rates in the 1990s. These indicators are often used by those who explain the unfavorable natal conditions as a result of economic distress. This applies particularly to the lower wage categories, the living standard of whom fell not only below the previous standard, but often also below the level where they still desire to have children. However, even those who point out the positive side of changes and explain this drop as increasing opportunity costs given the new chances also note that the existence of a group with immense purchasing power pushes the prices of apartments up, and with it also the initial expenses of starting a family. Moreover, demand for apartments is, due to an unfortunate coincidence, increased because the more numerous age-groups in the population wave from the mid-1970s who entered into adulthood during the early transformation as enormous human capital, are now starting families and competing for the scarce housing resources.

4.5 Transformation in the reproductive climate as component of cultural change

For already the second decade, advanced countries have been experiencing a situation in which the rate of population growth is approximating zero or has even reached negative values. In light of the fact that in this same part of the world during the same two decades has experienced a continuously decreasing mortality rate, stagnation in the growth of the population is unambiguously the result of long-term low birth rates. In Europe for the past twenty years fewer numbers children have been born.

The causes of this are multifaceted, however when viewed from a sociological perspective it has its logic. Unprecedented economic growth, which the Western world experienced following the Second World War went hand in hand with the massive development of democracy and the welfare state. In addition, it was accompanied by an unprecedented increase in the educational level of young men and women, and a historically unique number of women working in paid occupations. This development necessarily reflects the life philosophy and value orientation of newly emerging generations. The value of the openness of life-chances, equality of opportunities, freedom and personal independence, an emphasis on participation, and the unique price of each person in his individuality radically changed the social climate. The Western world today is distinguished by an enormous plurality in opinions and ideologies.

This differentiation of life values and life-styles gradually began to be expressed within family types and partner coexistence. The decision to marry and start a family is above all a personal and emotional act and the conscious choice of a particular life-style. It is also a

choice which is free of traditional fatality because the other available alternatives are no less interesting from the economic standpoint, and at the same time, are equally advantageous socially (Gidens, 1992; Beck, 1986; Beck and Beck-Gernsheim, 1990). Former rigid standardization of human behavior, reaching to the deepest private level, lost much of its formative power. Also, the economic necessity is much weaker, which in the past strictly limited one's options.

The significant social and economic advancement of women played a decisive role in all of these transformations. Higher level of education and greater participation in the labor market among women led to an unprecedented independence from marriage and husband, and to basic changes in a woman's role in the family. Emphasis on the autonomy of the individual also increased, whose freedom and equal position in the partnership of two people led to new reproductive and partner strategies. There became increasing numbers of unmarried couples living together, a higher number of children born out of wedlock (including second and third child), single-parent families, postponing first births up to the age of 27, the legitimacy of the decision not to have children, and the overall reduction of the number of children.

These processes did not occur in the Czech Republic, although many structural transformations took place which were a backdrop for these developments in Western countries. The living standard in Czechoslovakia following the Second World War increased rather rapidly and education and employment among women was among the highest in the world at the end of the 1960s and early 1970s. The so-called 'dictatorship of proletariat', cherished by the Communist Party, had its own implications: it made the development of a plurality of thought systems impossible and repressed the mass development of democracy. Czech society had thus become frozen and retained many characteristics of traditional and patriarchal societies.

The floodgates opened only following the political revolt of November 1989, allowing the powerful modernizing stream to fill the Czech basin. Its effects in the area of population behavior – such as the postponement of weddings and a drop in the number of births – are far reaching, however wholly logical in their development. In judging these trends, it is first necessary to avoid two basic errors. The first is the tendency to mistake average behavior with dominant behavior as the only possible type of behavior. The second is that these newly forming trends are seen as mechanically extending off into the future, as if society has somehow lost its bearings and feedback.

Even the most visible trend towards reduction in the number of children must be seen as part of the basic element in the pluralization of life and reproductive strategies. Analyses of birth rates in advanced countries show that the drop in the average number of children in families did not occur such that year after year all women progressively had fewer children. Rather, the share of women without children increased and the average number of children among the rest had only imperceptibly decreased. While at the same time, a small but from the future perspective not unimportant group of people emerged among whom larger families were privileged over the propagation of consumption (Librová, 1994). The increase in infertility and high-risk pregnancy, which have become common diseases of civilization have also had an influence on this differential; the greater freedom to decide to have children or not remains, however, decisive.

This trend must also be anticipated in the Czech Republic. If possibilities to start a family do not become too deformed by the situation caused by the housing and labor markets, there is no reason why the traditional image of the Czech family with two children must change. It is very likely that the number of couples who opt for a life-style in which there is no place for parenthood is increasing. Yet even in this way the Czech Republic is 'returning to Europe'. During the past regime, only 5.5 % of women remained childless. It is possible to understand how unnaturally low this number is by keeping in mind that according to health research, 4 % of the female population is barren. Additionally there are other relevant statistics – 3–4 % of women are lesbians, 3 % are mentally retarded and about 6 % are seriously disabled; approximately every seventh woman is unfortunately not equipped for parenthood.

Historically, the share of life-long childlessness – whether among women in couples, married, or alone – has fluctuated around 15 % and hard times have periodically raised this number. In the years following the Second World War, the number of childless women in Czechoslovakia and in other developed countries dropped to 5 %, but the significant rise in living standard and ways for freely choosing one's life-style (but also pressure from competition on the labor market, consumer ideology and success) soon raised this number. In the West today, approximately one-fifth of couples are childless, the majority as a result of their own decision. For the Czech Republic a demographic estimate was formulated for the present period of 'building capitalism', according to which the share of life-long childless couples will exceed 30 % among age cohorts considered to be the most advantageous for starting a family (Kučera, 1996). One-third of permanently childless couples could pose a serious threat to the reproduction of the population. This undoubtedly high number still means that if a deep decline were to occur, more than two-thirds of couples would be successful in their efforts to start a so-called 'standard family'.

A second question remains as to how long the increasing decline in the number of newborn children and growth in postponed marriages will continue, where will it stop and whether we may expect an eventual reversal of this trend? Without unnecessarily feeding speculation, it is possible to show that the development in advanced countries has altogether stabilized just under the reproductive level. The lowest total fertility rate in Western Europe is found in countries with little economic potential and a sharp drop in growth (in Italy and Spain, the total fertility rate has sunk to 1.2 children per woman). In countries which have maintained a strong economy over a longer period, birth rates are relatively higher (in Norway, the Netherlands, and Denmark, as women on average give birth to 1.6–1.8 children). And so, to determine the future outcome of these developments in the Czech Republic, it must first rejoin the group of wealthy European countries.

The internal causes leading to the deferment of marriage in the Czech Republic differ according to socio-economic status. Drastic increases in costs of living have affected poor young people who live in the countryside, while in cities the biggest obstacle has been finding housing. Unemployment is beginning to play a role only in certain disadvantaged regions. It is not possible to expect that couples who are deferring marriage will have an average number of children, even if they plan in advance. Even if the housing market were to open up, making relocation possible, it is not likely to expect that among the rural population (where families with more members were common) the overall difficulties would be resolved. The family house, built not long ago for young couples by their par-

ents (often with their own participation), has too great an economic value for them and belongs to the most important assets of the rural Czech family. Here, a special type of family is being formed, one which has in relative terms a substantial property base. This property, however, is the house to which they are bound, and their wages are often near the living minimum, resulting in the category of 'affluent poor'.

The situation is more clear among younger people from the upper classes or with aspirations of attaining higher social standing. Part of this group is postponing marriage in order to invest in education, wait for graduation, and to land a professional job. Their share in the population, however, is increasing only in a negligible degree – by only 3 percentage points between 1990–1995. If the demand for higher qualification on the labor market does not decline, it may be expected that as these types of people become established in their occupations, the majority will be able to realize their family dream. Of course, among these social classes, families tend to have at most two children.

For those people who did not make it to university, the likelihood of realizing this type of postponed family dream is less certain. This also includes people who did not apply to university, taking advantage of the unique opportunity to become established in occupations which in Western countries are occupied exclusively by people with university education: banking, journalism, social work, tourism, and to a certain extent construction.

At the time when these types of people who intend to start a family (the 'undelayed' use of opportunities for socio-economic advancement), may face more difficult economic conditions and increased competition. This pressure will come both from better prepared age-groups, which are today attending university, and also from the general conditions, as the Czech economy and labor market continue to open up to European and global competition. Only those who are able to beat the competition will be afforded true space for family behavior – and it remains to be seen if this space will actually be taken advantage of. But even defeat in the battle for success may lead to the realization that the family is an important value in itself.

4.6 Conclusion

Every social change or transformation brings with it certain costs and benefits. Among the costs of transformation, which has instituted a free political and economic system in the Czech Republic, has also brought a drop in fertility (maybe even below the level in advanced countries), and consequently a recess in the age pyramid. Its depth will be determined by the level to which fertility indicators return and when it happens which is of course dependent upon many factors, among which the most important and predictable is the access to housing for couples who want to have children.

If birth rates continue to remain at today's low level for a longer period of time, the Czech Republic will enter the EU as a country with an extremely aged population. In this case, it would be possible to expect strong immigration pressure and in certain sectors the need for foreign workers. Inextricably linked to this would be the growth of the share and social importance of different ethnic groups. Ethnic diversity is generally considered to be beneficial and has thus far been very low in the Czech Republic. An increase in diversity, however, is often accompanied by social unrest and difficulty in adaptation by all parties, as was the case in France at the end of the 1950s and early 1960s after a large wave of immigration from Algeria, in the UK in the 1960s and early 1970s after widespread immi-

gration from the colonies of the former British Empire, and the Netherlands at the beginning of the 1980s with the assimilation of Surinam immigrants. To assume that the Czech Republic will not be affected by such problems already today seems unrealistic. Although reproductive behavior is above all a personal issue and the statistical summarization makes for rather uninteresting reading, which fails to capture much public interest. However, in certain periods it can become a hot political issue.

How many children someone has and who has none at all is certainly a deeply private decision. However, regarding its aggregate result, its social determination is clear. Deep recesses in the age pyramid (which is justifiably referred to as the 'tree of life'), although not permanent, still leave irrevocable traces for decades and they continue to have a real impact. The low number of pensioners today, which is advantageous for the present state budget, reflects the population climate during the First World War, while at present the university system is incapable of handling the mass of children from the baby boom of the early 1970s. Their impact will be visible for decades to come as indicators of the competitiveness of the Czech economy on the European market.

The first period of the Czech social transformation, whose character has also been influenced by the fact that at the head of government stood an economist representing a particular outspoken economic school, occurred coincidentally at a time when an unprecedented number of young people entered economic life. Conditions during the first decade of the building of the new state have not been favorable towards starting families and in the public space there is little room for thinking in other than economic terms.

As we have attempted to show, the fact that the vital capacity of these age-groups will not be fully reproduced in their children, itself will not create a serious imbalance in resources. Of more serious consequence to the future is that the priority of economic considerations by the first two governments of the Czech Republic has led to an undervaluing of the cultivation of human resources. Not enough was invested into making higher education generally accessible to large numbers of young people. The strong age cohorts which entered Czech society in the first eight years of the transformation were ready to postpone their plans for parenthood in order to take advantage of the opportunity to achieve the highest possible skill levels. Because many of these young people who had deferred parenthood and met university standards did not succeed because there were not enough opportunities, this generation will enter Europe not only with fewer children, but also with lower qualifications than their European counterparts.

While it may not be just, intellectual capacities are inherited both genetically and socially. In this respect, this generation has suffered a double loss as many intelligent and capable young people received a worse education than they would have had otherwise, and they will also have fewer children than they had planned. In another quarter of a century, when Czech universities will be forced to compete fiercely to attract students and the Czech economy will rely precisely upon a quality of human resources, today's priorities, reflected in the population processes on the market, will still continue to be present, in exactly the same manner as today's situation on the labor market continues to be influenced by the priorities of the Communist government during the 1970s.

Part Two

Economic and Social Inequalities

5 Inequalities in earnings, incomes, and household wealth

Economic inequalities, suppressed during the communist regime, now play a key role in three areas. From an individual and narrowly economic point of view, they have an important motivational role, beginning with the choice of school and ending with an individual's work performance. From the social and societal perspective, they have both a differentiating and integrating function: they are a tool for distinguishing the social classes and, simultaneously, link them together. Finally, from the psychological and political perspective, the degree of perception of the legitimacy of existing disparities has an impact on political preferences and stability of the regime. The individual points of view are obviously interrelated and linked to the general system of economic inequalities, which is rapidly changing. The increase of differences in income and wealth are among the most striking outcomes of the transformation.

Economic inequalities should be seen as a functionally interconnected system: differentiated earnings determined by work performance comprise family income, which is the source of consumption and wealth. The interconnection of various types and levels of economic disparities is much more problematical in practice than it seems in theory. In any modern society, redistribution channels provide income for the needs of sections of the population and obviously there is also an intergenerational transfer of incomes and property. The flow of redistribution was taken to an extreme during the period of 'really existing socialism', with the aim of bringing individuals as well as families under the control of the totalitarian state. Links between work performance and family income, as well as between household income and consumption, were also destroyed. The present transformation, among other things, aims to correct those distorted links into a normal shape. Data on economic inequalities are rather abundant but analyses of their individual sections (personal earnings, household incomes, family wealth) are separated. Using various sources we have tried to put together individual information. First of all we briefly describe the meaning of the change from a command to a market economy, then we ask how the distribution of personal earnings and the remuneration of various work categories have changed. Later, we discuss household incomes, their distribution and the main factors which influence them. In connection with incomes, we also briefly mention family wealth. Although the recent changes in this area have been the most pronounced, data are more scarce than elsewhere. Finally we compare the 'objective' changes with their 'subjective' perception by the population, and discuss the legitimacy of economic inequality in the eyes of the population.

5.1 System change: from equality in need to market performance

The ‘really existing socialism’ in former Czechoslovakia was known not only for its extraordinary wage equalization but also for the fruitlessness of debates about how to change it. At the end of the 1950s, when this debate began with the regime’s effort to increase the efficiency of the command economy, the communist system of distribution was firmly fixed. Just like a peacetime army, workers had to be fed and given a chance to build their families. Thus ‘really existing socialism’ had achieved Karl Marx’s interpretation of classic capitalism, according to which the capitalist exploits workers by not paying them for their performance but just the minimum wage necessary for the maintenance of the labor force and family survival (Marx, 1954).

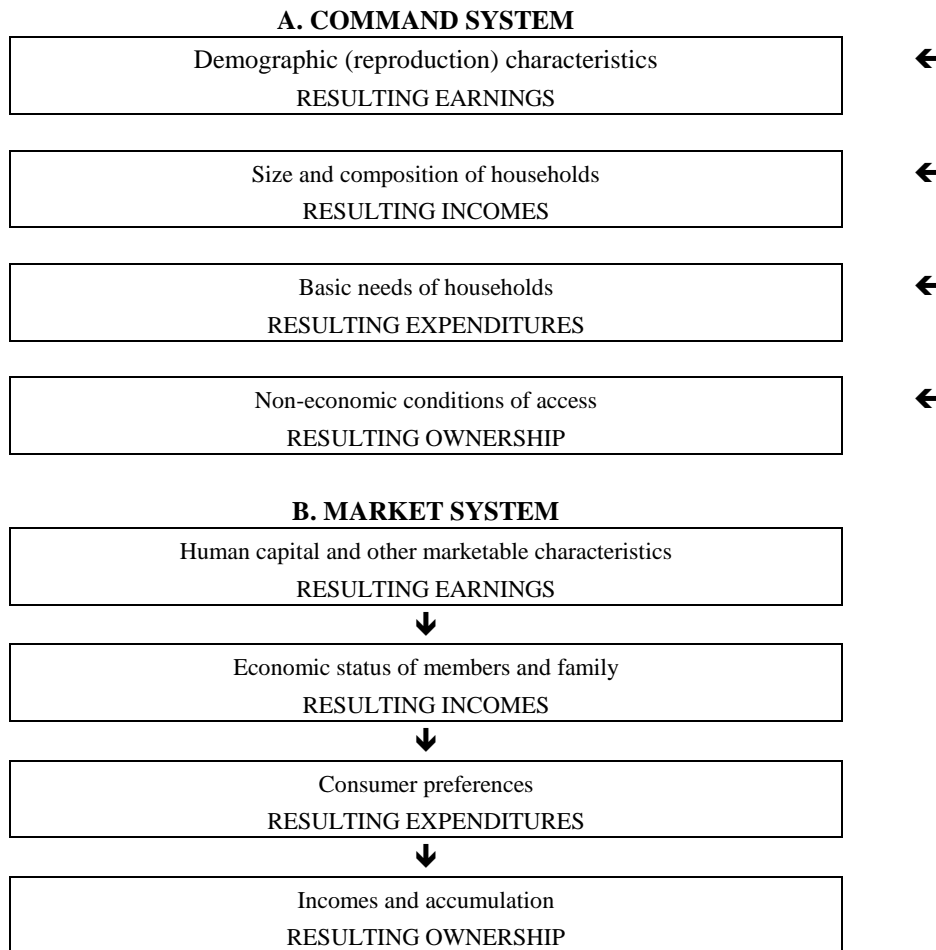
Following the needs principle, the number of heads (whether citizens or workers) was the most important factor, and little account was taken of differences in individual performance. Despite its centralized character, the state controlled every section of distribution separately (earnings, household incomes, consumption expenditures, and wealth), thus weakening or even completely abolishing their interconnections (Picture 5.1A). Earnings were leveled but certain categories of workers considered to be of special importance to the regime were favored. Household incomes were determined by the number of economically active members and not by their economic contributions. Consumption expenditures were regulated by the turnover tax and by the control of supply: basic needs (especially foodstuffs) were favored, while ‘luxury’ (mainly durable goods) were restrained. Family wealth was usually formed outside normal structures of consumption and originated from the informal economy, intergenerational transfer or long-term savings.

The transformation aims to correct these disrupted links and to strengthen links between individual components of the distribution system. This develops within the framework of a general principle of the restoration of personal responsibility for an individual’s fate. The introduction of market mechanisms into the system of distribution also leads to an interconnection of various distribution components: differentiated earnings determine household incomes and their level is then (due to undistorted prices) directly reflected in expenditures, which also decide the household wealth (Picture 5.1B). This is the elementary economic interconnection, which in principle determines the socio-economic position of persons and households. However, this is only a simple theoretical model, which in practice has a number of deviations and shortcomings. Nevertheless redistribution still exists, but its scope is shrinking and its channels are clearly distinct from the primary distribution of resources.

However slowly and problematically, economic and market aspects are becoming the most important factors of income inequality, surpassing demographic characteristics. Following the abolition of the administration of resources on the basis of reproductive needs, distribution according to a worker’s contribution to the national product is taking root. This is also influenced by such individual characteristics as qualifications, effort, responsibility, and willingness to take risks. Thus rather than focusing on basic needs and the most egalitarian way to satisfy them, a whole spectrum of civilizing needs has appeared, which is unequally spread across the population.

The former bureaucracy, which proclaimed to represent interests of the working class (while it tacitly but efficiently enhanced interests of the ruling class), has been pushed out of its role as the main distributor. Numerous individual actors have arrived on the scene, organizing themselves into social categories and supporting their interests by forming associations and lobbying.

Picture 5.1 Relationship between segments of economic inequality



Various paths are thus coming together via a single road. The transition from one system of distribution to another reveals its connections in: 1. The process of formation of human needs, where consumer preferences based on subjective hierarchies have replaced the administration of needs based on bureaucratic determination of so-called objective or rational needs; 2. The formation of social structure where the status and values of the middle class have become the criterion of development, instead of the material and ideological hegemony of the working class; 3. The functioning of economic inequalities,

where external bureaucratic control of various areas of distribution has been replaced with internal economic connections. This transition has been by no means easy, but rather a complex transformation in which society simultaneously shows communist and post-communist, pre-capitalist and capitalist characteristics, combined with proper transitory aspects.

The actual economic inequality must be therefore be understood in this wider framework. Various types of disparities between people uncover the functioning of a system where the market and state interact. The economy must create sufficient work incentives by giving better rewards for more efficient workers and for more creative and business-minded people. At the same time, it should not tolerate dysfunctional inequalities. The state, on the other hand, must not allow the destruction of the social tissue, which connects people's activities. Social disintegration could be caused by unbearable or immoral inequalities resulting from the abuse of monopolies or corruption. It is not easy to maintain a balance on the edge of economically efficient inequality without allowing it to slide into social disintegration. Dysfunctional deviations can also appear in both directions and expectations stemming from the communist regime make the decision-making even more difficult.

5.2 Earnings: strengthening of skill disparities

The start of the economic reform and the changes which accompanied it in the social sphere, had both a leveling and differentiating effect on earnings and household incomes. On the one hand, all income minima increased (a minimum wage was set and later increased, the subsistence minimum was codified, and a regular valorization of pensions was introduced). Simultaneously, wage growth remained regulated for a long time. On the other hand, by opening the doors to private business and foreign companies, a space was made for a considerable rise in incomes. The existing income sources were complemented by revenues from speculation and tax evasion, caused by legislative gaps and malfunctioning finance institutions. Unfortunately, there is no detailed information about this area.

Statistical data about the inequality of earnings after 1989 are not unambiguous (Table 5.1). On the one hand, micro-census surveys and time series of wage statistics display a considerable widening of disparities. This occurred in various periods differently. Whereas up until 1992, the fastest changes concerned only high categories, which have moved upwards. After 1992, there were also low wages which began to move downwards. On the other hand, neither statistical wage surveys conducted in 1996 and 1997 (in which we can better calculate hourly wage), nor do EEA surveys confirm the relative drop of low-wage categories. According to wage surveys, the decile ratio increased from 2.45 in 1989 to 2.8 in 1997, i.e. about half. In any case, data indicates that earnings inequality has been set in motion and the Czech Republic is not far from its Western neighbors in this sense. In contrast, however, there are only small differences in wage distribution in the middle of the earnings distribution; we can even see a certain relative compression.

Change in the overall range of earnings brings only a basic statistical picture. More important is who gains and who loses in the course of this change. Various characteristics and properties of workers play their role here. According to the theory of human capital, these characteristics have an important determining impact on productivity of labor. Skills

required by education and experience determine a worker's earnings (Becker, 1964). From this point of view, communist Czechoslovakia was among those countries where the least value was given to education. This was true not only in comparison with the West, but also with other communist countries of CEE. The return to education, especially on the university level, has increased significantly during the transformation period. The wage level of university educated employees increased in relation to the average from 134 % in 1988 to 144 % in 1992 and even to 165 % in 1996 (Table 5.2).

Table 5.1 Distribution of earnings

Decile groups and coefficients	Microcensus gross earnings			Wage surveys gross earnings				EEA net earnings	
	1988	1992	1996	1989	1993	1995	1997	1993	1996
1	5.3	5.0	3.9	4.7	4.4	3.6	4.6	4.8	4.4
2	6.6	6.1	5.5	6.5	5.6	4.9	5.9	5.6	5.3
3	7.4	6.9	6.6	7.3	6.6	6.1	6.9	6.4	6.3
4	8.3	7.7	7.5	8.2	7.4	7.2	7.7	7.2	7.1
5	9.2	8.5	8.4	9.1	8.4	8.3	8.5	8.1	7.9
6	10.0	9.4	9.4	10.1	9.4	9.4	9.3	9.0	8.8
7	10.9	10.4	10.4	11.0	10.7	10.7	10.2	10.5	10.0
8	12.0	11.7	11.8	12.2	12.2	12.4	11.0	12.1	11.4
9	13.3	13.8	14.1	13.7	14.6	14.9	13.1	14.1	14.3
10	17.0	20.5	22.4	17.2	20.7	22.5	22.8	22.2	24.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Robin Hood Index	13.2	16.4	18.7	14.1	18.2	20.5	17.1	18.9	20.2
Coefficient Gini	0.19	0.23	0.24	-	-	-	-	0.25	0.27

Source: Microcensus 1989, 1992 and 1996; Wage surveys 1989–1997; EEA, January 1993 and January 1996.

Note: In 1993 and 1995, estimates in section 'wage surveys' were constructed from various sources and their validity is therefore limited.

Table 5.2 Earnings by education and sex (% of the average)

Education	Total			Men			Women		
	1988	1992	1996	1988	1992	1996	1988	1992	1996
Elementary	90.5	75.7	69.6	90.5	81.0	73.0	93.1	80.3	74.6
Vocational	95.4	92.9	87.6	95.4	90.3	85.9	93.9	85.2	81.8
Secondary	101.4	103.7	106.9	102.2	104.5	110.3	104.3	112.6	112.7
Tertiary	134.0	144.0	164.7	124.6	140.0	161.3	133.1	145.4	160.7
Average	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
In % of total	100.0	100.0	100.0	115.3	119.3	116.4	79.6	77.8	81.7

Source: Microcensus 1989, 1992 and 1996.

Table 5.3 Earnings by branch of employment (% of the average)

Branch	1989	1990	1991	1992	1993	1994	1995	1996	1997
Manufacturing	104.4	103.8	103.6	103.5	101.3	99.9	99.7	99.1	100.5
Construction	111.2	109.9	106.6	108.2	112.3	110.6	108.1	105.1	104.9
Agriculture	108.2	109.6	97.7	91.8	87.7	85.0	84.2	80.7	79.5
Transport and communications	106.4	104.6	103.2	99.1	97.5	98.7	100.8	101.8	105.8
Trade and catering	83.8	85.0	86.2	90.1	88.6	91.6	88.4	87.8	98.1
Health and welfare	90.1	92.6	96.6	94.5	95.0	93.9	92.1	93.7	90.0
Education	89.8	88.1	90.3	90.6	90.3	91.7	90.9	92.9	88.1
Banking and insurance	98.3	102.0	136.9	169.6	177.7	175.2	171.5	169.6	174.5
Administration and defense	101.3	100.4	105.3	114.6	117.8	120.7	117.6	118.3	110.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Statistical Yearbooks.

Box 5.1 Statistical surveys of wages

Wages and other earnings are surveyed either by reports from firms and organizations, by questioning individuals, or through their employers. Whereas in the first case we can analyze only such dimensions of wage distribution which entered into these reports, in the second case the analytical possibilities are much greater, because any combination of the surveyed personal or household characteristics is possible. A typical example of the first approach is the Wage Surveys, a continual series which began in 1959. However, they only provide data on the number of workers according to wage levels and their basic sections according to sex and branch of industry. An example of the second approach is the Microcensus Study, which is focused mainly on household living standards. In addition, the Czech Statistical Office has several times conducted (the first in 1988) wage surveys based on the organization's agenda. Since 1996 this type of survey has to be completed every year according to recommendations of EUROSTAT, including firms and organizations with ten or more employees. Whereas there is only a sample of units under one thousand employees, all companies with more than one thousand employees are included.

Differences by branch of employment are also important, despite the fact that a significant equalization of the former disparities has occurred. In the communist regime, licentious efforts were made to express both the reproduction needs (heavy manual work was rewarded better) and planning priorities reflecting the so-called 'social significance of work' (not only heavy manufacturing industry, but also the army, police, and top bureaucracy). Whereas wages in the production sector have dropped during the transformation and have approached the wage average from above, wages in the tertiary sector have approached the average from below (Table 5.3). A leap upwards can be seen in the financial sector and even in state administration. At the opposite end stand public sector employees, for example, in health care and especially education, where the level of salaries remains

low and shows no signs of increasing. A widening gap between the private and public sector has become apparent despite the temporary standstill caused by wage regulation in the production sector.

Table 5.4 Analysis of variance of earnings (% of total variance)

Factor	Men and women			Men		Women	
	1988	1992	1996	1988	1996	1988	1996
<i>Main effects</i>	45.38	40.01	41.21	23.34	27.02	26.10	34.65
Sex	26.51	21.14	17.41	-	-	-	-
Age	7.42	1.21	0.68	12.38	0.50	8.79	1.70
Non-manual	0.03	0.14	1.83	0.04	1.65	0.00	2.65
Education	5.85	6.65	5.67	6.09	7.00	12.89	6.88
Locality	0.65	1.43	1.37	1.19	1.39	1.49	2.00
2-way interactions	2.43	2.72	1.29	2.82	1.35	0.00	1.24
<i>Explained</i>	47.81	42.73	42.50	26.15	28.37	14.45	35.89
Residual	52.19	57.27	57.50	73.85	71.63	85.55	64.11
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Microcensus 1989, 1992 and 1996.

Only economically active outside agriculture 25–59 years of age.

Box 5.2 Analysis of variance

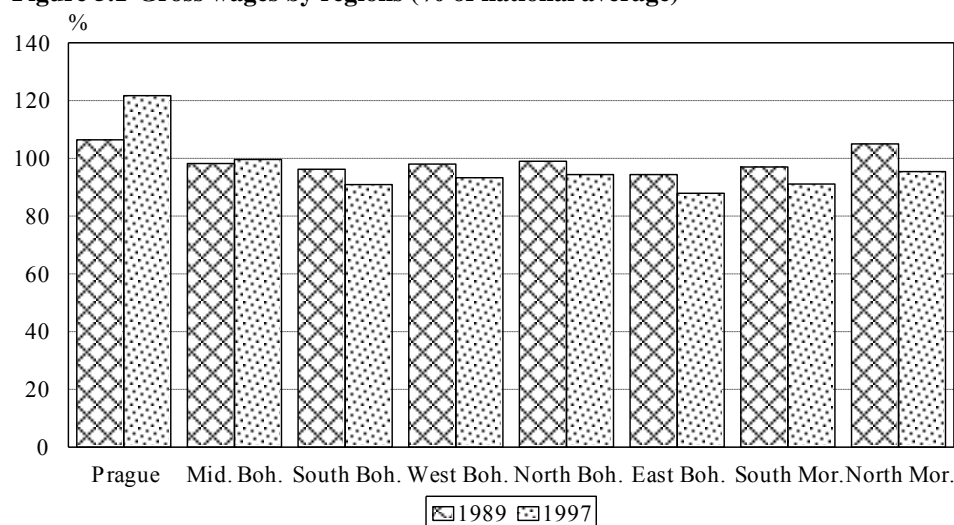
Analysis of variance tests the hypothesis that the group means of the dependent variable are equal. The dependent variable is the interval level and categorical variables (called factors) define groups. In our case the dependent variable is the logarithm of earnings and independent variables are sex, age, intellectual or manual labor, and region. Age is monitored in five-year categories, the variable of non-manual work has only two values, education four degrees (elementary, lower specialized and apprenticeship, secondary and university), and regions correspond to the former administrative units. In Table 5.4 (and further in Tables 5.9 and 6.3) we display percentages of variance explained by each individual factor while controlling for the other factors. The main effects exhibit the percentage of variance explained by all variables together and therefore usually give a higher value than their sum. Because individual factors not only function on their own, but also in connection with others, it is also important to monitor these interactions. In this case their weight is small, so we list only interactions of the second order and neglect the higher orders. All figures in this and the following chapter are statistically significant at the highest possible level.

Analysis of variance in Table 5.4 includes only a few factors comparable across time. In the changing context of wage distribution, the weight of previously prevalent demographic characteristics (sex and age) has decreased. In addition, the percentage of variance explained by all the monitored characteristics together had also fallen. On the other hand, the percentage of variance explained by the difference between intellectual and physical labor and by regional differences has increased. The stable percentage of variance explained by education means that the level of education serves mostly as an indicator of the character

of work. The analysis of variance done separately for men and women show very different results. While the individual factors among men functioned autonomously and could thus be added, wages of women were determined by the monitored characteristics to a larger extent in their entirety. This means that among women, one type of handicap (e.g. age) could not be substituted for an advantage of another type (e.g. education).

Since the demise of the communist policy of balancing regional differences, the efficiency of manufacturing and unequal flows of public resources has become apparent even on the regional level. Whereas some regions were pushed forward by the transformation, others were lagging behind. As Figure 5.1 shows, only Prague and Central Bohemia were relatively advantaged in contrast to all other regions. This was caused by the abolition of previous leveling pressures as well as by the boom in the metropolitan region. In this, management and finance had accumulated and disproportionately expanded branches during the early transformation period. In contrast, the decline of the North Moravian region was especially remarkable, due to the loss of former privileges given to mining and heavy industry.

Figure 5.1 Gross wages by regions (% of national average)



Source: Wage surveys.

Individual dimensions of the wage structure are combined in relative positions of occupations (Table 5.5). An improvement of specialists and increasing disparity between intellectual and manual occupations is quite apparent. Whereas lower specialists maintained their relative position, both skilled and unskilled manual workers have declined considerably. Among university educated specialists, the range widened between employees in management, finance and justice on one side, and those in the education, health care and research on the other. Entrepreneurs reached the level of higher specialists, while the self-employed are positioned a little bit lower. Especially in this sense we may suspect that earnings data are somewhat underestimated, due to both the uncertainty in determining the

assumed ‘personal wage’ of entrepreneurs, as well as the intentional distortion of declared incomes.

Table 5.5 Earnings of typical occupations (% of the average)

Occupation	1988	1996
Miners	209.8	138.1
Bricklayers	104.2	92.6
Drivers of public transport	129.5	102.7
Engineers	128.9	111.0
Salesmen	71.3	65.6
Teachers of elementary schools	107.8	94.3
Teachers of secondary schools	115.9	108.7
Nurses	86.1	68.6
Doctors	147.5	157.9
Judges	152.4	199.9
Lower specialists in finance	107.1	170.7
Managers in finance	195.8	332.0

Source: Wage surveys.

If we summarize changes in the wage structure thus far, we can see pronounced shifts in earnings disparities in comparison with the command economy. Demographic attributes such as sex and age were determining factors and where qualification credentials and the ‘political importance’ of the job decided more than actual skill and performance. Together with rising disparities, education and especially position in the hierarchy of management have gradually come forward during the transformation. This does not necessarily mean that the formerly important differences cease to be relevant. However, because they function in the context of a wider differentiation, their relative weight is lower than before. We must also not forget the transitory impact of the privatization process, which produced, a higher return to education in companies with foreign ownership.

5.3 Household incomes: from reproduction to the market model

Household incomes are surveyed by statistics mostly from the point of view of their real purchasing power. Less interest is paid to relative inequalities. Especially in routine quantitative analysis of income data, the qualitative change characterized by the transition from reproduction to the market model has disappeared. If we understand the ‘reproduction model’ of income distribution as the prevalence of demographic factors (life-cycle and the numbers of active earners and dependent children), then the ‘market model’ is understood as performance-related earnings of workers and accordingly differentiated contributions of individual members to the household budget. In other words, whereas in the ‘reproduction model’ the living standard of the household depends mainly on the size and composition of the household, in the ‘market model,’ contributions by individual members are of much greater importance.

Box 5.3 Statistical surveys on household incomes

In the Czech Republic, household incomes are surveyed using either Family Budgets or Microcensus surveys. Family Budgets have been monitored on small samples since before the war, but a regular series on a panel-like sample of households was established in 1958 and has continued until today. In the near future, the present quota sampling will be replaced by a random sample, according to recommendations of EUROSTAT. Our analysis is based on a much larger Microcensus survey, in operation since 1956 on one or two percent of a random sample of households. Between 1958–1988, wages were reported by employers (and on pension benefits by post offices) and data are therefore highly reliable. Beginning with the Microcensus 1992, all data has been reported only by respondents (see Appendix E).

Table 5.6 Distribution of household income

Indicator	Per household			Per capita		
	1988	1992	1996	1988	1992	1996
<i>Coefficients and decile ratio:</i>						
Variation	0.54	0.68	0.71	0.45	0.55	0.67
Gini	0.29	0.32	0.33	0.22	0.23	0.24
Decile ratio (D9/D1)	5.12	4.93	5.06	2.65	2.42	2.68
<i>Correlations (Pearson coefficients):</i>						
Size of household	0.59	0.55	0.52	-0.64	-0.51	-0.15
Number of active earners	0.73	0.59	0.61	0.04	0.10	0.18
Number of children	0.29	0.28	0.28	-0.75	-0.59	-0.21

Source: Microcensus 1989, 1992 and 1996.

From the qualitative point of view, we see that after decades of a stable income structure, inequalities of household incomes have suddenly increased and the correlation between household incomes has gradually weakened (Table 5.6). The correlation between income per household and income per person has grown from 0.45 in 1988 to 0.66 in 1996. This emphasizes the fact that disparities in market income are widening to such an extent that they can even outweigh the impact of the level of participation by a household in the labor market. In other words, family size and composition are determining less the living standard of a household, so that even families with fewer earners may still place higher on the income ladder.

Table 5.7 shows income distribution according to decile groups. In the first period 1988–1992, the relative position of the lower category was maintained, and only incomes in the top category grew rapidly. Simplified, it was the pre-privatization period of the socio-liberal government, which maintained universal social benefits and kept wages under control. In the second period 1992–1996, the income range increased from both sides. This was the privatization period of the self-declared liberal government which replaced universal benefits with targeted ones, abolished wage regulation, kept the minimum wage

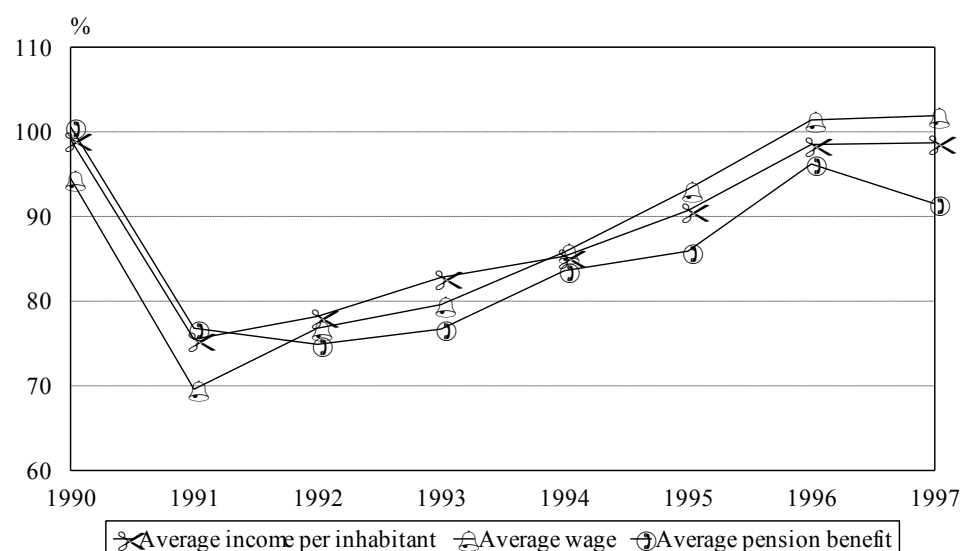
frozen, and allowed for wages to grow faster than productivity of labor. In both periods the middle of the income distribution was compressed. These changes are better seen in the distribution of income per person than of income per household.

Table 5.7 Distribution of household income by decile groups and the growth of real income (%)

Decile group	Per household (HH)			Per capita (PC)			Real growth in 1988–1996	
	1988	1992	1996	1988	1992	1996	HH	PC
1	2.5	2.9	2.8	5.1	5.0	4.4	107.3	82.2
2	4.1	4.1	3.9	6.3	6.5	6.1	90.0	91.6
3	5.9	5.8	5.6	7.1	7.3	7.0	90.2	92.5
4	7.6	6.9	6.7	7.9	7.9	7.6	83.2	91.6
5	9.3	8.1	7.9	8.6	8.5	8.2	81.0	90.3
6	10.7	9.6	9.4	9.5	9.1	8.9	82.7	88.4
7	12.0	11.1	10.9	10.7	10.0	9.8	85.9	87.5
8	13.2	12.8	12.7	12.1	11.2	11.3	90.4	88.3
9	15.1	15.2	15.4	14.0	13.2	13.6	96.6	92.0
10	19.6	23.5	24.7	18.7	21.3	23.2	119.3	117.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	94.9	94.9

Source: Microcensus 1989, 1992 and 1996.

Figure 5.2 Changes in real incomes from 1990–1997 (1989=100)



Source: Statistical Yearbooks.

Our analysis is focused mainly on changes in income relations and the relative position of various social groups. However, we cannot neglect changes in real incomes. As Figure 5.2 shows, real incomes of the population fell only in 1991 as a consequence of the mas-

sive liberalization of prices, and then increased slowly until 1996. It is important to note that according to macroeconomic data, the real incomes of the population reached their initial (1989) level in 1996, i.e. the general revenue statistics look better than the sampling surveys. Microcensus data is not an exact imprint of macroeconomic values, which is due to the tendency to underestimate incomes in survey responses. According to our calculations, the 1988 income level reported in the survey represented 86 % of incomes calculated in the so-called Balance of Incomes and Expenditures of the Population. This figure dropped to 80 % in 1992 and 78 % in 1996, according to the newly established National Accounts.

Box 5.4 Indicators of income inequality

Quantile values. If we rank the population increasingly according to income, values (quantiles) can be attributed to each *n*th receiver. If we choose deciles, we obtain nine values separating each 10 % of receivers; in the case of quintiles we have four values separating each 20 % of receivers, etc. Thus we speak about the quantile (decile, quintile, etc.) values and calculate the rates of inequalities as a ratio of the quantile values – e.g. the decile ratio as a ratio of the 9th to the 1st decile.

Quantile groups. By calculating the average incomes within the range from zero to the 1st decile, then from the 1st to the 2nd decile and so on, we obtain ten decile groups. The ascertained values can be read either as relations to the average income in the given group compared to the mean (after multiplication by 100) or as a share of the corresponding 10 % of receivers on the total amount of income.

Robin Hood Index. This is the ‘maximum equalization percentage’ largely used in the first post-war comparative analysis of income distribution (Incomes, 1967). It involves taking those decile groups whose share of total income exceeds 10 % (or quintile groups whose share exceeds 20 %, etc.) and adding the excess of these shares over that level. Algebraically, it is half the mean deviation divided by the mean. Because it basically measures the percentage which would be needed to redistribute to obtain an equal distribution, it was called the Robin Hood Index by Joanna Gomulka and as such is used in the Micklewright and Atkinson (1992) comparative study.

Coefficient Gini. The Gini coefficient ranges from a value zero (perfect equality) to one (perfect inequality). Mathematically, twice the coefficient Gini is equal to the expected absolute difference in income, relative to the mean, between any two persons drawn at random from the population. Graphically, it is derived from the Lorenz curve. If income recipients are ranked from lowest to highest income, the Lorenz curve plots the cumulative percentage of recipient units against the cumulative percentage of income received by these recipients. The Gini coefficient measures the proportion of the total area below the line of perfect equality (the 45 ° line) that is between the Lorenz curve and the 45 ° line (Danziger and Gottschalk, 1993:26).

In addition, we should also consider the voice of some economists that the consumer behavior of Czech households indicated by the purchasing of cars, durable consumption goods, and tourism puts in question the accuracy of the fall in incomes estimated by the official statistics (Benáček, 1994). The opening of state borders, privatization and entre-

preneurial activities have created substantial additional financial resources which have increased the purchasing power of households, although only of a limited number of them. Because the statistics of this period were only attempting to adapt to the new conditions and circumstances, the amount of these resources was underestimated.

Table 5.8 Average size and the composition of households by decile groups

Decile groups	Average size			Distribution of children			Distribution of pensioners		
	1988	1992	1996	1988	1992	1996	1988	1992	1996
<i>Per household:</i>									
1	1.01	1.07	1.09	0.8	3.4	6.4	94.5	82.2	78.2
2	1.35	1.26	1.33	6.4	9.9	14.6	66.2	63.2	56.9
3	1.74	1.95	2.04	11.9	10.2	14.3	58.3	65.1	60.8
4	2.22	2.20	2.29	23.1	14.0	19.1	35.1	56.1	47.9
5	2.73	2.62	2.76	29.0	25.3	29.4	20.8	27.5	20.8
6	3.06	3.04	3.11	33.3	31.2	32.4	14.0	16.1	14.8
7	3.31	3.32	3.28	37.3	33.3	32.4	9.7	10.1	11.9
8	3.50	3.56	3.43	37.8	34.1	31.5	8.4	8.8	10.4
9	3.66	3.75	3.60	35.6	33.8	28.6	8.8	7.6	9.4
10	4.10	3.87	3.70	28.0	30.4	25.4	10.3	7.2	7.3
Total	2.67	2.66	2.66	28.6	26.4	26.0	22.5	24.8	23.8
<i>Per capita:</i>									
1	2.63	3.72	3.77	0.8	3.4	6.4	94.5	82.2	78.2
2	2.91	3.05	3.18	6.4	9.9	14.6	66.2	63.2	56.9
3	3.01	2.67	2.59	11.9	10.2	14.3	58.3	65.1	60.8
4	3.01	2.51	2.45	23.1	14.0	19.1	35.1	56.1	47.9
5	3.02	2.44	2.36	29.0	25.3	29.4	20.8	27.5	20.8
6	2.95	2.50	2.35	33.3	31.2	32.4	14.0	16.1	14.8
7	2.79	2.48	2.54	37.3	33.3	32.4	9.7	10.1	11.9
8	2.46	2.58	2.66	37.8	34.1	31.5	8.4	8.8	10.4
9	2.14	2.46	2.53	35.6	33.8	28.6	8.8	7.6	9.4
10	1.75	2.24	2.21	28.0	30.4	25.4	10.3	7.2	7.3
Total	2.67	2.66	2.66	28.6	26.4	26.0	22.5	24.8	23.8

Source: Microcensus 1989, 1992 and 1996.

If we display the distribution of nominal income into real income (calculated according to the Consumer Prices Index), we learn that while the lowest and the highest decile group have improved their positions, the middle income categories have lost 10–20 % of their purchasing power. The improvement in the lowest category is, however, misleading because its social composition has changed substantially: there are fewer pensioners and more families with children. According to incomes per person, only the highest decile group has made gains, while the lowest one has lost the majority of its purchasing power. According to both indicators, income groups above the middle have lost more than those

below it. The change was therefore highly unbalanced and it is possible to argue that the development after 1989 was more beneficial for the rich and the poor than for the middle income categories. To verify this and for a more detailed explanation of past developments we must look behind the simple income distributions and display various breakdowns and their change over time.

The basic and most simple breakdown is the demographic one. Table 5.8 shows household size and composition according to the number of pensioners and children in the individual decile groups. Important changes occurred during the monitored period, among which the most pronounced was the replacement of pensioners with children in the lower part of income distribution. While in 1988 the lower decile group of income per household was almost exclusively composed of pensioners and the decile group above this by two thirds, in 1996 children had massively entered into both of these groups. In other words, the lowest income group ceased to be represented exclusively by incomes from social transfer (pensioners = unemployed poor = so-called old poverty) and are newly represented by low working incomes (families with children = working poor = so-called new poverty).

Instead of using a complicated description of other breakdowns, we use a multivariate analysis. The aim is to compare two sets of factors of income distribution, i.e. characteristics of the life-cycle or 'demographic' variables (age, size and composition of the household) and characteristics which express capacities of the household on the labor market, i.e. 'economic' variables (education and occupation). The methodological problem of describing change in its entirety (relatively speaking) is caused by the fact that while demographic description of households is rather easy and available in all Microcensus surveys, their 'market capacity' is indicated only in fragments and the necessary characteristics are hardly comparable over time.

Table 5.9 Analysis of variance of household income (% of total variance)

Factor	Per household			Per capita		
	1988	1992	1996	1988	1992	1996
<i>Main effects</i>	62.82	24.51	37.25	58.92	38.28	49.89
No. of active earners	24.21	11.61	15.85	2.31	3.30	4.42
No. of children	5.42	3.08	0.73	35.37	14.98	16.30
Age of the head	1.89	0.51	0.65	2.63	0.29	0.27
Non-manual	0.16	2.87	4.17	0.02	2.71	3.80
Education	3.29	1.98	3.50	0.85	1.93	3.42
Locality	0.08	0.84	0.55	0.09	0.98	0.82
2-way interactions	3.16	1.91	1.64	3.47	1.62	1.33
<i>Explained</i>	65.98	26.42	38.88	62.39	39.90	51.22
Residual	34.02	73.58	61.12	37.61	60.10	48.78
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Microcensus 1989, 1992 and 1996.

Only households with the head in the prime age range (25–54) included.

Analysis of variance in Table 5.9 shows two different periods. Between 1988 and 1992 the explanation power of nearly all factors under observation had dropped (with the exception of the distinction between manual and non-manual workers and the size of locali-

ty) and the variance explained by all factors together had been radically reduced. Between 1992 and 1996 an opposite development occurred, whereby the explanation power of nearly all factors (except the number of children and size of locality) increased as did the variance explained by all factors together. The first period included the widespread dismantling of the demographic base of distribution of household income, and the second period represents the beginning of its structural change based on the market economy.

During the period of 'really existing socialism', the Czech Republic was a very specific case in comparison not only with Western Europe, but even with East European countries. Since then it has undergone a significant change. In 1988, 52 % of variance in household incomes was determined by the number of household members, in 1992 this percentage had dropped to 33 % and by 1996 to only 28 %. The same data for Sweden are 31 %, Germany 24 %, Great Britain 18 %, and Italy 8 %. We see that there are great differences even among EU countries because these data reflect not only the level of freedom on the labor market but also social generosity of governments, which use redistribution policies to bring the market and transfer incomes closer.

In the course of transformation, the profile of household incomes according to life-cycle was weakened to the benefit of its occupational profile. Due to lack of data, this is represented in our analysis only by a simple distinction between intellectual and manual workers. Our results would be even more convincing if we had more of comparative characteristics of families reflecting their capacity for placement on the labor market. Here we face the problem of the reliability of income data among the self-employed, because they are inclined to declare the lowest possible income to avoid taxation. It is not surprising therefore, that the distinction between the categories of self-employed and employed does not help to explain the variance in household incomes at all.

5.4 Wealth: old and new sources of inequalities

The development after 1945 and especially the Communist putsch in 1948 led to the destruction of previous property both in terms of production capital and real estate (following widespread nationalization), and in financial assets of households (through two monetary reforms, which occurred in 1945 and 1953). According to retrospective data, confiscation of property affected at least 45 % of the population, particularly farmers. The gap between low wages and high prices of durable consumption goods (due both to the generally low purchasing power and price distortions) induced in fact a separation of the formation of family wealth from its current income. Wealth could be generated only by long-term savings or from informal sources. Family houses were constructed mostly by people themselves.

While the great majority of households had, at most, modest housing and basic amenities and many barriers existed to formation of wealth, a propertied elite was nevertheless gradually established. It was recruited mainly from the political nomenclature and the barons of the gray economy. Its visible formation was limited by the communist ideology of equality, which dictated that the actual, i.e. seemingly ruling 'working class' was not to be provoked. Ivo Možný (1991) put forth the hypothesis that in the end it was the ruling elite itself which contributed significantly to the fall of the regime. It did so paradoxically by its

desire to fix its acquired privileges, to use them openly and pass their 'disposal rights' to their children by conversion into actual ownership rights.

Box 5.5 Investigation of wealth

The statistical inquiry of wealth belongs to the most difficult research problems, due to differences in the assessment of various assets and an unwillingness among families to report their economic situation. The most advanced in this sense is probably the French statistics, where surveys on 'financial assets', 'owner's accounts' and examination of housing conditions are conducted regularly, from which a picture of household wealth might be composed. For example, according to 1992 data, the net value of family wealth was estimated to be four times higher than the gross annual income: financial assets constituted 53 %, household property (apartment and amenities) 38 % and the material conditions for the job performance 9 %. The inequality in wealth is obviously much greater than in that in incomes: it was estimated that 5 % of the wealthiest families owns 40 % of the total volume of family ownership (Données sociales, 1993).

Such data are not available for the Czech Republic, due to the underdeveloped statistics and the lack of political will to investigate wealth (the first and the last incomplete census of wealth was compiled in 1919, as part of monetary reform). In EEA surveys we only experiment with the question: 'Imagine you had to report to the insurance company the value of your wealth, i.e. house, secondary residence, car, garden, furnishings, savings and all other property. How large would be the sum total? Make an estimate of the current value of the individual items, add them together and place yourself in one of the following categories'. Whereas the response rate is high, the results heavily underestimate the actual situation.

The renewal of private wealth and the opening of markets after November 1989 brought about the opportunity for old wealth to manifest itself and new wealth to be generated. Several possibilities for the accumulation of new wealth were created: 1. Continual ownership and the transformation of 'socialist' ownership, capitalized upon through privatization; 2. The restitution and repossession of family wealth either by original owners or their heirs; 3. The conversion of 'political capital' into economic capital or the use of information for the purpose of transforming state companies into private firms either directly (where managers became owners), or indirectly (by acquiring control of joint-stock companies); 4. The opportunity to utilize gaps in the legal system for the purposes of tax evasion, dubious business ventures, smuggling, and fraud.

Unfortunately there is no statistical data on the size and distribution of wealth as productive and financial capital. This is a kind of ownership whose nature has radically changed during the transformation. From practically zero, private ownership of capital has become overwhelmingly prevalent. During small privatization, 40,000 units entered into private hands. According to surveys, 18 % of the population was involved in restitution, 12 % of which obtained farms, land or woods, 3 % houses or other real estate, 2 % financial resources and 1 % factories or small businesses (EEA, January 1996). The number of

private businesses, starting with a few hundred, surpassed one million in 1994 and increased by another 100,000 by 1997. Voucher privatization and the activities of investment funds and banks drew households into the capital market (for more details see Chapter 3).

Table 5.10 Possession of durable goods (%)

Items	All		Poor		Difference	
	1991	1996	1991	1996	1991	1996
<i>Families with children:</i>						
Freezer	46.4	50.5	44.9	35.5	-1.5	-15.0
Automatic washing machine	82.3	86.7	78.1	80.3	-4.2	-6.4
Color TV set	76.7	93.7	69.9	83.3	-6.8	-10.4
Video recorder	12.0	41.3	10.2	21.9	-1.8	-19.4
Personal computer	6.5	14.6	3.8	4.0	-2.7	-10.6
Telephone	35.7	52.1	25.3	30.3	-10.4	-21.8
Car	70.4	63.4	58.9	34.6	-11.5	-28.8
Summer house	12.8	10.0	5.6	1.8	-7.2	-8.2
<i>Pensioners' households:</i>						
Freezer	16.9	31.4	5.9	15.3	-11.0	-16.1
Automatic washing machine	28.7	49.5	14.5	23.3	-14.2	-26.2
Color TV set	41.0	75.8	20.4	52.0	-20.6	-23.8
Video recorder	0.4	7.2	0.0	2.0	-0.4	-5.2
Telephone	36.7	53.4	20.0	29.3	-16.7	-24.1
Car	22.5	30.5	6.7	8.0	-15.8	-22.5
Summer house	11.8	16.1	2.7	6.7	-9.1	-9.4

Source: Family Budgets.

Statistical surveys provide data about the ownership of durable goods. In both Family Budgets and Microcensus surveys, we witness a pronounced upward trend (Table 5.10). However, in the case automobiles, these data are distorted because a portion were transferred from ownership by households to private companies. The accessibility of cars has actually increased substantially. In 1990 there were 233 cars per one thousand inhabitants, by 1996 it had jumped to 325.

Households are likely to underestimate their wealth either because they do not know its exact value or choose intentionally to distort it. However, even the rise of estimated wealth is very pronounced (Table 5.11). The share of households declaring wealth surpassing one million CZK has increased from 5 % at the end of 1990 to 36 % at the beginning of 1998. This growth can be attributed, in addition to inflation, to a real increase in wealth from restitution, new business, as well as an increased willingness of households to admit that they possess more property, at least in fully anonymous surveys. The relationship between wealth and income, which was very weak in 1989, has continued to strengthen. This might testify to the greater impact of the market economy on the economic status of households as well as the fact that formerly separated economical structures are once again becoming interconnected.

Table 5.11 Estimates of household assets (% of respondents)

Assets (in CZK)	XII. 1990	XII. 1991	VI. 1992	I. 1993	XI. 1993	XI. 1994	I. 1996	I. 1997	IV. 1998
Under 50,000	5.2	6.9	4.8	3.9	3.4	3.4	3.4	3.4	2.9
50–99,000	11.2	11.5	9.3	8.2	6.1	5.6	3.9	4.6	3.6
100–199,000	19.1	15.0	11.9	12.9	10.3	7.7	7.3	7.3	5.9
200–299,000	17.1	12.0	12.8	10.4	10.8	10.1	9.0	6.8	7.2
300–399,000	13.5	11.4	11.5	10.1	12.6	10.8	10.1	8.0	8.2
400–499,000	11.5	14.2	12.9	13.1	13.9	13.2	12.8	13.4	13.6
500–999,000	17.2	20.8	23.3	21.5	22.9	22.0	22.5	22.4	21.4
1–2 (1–2.9) mil.	4.5	6.0	11.2	13.9	13.7	19.3	20.8	24.5	29.1
3–5 (3–4.9) mil.	0.9	2.1	2.2	6.0	6.1	7.9	10.2	4.9	5.0
Over 5 mil.	-	-	-	-	-	-	-	3.6	2.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: EEA.

Note: Beginning in January 1997, the categorization of answers in the interview changed. Instead of two categories 1–2 million and more than 2 million were included three categories 1–2.9 million, 3–4.9 million and 5 million and over.

5.5 Legitimacy of new inequalities

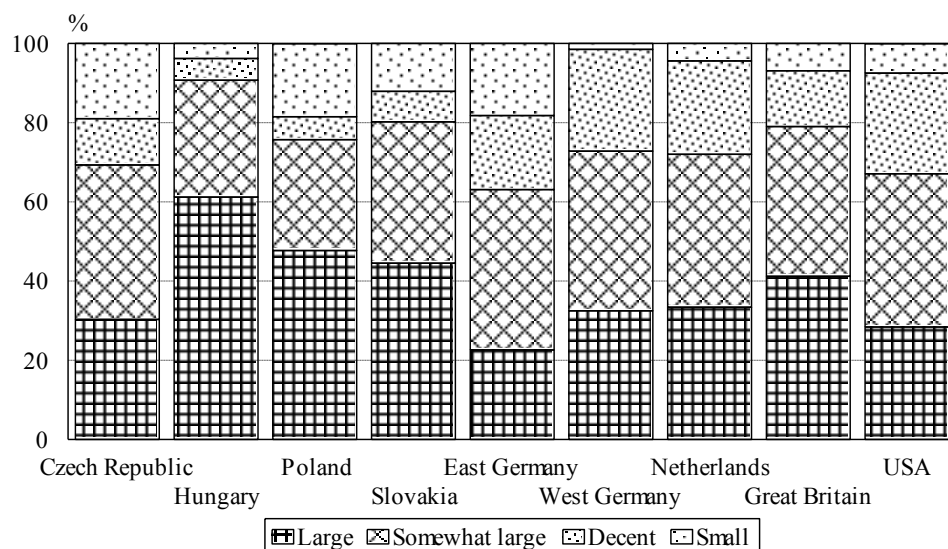
The rise of disparities in individual earnings and family incomes has been reflected in the attitudes of individuals. After the criticism of wage equalization, which was increasingly voiced during the communist regime, people have since begun to take issue with the exaggerated disparities in wages. The comparison of the objective characteristics of wage distribution and the subjective perception of them shows that the tolerance of greater inequalities in earnings was declining faster than the actual increase in these disparities. The range between the extreme decile groups of earnings doubled since 1990. Whereas in spring 1990 90 % of the population were willing to accept greater differences in earnings, at the beginning of 1998 hardly a half of the population agreed with this.

The increased unwillingness to accept wider earnings inequalities cannot be explained by one single cause. Obviously, it is in part a return to the egalitarian ideology, deeply rooted in Czech history of the 19th century, when the Czech nation was practically reborn from plebeian conditions. It was, of course, strongly assisted by foreign influence, first German (the leveling of workers wages for the sake of industrial efficiency during the war) and later Soviet (wage equalization helped to increase employment by maintaining the wage amount intact). It would be naive to think that this social characteristic, fixed in people's attitudes and strengthened by the social system, can simply be suppressed or uprooted. Czech egalitarianism has obviously never ceased to exist and after a short period of liberal euphoria has come to life once again.

Yet it is not enough to explain egalitarian expectations only through ideology and human envy. The cross-national comparison in Figure 5.3 shows surprisingly that even in this respect the Czech Republic is no exception. At the beginning of the 1990s, critical

attitudes towards wage disparity in the Czech Republic was roughly on the same level as in Germany or the Netherlands; moreover, according to large segments of the population (as in East Germany or Poland), wage disparity was considered minimal. We also did not find any systemic difference between the Czech Republic and Western countries in opinion as to whether poverty results from poor economic opportunities or the economic system encourages the unfair acquisition of wealth for some people (Večerník, 1996 and 1998). Even though the situation described by the 1991 ISSP survey has probably changed, we cannot assume that in critical attitudes towards economic inequality the Czech population would differ greatly from their Western neighbors.

Figure 5.3 How large are earnings disparities?



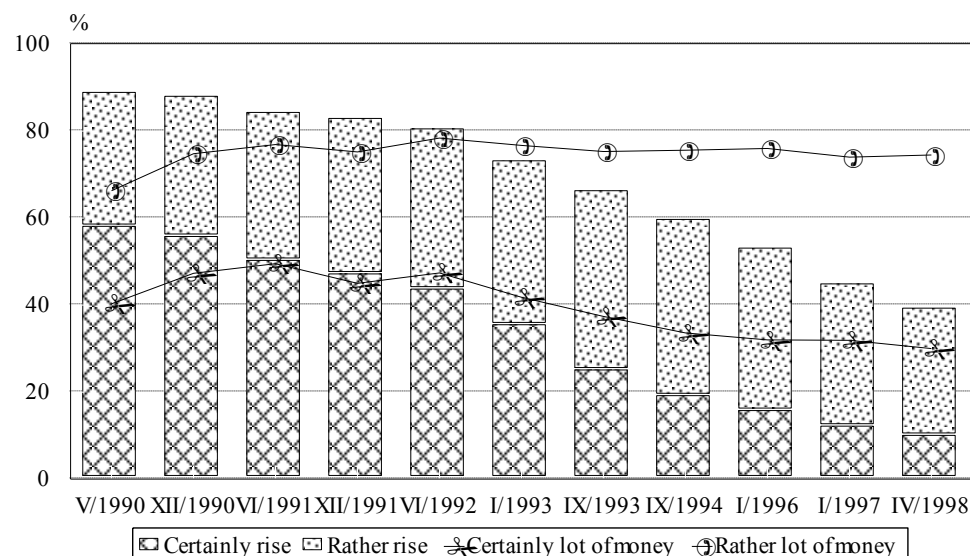
Source: *Social Justice 1991*.

It was the actual transformation, more than any national ‘psychological constant’ which has increased doubts that high incomes are rewards for exceptional personal capacities and performance. Figure 5.4 shows that while the acceptance of eventual further growth in wage disparity is generally falling, the opinion that competent people should earn more has remained unchanged over time. In the growing discrepancy between both statements, we can thus observe strong criticism of the existing reward system. According to many citizens, such a system enables and even fuels an increase of earnings inequalities while failing to remunerate better those whose work also for the benefit of others, according to the well-known comparison of Adam Smith on the miraculous effects of the ‘invisible hand of market’.

As documented before, even in this respect much has happened in Czech society since 1990. To summarize, the remuneration of production activities has fallen somewhat to the benefit of services, the rewarding of qualified professions has improved a bit to the detriment of less qualified ones, and management positions in particular did much better at the

expense of rank-and-file ones. An entrepreneurial sphere emerged, which immediately occupied the top income positions. Such changes are obviously appreciated by those who have benefited from them. Those with a higher education, businessmen, and practically all those who receive higher incomes are more likely to consider today's regime to be socially just in comparison with the previous one (e.g. 56 % with university degrees compared with 38 % of the average population). They are also usually more accepting of further growth in wage disparity (62 % compared with 45 % of the average) (EEA, January 1997).

Figure 5.4 Earnings disparities should rise/Competent people should be wealthy



Source: EEA.

However, a number of expected changes did not occur. Above all, earnings are still only loosely related to performance, which is the foundation of the capitalist economic system. A bank employee earns double the wage of a teacher, regardless of performance. Only 30 % of people declare that their wages follow their labor effort – and the majority of those respondents are self-employed or entrepreneurs. Not even positions demanding the highest qualifications, requiring life-long education and bearing the human potential of the society are rewarded in a honest and motivating manner. While the first problem has resulted from the market failure, the second is due to the failure of post-November governments, which did not pay enough attention to the development of human capital.

While the overall range of earnings has expanded to reach 'capitalist' dimensions, the socio-economic content of their distribution remains burdened by the past. This wider range, comparable today with Germany, was created by severing the highest decile group from the average, while the majority of workers remained squeezed around the average values. New social categories have reached the peak of the income hierarchy (financiers, top civil servants, entrepreneurs), but only little space remained for finer differences, linked to work effort, qualification, and creativity. When the public calls for higher pay

for competent workers while rejecting any further growth in inequality, and to ensure economic growth while maintaining social cohesion.

The biggest doubts, however, concern not disparities in income but in wealth. Most people initially agreed that privatization should happen fast 'at any cost'. But after the first scandals, this acceptance started to diminish rapidly. On the contrary, the assumption that all new wealth is illegitimate has been widespread since the very beginning. By 1992, nearly 80 % of the population were of the opinion that people were getting rich through illicit means. This critical attitude may continue to strengthen as a consequence of media attention to privatization scandals. However, in this sense the gap between the Czech Republic and developed Western countries is not so large, even despite the disadvantage of Czech society, in which most of wealth has appeared recently. The legitimacy of acquired wealth usually grows with the time elapsed from its initial acquisition.

The perceived legitimacy of economic inequalities does not stand isolated nor is it linked directly to objective income distribution, but rather is one part of a wider set of socio-economic attitudes and thus also reflects the general climate in society. At the beginning of the transformation, this climate was very favorable to liberal policies but has since gradually returned to the preference of greater social protection and smaller economic inequality. Moreover, as backing for income inequalities continues to weaken, expectations for more state intervention in the economy have grown, specifically concerning price controls, employment guarantees, a decent minimum income and housing. We can also assume that a part of this opinion change is due to the fact that people have been responding more carefully in the polls and that they are giving more thought to inequalities. The period of transformation is by definition also a period of the maturing of people's attitudes.

5.6 Conclusion

Neither statistical nor sociological surveys can capture the economic resources of households fully. One reason is that people underestimate their incomes, either due to a lack of records or concern that such information could potentially be misused. Another reason is the fact that the monetary incomes represent only a certain, although substantial, part of a household's total resources, among which belong also incomes in kind, self-serving activities, free services, and various types of exchanges. A 'portfolio of economies', a combination of various legal and illegal monetary and non-monetary forms of obtaining goods and services, is especially characteristic of post-communist societies. According to Richard Rose, who introduced this terminology (Rose and Haerpfer, 1992), Czech society should be much more 'legally-monetary' than its former comrades from COMECON. Nevertheless, we must approach income data with certain reservations.

If we consider only declared monetary income, we see that the present situation in income distribution has been influenced both by the long term development and cyclical changes. We see energetic driving forces and the renewal of old capitalist traditions, as well as the rigidity and the heritage of 'really existing socialism'. On one hand, a stimulating space for private business suddenly appeared, which has been widely used. On the other hand, budget constraints did not allow the public sector to become more attractive and improve quality of its performance. In many ways the 'visible hand of bu-

reaucracy' still dominates over the 'invisible hand of the market', which had until now a positive consequence in low unemployment and sustainable inflation, but a negative impact in insufficient incentives to work.

Undoubtedly, there exist signs of adaptation to a standard market economy. The income distribution range is widening and demographic factors (as an expression of the state control over the reproduction of the workforce) are gradually being replaced by economic factors in the determination of income (which indicate the growing strength of market forces). From the point of view of efficiency of the whole system, it is important that links between earnings of individual members and household incomes have strengthened, which indicates a weakening of the determination of household incomes according to the number of earners to the benefit of the 'market model', stressing the differentiated contribution of each person. The link between income and wealth is also becoming strengthening. With the fall of the state intervention policy (using turnover tax), prices of goods and services of 'basic' and 'higher' needs have become closer, so that formation of family property is no longer forced outside the range of incomes from the formal economy.

As for the legitimacy of new economic inequalities, we can already see a return to egalitarian attitudes, which are deeply rooted in public consciousness and which had been reaffirmed by the absence of income inequalities in the middle income levels. As privatization nears completion (accompanied by a huge concentration of wealth) and with the negative implications of the rather too much freedom in some areas (mainly on the capital market), a pronounced diffidence towards new wealth is emerging, which could have serious consequences for societal stability. However, in this respect exaggerated criticism would be undue, as inequality in wealth encounters legitimacy problems in practically all countries, not excluding established Western democracies.

6 Income redistribution through taxes and social benefits

Social transformation has been accompanied by significant changes in the redistribution of income. The command economy of the communist regime was endlessly re-distributive and transfers were not transparent. Obscure redistribution between the state and population was completed by apparent transfers between the state and enterprises. Altogether, it was a de-motivating system where terms such as tax, insurance, and social allowances were rather nominal labels without a substantial meanings. For example, wage tax was only a slightly differentiated additional levy serving several intertwined purposes. No evidence exists concerning transfers made to the detriment of certain categories of the population and to the benefit of others.

In the course of change from the closed system of ‘really existing socialism’ into an open democratic one, the state has given up its command over the economy and has remained only an administrator, regulator or guarantor of social protection and, to a limited degree, its direct financier. The social welfare system has been detached from the sphere of labor and has no other option than to base itself on real cash flows, the majority of which are mediated by taxes, insurance contributions, and social allowances. Within the permanent budgetary constraints, the effectiveness of the system has become the key issue. The question arises of how to address well-defined social problems at the lowest possible cost, and how to protect the population against threatening social and health risks.

Problems of redistribution are mutually inter-linked and conditioned each by one another. The principal requirement is a long-term balance, preventing present redistribution from jeopardizing its own future resources. This requires finding a middle road between unacceptable extremes. On the one hand, maximization of the re-distributive effect (full income equality) could lead to the erosion of future resources. On the other hand, the assumed maximization of the motivating effect (leaving all market incomes to their producers) would make it impossible to finance public goods and social services in addition to raising differences and social tension to an unacceptable level.

The issue of redistribution has many different aspects, of which we will cover only several. The main objective is to document how the situation in the Czech Republic has changed and to assess its current position in an international context. In order to do this, we first have to place the issues into a wider context including the economic and social effects of redistribution. Of no less importance is the international context and the process of adaptation of the Czech system to that of Western Europe. Statistical surveys are used in order to monitor changes in the structure of tax collection, benefit allocation, and their changing relation to different household characteristics. Finally, we will attempt to com-

pare objective characteristics of the system with its subjective perception and provide some thoughts on the so-called tax awareness of the population.

6.1 Income equality or economic efficiency?

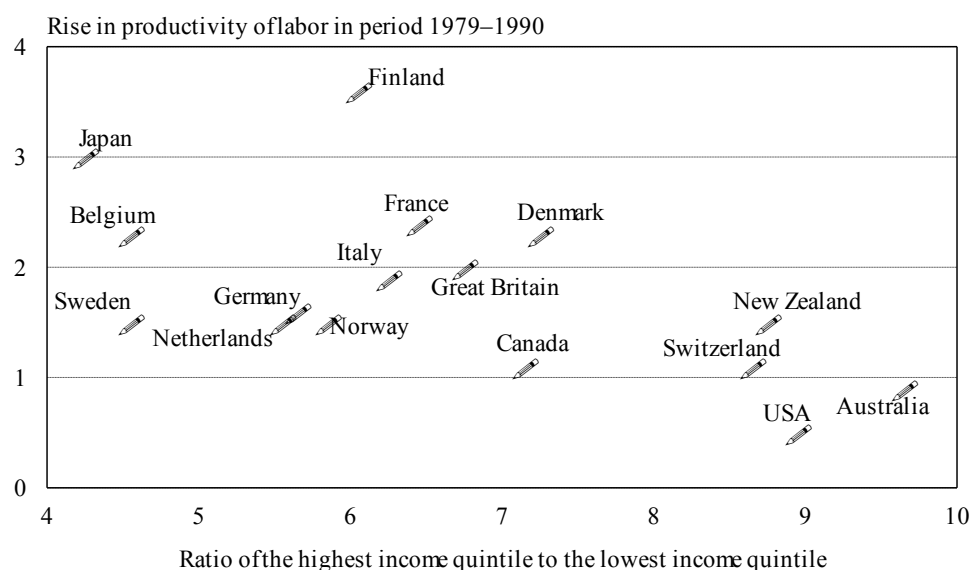
Czech society is characterized by certain historically determined features, which have increased the problematic interface between social generosity and economic efficiency. Above all, the Czech population has historical social and egalitarian roots, among other things, connected with the decimation of the national elite. The pre-war system of social protection was built upon these roots and was highly advanced and generous at the time. Also, the communist policy of social security, which led to the universalization and unification of the existing system, enjoyed great support among the population. However, at the same time this system was deformed by equalization and the rupture of all links between former merit and current position.

On the interface between social and economic spheres we find different trade-offs which limit space for the maneuvering of economic and social policies. It is not possible to undermine the creation of resources by excessive burden, nor equalize differences at the expense of the destruction of economic incentives. The command economy failed to recognize the actual existence of such trade-offs, and decided to disregard elementary economic rules and psychological laws. Only in this way and understandably to the detriment of the economy, could the state equalize the labor force into the form of an 'aggregate worker', which acts under state supervision and thus enjoys all accompanying security, albeit on an elementary level. In contrast, the economic reforms have led towards a renewal of elementary economic mechanisms.

The recognition of the trade-off between social equality and economic efficiency stand in opposition to the Keynesian demand-driven economy, assuming that a generous social policy is always a solution with a positive sum. Since human capital is the main source of economic growth, policies and expenses associated with its reproduction and development are supposed to be the main contribution to economic efficiency. On the contrary, the increasing costs of social protection (evident in Western countries since the 1970s) lead to the opinion that the welfare state has gradually degenerated into a mechanism, which distracts people from their work. Instead of resolving the problem of employment and efficiency, it has even exacerbated this problem by teaching people to be unproductive.

In his well-known theory, A.M. Okun (1975) argues that the greater the inequality of income, the higher the performance of workers. The author is convinced that an individual's work effort grows only if improved performance is adequately expressed in greater remuneration. The income scale then has to offer sufficient space for rise and descent, which means that wages must be flexible both upwards (to motivate higher performance) and downwards (so that entrepreneurs have an interest even in less efficient workers). For this reason, any wage floors (minimum wage) or ceilings (be it direct limitation of higher wages or prohibitive taxation) are unacceptable.

Figure 6.1 Income inequality and labor productivity



Source: *Institute for Public Policy Research, London.*

In opposition to the narrow economic approach which disregards the social environment of an individual, the approach inspired by social anthropologist Karl Polanyi (1957) declares that human work is above all a social activity and that monetary earnings are only one of several possible compensations for individual effort. It is known that many people prefer interesting work and a positive working environment, and that they feel more secure in a place where people are not merely preoccupied with salary levels. This also applies to the character of entire societies. A socially well integrated society without excessive differences among people can more easily create a motivating environment for individual performance than one which is shaken by social disturbances and conflicts.

The positive relationship between income inequality and economic efficiency has yet to be empirically proven. For example, analyses done by the *Institute for Public Policy Research* in London shows that some countries with high income inequality (Switzerland, Australia, US, New Zealand) experienced low growth in labor productivity during the period from 1979–1990, while other countries with low income inequality (Belgium, Japan, Finland, and partly Germany) experienced more growth (Figure 6.1). Another analysis using indicators from 56 countries shows that excessive inequality may even be detrimental to economic growth. The reason is that in societies with inequalities, the attempt to suppress social and political conflict leads to government policy which eventually paralyzes economic growth (Persson and Tabellini, 1994).

The previously described conflicts cannot be resolved either unambiguously or definitively. It is an undisputed fact that societies which redistribute resources more intensively can allocate more money for education, health, environment, and security which eventually manifests itself in a higher performing labor force, thus resulting in economic growth. However, it is also true that countries which distribute more resources to entrepreneurs for

investment may be more advanced technologically and show a higher growth of productivity. This dilemma cannot be solved by opting for one extreme or the other. In any situation it is necessary to find the right balance between 'equality of results' and 'equality of opportunities', complying with the conditions of the respective country and its current needs of economic growth and social integration.

Box 6.1 Estimation of the redistributive effect of taxes and benefits

A so-called 'standard' analysis of the impact of taxes and benefits on income inequality is done by comparing income distribution before and after redistribution. It is based on the assumption that these operations have no reverse effect on input income, i.e. that its distribution is not related to the extent and profile of the subsequent redistribution. The advantage of this approach is the simple calculation; however, it ignores the obvious fact that 'taxes and transfers are a part of the environment that people take into consideration when they make decisions about work, consumption, investment, and so on' (Ringen, 1987:109). There was a certain type of redistribution even before the introduction of the 'welfare state' and if state interventions were to be again limited, it would result in the strengthening of private protection and insurance. The above approach systematically overestimates the real influence of state redistribution on the income of the population. The reverse effects of this policy are particularly visible in public pensions: 1. generous benefits motivate elderly workers to leave the labor market earlier, and 2. the expansion of public pensions leads to the limitation of private forms for protecting the elderly, i.e. private insurance, savings and aid between generations.

Even the effect of redistribution on the reduction of inequality is not unambiguous. Through a comparison of different analyses, Danziger, Haveman, and Plotnick (1981) found that income transfer reduces poverty by 75 % and income inequality (as expressed by the Gini coefficient) by 19 %. The given figures, however, were established using the so-called standard approach (see Box 6.1) which does not take into account the fact that if state redistribution did not exist, or was more modest, there would be some other mechanism catering to persons and families in need. Liberals point out that excessive state involvement in this sphere leads to the erosion of traditional redistribution mechanisms and of natural human solidarity. Taken to an extreme, a generous state, instead of strengthening social integration, breaks social bonds or at the very least removes penalties for the atomization of society.

CEE countries, however, represent a specific case and the Czech Republic has its own salient features. Czech society featured extreme wage equalization and a high degree of resource redistribution both in social and regional terms. In the transition period, it was more important to stress the 'equality of opportunities' rather than the 'equality of results' and this also endorsed increases in income inequality. This was basically executed spontaneously by the market, above all by opening up new sources of income and their accumulation. It was, however, also necessary to make redistribution channels more transparent by reforming the system of taxes and benefits. The question arises as to how this change shaped the rate of redistribution and how far today's Czech Republic is from its Western neighbors in terms of aggregate and structural characteristics of redistribution.

6.2 Redistribution in a comparative perspective

Systems of taxes and social benefits everywhere have developed independently and, in spite of some attempts of synthesis, they have remained systematically and institutionally separated. The redistributive capacity of state financial channels gradually increased and instead of taxes, social benefits became the main current of redistribution. The reason was that with the expansion of the coverage of the welfare state, it became also necessary to tax lower incomes in order to acquire more funds. If more people pay taxes and simultaneously receive benefits, the question arises as to how meaningful such contradictory flows are, along with the idea of integrating taxes and benefits.

The overall rate of redistribution, measured by the share of taxes and social contributions in GDP (the so-called tax quota) has, gradually grown in the history of Western civilization. In advanced Western countries it grew from a level of one-tenth of GDP at the beginning of the 20th century to the current level of 30–40 %. We find the lowest degree of redistribution in the strongly liberal US, but also in traditional Japan (which has recently been showing a considerable increase in redistribution). In contrast, the highest redistribution can be found in social-democratic northern European countries, for example, Denmark and Sweden. The greatest increase in redistribution can be seen in socially less advanced southern European countries such as Spain, Greece, and Portugal, but also in the more advanced Italy (Figure 6.2).

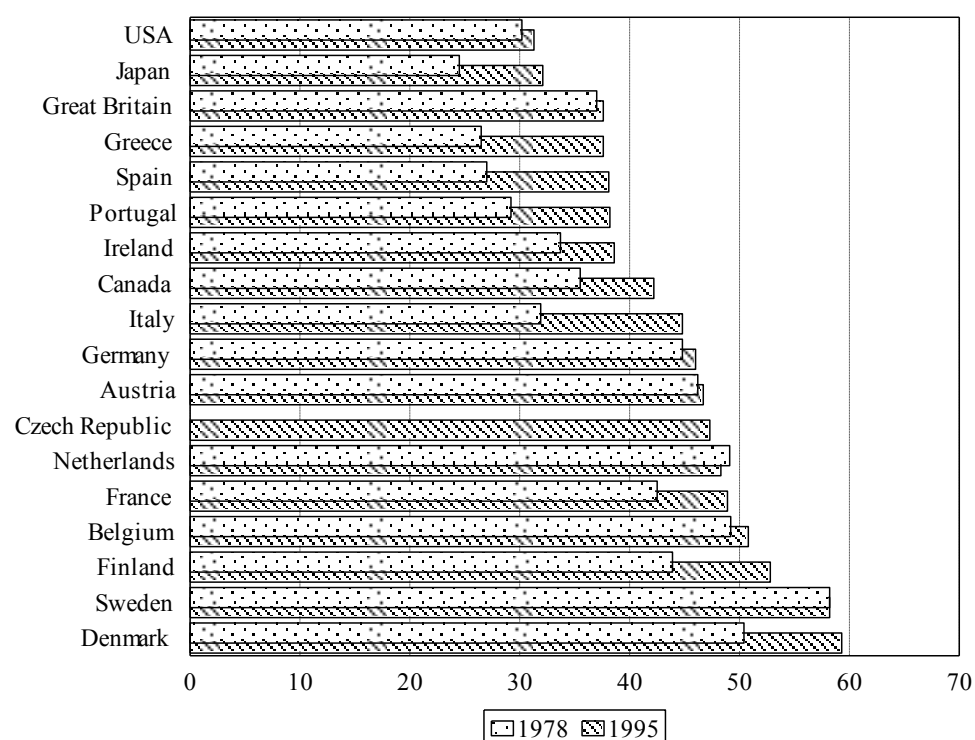
Box 6.2 The redistributive function of the tax system

In economic literature, the functions of taxes are described as allocation (providing resources for financing public goods or on the contrary as a way of penalizing with the aim of preventing or suppressing certain activities), redistribution (transfers of resources aiming to equalize incomes) and stabilization (smoothing the economic cycle by influencing demand). The redistributive or social function of taxes is considered to be secondary but still important.

If we take only the income tax of individuals (as having the closest link to the situation of individuals and families), state social policy is applied through: 1. The relative weight of tax within the whole revenue; 2. The tax structure, including explicit and implicit benefits for different situations and particularly tax progressiveness, and 3. Interaction with different social benefits.

The interaction of the tax and benefit system has had many unintended effects. The best example is the 'poverty trap', which catches those for whom a potential wage would be only slightly higher (if at all) than the actual social benefits. There is a de-motivating effect of replacing the low, but tax exempt benefit, with a higher but taxed earning. The costs of being employed (clothing, transport, food) must also be included, as well as the strain which labor necessarily brings, especially the kind of manual work conducted by lower income individuals.

Figure 6.2 Tax quota in OECD countries (state revenues in % of GDP)



Source: *OECD Economic Outlook*.

Note: The definitions of the OECD are somewhat different from national ones.

This comparison suggests that aggregated and average figures tend to conceal some information. Due to the not fully developed welfare state, there is a low redistribution rate in southern European countries and also a similarly low redistribution rate in the UK, which is the result of a planned reduction of social transfers and the building of a 'residual' system which protects only the poorest part of the population. Thus it seems that the degree of redistribution, at least on the European continent, still positively correlates with the economic level of a country: underdeveloped countries redistribute less and the developed ones more. However, there has recently been a reverse trend, so that a stagnation or even a decrease of the above rate is no longer a rarity. This is also confirmed by recent data from the UK, Austria, Belgium, Netherlands, and Sweden.

In conjunction with economic reforms, the extent of public redistribution of resources in all CEE countries was reduced considerably. However, according to available sources, there are notable differences among countries in this group, which already existed before the transformation: in the former Czechoslovakia, the redistribution rate was over 70 %, while in Hungary and Poland it was in the range of 50–60 %. The economic reform brought the tax quota below 50 % in all CEE countries. In recent years, the Czech Republic has experienced a slow but consistent reduction of this tax quota of about 1 % per year, reaching a rate of 40 % by 1997.

The fiscal reform not only changed the aggregate characteristics of the tax and benefit system, but also its structure. In 1993, the entire Czech system was made dramatically more transparent and simple. Instead of having different taxation systems for different population categories, a uniform income tax for individuals was introduced in 1993. In 1995, universal family allowances were replaced with targeted benefits. Thus the system in many respects became more similar to the current situation in many Western countries. This enables us to better compare financial flows in the Czech Republic with those in the West, also in terms of their distribution among households. For this purpose we used the results of the Luxembourg Income Study, from which we extracted data on the most advanced OECD countries. We then added the best possible comparable Czech data obtained from Microcensus surveys.

Table 6.1 Distribution of taxes and transfers by quintile groups of equivalent household income in OECD countries (%)

Quintile groups	Germany	Netherlands	Sweden	UK	USA	Czech Republic 1988	Czech Republic 1996
<i>Taxes:</i>							
1	5.5	10.3	6.3	4.5	3.8	1.7	1.8
2	10.4	10.0	12.5	8.1	6.9	11.1	5.4
3	17.0	16.2	17.7	15.9	13.9	20.2	14.1
4	23.4	22.3	23.3	25.0	22.6	27.3	25.1
5	43.7	41.2	40.1	46.4	52.7	39.7	53.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	24.4	36.4	32.5	21.4	21.2	14.8	20.2
<i>Transfers:</i>							
1	21.8	24.9	15.2	26.7	29.2	27.5	27.5
2	22.2	21.3	25.8	25.9	21.2	23.4	30.6
3	15.7	16.9	21.7	19.4	17.1	17.1	20.4
4	21.0	17.7	19.9	16.1	17.5	15.8	12.7
5	18.3	19.2	17.4	11.9	15.1	16.2	8.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	24.1	43.4	42.7	30.1	14.5	26.2	24.9

Source: Atkinson, Rainwater and Smeeding, 1995; Luxembourg Income Study (LIS) database; Microcensus 1989 and 1996.

Note: Equivalent income is household income divided by the number of equivalent units and equivalent units are computed as the square root of the number of household members.

According to the data given in Table 6.1, the tax burden in the Netherlands is considerable, large in Sweden and Germany, and moderate only in the UK and US. However, the tax burden is not reflected exactly in the level of social benefits. In the US, the tax burden is equal to that of the UK, but the level of benefits there is incomparably lower. At the same time, while taxes are distributed among the population in a very differentiated way, the distribution of social benefits is more uniform. 'Liberal' countries (the UK and US), in comparison with other countries, seem to be very redistributive in taxes (which are more

progressive) and slightly more redistributive in social benefits (which are more closely targeted to the lowest income categories).

After November 1989, the Czech Republic underwent an unbalanced shift in the area of taxes and social incomes. Expressed in terms of income per capita, we see that relative tax increased from 15 % in 1988 to 21 % in 1996, while relative social transfers dropped by 2 %. As for the amount of taxes, their level is still low, close to the level of Great Britain. On the other hand, the level of social incomes is also low, on about the level of Germany. It is also possible to verify these calculations with other methods, for example, by comparing typical family situations according to the OECD model (The Tax/Benefit Position, 1997). If we take an employee with two children earning an average worker's wage, and whose wife's income is two-thirds of this income, we find that the Czech Republic, together with other CEE countries and Austria, belongs to the countries with the highest rate of redistribution. Upon subtracting taxes and insurance contributions and adding social benefits, such a family in the Czech Republic is left with 85 % of its income from work, in the UK 80 % and in Germany only 66 %.

Income surveys enable an interesting comparison of redistribution. The Czech Republic is apparently very similar to liberal countries and even exceeds them in the level of redistribution. Tax distribution according to income level seems very progressive which should, however, be viewed with a great deal of caution as there is still a large proportion of retired people (non-taxpayers) in the lowest income category. In terms of the distribution of social benefits, the Czech Republic shows the greatest similarities to Great Britain which, coincidentally, served as a distant model for the Czech social reform. However, in this particular case the issue is not the results of this reform, but rather the long-term characteristics of the social system, determined by the fact that households of pensioners have no chance to enter in higher income categories.

6.3 Trends in distribution of taxes and social benefits

Unlike West European countries, where redistribution flows are systematically surveyed, inequality in taxes and social benefits in the Czech Republic has not yet been the subject of wider public interest. Although a thorough reform of the whole system has been in preparation for a long time and was subsequently implemented, the possible impact of reconstruction on the distribution of resulting incomes was studied in depth by foreign researchers, through the application of already existing simulation models to Czechoslovak data (Coulter, Heady, Lawson and Smith, 1993).

For analyses of tax and benefit distribution, we can use either the above mentioned income surveys (Microcensuses), or the so-called statistics of household living standards (Family Budgets). The advantage of income surveys is their considerable size and representative character; however they are only conducted once every four years. Another disadvantage is the fact that the amount of tax (and also several social benefits) is not assessed in the questionnaire but calculated by statisticians on the basis of household income and the demographic characteristics of family members. Thus it is the information which displays more the shape of the system (which is, of course, important if we mainly want to investigate changes in it), than its actual functioning which considers also the utilization of all possible depreciation and abatements.

Table 6.2 Relative taxes and social benefits according to decile groups of household income (%)

Decile groups	Taxes		Social benefits		Sum effect	
	1988	1996	1988	1996	1988	1996
<i>All households:</i>						
1	0.6	1.4	95.0	91.3	94.4	90.0
2	6.6	5.7	68.2	73.2	61.5	67.5
3	9.5	6.7	55.2	69.3	45.7	62.6
4	11.6	8.9	40.6	59.9	29.0	51.0
5	13.8	15.6	29.5	33.1	15.7	17.5
6	15.5	18.2	23.2	23.9	7.7	5.8
7	16.3	20.4	19.1	17.8	2.9	-2.6
8	16.7	22.5	16.8	13.9	0.1	-8.7
9	17.1	24.3	15.3	10.7	-1.9	-13.6
10	17.1	29.0	13.6	5.3	-3.5	-23.7
Total	14.8	20.2	26.2	24.9	11.5	4.7
<i>Employee households:</i>						
1	19.0	19.8	16.9	17.6	-2.2	-2.0
2	16.5	19.1	23.3	21.9	7.0	2.9
3	15.8	19.4	24.2	21.9	8.4	2.4
4	16.8	20.8	21.3	18.3	4.5	-2.5
5	17.5	22.0	18.5	15.4	1.1	-6.6
6	17.9	23.0	16.6	13.6	-1.2	-9.4
7	18.1	24.5	15.6	11.2	-2.5	-13.3
8	18.6	25.3	14.7	10.0	-3.9	-15.4
9	19.0	27.2	13.8	7.9	-5.2	-19.3
10	19.4	31.2	12.5	5.3	-6.7	-27.0
Total	17.9	23.2	17.8	14.3	-1.3	-13.1

Source: Microcensus 1989 and 1996.

Note: The sum effect is computed as social benefits minus taxes in percent of net household income.

Table 6.2 shows taxes (together with contributions to social and health insurance) and social benefits in individual decile groups according to income per household (see the respective methodology in Chapter 5). The compared tax systems, the former dating back to the communist regime and the latter already reflecting subsequent changes, differ quite substantially. In fact, in 1988 we only see the impact of the wage tax of state sector employees. Other various income taxes, paid by small groups of the population (small businessmen or artists) were not incorporated into the survey. Social and health insurance contributions were partly contained in the wage tax, however the majority was paid by the employer in payroll tax. In 1996, one single variable brings together the income tax of individuals together with contributions to social and health insurance.

Box 6.3 The Czech tax and benefit reform

The principal changes of the system of redistribution between households and the state budget were initiated only after 1992. Beginning in 1993, a new system of direct and indirect taxes was introduced with the aim of making redistributive flows more transparent and to harmonize the system with European standards. Instead of the obscure amounts of practically flat wage tax, a uniform personal income tax was introduced. In the consumption sphere, the 'turnover tax' with an endless number of rates was replaced by a simple value added tax with two rates.

The system of social protection was conceived in 1996 on three pillars: 1. Social insurance (to cover such contingencies as unemployment, illness, or old age); 2. State social support (for situations causing financial problems such as maternity, child care, and disability); 3. Social assistance (to resolve situations of material need). Benefits paid within the state social support were changed into a targeted system. The result was a shift from a paternalistic state and general social security to a more targeted social policy, reinforcing the responsibility of individuals and families and directing state benefits to those who need them the most.

If we compare the average taxation of all households in 1988 and 1996, data show an increase of approximately 5 %. However, if we consider only the average taxation of comparable households of employees, its general level is naturally higher and the increase slightly lower. This is because the new income tax covers a slightly larger section of the population, extended particularly to include households of peasants (exempted from tax under the communist regime). Apart from the lowest decile group including households exempted from tax, the system has apparently introduced a greater progressiveness of taxation: the ratio of the tenth to the second decile group, which was 2.6 in 1988, had already reached 5.1 in 1996. The tax burden of the highest group of households, which was 17 % of their net income, is now 29 %. The increase of tax progressiveness occurred in spite of the fact that the majority of the population has so far fallen within the two lowest tax bands.

Concerning social income, its share in the average household income dropped by 1 %. However, at the same time the share of pensions grew to the detriment of family allowances, so that the total share of social income fell by 3.5 %. The actual distribution of social income is much less equal than the previous one, that is, the share of lower income categories is greater and the share of higher categories is lower. Unlike the situation in the former regime, households with the highest incomes are almost independent of social benefits. This is due not only to the more specific targeting of social benefits but also because households with the highest income include fewer children or retired persons.

Similarly as with income distribution (see Chapter 5) we can use statistical surveys to monitor factors which influence amounts of paid tax and received social benefits. Unfortunately, there are only a few household characteristics which are comparable over time. As implied from the analysis of variance displayed in Table 6.3, factors influencing taxes and benefits tend to follow the changing structure of income disparities. On the one hand, the importance of family life-cycle declined (according to the number of dependent children and the age of the head of household). On the other hand, the importance of charac-

teristics which are directly reflected in household income grew (especially the number of economically active members). While the change in taxes has been dramatic, the change in benefits was rather gradual.

Table 6.3 Analysis of variance of relative taxes and social benefits (%)

Factor	Taxes		Social benefits		Sum effect	
	1988	1996	1988	1996	1988	1996
<i>All households:</i>						
<i>Main effects</i>	66.03	71.64	87.73	87.40	87.18	87.03
No. of active earners	15.17	19.73	16.61	18.60	17.45	19.30
No. of children	7.31	1.56	1.20	0.34	1.89	0.50
Age of the head	4.98	1.42	4.97	2.77	4.91	2.30
Locality	1.67	0.70	0.08	0.28	0.21	0.34
<i>Explained</i>	66.03	71.64	87.73	87.40	87.18	87.03
Residual	33.97	28.36	12.27	12.60	12.82	12.97
Total	100.00	100.00	100.00	100.00	100.00	100.00
<i>Employee households:</i>						
<i>Main effects</i>	42.72	38.55	28.92	41.44	58.26	43.82
No. of active earners	3.10	8.18	6.63	22.76	13.34	23.58
No. of children	31.96	5.26	15.84	2.57	31.25	2.56
Age of head	0.79	0.22	0.74	0.17	1.17	0.26
Non-manual	0.02	3.48	0.24	1.13	1.88	2.46
Education	0.89	3.19	0.06	1.32	0.08	1.44
Locality	0.35	1.85	0.25	1.20	1.68	1.10
2-way interaction	4.19	1.30	2.90	1.92	6.84	2.43
<i>Explained</i>	46.91	39.84	31.82	43.36	65.10	46.25
Residual	53.09	60.16	68.18	56.64	34.90	53.75
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Microcensus 1989 and 1996.

Note: The sum effect is computed as benefits minus taxes as percentages of net household income.

In employee households, the amount of taxes and social benefits also reflects other status characteristics (measured by the position of the head of the household), such as the difference between intellectual and manual work, educational level, and also the size of locality. However, in comparison with the size and composition of the household their influence remains only secondary. While the percentage of the explained variance did not change greatly from 1988–1996 among all households, it changed dramatically in employee households, and in the opposite direction. Taxes are currently less determined by household characteristics (which result from a weaker demographic determination of income) while social benefits are determined more so, which proves the effectiveness of the targeted system.

A continuous temporal series of changes is provided only by Family Budgets. Using this source, we must be aware of some of their specific features. The advantage of Family Budgets is their regular yearly periodicity, but a disadvantage is that their representation is rather limited due to the quota character of the sample by social groups and household types. Moreover, the type of monitoring (on-going journals and the quasi-panel character of the sample) contributes to the fact that higher income groups are underestimated. The income inequality assessed by this survey is then smaller than the actual one, so that even the redistribution rate is underestimated. This is confirmed by a comparison of results from both sources (not provided here), where the change in the redistribution system after 1989 according to Family Budgets seems much less significant than according to Micro-census data.

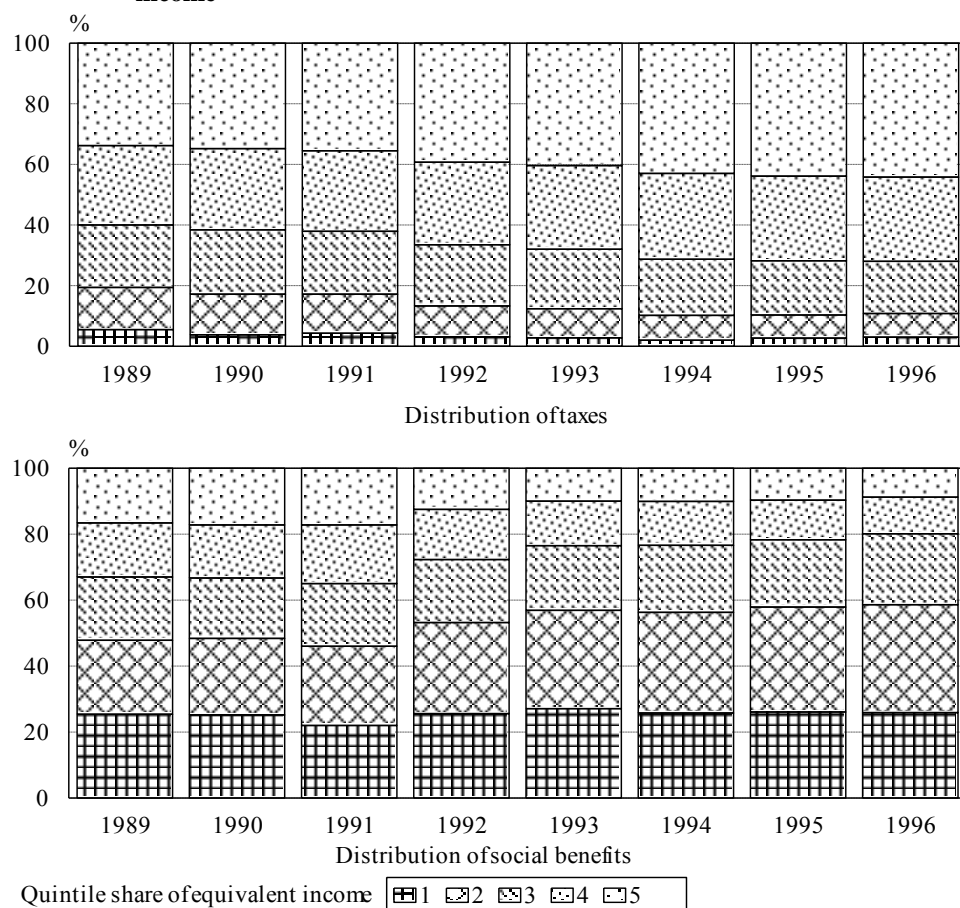
Box 6.4 Taxes and social benefits in statistical surveys

Here we survey only direct taxes, i.e. up to 1992 the wage tax and from 1993 the personal income tax, together with compulsory contributions towards health and social insurance paid by individuals. Social benefit is any income from state funds, mainly retirement pensions and family allowances. Microcensus data are weighted for the whole population, in order to balance disproportions in representing households of pensioners, the unemployed and entrepreneurs. In the analysis of Microcensus data (Table 6.2), we use standard categories according to income per household and per person. In Family Budget data (Figure 6.3), we survey changes according to income per equivalent unit, where units are computed as the square root of the number of household members (as in Table 6.1).

Figure 6.3 shows the final distribution of taxes and benefits according to income per equivalent unit. In the first part we present the share of each quintile group of households in the total amount of taxes, in the second part we give shares in the total amount of social benefits. It shows that inequality in taxes according to income category gradually increased. The reduction of the share of taxes paid by the lowest fifth of households is due mainly to a lower tax burden of the lowest wages and partly also to the prevalence of pensioner households close to the bottom of the income scale (after a temporary improvement of their situation in 1991). On the other hand, the current as well as the ‘cold’ progression (which means the inflation-generated shifts of the same real income into higher tax bands), contributed to the fact that the share of taxes paid by the highest fifth of households, which in 1989 was just short of 34 %, had exceeded 44 % by 1996.

Regarding the distribution of social benefits, the trend shows a gradual, though less even growth in inequality. The changes were pursuant to the highest income category, where the share dropped from 17 % to less than one-half. On the other hand, the share of the lowest income category remained stable throughout the observed period, apart from in 1991, when a fall caused by the distribution of flat state social compensatory contribution took place. The total balance of changes in redistribution shows that while available net incomes of the lowest category in 1989 were 2.1 times gross earnings, in 1996 it was already 2.5 times. Conversely, disposable incomes of the highest category in 1989 totaled 90 % of gross earnings whereas in 1996 they were at 80 %.

Figure 6.3 Distribution of taxes and social benefits by quintile groups of equivalent income



Source: *Family Budgets 1989–1996*.

Note: Equivalent income is household income divided by the number of equivalent units and equivalent units are computed as the square root of the number of household members.

No matter how we assess the flows of income redistribution, we always find the middle class (households in the range between approximately the sixth and ninth decile groups) subject to the greatest burden. Households situated below the average usually gain from redistribution, proportional to the intensity of the application of the need criterion. On the other hand, members of the highest income category suffer less, even if they pay relatively higher taxes and receive no social benefit. The upper income group also enjoys a certain security: their burden cannot exceed a certain limit because this would impede business and also reduce tax revenue. Thus there is a general tendency to reduce tax rates on higher income which is to the exclusive benefit of the narrow category of the highest income households.

6.4 Position of the middle class and tax awareness

The scope and form of redistribution is closely related to the social structure of society. Although this relationship is far from deterministic, the choice of redistribution channels is still a result of the effort of certain social groups and is reflected in their position. It is not a simple polarity where some gain and others lose, where those who receive (the poor, the lower classes, the working class) are in favor of solidarity, while those who pay (the rich, the higher classes, capitalists and managers) are against it. Only in ideology is there an antagonistic contradiction between the 'laborist' (socialist) and 'Bonapartist' (Marxist) approach, where according to the former objective of redistribution is to improve the living standard of the poor, while the latter concern is the indispensable concessions by the rich for their own protection against a revolt of socially marginalized groups.

A dualistic picture leads to charity, not to solidarity. Solidarity is not possible in a sharply stratified society, but rather appears only where there is a certain degree of social cohesion. It is based on the fact that the division of a society into social classes is not identical to its classification according to risk groups, and both classifications are relatively independent. 'The triumph of solidarity measures in Britain and Scandinavia, supposedly the classic example of change from the bottom up, was in fact equally a victory for the middle classes. Not until otherwise privileged groups discovered that they shared a common interest in reallocating risk with the disadvantaged was a real redistribution of burden possible' (Baldwin, 1990:292).

The interaction of both opposing redistribution channels, i.e. tax revenues and social expenditures, is the basis of the ambivalent character of the middle class position. This class, on the one hand contributes considerably to the social system, while on the other hand profits a great deal from it, albeit usually more through other channels than monetary ones (state spending on education, culture, transport, and communications). Benefits which the middle class receives through such channels can never be calculated exactly, and we can only combine calculations with approximate estimates. The procedures used were inspired by the classical study of R. Goodine and J. Le Grand (1987) who documented the example of British society, showing that redistribution of funds occurs in a social hierarchy not only from the top down, but also from the bottom up.

According to summarized estimates from Austria, the contribution of the upper third of the income population to the whole amount of direct taxes is 67 %, while at the same time this group receives only 26 % of state social expenditures. However, at the same time it draws 47 % of funds allocated to education, 69 % of culture and 59 % of highways, altogether 40 % of the total amount of transfer. Here we take into account that the figures refer to income per household. However, the number of members in individual income categories differs, where fewer persons live in the lower third income group (22 %) than in the upper third (44 %). The lower income third of households pays only 6 % of direct taxes and contributions but receives 47 % of social expenditures, 16 % of spending on education, 10 % on culture and roads, which is altogether 29 % of the total amount of transfers (Guger, 1996).

From the above data it is clear that income redistribution is not simply a financial or economic issue, it is also a social and political matter *par excellence*. Therefore, its evaluation differs according to the angle from which it is viewed. On the one hand, citizens and families direct their large requirements to the state, expecting to be provided with gener-

ous benefits in the largest variety of possible situations. On the other hand, the same people and same households (firms not excluded) would like the state to take as little as possible from their pockets. In other words, nearly everyone agrees to take if someone else pays while almost no one agrees to pay for someone else to gain. Solidarity among people thus finds its reverse side in the egoistic expectation that someone else should foot the bill.

Box 6.5 Redistribution and middle class interests

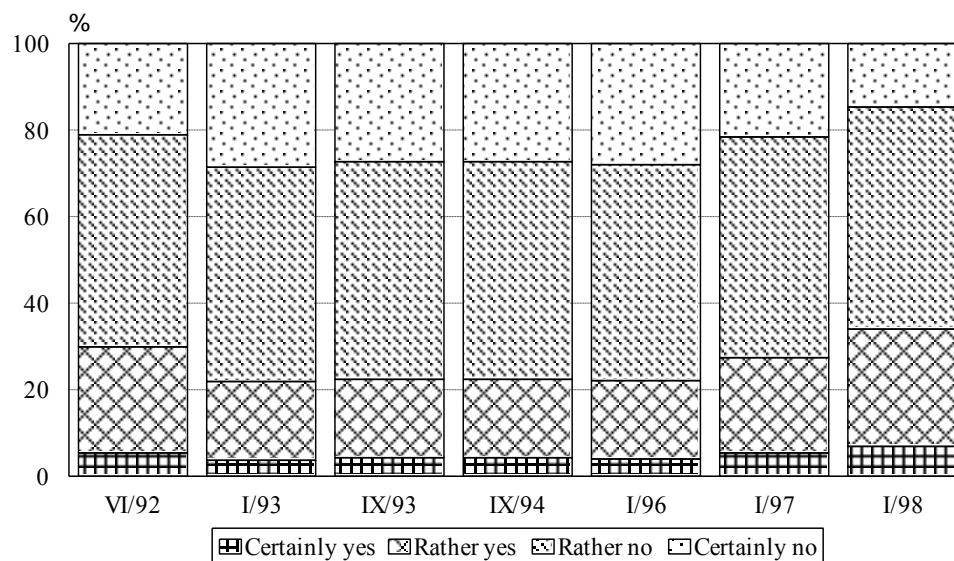
In social policy theory, there is a debate about whether the argument that the 'middle class matters' is still valid. According to this, the middle class creates a system of social solidarity mainly for itself, and due to its considerable political importance it is to a great extent responsible for the social system structure in individual countries. The middle class is interested in a generous welfare state, prefers universal benefits rather than targeted ones, and greater benefits rather than smaller ones. For example, the social system in the US is split into 'welfare' (targeted benefits for the poor) and 'social security' (social insurance benefit for the middle class). While the first system is subject to constant political pressure, and the real value of the respective benefits over recent decades has decreased, the other sub-system is considered exempt (Skocpol, 1987). However, according to some authors, the support for redistribution provided by the middle class must not inevitably be based on its own material self-interest but may be understood as a moral pledge to society. For example, the Australian case did not confirm that a reduction of social expenses affected the powerless poor more than the influential middle class but, on the contrary, it led to a better allocation of funds (Whiteford, 1994). Similar experiences from Belgium show that savings can be focused on fighting poverty in the field of social welfare, public housing, social services, and employment policy (Andries, 1996). This means that governments, in spite of the risk of losing some support of the middle class, do not consider it correct to cut benefits for the poor.

Redistribution is part of an implicit social agreement between the government and citizen, which is easier to meet the more transparent its objectives and contents are. The government is expected to behave economically, to provide information about state expenditures, and to distribute funds efficiently and impartially. Citizens should contribute to the transparency of this transaction by having an elementary tax awareness, i.e. by knowing what part of their money flows to the state, what the costs of social transfers and public goods are about, and what part of these costs is refunded to the individual. This is of course only possible to calculate very approximately, because especially public goods are by definition non-divisible and neither the contributions of individual taxpayers nor the revenue of their users can be identified exactly.

Requirements for higher budget expenses are clear only in their aggregate form – to cover these or other expenses it would be necessary to increase taxes by this or that sum. It is more difficult on the household level, where it is necessary to consider not only what the state is taking but also what it is giving. It is not surprising that if people have to choose between higher social expenses (and a resulting tax increase) or lower taxes (resulting in lower social benefits), one-third is left undecided. Out of those who incline to one alternative, the majority (60 %) eventually prefers an 'increase in social benefits even if means higher taxes' to 'lower taxes even if it means lower social benefits' (40 %). The

requirement of higher social expenses prevails slightly in all social categories and responses to the above question are not notably divided by income, social class or the political orientation of respondents. Outstanding are those responses from pensioners who have yet to be faced with any taxes and thus can call for greater social spending.

Figure 6.4 Taxes should be higher for financing social measures



Source: EEA.

The awareness of how much and in what way resources are redistributed is important for the overall attitude of citizens towards the state. In Hungary it was proven that the better knowledge citizens have of financial flows and social expenditures or public goods, the less they are prone to excessive expectations from the state. Since individuals with a higher education and status display such an awareness, the social hierarchy is strongly expressed in these attitudes. A clear decline in such expectations can be identified in the course of the transformation. In terms of the extent of solidarity and the redistributed amounts, no important connection was found either with the level of education or income. However, educated individuals and those with higher status tend to be critical of the way in which resources are distributed and would like to see a change in it (Csontos, Kornai and Tóth, 1997).

In recent years, when monitoring shifts in the opinion that 'taxes should be higher in order to have more money for social benefits', we find a U-shaped curve (Figure 6.4). In mid-1992, when the economic situation still looked promising and the completion of the reform was presumably almost in sight, people were not so reluctant to accept higher taxes and many would have tolerated even greater state redistribution. However, due to liberal rhetoric and deteriorating economic prospects, tolerance towards higher taxes weakened slightly. However, since early 1997 people have again been demanding higher taxation as a manifestation of their growing expectations of social security and a certain nostalgia for socialism. Although two-thirds of respondents are against higher taxation, the trend is still somehow paradoxical and in contrast not only to the demand for a less expensive state and

limited redistribution, but also regarding pragmatic concerns about one's own wallet at a time of general increases in living costs. This is not proof of a crystallization of tax awareness, where people would be increasingly aware that the problem concerns their own budgets and not only those of others. Among those in favor of higher taxation are members of the lower classes, however there is no social differentiation of this opinion.

Let us take a closer look at how respondents perceive the level of taxes, i.e. if they consider taxes high, appropriate, low, broken down into groups of high, middle, and low income. As Table 6.4 shows, the situation did not substantially change in the 1992–1996 period, when taxes were perceived to be low by high income groups and high by low income groups. The new system, whose implementation in 1993 led to greater tax progression of personal incomes, was not highly noticed by the public. However, the ideas of middle income groups were subject to a perceivable change, where taxes are more often seen as reasonable. Behind this shift we can see an understanding of the more progressive taxation by the population.

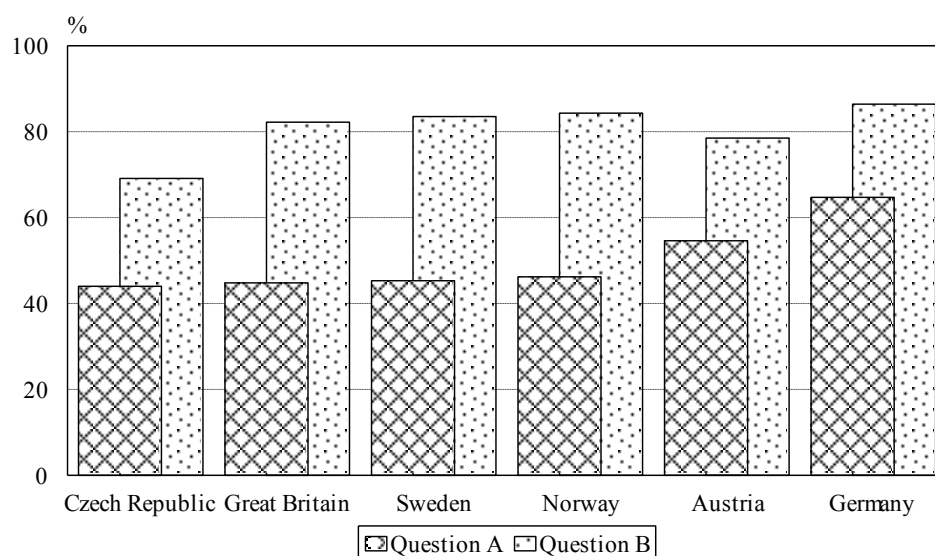
Table 6.4 Opinions about tax levels for high, medium, and low incomes (%)

Taxes are	In 1992 for incomes			In 1996 for incomes		
	high	medium	low	high	medium	low
Too high	5.0	6.2	30.7	3.9	5.2	27.9
High	11.6	43.3	44.4	10.5	26.6	41.2
Adequate	24.6	41.2	18.0	28.5	49.2	17.7
Low	32.3	3.4	1.8	29.1	5.2	1.4
Too low	11.7	0.0	0.3	11.8	0.5	0.3
Don't know	14.8	5.9	4.9	16.2	13.2	11.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: ISSP–1992 and ISSP–1996.

There is of course nothing unusual about the tendency to consider the state as a bottomless coffer. Calls for higher taxation of the wealthy is supported by a class-based view of society. It is therefore not surprising that in Western countries we often find the opinion that taxes are rather high for the lower classes taxes and for higher classes rather low – which altogether results in the demand for a greater progressiveness of taxes. Czech respondents are surprisingly similar to those from Scandinavia (where taxation of high incomes is already great and thus an increase is not sought after) and are surprisingly distant from countries with social-market economies with excessive demands of redistribution (Figure 6.5). The Czech Republic is also very similar to Great Britain in terms of strong redistribution of income through taxes.

**Figure 6.5 A. Taxes for high incomes are low
B. Taxes for low incomes are high**



Source: ISSP-1996.

Box 6.6 Political transparency of the tax system

Joseph E. Stiglitz describes the political transparency of a tax system in a similar way as we talk about tax awareness. The government should be discouraged from taking advantage of uninformed citizens, in obscuring real costs of provided services (e.g. by dividing social insurance into a part paid by employees and another part paid by employers), or in their intentional undervaluing. It is better to be clear on who is paying which taxes – therefore a tax on personal income is correct, but an corporation tax of legal persons is bad because it is not clear whether it is paid by shareholders or consumers. A politically transparent tax system must be unambiguous in so far as changes may be possible only on the basis of a change in legislation and the government must be responsible for the amount of taxes and public expenditures. This contrasts with the situation when an explicitly progressive tax leads to a growth of the real tax yield even without a change in the system if inflation grows (cold progression). A tax system should not be abused for the pursuit of individual interests, or for the pursuit of the interests of the majority to the detriment of minority (Stiglitz, 1988:396–398).

The evaluation of the adequacy of taxes differs according to income category. People with low income see their taxes as high and consider taxes paid by the rich as low. Similarly, people with high income consider their own taxes excessive and yet less often think that taxes of people with low income are too high. Nevertheless, the desire for a higher taxation of high incomes expressed by the low income group is thus generally stronger than the opposite scenario. However, none of these differences are very pronounced. Unlike Western countries, where criticism of the tax system is strongly associat-

ed with one's position in the social hierarchy (i.e. greater taxation of high incomes is called for mainly by members of the lower class), the Czech Republic shows similarities to the British model in that this criticism is more closely related to political orientation (i.e. higher taxation of high incomes is called for most often by left-oriented people).

The 1996 ISSP survey contained question asking what the adequate tax on four specific monthly incomes should be. The results showed that while the existing tax level was more or less in line with the convictions of respondents, the actual tax level of higher incomes was higher than they considered appropriate (Table 6.5). The higher the income, the higher the marginal tax was paid in comparison to the tax subjectively considered to be the optimum. This difference is 4 % of a monthly income of CZK 20,000 and 8 % of CZK 40,000 per month. However, the rather shallow scale expressing the average opinions of the population on taxation deviates with respect to the social situation and political orientation of respondents, more specifically in that less-educated and left-oriented people tended to be harder on the rich.

Table 6.5 Income tax as it actually is and as it should be according to opinions of respondents (%)

Monthly income in CZK	Tax as it actually is		Tax as it should be	
	total	marginal	total	marginal
5,000	8.4	-	10.7	-
10,000	12.1	15.8	12.9	15.3
20,000	17.8	23.5	16.4	19.8
40,000	24.9	32.0	20.2	24.0

Source: Legislation of income tax and ISSP–1996.

Note: The tax as it actually is computed according to legislation on personal income tax in 1996 after only basic deduction for single person is included.

While tax awareness is better cultivated by direct taxes, which charge the income of economic actors, administrators of the state budget prefer indirect taxes charging the consumption of market commodities. Although the value added tax burdens 'standard' and 'luxury' goods unequally, no redistribution occurs (unlike the excise tax). And unlike income taxpayers, consumers have practically no way of escaping them. However, to consider taxes only as a fiscal tool for raising revenue for public budgets is to reduce the role of taxes as a complex means of communication between the government and citizens. Although in a model situation the yield of direct and indirect taxes could be equal, in the long run the amount collected is dependent on the means of collection. Together, along with other factors, it is an important contribution to the willingness to pay taxes and to support government policy.

6.5 Conclusion

With some exaggeration we can say that the attention from the public regarding taxes indicates a certain adjustment of a society towards the West. Positively, it means tax awareness, information, and the resulting intensity of the debate about how much the state demands from taxpayers and what it offers in exchange. Negatively, it means that other eco-

nomic issues are relatively secondary. For the time being, this is not yet the case of the Czech Republic, where many other issues are still much more important than taxes. Consequently, there is still a lack of scholarly discussion on how the tax rate and progressiveness motivates or discourages business activities and work performance. In addition, whether or not the tax system is 'socially just' and does not violate the principle of equity (which means in principle that everybody has the right to keep such a position in the society which they have achieved by their own efforts), and the manner in which the tax revenue is used, and so forth.

The path from extensive and obscure communist redistribution towards a more moderate and transparent one encompasses both the development of the overall volume of transferred funds and the level of their redistribution (progressiveness of taxes and targeting of social benefits). The effort to reduce the total amount of redistribution is an attribute of the democratic society, in which citizens have the right to decide about resources which they create with their work thus avoiding the heavy fiscal burden. They can defend themselves against exaggerate taxation either using the legal instruments of political democracy (electing such parties which foster a less expensive state) or illegally by exiting fully or partly the sphere of formal economy.

In spite of increasing financial difficulties, households have so far dealt with taxes to a considerable extent. Even in the period 1992–1996 there were few complaints of 'too high taxes' and people would have accepted even higher taxes as long as their income were to be used for social expenditures. However, with this in mind, it is surprising that opinions on tax progressiveness indicate that it should be even flatter than actually is. In spite of certain differences according to social position and political orientation, Czech society apparently does not suffer from any 'class aversion' that would propagate views reflected by the communist slogan 'Let the rich pay!' The results demonstrate a greater inclination towards a more balanced tax load. In this respect it shows similarities with Scandinavian countries and, in contrast, differs from social-market oriented countries with accentuated demand of redistribution.

This conciliatory spirit, however, can change either due to an increased load on family budgets, or as a result of the expected strengthening of 'tax awareness'. Since public opinion did not realize the recent system change towards more progressive taxation, we can suppose that this awareness was not yet prevalent. However, the survey results show that although people still do not concern themselves as much with tax-related issues as in Western countries, the notion of trade-off is becoming more common. Its future fate is in the hands of citizens (their economic prudence and political involvement) as well as the government (selection of more obscure or more open fiscal tools). The growing budgetary constraints calling for the increase in the tax burden will definitely play an important role in this process.

7 Social mobility and changes in perceived life-chances

If a society is in motion, then the people in it must also be and the reverse is true. For this reason, a study of social change should deal with various types of mobility: territorial, educational, social, and class mobility. Common to all of these types of mobility is that they indicate the change in the position of an individual or group of individuals within some kind of defined space. With the exception of migration, which takes place in actual geographical space, all the other types of mobility occur mostly in 'social space'.

Social space may be defined by many axes, some of them horizontal and the others vertical. While a change in position on the horizontal axis, (for example, between branches) does not evoke feelings of social ascent, mobility along the vertical dimensions of social space (from the level of education, job prestige, social stratum or income) commonly evoke these feelings. It is assumed that in some types of social mobility – particularly class mobility – a change in position is associated with a more profound change in living conditions and life-chances.

Research on mobility processes is an important condition for understanding social change. Strong individual mobility is generally regarded as one of the most important indicators of the openness of a social system, while low mobility indicates the presence of social or other barriers, which limit the movement of individuals between social positions or even preclude it (for example, having controlled access to higher education or to certain jobs or important positions). On the contrary, high individual mobility is taken as an indicator of the existence of internal mechanisms, which enable capable and motivated individuals to rise in the social hierarchy. There is a common view in social sciences that democratic societies with a strong orientation towards meritocratic principles generally show higher social mobility than less democratic systems, characterized by ascriptive mechanisms. Therefore, systems with greater mobility are likely to be economically more effective than systems where some kind of obstacles stand in the way of individual mobility.

The study of mobility has special importance in the analysis of societies that are undergoing profound social or political changes. Deeper social changes or even political revolutions generally bring about large-scale social mobility. Changes in the living conditions or life-chances of entire social groups, strata, and classes generate strong *collective* mobility, while changes in rules determining access to positions in the occupational hierarchy (for example, the removal of political or racial discrimination in access to certain occupations) produce large scale *individual* mobility.

Box 7.1 Types of social mobility

In social sciences a distinction is made between individual and collective mobility. Individual mobility refers to the changing position of an individual, while the term collective mobility is used for the change of living conditions and opportunities for the ascent of entire social groups and classes. Collective mobility is often associated with changes in living conditions and life-chances of entire social strata and/or classes in times of profound social change, reform, or revolution. The generational perspective is also an important distinguishing characteristic of mobility. We may study changes between generations (for example, between the occupational positions of a father and son), which we call intergenerational mobility. When we are concerned with changes between two periods in the life of a single individual, then we are speaking about intragenerational or life-course mobility.

The democratization of society in particular has created important opportunities for upward and downward mobility. But even in non-democratic systems or during periods of transition from democracy to authoritarian or totalitarian regimes, change could result in the large-scale and essentially forced displacement of people. The movement of a society in the direction of an authoritarian political regime often enhances collective mobility. This was exemplified by the case of socialist regimes, which brought about a significant collective mobility through massive redistribution of income and wealth, the introduction of quotas in access to higher education, and so forth. Collective mobility may increase also due to the shift from a totalitarian regime to democratic one. However, the development in CEE countries during the last fifty years shows that revolutions ‘from above’ establishing authoritarian regimes bring about much greater collective mobility than do evolutionary social changes based more on the renewal of democracy, market and meritocratic mechanisms which keep society in a state of dynamic balance.

The transformation in CEE countries has both short-term and long-term consequences. In the short-term, we can expect a rise of individual intragenerational mobility thanks to the removal of political barriers to certain positions in the social hierarchy and to the gradual change of criteria of allocation of people to occupational positions. In connection with the change of the political system and the transition to a market economy, it is also possible to expect a stronger collective mobility. Because the current change of the system is in principle set in opposition to the past regime, in terms of collective mobility we can expect a rise in the life-chances of those social groups which had been disadvantaged during the Communist regime (professionals, self-employed, and entrepreneurs). Likewise we can expect the relative decline among those groups relatively privileged under socialism (skilled workers, particularly members of so-called ‘preferred occupations’ – miners, steel workers, etc.). Regarding changes in intergenerational mobility, it shows that the profound transformation of the system (democratization, opening up the system of opportunities, strengthening the role of meritocratic principles in the filling of positions, and an increase in the role of education) can take effect only over the long term.

In studying mobility in the period of the transition to democracy and a market economy, it is also impossible to overlook the specific mobility enhanced by the considerable changes in the labor market tied to the overall drop in the employment rate. While the transition to socialism created pressure for a rise in employment, changes in the labor market connected with the transition to a market economy have operated in

precisely the opposite way, i.e. they lean towards reductions in the labor force, and a total decline in the level of employment. Although this phenomenon is often overlooked by analyses of mobility, it is not possible to ignore it at the beginning of the transition, because it effects different social groups with varying intensity.

With respect to the above-mentioned expectations, we may pose the following questions: What kind of changes have occurred in the first period of the transition? Has intragenerational mobility increased in comparison with the previous period? Was there greater objective or subjective mobility in the period of the democratic transition, and what was the actual relationship between these two types of movement in social space? Do individuals who have, according to *objective* standards, moved up and down along the status and/or class hierarchy actually have the *feeling* of social ascent or decline? And finally, what have been the main factors influencing these feelings of subjective (perceived) mobility? Is it true that young people with higher education experience greater social mobility than others? We answer these questions on the basis of data from the research project *Social Stratification in Eastern Europe after 1989*. These data provide a unique opportunity to map processes at the beginning of the social transition. To characterize later changes we are using data from more recent ISSP surveys.

7.1 Changes in the employment rate: outflows from the labor force

The first question is whether or not employment has fallen in the course of the transition. One possible explanation of the unexpectedly low rate of unemployment in the Czech Republic during the first years of the transition was the reduction in the labor force which occurred in the period immediately following 1989. This was caused by early retirement and other forms of outflow from the labor market by people still of active age. The next question is whether this outflow was dependent upon the age, sex, education, and position of the employee before 1989. It is also important to keep in mind the commonly held opinion that the opportunity for early retirement was most often taken by members of the previously privileged social strata (members of the *nomenklatura*), who were thus able to avoid a decline in mobility or unemployment.

Available data illustrate that the transition actually led to a drop in the level of employment. After decades of worker shortages, caused by an extensive model of economic development, we can see that with the renewal of the labor market after 1989, the demand for labor fell. Leaving aside employees moving between the state and private sectors and between individual branches and sectors of the national economy, there are four types of mobility resulting from the total decrease in the number of job vacancies: 1. Becoming unemployed 2. Retirement (either regular or early) 3. The decision to stay at home (mostly women) 4. The decision to work only part-time.

The World Bank data document the scale of these shifts: in 1994, employment decreased in the Czech Republic to 85 % of the 1989 figure, while at the same time, in other CEE countries the decline was even greater – in Hungary down to 72 %, in Poland 82 %, and in Slovakia 81 %. The year 1994 was something of a break, since after this time the rise in unemployment was rather low. From the perspective of the structure of employees, the decrease resulted in a lower demand for certain types of qualifications and in an increase in competition for good positions. As a result of both processes, with the exception of individuals in their post-productive age, for whom retirement was a reaction

to the increased competition on labor market, a number of people in their productive age also left their jobs. Our data also confirm that in the Czech Republic, overall employment also decreased during this critical period, yet to a lesser degree than in Hungary and Poland (Table 7.1). Therefore neither the growth of unemployment nor the proportion of pensioners in the Czech Republic was as strong as elsewhere.

Table 7.1 Economic status of the population aged 20–65 years (%)

Economic status	Czech Republic		Hungary		Poland		Slovakia	
	1988	1993	1988	1993	1988	1993	1988	1993
Employed	79.0	72.9	75.4	59.4	81.2	66.6	81.7	71.2
Unemployed	0.0	1.6	0.0	9.9	0.0	8.7	0.0	5.8
Retired	14.3	17.4	14.5	20.1	7.7	14.9	8.8	14.8
Other	6.7	8.1	10.1	10.6	11.1	9.8	9.5	8.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SSEE.

Table 7.2 Proportion of retired persons in pre-retirement age (%)

Country	1988		1993		Difference 1993–1988	
	Men	Women	Men	Women	Men	Women
Czech Republic	7.3	8.9	17.7	16.0	+10.4	+7.1
Hungary	17.3	15.2	34.2	30.3	+16.9	+15.1
Poland	18.1	14.0	37.9	29.2	+19.8	+15.2
Slovakia	6.1	11.0	18.1	21.0	+12.0	+10.0

Source: SSEE.

However, aggregate data hide rather large movements by certain specific groups of the population. A frequent explanation of the slow growth of unemployment, in comparison with the general rate of decrease in job vacancies during the first period of transition, is often explained by the fact that this decrease was to a certain degree compensated for by the large number of early retirements. This explanation is illustrated by our data (Table 7.2). In all CEE countries, the proportion of people who left their jobs for early retirement and thus started collecting retirement benefits between 1988–1993 had increased significantly. This tendency was much stronger among men than women. It was most visible in Poland, where the rate of men in their pre-retirement age collecting retirement benefits in a given year had increased by nearly 20 %. Even though this tendency in the Czech Republic was the lowest of all CEE countries, it was still quite substantial.

A closer look at changes in the level of employment according to age (Table 7.3) illustrates that early retirement did in fact account for a significant decline in the surplus labor force. The largest increase in the number of pensioners is seen in the pre-retirement age cohort (age 45–60). While in 1988 approximately 5 % of men and 6 % of women in this age-group were already drawing pensions, in 1993 in both groups it was about 13 %. Another important channel for the decrease in the labor force was the departure of women in their productive age to the household. Among women between 25–35, the proportion leaving the labor force for ‘other reasons’ had jumped from 17 % to 27 %, while among men there was no noticeable change. Departure from the workforce upon reaching the retirement age (which grew by about 5 %), and also the postponement of entry into the

labor market among the youngest cohorts resulting from longer studies, also contributed to an overall decrease in employment. Thus in the first period of transition, open unemployment in the Czech Republic was rather limited because these surplus workers had been ‘disappearing’ from the labor market.

Table 7.3 Economic status of the population aged 20–65 years by gender and age cohort (%)

Economic status	Up to 25		25–35		35–45		45–60		Over 60	
	1988	1993	1988	1993	1988	1993	1988	1993	1988	1993
<i>Men</i>										
Employed	81.2	81.1	96.6	93.2	96.8	94.1	93.9	83.8	19.7	16.4
Unemployed	0.0	2.4	0.0	2.1	0.0	2.4	0.0	1.1	0.0	0.5
Retired	0.0	0.9	0.9	1.2	1.5	2.4	4.9	13.2	79.9	82.2
Other	18.8	15.6	2.5	3.5	1.7	1.1	1.2	1.9	0.4	0.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Women</i>										
Employed	65.9	51.6	82.7	71.4	92.9	89.2	90.5	82.3	15.8	10.4
Unemployed	0.0	3.6	0.0	1.1	0.0	1.4	0.0	2.0	0.0	0.2
Retired	0.0	0.0	0.8	0.2	1.9	3.1	6.2	12.7	80.2	86.6
Other	34.1	44.8	16.5	27.3	5.2	6.3	3.3	3.0	4.0	2.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SSEE.

Box 7.2 Who are the members of nomenklatura?

For research purposes, the definition of the so-called members of the nomenklatura in totalitarian regimes is hardly unambiguous. We do not have any data to classify people loyal to the Communist regime with actual nomenklatura lists, so our analysis combine two statistical perspectives, i.e. occupation and position in the managerial hierarchy. We proceed from the fact that individuals in high managerial positions had to be not only politically loyal to the regime but they also had to pass some kind of political screening. ‘Members of the nomenklatura’ were in other analyses similarly defined with help of the detailed coding of occupations (ISCO, see Annex H) and information about the number of subordinates. In the first phase, all so-called legislators, upper-level civil servants, and managers were included in this group. In the second phase, all professionals with at least ten subordinates were included.

It is worthwhile asking whether early retirement, one of the most significant channels of outflow from the labor force, was a general solution for or a specific strategy by certain groups in the population. The results contained in Tables 7.8–7.11 illustrate that with the exception of the increasing tendency towards early retirement among individuals with lower education, no other group had reacted in only specific way to increasing competition on the labor market. The same trend may be seen among other groups, including former members of the Communist Party and of the *nomenklatura*. Among members of the Communist Party, 5 % retired early, compared to 6 % among the general population (Table 7.10). With members of the *nomenklatura* it was even less than the

general population (Table 7.11). Thus the rather widespread opinion that early retirement after 1989 was a common means to resolve difficult situations among individuals connected with the former regime, and especially for those in high positions was not confirmed.

7.2 Intragenerational mobility: the start and limits of the transformation

From the perspective of intragenerational mobility, it is necessary to ask what kind of mobility movements characterized the period of transition to democracy and a market economy. Was mobility among the privileged strata of the Communist regime different from that of other people in this period? Has the change in regime opened up a space for the ascent of young people with higher education? How does the development in the Czech Republic compare with other CEE countries in this respect?

One of the factors that enhance mobility is the change in the occupational structure. Simply put, the transformation of the occupational structure, most often associated with technological progress and the modernization of the economy, creates new opportunities on the labor market which generally open the way to those occupations which require higher skills, qualifications, and education. In contrast, societies with stagnant occupational structures, lower mobility results from a limited supply of opportunities. Mobility, however, does not need necessarily be a consequence of changes in the occupational structure. A circulation of employees between positions, consequently increasing mobility, may occur even in situations where the structure of positions is left unchanged. In this case, high mobility testifies to an important change in the mechanisms allocating people into positions. According to all assumptions, the transformation of social structures in CEE countries should in both of these cases lead to greater mobility.

Table 7.4 Economically active population by employment status (%)

Employment status	Czech Republic			Hungary		
	1983	1988	1993	1983	1988	1993
Employed	99.3	99.0	89.0	96.2	94.6	88.3
Self-employed	0.7	1.0	11.0	3.8	5.4	11.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
	Poland			Slovakia		
	1983	1988	1993	1983	1988	1993
Employed	86.5	86.3	77.4	99.1	98.8	91.4
Self-employed	13.5	13.7	22.6	0.9	1.2	8.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: SSEE.

To answer the first question raised in the beginning of this chapter, it is necessary to determine whether the transition to democracy and a market economy has contributed to a faster transformation of the social structure, and if so, which groups have participated in most of all in this change. Above all, the early stage of post-communist transformation removed barriers to private business. However, the starting line varied in the different CEE countries. The composition of economically active population shows that in the Czech Republic, unlike in Hungary and Poland, the group of self-employed had been insignificant (Table 7.4). This explains why the rate of growth among this group in the

first period of reform was the largest in the Czech Republic. This is illustrated by data showing that the proportion of entrepreneurs and small businessmen in the first five years had reached the level of Hungary (11 %). Poland maintained its advantage over other countries in the region mainly because the great part of this group under socialism consisted, and to this day consists, of private farmers; only after 1989 was this group gradually joined by entrepreneurs and small businessmen belonging to the other sectors.

Table 7.5 Class structure of economically active population aged 20–65 years (%)

Social class	Czech Republic			Hungary		
	1983	1988	1993	1983	1988	1993
Higher professional	8.5	9.4	9.1	7.6	8.4	8.6
Lower professional	14.0	15.5	16.8	11.9	12.7	15.2
Routine non-manual	14.2	14.0	14.1	11.9	12.7	14.1
Self-employed w. empl.	0.0	0.0	1.2	0.0	0.8	1.6
Self-employed w/o empl.	0.5	0.6	4.3	2.5	2.7	5.7
Foreman, lower techn.	4.7	5.0	3.9	4.4	4.1	3.3
Skilled workers	19.2	19.4	17.9	24.5	24.1	22.6
Unskilled worker	31.3	29.3	27.1	28.6	27.5	24.0
Farm worker	7.2	6.7	4.9	7.9	5.8	3.5
Private farmer	0.3	0.2	0.7	0.7	1.1	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Index of change	1983–88: 2.9		1988–93: 6.9	1983–88: 3.8		1988–93: 8.2
Social class	Poland			Slovakia		
	1983	1988	1993	1983	1988	1993
Higher professional	10.3	10.2	9.2	10.3	11.0	10.1
Lower professional	12.3	12.2	13.1	14.1	14.9	17.5
Routine non-manual	15.5	16.1	16.3	14.3	14.6	14.3
Self-employed w. empl.	0.8	1.3	3.6	0.0	0.0	0.8
Self-employed w/o empl.	1.8	2.1	6.2	0.4	0.4	3.1
Foreman, lower techn.	4.0	3.4	2.8	4.9	4.9	4.6
Skilled workers	18.9	20.0	17.5	22.4	23.0	21.6
Unskilled worker	21.5	21.3	18.5	25.6	24.4	22.0
Farm worker	4.4	3.7	2.1	7.6	6.5	5.2
Private farmer	10.6	9.6	10.6	0.3	0.4	0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
Index of change	1983–88: 2.9		1988–93: 8.5	1983–88: 2.4		1988–93: 6.3

Source: *SSEE*.

Note: Index of change is in fact the dissimilarity index: $D=1/2 \sum |x_i - x_j|$, where x_i and x_j are the shares of corresponding classes in the economically active population.

The results of analyses of the development of the class structure of economically active individuals (Table 7.5) show that the growth of the group of self-employed represents the basic element of the class structure transformation. In all of the observed countries the proportion of unskilled and skilled workers dropped, and at the same time the proportion of agricultural workers also decreased somewhat. Regardless of the causes of this change

in the class structure, the index of change shows that in comparison with the final period of 'really existing socialism', the transformation caused an accelerated change of class structure. From the perspective of its causes, we should emphasize that the growth of the number of businessmen and small entrepreneurs was more significant than any change, clearly attributable to the modernization of the economy in general.

Although relatively small extent of change in the occupational structure limited the growth of mobility, a space for mobility was also created within the given structure, emerging from the circulation of individuals among existing positions. With regard to the enormous number of occupational categories among which such mobility of movement could occur, we can examine intragenerational mobility during the first stage of the transformation from a more simple perspective. We combine possible movements according to the type of mobility, namely whether they represented a downward or upward shift. Keeping in mind the specific character of the observed period, we further separate the entrance into the new group of entrepreneurs and small businessmen (regardless of occupation or sector) and include those groups which usually do not figure in mobility analyses, i.e. individuals leaving the labor market (through unemployment, or early retirement).

Table 7.6 Intragenerational class mobility of persons of working age (%)

Type of mobility	Czech Republic		Hungary		Poland		Slovakia	
	83-88	88-93	83-88	88-93	83-88	88-93	83-88	88-93
Strongly down	1.9	3.2	2.3	2.7	2.3	2.2	2.0	2.2
Downward	2.4	3.8	3.5	3.4	3.0	4.2	2.3	3.8
Stability	86.7	70.0	81.1	57.7	80.8	60.0	88.0	68.8
Upward	3.6	3.4	3.7	3.5	4.0	3.9	2.9	3.0
Strongly up	3.3	3.5	3.6	3.3	3.9	3.4	2.7	3.2
To self-employed	0.2	8.9	2.2	5.6	2.7	7.7	0.2	6.1
To unemployed	0.0	1.9	0.3	14.2	0.4	10.2	0.0	7.6
Early retirement	1.8	5.1	3.3	9.6	2.7	8.4	1.8	5.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SSEE.

Because the survey data enable us to compare periods of the same duration, it is possible to observe whether intragenerational mobility in CEE countries was greater during the first period of transformation than in the last period of so-called 'really existing socialism'. Whether we take into account all types of mobility including departure from the labor market (Table 7.6) or only the mobility of economically active persons during the entire observed period (Table 7.7), it is possible to argue that the transition to democracy and a free market has produced greater mobility than in the 'pre-1989' period. If we also include movements outside the labor market, the changes in the Czech Republic were smaller than in Hungary, Poland, and Slovakia. In the Czech Republic, mobility increased by approximately 17 % and the proportion of mobile persons reached 30 %, while in Hungary the proportion of mobile persons increased from 19 % in 1983-1988 to 42 % in 1988-1993, and in Poland after an increase in mobility by 19 %, the proportion of mobile persons reached 40 %.

Table 7.7 Intragenerational class mobility of economically active persons (%)

Type of mobility	Czech Republic		Hungary		Poland		Slovakia	
	83–88	88–93	83–88	88–93	83–88	88–93	83–88	88–93
Strongly down	1.9	3.5	2.3	3.5	2.6	2.7	2.0	2.6
Downward	2.4	4.1	3.7	4.5	3.5	5.1	2.3	4.4
Stability	88.5	75.3	84.1	75.7	82.0	73.7	89.7	79.0
Upward	3.6	3.7	3.8	4.6	4.4	4.8	2.9	3.4
Strongly upward	3.4	3.8	3.8	4.3	4.4	4.2	2.8	3.6
To self-employed	0.2	9.6	2.3	7.4	3.1	9.5	0.2	7.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SSEE.

These data which also include departures from the labor market, shows that in comparison with other post-communist countries, the Czech Republic had the lowest intragenerational social mobility resulting from the transformation. At the same time we must add that this conclusion does not apply for traditional types of social mobility defined as movements between class or occupational categories of economically active persons (Table 7.7). In this case, the proportion of mobile persons in all observed countries is much more similar – in the Czech Republic, Hungary, and Poland it was about 25 % and in Slovakia 21 %. It would seem that the faster pace of restructuring chosen in Hungary and Poland has not contributed much to the change in mobility during the transformation period, with the exception of the increased tendency to lay off any surplus employees.

7.3 Mobility structure: the role of education and entrepreneurial activity

From the standpoint of the structure of mobility movements during the first period of reform, mobility resulted in both the loss of employment (unemployment, early retirement), and the growth of a newly forming group of self-employed, entrepreneurs, and small businessmen. This applies especially to the Czech Republic, where this type of mobility track was overwhelmingly predominant. The proportion of upwardly and downwardly mobile persons in the early stages of the transformation, when compared with the years leading up to 1989 did not increase significantly. This contradicts the common assumption that the collapse of the Communist regime resulted in a massive displacement of people on the top and bottom of the social hierarchy. Only in the Czech Republic did we see an increase in strongly downward mobility (from 1.9 % to 3.5 %) when compared with the last period of the totalitarian regime, however it was not accompanied by a similarly significant rise in upward mobility.

The survey of the political, economic, and cultural elite in the Czech Republic also confirms these results and shows that the political elite has changed significantly, but in the economic elite a type of ‘revolution of deputies’ has occurred. Individuals in the highest positions (directors, general directors) have been replaced by less politically compromised professionals who were, from the standpoint of power, members of a kind of ‘second league’ (mostly their deputies). While departure from the ‘first league’ of

economic power was generally accompanied by strongly downward mobility or early retirement, the arrival of new people to fill these freed-up positions resulted in rather modest upward mobility. Considering that the transition is often referred to as a 'revolution', the overall increase in the circulation of mobility in the first period of transformation was far less massive than expected. In this respect, it is important to note that the Czech Republic is not exceptional in the region.

Box 7.3 Circulation or reproduction of the economic elite?

The survey of political, cultural, and economic elite, which was conducted within the project 'Social Stratification in Eastern Europe after 1989' with a sampling of approximately 2,000 respondents shows that the Czech Republic did not differ substantially from Hungary and Poland from the standpoint of the intensity of the exchange of members of the political elite. In all of these countries, only a negligible part of the former members of the nomenklatura remained in the highest political positions. More than half of the new political elite was recruited from a group of 'professionals'. However, a significant difference occurred in the recruitment of the economic elite, particularly of directors and managing directors. In the Czech Republic in 1994 only about 19 % of directors held the same position as in 1988, while in Hungary 36 % kept their positions and in Poland 33 %. New directors were recruited mainly from groups of former 'deputies'. In the Czech Republic, 54 % of directors were recruited from 'deputies', compared with 39 % in Hungary and 47 % in Poland. The second strongest group to occupy the highest positions among the economic elite was 'professionals', including 19 % of present directors in the Czech Republic, 19 % in Hungary, and 15 % in Poland (Hanley, Matějů, Vlachová and Krejčí, 1996).

Table 7.8 Intragenerational class mobility of persons in working age by age cohort (%)

Type of mobility	up to 25		25–35		35–45		45–55/60	
	83–88	88–93	83–88	88–93	83–88	88–93	83–88	88–93
Strongly down	8.1	4.7	2.8	4.4	1.4	3.3	1.5	2.4
Downward	8.1	5.9	5.1	6.3	1.5	3.7	0.9	2.6
Stability	73.7	64.7	80.6	66.8	88.4	72.1	90.0	70.2
Upward	7.1	4.7	5.3	3.7	4.0	3.7	1.7	2.9
Strongly upward	3.0	3.5	5.3	5.5	3.5	2.8	1.9	3.2
To self-employed	0.0	11.8	0.5	10.5	0.1	10.5	0.2	6.6
To unemployed	0.0	4.7	0.0	1.9	0.0	2.0	0.0	1.6
Early retirement	0.0	0.0	0.4	0.9	1.1	1.9	3.8	10.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SSEE.

The aggregate data on intragenerational mobility hide significant differences between certain social groups. This concerns groups for which we assume the transformation would have opened previously blocked chances for social ascent (individuals with higher education, young people, and people who did not take up membership in the Communist

Party during the Communist regime). But it also affected those groups which are generally understood to have been disadvantaged by the transformation (individuals with lower education, the elderly, and of course former members of the Communist Party and the *nomenklatura*). The answer to the question of whether mobility tracks of the above-mentioned groups did in fact differ, as presented in Tables 7.8-7.11.

Above all it has been shown that the assumption about the creation of opportunity for young people was too optimistic, because among this group we see a smaller proportion of upward mobility in comparison with the last period of socialism. Nor can it be said that it was they who in the first transformation period joined the private business track, because this type of mobility had been less common only among the oldest age-group. However, the 25 and under group was most exposed to unemployment risks (4.7 %), which among the oldest age-group (pre-retirement) had been compensated by an increase in early retirement (from 3.8 % to 10.5 %).

Table 7.9 Intragenerational class mobility by education (%)

Type of mobility	Primary and lower-secondary		Upper-secondary		Tertiary	
	83-88	88-93	83-88	88-93	83-88	88-93
Strongly down	1.8	2.6	2.4	4.2	1.4	4.5
Downward	2.6	3.3	2.2	4.8	1.4	4.8
Stability	87.2	71.3	85.4	67.7	87.1	67.8
Upward	2.9	3.1	4.6	3.8	5.6	4.1
Strongly upward	3.0	3.4	4.1	3.9	3.8	3.2
To self-employed	0.2	7.4	0.2	11.1	0.0	13.1
To unemployed	0.0	2.6	0.0	1.0	0.0	0.3
Early retirement	2.3	6.3	1.1	3.5	0.7	2.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: SSEE.

As far as the role of education in mobility is concerned, the results offer little reason for celebration (Table 7.9). In comparison with the optimistic expectation that education would play a significant role in mobility, we have not seen a significantly stronger tendency towards upward social mobility among university graduates. On the other hand, we did discover that people with lower education have a tendency towards downward mobility. Nevertheless, none of the educational groups have shown a significant upward trend and the likelihood of decline in the first period increased mainly among university graduates. It is very likely that at the very beginning of the transformation slightly higher downward mobility among people with university education was the outcome of changes in the higher positions of the occupational hierarchy due to the utilization of political criteria (previous membership or function in the Communist Party, the effect of the so-called lustration law, etc.). Upward mobility, on the other hand, was very likely tied to actual 'human capital' (competence, skills) or 'social capital' (acquaintances and connections), regardless of school diploma.

This also explains the otherwise baffling reality that higher education was not a factor which significantly increased the possibility of ascent up the social ladder (less than 8 % of high-school graduates in their productive age had this feeling, and among university

graduates it was even lower). One explanation is that in the first period of the transformation, diplomas earned in the past were not guarantees of real market abilities. In market conditions, there is not only competition between people with and without diplomas but between more and less capable people and also between people ready to take business risks and those who are not. On the basis of available data, it is not possible to determine the plausibility of this explanation. In contrast, there was a characteristic trend that people with higher education, particularly university graduates, were more likely to engage in entrepreneurial activity: among the self-employed, almost two times as many people were likely to have university diplomas than those with only certificate of apprenticeship (Table 7.9).

Table 7.10 Intragenerational class mobility by membership in the Communist Party (CP) in 1988 (%)

Type of mobility	Non-member of CP		Member of CP	
	83–88	88–93	83–88	88–93
Strongly down	2.0	3.0	1.6	5.4
Downward	2.6	3.5	1.0	5.4
Stability	86.9	70.9	85.9	64.6
Upward	3.4	3.7	4.7	2.2
Strongly upward	2.8	3.2	6.0	4.5
To self-employed	0.2	8.6	0.0	10.8
To unemployed	0.0	2.0	0.0	1.3
Early retirement	2.1	5.1	0.8	5.8
Total	100.0	100.0	100.0	100.0

Source: SSEE.

ISSP survey data covering the period from 1992 to 1997 indicate a strengthening of this tendency. They show that while the proportion of university-educated professionals in 1992 constituted 14 % of the self-employed group, in 1997 it had risen to 24 %. Considered from the opposite standpoint, while in 1992 only 9 % of university-educated professionals had become self-employed, by 1997 it was already 18 %. Some analyses show that one of the most important reasons for the strengthening of this tendency was the far fewer chances for high economic valorization of education in the public sector than in the private.

Analysis of the influence of membership in the Communist Party and *nomenklatura* before 1989 on mobility is closer to popular expectations (Tables 7.10 and 7.11). While in the pre-November 1989 period, Communist party membership significantly influenced upward mobility (3 % of non-members and 6 % of Party members recorded strongly upward mobility), in the subsequent period the cards were turned, and non-members had significantly greater chances of upward mobility. However, Party membership alone did not significantly increase the risk of unemployment or early retirement and the same is true for entrance into the group of entrepreneurs and small businessmen. With regard to former members of the *nomenklatura*, Table 7.11 confirms the assumption that this group, at one time privileged, experienced a higher degree of social decline during the first period of transformation (17 %) and a shift into the group of entrepreneurs (18 %). Thus in comparison with previously disfavored groups, membership in the *nomenklatura*

before year 1989 resulted in a much greater likelihood of mobility, while the possibility of downward mobility was at about the same probability of entering into the entrepreneurial class.

Table 7.11 Intragenerational class mobility by status of nomenklatura cadre in 1988 (%)

Type of mobility	Non-cadre		Cadre	
	83–88	88–93	83–88	88–93
Strongly down	2.1	2.9	0.0	9.7
Downward	2.6	3.6	0.0	7.4
Stability	88.8	70.9	79.1	58.3
Upward	3.3	3.6	9.4	0.6
Strongly upward	3.0	3.7	11.0	0.0
To self-employed	0.2	8.4	0.5	18.3
To unemployed	0.0	1.7	0.0	2.3
Early retirement	0.0	5.2	0.0	3.4
Total	100.0	100.0	100.0	100.0

Source: SSEE.

7.4 Perception of changes in life-chances

Although social mobility during the first stage of the transformation did not increase dramatically, it does not mean that the transformation did not lead to significant changes in the social standing of individuals. This conclusion has been opposed not only by common experience, but also by analyses of survey data which show the large number of people who have changed occupation or employer. Changes in occupation or employers, often leading to objective social mobility, need not necessarily be interpreted by people as a significant change in their social standing or life-chances. This applies particularly in historical periods of profound social change, when the life-chances of entire social groups or classes are in flux. Thus, it is possible to assume that the transition to democracy and market in CEE countries brought about a significant degree of subjective (perceived) mobility, which may be to a large degree independent of objective social ascent or decline.

Table 7.12 Subjective mobility of economically active persons (%)

Type of mobility	Czech Republic	Hungary	Poland	Slovakia	Total
Strongly down	10.5	13.1	15.4	15.1	13.3
Downward	23.5	43.6	29.0	31.0	30.8
Stability	46.3	32.2	36.7	39.8	39.7
Upward	16.6	9.6	14.7	11.9	13.5
Strongly upward	3.1	1.5	4.2	2.1	2.7
Total	100.0	100.0	100.0	100.0	100.0

Source: SSEE.

Box 7.4 Subjective social mobility and its measurement

Subjective social mobility is understood as the change in the self-positioning of an individual on the ladders of social status and income (standard of living) between 1988 (retrospective responses) and 1993 (present-day responses). The questions were formulated as follows: 1. 'In our society there are groups which tend to be towards the top and those that are towards the bottom. Here we have a scale that runs from top to bottom [the interviewer shows the card with a scale running from 10 (top) to 1 (bottom)]. Where would you have placed yourself on this scale in 1988? And where would you place yourself now?' Subjective social mobility was defined as the difference between subjective social status between 1988 and 1993. For better comparison with categories of objective mobility, subjective status mobility was also broken down into five sub-categories: 1 = strongly downward (decline of more than three points); 2 = downward (decline of one or two points); 3 = stability (without change); 4 = upward (increase of one or two points); 5 = strongly upward (increase of three or more points).

This premise is confirmed by the comparison of objective and subjective mobility between 1988 and 1993, when subjective mobility was actually much greater than objective mobility. While more than two-thirds of respondents from CEE countries objectively belonged to the same social groups, only 40 % of respondents stated that in this period they did not feel any changes in their socio-economic position (Table 7.12). Most economically active people stated that it was downward movement (44 %) and only a small proportion of respondents (16 %) had the feeling of moving up the ladder of social standing.

In contrast to objective class mobility, which was nearly the same in all four observed countries (Table 7.11), there were significant differences in subjective mobility. The most favorable situation was in the Czech Republic, where the proportion of people feeling social decline was lowest (34 % compared with 57 % in Hungary, 44 % in Poland, and 46 % in Slovakia). Of all the CEE countries, during the first period of social transformation, the Czech Republic showed the weakest tendency towards relative social deprivation, which is associated with the feeling of social decline.

Subjective mobility was much greater than objective mobility especially because people who were stable from the standpoint of both objective status and social class, also had experienced feelings of ascent or decline. This suggests that the transformation produced a marked collective mobility. Table 7.13 contains perceived social movements of individuals whose positions were stable from the perspective of objective social class. At first glance it is clear that these data do not differ greatly from those in the previous table which shows all economically active individuals including those who objectively experienced mobility. It is also worth considering that on average about 60 % of individuals who did not experience any objective change in social class still perceived a change in their position of social status, regardless of whether it was the perception of ascent or decline.

Analyses also showed that the two types of mobility were very often in conflict. As many as 43 % of individuals objectively experiencing upward mobility had the feeling of social decline. In contrast, objective downward objective mobility often evoked feelings of ascent on the scale of social status; nearly 15 % of downward-moving persons felt some improvement of their social status. Stability more often led to the feeling of

decreasing rather than increasing social status, while 45 % of objectively stable persons felt downward social mobility, only 14 % boasted an increase in their social status. These results confirm a strong feeling of social deprivation among reform countries, which had been documented earlier (Řeháková and Vlachová, 1995).

Table 7.13 Subjective mobility of economically active persons who did not change social class between 1988 and 1993 (%)

Type of mobility	Czech Republic	Hungary	Poland	Slovakia	Total
Strongly down	9.4	13.0	16.1	15.7	13.2
Downward	25.1	43.5	29.2	33.4	32.0
Stability	48.9	33.6	38.1	39.9	41.2
Upward	14.3	8.5	13.0	9.6	11.5
Strongly upward	2.3	1.3	3.7	1.5	2.1
Total	100.0	100.0	100.0	100.0	100.0

Source: SSEE.

Only individuals who in Table 7.7 belong to the 'Stability' category.

The analysis of subjective mobility among people who had become self-employed during the observed period also reveals an interesting picture. In comparison with other types of mobility, newly found independence often evoked the feeling of an improvement in social status while also effectively combating feelings of social decline. It is possible to say that membership in the new entrepreneurial class was arguably the most effective strategy of mobility, which generally helped to counterbalance the sufficiently widespread feeling of a drop in social status.

Box 7.5 Measuring subjective socio-economic mobility

We consider subjective socio-economic mobility to be the feeling of change in social status by an individual, which is accompanied by a feeling of change in economic position. We speak of upward subjective socio-economic mobility when the respondent not only feels social ascent (measured on the scale of social status) but at the same time also economic ascent (measured on the scale of income and living standard). In contrast, the feeling of social and economic decline expresses a drop in socio-economic mobility. In addition to changes in subjective status (as mentioned above), subjective socio-economic mobility also includes how respondents perceive their own income situation. 'Would you say that your family income was (is) in comparison with other families in the Czech Republic far below average, approximately average, above average, or far above average?' Of importance here is precisely the relative context of evaluation. The manner of calculation of subjective socio-economic mobility is explained in the appendix at the end of this chapter.

Similar to objective class mobility, objective status mobility also evoked feelings of social ascent or decline, which did not always correspond with objective change. Not even objectively strong ascent on the socio-economic status scale was able to prevent the feeling of relative social decline. The proportion of people who objectively experienced upward mobility but who were feeling relative social decline was not significantly

different from those with the feeling of relative social decline with other types of objective mobility. The feeling of ascendance among objectively upwardly moving people was nearly as frequent as among people whose status position had objectively declined or was unchanged. These results thus confirm that subjective mobility was not only much greater than objective mobility, but also that it was to a great extent independent of it.

One explanation of this paradox is the significant degree of collective mobility which commonly accompanies periods of profound social change. This mobility represents a significant change in the typical life-chances of members of certain social groups or classes, but it is also experienced by people who have remained in the same positions, i.e. who did not change employers, job or position. Subjective socio-economic mobility of people who have from an objective standpoint remained stable is in fact circumstantial evidence of the extent of collective mobility.

Box 7.6 How to read means and confidence intervals in figures

On the basis of methods used for defining the feeling of socio-economic mobility, it is possible to compare changes in the position of individual groups. The average change in subjective socio-economic status is represented in each figure by zero (the thin horizontal line cutting across the entire figure). If the observed group has moved upward in comparison with the average, it is placed in the upper part of figure and vice-versa. International comparison is possible because the position of groups is always determined according to the distance from the national average (zero). The short horizontal line cutting across the column, which represents the corresponding group shows the average of subjective socio-economic mobility in the observed group. The vertical column represents the 95th percentage confidence interval, which shows the range of values, in which 95 % of sample means calculated from independent samples would fall if we repeat samples multiple times. This method verifies the hypothesis that averages from two compared groups significantly differ, i.e. that their differences are not the result of random factors. For practical purposes it is enough to know that if the mean of one group lies out of the area of the confidence interval of the other group, it is possible to conclude that the means of these two groups are statistically significantly different. In the figures, the value F-ratio and the pertaining value of the level of statistical significance (p) tests whether differences between groups are statistically significant. The higher the value of the F-ratio, the bigger the differences between compared groups. If p is smaller than 0.05, these differences may be considered to be statistically significant.

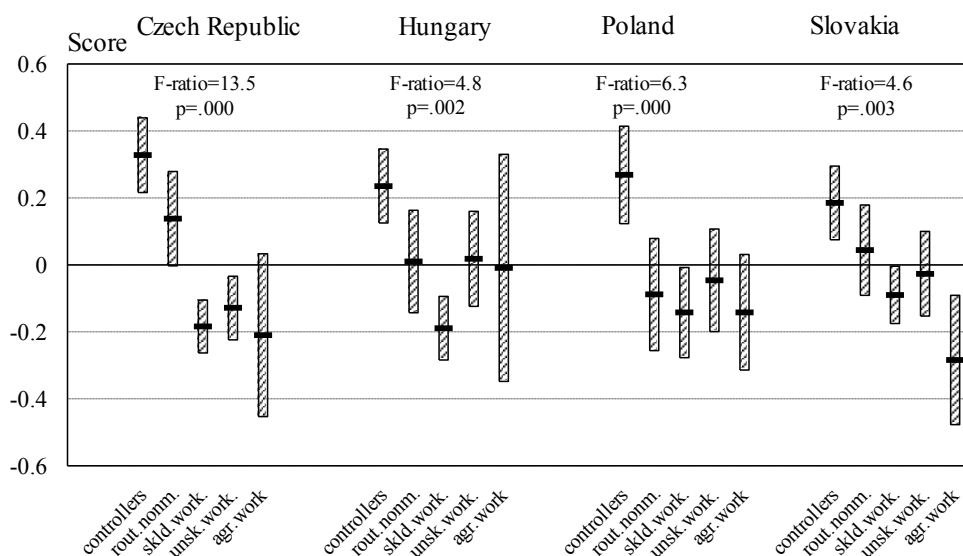
To comprehend the process of transformation from various points of view, we must also ask which social groups experienced a relative improvement in their life-chances and which, in contrast, experienced feelings of decline and social deprivation. We have shown above that objective stability of socio-economic status does not necessarily mean the stability of subjective (perceived) socio-economic status. Not only people who are objectively mobile (i.e. those who have changed their social class since 1989) but also people who are stable from the standpoint of class felt significant change in their life-chances. These results confirm that there has been quite significant collective mobility which contributed to the formation of two groups of citizens and have developed visibly different political attitudes and election behavior. On one side we find people who took

the transition period more as a beginning for social ascendance (sometimes called winners of the transformation), and on the other there were those who, accustomed to relative advantages during the Communist regime, suddenly had the feeling of losing these former advantages and security, which was accompanied by a feeling of social decline (the so-called 'losers').

There are certainly many factors which influence the perception of social ascent and decline. But here we will focus only on those which are generally considered to be important, such as social class, education, and political capital acquired in the past. To better evaluate the actual importance of these factors, it is necessary to observe their influence only among people who, had not undergone any mobility in class or status. This approach allows us to partially solve the problem of excluding the influence of objective individual mobility from the feeling of changes in life-chances and to move closer to the characteristic of *collective* mobility, which is typical for the period of transformation.

At the beginning of this chapter, we expressed the assumption that collective mobility during the post-communist transformation is, to a certain degree, a process which gradually eliminates the consequences of large-scale redistribution, which was the basic principle of state socialism. Presently, mobility should be moving in an opposite direction from that mobility which led to the rise of socialism. The weakening of redistributive and egalitarian mechanisms in the transition to a market economy, together with rising inequality, evoke feelings of loss among those who took advantage of socialist redistribution (if only relatively), and feelings of ascent among formerly disadvantaged groups. It is possible to verify this thesis on the basis of the comparison of subjective socio-economic mobility of people whose position, in the observed period 1989–1993, had remained stable from the standpoint of social class.

Figure 7.1 Change in subjective socio-economic status between 1988 and 1993 among persons who did not change their occupational class (factor scores, means and confidence intervals)

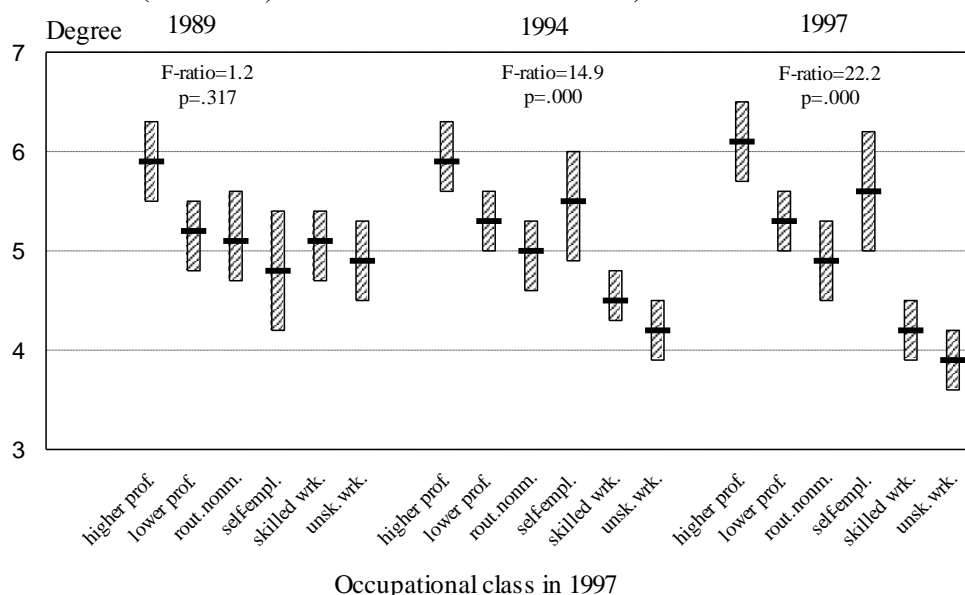


Source: SSEE.

On the basis of the described method, it is possible to compare the position of individual groups in CEE countries (Figure 7.1). International comparison was made possible by a computation of the position of groups relative to the national average (which is represented by zero). As far as social class is concerned, the results clearly show that in all CEE countries, members of higher occupational classes (professionals and executives) experienced significant upward socio-economic mobility while workers, on the contrary, experienced relative decline. Although this tendency is common for all CEE countries, it was strongest in the Czech Republic, where the introduction of market principles evoked the most visible centrifugal tendency among social classes.

Also interesting is the comparison of the development of manual and non-manual employees, which clearly illustrates contrary movements. While non-manual employees had above-average feelings of socio-economic ascent, manual employees felt to be below average. Even this shows that the picture of 'winners' and 'losers' in the first stage of transformation is to a certain degree a mirror image of 'winners' and 'losers' of socialist redistribution. These results confirm that during the transformation, the subjectively perceived life-chances of large social groups have been turned around. Another interesting finding is that skilled workers (the 'elite' according to socialist ideology) felt a greater handicap in the transition to the market than unskilled workers.

Figure 7.2 Positions of occupational classes on the scale of subjective social status (scale 1–10, means and confidence intervals)

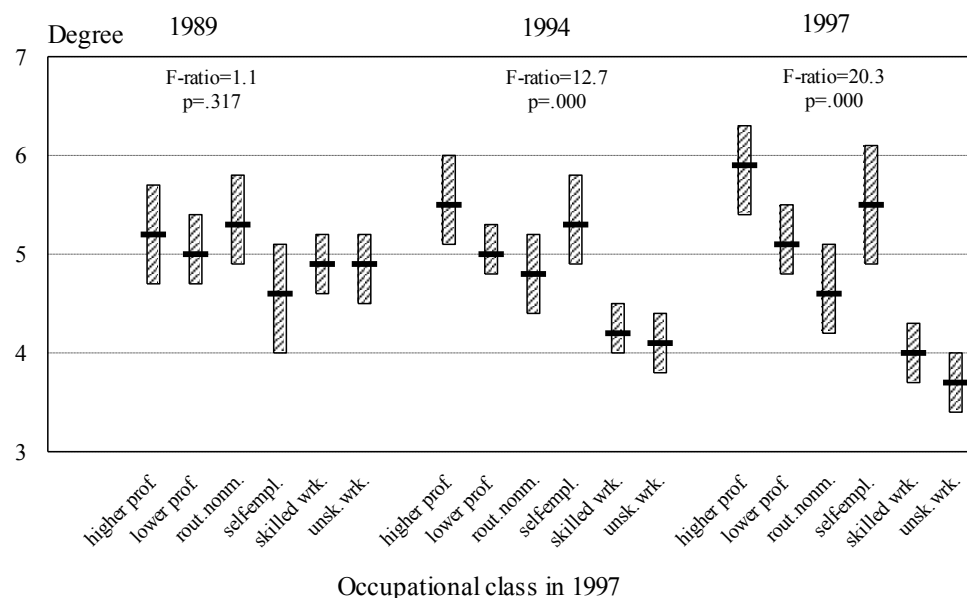


Source: ISSP-1997.

Social classes have continued to 'mature' since 1993. An ISSP survey conducted in autumn 1997 assessed the subjective social and economic status of respondents in the year of the survey and also retrospectively in 1989 and 1994. A comparison of average values of the status of the main social classes (Figures 7.2 and 7.3) verifies that from the standpoint of social and economic status, social classes – in origin centered within

average – had moved apart significantly. While lower grade professionals (e.g. elementary school teachers, dental lab technicians, or operation technicians), routine non-manual employees (mostly clerks and administrative workers), and also upper-level professionals (managers, directors, specialized doctors, attorneys and university teachers) remained at their ‘pre-revolution’ positions, entrepreneurs experienced significant social and economic upward mobility.

Figure 7.3 Positions of occupational classes on the scale of subjective economic status (scale 1–10, means and confidence intervals)



Source: ISSP–1997.

During the first period of the post-communist transformation (1989–1993), the subjective dimension of social inequality grew due to the considerable economic and social decline among manual workers (both skilled and unskilled manual workers). The second period (1994–1997) brought mostly a feeling of economic (but not social) ascent among upper-level professionals. Here it is necessary to note that behind the average economic ascent of these groups stand managers, lawyers, and financial professionals. In contrast, other professionals – especially in the public sector – have experienced stagnation. Continuing social and economic decline, even though it was much milder than in the first period of transformation, was felt by skilled and unskilled manual workers alike.

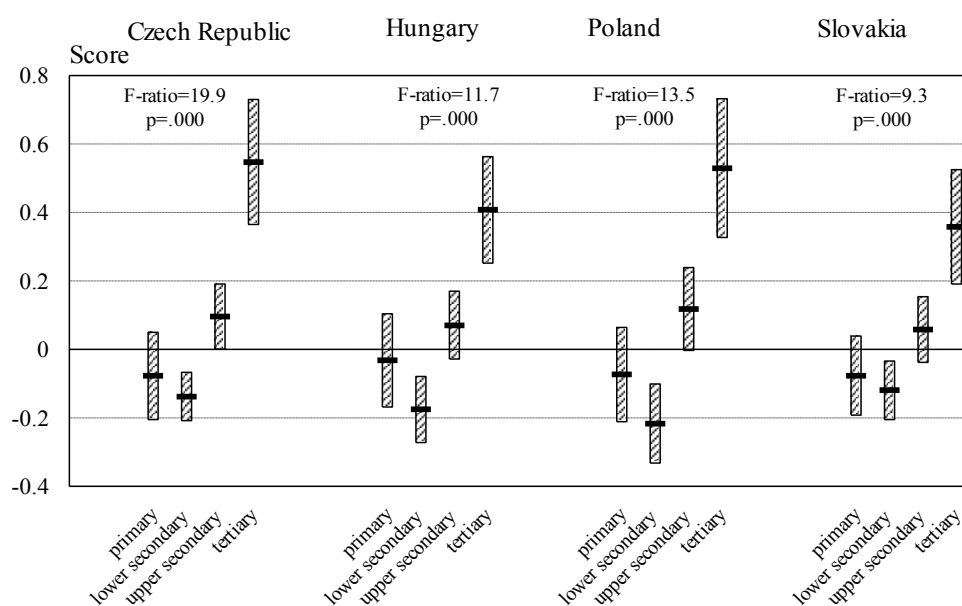
7.5 The role of human and political capital

The change of life-chances in the course of transformation is often connected with a change in the role of human capital (education and experience) in economic success.

Thus we should be concerned with whether higher education, as an independent factor, creates better life-chances, i.e. if people with higher education perceive socio-economic upward mobility regardless of any change in their social and professional position. Results presented in Figure 7.4 confirm these assumptions. University graduates felt strong socio-economic ascent in the first period of transformation, which was notably different from other educational groups. High school graduates also experienced some kind of ascent, but it was less considerable. We also should pay attention to the two lowest levels of education: the typical ‘losers’ in the transformation process are not individuals with elementary education but rather workers with vocational education.

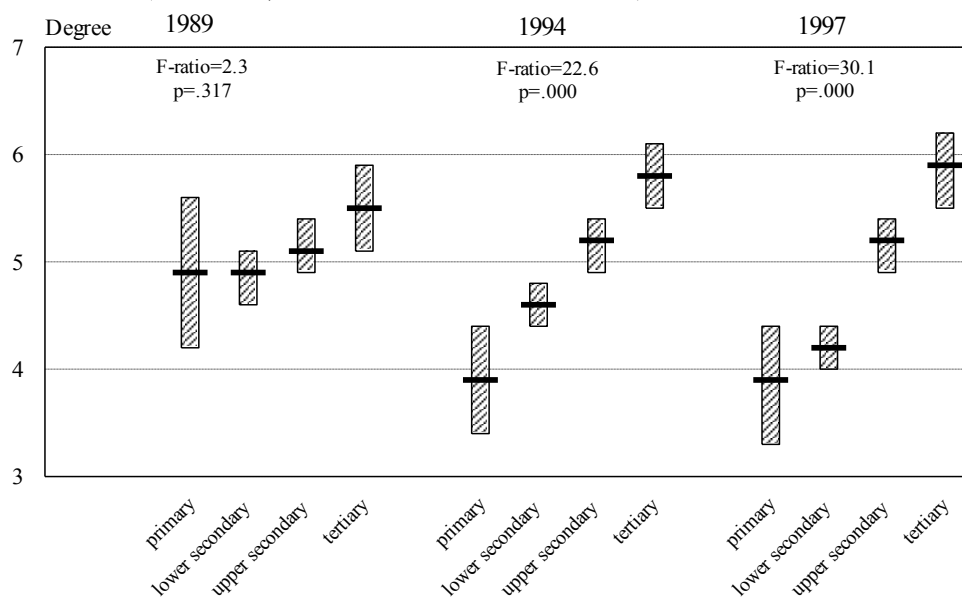
As far as development in the following years is concerned, the ISSP–1997 survey shows that the process of differentiation of social and economic status between educational groups had slowed down (Figures 7.5 and 7.6). Similarly as with social classes, here the peak of the social pyramid on its way upward slowed down, while lower situated groups experienced further decline. From the standpoint of educational groups, only people with vocational education experienced social and economic decline who, in evaluating their social position, ended up on the same level as those with elementary education. Regardless of the significant slowing-down of the differentiation process between 1994 and 1997, differences between individual educational groups became significantly wider, in the direction of the strengthening of the importance of education for life-chances.

Figure 7.4 Change in subjective socio-economic status between 1988–1993 by education among persons who did not change their occupational class (factor scores, means and confidence intervals)



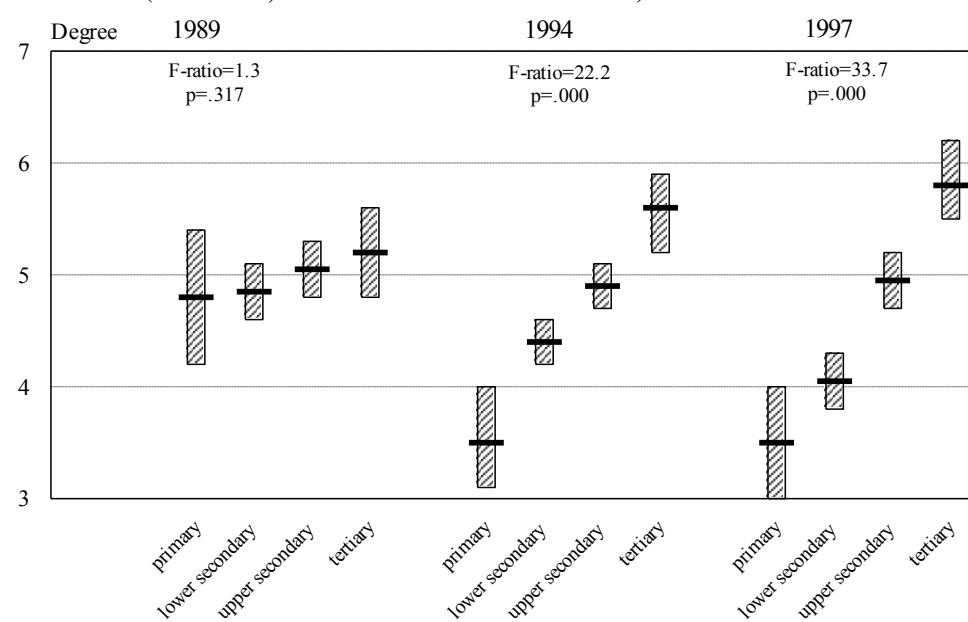
Source: SSEE.

Figure 7.5 Positions of educational groups on the scale of subjective social status (scale 1–10, means and confidence intervals)



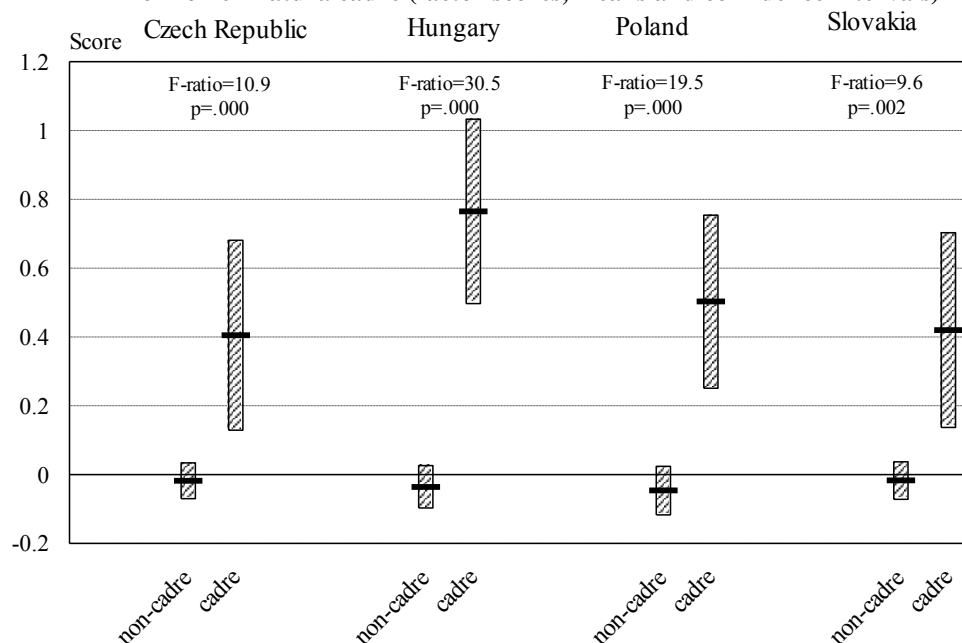
Source: ISSP–1997.

Figure 7.6 Positions of educational groups on the scale of subjective economic status (scale 1–10, means and confidence intervals)



Source: ISSP–1997.

Figure 7.7 Change in subjective socio-economic status between 1988–1993 by status of nomenklatura cadre (factor scores, means and confidence intervals)



Source: SSEE.

The role of political capital accumulated during the past regime is also important. This is determined by how former members of the Communist Party and of the *nomenklatura* perceived changes in their life-chances. Earlier analyses have already shown that party membership in itself did not represent political capital directly transferable into ‘assets’ of life-chances (Matějů a Řeháková, 1993; Matějů a Lim, 1995). Our research also confirms that between Communist Party members and non-members, differences in feelings of a change in socio-economic status were not statistically significant in any of the CEE countries.

The results were different among members of *nomenklatura*, who perceived their life-chances more favorably than others in the first period of transformation (Figure 7.7). This applies not only to ‘cadres’ who managed to stay in their positions even after the year 1989, but also to those who had to leave their positions. It was mainly because they were more successful in starting business.

Of particular interest in this regard was the comparison of three specific groups: upwardly mobile people, new entrepreneurs and small businessmen who were and were not members of the *nomenklatura*. We showed earlier that upward class mobility in itself did not lead to strong feelings of an opening of life-chances, as a transfer into the group of self-employed people. In addition, the comparison with members of the *nomenklatura* shows that mobility from this group into the group of entrepreneurs and small businessmen led towards significantly stronger feelings of upward socio-economic mobility than entrance into the same group from different positions of employment.

Analyses comparing the specific influence of the individual factors of subjective mobility also confirm the conclusion that higher education and starting of entrepreneurial activity in the first period of transformation had strengthened the feeling of socio-economic ascent. In contrast, upward or downward occupational mobility within the state sector did not create any significant changes in perceived life-chances. It was also confirmed that Communist Party membership did not have any influence on subjective mobility, but membership in the *nomenklatura* was of great help. Its influence was extremely strong above all in Hungary, where circulation within the economic elite was smaller and therefore the transition towards the market legitimized its already existing privileges much more than in the Czech Republic (Hanley, Matějů, Vlachová and Krejčí, 1996). In the Czech Republic, the exchange of the economic elite was much greater than in Hungary and Poland, therefore membership in the *nomenklatura* was not an important source of the feeling of socio-economic ascent as it was elsewhere.

7.6 Conclusion

The analysis of objective intragenerational mobility in the first period of the transformation and its comparison with the last period of state socialism lead to the following general conclusions:

1. In the first period of the transformation, one of the most frequent causes of changes in social status was the significant decrease in the employment rate. This was expressed mainly by the growth in the unemployment rate (with the exception of the Czech Republic, where unemployment grew at a slower rate than in other CEE countries) and also by the growth of early retirement. Early retirement actually swallowed up a big part of the surplus labor force; otherwise, if this group had become unemployed, the overall unemployment rate could have reached an unbearable level. This tendency was common for all CEE countries, including the Czech Republic.

2. If we ignore the consequences of the drop in employment, then the growth of social mobility at the beginning of transformation was not as great as was expected. The rather minor degree of changes in employment and occupational structures blocked any sizeable growth of mobility. Nonetheless, a new group of entrepreneurs and small businessmen was born, and important transfers between certain branches of the economy occurred, mostly in the favor of the service sector. Such transfers between branches, however, generally did not lead to social mobility because in most cases they did not produce any fundamental changes in the work performed. Otherwise, no substantial changes in the social structure of the population occurred, which surely would have been the case if the economy had undergone more intensive restructuring. This applies not only to the Czech Republic, but also to Hungary and Poland, where the modernization of the economy is often thought to have progressed at a more intense rate.

3. The circulation mobility was also relatively limited, which means that no large-scale exchange of people on the basis of skills or other criteria occurred. Analyses indicate that during the first period of transformation, there was greater mobility among people who occupied positions, which in the past had been filled according to political criteria (the *nomenklatura* system). However, analyses do not indicate that this growth in mobility was accompanied by a strengthening of the role of meritocratic criteria.

At the beginning of this chapter, we suggested that the transformation has led to the polarization of society into two groups, differing mostly in the life-chances which have opened up to them following the collapse of the Communist regime. At the same time, we assumed that this polarization would be expressed in subjective mobility. In this respect we have reached following conclusions:

1. Subjective mobility was actually significantly greater than objective mobility in terms of class and status. From this it follows that stability, from the standpoint of the placement of individuals in the class structure, did not necessarily mean stability in life-chances, because these changes were also felt by those who remained in the same jobs and in the same positions. It indicates the existence of a rather substantial collective mobility, which has evoked a feeling of changes in life-chances among entire social groups and classes. In this respect, we consider it very interesting that the entrance into the group of self-employed had a much bigger impact on the feeling of a change in life-chances than other types of mobility.

2. In the first period of transformation, CEE countries differed much more in subjective mobility than in objective mobility. This was also the case because the subjective dimension of mobility was more dependent upon different results of the transformation on life-chances of entire social classes and groups. In other words, collective mobility was probably a much more significant factor of changes in life-chances than individual mobility, bumping up against the limits of structural change which perhaps had more of an evolutionary than revolutionary character.

3. The gradual abolition of socialist redistribution brought about the subjective decline of rather large segments of the population, mostly typical 'winners' during socialist period – people with lower education and workers. In opposition, the transition towards the market and democracy has created new opportunities, especially for those individuals who were handicapped by the socialist system of redistribution and also for university-educated people, professionals, the middle classes, and new entrepreneurs. The opening up of opportunities for social ascent, together with the growth of income and wealth inequalities, has contributed to the crystallization of traditional social classes. Formerly vague differences between members of various social strata, from the standpoint of their subjective position on the important vertical axes of the social system (social and economic status), became more accentuated.

4. The level of education has been the most influential factor in the feeling that the transition towards the market has led to an improvement of socio-economic status and to an opening of life-chances. While this is valid for all CEE countries, the feeling of ascent among individuals with higher education was stronger in countries where the role of education had been weaker during the Communist period, namely in the Czech Republic. This undoubtedly positive tendency from the standpoint of the valorization of human capital has weakened over the last few years. The further development of differentiation among educational groups was caused rather by feelings of social and especially economic decline among people with the lowest level of education than by feelings of increasing upward mobility among university graduates.

5. Membership of the Communist Party was not a significant factor in the change in life-chances after the collapse of the Communist regime. In contrast, members of the former *nomenklatura* underwent a significant improvement in their life-chances during the transition, independent of the actual type of objective mobility. Both individuals who did not undergo any objective mobility and those who transferred their political capital

into economic capital (i.e. entering the business world) experienced upward mobility on the ladder of socio-economic status. Of particular importance is the finding that opening business produced a stronger feeling of socio-economic ascent and increase in life-chances among members of the former *nomenklatura* than among other people.

Appendix

1. The definition of types of social mobility

To express mobility movements among social classes in the form of downward or upward mobility paths, it is necessary to order these classes vertically according to the average socio-economic status of occupations. The definition of socio-economic status and the average value of the ISEI index in individual social classes are located in Appendix H. Categories of downward and upward mobility were defined using detailed EGP classification with 10 categories as follows: 1. Strongly down: two or more classes down 2. Down – one class down 3. Stability – no change 4. Upward – one class up 5. Strongly upward – two or more classes up 6. To self-employment – joining the group of entrepreneurs and small businessmen (this type of transition overrides the categories mentioned above). The table shows the relationships between types of class mobility and average shifts along the scale of socio-economic status. Average values of change in socio-economic status in individual types of social-class mobility for economically active persons were calculated from the international merged data file of the project *Social Stratification in Eastern Europe after 1989* (Czech Republic, Hungary, Poland, Slovakia, N=9500). The results show that all types of mobility correspond with the direction and intensity of people's movement along the scale of socio-economic status:

Type of mobility	Percent of respondents	Average change in terms of socio-economic status (index ISEI)
Strongly downward	3.0	-16.1
Downward	4.3	-5.9
Stability	76.9	0.0
Upward	3.9	5.8
Strongly upward	3.7	15.5
To self-employed	8.1	1.7

2. The definition of subjective socio-economic mobility

The analytical construct 'subjective socio-economic mobility', used in Figures 7.1, 7.4 and 7.7, was defined with the help of four variables: 1. Subjective social status in 1988 2. Perceived position in the income hierarchy in 1988 3. Subjective social status in 1993 4. Perceived position in the income hierarchy in 1993. On each pair of variables, first a factor analysis was applied (the PRINCALS method of principal components modified for analysis of ordinal variables). Using this method, two latent variables were defined for each year, the first expressing the consistent component of subjective status and the second representing rather its inconsistent component. In the interest of maintaining the frame of references used by respondents in the evaluation of their positions (i.e. towards other individuals in a given society), single dimensions were formed (factor scores) standardized to averages of individual countries (standardization was made by Z-score for each country independently).

Variable ‘subjective socio-economic mobility’ was finally created as the difference between the values of variables representing consistent components of subjective socio-economic status in 1988 and 1993. This construction of the analytic indicator has the advantage of enabling the evaluation of changing life-chances from the standpoint of either the social or economic aspects of subjective mobility.

Variable	Dimension 1	Dimension 2
<i>Year 1988</i>		
Subjective social status	0.795	-0.632
Subjective economic status	0.815	0.617
Eigenvalue	0.647	0.389
<i>Year 1993</i>		
Subjective social status	0.814	-0.601
Subjective economic status	0.815	0.600
Eigenvalue	0.663	0.361

8 The role of the market and government in the eyes of the public

Modern capitalist countries share the idea that societies should be based upon the balanced operation of market mechanisms and state regulation. Unlike economic theory, real markets are never perfect and thus governments must protect consumers against unfair competition (expansion of monopolies) and external factors (pollution of the environment and other adverse effects of business) by means of legal and regulative measures. Moreover, the state is also expected to provide citizens with public goods such as defense, communication, infrastructure, and education. But the activities of governments are seldom flawless. Their intervention in the economy suffers from particular group interests and the limited capacities of state bureaucracy, from the belated measures taken by the government in favor of economic growth, and discrepancies between political and economic cycles.

Every democracy bears witness to political disputes about the acceptable degree of state intervention into various spheres of social and economic life. The political right advocates the ‘invisible hand of the market’ and aims at a small but strong government. The left, however, wants the ‘visible hand of the government’ to be more apparent. The right-wing critics of regulation (e.g. Friedman and Friedman, 1980; Krol and Svorny, 1994) compare excessively regulating governments to bad parents who only forbid things and are not aware of the fact that in doing so they are actually causing their children harm. Their claims are supported by studies showing that countries with more limited market regulations (e.g. Great Britain, Denmark) are economically more sound than countries with more extensive regulations (e.g. France, Italy).

Slower economic growth in recent years has given rise to political disputes about whether the Czech Republic enjoys an unduly free market economy and has a government which is too passive or one which interferes too much in the country’s economic and social affairs. Citizens rightfully ask whether economic problems stem from the failure of the market or excessive governmental activity. Political debates about the role of the market and state in the economy follow the same lines as ideology voiced in the West – the right promotes a liberal market, the left, on the other hand, advocates the welfare state. These divided roles, however, do not represent an iron rule. The fact that in real politics there may be substantial deviations from ideological labels can be demonstrated by the ‘market oriented’ policies of left-wing governments in New Zealand in 1980s, Great Britain in 1990s, Hungary, and for a short period in Poland.

Box 8.1 Right-wing policy of leftist governments

In 1984 a large-scale reconstruction process of the social security system, described as the transformation 'from the welfare state towards a civil society', was carried out under the then-elected Labor government in New Zealand. It meant lower social allowances, changes in regulated rents in state-owned flats, the introduction of tuition and health care fees, extensive privatization in the field of education, health care and social welfare, and significantly lower public spending, below 40 % of the GDP. It was the first time that an excessive role of the state had been reduced by a leftist government.

A similar development could also be seen in Great Britain when the Labor Party won the 1994 elections. This nominally left-wing party adopted the concept of the relationship between the market and the state which had been successfully promoted by the previous Conservative government and even continued on its course of reform. The existence of the phenomenon called New Labor gives a new meaning to disputes between the left and right about the role of the state and market.

Hungary and Poland were among those socialist countries where an extensive nationalization of the economy had not been carried out during the post-war period and where before 1989 (ahead of the others) communist governments introduced economic reforms aiming at hybrid, 'third way' economies (Dangerfield, 1997). For example, in the 1970's the first reforms were launched in Hungary. They allowed the establishment of companies with foreign capital and brought about a unification of exchange rates for business and non-business payments. At the same time a gradual devaluation of the currency began and price liberalization was introduced (Tomšík, 1997). After a short period between 1990 and 1994, when Hungary and Poland were ruled by the right-wing parties, leftists recruited from the pre-1989 communist parties continued in their reforms aiming at a market economy, often more radically than the right.

After forty years of a suppressed free market, capitalism started to develop again in the Czech Republic and the role of the state has changed. The state has to a large degree ceased to rule the economy, but it continues to be responsible for building a functioning infrastructure indispensable to the existence of the market. The state does not have to provide its citizens with a wide range of services but those which it is obliged to provide must on principle be rendered in compliance with clear rules and their provision must not impede the civil rights of one group of citizens in favor of another. One question, however, remains unanswered: why has the amount of bureaucracy grown in terms of numbers along with the amount of state funds allocated without substantially improving its effectiveness and image in the eyes of its citizens?

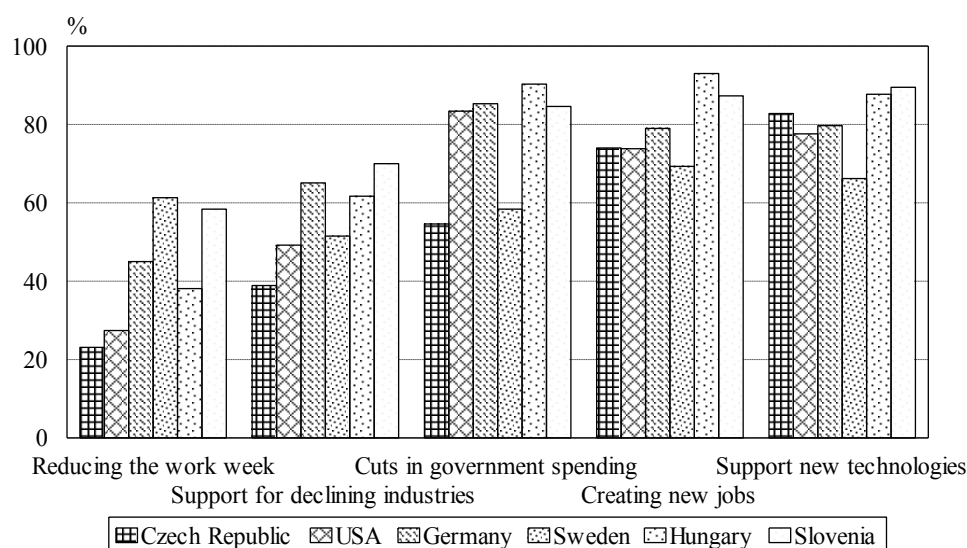
The question of social redistribution remains an open one. Although the transformation did not have such heavy social consequences as in other countries, many people were forced to change their jobs and their living standards deteriorated. On the one hand, it introduced more opportunities and greater responsibility, while on the other, large inequalities in income and wealth emerged, stirring emotions of relative deprivation and stress (Řeháková and Vlachová, 1995). While the specific experience of the market

economy has turned many people into realistically and pragmatically thinking individuals, it has brought dissatisfaction and disillusion to others. It has also helped to sort out ideas on what proportion of market mechanisms and state interventions might be most appropriate.

8.1 Dilemmas of economic policy in the opinions of Europeans

Currently many economic and social issues – such as inflation, excessive public spending, unemployment, low economic growth, and high taxation stifling the private sector – are being tackled not only by East European countries but West European countries as well. In spite of the fact that West European countries have been unequivocally encouraged to reduce the role of the state (or even to take the US approach in 1980s), their citizens generally show little willingness to abandon generous social provisions and to reduce public spending. Nonetheless, relatively radical reforms reducing the welfare state have been launched in many countries. It is expected that this process would be least successful in welfare countries such as Sweden or Finland, where reforms of the system of social protection have become almost politically unfeasible.

Figure 8.1 What measures for the revitalization of the economy do you support?



Source: ISSP–1996.

The fact that Europeans demand a more comprehensive role of the state compared to US citizens has been demonstrated in the ISSP–1996 survey on the ‘Role of the Government’. Respondents from countries whose markets are appraised as strongly regulated advocate a more powerful state. These are traditionally paternalistic, economically less liberal countries (Finland, Norway, and Sweden), but also countries undergoing reforms, such as Hungary, Slovenia, and former East Germany (Figure 8.1). Citizens from the

Scandinavian countries support price regulation (supported by 65 % of Norwegians and 58 % of Swedes surveyed), while countries undergoing reforms support both price regulation (82 % of surveyed 'Eastern' Germans, 81 % of Slovenes, and 64 % of Hungarians) and income regulation (69 % of 'Eastern' Germans, 51 % of Hungarians, and 76 % of Slovenes).

Little willingness to give up various paternalistic provisions is also typical for other transition countries – this holds true for former East Germany, Hungary, and Slovenia. To revitalize national economies, citizens from these countries suggest the creation of new jobs and investment in technology. Tremendous support is given to subsidies in declining industries and budget cuts. Scandinavian countries as well as West Germany advocate a shorter work week, assistance to declining industries, the creation of new jobs, and investment in technology. Even the economically extremely liberal US, shows a willingness to adopt certain paternalistic measures like the creation of new jobs or investment in technology. It is interesting that except for the opinion about public spending cuts, Czechs share a very similar view on these issues as American citizens.

To revitalize the economy, Czechs would support cutting government spending but at the same time the creation of new jobs and subsidies in technology. Nevertheless, a reduction of government spending receives low support in comparison with other countries. The level of support does not vary according to social class. The only exception is the category of skilled workers, 46 % of whom are against budget cuts. From the standpoint of political orientation, such support is low among both extremist parties (about 40 %). Only pensioners, especially left-wing supporters, consider assistance to declining industries effective, while the economically active population does not agree with governmental measures of this kind.

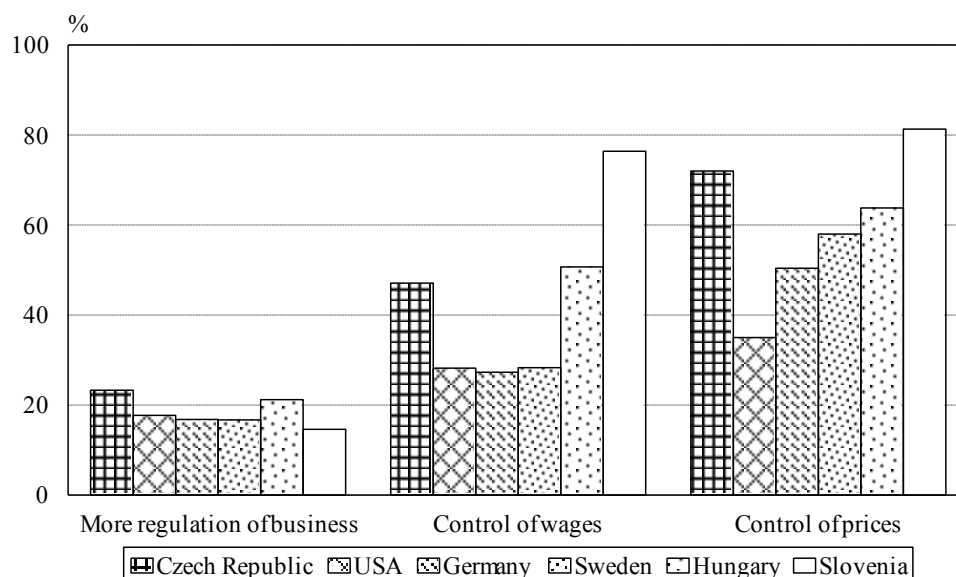
Box 8.2 Anti-inflation policy

Some economists claim that inflation is very costly and thus monetary policy should do everything to combat inflation (Gavin and Stockman, 1988; Gavin, 1990; Howitt, 1990; Selody, 1990a, 1990b; Hoskins, 1990; Dowd, 1994). In contrast, others think that to combat inflation – anti-inflation – is more costly since price stabilization produces low economic growth and unemployment (e.g. Lucas, 1989; 1990; Fortin, 1990; Peters, 1990; Scarth, 1990). It is an unpleasant reality that the tackling of high inflation in transition countries may result in painful side effects – low economic growth and unemployment. There are also opinions, however, that these side effects are not unavoidable and the more successful the anti-inflation policy is, the more trustworthy it will be. Support for low inflation and the potential willingness to come to terms with the side effects of inflation regulation measures (unemployment) differs in individual countries.

Politically rewarding topics are wage and price regulations (Figure 8.2). Their proponents often argue that these regulations combat inflation and/or that they represent socially oriented measures. Their opponents, on the other hand, claim that such regulations cannot remedy inflation but rather only cover it up. A similarly conflicting issue is their long-term effect. When regulations are applied on a national scale – as is the case with social measures – they distort the structure of household expenditures, undermine saving-oriented behavior, and warp investment as well as the price structure, which eventually

leads to wasted labor and lower levels of production. Specifically, in the case of the Czech Republic, economists have warned that price regulation (e.g. rent or energy price control) has an adverse impact on other economic indicators, including the deficit of the payment balance.

Figure 8.2 What kind of regulations do you support?



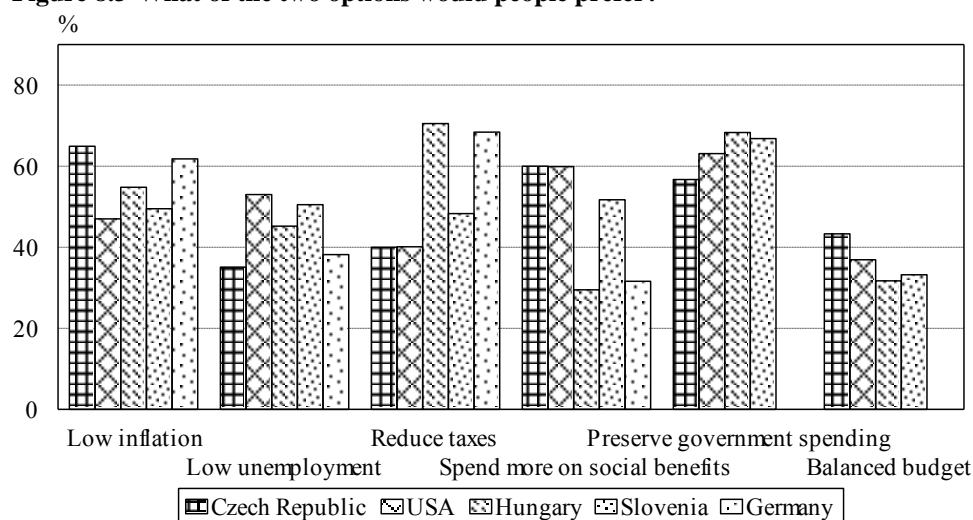
Source: ISSP-1996.

Views of citizens of post-communist countries regarding inflation and unemployment reflect both macroeconomic trends and personal experience. Present attitudes of citizens of the Czech Republic are influenced by the fact that here unemployment was for a long time the lowest in the entire post-communist region (in 1997 it was under 5 %, in 1998 it was estimated to reach 6.4 %), and is far below the average unemployment rate in the EU (around 10 %). In contrast, inflation has reached approximately 10 % and its rate is higher than in the EU (1.8 %). Although it is far from catastrophic, it is moving away from the ideal zero rate. The implemented policy to reduce inflation has not, however, produced expected results. Some experts claim that inflation is linked to the transformation process and that it has been caused by the shift of price levels in the Czech Republic towards those in European countries (Možný, 1998).

Even though the macroeconomic indicators are clear, to make a choice between higher inflation and higher unemployment is not easy, as is suggested by the 20 % of surveyed citizens in the Czech Republic who remain undecided on this issue. Since inflation seems to be a more visible problem here, support for anti-inflation measures is stronger than support for low unemployment (Figure 8.3). Within the general public, support for low inflation varies according to political orientation; it declines from the right to the left side of the political spectrum, while support for low unemployment rises in the other direction,

from the right to the left. Right-wing voters agreed with the steps taken by the Czech National Bank to reduce inflation: 76 % of ODS and 73 % of ODA supporters, followed by KDU-ČSL voters (67 %) and SPR-RSČ (61 %). Even though voters of left-wing parties – ČSSD, KSČM – found low unemployment important, more than half of them (57 %) favored low inflation.

Figure 8.3 What of the two options would people prefer?



Source: ISSP-1996.

Note: Percentage of those who were able to decide. In Germany and Sweden, the budget question was not asked.

Support for low inflation over low unemployment also prevails in Hungary, but only moderately, since following a two-year reform and stabilization package, inflation dropped to 18 % and unemployment to 10 % by the end of 1997. On the contrary, unemployment remains a problem in Slovenia – 51 % of Slovenes prefer higher employment over low inflation. Slovenia has managed to shake off Yugoslav hyperinflation successfully and to stabilize inflation at 9 %; unemployment, however, has reached nearly 15 % and it is expected to grow due to the unfinished reforms. Direct experience with the above-mentioned issues is not reflected in the attitudes of West Germans and Americans. In spite of the fact that unemployment (10 %) has been the main German problem, its citizens favor low inflation. On the other hand, US citizens lean towards low unemployment (its rate was about 5 %, while inflation reached only 2 %).

The growing number of activities undertaken by the government in the social sphere and in the area of public goods has raised the problem of how to finance them. The government has, in fact, only two options – to introduce higher taxes or to allow deficit financing. Higher taxation, however, is not a very attractive means to cover government spending – it is true that people usually welcome massive public spending, but this is not the case with higher taxes. According to respondents, taxes are the greatest burden on citizens of Germany (68 %), Hungary (70 %), and Sweden (56 %), none wishing to finance higher

expenditures on social protection through taxes. The greatest readiness to increase social expenditures from taxes can be found in former East Germany, the Czech Republic, and the US. A relatively strong tendency to maintain present social expenditures, financed through a budget deficit to pay the bill in the future are found in Hungary and Slovenia.

The escalated demand on government spending on social protection and public goods combined with an unwillingness to pay taxes represent a complex political puzzle: is it possible to retain a standard of living and a functioning state administration without maintaining or increasing state expenditures? Some studies show that an increase in state spending on health care and education had a direct impact on rising living standards up to the 1960s, when infant mortality was reduced and certain diseases were eradicated, illiteracy was curbed, and the level of education rose. However, the effect of state spending on the standard of living has gradually diminished and on the contrary, its adverse impact on the performance of the national economy has increased, including the growth of the informal economy. The alternative, adopted in many countries, of leaving a high proportion of income in the hands of citizens, turned out to be very advantageous (New Zealand advanced the largest cuts of public spending up to 35 % of the GDP in 1996).

Public opinion on taxes, government spending, and the balancing of the state budget vary in the Czech Republic according to the economic rhetoric of the leading political parties. The 1996 ISSP survey shows that voters of right-wing parties backed the principle of a balanced state budget (66 % of ODS supporters, 67 % of ODA supporters) and wanted the government to spend less on social programs. In opposition to this were voters of left-wing parties, identifying with the left-wing tendency towards deficitary financing (70 % of ČSSD supporters and 79 % of KSČM supporters). A budget deficit was also favored by 43 % of voters of KDU-ČSL and SPR-RSČ.

When given the choice between simultaneously reducing or increasing taxes and social expenditures, one-fifth of respondents were undecided and most of the others leaned towards the second alternative. Only a small majority of right-wing supporters – 53 % of ODA voters and 55 % of ODS voters – preferred an increase in taxes and spending, while voters placing themselves towards the left side of the political spectrum gave increasing priority to a simultaneous increase in taxes and social expenditures, including 56 % of SPR-RSČ voters, 70 % of KDU-ČSL voters, 70 % of ČSSD voters, and 71 % of KSČM. Although the political scene has since changed, its divergence in terms of the support for massive state redistribution is likely to have remained the same.

8.2 Order and public goods, or social redistribution?

Under the *laissez-faire* capitalism of the last century, governments were mainly comprised of ministries of finance, defense, foreign affairs, domestic affairs, and justice. Since then, and following the concept of welfare state, governments have expanded to include health care, education, social security and housing, and many citizens have come to consider social justice (interpreted as redistributive transfers) as the government's main priority. A legally flawless and effectively functioning market economy need not be viewed by all as

under all circumstances ideal, considering the inequalities in income and wealth it generates. The tendency to curb income and property inequalities is manifested in the efforts taken by all democratic countries to tax the rich more heavily than the poor and to redistribute income with the tendency towards striking a balance between the two groups.

Opponents of the market often argue that as a distributive mechanism it is unfair and thus it is necessary to rectify its results. Nevertheless, Hayek (1976) has argued that the market is a universal and an impersonal mechanism and the criterion of justice cannot be applied to it – according to this economist, only human behavior can be considered just or unjust. Concern on the part of governments for social justice and ‘market injustices’ is often the subject of criticism. In the political process, income is distributed according to political characteristics, which are generally different from the economic features that rule distribution on the market (Dixit and Londregan, 1995). Nevertheless, real distribution very loosely follows theoretical principles, and distribution keys, however ‘just’ or ‘unjust’ they may be, result from more criteria and competitive evaluation (Kluegel, Mason and Wegener, 1995).

Thus the issue becomes whether the main function of government is to maintain order or to redistribute resources and maintain social justice. Responses suggest that citizens of democratic countries place the maintenance of order behind social security and public goods. Increased expenditures on the army, for example, are not met with much support: reduction in spending is favored not only by German citizens (66 % in the West, 75 % in the East), where since the Second World War the army has had little justification, but also by Swedes (50 %). The tendency to maintain the respective expenditures prevails not only in the USA (46 %), a successful military power, but also in Norway (40 %) and the Czech Republic. A slight tendency towards increased spending on defense is seen in Hungary (32 %) and Slovenia (25 %). The readiness to accept increased spending on defense in those two countries is likely to be the result of preparation for NATO accession and the need to increase the legitimacy of the army. However, citizens are also very concerned with the issue of internal order maintenance. Data about increasing crime rates in Western countries show that crime represents a serious problem. In this context, US, German, and Hungarian citizens would be willing to spend more on police and order maintenance.

The Czech Republic is tackling the issue of the maintenance of both external (defense) and internal order (police and justice). In spite of the fact that the Czech Republic had been preparing itself for NATO accession and no one doubted the need to restructure and modernize the army, it was faced with insufficient funds and legitimacy. The army was the last area which citizens see as worthy of greater spending: 42 % would like to keep the current level of spending and 47 % would even like to see the current level reduced. Responses did not vary according to political orientation, however the army enjoyed greater support among the self-employed (18 % favor increased expenditures) and pensioners (15 %).

Government maintenance of internal order faces yet other problems. Even though the police have earned greater recognition and their equipment has improved, the crime rate has also grown. It is not surprising that the police and order maintenance belong to the areas which people are ready to spend more on, in comparison with the army. Nevertheless Czechs, similarly to the Slovenes and Swedes, tend less towards increases in spending on police and order maintenance when compared to citizens from other observed countries. Increased spending was supported more by professionals, pensioners, and the self-

employed, and by ODS, ODA and KDU-ČSL voters. Left-wing voters were less likely to support such expenditures, even though their political representatives often argue that as a result the government would be unable to fight crime.

Table 8.1 Areas in which the government should increase spending (%)

Areas	Czech Republic	USA	Germany	Sweden	Hungary	Slovenia
Army	11.8	21.3	8.2	13.7	32.4	25.4
Unemployment benefits	19.7	28.3	28.8	42.7	34.2	49.8
Culture	28.4	15.8	14.2	14.7	49.0	50.2
Police	43.2	58.0	57.1	46.8	65.0	41.0
Old-age pensions	66.7	50.8	44.4	56.9	84.9	58.9
Education	67.7	77.4	51.3	58.7	81.8	84.8
Environment	68.7	49.6	58.6	52.9	65.7	74.8
Health care	82.8	67.6	53.8	76.6	93.3	80.7

Source: ISSP–1996.

Citizens of modern democratic countries support more ardently higher spending on social issues – health care, education, pensions, and the environment – than on the maintenance of order – the army and police (Table 8.1). The choice between the maintenance of order and social security reveals striking differences between Europe and the US. Even though the majority of US citizens significantly support spending on social issues and public goods, such spending is of lower priority in comparison with Europeans who, on the other hand, express much greater support for investment in the social sphere and public goods.

Support for spending on public goods is considered to be less controversial in contemporary Western societies than expenditures on the maintenance of order or on the social equalization. Public goods may be expensive but every citizen enjoys their benefits. Order maintenance and social equality, on the other hand, are not only expensive but also touch upon other values, above all freedom.

If the central political dispute between liberals and conservatives in free capitalist societies of the 19th century was the dilemma of ‘more freedom or more order’, then the liberals and socialists in the 20th century have been struggling with the dilemma of ‘more freedom or more equality’ (Janda, 1989). Whether a government has freedom or equality as its most important objective, its role remains unrewarded, irrespective of how limited or extensive it may be. This is due to the fact that citizens feel that they instantly capitalize only on direct benefits from their economic activities on the market; benefits provided by the state are not considered to be as useful, and thus are not valued by citizens (Lane, 1986).

Table 8.2 For what should be the government responsible? (%)

Areas	Czech Republic	USA	Germany	Sweden	Hungary	Slovenia
1. Aid for the unemployed	44.7	47.7	80.4	90.3	62.8	86.4
2. Reduction of disparities	61.7	47.9	62.5	70.6	78.7	85.0
3. Jobs for everyone	76.3	39.4	74.5	65.1	86.9	89.4
4. Housing for the poor	79.7	66.9	77.9	81.8	76.1	90.8
5. Price controls	81.9	69.0	70.7	86.1	87.6	89.8
6. Aid for manufacturing	82.4	65.7	64.3	79.8	89.1	92.8
7. Aid for poor students	92.7	85.3	87.0	79.2	91.4	97.0
8. Aid for the elderly	96.6	86.7	96.0	97.7	98.2	96.4
9. Health care	96.8	84.6	96.6	96.2	99.3	97.2
10. Environmental laws	97.0	88.7	95.5	93.9	97.4	94.9

Source: ISSP-1996.

Note: Respondents expressed agreement or disagreement with the following statements: 1. Provide a decent standard of living for the unemployed, 2. Reduce income disparities between the rich and the poor, 3. Provide a job for everyone who wants one, 4. Provide decent housing for those who can not afford it, 5. Keep prices under control, 6. Provide manufacturing industry with the support it needs to grow, 7. Give monetary aid to university students from low-income families, 8. Provide a decent standard of living for the elderly, 9. Provide health care for the sick, 10. Impose strict environmental laws for manufacturing industry.

As in other countries, people in the Czech Republic give preference to public goods and social security over spending on order maintenance and private goods. This tendency is evident from responses to responsibilities of the government (Table 8.2.). Health care for the sick and a decent standard of living for the elderly earned the highest positions, followed by the enforcement of strict laws limiting the adverse impact of industry on the environment. The greatest support for government activities and increased state spending can be seen in the area of health care (93 %), followed by education (supported mainly by professionals and skilled workers), pensions plans (supported mainly by pensioners and unskilled and agricultural workers), and the environment (supported mainly by the self-employed, followed by professionals and routine non-manual workers). Lowest priority was given to the maintenance of a decent living standard for the unemployed, housing for the poor and support for industrial development.

The provision of jobs for all as the responsibility of the government found the weakest support among professionals and the self-employed (about 60 %) and among ODA and ODS voters. In contrast, this responsibility was supported most by unskilled workers and pensioners (85 % in both groups), then KSČM, ČSSD and SPR-RSČ voters. Securing a living standard for the unemployed as a government obligation was supported least by professionals (31 %), routine non-manual workers (42 %) and skilled workers (42 %), and ODA, ODS and SPR-RSČ voters. In contrast, this was most often considered a state obligation by unskilled and agricultural workers, followed by the self-employed, KSČM, ČSSD and KDU-ČSL supporters. ODS and ODA voters, compared with other groups,

represent the majority of citizens in support of limiting price regulations, spending on social protection (health care, provision of living standards to the elderly and housing to the poor) but also costly, and, from their point of view, problematic assistance to industry. Voters of the 1996 government coalition were least supportive of egalitarianism, i.e. measures aimed at the reduction of income disparities.

The enforcement of strict laws to force the manufacturing industry to limit their adverse impact on the environment, and scholarships to students from low-income families rank among the generally most acceptable government tasks. Support for them does not depend on social class or electoral orientation. Thus they represent some of the few issues on which Czech society has reached a consensus.

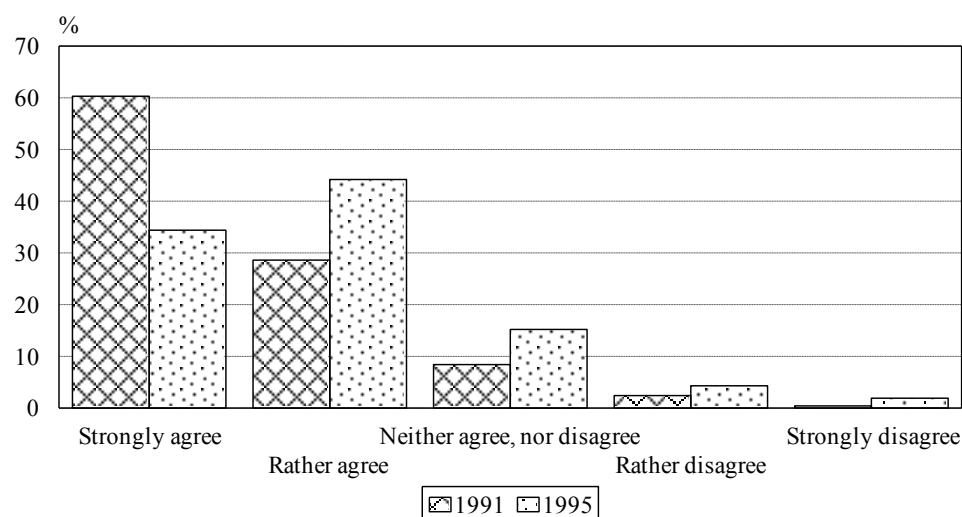
8.3 Economic freedom and opinions of the Czech population

In contrast to the beginning of the 1990s, today most Czech citizens are no longer zealous supporters of a free economy and a minimal role of the state. After a short period of post-November 1989 market euphoria, public opinion on the free market has become more reserved and unconditional support has diminished (Figure 8.4). During the 1990s, people have gradually lowered their support for a 'market without attributes', and are rather inclined towards an economy in which the government plays a more important role in areas of social protection and economic stability. Thus instead of support for a free market economy, support for a social market economy in which (according to the wording of the question) 'the government exercises influence on the economy to a considerable extent' has become prevalent (Figure 8.5). Moreover, the former socialist system, rejected at the beginning of the transformation process, is once again attractive to a substantial part of the population. According to the survey *Social Justice*, 30 % of respondents were opposed to socialism in 1991 but in 1995 the percentage had dropped to 26 %. Recent EEA surveys, however, show that this support for socialism has already stagnated.

Box 8.3 Index of Economic Freedom

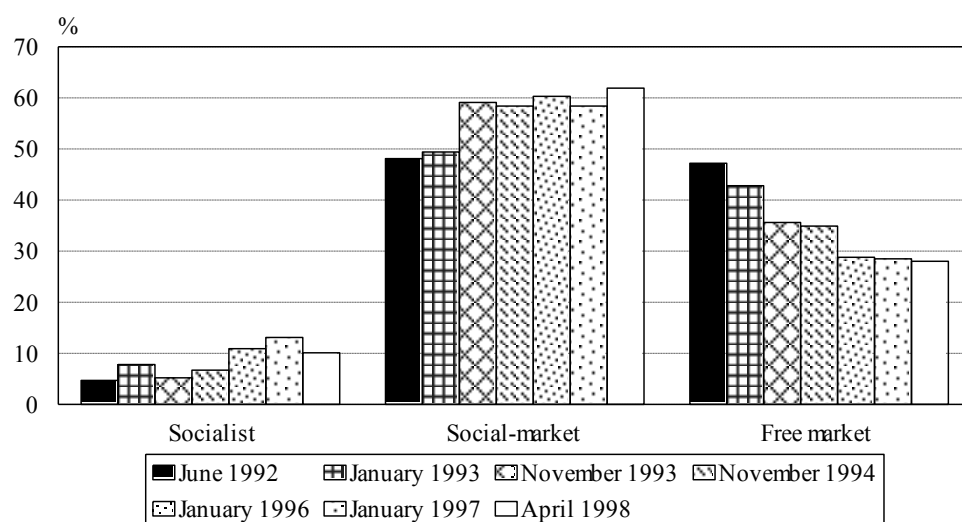
Since 1994, the Heritage Foundation and The Wall Street Journal have compiled an index of economic freedom. Similar to other indexes (Fraser Institute Index, Freedom House Economic Freedom Indicators, Competitiveness Indicators of the International Institute for Management Development, and World Economic Forum), this index contains results from analyses of factors contributing to economic growth. According to some studies (e.g. Scully, 1992; Hanke and Walters, 1997), economic freedom is connected with a higher rate of economic growth and greater prosperity, while economic development raises living standards and establishes a more balanced income distribution. In 1998, the economic freedom index was measured in 156 countries, in which 50 independent factors were evaluated. These items may be classified in the following ten economic factors: trade policy, taxation, government intervention in the economy, monetary policy, capital flows and foreign investment, banking, price and pay regulations, property rights, and market regulation, including the labor market and black market. A high score typically means lower economic freedom and greater government intervention in the economy.

Figure 8.4 A free market economy is essential to economic development



Source: Social Justice 1991 and 1995.

Figure 8.5 What kind of economic regime would you prefer?



Source: EEA.

Opinions concerning the economy have gradually begun to differentiate according to age, education, and social status of respondents (Table 8.3). While support for a market economy dropped in all age groups, at the same time the relationship between age and the preference of market economy strengthened. The market economy enjoys stronger support among people up to 40 years of age, who also tend to give preference to right-wing par-

ties. The youngest voters who have yet to establish their social position accept large-scale economic changes more favorably and are more open to political reforms. This finding contradicts a generally accepted premise that young people vote for left-wing parties, which traditionally represent themselves as progressive and offering a change. In the Czech Republic, however, it was the political right that proposed the program for economic transformation, thus appealing to young people.

8.3 The preference of market economy and socialism (%)

Category of population	Market economy				Socialism			
	1991		1995		1991		1995	
	1	2	1	2	1	2	1	2
<i>Age:</i>								
18–30	89.6	61.9	84.9	36.7	5.1	0.6	3.5	0.4
31–40	90.7	64.2	84.0	40.2	8.6	1.2	8.3	1.3
41–50	87.7	60.4	79.6	37.6	10.8	0.0	10.0	0.8
51–60	96.3	62.0	76.8	31.5	15.3	2.7	13.8	2.1
61–	82.6	54.7	69.1	26.7	19.9	4.7	30.9	10.3
<i>Coeff. Gamma</i>	0.09	-	0.16	-	-0.16	-	-0.22	-
<i>Education:</i>								
Primary	76.7	48.3	70.7	28.6	20.3	3.1	24.0	6.5
Vocational	88.2	57.6	71.0	31.7	10.7	2.0	27.4	3.3
Secondary	94.1	65.8	84.4	34.5	10.1	1.7	9.1	3.3
Tertiary	94.5	74.0	90.2	47.1	9.7	0.0	7.1	0.6
<i>Coeff. Gamma</i>	-0.25	-	-0.20	-	0.20	-	0.34	-
<i>Social position:</i>								
Professionals	93.6	69.5	86.8	41.1	5.7	0.7	8.2	1.8
Non-manuals	80.9	60.2	84.2	35.1	9.1	0.0	1.8	0.0
Self-employed	95.0	85.0	95.6	63.0	0.0	0.0	2.2	0.0
Skilled workers	89.3	58.9	75.7	31.6	8.9	0.0	10.8	0.7
Unsk. workers	85.7	57.1	73.6	33.6	15.3	1.0	12.6	2.2
Retired	85.5	55.0	70.3	27.3	20.0	5.1	27.7	8.2
<i>Coeff. Gamma</i>	0.16	-	0.20	-	-0.21	-	-0.30	-

Source: Social Justice 1991 and 1995.

Answers:

1 – agreement (agrees with market economy, supports socialism)

2 – strong agreement (strongly agrees with a free market economy, definitely supports socialism)

Note: Coefficient Gamma is a measure of association between two ordinal variables. Values of the coefficient range from -1 to +1. The more is coefficient closer to 1, the stronger the relationship between variables.

Support for socialism, which has become more and more an issue for older citizens, underwent an inverse trend. People over 50 voted more often for left-wing parties (KSČM and DŽJ) that do not want the government to withdraw from the economy, to limit social security, or to enlarge inequalities in income and wealth. The middle-aged generation (40–

50 years of age) tends to favor a social market economy and therefore more frequently votes for parties with programs supporting a regulated market economy – i.e. ČSSD and KDU-ČSL. Due to the moderate nature of these two parties, they have been attractive for the economically secure middle-aged generation. It must be noted that the non-Communist left-wing party and the Christian party did not reject the economic reform, but, in contrast to the civic parties, promised a slower, moderate version maintaining most of the politically motivated government measures (rent regulation or domestic market protection).

Support for a particular economic system is also closely related to the educational level and social position of the respondent. Highly educated categories more frequently support a market economy and provide only lukewarm support for socialism. While correspondence between the support for a market economy and the level of education somewhat weakened during the observed period, it strengthened in regard to support for socialism, i.e. today, more than in the early 1990s, people with basic education favor socialism. The self-employed and professionals have become typical advocates of a market economy, while pensioners have been strong proponents of socialism.

Opinion polls show what people demand of the government: price regulation and a reduction of income inequalities, jobs for all who want to work, the creation of new jobs, investment in technology and support for manufacturing industry, housing for the poor, support for students without means, higher spending on old-age pensions, education and the environment, health care and the provision of social care. People require the maintenance of current spending on social protection, even if it results in a budget deficit or public debt. They also favor a potential increase in spending on social protection, even at the cost of higher taxes. They demand social protection but also public and even relatively private goods.

At the same time, however, citizens demand that the government will not intrude into business activities, will cut budget expenditures less frequently and place greater emphasis on stabilizing macroeconomic policies leading to low inflation. It is evident that people demand 'less state' than they experienced before 1990, but 'more state' than that which corresponds to the *laissez-faire* capitalist ideal. They are aware of the fact that a too powerful and paternalistic state does not cultivate economic prosperity, but at the same time they have doubts about an unbridled free market. A longing for economic freedom, prosperity and a strong state as a guardian of order converge in their imagination with a suspicion of the market, the search for social protection, and the demand for social equality.

Czech society carries within itself a social democratic tradition but also the heritage of Communist centralism. It is not surprising that certain market regulations, even though they go beyond actions taken against monopolies and externalities, are fervently encouraged. The demand to regulate business commonly voiced by the general public can be seen as the expression of two kinds of feelings. It may reflect personal experience, which implies the Czech Republic is economically too free, as the Index of Economic Freedom made by the Heritage Foundation and The Wall Street Journal suggests (Johnson, Holmes and Kirkpatrick, 1998), as seen in Table 8.4. On the other hand, it may be a response to liberal political rhetoric without any grounding in reality, as suggested by another index of economic freedom, according to which the Czech economy is less free than those of Western countries (Gwartney, Lawson and Block, 1995). However different

the two assessments may appear, both of them rank the Czech economy as more free than those of other transition countries.

Table 8.4 Index of economic freedom

Rank	1996	1998	Rank	1996	1998
1 Hong Kong	1.25	1.25	20 Czech Republic	2.00	2.20
2 Singapore	1.30	1.30	20 Netherlands	1.85	2.20
3 Bahrain	1.70	1.70	22 Denmark	1.95	2.25
4 New Zealand	1.75	1.75	22 Finland	2.30	2.25
5 Switzerland	1.80	1.90	24 Germany	2.10	2.30
5 USA	1.90	1.90	24 Iceland	-	2.30
7 Luxembourg	1.95	1.95	24 South Korea	2.30	2.30
7 Taiwan	1.95	1.95	27 Norway	2.45	2.35
7 Great Britain	1.95	1.95	32 Sweden	2.55	2.45
10 Bahama Islands	2.00	2.00	35 France	2.30	2.50
10 Ireland	2.20	2.00	35 Italy	2.70	2.50
12 Australia	2.10	2.05	35 Spain	2.70	2.50
12 Japan	2.05	2.05	39 Argentina	2.65	2.60
14 Belgium	2.10	2.10	62 Latvia	3.05	2.85
14 Canada	2.00	2.10	66 Hungary	2.90	2.90
17 Austria	2.05	2.15	69 Poland	3.05	2.95
17 Chile	2.45	2.15	77 Slovakia	2.95	3.05
17 Estonia	2.35	2.15	80 Slovenia	3.35	3.10

Source: Johnson, Holmes and Kirkpatrick, 1998.

Analyses show that regardless of the degree of economic freedom the Czech Republic has actually achieved since 1990, the rate of economic freedom and the pace of the reforms implemented in the first phase, similar to Poland, Hungary, Slovakia, and Slovenia were prerequisites of a swift recovery and escape from the economic slump in 1990–1993. As a result of this strategy, these countries managed to cope with certain problems that were directly related to the transformation from a totalitarian regime to democracy and from a centrally managed to a market economy, while the gradual strategy applied in other countries was less successful – the political capital of these governments has declined, and over time it has not been possible to carry out changes without political support among citizens (Žák, 1996; Tomšík, 1997).

In the Czech Republic, support for regulation measures depends upon social position and electoral orientation. This is confirmed by the socio-economic anchoring of political conflict on the role of the state in the consciousness of individuals. Price regulations are not supported by those who know that their wages come from the market economy, i.e. mainly the self-employed (49 %), higher professionals (20 %), and ODA and ODS voters. In contrast, they receive the approval of pensioners (84 %), which is understandable due to the fact that their incomes are dependent upon state redistribution. From the standpoint of election preferences, government price regulations are logically encouraged by supporters of left-wing parties.

Measures which stifle business do not receive the support of social categories whose economic activities are most effective in a free economy, i.e. the self-employed (72 %) and senior professionals (52 %), and similarly by voters of all right-wing parties and SPR-RSČ. Income regulation is the least acceptable for skilled laborers – the self-employed (28 %), senior professionals (32 %) and skilled manual workers (32 %). On the other hand, it is supported by pensioners (61 %), unskilled and agricultural workers (49 %), and among routine non-manual workers (48 %). Weak support for income regulation has been also expressed by voters of the right-wing parties, ODA, ODS and SPR-RSČ. It was more acceptable for voters of both left-wing parties and KDU-ČSL. On the basis of the comparison of the same data over time, we see that the majority of these tendencies have strengthened during the course of the transformation.

8.4 Alternatives of social policy in expectations of citizens

At the risk of exaggeration, it is possible to argue that the most ardent conflict concerning relations between the state and market is related to its historically youngest function – the welfare state. Despite the fact that system of social security was already established in the last century, its scope and individual expenditures flourished in the 1960s and 1970s. The expansion in the number and possibilities of individual insurance caused revenue spending to skyrocket, and there was talk of an upcoming fiscal crisis of the state (O'Connor, 1973). Whether it was the unprecedented prosperity of capitalism (as advocates of industrialism claimed) or the challenge and threat of 'really existing socialism' (as Marxist critics of bourgeois society argued) that led to the high standard of social protection, this security has become a natural expectation of the lower and middle classes in all Western countries. Since this spending is mandatory, it is extremely difficult to reduce it.

Unfortunately, Czech society shared the fate of other Communist countries, where the rhetoric of general social security meant in practice universal social security, yet it was contingent upon the obligation to work. Socialist paternalism was, in fact, an instrument of both social security and political control (Večerník, 1997). Social security did not mean security only for employees but mainly for Communist rulers, thanks to its hidden totalitarian face. Social security was integrated into the life-long state control of every citizen. Whether we are speaking about employment, professional career, salaries and wages, bonuses, pensions, scholarships or family allowances, all functioned on the principle of cautious bureaucratic control. In the end, it was loyalty to the employer and the regime, plus occupation in privileged positions, rather than work performance that were decisive to family security.

After November 1989, Czech society was faced with the challenge of establishing a new regime. The first steps taken by the independent government, however, were very pragmatic and resulted in the doing away with of the flagrant privileges of the former regime (e.g. personal pensions) on the one hand, and on the other applying necessary measures ensuing from the new challenges (e.g. unemployment benefits). Having tackled these problems there was neither the time nor political will to plan and promote transformation in a consistent way as it is described in one of the three 'welfare state regimes' described by G. Esping-Andersen. Still, the transformation period witnessed a significant development of opinions in which elements of different regimes can be traced, as well as shifts in emphasis in different periods of time.

Box 8.4 Welfare state regimes

Gösta Esping-Andersen (1990) argued that a purely quantitative distinction of welfare systems (e.g. according to share of social expenditures in GDP) is not sufficient and thus put forth three qualitative categories of welfare state regimes:

1. Universal or social-democratic type, which is most closely approximated by Scandinavian countries. In a certain sense it resembles the former state socialist system of social security. People are treated as workers and the state basically takes responsibility for their full employment. The welfare state is primarily the 'employer of the first resort' and social rights are a priority, i.e. preceding the state of need (which gives entitlement to means-tested benefits) and insurance claims (which imply the right to sickness benefits and old-age pension). Typical benefits are flat, i.e. more or less the same for everyone, and a typical way of financing is from the state budget.

2. Corporatist or conservative welfare regime is typical for Germany, Austria, and France. Following the tradition of medieval guilds and 'fraternal treasury', backing only its own members, the system of occupational social insurance has been gradually implemented. It ensures that the social status of individuals and income distribution among families are maintained. Entitlements are primarily derived from insurance and thus, in principle, benefits are related to previous income and are paid from established funds. Generally speaking, the state focuses mainly on the family and it plays a role of the 'compensator of the first resort'.

3. Liberal or residual welfare regime, known from the USA, Canada, and partly from the United Kingdom following Thatcher's reforms. Here, the state relies on the emancipatory function of the market and plays a role of the 'compensator of the last resort'. It means that the state is ready to cover only the necessary minimum from its budget for a very limited section of the population. It directs benefits to individuals having first tested their actual income and other means of the household. All other people take care of themselves through private health and social insurance.

The formation of social policy after 1989 can be divided into three periods. By mid-1992, social democratic tendencies stressing universal benefits, earnings-related pensions, and an overall generous approach to social security were typical of the first period. The second period – following the 1992 elections – introduced the tendency towards stricter requirements and preferences to individual investment instead of the collective one, i.e. by employers. The third period was launched following the 1996 elections, with the creation of a minority government and related to the weakening of liberal social measures, even featuring attempts to restore the former system. In spite of the constant urgent warnings that the pension system is on the verge of collapse and appeals to limit state expenditures, the direction of social reform remains unclear.

Box 8.5 Three systems of pensions, child support, health and education

Two recent EEA surveys inquired how pensions, child support, and health should be guaranteed, suggesting three options in each case. The first option represented the socialist, universal coverage from the state budget. The second option was based on compulsory insurance with limited claims. The third option is purely liberal, based on private insurance. As for care of children, the third option is the verbalization of the economic liberal thesis, according to which children are so-called inferior goods – a term expressing the reality that consumption of these goods decreases as income increases. The fact that the number of children is falling in more developed countries or in families with high incomes suggests, according to liberals, that child allowances result in a lower number of newborns (Lemennicier, 1988).

Which pension program would you prefer?

1. Government pays equal pensions to everyone from the state budget. Moreover, everybody can have complementary insurance. 2. Pensions are covered from a pension fund. Everybody pays part of his/her income, according to which pension is subsequently paid. 3. The state takes care of only the poorest. All others pay private insurance from which they receive their pension.

Which type of security for children would you prefer?

1. Children are the concern of all of us. Thus the government should pay allowances to every family. 2. Only poor families are entitled to allowances. The state pays them if they earn low income and apply for allowances. 3. Children are the private matter of every family. The state takes care of them only if they do not have any family.

What kind of health care system should there be?

1. All health care must be free of charge. Insurance must reach a level so that all needs can be met. 2. The scope of health care must be defined so that insurance is not exceedingly high. Individuals must pay extra for the rest. 3. Compulsory health care should be provided in the most limited scope. Private insurance should play a primary role.

How university education should be dealt with?

1. All education must be free of charge and everybody who wants it should have access to higher education. 2. Universities should be free of charge, but the state should control the number of enrolled students and check whether they are actually studying. 3. University education is the life-long investment of every individual, therefore students should contribute considerably, even in the form of loans.

Reform steps following the 1992 elections strove for less costly and more effective social policy. The whole system started to shift in the following directions: 1. As for old-age security, pensions were to become progressively less dependent on previous income, and the difference between the average wage and average pension would expand; simultaneously, private insurance was to be expanded and people were encouraged to take care of themselves; 2. As for child benefits and other family allowances, an income test was established, and some benefits were limited to households below a certain income level; future development was to introduce more rigid requirements; 3. All benefits within the state social support were based on income- and means-testing; local authorities were to

take greater responsibility in dealing with these issues; 4. The new system did not allow employers and professional organizations to participate in social benefits, and social insurance was to be based on the rights of people as citizens and not as employees.

Czechs have accepted this social strategy with mixed feelings. On the one hand, most of them (60 %) welcome allowances targeting only low income families, which in their view corresponds to the prevailing sense of justice. On the other hand, more respondents (nearly 80 %) consider the subsistence minimum insufficient, although only half of them would be ready to fund its increase from higher taxes. The long-term trend, however, does not show signs of any systematic growth in dissatisfaction with social security. Even though about three-quarters of the population respond negatively to the question of whether or not existing social benefits are sufficient, the number of dissatisfied citizens is not growing and in recent years has even declined. This may be understood as an expression of the crystallization of 'tax awareness', i.e. awareness of the dual status of a citizen who not only receives benefits but also pays taxes. On the other hand dissatisfaction among pensioners is growing.

Table 8.5 Perception of the role of the state in social protection (per cent and correlation)

Way of financing in the area of	Per cent	Correlation (Pearson's coefficients)			
		Age	Education	Social status	Left-right
<i>Pensions:</i>					
state budget	41.7	0.12	-0.18	-0.25	0.27
social funds	50.4	-0.07	0.13	0.16	-0.16
private insurance	7.9	-0.08	0.08	0.17	-0.21
<i>Family allowances:</i>					
flat-rate	54.2	0.07	-0.12	-0.16	0.26
targeted	39.3	-0.06	0.08	0.09	-0.20
none	6.5	-0.02	0.08	0.14	-0.12
<i>Health care:</i>					
without any limit	53.9	0.13	-0.15	-0.23	0.31
with some limits	42.4	-0.12	0.11	0.19	-0.26
minimal	3.7	-0.04	0.11	0.12	-0.16
<i>Education:</i>					
without any limit	24.8	0.04	-0.10	-0.19	0.15
regulated	48.0	0.03	-0.05	-0.03	0.11
with contribution	27.2	-0.07	0.15	0.21	-0.27

Source: EEA, April 1998.

Note: A full version of the questions is listed in Box 8.5.

The position among citizens is far from rigid, but they evolve and take shape according to how lively and diverse public discussion on social security is. How competently the discussions are led, and if citizens can follow them easily, decides whether various options are accepted. As part of the survey on 'welfare state regimes', we asked what system people would give preference to in securing pensions, child and health care. In addition, we

included a question on higher education, where between the options of free-of-charge and tuition-based solutions, we placed the 'controlled socialist' approach, not unlike that applied by the former regime.

The EEA survey results (Table 8.5) confirm the premise that even though the 'socialist' alternative always seems to be the most tempting (as is often the case in Western countries as well), it usually does not overwhelmingly predominate, and as far as pension security is concerned, it does not predominate. Dealing with the issue of pensions, half of respondents prefer the capitalization of contributions in pension funds from which pensions would be paid, financed independently of the state budget. As far as child benefits are concerned, more than a half of respondents want to see a universal approach, nevertheless nearly 40 % agree with benefits targeting individuals, after the family's income situation has been checked. The situation is similar in the area of health care, where the unlimited obligation of public insurance is always favored most, nevertheless 40 % of respondents are aware of its limitations and would support additional payments.

Purely 'liberal' or 'residual' options were supported by a small number of respondents in all three areas. In contrast, an individualistic approach was supported rather vehemently by one-quarter of the population on the issue of university education. Otherwise, the majority of respondents, of course, preferred the 'controlled socialism' approach, i.e. free-of-charge education with regulated access and supervision of students. The unlimited access approach, not taking into account funding possibilities, was also widely promoted. The idea of the state as a bottomless treasury persists among 30 % of the population (respondents choosing the first option in at least three questions shown in the Box 8.5), while 27 % consistently chose the second option, i.e. participation. There is only a negligible number of consistent 'liberals' (3 %).

The option chosen by a person to take care of himself is clearly determined more by subjective than objective factors. Correlations in Table 8.5 demonstrate that age does not play a significant role here (apart from the operation of pension system), not even education comes into play (with the exception of the approach to education as a life-long investment). Even though a high-income level paves the way for the rejection of the 'socialist alternatives', it has only a small impact on the choice between participation and liberal options. There is a much stronger link between the rejection of socialist solutions, and the social self-positioning or location on the political spectrum (from extreme left to extreme right). Self-positioning on the social and political spectrum is a no less relevant in the choice of purely liberal solutions. The contrast between objective features playing a less significant role and subjective features playing a more significant one is more striking in the decision about the manner of financing university education.

Unfortunately, we have been able to follow the development of these opinions only over the last couple of years. Since January 1997 (when the survey was conducted for the first time) only views on child benefits have changed significantly, in the vehement support of their restriction only to families in need. Although expectations of the government to provide security are predominant, it is evident that a large percentage of the Czech population is also aware of the impediments and pitfalls of state care. Although the inclinations towards a participatory system among Czechs are not prevalent (as in the case of pensions), it has a great number of advocates. Since the views do not usually follow from 'objective' reasoning (as far as the economic situation of the family is concerned) yet tend to be 'subjectively biased' (in the general approach to certain social solutions), we can presume that

more informative explanations by politicians – why particular measures were adopted and giving broader context for conditions ensuring long-term economic prosperity would undoubtedly foster more effective and thus pertinent solutions.

8.5 Conclusion

Finding the balance between the role of the market and the state is a problem of all governments. At present, a number of West European countries are tackling economic and social problems – inflation, increasing government spending, an immense public debt, unemployment (paradoxically accompanied by higher costs of labor), slow economic growth (with high taxation of businesses) and the burdening of the private sector with excessive regulations. The conclusions of the analyses are rather unambiguous: it is necessary to reduce the presence of the government in the economy, to reform social security systems and to deregulate the market. Even nominally left-wing parties, presently in power in most EU countries, try to curb state generosity to the benefit of business support and the revitalization of economic growth.

If acclaimed economists are advising developed Western countries to remove state measures which interfere with market performance and to minimize the role of the government, then their advice must be of particular relevance to the transition countries, where capitalist business has thus far been only half-heartedly established, and which are faced with a lack of capital and motivation to perform. Conditions for small businesses are far from rosy, and this applies particularly to the Czech Republic. A limited role of the government and free market are considered to be key conditions for successful development in transition countries, while copying generous social state models of EU countries is viewed by many experts as a grave impediment to catching up with their Western neighbors. Both in Western Europe and in transition countries, citizens ultimately choose between the option of a more thrifty government and a free market, or the path of regulation and massive state redistribution.

Changes in election preferences suggest that neither Czech society nor most of the European electorates are having an easy time deciding if they want – figuratively speaking – ‘more government’ or ‘less government’. While economists agree that unemployment, inflation and other economic illnesses require ‘less government’, this period tends to favor the malcontents who prefer ‘more government’. The views of Czech citizens on particular social policy alternatives, however, suggest that there is potential support for more economizing and participatory solutions. Change in attitudes over time implies that this potential can be further developed since there are no fixed positions rooted in the class-based economic situation of households. Flexibility in this direction may be increased with the elucidation of various solutions and their long-term economic impact.

Part Three

Social and Political Structures

9 The renewal of the middle class and its political circumstances

It is unknown who was the first to use the term 'middle class', however, it was most certainly used in England as early as in the beginning of the 19th century. The term described the growing group of owners who, unlike the slothful aristocrats, had to put their own capital into circulation in order to earn a living. Two important sources of income come together among the members of the middle class, which otherwise tend to divide rather than unite a society: labor and capital.

Because the middle class 'conciliates' labor and capital, it has no place in the Marxist theory of social development based upon class struggle. This was also the reason why its representatives were suppressed in the countries of 'really existing socialism' and some of its typical representatives were even liquidated. In this respect, post-war Czechoslovakia was more consistent than other East European countries. Private business in Czechoslovakia was, unlike in Poland or Hungary, virtually liquidated as a legitimate source of income. Similar was the fate of education, another important feature of the middle class. University graduates were considered by the communist regime to be particularly suspect – an unreliable 'intelligentsia'. Human capital, which in advanced countries is one of the main factors of technological progress and economic growth, was of little importance to one's life-chances, as documented by the position of professionals on the wage scale.

It is natural that the role of the middle class is a topic of frequent discussions concerning economic, social, and political development in CEE countries. The interest dedicated to it results from the conviction that it is one of the pillars of the renewal of the market economy and also an important prerequisite for achieving and maintaining the political stability of society. Analyses prove that in spite of certain differences between the so-called 'new' and 'old' middle class, its members are more inclined to rational rather than irrational political attitudes and reactions; they repudiate political extremism, seek out political compromise rather than conflict, and support continuity rather than dramatic or 'revolutionary' changes. Because of the continuous growth of the middle classes in advanced countries during recent decades, they continue to be the focus of interest among important political parties near the center of the political spectrum, either to the left or right.

The development and formation of the middle class in transition countries should be viewed as a closing of the great gap in the social structure, which was left after the collapse of state socialism. It is well-known that unlike 'totalitarian' revolutions, which are able to stir social relations and structures almost overnight, democratic transformation and the revival of social relations and structures takes much longer. The expropriation, which deeply affected the middle class in particular, was much easier and faster to accomplish

than the privatization and the restoration of the foundations of private business has been. Equally, it was much easier to reduce wage disparities by administrative decree in the early 1950s than to recover functional differentiation on the basis of market mechanisms forty years later.

The renewal of the middle class will surely take a long time, probably several generations. The reason is also that the processes in question are not only of a material character but include a value change, i.e. a restoration of the traditional values and the moral foundations corroded by socialism. It also depends to which extent potential members of the middle class will internally identify themselves as belonging to this group. Although these are changes that take place in the minds of individuals, they are by no means secondary to those occurring in the objective position of different social groups and strata. The identification with a certain group depends on a number of subjective factors, especially ideas of citizens of an optimal organization of society, one's own position in it and associated expectations.

On the basis of available data, we pose the following questions: 1. Has the renewal of the middle strata and creation of the middle class occurred in the Czech Republic during the transition to democracy and a market economy? Which changes in the social structure of society affect the development of the middle class and in what direction? 2. What is the appearance of the 'subjective picture' of the middle class? Is the number of people claiming their allegiance to the middle class growing or declining? How do people view social stratification in Czech society in comparison with other countries? 3. Which groups in the population identify themselves with the middle class and what trends can be seen in this respect? Is the influence of traditional attributes of the middle class (i.e. own business, higher education, higher income, etc.) class growing? 4. To what extent do real positions and value orientations of middle-class members coincide with theoretical expectations about the role of the middle class and its individual components in the political development of a post-communist society?

9.1 Objective approach: economic and human capital

The question of who is considered to be a member of the middle class can be answered neither simply nor unambiguously. Sociological literature frequently mentions two components of the middle class or even two middle classes – an 'old' one and a 'new' one. The life-chances of the 'old' middle class are defined by the possibility to use their own means of production (economic capital) on the market, while the life-chances of the 'new' middle classes are determined by their chance to use their education, qualification and specific skills (Berger, 1968). Thus, the main feature that makes a person a potential member of the middle class can thus be seen in one's specific economic standing (strictly speaking a self-employed person) or in higher education (usually lower and higher levels of university education, only rarely secondary school education).

Among the historically original, i.e. 'old' middle class traditionally belong tradesmen, craftsmen, and small businessmen, which Marxists used to refer to as the 'petty bourgeoisie'. Unlike large owners, businessmen and people living from rent whose economic capital is usually made productive by someone else (managers and executive directors), mem-

bers of the old middle class use their capital themselves. Members of the historically new middle class, the origin of which is associated with the later stages of industrial development, mainly in the so-called post-industrial era, are people working with information in fields such as education, health, research, and management. Their social role is the use of their human capital on the labor market.

Table 9.1 Social structure of the economically active population (%)

Occupational group	1983	1988	1993	1996	1997
Higher professional	8.5	9.4	9.1	11.7	13.7
Lower professional	14.0	15.5	16.8	17.5	20.0
Routine non-manual	14.2	14.0	14.1	17.3	14.8
Self-employed w. empl.	0.0	0.0	1.2	1.7	3.2
Self-employed w/o empl.	0.5	0.6	4.3	2.3	3.2
Foreman, lower techn.	4.7	5.0	3.9	5.3	7.9
Skilled worker	19.2	19.4	17.9	15.9	15.5
Unskilled worker	31.3	29.3	27.1	23.8	20.0
Farm worker	7.2	6.7	4.9	4.1	1.3
Private farmer	0.3	0.2	0.7	0.5	0.4
Total	100.0	100.0	100.0	100.0	100.0

Source: SSEE; ISSP–1996 and ISSP–1997.

Here, we ask how changes in the social structure after 1989 contributed to the formation of the middle class. With respect to the dramatic character of the transition period, we could expect social structure to have undergone considerable changes within this short period with the middle classes expanding accordingly. However, this presumption is not supported by the results of various surveys which, on the contrary, all conclude that social structure actually changed rather slowly. Changes pursuant to the middle class in the transition period were the result of an evolutionary rather than revolutionary change of Czech social structure. Table 9.1 shows that groups currently considered to form the nucleus of the middle class (higher and lower professionals, the self-employed, and entrepreneurs), which between 1983 and 1988 represented one-quarter of the economically active population, had increased only by some 6 % by 1993 before nearly coming to a halt.

One of the main factors impeding a more dynamic rise of the middle class in transition countries has been the relatively slow transformation of the occupational structure. Data on the development of the social structure of the economically active population confirms that only limited changes have occurred since 1989. Although the category of small entrepreneurs emerged only after 1989 and the proportion of individuals in the category of self-employed, representing the old middle class, doubled between 1991 and 1995, in terms of formation of the social structure a real change in ‘class position’ affected less than one-tenth of economically active persons. The new middle class, whose members may be found mainly in the two first categories of the EGP classification (higher and lower professionals) grew even more slowly.

Box 9.1 Methodological problems of social classification

At first glance, the evidently slow growth in the share of self-employed people after 1990 is partly due to the type of classification used. It places independent professionals among the category of 'professionals' and not 'small businessmen'. The authors of the EGP classification began from the premise that the dominant characteristic of the social position of, for example, a lawyer, is his profession and expertise and not whether he works for himself or for someone else. On the other hand, the decisive characteristic of a private plumber is that he is a self-employed. However, this does not change the overall picture of the development of groups which constitute the basis of the middle class, because freelancing is in any case included in this group (classification of occupations is described in more detail in Appendix H).

The term 'middle class' is often associated with 'average income' or 'average living standard'. Although this view is somewhat oversimplified, it is worthwhile remembering that the recent period has not been too favorable for households at the middle of income distribution. We find from the comparison of past trends of real household incomes that it was precisely the middle income category which suffered the greatest fall between 1988 and 1992 and the greatest stagnation during 1992–1996 (see Chapter 5.2). People who did not start their own business, and remained as employees in state-owned companies, health institutions, schools, or state agencies, saw their real income relatively decline. The market thus enabled the rise of the highest social groups and the government fought a reduction in real income of the socially weak, but the category of middle level employees suffered the greatest impact of the transition.

9.2 Subjective approach: self-identification and shared values

The subjective approach to social groups is based on the reasonable assumption that people do not have a serious issue with placing themselves in a social hierarchy and are able to claim membership in a certain social stratum or class without difficulty. It is also known that political attitudes and behavior are more influenced by one's social feelings and internal identification with some group rather than by classification according to 'hard' statistical criteria. While there is usually no fundamental conflict between objective and subjective position in the social structure, there need not be full agreement either. One realistic view, based on many surveys, suggests that if the mismatch between objective and subjective social ranking exceeds a certain limit, it becomes a source of tension, which is usually transformed into discontent with the political system.

If there are certain expectations concerning the role of the middle class in terms of political stability in CEE countries, this group cannot be viewed only as a statistical category defined on the basis of ownership, education, occupation, or income. As long as identification with the middle class is an important condition for the way in which people think and act as members of the middle class, we should ask whether those who should be considered members of the middle class according to characteristics of their social position (people with higher education, businessmen, and tradesmen) do in fact claim to belong to the middle class.

Box 9.2 Assessment of subjective social status

One of the most frequently used methods of assessment of the subjective dimension of social structure is the assessment of social standing and self-identification with a social class. Subjective social status is the result of self-ranking on a scale representing a hierarchy of social positions. We determined this using the following question: 'There are groups in Czech society which occupy a high social standing or on the contrary a low social standing. Where would you place yourself on a scale from one (the lowest) to ten (the highest)?' Respondents are asked to check the respective box on the scale corresponding to their position. A specific feature of this procedure is that individual positions on a social hierarchy represented by individual boxes are not complicated by any verbal identification with a certain group or class. In contrast, the second method is based on the identification with verbally expressed social groups or classes. Respondents are first asked whether they consider themselves to be members of a social group or class. If they responded affirmatively, they are then asked: 'Into which of the following social groups or classes would you place yourself?' Questionnaires sometimes offer two classifications, differing by the inclusion or omission of the 'working class'. The categories are usually defined as: 1– lower class; 2– working class; 3– lower middle class; 4– middle class; 5– upper middle class; 6– upper class.

In subjective identification with social groups it should be stressed that each specific result is always influenced by the way in which the question about self-ranking is asked. It is therefore better to combine various assessment methods of subjective self-ranking and identification with social groups, and to subsequently try to find common features or more general trends in different results. Keeping in mind the problems with objective assessment of subjective feelings, we thus ask what the Czech middle class looks like from the 'subjective point of view'.

The fact that the conditions for the consolidation of the middle classes were much more difficult in CEE countries than in advanced countries is visible already from the comparison of the distribution of people on the scale of subjective social status (Figure 9.1). At first glance, a great deficit in membership of the 'upper-middle class' (category 6) is apparent in post-communist countries; 33 % of respondents from advanced countries placed themselves in this category, compared with only 20 % in post-communist countries. There is also a strong tendency to position oneself on the lowest rung of the social ladder: in 1992 only slightly more than 10 % respondents from advanced countries placed themselves in this position, compared with 34 % in CEE countries.

The Czech Republic is an exception that cannot be overlooked. In 1992, almost 28 % of respondents from the Czech Republic located themselves in the middle of the status scale (on the sixth level) while in other CEE countries it was only about 20 %. This relatively favorable shape of subjective status distribution is undoubtedly rooted in the situation immediately preceding the collapse of the communist regime, which offered a feeling of belonging to the 'lower middle' category (degree five) to a relatively large number of people in Czechoslovakia. The feeling of open opportunities for social mobility at the beginning of the transformation manifested itself also in the feeling of specific mobility and hence in the changing shape of the 'middle zone' of subjective social status. Between 1989 and 1992, the 'higher middle' (degree six) thus became dominant.

Figure 9.1 Self-ranking on the scale of social status (%)

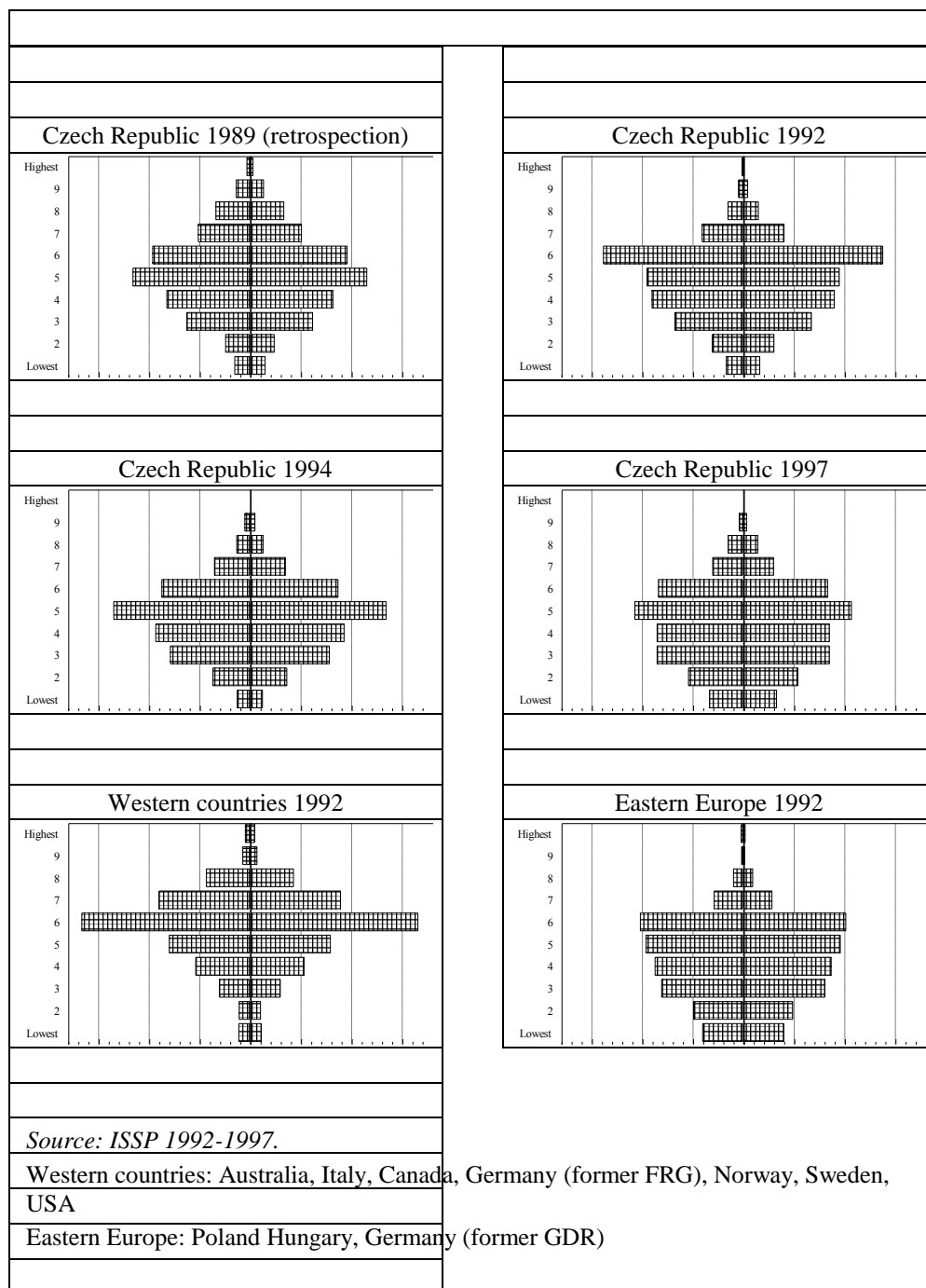
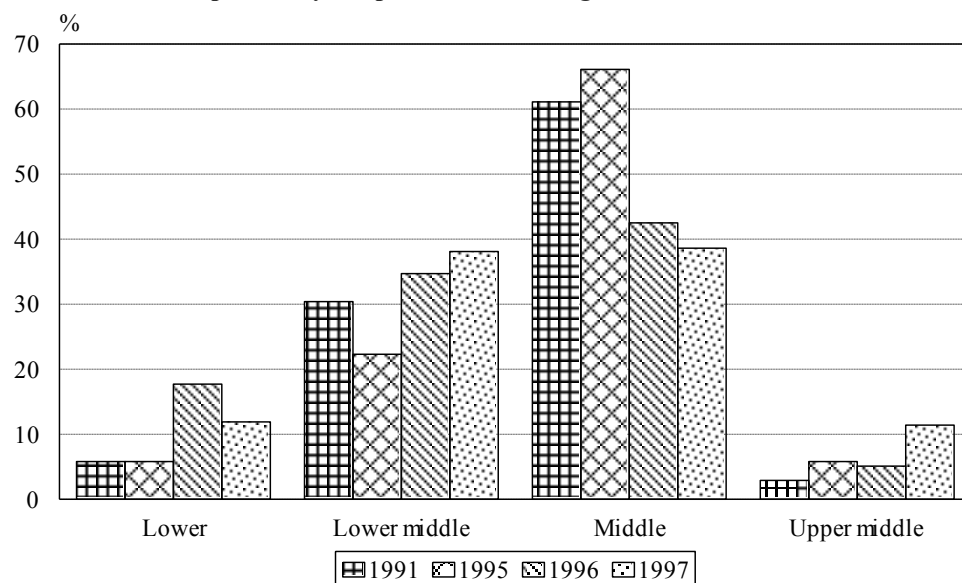


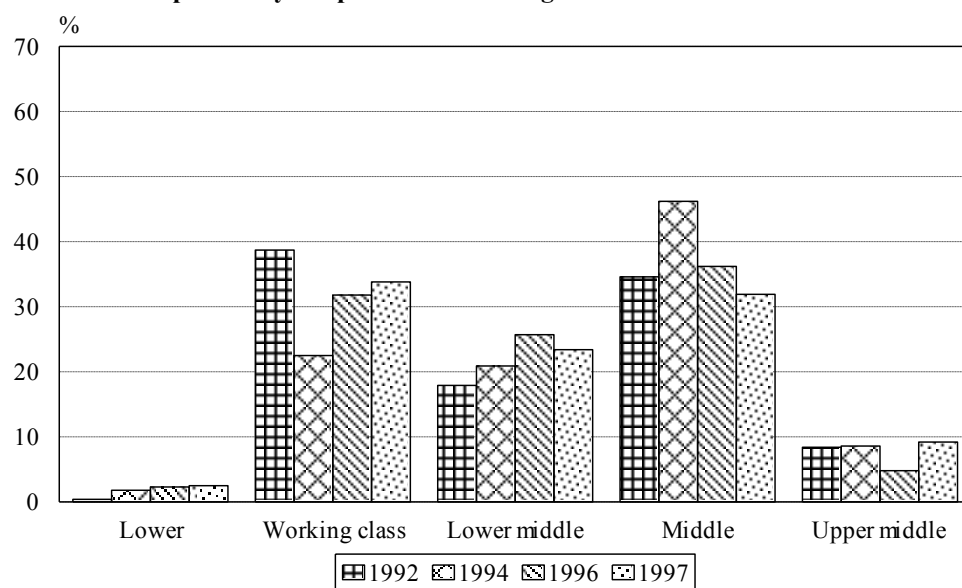
Figure 9.2 Subjective class identification of the economically active population

A. Without the possibility to opt for the 'working class'



Source: Social Justice 1991 and 1995; ISSP–1996 and ISSP–1997.

B. With the possibility to opt for the 'working class'



Source: ISSP–1992, ISSP–1994, ISSP–1996 and ISSP–1997.

Box 9.3 Internationally used methods

The attempt to order social strata along one vertical axis and establishing their main characteristics has a particularly strong tradition in the United States, and it is here where the commonly used seven strata scheme originated: 1. Upper upper (around 1 %) – social elite, with a common feature of inherited wealth; 2. Lower upper (around 2 %) – the economically most successful in a given generation, wishing to enter the highest group; 3. Upper middle (around 12 %) – successful professionals, businessmen, and managers; 4. Middle class (around 32 %) – fairly well-paid clerks and lower professionals; 5. Working class (about 38 %) – manual workers earning an average wage; 6. Upper lower (about 9 %) poorly paid workers, living at the poverty level; 7. Lower lower – temporary workers or people living on social allowances below the poverty level (Coleman and Rainwater, 1978). It is interesting that although people usually ignore this scheme, the size of groups generated by the self-ranking of respondents do not usually differ from the above data on the 'objective' size of these groups.

However, subsequent developments returned the Czech Republic into the family of post-communist countries. First of all, the center was 'compressed' again into the category representing the lower average: in the period 1992 – 1994, Group 6 went down from 28 % to 17 % while group 5 grew from 19 % to 27 %. The trend after 1994 was already characterized by a weakening of the 'middle' and a strengthening of the lower part of the status scale. The shape of the distribution of subjective social status in the Czech Republic in 1997 was already almost identical to that of Eastern Europe in 1992.

A trend similar to that which could be seen in the ranking into degrees on the social ladder, also occurred in the placement of economically active persons into social classes (Figure 9.2). It is surprising how strong the tendency to identify with the middle class was at the beginning of the transformation. If respondents were not given the option of placing themselves into the 'working class', the share of economically active people claiming middle class membership in 1991 was about 61 % and grew slightly until 1995 (up to 66 %). A similar trend, albeit on a lower level, can be seen also in the self-ranking into the middle class even when respondents were given the option of placing themselves in the 'working class'. Identification with the middle class between 1992 and 1994 grew from 35 % to 43 %. In both cases the situation changed after 1995 when identification with the middle class weakened to the benefit of the lower middle or working class. However, further decrease in the number of people placing themselves into the middle class between 1996 and 1997 was also due to the increase of the upper-middle class.

In addition to this main trend, results also show that on the subjective level there was a great overlap between the working and middle classes. To determine the degree of this overlap, ISSP surveys carried out in the Czech Republic in 1996 and 1997 asked the question of self-ranking both with and without the option of the 'working class'. In 1996, almost one-quarter of respondents (23 %) who originally claimed membership in the working class found their way to the middle class, 43 % identified with the lower-middle class and 34 % with the lower class. Until 1997, however, the willingness of people otherwise opting for the 'working class' to identify with the middle class fell slightly (from 23 % to 18 %) to the benefit of the lower-middle class (from 34 % to 47 %). As we will see later,

this finding agrees with the decreased willingness of workers to claim membership of the middle class.

We find that both the 'status-like' and 'class-like' views of middle-class development give a very similar picture. In the first years of the transformation the 'subjective middle' of the social structure started to act as a strong gravitational field, attracting a considerable part of the population. In this respect Czech society was an exception among post-communist countries. However, an important break occurred in 1995–1996, when the willingness of people to place themselves into the 'center' of the status scale started to decline. This visible and ominous break in social self-ranking is probably associated with a greater realism in peoples' perceptions of their own situation and the prospects for change. It is obvious that we are interested mainly in those groups where we would expect an increasing affinity to the middle class (professionals with higher education, self-employed).

9.3 Changes in the social composition of the middle class

These changes in people's tendencies to place themselves in the 'middle' of the status hierarchy and claim membership of the middle class inevitably raise the question of which groups show a 'centrifugal' tendency and which direction do their members choose within their defined social space. Related to this is whether the influence of traditional attributes of social conditions (i.e. independent business, higher education, and reasonable income) on the identification with the middle class is strengthened or weakened.

The specific influence of economic and human capital, representing the main prerequisites for the opening of opportunities for people in advanced countries to reach a higher social position, differ for the 'old' and 'new' middle class. We are mainly interested in whether typical representatives of the 'old' middle class (entrepreneurs and tradesmen) as well as those who are thought to form the core of the 'new' middle class (university-educated professionals) really have the feeling that they belong to the middle class. As we will see later, this feeling is important to their political attitudes and electoral behavior.

Regarding the role of self-employment in identification with different social classes, Table 9.2 shows a trend similar to that which can be seen in the development of the subjectively defined middle class as a whole. The original growth between 1994 and 1995 was followed by a break and then fall in 1996–1997. In 1992–1995 it was possible to see a growing tendency of entrepreneurs and self-employed identifying themselves with the middle and upper-middle class. In 1992, 67 % of self-employed claimed appurtenance to those two segments of middle class, rising to 76 % in 1995. However, by 1997 this figure had dropped to 59 %, which is below the level seen at the start of the transformation. It is the lower-middle class that absorbed those typical representatives of the old middle class who had 'fallen away'. This lower-middle class differs significantly both from the middle and upper-middle class in opinions, attitudes, and electoral preferences.

Table 9.2 Subjective class identification of the self-employed (%)

Subjective class	1992–93	1994–95	1996–97
Lower class	1.0	0.0	1.6
Working class	11.0	6.1	9.4
Lower-middle class	21.0	17.6	29.7
Middle class	49.0	53.9	47.1
Upper-middle and upper	18.0	22.4	11.7
Total	100.0	100.0	100.0

Source: ISSP 1992–1997.

Note: In order to increase the number of respondents for analyses, in Tables 9.3–9.5 ISSP data files 1992 and 1993, 1994 and 1995 and 1996 and 1997 were merged into three analytical files.

We also notice a similar trend among university-educated people who, between 1992 and 1995, remained faithful to the middle class (Table 9.3). Recently, however, they seem to have been turning away mainly from the upper-middle class. In 1992, almost 91 % of university-educated economically active people claimed membership in the two upper categories of the middle class, and in 1995 it was 2 % higher. However, by 1997 this dropped to less than 84 %. The conclusion which we arrived at in case of businessmen and self-employed also applies here, i.e. that since 1995 typical representatives of the new middle class are more likely to place themselves in the lower middle class.

From the explanation of objective and subjective mobility (see Chapter 7) it follows that in the first period of transformation, a high level of education contributed to the feeling of social advancement, and in this respect the Czech Republic occupied the first position among CEE countries. Analyses confirmed that the feeling of social advancement of university-educated people cannot be satisfactorily explained only by the greater proportion of highly educated entrepreneurs. With the exception of self-employment and business, the most successful economic strategy of university graduates was employment in a foreign company. Those graduates who remained in the public sector were less likely to have a feeling of social advancement.

Table 9.3 Subjective class identification of university-educated persons (%)

Subjective class	1992–93	1994–95	1996–97
Lower class	0.9	0.5	0.0
Working class	1.9	0.0	0.0
Lower-middle class	6.5	6.6	16.4
Middle class	52.8	60.7	57.6
Upper middle and upper	38.0	32.2	26.1
Total	100.0	100.0	100.0

Source: ISSP 1992–1997.

The fact that the increase in income among university graduates was most likely due to the increasing value of education in the business sphere is proved by the development of

the share of self-employed people by education (Table 9.4). The share of people who opted to work independently grew faster among those with higher education, mainly university graduates. However, this culminated in 1994–1995 and was followed by stagnation.

Table 9.4 Shares of self-employed persons in educational categories (%)

Education	1992–93	1994–95	1996–97
Primary	6.0	3.3	4.3
Lower secondary	10.2	11.3	9.3
Upper secondary	10.7	13.6	13.3
Tertiary	12.3	21.5	16.5
Total average	10.1	12.5	11.4

Source: ISSP 1992–1997.

The assumption that higher education was the source of the feeling of social advancement, especially if education was valorized in the foreign or private sector, was proven by results obtained in the comparison of the perception of change in self-ranking on the social status scale between 1989 and 1997. While in the state sector (public institutions and state enterprises) graduates did not feel any change, and in the private or foreign sector they perceived an advancement (on average by 0.782 points). The difference between these two groups is statistically significant.

One important question remains to be answered: Was there a convergence of the objective and subjective dimension of social structure? If so, we should find out what role the crystallization process of the middle class played in this process. Results of the analysis given in Table 9.5 show that the objective and subjective levels of social structure actually did move closer together. The role of middle-class crystallization in this process is illustrated by the proportion of members of the main social classes who identified themselves with the middle and upper-middle classes in different periods. Even from this perspective we can see a visible change over time. In the early stages, 1992–1993 and 1994–1995, with a stable and generally strong orientation of higher professionals and self-employed towards the middle and upper-middle class, even the preference of this group in the eyes of lower professionals and even non-manual routine workers grew slightly. In this period skilled workers strongly identified with the middle class.

However, the development after 1995 was accompanied by a visible change as the willingness of professionals to identify themselves with the upper-middle class dropped significantly among higher professionals, and the self-employed placed themselves much more often in the lower-middle class. The proportion of the self-employed claiming to belong to the lower-middle or working class grew from 35 % in 1994–1995 to 50 % in 1996–1997. Unlike the self-employed, neither professionals nor routine non-manual workers changed their affinity to the middle class, they only seemed less willing to place themselves into the upper-middle class. Additionally, the affinity to the middle class among skilled and unskilled workers also weakened.

A more detailed analysis also supports the general conclusion that the period after 1995 was characterized by general decline in the identification with the middle class. Members of the upper classes were also more reluctant to claim membership in the upper-middle class. One of the main processes which made it more difficult for an ever greater part of the center of the social spectrum to identify itself with the middle and upper-middle class

was the formation of a more consistent idea about what it really means to be a part of them.

Table 9.5 Subjective class identification by occupational groups (%)

Subjective class	Period	Higher profes.	Lower profes.	Routine non-man.	Self-employed	Skilled worker	Unskill. worker
Lower class	1	0.0	0.6	0.0	1.3	0.4	1.3
	2	0.0	1.3	5.1	0.0	3.2	4.1
	3	0.0	1.3	3.6	0.0	1.7	4.9
Working class	1	1.3	10.1	19.1	11.4	62.0	64.1
	2	0.0	7.6	13.6	10.8	47.9	55.3
	3	3.0	3.9	10.8	15.7	56.4	71.7
Lower-middle class	1	13.0	26.8	34.3	22.8	17.2	14.5
	2	14.4	22.7	29.8	24.1	21.0	21.1
	3	21.5	33.6	34.7	34.3	22.0	11.7
Middle class	1	51.9	52.4	42.7	50.6	18.6	18.8
	2	51.2	55.9	47.0	51.8	27.3	19.2
	3	53.3	52.2	47.3	41.4	19.1	10.9
Upper-middle and upper	1	37.7	10.1	3.9	13.9	1.8	1.3
	2	34.4	12.6	4.5	13.3	0.6	0.3
	3	22.2	9.1	3.6	8.6	0.8	0.8
Total	1	7.6	16.6	17.6	7.8	27.1	23.2
	2	9.8	18.6	15.5	6.5	24.7	24.9
	3	12.4	21.2	15.3	6.4	22.1	22.6

Source: ISSP 1992–1997.

Periods: 1=1992–1993, 2=1994–1995, 3=1996–1997.

While in 1992 the likelihood of self-placement into the middle and upper-middle class significantly increased, depending on whether the respondent was an entrepreneur, a university graduate or someone placing himself in a higher income group, by 1996 those factors were no longer of such importance. The importance of self-employment dropped to one-third, the weight of a diploma to one-half and membership in the highest income group was also of lesser importance. On the contrary, the importance of the congruence between education and business on one side and income on the other grew significantly. If at the beginning of the transformation own business, university diploma or high income were sufficient to feel as if one belonged to the middle class, today it is more important to find an appropriate balance between education or business and income.

The link between objective social position and subjective classification into classes or ranking on the socioeconomic scale is undoubtedly strengthening. This trend, however, is still not visible enough to avoid the feeling of a certain mismatch between social and economic position in the middle strata of the social hierarchy, mainly among the middle

class. A feeling of discrepancy between relatively high position in the social hierarchy and low income is growing mainly in middle strata. The question remains which of the two factors affecting the formation of middle class will prevail – whether the feeling of a consistent, albeit slow social and economic ascent of the middle class or of a growing mismatch between social and economic standing.

Box 9.4 Measuring the relationship between subjective and objective position

The convergence of the subjective and objective dimensions of social structure is documented by comparing the strength of the relationship between subjective and objective social class using Cramer's V coefficient. A zero value of this coefficient equals full independence. The greater the coefficient, the stronger the relation, with the maximum value being one. The results of the application of this coefficient to the relation between objectively determined social class (EGP) and self-ranking (given in a simple grading in Table 9.5) shows that between 1992 and 1995 the relation of both mentioned dimensions did not change significantly (the coefficient value was practically constant: 0.311 in 1992–1993, 0.306 in 1994–1995). In the next period 1995–1997, both classifications moved closer together, and the Cramer V coefficient grew to 0.344. However, this change was due to the development in the lower part of social hierarchy (unskilled and skilled workers ever more often identified with the working class or lower middle class) than to its center where stability prevailed. Identification of higher and lower professionals with the middle class did not change significantly and the self-employed dropped into the lower middle class.

This question is difficult to answer, all the more so since the middle class could in this respect begin to become polarized. Survey results suggest that while the old middle class and a part of the new one employed in the private sector have a better chance of accelerating their social advancement, a significant part of the new middle class, making use of its education in the public sector (education, health services, and research) is stagnating and therefore perceives a further growth in the inconsistency between social and economic status. These trends are undoubtedly associated with the slow increase of wage differentiation in the public sector, while differentiation in the private sector is already close to the level of advanced countries.

The demonstrated strengthening of the link between objective social position and subjective classification was less closely associated with changes on the middle levels of social hierarchy than with the crystallization of its lower levels, mainly by a pronounced affinity to lower social groups among unskilled and skilled workers. While at the beginning of transformation workers were likely to place themselves in the middle class (which, in addition, had continued to strengthen until 1995), the situation has recently changed. Unskilled workers identify themselves at an ever increasing rate with the working class and skilled workers less frequently dare to place themselves higher than in the lower-middle class. In the course of the crystallization of the middle class, negative identification has recently begun to prevail over positive gravitation, which in advanced countries attracts individuals traditionally belonging to this group. Most likely it is the result of the above-mentioned change in individual circumstances, which must be created simultane-

ously for someone to be willing to identify himself with the middle class. The necessity of congruence between the social and economic aspects of social position, especially between prestige and income, seems to be ever more difficult to find in middle levels of the Czech social structure.

9.4 Political orientation and electoral preferences

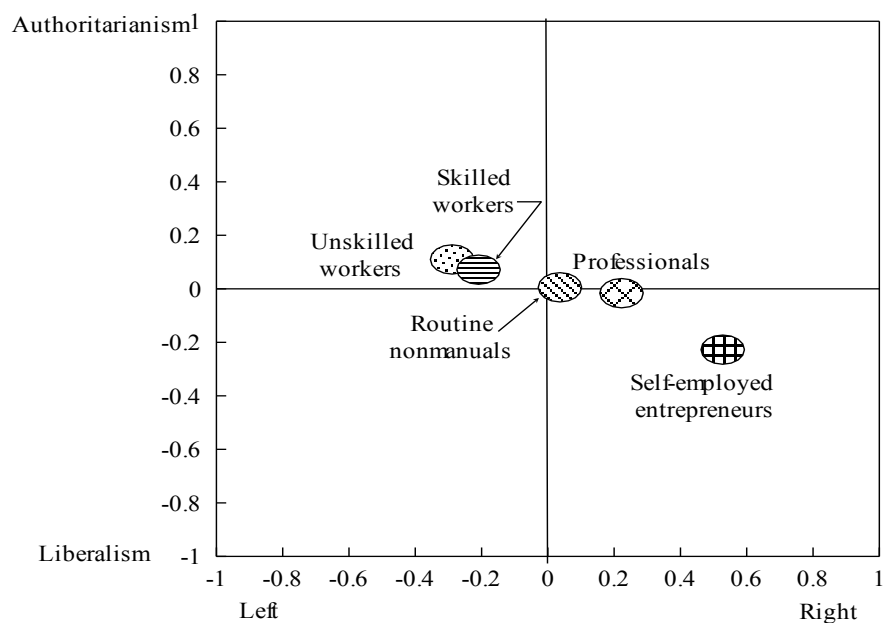
We already noted at the beginning of this chapter that one of the important reasons for the growing interest in the middle class in post-communist countries was the conviction that a strong middle class contributes to the stability of democratic political systems. This idea is based not only on current observations, but was confirmed in a previous classic study in political science (Lipset, 1981). Analyses suggest that members of the middle class are likely to adopt political attitudes which are characteristic for the moderate right and in normal conditions reject extreme political ideas, regardless of whether they originate on the right or left of the political spectrum.

At the same time, the assumption was formulated that political orientation and attitudes on one side and social self-identification on the other are closely intertwined factors. This implies, among other things, that human political behavior is more dependent on how one feels socially than one's position according to education, occupation, or income. If we are interested in political orientations and electoral preferences of members of the middle class, we must first determine whether affinity to this group has as strong an influence on political orientation as we would expect and whether this influence overpowers the objective characteristics of social position. In other words, we are interested in the political orientation of the middle class and whether it really makes sense to differentiate between its *subjective* and *objective* determination. Only then can we decide whether statistical characteristics are sufficient to the understanding of political attitudes of the middle class, or whether it is necessary to find out how these people feel socially.

As far as political attitudes are concerned, Chapter 11 shows in greater detail that the Czech political spectrum is similar to those of advanced democratic countries. It features two main structuring axes: the left-right axis and the authoritarianism-liberalism axis (which is sometimes interpreted as conservatism-liberalism). However, the Czech Republic still differs from advanced countries in the importance of this division. The traditional left-right axis plays a more important role in the Czech Republic than in advanced countries, while the authoritarianism-liberalism axis is less pronounced.

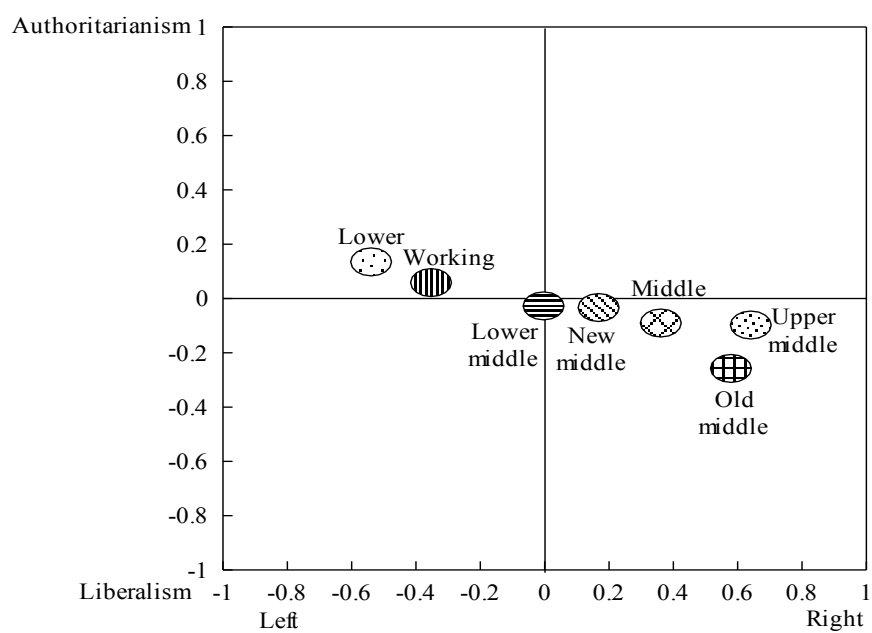
From the comparison of the respective position of differently defined social groups in the political spectrum, we see that the 'objective' and 'subjective' views offer roughly the same picture (Figures 9.3 and 9.4). Members of groups situated on higher levels of the social hierarchy are more right-oriented with liberal tendencies, while members of groups situated in lower levels are closer to the left and to authoritarianism. Workers traditionally show a greater affinity to leftist ideas with a slight inclination towards authoritarianism, routine non-manual workers (mainly clerks) represent the political center from both perspectives, professionals are 'cautiously right-oriented' and the self-employed together with businessmen hold much more unambiguous both right-oriented and liberal attitudes.

Figure 9.3 Position of objective social classes in the political space



Source: Trends 4-98 (STEM).

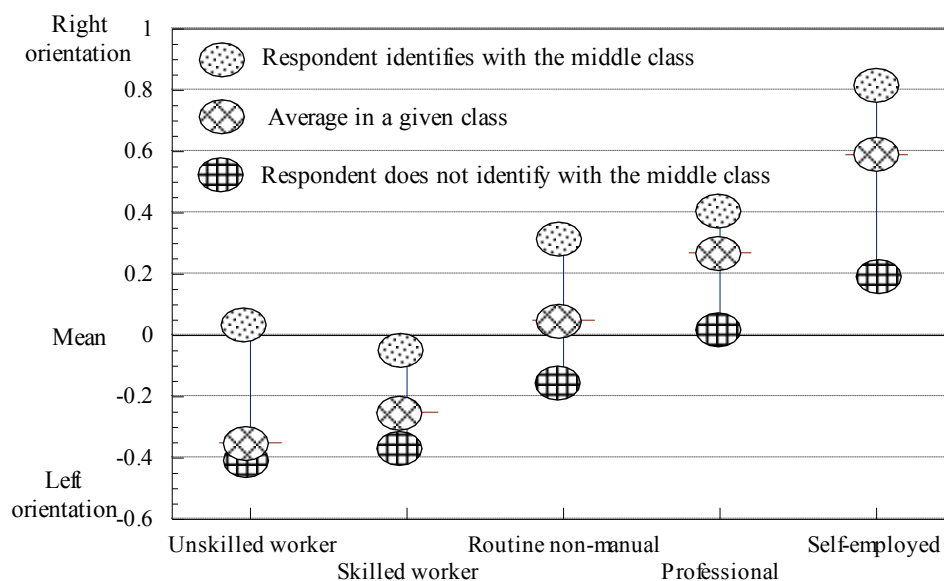
Figure 9.4 Position of subjective social classes in the political space



Source: Trends 4-98 (STEM).

The same applies to subjectively defined groups. People ranking themselves in the lower and working classes are oriented towards the left and authoritarianism, while the lower-middle class occupies the ideal center, as with clerks. The middle class in total is situated exactly where we would expect it to be, in the position of the moderate right with an inclination to liberalism. It is interesting to note the position of two main segments of the middle class. On one side is the new middle class, whose members also position themselves in it subjectively and bear its features, i.e. they are university graduates. Similar to the category of professionals in Figure 9.3, this is the more moderate, liberal right. On the other side is the old middle class, who also see themselves as members of the middle class and are either self-employed or businessmen. This group shows an inclination towards more radical attitudes from both perspectives. It is also worth mentioning that individual groups differ more in terms of their position on the left-right axis rather than on the axis of authoritarianism-liberalism. This again confirms that in the Czech Republic, the left-right axis plays a more important role in the formation of political orientation than the authoritarianism-liberalism axis.

Figure 9.5 Position of social classes on the left-right axis of the political spectrum



Source: *Trends 4–98 (STEM)*.

The similarity in the structure of political attitudes resulting from objective classification and subjective class identification should not lead to the conclusion that only one of these criteria is sufficient for understanding the political attitudes of the middle class. The analysis shows unambiguously that the feeling of tension or of mismatch between the objective and subjective classification into the middle class is a very important element in the formation of political attitudes and electoral behavior. Figure 9.5 shows how significantly the leftist inclination is influenced by the perception of compliance or mismatch between self-identification and objective membership of the middle class. The vertical

axis represents the left-right axis from Figures 9.3 and 9.4, the ellipses marked as the 'average in a given group' show the positions of objectively defined social classes, and other ellipses show the positions of different people according to whether or not they think they belong to the middle class.

The results show that subjective class identification with the middle class has a great influence on political attitudes. This influence, in addition, overpowers the effect of objective social characteristics. Generally it is true that people who claim to belong to the middle class, no matter where they belong objectively, are more inclined towards rightist values and attitudes than people placing themselves in lower social groups. However, hidden behind this general tendency is another no less important one. While identification with the middle class among workers and clerks leads in a more conspicuous way to an inclination towards rightist values, the reluctance of professionals and businessmen to place themselves in the middle class results in a stronger inclination towards leftist values and attitudes.

Box 9.5 Factor analysis of the political spectrum

In agreement with authors dealing with issues of political orientation in advanced countries (Evans, Heath and Lalljee, 1996), we have defined the political space in the Czech Republic according to both the left-right axis and the authoritarianism-liberalism axis. Both were established by a factor analysis of two groups of variables. The left-right axis was created according to the degree of agreement or disagreement with the following statements: 'The government should redistribute income from the better-off to those who are less well-off'; 'Big business benefits at the expense of workers'; 'Ordinary working people do not get their fair share of the nation's wealth'; 'There is one law for the rich and one for the poor'; 'The management will always try to get the better of employees if it gets the chance' The authoritarianism-liberalism axis was then defined using following statements: 'Young people today do not have enough respect for traditional values'; 'For some crimes, the death penalty is the most appropriate sentence'; 'Schools should teach children to obey authority'; 'Laws should always be obeyed even if a particular law is wrong'; 'Censorship of films and magazines is necessary to uphold moral standards'; 'People who break the law should be given stiffer sentences'. Factor analysis confirmed the existence of both of these dimensions even in the Czech political spectrum.

As far as electoral behavior is concerned, we have spelled out the hypothesis that middle class members are likely to vote in favor of right-wing rather than left-wing parties, which results from their aforementioned political attitudes and values. This means at the same time that they constitute a certain barrier to political extremism. The extent to which these considerations are true is shown by the analyses of the influence of subjective and objective classification into social groups on electoral preferences of liberal-conservative (right-wing) and extremist parties (Tables 9.6 and 9.7).

The finding that businessmen, self-employed, professionals, and some clerks are more inclined to vote for liberal-conservative (right-wing) parties than workers was not very surprising. Nevertheless, social self-ranking plays a greater role in voting in favor of the right-wing parties than objective membership in a certain class. This is visible mainly in higher social classes: 80 % of the self-employed and businessmen claiming to belong to

the middle or upper-middle class would vote for certain right-wing parties, while among people claiming to belong to the lower-middle class, only 60 %. The situation is similar among workers, where the generally weak tendency to vote for the right becomes considerably stronger among people placing themselves in a higher social class. Of skilled workers who place themselves in the working or lower class, 30 % vote for the right but out of those placing themselves in the middle class this share is 51 %. This tendency is even more visible in clerical occupations where the feeling of membership in the middle or upper-middle class generates a stronger affinity to the right, particularly in comparison with those who place themselves in the lower-middle class (with which people in these professions identify most frequently).

**Table 9.6 Preferences of right-wing parties by subjective and objective social class
(% of economically active population)**

Subjective class	Self-employed	Professional	Rout. non-manual	Skilled worker	Unskilled worker	Total
Lower or working	25.0	27.6	33.9	30.3	28.8	29.3
Lower-middle	59.5	54.0	46.2	42.0	47.9	49.1
Middle or upper-middle	79.5	59.6	62.0	51.2	52.4	61.4
Total	69.5	55.6	50.9	36.7	35.3	49.0

Source: Trends 4–98 (STEM).

Right-wing parties: ODS, ODA, US and KDU-ČSL.

**Table 9.7 Preferences for extremist parties by subjective and objective social class
(% of economically active population)**

Subjective class	Self-employed	Professional	Rout. non-manual	Skilled worker	Unskilled worker	Total
Lower or working	28.6	36.0	26.3	33.3	36.6	32.8
Lower-middle	17.5	17.1	14.5	18.4	16.7	16.6
Middle or upper-middle	6.4	12.0	11.4	19.5	21.1	12.4
Total	13.3	17.1	19.7	33.0	31.6	20.4

Source: Trends 4–98 (STEM).

Extremist parties: KSČM and SPR-RSČ.

In order to complete the picture, it should be also noted that the inclination to vote for the right among groups of different levels is significantly influenced by whether or not the

voter claims to belong to the middle class. Out of people with secondary school or university education who place themselves in the lower-middle class vote for the right, those claiming membership in the middle or upper-middle class 45 % vote for the right in more than 60 % of cases. For skilled workers, the feeling of membership in the lower-middle class represents a certain threshold whose transgression symbolically opens the way to the right. However, in general it is true that the feeling of belonging to the middle class is a more influential on voting behavior than formal education is.

Election results also strongly support another premise, that the membership in the middle class is a barrier to political extremism. In the Czech Republic, there is a considerable tendency to vote for extremist parties (SPR-RSČ, KSČM) mainly among workers and people with little education. According to Table 9.7, as a rule the inclination to vote for extremist parties is much stronger among workers identifying with the working or lower class than with the lower-middle or middle class. The inclination towards extremism among entrepreneurs and self-employed is also noteworthy. Those who identify with the middle class are most distant from extremism, but the absence of the above social link dramatically increases the tendency towards political extremism.

In addition to self-placement within the political spectrum, other political attitudes of people identifying themselves with the middle class also testify to their deeper relationship with the right or center-right. Members of the middle class whose objective position agrees with their subjective identification with this class show more deeply anchored anti-egalitarian sentiments, a more visible rejection of socialist principles, and a greater stress on the principle of equal opportunity when compared to people who belong to this class only according to objective criteria. We can see that the formation of the middle class is not only a part of the overall change of the social structure of Czech society, but it has and will continue to have many common features with its political development. Although the metamorphosis of the social structure was not so dramatic, its main direction was certain: social structure is crystallizing and its objective and subjective dimensions are getting closer, which has all contributed to the clearer articulation of socially defined political interests. The crystallization of the middle class at the beginning of the transformation, and the problems obstructing the development of this group and its self-identification, have played an important role in the change of political orientation and electoral behavior during the last year.

9.5 Conclusion

The renewal of the middle class in post-communist countries has resulted in filling the gap within the social structure of these societies. The totalitarian regime did not only not need the middle class but had many reasons to fear it. Analysis of the development of social groups which constitute the basis for the formation of the middle class showed that in spite of the visible changes in Czech social structure which had already been achieved, the renewal of the middle class will be a task for future generations. It is clear that after the initial, somewhat faster growth of the old middle class (entrepreneurs and self-employed), the future formation of the middle class will be associated rather with the development of its new (intellectual) segment. This will be, however, strongly limited by the pace of the transformation of the Czech occupational structure. The original optimism about the speed

of restructuring and modernization, without which it is not possible to imagine a transformation of the social structure, gradually dissipated.

Analyses also confirmed that the revival of the middle class depends on whether people who according to all relevant objective characteristics should belong to the middle class, and actually feel as if they belong to it. Even here this is a process which, after the quick start immediately after 1989, has begun to stagnate. In the first phase of the transformation, in addition to the relatively strong affinity of higher professionals and the self-employed to the middle and upper-middle class, the affinity among lower professionals and even routine non-manual workers increased. Yet in the following period the situation had changed. The willingness to identify oneself with the upper-middle class dropped mainly among professionals and the self-employed, who to a much greater extent than before, place themselves in the lower middle class. The surprisingly strong tendency of ranking into the middle class has been gradually weakening even among skilled and unskilled workers.

The above change may be, among other things, associated with the gradual crystallization of the idea of what in fact does make someone a member of this group. Several years ago when notions of the middle class were not yet fully developed, a business license, university education, or high income was sufficient enough for someone to identify himself with the middle class. Today the situation is different; the conception of middle class has more dimensions and in this framework it is acquiring a more consistent shape. This means that unless education or business is accompanied by an above-average income, the feeling of belonging to the middle class is far less likely to emerge, if at all.

The process of the revival of the middle class evidently has important political consequences. It is understandable that together with the re-structuring of Czech society and growing economic and social inequalities, the influence of membership in a social group or class on political attitudes and orientations has strengthened. This is supported also by many analyses of trends in electoral behavior, which show that the influence of the identification with a social class on voting decisions has been getting stronger. It should not be overlooked that self-ranking in important social hierarchies and the notion of change in life opportunities influence political attitudes and electoral behavior much more than the social group or class one belongs to according to statistics. This confirms again the old idea, formulated several decades ago, that people behave more according to how they perceive society than how it really is (Thomas and Znaniecki, 1918). Just from this perspective it seems that the formation and crystallization of the middle class, taking place in a period of deep social transformation, is an important condition for maintaining or achieving political stability. Without a strong middle class which is 'aware of itself', the crystallization process of interest structures and associated political orientations in the Czech Republic could lead to political polarization and subsequently to the long-term political destabilization of society.

We have demonstrated that the middle class in fact has the tendency to occupy the center-right side of the political spectrum. Through this process, the new middle class is more attracted to the center and to a stronger role of the state, while the old middle class has a political gravity more to the right, closer to liberal values. It was also confirmed that this group, in comparison with others, clearly rejects extremism. It is important that the subjective identification with the middle class has greater influence on political attitudes and electoral preferences than objective classification in this group. In symbolic terms, a per-

son only really becomes a member of the middle class in the political sense when he identifies himself with it subjectively. Although this is nothing new or surprising, we should not overlook it, especially when considering the social processes which bring the Czech Republic closer to the political climate of advanced countries.

10 Social stratification and voting behavior

The analysis of social stratification is not just a game played by sociologists for their own benefit. Appurtenance to a certain social group, defined either objectively or subjectively, is a significant indicator of behavior in the economic and political sphere. Likewise, social mobility affects attitudes and behavior independently of whether it has occurred in the past or may be expected in the future. The important question is to what extent social classes and groups affect people's voting behavior and to what degree, in times of historical breaks, voters are more open to a broader spectrum of influences. In other words, do people vote for a political party either because its program corresponds to the interests of the social group they belong to, or on the basis of currently important issues, or the political style of a certain party and the image and prestige of its leaders?

Sociologists in the developed world have long debated whether so-called secularization of voting behavior has occurred, which would mean that voters have passed from a traditional and customary behavior to a purposeful and rational one (Crewe, Sarlvik and Alt, 1977). Supporters of this opinion argue that in elections, political parties that rely upon traditional loyalties are less successful than those which, using a good knowledge of social problems, present their political aims in a comprehensible way which makes sense and is attractive to citizens. This secularization of election behavior also explains the fact why the number of voters who explicitly identify themselves with particular political party has been continuously decreasing.

Even more controversial is the role of social class and social stratification in voting behavior. The process of so-called class secularization is discussed in a similar way as the secularization of voting behavior. The concept refers to prolonged social transitions, in which social groups, and especially the working class, lose their ideological consciousness and solidarity (Robertson, 1984:86). These two processes have often been directly linked, where the thesis on class secularization is for example used in the causal explanation of the success of one political party and the failure of another.

Several studies (Graaf, Nieuwbeerta and Heath, 1995; Nieuwbeerta, 1995; Hout, Brooks and Manza, 1993) offer empirical evidence of the traditional hypothesis formulated by political sociology (Lipset, 1981; Goldthorpe, 1969). According to this hypothesis, left-wing parties are attractive to lower social strata and to groups which experience economic uncertainty for long periods, whose life-chances depend on state redistributive policies, and thus prefer greater economic equality. However, of equal influence is the research stream, which has successfully put forth the hypothesis on the decreasing influence of social position on voting behavior. Unfortunately, different methodological approaches return different results. The most recent studies, based on the modern theory of social stratification, sophisticated statistical methods and survey data collected over

a long period, have reached the conclusion that the relationship between social class and political choice has not weakened in most of democracies of Western Europe and Northern America since 1945, but tends to vary and in exceptional cases even strengthened.

Box 10.1 The association between social class and voting behavior

Manza, Hout and Brooks (1995) classified various explanations of the weakening association between social class and voting behavior into five types:

- 1. The approach emphasizing the increasing living standards of the working class and lower-level employees and especially more intensive social mobility in the post-war period. People experiencing upward mobility often internalize norms of political behavior which lie somewhere in between their original and targeted position, or they gradually adapt to the norms of the social group into which they enter.*
- 2. The approach based on the growing importance of social cleavages in the policy of modern democracies, which is not class oriented, but is rather based on gender, race, and ethnic or linguistic diversity.*
- 3. The approach emphasizing an increasing ability of more educated voters to formulate political opinions independently of their social class or other social characteristics. Here, voters more often choose political parties on the basis of experience with past results and their programs for the future, and do not feel constrained by their ap-
purtenance to a certain class.*
- 4. A post-materialist approach, according to which the values of age cohorts born in the prosperous post-war period has shifted. In contrast to people born in less prosperous periods who give preference to material values, the most important issues for younger people are protection of the environment, human rights, and the quality of life. Due to generational exchange, post-materialists in developed countries are gradually becoming predominant in the population, which causes a weakening association between social class and voting behavior.*
- 5. Approaches based on a macro-structural analysis of strategies of political parties. According to one of them, left-wing parties face the dilemma that because of the decline of the working class, their politics must become attractive for middle-class voters as well. Such maneuvering inevitably leads to a loss of votes among workers, because left-wing parties are no longer seen as defenders of their specific interests but rather of those which are common to other classes. This election dilemma weakens the association between social class and political choice. This is partly because the original political parties of the working class are forced to open their policy towards members of other groups and partly due to the introduction of political issues based on outside classes.*

According to another macro-structural approach, globalization leads to a weakening of class solidarity and consequently to a weakening relation between class and choice of political party. Here, the threat of competition by foreign labor and capital can lead to a strengthening unity of inter-class interests in declining industries and firms.

In this chapter, we pose the question how strong the association between social stratification and voting behavior is in the Czech Republic and how it has changed in the short period of renewed parliamentary democracy. We pay attention mostly to the comparison of election results of 1992 and 1996 from the point of view of political behavior of individual social groups. We will then consider voting preferences of individual social groups in period following the 1996 elections and in the fall of 1997, when the elected government was still in power but the 1998 early elections had not yet been announced. Then we will focus on the voting climate in spring of 1998 and, finally, conclude with the analysis of results of the early elections in 1998 and compare their results with those from the 1996 elections, again from the point of view of political behavior of individual social groups.

10.1 Changes after 1989: from non-standard to standard elections

The history of post-war elections in the Czech Republic is not very encouraging. After the 1946 elections, which took place in the framework of a limited ballot and in an atmosphere of extreme socialist tendencies, a number of self-confirming acts were overtaken by the communist regime. Beginning in 1948, National Front candidates were massively elected without the possibility of any other choice. Elections to all representative bodies were fixed parts of the totalitarian regime, which nevertheless could not have existed without this orchestrated theater. Therefore, it punished anyone who desired to take the Constitution seriously and use one's rights in any other way than the politically tolerated manner.

This system was displaced only in November 1989, when the path to a democratic regime was opened. The first free elections in 1990 exemplified the mass and spontaneous opposition to Communism, however they were not quite standard democratic elections with competition between well-developed political parties declaring different programs and representing interests of different social groups. This became obvious when the overwhelming winner of the 1990 elections – Civic Forum – failed in the next elections, and was suppressed by actual political parties of which part had originated in its womb.

To characterize the association between the choice of political party and social stratification at the early stage of the transformation, we refer to the study of Boguszak, Rak and Gabal (1996). According to this, sympathy towards individual parties was closely associated with attitudes towards expected social and economic changes, particularly towards the market economy and its consequences. These findings contradict the two-axis theory of the political scene, according to which economic interests did not play a significant role in the first period of the transformation. It was also important that neither social nor demographic groups created internally homogenous clusters of voters having significantly different attitudes towards social and economic changes. This means that attitudes expressed in the elections did not represent specific interests of social groups.

However, certain weak ties existed even in this diluted context. While the Civic Forum was attractive particularly to the more educated citizens and with a higher professional status, the Communist Party of Bohemia and Moravia (KSČM) was supported mostly by older people with low social positions and cultural backgrounds. Nevertheless, according

to the above-mentioned authors, it is not possible to speak about the political parties of the time as representing specific interests of certain social groups. Even the Civic Forum, the undisputed winner of the 1990 elections in the Czech lands, did not have a clear political profile. Most citizens assumed that the Civic Forum was not a political party and the direction of its future development was not clear. Typical for most of the former parties were anti-communist attitudes and an emphasis on civic and political freedoms. Yet opinions differed on the pace of economic reform and on resolving relations with Slovakia.

Box 10.2 Liberal-conservative and left-right axes of the political spectrum

It is rare to find a fully consistent theory from which to begin the study of the role of social factors in voting behavior in post-communist countries. Therefore, we seek inspiration in analyses of social determinants of voting behavior in developed democratic countries, which are, however, not unambiguous. The expected strengthening of the association between social class and political choice is supported by the two-axis theory, in which politics of post-communist countries pass from the dominance of the liberal-conservative axis to that of left-right axis (Szelényi, 1995 and 1996). According to this theory, the first period of the transformation was characterized by stressing issues like freedom, identity, ethics, and values, all of which are important symbols of the liberal-conservative axis of the political scene. Economic interests, from which class-based political reactions derive, were expressed only mildly and remained in the shadow of the initial euphoria. But immediately after civic and political freedoms had been secured, different economic interests, together with class-based political attitudes and voting preferences emerged.

By the time of the 1992 elections, it had become a competition between true political parties. No matter who their voters were and what their programs were like, they functioned as more or less equal political subjects. In 1992, 1996, and 1998, the same or very similar political parties played the central role in elections and therefore we can compare not only their election results, but also the most important social characteristics of their electorates. We may also analyze the association between social group and voting behavior, though only in a limited framework of certain basic characteristics of voters.

Before we start to analyze the relationship between choice of political party and social group, we have to remember some of the changes in the Czech political scene. Although political orientations elicited from self-placement on the left-right axis between the 1992 and 1996 elections showed a remarkably stable distribution, that is, consistently and moderately oriented towards the right (Matějů and Řeháková, 1996; 1997), two important processes were hidden behind this stability in declared political orientation. The first was the crystallization of the left-right axis content, in other words, gradually maturing egalitarian attitudes and a corresponding perception of distributive justice among left-oriented voters. This contrasted to voters identifying with the right, who explicitly and consistently formulated anti-egalitarian opinions (Matějů et al., 1995; Matějů and Vlachová, 1995). The second process is the general weakening of pro-market euphoria and growing expectations of larger interventions of the state in the economy and society (Večerník, 1996 and 1998).

It can be also assumed that restitution and the privatization of property, by which the new class of proprietors and entrepreneurs emerged, influenced the gradual penetration of class interests into voting behavior. Similarly, the transition to a market economy, which introduced greater income and wealth inequalities, contributed significantly to the strengthening of specific class interests. Although the post-November development did not stir social mobility as much as expected and did not bring about any radical changes in social structure, the impact of the transformation on social stratification was not insignificant. Important changes in the life-chances of entire social groups occurred. A feeling of downward mobility, especially in income and living standard, among skilled and unskilled workers, lower professionals and routine non-manual workers has been of particular importance as regards the formation of political attitudes and voting behavior.

10.2 Three views on the 1992 and 1996 elections: left, government coalition, and extremist parties

We begin with the analysis of the 1992 and 1996 elections from three related perspectives. First, we will compare voters of left-wing parties with the others, then right-wing government coalition voters with those of other parties, and finally we will consider the characteristics of citizens voting for extremists parties. For the sake of the transparency of our conclusions, we describe voters only according to their social position. More detailed analyses of this factor when controlled for sex, age, and region showed that the specific effect of social group remains indisputable (Matějů and Řeháková, 1996 and 1997). A more specific analysis of a narrow set of variables is done on large surveys conducted in 1992 and 1996 during the elections. While in 1992 the data is on the elections to the Czech National Council (which closely corresponds to today's national Parliament), in other cases the data on parliamentary elections are analyzed.

In comparison with the 1992 elections, in 1996 the percentage of left votes (ČSSD, KSČM, LB, SDL) increased significantly, due to the enormous growth in the number of ČSSD voters. Whereas the ratio of left to other votes was 0.26 in 1992, it had increased to 0.62 by 1996. In the 1992 elections, the left was most attractive to pensioners, but it had only minimally gained the support of the self-employed. Preferences of the other social groups towards the left did not differ much from the average. Thus it is possible to say that about 21 % of voters in each of the social groups under observation voted for the left and 79 % for one of other parties. In 1996, the left was most favored by manual workers, and least by the self-employed and professionals. Routine non-manual workers and pensioners voted close to the average and much the same way: about 38 % voted for the left and 62 % for the other parties (Table 10.1).

What then were kind of changes that occurred in the period between the 1992 and 1996 elections, regarding the decision to vote for a left or non-left party? Was the increase in the percentage of votes for the left affected by greater support of members of social groups which traditionally vote for the left? Was there greater support among the electorate in general caused by increasing economic inequalities and thus by the expectation that the state should play a greater role in redistribution? We found that all social groups considered here shifted to the left in the sense that the proportion of votes for the left grew

in this period. However, a general shift to the left occurred in various groups with varying intensity. The most visible and biggest shift to the left-wing parties occurred among manual workers, but even more among the self-employed, while the smallest shift occurred among professionals, and surprisingly also among pensioners. Though traditional voters of left-wing parties made a significant shift towards them, they were not alone in this move.

Table 10.1 Left voting by social group (percentages and sign schema)

Social group	1992		1996	
	Left	Other	Left	Other
Professionals	21.0 0	79.0 0	31.8 ---	68.2 +++
Routine non-manual workers	21.7 0	78.3 0	40.2 0	59.8 0
Self-employed	7.9 ---	92.1 +++	23.4 ---	76.6 +++
Manual workers	21.0 0	79.0 0	47.0 +++	53.0 ---
Retired	25.3 +++	74.7 ---	41.0 0	59.0 0
Total	20.6	79.4	38.2	61.8

Source: 1992 exit poll carried out by INFAS and FACTUM for Czechoslovak Television; 1996 exit poll carried out by INFAS and SC&C for the Czech Television.

Left: KSČM, LB, SDL, ČSSD.

Box 10.3 Election surveys (exit polls)

The largest surveys of election behavior are the so-called exit polls, conducted as voters are leaving the voting stations. In 1992, a survey of voting behavior was conducted for Czechoslovak Television by the INFAS and FACTUM agencies, and in 1996 for Czech Television by the IFES and SC&C agencies. In both cases, the surveys were based on a representative sample of voting districts and contained information on electoral decision of respondents and on their occupation, age, sex, education, and (only in 1996) religion. For analysis, data files from both years were merged and weighted to the actual election results. In this chapter, only two variables are used: the respondent's vote for a particular party and his or her social group. The variable of vote has seven categories: 1= left extreme (KSČM, LB, SDL), 2= ČSSD, 3= KDU-ČSL, 4= ODS, 5= ODA, 6= SPR-RSČ, 7= other parties. The variable of social group has five categories: 1= professionals (with tertiary education), 2= routine non-manual workers (without tertiary education in non-manual occupations), 3= self-employed (including entrepreneurs), 4= manual workers (skilled or unskilled or agricultural workers), 5= retired (including disabled).

Box 10.4 The method used in the data analysis

The results are based on logit models, which have the advantage of separating a change in the association between a social group and voting from other changes, namely from changes in the size of social groups and the overall gain in support by individual parties. This is especially relevant in the Czech situation, where the number of ČSSD voters increased more than three-fold and the self-employed nearly doubled in size. Logit models are created for the ratios of the frequencies of the dependent variable (voting decision) for each combination of values of independent variables, for example, for the ratio of left votes to right votes in particular sub-groups of voters. The kappa index (Manza, Hout and Brooks, 1995) measures the strength of the association between social class and voting and is calculated from the saturated logit models. In the case of no influence of social class on the analyzed voting decision, the value of the index is zero, and as the effect of social class increases, so does the value of the index. In addition to row percentages, tables also contain a so-called sign test (sign schema). The sign test we use here is called simultaneous sign test. Positive (or negative) signs mean that in a particular cell there are more (or less) cases than would be expected under the hypothesis that the voting decision of the social class does not deviate significantly from the situation of independence between social class and voting. The higher is the number of signs, the more significant the deviation from independence (as levels of significance were chosen 0.05, 0.01 and 0.001). The symbol '0' in a cell indicates that there is no significant deviation from the hypothesis of independence in the cell.

The question still remains of whether the influence of social group on the preference of the left or non-left parties strengthened, weakened, or remained the same. From the comparison of corresponding values of the kappa index (0.49 in 1992 and 0.37 in 1996), we see a moderate drop in the association between social group and vote occurred. This result might be at the first glance paradoxical, but should not come as a surprise, as the greatest shift to the left occurred not only among manual workers, but also among the self-employed, who were originally the least inclined towards the left of all groups. The smallest shift to the left occurred among pensioners, who already in 1992 gravitated the most to the left. This conclusion also supports the known fact that the left (in the Czech case particularly ČSSD) managed to address a wider than expected segment of the voters, without addressing only selected social groups.

Between the 1992 and 1996 elections, significant changes within the left itself occurred. While in 1992, two-thirds of voters for the left chose one of the parties of the Communist left (KSČM or LB or SDL) and only one-third voted for ČSSD, in 1996 the situation was reversed, i.e. two-thirds of leftist voters chose ČSSD. Likewise, substantial changes occurred in behavior of individual social groups. In the 1992 elections, pensioners were the biggest supporters of the extreme left parties, as in this social category for one ČSSD voter were three voters of the left extreme. Among other social groups, support for the extreme left was much weaker, as for one ČSSD voter there were approximately two voters for the left extreme (Table 10.2).

Table 10.2 Division of left voters between left extreme and ČSSD by social group (percentages and sign schema)

Social group	1992		1996	
	Left extreme	ČSSD	Left extreme	ČSSD
Professionals	65.7	34.3	29.6	70.4
	0	0	0	0
Routine non-manual workers	66.0	34.0	25.5	74.5
	0	0	---	+++
Self-employed	69.2	30.8	23.7	76.3
	0	0	--	++
Manual workers	65.2	34.8	25.0	75.0
	0	0	---	+++
Retired	74.8	25.2	47.7	52.3
	+++	---	+++	---
Total	68.4	31.6	30.8	69.2

Source: 1992 exit poll carried out by INFAS and FACTUM for Czechoslovak Television; 1996 exit poll carried out by INFAS and SC&C for Czech Television.

Left extreme: KSČM, LB, SDL.

A dramatic change occurred between 1992 and 1996 elections: among pensioners voting for the left, there was approximately one ČSSD voter for each voter of the left extreme and among other social groups, there were approximately three ČSSD voters for each voter of the extreme left. The shift of leftist voters from the Communist left to ČSSD was least striking among pensioners, while among other social groups it was more striking and for all groups the same. A comparison of the kappa index (0.17 in 1992 and 0.40 in 1996) leads us to the following conclusion: the effect of social group on the choice between KSČM, LB and SDL on one side and ČSSD on the other strengthened significantly. This shift was mainly caused by retired people who favored the extreme left more than others.

In 1996, the ratio of votes for parties in the right-wing government coalition to votes for other parties increased slightly. This occurred due to the increase of voters for KDU-ČSL. Professionals, routine non-manual workers, and the self-employed expressed an above-average support in the 1992 elections for the government coalition, while manual workers, support was below the average. In the 1996 elections, professionals and the self-employed were more likely than manual workers to vote for the coalition (Table 10.3). Stronger support for the coalition was found among professionals and the self-employed, while no significant change occurred among other social groups. From this it is clear that the association between social group and the choice between coalition and non-coalition parties (considered as one whole) strengthened, which is also declared by the kappa coefficient: 0.29 for the 1992 elections and 0.43 for the 1996 elections.

If the electorate of the left became less crystallized in terms of social stratification, the electorate of the right-wing coalition had in contrast become much more clearly defined in social terms. The result is the same even if we divide political parties into three groups: left, government coalition, and the rest. While the association between social class and the

choice between coalition and other parties strengthened (the kappa index was 0.31 in the 1992 elections and 0.45 in the 1996 elections), the association between social class and the choice between the left and other parties significantly weakened (the kappa index was 0.51 in the 1992 elections and 0.28 in the 1996 elections). It is also true that the association between social class and the choice between the left and the right-wing coalition weakened only insignificantly (the kappa index was 0.52 in the 1992 elections and 0.47 in the 1996 elections).

Table 10.3 Coalition vote by social group (percentages and sign schema)

Social group	1992		1996	
	Coalition	Other	Coalition	Other
Professionals	51.2 +++	48.8 ---	58.0 +++	42.0 ---
Routine non-manual workers	46.8 +++	53.2 ---	43.2 0	56.8 0
Self-employed	52.3 +++	47.7 ---	58.6 +++	41.4 ---
Manual workers	33.4 ---	66.6 +++	31.1 ---	68.9 +++
Retired	41.5 0	58.5 0	41.4 0	58.6 0
Total	42.0	58.0	44.2	55.8

Source: 1992 exit poll carried out by INFAS and FACTUM for Czechoslovak Television; 1996 exit poll carried out by INFAS and SC&C for Czech Television.

Coalition: ODS, KDU-ČSL, ODA.

Table 10.4 Distribution of right coalition voters among KDU-ČSL, ODS and ODA by social group (percentages and sign schema)

Social group	1992			1996		
	KDU-ČSL	ODS	ODA	KDU-ČSL	ODS	ODA
Professionals	12.5 0	62.1 ---	25.4 +++	17.0 0	62.7 0	20.3 +++
Routine non-manual workers	11.1 ---	71.9 0	17.0 +	14.4 ---	69.1 0	16.4 +
Self-employed	3.4 ---	82.9 +++	13.7 0	8.1 ---	77.0 +++	14.9 0
Manual workers	18.8 ++	70.6 0	10.5 ---	26.5 +++	61.1 ---	12.4 0
Retired	23.0 +++	66.9 0	10.1 ---	25.4 +++	66.7 0	7.9 ---
Total	15.0	70.9	14.1	18.4	67.2	14.4

Source: 1992 exit poll carried out by INFAS and FACTUM for Czechoslovak Television; 1996 exit poll carried out by INFAS and SC&C for Czech Television.

Among right-wing coalition voters, support for KDU-ČSL increased, for ODS it dropped, and for ODA it remained stable (Table 10.4). An above average percentage of pensioners and workers voted for KDU-ČSL in both elections. This party was less popular among the self-employed and routine non-manual workers. In both elections, the self-employed gave above average support to ODS, while professionals supported them less in 1992, and workers supported them less in 1996. In both elections, ODA received above average support from professionals and routine non-manual workers and below average support from pensioners. In 1992, manual workers and peasant also demonstrated a decrease in support of ODA. Important changes occurred only among the self-employed who were more akin to vote for KDU-ČSL in 1996 than in 1992, and among manual workers, who also voted more for KDU-ČSL in 1996 than in 1992 and less for ODS.

If we compare voters of individual coalition parties, we find that KDU-ČSL gained in the 1996 elections in comparison with ODS and ODA in all social groups (the ratio of KDU-ČSL voters to voters of ODS and ODA increased since 1992 in all social groups). For ODS, this was least visible among pensioners and for ODA most visible among professionals and routine non-manual workers. It is also important that the self-employed in 1996 preferred ODS or ODA over KDU-ČSL to a lesser extent than they had in 1992. All of this resulted in a decrease in the strength of the association between social group and choice between KDU-ČSL and ODS (the kappa index dropped from 0.73 to 0.50), and between KDU-ČSL and ODA (the kappa index fell from 0.81 to 0.65).

Table 10.5 Vote for extremist parties by social group (percentages and sign schema)

Social Group	1992		1996	
	Extremist	Other	Extremist	Other
Professionals	15.7	84.3	11.3	88.7
	--	++	---	+++
Routine non-manual workers	19.6	80.4	18.5	81.5
	0	0	-	+
Self-employed	11.8	88.2	15.3	84.7
	---	+++	---	+++
Manual workers	23.5	76.5	24.6	75.4
	+++	---	+++	---
Retired	20.7	79.3	23.5	76.5
	0	0	+++	---
Total	20.1	79.9	19.8	80.2

Source: 1992 exit poll carried out by INFAS and FACTUM for Czechoslovak Television; 1996 exit poll carried out by INFAS and SC&C for Czech Television.

Extremist parties: KSČM, LB, SDL, SPR-RSČ.

The ratio of voters of ODA to voters of ODS increased only among professionals and routine non-manual workers. Consequently, ODA improved its position only in relation to ODS, and did so among all groups except professionals and routine non-manual workers. The effect of social group on the choice between ODS and ODA was weaker than on the choice between KDU-ČSL and ODS (or ODA), and decreased only insignificantly (the

kappa index went from 0.38 to 0.33). Therefore, we can conclude that the position of ODS inside the coalition had weakened partly, because in comparison with 1992, the representation of individual social groups among voters of individual coalition parties had become more similar. It is also true that while the electorate of the right-wing coalition as a whole was better defined according to social groups, the social composition of the electorate of individual coalition parties was less clear.

The percentage of voters of extremist parties was in both elections the same: every fifth voter chose a party belonging to the left extreme or SPR-RSČ (Table 10.5). In the 1992 elections, manual workers were most likely to vote for extremist parties. In the 1996 elections, pensioners joined them in extremist preferences. In both elections, professionals and the self-employed were less likely to vote for these parties. If we compare both elections, there is a significant departure from extremist parties among professionals and a moderate inclination among manual workers, the self-employed and pensioners. The effect of social group on the choice between extremist and non-extremist parties increased only nominally (the kappa index was 0.29 in 1992 and 0.35 in 1996).

Table 10.6 Division of extremist voters between left extreme and SPR-RSČ by social group (percentages and sign schema)

Social group	1992		1996	
	Left extreme	SPR-RSČ	Left extreme	SPR-RSČ
Professionals	88.1 +++	11.9 ---	83.0 +++	17.0 ---
Routine non-manual workers	73.2 0	26.8 0	55.4 -	44.6 +
Self-employed	46.5 ---	53.5 +++	36.2 ---	63.8 +++
Manual workers	58.2 ---	41.8 +++	47.8 ---	52.2 +++
Retired	91.7 +++	8.3 ---	83.4 +++	16.6 ---
Total	70.3	29.7	59.5	40.5

Source: 1992 exit poll carried out by INFAS and FACTUM for Czechoslovak Television; 1996 exit poll carried out by INFAS and SC&C for Czech Television.

Left extreme: KSČM, LB, SDL.

As Table 10.6 shows, among extremist parties there occurred an important shift from the left extreme to the center extreme, which is how we, in agreement with other authors, consider SPR-RSČ (see e.g. Vlachová and Matějů, 1998). The left extreme, which is extremist in its economic program as well as in its foreign policy orientation, was supported overwhelmingly in both observed elections by professionals and pensioners. SPR-RSČ, which is extremist in its authoritarianism, racism, anti-integration and anti-democratic position, was supported overwhelmingly by the self-employed and manual workers in 1992; in 1996, also routine non-manual workers became increasingly represented. As far

as the change between 1992 and 1996 is concerned, we can say that the shift from the left extreme to the center extreme was experienced by all social groups, especially by routine non-manual workers and pensioners. The effect of social group on the choice between the left extreme and center extreme remained strong, even though it weakened somewhat (kappa index was 0.96 in 1992 and 0.89 in 1996).

10.3 From fall 1996 to spring 1998: the shift to the left

The 1996 parliamentary elections, which brought such great success to the ČSSD, resulted in a political stalemate. The governmental right-wing coalition lost its majority in Parliament, while the left gained 42 % of parliamentary seats. Moreover, the position of ODS within the coalition weakened, which led to many conflicts between coalition parties and even within ODS itself. Political struggle occurred on two levels: between the left and right and within the right-wing coalition. The coalition formed a minority government suffering from strong tensions between ODS and the two smaller coalition parties (ODA and KDU-ČSL). These tensions markedly weakened political stability in the country. On the top of that, economic problems started to bite in 1997 and there was little consensus among governing parties about the most effective solution. In addition, numerous scandals regarding the bankruptcies of numerous banks and illegal sponsoring of political parties had surfaced. The level of public satisfaction with the economic and social situation continued to decline. Consequently, the question of earlier parliamentary elections was put on the agenda.

Table 10.7 Voting preferences by objective social class (%)

Social category	1996			1997		
	Left	Coalition	Other	Left	Coalition	Other
Higher professionals	39.8	55.3	4.9	39.0	52.4	8.5
Lower professionals	30.2	58.1	11.6	50.4	41.6	8.0
Routine non-manuals	32.8	54.0	13.1	49.4	42.0	8.6
Self-employed	29.0	54.8	16.1	16.7	72.2	11.1
Skilled workers	41.8	44.5	13.7	47.1	37.3	15.7
Unskilled workers	46.3	38.8	14.9	47.3	38.3	14.4

Source: ISSP–1996, ISSP–1997.

Left: KSČM, LB, SDL, ČSSD.

Coalition: ODS, KDU-ČSL, ODA.

Note: The association between vote and social class was not significant either in 1996 or in 1997. Therefore the sign schema is not presented as it contains only zeros.

All of the subsequent events affected the voting preferences of individual political parties. Public opinion surveys, posing the question ‘Which political party would you vote for, if parliamentary elections were to be held next week?’, showed the increasing popularity of the ČSSD, while support for ODS was decreasing. The preferences of other coalition parties fluctuated, reflecting either their internal problems (this was especially true of

ODA) or their current policies. Here, it is important to determine whether this increasing shift to the left was equally strong among all social classes, or if it occurred unevenly according to social position.

As far as voting preferences are concerned, it was shown that the greatest shift to the left occurred among lower professionals and routine non-manual workers, slightly less among skilled workers, while almost no shift at all occurred among higher professionals and surprisingly even among unskilled and agricultural workers (Table 10.7). Only the self-employed increased its support for the coalition parties. However, these results must be taken with caution, since the group of self-employed was insufficiently represented in survey samples and even big shifts in such cases are usually statistically not significant. For the same reason, the conclusion of a closer association between social group and the choice of political party in 1997 as compared with 1996 (based on the kappa index) might not be too reliable.

If we use subjective social class (based on self-ranking in the hierarchy of social classes) rather than objective class, we arrive at different results. All three classes (after collapsing to lower or working, lower-middle, middle, and upper) moved their votes towards the left, and the shift of the middle class was stronger than the shift of the other two (Table 10.8). However, it is not possible to reject the hypothesis that the shift to the left occurred with the same intensity among all three subjective classes. Moreover, the expected association between voting behavior and subjective class is confirmed: the lower the subjective placement, the stronger the inclination towards the left, and vice versa. In both years there is the same linear relation between the ratio of left/coalition votes and the self-ranking into hierarchical classes. Also, the association between subjective social class (self-ranking) and objective social class is significant and we can also accept the hypothesis that no change occurred in this association between the fall of 1996 and the fall of 1997 (Table 10.9).

Table 10.8 Voting preferences by self-ranking (percentages and sign schema)

Self-ranking into class	1996			1997		
	Left	Coalition	Other	Left	Coalition	Other
Lower or working	50.0 +++	35.8 ---	14.2 0	53.2 ++	33.5 ---	13.3 0
Lower-middle	34.4 0	54.8 0	10.8 0	46.4 0	41.7 0	11.9 0
Middle, higher- middle or higher	31.0 --	58.2 +++	10.9 0	33.9 ---	56.5 +++	9.6 0
Total	39.0	48.8	12.1	44.6	43.8	11.6

Source: ISSP-1996, ISSP-1997.

Scandals concerning the dubious financing of ODS led to the downfall of the coalition government led by Václav Klaus in the fall of 1997 and to a split of ODS into two parties (ODS and US). As a result, ODS lost a great number of its original voters, who switched to the newly established US. Because of the new political constellation, the Parliament adopted the decision that early elections would be held in the June of 1998, two years be-

fore the end of the normal term. During the period leading up to the early elections, a new interim government was formed. Though it was intended to be a 'non-political' government, besides several politically independent members it consisted of politicians from US, ODA, and KDU-ČSL and the new prime minister had previously held the position of governor of the National Bank. Consequently, ODS did not support this government and entered the opposition.

Table 10.9 Objective and subjective social class (percentages and sign schema)

Social category	1996			1997		
	Lower or working	Lower-middle	Middle, higher-middle or higher	Lower or working	Lower-middle	Middle, higher-middle or higher
Higher professionals	7.0	21.1	71.9	8.4	26.9	64.7
Lower professionals	---	0	+++	---	0	+++
Routine non-manual w.	7.7	36.3	56.0	12.3	31.0	56.7
Self-employed	---	++	+++	---	0	+++
	21.9	30.8	47.3	15.5	40.3	44.2
	---	0	++	---	+++	0
	22.7	40.9	36.4	15.2	21.2	63.6
	0	0	0	-	0	+
Skilled workers	60.9	20.3	18.8	60.5	20.2	19.3
Unskilled workers	+++	0	---	+++	0	---
	73.8	14.2	12.0	75.3	12.7	12.0
	+++	---	---	+++	---	---

Source: ISSP–1996, ISSP–1997.

Box 10.5 The surveys used and variables analyzed

Here we have used the ISSP survey 'The Role of the Government' (October 1996) and the question 'Which political party would you vote for, if parliamentary elections were to be held next week?' Political parties were divided into three categories: left, coalition, other. The left includes KSCM, LB, SDL and ČSSD, the coalition ODS, KDU-ČSSD and ODA. Individual parties are not considered because the number of respondents is not sufficient (approximately 800 in 1996 and 660 in 1997). Not all respondents declared their social category and the group of self-employed is rather poorly represented. In the analysis, we consider six social groups: higher professionals, lower professionals, routine non-manual workers, the self-employed, skilled workers, unskilled, and agricultural workers. The retired are placed according to their former employment. Along with objective social categories, we also use subjective classification using the question 'Into which of the following groups or classes would you place yourself?: lower class, lower-middle class, middle class, upper-middle class, and upper class'. We collapsed answers into three categories, namely 1. lower or working class, 2. lower-middle class, 3. middle, upper-middle, or upper class.

As a result of dubious circumstances connected with financing by sponsors ODA also started to lose its electorate and many of the top leaders left the party. When the number of supporters had dropped to one percent, ODA decided not to run in the early elections. In the spring of 1998, a number of new scandals had surfaced, concerning both ČSSD (so-called ‘Bamberg Affair’) and ODS (undeclared gifts from sponsors involved in privatization). However, the consequences of these later scandals were not so severe. Along with the new right-wing party US, a new pensioners’ party DŽJ competed for seats in the Parliament and rapidly attracted voters, although it was considered to be even more leftist than KSČM.

Box 10.6 Survey of the situation before the 1998 elections

To analyze the election preferences before the 1998 elections, we used data from the April survey conducted by STEM (called Trends 4–98) on 2,168 respondents. The question was: ‘If you participated in the June parliamentary elections, which political party would you vote for?’ From these responses, we created the variable VOTE with two categories: left, (ČSSD, KSČM, DŽJ, LB) and right (ODS, US, KDU-ČSL, DEU, ODA). We then used the following variables: SEX (male, female), AGE (18–30, 31–45, 46–60, 61 and over), OBJECTIVE CLASS (higher professionals, lower professionals, routine non-manual workers, the self-employed, skilled workers, unskilled or agricultural workers; the retired were placed according to their former employment). Using the question ‘In which of the following social groups or classes would you locate yourself?’ we created the variable SUBJECTIVE CLASS with three categories after collapsing (lower and working class; lower-middle class; middle class, upper-middle and upper class).

According to the Trends 4–98 survey, 39 % of respondents intended to vote for the left (ČSSD, KSČM, DŽJ, LB) and 40 % for the right (ODS, US, KDU-ČSL, DEU, ODA). Of the remaining 21 % of respondents, 7 % intended to vote for other parties, 3 % did not want to vote for any party, 11 % were still undecided, and 1 % did not want to answer. Here, we focus only on those respondents who had decided to vote for the above mentioned left-wing or right-wing parties. From this group, 49 % of voters decided to vote for the left and 51 % for the right.

In studying the association between social class and choice of political party, and controlling for the effects of sex and age, we do not find substantial differences between the preferences of higher and lower professionals, or between skilled and unskilled or agricultural workers. Thus we distinguish only four groups: professionals, routine non-manual workers, the self-employed, and manual workers. Our first observation is that the effect of objective class on political preference did not depend on sex or age, so that the association between class and preference was the same for each combination of these demographic characteristics. Concerning social class, manual workers were most likely to vote for the left, followed by routine non-manual workers, professionals, and the self-employed. The ratio of left to right voters was four times greater among workers in comparison with self-employed persons. This result supports the common knowledge that left parties are more attractive to lower social groups, dependent on state redistribution.

Although the influence of gender and age on political preference was independent of social class, the effects of age and sex were inter-linked. For each objective class, older men favor the left more than their younger counterparts. In the age cohort 31–45 years, leftist preferences were twice as much in comparison with the age cohort 18–30 years and the same was true when comparing the age cohort of 61 and over with the age cohort 46–60 years. Among women, the relationship of age and political preference was weaker. For each objective class, support for the left was approximately the same in the age categories 18–30 and 31–45, and also in the 46–60 and 61 and over categories, while women younger than 45 were less likely to vote for the left than older women (the ratio of left/right women voters was for older women about 1.5 times greater than for younger women). In summary, we can say that in each social group, the ratio of left to right voters increased with age, although this trend was stronger among men than women.

The association of subjective social class and political preference was the same in all combinations of categories of sex and age: the lower the self-ranking, the greater the support for the left. As we move from the highest category of self-ranking to the middle level, the ratio of left to right voters nearly doubled, and the same also occurred between the middle and the lowest category. The effect of sex and age was almost the same as in analyzing the objective class.

An interesting question is how was political preference associated with subjective and objective class when considering their interaction. The rather unexpected result is that objective class and self-ranking did not influence political preference interactively but independently. Thus, the conclusion about the type of association between subjective class and preference is the same for each objective class and vice versa. We also confirmed the fact that in each objective class, support for the left grew inversely to self-ranking. At the same time, within each subjective class, there was no difference between the preferences of professionals and routine non-manual workers and only a small difference between this last group and manual workers (skilled, unskilled or agricultural), although for workers, the left was slightly more attractive. The self-employed differed from both of these groups, tending to support the left much less than the others. Due to the specific behavior of this group, the effect of objective class on preference did not disappear with the inclusion of subjective class, and was almost the same as the effect of subjective class itself. In summary, we can say that voting behavior was significantly affected by all factors under observation (i.e. objective and subjective class, age and sex) and that the mutual effect was expressed only by sex and age.

Our observations would not be complete if we did not compare the voting preferences of 1996, 1997, and 1998 at least from the point of view of individual subjective and objective classes (the incorporation of other factors is prevented by the small number of respondents in the ISSP surveys). However, the term ‘coalition’ which we used in the analyses of 1996 and 1997 elections, no longer applies in 1998. For this reason, it was necessary to choose another classification of voting preferences which would be the same for all three periods – the most obvious is the one we used in 1998. Comparisons showed that between 1996 and 1997, a significant shift to the left occurred, which was of an even intensity in all three subjective classes. Between the fall of 1997 and April 1998, no significant changes occurred. And for all three periods it applied that the ratio of left to right

voters increased with the decline in self-ranking (subjective social class) approximately by the same rate.

The conclusion is nearly the same for objective class: the shift to the left was significant and of equal intensity in all classes, but only between 1996 and 1997. Between 1997 and 1998, no further changes occurred in any of the observed classes. For all three observed years, only three distinctive groups were found: the first consisted of manual workers (skilled, unskilled or agricultural), the second of professionals (higher and lower) and routine non-manual workers, and the third exclusively of the self-employed. In all three observed years, the ratio of voters of the left to voters of the right was the greatest for manual workers and smallest for the self-employed.

In the search for an association between the ratio of votes for the left to votes for the right on one side and subjective and objective class on the other in the period between 1996 and 1998, it was again confirmed that there was no interaction effect between subjective and objective class. The effect of both classifications was independent and statistically significant. Thus, we found that the association between subjective class and political preference was the same in each objective class and that the association between objective class and political preference was the same in each subjective class. It is important to note that the strength of association between objective class and voting behavior did not change in the observed period.

10.4 The 1998 elections: balancing the political left and right

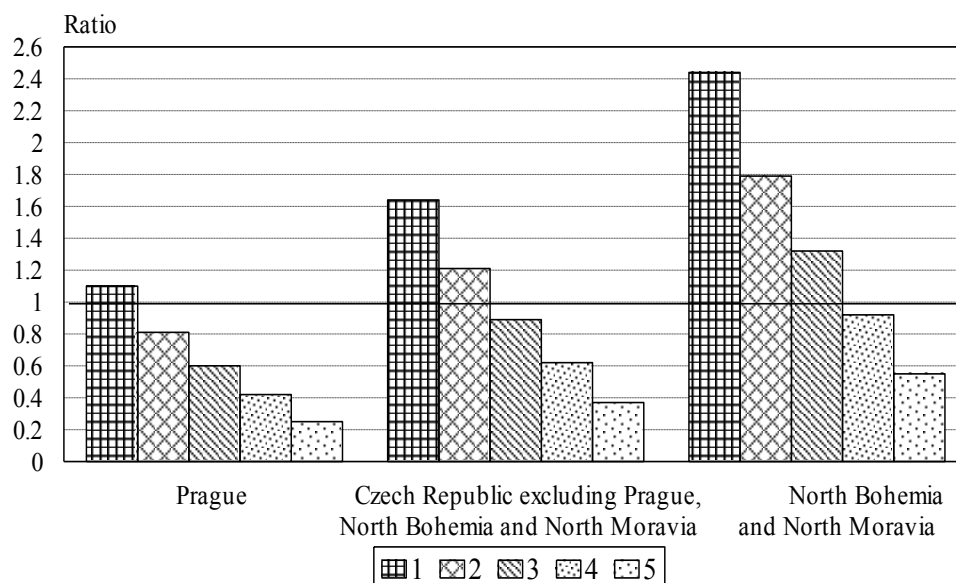
The early parliamentary elections brought several surprises. The first was the resurrection of ODS, which went from having only 10 % of votes at the beginning of 1998 to 28 % in the elections, which is a mere 2 % less than their 1996 election results. Equally surprising was that unlike the pre-election polls suggested, both extremist SPR-RSČ and DŽJ earned less than the 5 % of votes necessary for them to enter to the Parliament. The winner was ČSSD, which gained nearly 6 % more votes than in the previous elections (32.3 %). In spite of this, such election results were disappointing for the party leaders.

The left (ČSSD, KSČM, DŽJ, LB, SDL in 1996 and ČSSD, KSČM, DŽJ in 1998) experienced a 5 % gain of votes (an increase from 41.4 % to 46.4 %), and the right (ODS, KDU-ČSL, ODA, DEU, ČP in 1996 and ODS, KDU-ČSL, US, DEU in 1998) lost only 0.1 % of votes (a decrease from 46.9 % to 46.8 %). The 5 % gain for the left came mainly at the expense of other political parties (whose share of the vote fell from 11.7 % to 6.8 %). These changes resulted in a balance between supporters of the left and right. Of specific interest are the election results of the political left and right, in particular from the point of view of social groups.

The first important finding from the analysis of the 1998 elections is that the association between social group and voting behavior was again significant in these elections and was expressed equally in all sub-groups formed by the combination of variables REGION * SEX * AGE. Manual workers gave the greatest preference to the left (the ratio of left to right votes was 1.81). Next on the scale according to this ratio were pensioners (1.28), routine non-manual workers (0.96), professionals (0.65), and finally the self-employed (0.38). The ratio of left to right votes according to social group in the most contrasting

regions (Prague, the northern regions of Bohemia and Moravia and the remainder of the Czech Republic) is shown in Figure 10.1. Although these regions differed from each other substantially, the association between social group and vote was the same in all of three regions.

Figure 10.1 Ratio of left to right votes in 1998 election by social group and region (estimates from logit model)



Source: 1998 exit poll carried out by IFES and SC&C for Czech Television.

Categories: 1. manual workers, 2. retired, 3. routine non-manual, 4. professionals, 5. self-employed.

Left: ČSSD, KSČM, DŽJ

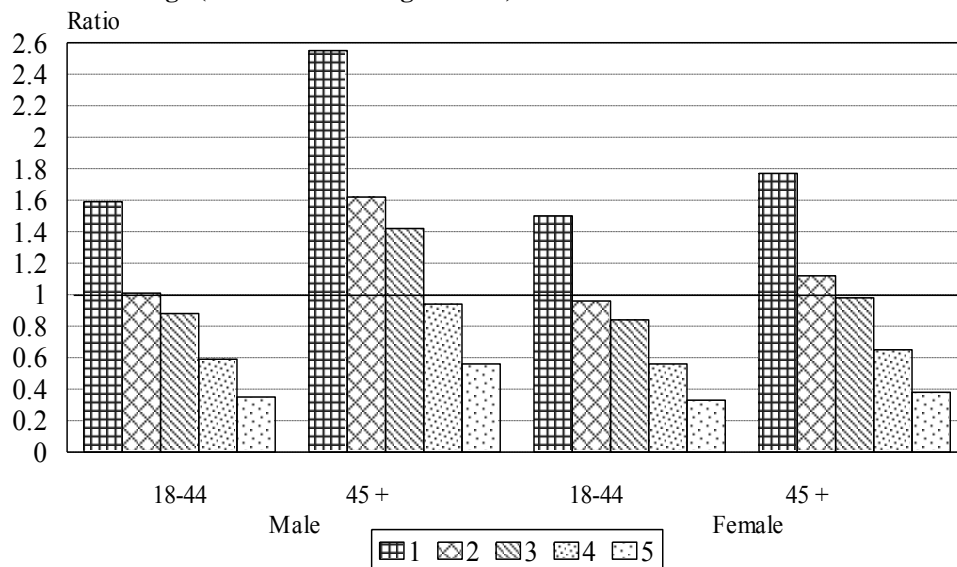
Right: ODS, KDU-ČSL, US, DEU

The left/right ratio in individual social groups in the sub-categories according to the sex and age of voters is shown in Figure 10.2. Here we see that the association of social group and votes for the left and right was the same in all sub-groups based on the breakdown by sex and age variables. This means that there was almost no difference in the voting behavior of men and women between 18 and 44 years of age, while there was a very significant difference in the voting behavior of men and women aged 45 and over, where men tended to be more left-oriented than women. The older generation expressed itself as much more left-oriented than the younger generation, and older and younger men differed in voting behavior much more than older and younger women.

To what degree then did individual social groups contribute to the general shift to the left, as occurred in 1998 elections? The analysis of the election survey does not offer an unambiguous answer to this question. It is possible that between the 1996 and 1998 elections, no further shift to the left occurred among the self-employed and routine non-manual workers. In contrast, manual workers, pensioners, and even professionals shifted

to the left, and did so with the same intensity (Figure 10.3). It is not possible to reject the hypothesis that an equally strong shift to the left occurred among all social groups, which would lead us to the conclusion that the strength of the association between voting behavior and social group remained at the 1996 level. This conclusion would also be supported by the kappa coefficient, which was 0.47 in 1996 and 0.54 in 1998. However, the first interpretation better fits to the analyzed data.

Figure 10.2 Ratio of left to right votes in the 1998 election by social group, sex and age (estimates from logit model)



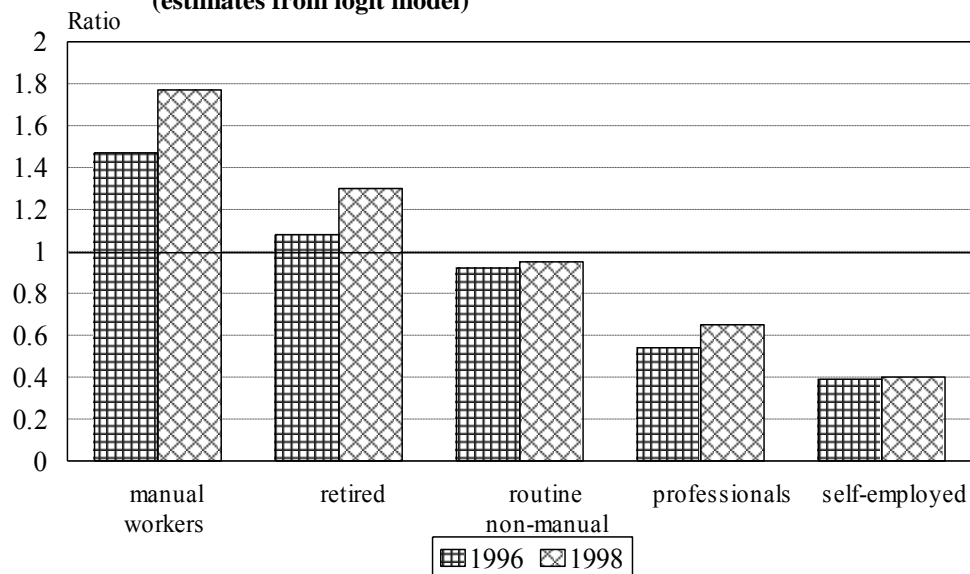
Source: 1998 exit poll carried out by IFES and SC&C for Czech Television.

Categories: 1. manual workers, 2. retired, 3. routine non-manual workers, 4. professionals, 5. self-employed.

Box 10.7 The survey and variables used

Similar as in the preceding cases (see Box 10.3), for the 1998 elections we used a survey of respondents exiting from randomly selected voting stations on both election days (so-called exit poll). This survey was conducted by IFES and SC&C for Czech Television and altogether 13,388 respondents participated. Data about the respondent's vote, region, occupation, education, sex, and age were collected. The following variables were created for analysis: VOTE with categories left (ČSSD, KSČM, DŽJ) and right (ODS, KDU-ČSL, US, DEU), REGION (1. Prague, 2. Czech Republic excluding Prague and North Bohemia and North Moravia, 3. North Bohemia and North Moravia), SEX (male and female), AGE (18–44, 45 and over), SOCIAL GROUP (professionals, routine non-manual workers, self-employed, manual workers, retired).

Figure 10.3 Ratio of left to right votes in the 1996 and 1998 elections by social group (estimates from logit model)



Source: 1996 and 1998 exit polls carried out by IFES and SC&C for Czech Television.

Left in 1996: ČSSD, KSČM, DŽJ, LB, SDL

Left in 1998: ČSSD, KSČM, DŽJ

Right in 1996: ODS, KDU-ČSL, ODA, DEU, ČP

Right in 1998: ODS, KDU-ČSL, US, DEU

It is not surprising that manual workers and pensioners shifted to the left. This inclination is consistent with their traditional behavior and also reflects their present position. The reason for the shift of professionals is less clear. It may have been an expression of dissatisfaction with a drop in social standing experienced by the majority, or of overall disappointment with right-wing politics.

10.5 Conclusion

The results of surveys show that voting behavior in the Czech Republic was always associated with social stratification, but that its strength has changed over time. It is too soon to speak about any systematic trend of these changes, nor is it possible to assume that social position is a decisive or causal factor in voting preferences. Analysis also summarizes other factors explaining voting behavior (age, sex, self-ranking, and region) and shows that social stratification has retained its independent importance. However, we did not observe the specific role of social position, if cultural factors, political attitudes, and value orientations are taken into account. This chapter was limited to the description of how social groups behaved in elections and how their voting behavior has changed over time.

The dramatic increase in support for ČSSD between 1992 and 1996, and with it the rise of the left as a whole, was caused by many different factors. There was also apprehension in voting for small parties whose pre-electoral preferences were close to the 5% threshold, for fear of their votes being wasted. Also, the invention and high level of the social-democratic electoral campaign was influential. The program was not so left-oriented as to be unappealing to moderate or undecided voters, that is centrist voters. We also cannot overlook the frustration and disappointment with coalition politics which led to a desire for a change and a curtailment of ODS power.

However, the increasing share of left votes to the detriment of other parties did not affect each social group in the same way. The self-employed and manual workers were affected the most. The working class traditionally supports left ideas and certainly had enough reasons to be dissatisfied. A similar shift among the self-employed was surprising, because in Western democracies this core group of the middle class is usually the defender of the right. In the Czech context, there are a number of explanations for their behavior: 1. It is a new group and their members often come from the working-class backgrounds; 2. Government politics had been oriented more towards big rather than small and medium-sized business; 3. The petty bourgeoisie has, since the second half of the 19th century, been oriented towards the left as an expression of fear of the too large space created by economic freedom (Brokl, 1996). Yet despite this shift to the left, the self-employed still showed the greatest affiliation to the right.

While the association between social group and the choice between the left and other parties had declined in the 1996 elections as a result of the ČSSD pre-election strategy (focused on gaining the widest possible spectrum of voters), for the same reasons the association between social class and choice between the extreme left and ČSSD strengthened. This was because ČSSD became appealing not only for the left but even for some right-oriented voters and attracted the greatest portion of former voters of small parties. While people chose KSČM because it represented their interests, they voted for ČSSD often because they wanted to vote against other parties, even if they did not consider ČSSD to be a good representation of their interests (Vlachová, 1997). In contrast to the clear left-orientation of KSČM voters, among supporters of ČSSD there were many centrist voters whom ČSSD was able to attract all of the non-communist parties successfully (Šimoník, 1996). Thus ČSSD, which had been supported mainly by left-oriented voters in 1992, became a heterogeneous party which did not necessarily reflect the attitudes of its voters, but had a broad appeal.

Whereas support for ČSSD in 1996 was based on its election program and also the fact that the public took it neutrally, support for ODS was based on its position as a strong party with energetic personalities and clear ideas of what it would bring to the future. People voted for ODS because it represented their interests, and in contrast to ČSSD it had a strong core of voters with strong ties to the party and its program (Vlachová, 1997; Šimoník, 1996). These observations are also supported by our findings that the association between social class and the choice between the coalition or non-coalition parties had strengthened. From this also follows that the election success of the left in 1996 was influenced by the crystallization of the class structure of the electorate of coalition parties.

The social structure of supporters of coalition parties underwent interesting changes in 1996. KDU-ČSL, which combined in its program elements of conservatism and socialism together with populist practice, broadened its voter base by reducing its class specificity in relation to voters of both ODS and ODA. KDU-ČSL became more appealing especially for the self-employed (Brokl, 1996:402). Negative voting, i.e. voting against a party rather than in support of one, was more common among voters of KDU-ČSL and also ČSSD (Vlachová, 1997). It is conceivable that people who did not want to vote for ODS or for any of the left or right parties, who did not have a chance of getting into Parliament, cast a vote for KDU-ČSL. Thus in the 1996 elections, this party was able to play the same role within the coalition as ČSSD had played within the wider party spectrum.

The five percent gain by the left in the early parliamentary elections in 1998 was the result of mistakes made by the right coalition during its entire leadership period. These mistakes led to the economic problems of the country and thus to the worsening of the living standard of manual workers, the majority of public employees, and pensioners. As wage and wealth inequalities grew and as more and more corruption and dubious financing of political parties had been uncovered, the willingness of these social groups to tighten their belts again decreased. Preference for the left over the right was greatest among manual workers and then gradually decreased in groups of pensioners, routine non-manual workers, professionals, and the self-employed. The overall shift to the left did not occur among the self-employed (who had already strongly shifted to the left in 1996) and among routine non-manual workers (their shift to the left between 1992 and 1996 was only moderate). The three other social groups (professionals, manual workers, and pensioners) shifted to the left with the same intensity.

Appendix

Electoral systems of the Czech Republic from 1918

After the creation of independent Czechoslovakia in 1918, the Austrian majority electoral system was replaced by the system of proportional representation. The proportional system was applied to both chambers of the National assembly (Parliament) – Chamber of Deputies and Senate. The Chamber of Deputies was elected in 22 electoral districts and the Senate in 12 districts. The number of mandates in each district was constant. Mandates were allocated in the first scrutiny by Hare method, in the second scrutiny by Hagenbach-Bischof method, and in the third scrutiny by the rule of the greatest residuals.

Between 1945 and 1948, Czechoslovakia had only one legislative body – the National Assembly. Members of the Assembly were elected in 28 electoral districts using the system of proportional representation. Mandates were allocated in the first scrutiny by the Hare method and in the second scrutiny by Hagenbach-Bischof method.

In 1948, the plurality of political parties was in fact suppressed. All existing political parties and organizations had to acknowledge the leading role of the Communist party and put their candidates on the common list of the so-called National Front. Until 1954, members of the National assembly were elected by the system of proportional representation. In the first scrutiny, the mandates were allocated by the Hare method and in the second by the method of the greatest residuals. In 1954, a kind of majority electoral system was introduced using one-mandate electoral districts. In 1968, when Czechoslovakia became a federation of two states, the National assembly was transformed into two chambers of the Federal Assembly – Chamber of the People and Chamber of Nations. Both chambers were elected by the majoritarian electoral system.

After the collapse of communist rule, the system of proportional representation was re-introduced. Members of both chambers of continuing Federal Assembly were elected in 11 electoral districts. Quorum 5 % for parties and 7–10 % for coalitions was used to enter into the first scrutinium. Mandates were allocated in two scrutinies by the Hare method. The number of mandates in district was not set at a constant. A similar electoral system was established for national legislative bodies – the Czech and Slovak National Councils.

After the split of Czechoslovak federation in January 1993, the Czech Republic adopted the electoral system of proportional representation for the Chamber of Deputies (lower house of the Parliament). The Chamber of Deputies is elected in 8 electoral districts and mandates are allocated in two scrutinies by the Hagenbach-Bischof method. The quorum for entering the first scrutiny is set to 5 % for single parties and 8–14 % for coalitions. The Senate (upper house of the Parliament) was established only in 1994 and is elected using a two-round majority system in 81 one-mandate districts.

11 The crystallization of political attitudes and orientations

In discussions on politics, doubts are frequently expressed about whether it is meaningful to speak of the traditional left or right and about their metamorphosis in the Czech Republic. Many authors, however, argue that the left-right axis exists in the political systems of CEE countries, both in terms of competition among parties and in the identification of voters (Kitschelt, 1992 and 1994; Brokl, 1996; Šimoník, 1996; Markowski, 1997; Széleányi, Fodor and Hanley, 1997; Vlachová, 1997). This axis is strongly manifested particularly in the Czech Republic. Opinion profiles of important political parties operating on the Czech political scene and the growing role of ideologies in politics clearly confirm that present political parties can be easily ideologically labeled according to the classical left-right axis of the political spectrum.

However, there are also opinions that the left-right axis is of only small importance (e.g. Pehe, 1996). The main argument for placing the importance of this axis in doubt is that in a country which for forty years did not enjoy democratic political competition and where even the discussion of leftist or rightist values was prohibited, people in fact do not understand the meaning of these terms (Hudeček, 1992). A similar view states that in Czech society, where socio-economic inequality was suppressed until 1989 and the egalitarian ideology of Marx and Lenin was fostered, groups with specific right- or left- oriented interests have not been able to emerge in such a short time. From this it follows that contemporary political parties cannot sufficiently reflect leftist or rightist values.

Similar disputes about the importance of the left and right are taking place in Western democracies as well. According to some theorists, the importance of the socio-economic dimension of political attitudes, which constitutes the backbone of the traditional left-right axis of the political spectrum in the West is decreasing (Manza, Hout and Brooks, 1995). They find the reason for the weakening of this division of the political scene in the growing importance of post-materialist values and the formation of the so-called New Left, which has gained the support of even the middle and upper classes. Conversely, others emphasize that since the 1950s ideological thinking has strengthened in Western democracies (Harrop and Miller, 1987).

In spite of these disputes, the left-right axis is in many democratic countries considered to be a natural structuring axis of political systems and a clue to the explanation of the political behavior of citizens. This is true mainly in multiple party systems in continental Europe where parties are unstable and frequently change their political labels (e.g. in

France). On the other hand, in other democracies the political system is structured more along the 'liberalism-conservatism' axis. This axis is important mainly in political systems with few stable parties, which do not differ much from one another ideologically. The best example is the United States (Sani and Sartori, 1983; Harrop and Miller, 1987).

Box 11.1 Classification of political systems according to Kitschelt

According to the German political scientist Herbert Kitschelt (1992), the political systems of both Western democracies and CEE countries should be arranged along two axes. The first is the left-right axis, representing the socio-economic dimension of the political space and hence also the conflict between market distribution and state redistribution. The second one is the liberalism-authoritarianism axis, representing the dimension of political procedures and hence the conflict between freedom and the lack of it. While one pole on this axis is associated with anarchism, syndicalism and plebiscitary democracy, the other one is associated with authoritarianism, limited democracy and a hierarchical decision-making process.

Kitschelt also argues that there is a fundamental difference between the current West-European and East-European system of political parties. West European systems in the late 20th century are arranged along an axis where on the one end are adversaries of the market (the left) together with liberals, and on the other are supporters of the market (the right) together with liberals. At the same time, he assumes that the distribution along these axes will differ according to the degree of industrialization in each country. In economically advanced countries such as the Czech Republic, more political parties (and obviously more voters) will be concentrated on the market-liberal end of the scale, unlike in Hungary, Poland, Slovakia, Bulgaria, or Croatia. However, if other analyses indicate that in some countries the space of party competition is created by two axes, it does not automatically mean that these axes also create the space of voter identification (Sani and Sartori, 1983).

In democracies with a dominant left-right axis, the latter is considered to be the most important in the hierarchy of structural cleavage, an all-encompassing political dimension. Affinity to the left, center or right is not only closely associated with politically important socio-economic topics (views on social inequality, social justice, the role of the market and state, trade unions, etc.) but it also well explains the opinions which are less closely related to the economy. It also helps to structure peoples' views on foreign policy, ethnic or religious issues, relations between urban and rural, cities and suburbs, materialism and post-materialism, and so forth.

The importance of the left-right axis and the maturing of its contents in Czech society was indicated already in the 1996 elections. ČSSD and ODS became the main representatives of the left and right on the party political scene, thus creating two main gravitation poles within the system of political parties. The contours of the left and right, plus the growing polarization within the system of political competition, undoubtedly reflected a deeper differentiation of society concerning opinions on important political topics which had been visible already for a long time in public debates and the rhetoric of political par-

ties. Similarly as in Western democracies, in the Czech Republic questions have been raised about whether the left and right have any meaning for voters and whether people choose parties sharing the same ideology as they do or if they are formed ideologically by the party they want to vote for. According to some authors (e.g. Harrop and Miller, 1987; Inglehart and Klingemann, 1976), the orientation to the left, center or right may be either the result or the reason of the decision.

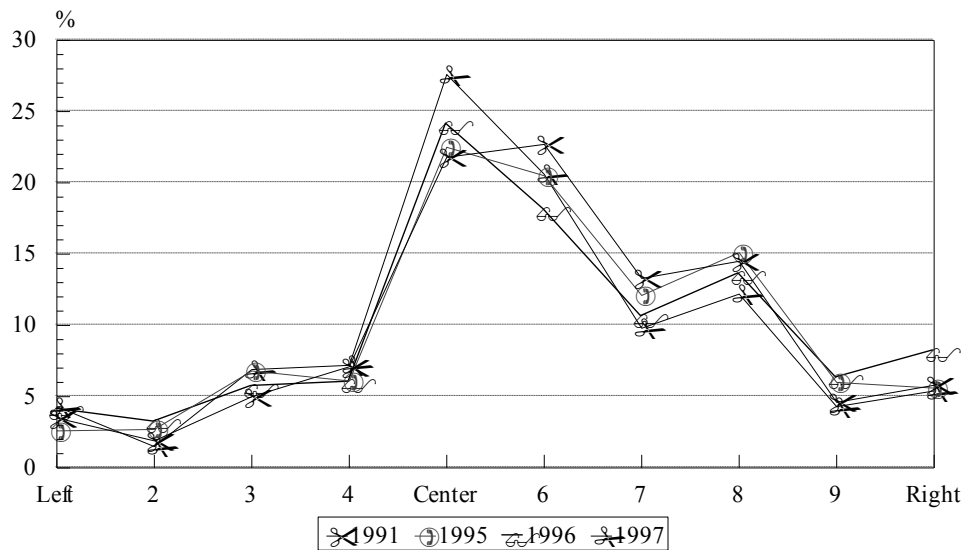
11.1 Stable declared orientations, varying preferences

Surveys in Western countries show that voters are usually able to place themselves on the left-right axis and that their declared political orientation remains stable over time. They usually also know where to locate the main political subjects on this axis. The resulting position of political parties on the left-right axis is similar to that made by political scientists studying party systems. It is of course a question whether the space-related notion of the left and right have the same contents for voters as political parties and political scientists assume. We can also ask to what extent the left really is leftist and the right rightist in different countries. This may be a problem since the terms 'left' and 'right' have specific meanings in each democratic country (Sani and Sartori, 1983).

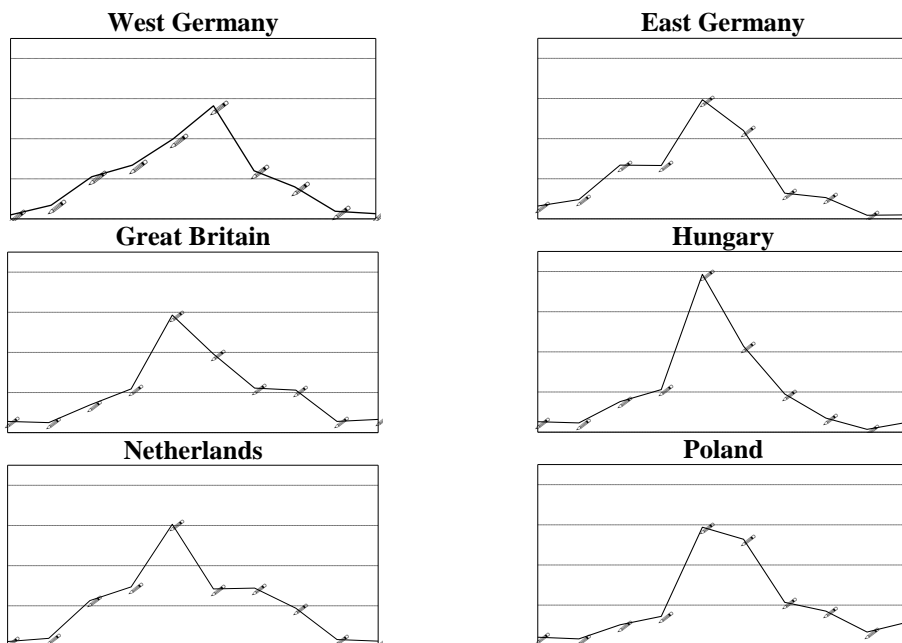
It is obvious that people in Western democracies are currently able to use the terms left and right, which is true for the Czech Republic as well. As for the ability and willingness of people to locate themselves on the left-right axis of the political spectrum, the Czech Republic is also no exception. The great majority of Czechs are able to say whether they consider themselves supporters of the left, center or right. Reluctance or inability to place themselves on visual and verbal scales of political orientation in surveys ranges from 5 % of respondents on visual scales up to 10 % on verbal scales. It seems that in spite of the doubts about the existence of this dimension of the Czech political space, the left-right axis really acts as a comprehensible organizer of voter perceptions of political orientation, as well as of the orientation of other political actors. Let us mention just for the sake of comparison that in the Netherlands, all respondents were able to place themselves on the ten point visual scale, while in Eastern Germany 4 % of respondents were unable to do so, in Western Germany 5 % and in Great Britain 9 %. The importance of the left-right axis decreases as we move eastward. In Poland and in Slovenia, 11 % of respondents were unable to place themselves on the scale, in Hungary 31 %, and in Russia 57 % of respondents.

The distribution of self-placement along the left-right axis in the Czech Republic has remained extraordinarily stable since 1991. It has the shape of a single peak curve, shifting to the right of the political spectrum. On a ten-point scale, the average since 1991 has held at the value of six with its modus stabilized at five. The shape of the distribution in the Czech Republic does not differ notably from other European countries (Figure 11.1). We find a similar distribution in particular in Great Britain and the Netherlands, however, in other countries it is also possible to see a strong tendency among people to place themselves at the center of the political spectrum.

Figure 11.1 Declared location on the left-right political axis



Source: Social Justice 1991 and 1995; ISSP-1996 and ISSP-1997.



Box 11.2 Scales for self-location on the left-right axis

Categories such as left, center, or right are common political terms and serve as labels which for voters ease the explanation and evaluation of different political phenomena. They also help competing political parties to distinguish themselves from one another. Self-location, obtained from respondents in the course of surveying, uses either a verbal or visual scale. The verbal scale is based on the question: 'Terms such as the left and the right are frequently used in politics. Where would you locate yourself?' The following options are offered: 1. 'clear left' 2. 'moderate left' 3. 'center' 4. 'moderate right' 5. 'clear right'. The visual scale is based on the question 'Try to mark your position on the following scale':

Left 1 2 3 4 5 6 7 8 9 10 Right

The ability of the voter to place himself on the scale, however, does not mean that he can distinguish political topics which traditionally separate the left from the right. According to Krejčí (1994), people are able to identify themselves with one or another political orientation without necessarily being able to give the meaning of both terms. A similar situation is found in Western countries. According to Klingemann (1979), these terms correspond to values traditionally associated with them only among better-educated people interested in politics.

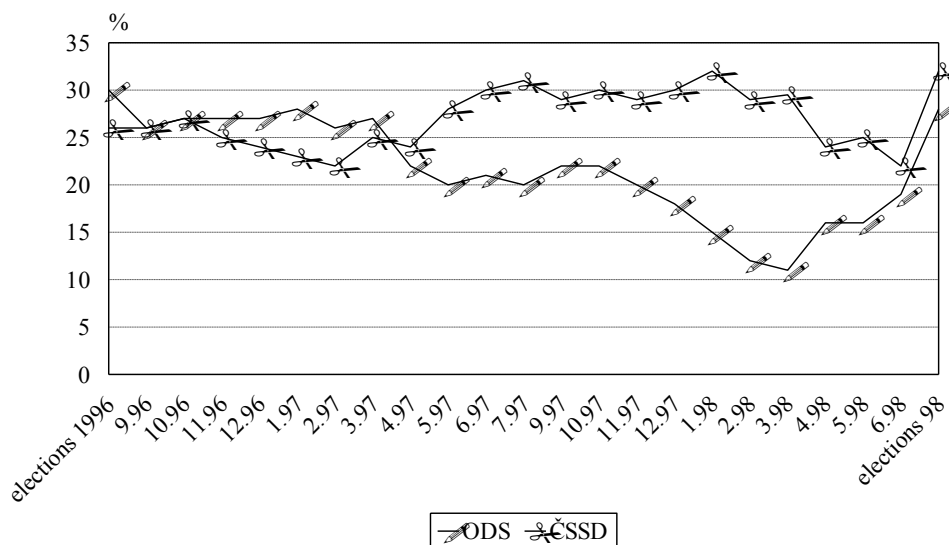
Regardless of the stable distribution of voters, electoral preferences and political attitudes changed. Concerning electoral preferences, a significant departure of voters from all political parties to the Social Democrats began in the period between the 1992 and 1996 elections, and peaked in 1997 (Vlachová, 1997). ČSSD became acceptable not only for many leftist voters, but also for many of those who had formerly adhered to the right. Not only did this party attract many voters of parties which had only a slim chance to enter Parliament, but also gained voters of bigger parties, mainly ODS. Electoral support for ČSSD gradually moved closer to ODS in the period 1992 to 1996 (Figure 11.2). This was the case until 1997, when the composition of parliamentary parties changed. In addition to ČSSD, KSČM remained on the left side of the spectrum and retained its voters even during the short period of its membership in the Left Block (it did not, however, gain new voters).

In the 1996 parliamentary elections, ODS repeated its 1992 success and its coalition partners (ODA and KDU-ČSL) drew similar electoral support as they had in the previous elections. However, this time the same percentage gain of votes was not sufficient for the coalition of ODS, ODA and KDU-ČSL to gain a majority of seats in Parliament. Compared with 1992, fewer votes were given to those parties which did not pass the 5 % threshold. For this reason, fewer votes were redistributed to the benefit of parties which made it into Parliament, so that the number of seats better reflected the elections results.

The politics of the minority cabinet formed by ODS, ODA, and KDU-ČSL gradually lost the support of the population. According to STEM polls, electoral preferences of ČSSD went as high as 32 % during 1997. New supporters of ČSSD were recruited from voters who had abandoned the declining SPR-RSČ (26 % of its 1996 voters), followed by former voters of ODS (14 %) and ODA (13 %). It was mainly the civic parties (ODS, ODA) which were losing voters, so that the ratio of political power at the end of 1997

turned to the detriment of the right. Scandals connected with the financing of the civic parties, revealed in late 1997 and early 1998, together with an increasing call for a less confrontational 'new political style' created an even greater drop in the political support of right-wing parties.

Figure 11.2 Changes in voting preferences for ČSSD and ODS between the elections of 1996 and 1998



Source: Trends (STEM).

When the Freedom Union (US) was formed in early 1998, the electoral preferences of ODS dropped to 11 % and many former ODS voters were considering voting for US, which in March 1997 was supported by nearly 18 % of electorate. However, preferences for ODS started to rise again and it eventually earned 27.7 % of votes in the early elections in June 1998. KDU-ČSL slightly improved its position compared its 1996 results, obtaining 9 % and the new US obtained 8.6 % of votes. Preferences for ODA dropped in March 1998 to as little as 1 % and the party decided not to run in the elections. Looking at the results of individual parties in 1992–1996 and 1998 might give the impression that the distribution of voters, only with certain exceptions (such as the dramatic growth of ČSSD), had remained stable, however, this would be a simplification. Even the relatively stable election results of KSČM, ODS and KDU-ČSL were preceded by massive shifts in votes together with values and opinions shifts between the left and right.

11.2 Values and opinions shift to the left

What was the reason for the changes on the left side of the political spectrum? Why did preferences for the Social Democratic party grow even in the Czech Republic, a country which used to be considered an island of liberalism among transition countries? There

may be a number of reasons including the development of the political party spectrum after 1990, the formation of ČSSD as a trustworthy alternative to the main right-wing party ODS, the uncertain duration of the by definition unstable coalition cabinet, and after 1996 even by its status as a minoritarian, resulting in the internal crisis of right-wing parties, and a decrease in their voters' support, paralleled by unfavorable economic developments in 1997.

We should consider political reasons not only in their narrow meaning but also in a wider social and economic context. Undoubtedly included here is also the strengthening of the association between social class and electoral preferences (Matějů a Řeháková, 1996) and the crystallization of values, opinions and attitudes related to the political orientation of the population to the left, right, or center. There is no doubt that from 1989 onwards an important transformation of social and economic values, opinions and attitudes was occurring in the Czech population. In particular, income inequality, just distribution, the role of the state in social welfare, and also a efficient economic system – that is, the choice between capitalism and socialism.

As far as the role of income inequality is concerned, after 1989 under the influence of narrow income differences and market euphoria, there was relatively widespread support for the rise in income differentiation. However, during the transformation period, the number of people perceiving wage and income inequalities as small had dropped from 19 % in 1991 to 5 % in 1995. On the contrary, the number of respondents who considered income disparities to be too large grew from 70 % in 1991 to 80 % in 1995 (Social Justice 1991 and 1995).

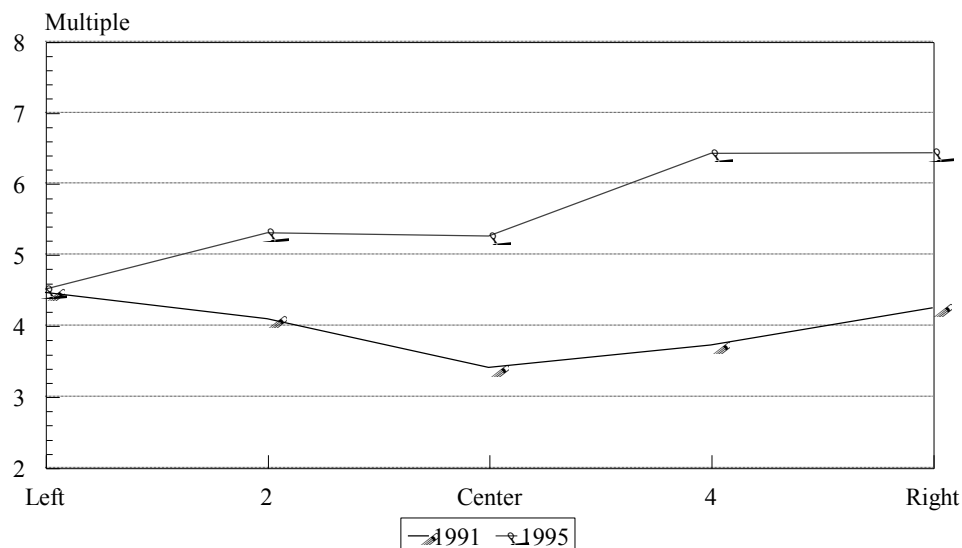
Box 11.3 The construction of summary indicators of distributive justice norms

Variables representing different norms of distributive justice were constructed by factor analysis from a set of questions measuring egalitarian and meritocratic norms. Egalitarian attitudes were assessed using the following statements: 'The fairest way of distributing wealth and income would be to give everyone an equal share'; 'The most important thing is that people get what they need even if this means allocating money from those who have earned more than they need'; 'The size of family should be taken into account in setting the level of earnings'; 'People have different views about socialism. Based on your personal experience with socialism in the Czech Republic, would you say you are very much in favor, somewhat in favor, ..., totally against socialism?'. For the identification of attitudes on merit recognition, we used following statements: 'People who work hard deserve to earn more than those who do not; 'People are entitled to keep what they have earned – even if it means some people will be wealthier than others'; 'People are entitled to pass on their wealth to their children'; 'A free market economy is essential to our economic development'.

Although in 1991 people considered the existing differences to be small, this was not an issue dividing voters. In other words, the magnitude of the perception of income differences did not differ according to one's position within the political spectrum. In 1995 however, income inequality became an important political issue. A lower tolerance to income inequality was often expressed among left-oriented people. The idea that the eco-

conomic reform headed by the right created the conditions for illegitimate incomes became an important election topic for the ČSSD, whose position was strengthening at that time.

Figure 11.3 Ratio of estimated ‘just wage’ for a company director and an unskilled worker by declared location on the left-right axis

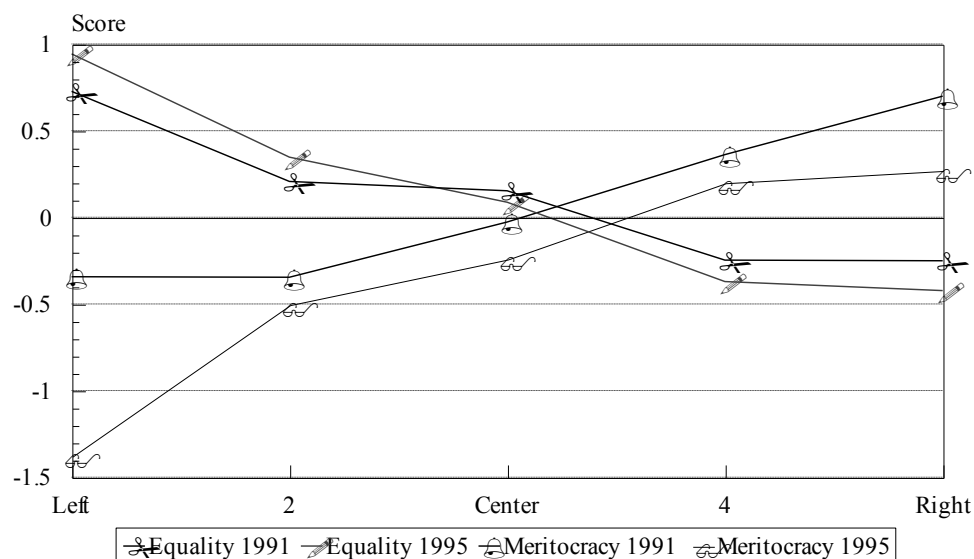


Source: *Social Justice 1991 and 1995.*

There is no doubt that after 1989, the earnings of some occupations grew faster than others, particularly the self-employed or people occupying managerial positions and professionals in the private sector in banking or insurance. On the contrary, the wages of professionals in the public sector (particularly in education and research), of mid-level health personnel and also of many manual occupations stagnated. Together with changes in wage disparities, perceptions of an acceptable range between the top and bottom of the occupational scale were also subject to change. This was monitored using the example of the difference between the earnings of a director of a major company and an unskilled manual worker. We assessed the acceptable range perceived by respondents using the question ‘What do you think the gross monthly wage for the people in these occupations should be (regardless of what they actually earn)?’

Between 1991 and 1995, the acceptable ratio between a manual worker’s and a director’s income increased from 3.7 to 5.6 (see Figure 11.3). In 1995, opinions on the acceptable ratio of earnings are ever more closely related to the declared political orientation, which witnesses a crystallization of the contents of the left-right axis of the political spectrum. While in 1991 there was almost no relation between the acceptable ratio and stated political position, in 1995 the ratio clearly followed the left-right axis (Řeháková, 1997). This means that people oriented towards the political right more readily accepted greater income disparities between different levels of the occupational hierarchy.

Figure 11.4 Acceptance of egalitarian and meritocratic principles of distributive justice by declared location on the left-right axis (factor score)



Source: *Social Justice 1991 and 1995*.

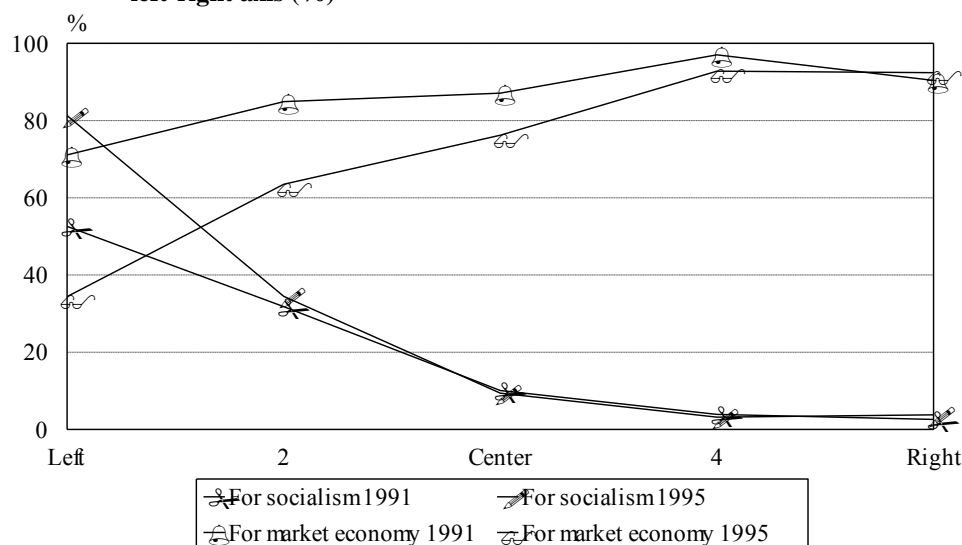
Similarly, beliefs about just income distribution were also changing along the left-right axis. Between 1991 and 1995, consistency of attitudes among egalitarian-oriented people gradually grew. These people declined from the meritocratic principle of justice, and a similar crystallization of attitudes also occurred among people in favor of inequalitarian distribution (Matějů, 1997; Vlachová and Matějů, 1998). Simultaneously, the association between preferred principles of distributive justice and the left-right axis also strengthened. Left-oriented people were more inclined towards egalitarian distribution while right-oriented people were gradually moving away from this principle (Figure 11.4).

The relation between the inclination towards meritocratic distribution and left-right orientation has changed differently. It weakened on both sides of the political spectrum, but more on the left. Against our expectation that association between declared political orientation and inclination towards meritocratic distribution would strengthen analogically on the right side of the political spectrum, it was in fact the process of 'self-awareness' among left-oriented voters which had a more profound influence on the strengthening of the association between a meritocratic concept of distribution and political orientation. The change in opinions on the right side has been thus far considerably weaker.

The formation of attitudes towards income inequality and distribution principles on the left side of the political spectrum led us to the assumption that these attitudes (whose relation to the left-right orientation in advanced democracies is well known) would also be reflected in various requirements from the state. Analysis of the association between declared political orientation and inclination towards a strong state showed that this relation had strengthened between 1991 and 1995 (Vlachová and Matějů, 1998). Here, however,

the inclination towards a paternalistic state (i.e. requirement that the state should guarantee a decent living standard, fix wage ceilings and provide jobs for everyone who desires) remained stable on the left but weakened on the right. Increasing demands for state paternalism also contributed to the crystallization of the left-right axis, especially on the right side of the political spectrum.

Figure 11.5 Choice between socialist or market economy by declared location on the left-right axis (%)



Source: *Social Justice 1991 and 1995.*

Together with a return to the traditional egalitarianism on the left side of the political spectrum, excitement over the market economy had dwindled (Figure 11.5). Although most people still support the market economy, they passed from unconditional to a more reserved support. The crystallization of association between the choice of socialist or market economy and declared political orientation constitutes the key political conflict between the left and right. People identifying themselves with the left ceased to accept the liberal market economy as a condition of a successful road to prosperity and they returned to the socialist model. In the center of the political spectrum, the number of determined supporters of socialism stabilized while the number of supporters of the market economy slightly decreased. The number of supporters of the liberal market economy (adverse to socialism) on the right remained stable. Even in the choice between market or socialist economy, changes on the left side of the political spectrum were more important.

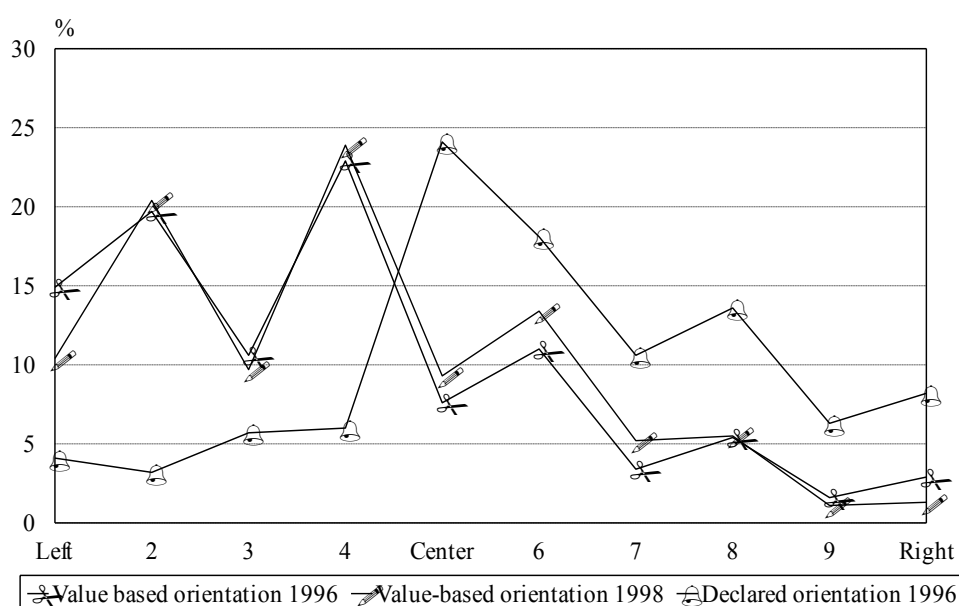
11.3 Political orientation as result of choice

In relation to the ability of voters to position themselves on the 'left-right' scale, we have already mentioned that it is interesting to ask to what extent is the left 'leftist' and the right 'rightist'. As in any society, we can look at Czech voters from the point of view of how their declared position on the left-right axis corresponds to their social and economic val-

ues and to the program of the party they vote for. Or we could simply come to terms with the fact that such attitudes are not unambiguous, which would allow us to concede that 'thinking leftist and voting rightist does not harm one's honor', as this dilemma was described by Jiří Večerník, in a newspaper article before the 1996 elections (MFD 27.5.1996).

A number of voters who verbally identify themselves with the right are in fact closer to the center or to the left in their actual attitudes. This is a common situation in the West and apparently also in the Czech Republic. We can analyze this situation by comparing two of kinds characteristics: 1. Declared political orientation assessed using the self-placement on the left-right scale and 2. Location in the left-right spectrum, constructed from responses to questions concerning key social and economic issues. Comparison of both distributions transformed on ten-point scales shows that while in terms of declared political orientation, voters are located more to the right, in terms of their value-based political orientation they are located more to the left (Figure 11.6). This implies that the identification with leftist values, attitudes and opinions does not necessarily mean a vote for the left.

Figure 11.6 Comparison of declared and value-based left-right political orientation



Source: ISSP–1996, Trends 4–98 (STEM).

Such a mismatch might be due to the natural inclination of people to seek social security. However, parties promising such security do not exist in every country and voters do not believe that these parties are really able to keep their promises. The discrepancy may also be caused by the universal character of the left-right axis and by its ability to contain

also other dimensions of opinions in addition to socio-economic values. In the Czech Republic after 1989, the political right was more associated with thorough changes, political, civil and economic freedoms and with the adherence to the West than the left. Lately, the above-mentioned inconsistency may also result from the fact that declared political orientation is more strongly affected by the choice of a political party than by actual political values. According to some studies, loyalty to a party has a much greater influence on political self-identification than opinions on political topics (Inglehart and Klingemann, 1976).

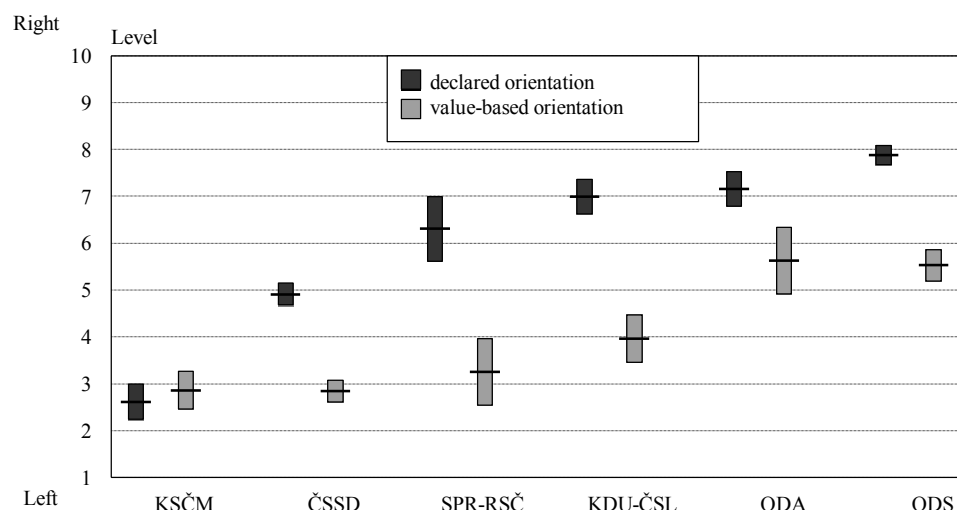
Box 11.4 Construction of the left-right axis based on attitudes towards socio-economic issues

Value-based, left-right orientation was established using factor analysis of items indicating the feeling of exploitation and perception of a conflict between 'working people' and 'capitalists', as well as from other issues dividing the left and right. Respondents were confronted with the following statements: 'The government should redistribute income from the better-off to those who are less well-off', 'Big business benefits at the expense of workers', 'Ordinary working people do not get their fair share of the nation's wealth', 'The management will always try to get the better of employees if it gets the chance', 'The government should be responsible for reducing differences between the rich and the poor'.

Concerning the location of voters of important political parties on the axis of declared political orientation, the picture offered by sociological surveys is basically the same as the picture provided by public opinion polls. According to the ISSP-1996 survey, the order of political parties on the left-right axis was as follows: KSČM, ČSSD, SPR-RSČ, KDU-ČSL, ODA, ODS (Figure 11.7). A 'centrist' voter in 1996 was actually located in the middle, around the value six on the ten-point scale. ODS voters differed from the others in the most statistically significant way. Then followed voters of ODA, KDU-ČSL and SPR-RSČ declaring themselves to be right-center. Voters of ČSSD declared themselves to be left-center, and finally KSČM voters defined themselves as clear left. Within these four voter groups, no statistically significant differences in declared political orientation were discovered.

However, analysis of voters' location on the value-based left-right scale offered another picture. Voters of the six parliamentary parties were located on this scale in practically the same order as on the scale of declared political orientation, yet were closer together. A 'centrist' voter on this scale was shifted more to the left, to around four, the average of scale being 3.9. In 1998 the center of the scale was four and the average shifted to the right to 4.05. In 1996, ODS voters did not differ from ODA voters in their political values and on the left-right value scale occupied the center. Voters of other parliamentary parties (KDU-ČSL, SPR-RSČ, ČSSD and KSČM) did not differ from each other in terms of values and all occupied the left. There were only two relatively homogenous groups of voters on the left-right value scale: the center and the left. On the declared scale, four groups were formed: the right, right center, left center, and the left.

Figure 11.7 Location of voters of main political parties on scales of declared and value-based political orientation (means and confidence intervals)



Source: ISSP-1996.

In early 1998 the order of voters on the value-based left-right scale changed, although the statistically 'centrist' voter remained in the same place (Trends 4-98). Changes in the party spectrum, mainly the creation of the Freedom Union (US), the weakening of ODA, the departure of about 50 % of voters from ODS, the strengthening of DŽJ and defections of SPR-RSČ voters contributed to this. KSČM were on the extreme left, and voters of SPR-RSČ, DŽJ, ČSSD, KDU-ČSL, ODA, US and ODS had gradually moved away from them. As opposed to 1996, voters on the left were closer together in terms of their values, with the same values being shared by voters of KSČM, DŽJ and SPR-RSČ, who differed significantly from the other groups of voters. ČSSD and KDU-ČSL supporters differed in their values both from the others as well as between themselves. The values of others right-wing parties, ODS, ODA and US, differed both from the homogeneous left-wing group as well as from ČSSD and KDU-ČSL, however, there were few common opinions among supporters of the right-wing parties.

The analysis of differences between declared and value-based political orientation expressed by party preferences showed that in 1996, it was voters of SPR-RSČ who differed the most from their value-based political orientation (deviation 3.1 on a ten-point scale), followed by KDU-ČSL (3.0), ODS (2.2), ČSSD (2.1) and ODA (-0.2). The greatest conformity between the declared and value-based political orientation was found among KSČM voters (-0.2). While supporters of SPR-RSČ, KDU-ČSL, ODS, ČSSD and ODA perceived themselves to be more rightist than in comparison with their expressed beliefs, communist voters declared themselves more leftist than would conform to their value-based political orientation.

The greatest mismatch between actual socio-economic attitudes and declared political orientation was identified in 1990. In the following years the association between them

gradually strengthened. The initial discrepancy between socio-economic attitudes and political orientation was influenced by liberally oriented expectations in 1992. The political program of the right at that time included privatization, restitution, economic growth, and an increase in the living standard. In contrast, the left still bore the stigma of the communist period and did not present any concrete programs. This occurred in the Czech Republic despite the fact that the Communist left did not merge with the social democratic left, unlike in other post-communist countries, in which the Communist left had already started limited market-oriented reforms before 1989.

In the course of the transformation, socio-economic interests started to take precedence over abstract values. The 1996 elections and subsequent development of political preferences in the first half of 1997 showed that the discrepancy between opinions and political orientation began to diminish gradually as the minds of voters and ideologies of individual parties matured. Unambiguous attitudes could thus be expected mainly from voters and supporters of parties whose leaders managed to offer a more interesting and more clearly defined program. Analyses have shown that in 1996 this was the case of supporters of smaller parties who addressed specific groups of voters – KSČM and ODA. The larger the party, and the closer to the type of the party trying to appeal to all voters (ČSSD and ODS), the greater the discrepancy between the declared and value-oriented political orientation of their voters.

The results also show that voting preferences are strongly related to the declared political than value-based political orientation. This finding supports the assumption that declared political orientation is more a result than cause of a vote, as is similar in other democratic countries (Inglehart and Klingemann, 1976). However, in the Czech population, attitudes associated with the left-right axis are gradually crystallizing, thus amalgamating the perception of economic and social problems and political orientation (Večerník, 1996). However, this crystallization may be to a certain extent affected by the previous selection of a political party, which in turn can influence self-location on the left-right axis.

11.4 The left-right axis: the most important political dimension

After 1989, the left-right axis underwent gradual development associated with the formation of more clearly structured political orientations and corresponding attitudes of voters. Today, this axis represents the most important structural cleavage in the space of voter identification in the Czech Republic, and shows that thus far this space is not two-dimensional, as Herbert Kitschelt (1992) has argued. According to Kitschelt, an additional important dimension of structuring the political space might be the liberalism-authoritarianism axis, whose existence has been proven in advanced democracies. According to some political scientists (e.g. Brokl, 1996), this second dimension already structures the Czech political space defined by parties, however it does not yet establish the political space of voters (Vlachová and Matějů, 1998).

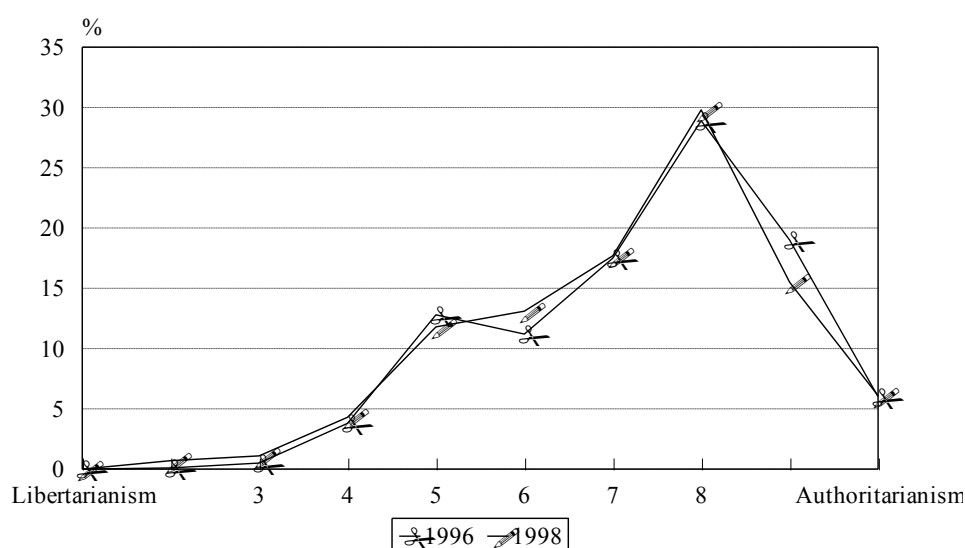
Although the space of voters' self-identification is dominated by the left-right axis, the authoritarianism-liberalism axis, however weak, has a not negligible and interesting explanatory value. In 1996, the strongest support for liberal democracy was expressed by

voters of ODA, followed by ODS, KDU-ČSL, then SPR-RSČ and ČSSD. The highest authoritarianism was manifested by voters of KSČM. The center of the liberalism-authoritarianism scale was closer to its authoritarian pole (the median of the ten-point scale was 8 and the mean was 7.3 in 1996 and 7.2 in 1997 – see Figure 11.8).

Box 11.5 Factor analysis as a test of the two-dimensional character of voters' political space

The existence of indirectly measurable (value-based) dimensions structuring politically relevant attitudes was verified by factor analysis. This analysis extracted two continuous scales of values, left-right and liberalism-authoritarianism. However, it also showed that the first factor representing the position on the left-right spectrum (i.e. the above-mentioned value-based political orientation) was stronger (explaining almost 30 % of variance) than the other factor, representing the position of an individual on the scale of liberalism-authoritarianism (explaining only 17 % of variance). This finding shows that values and attitudes of Czech voters are structured mainly along the left-right axis and not so much along the liberalism-authoritarianism axis.

Figure 11.8 Distribution of voters on the libertarianism-authoritarianism axis

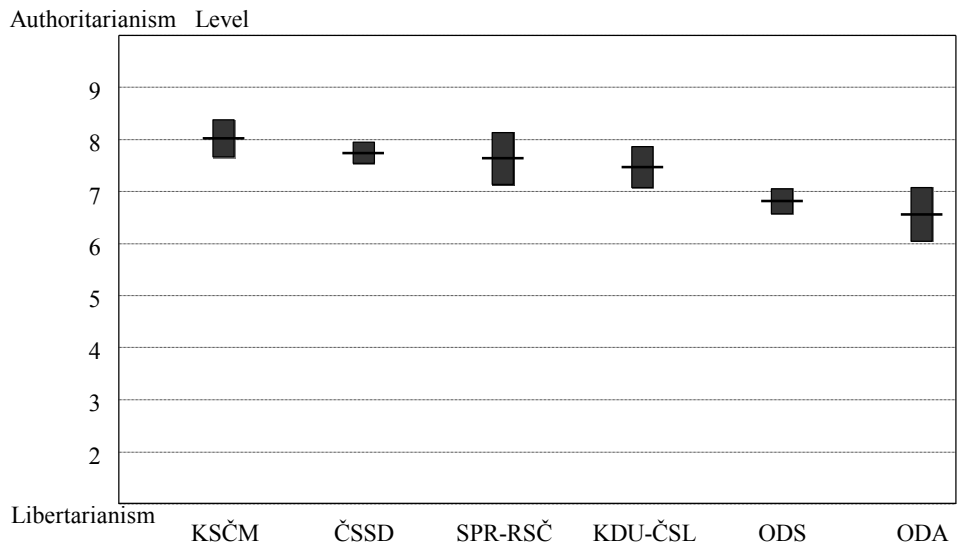


Source: ISSP-1996, Trends 4-98 (STEM).

As expected, voters of individual parties tend to show different inclinations towards liberal and authoritarian values. According to these attitudes, two groups of voters were opposed in 1996: voters of the ODS and ODA on one side, and ČSSD and KSČM on the other. By 1998, other groupings based on attitudes towards politics had emerged. The group of ODS, ODA, and US voters were the most liberal, followed by the KDU-ČSL and ČSSD voters. Voters of SPR-RSČ and DŽJ (similar to supporters of the Republicans) and

also KSČM (similar to voters of the DŽJ party) showed the strongest authoritarian tendencies. The deviation towards the pole of authoritarianism might give the impression that the Czech population actually declares such an inclination (Figure 11.9). However, this conclusion is limited by the way in which authoritarianism was measured – i.e. its indication was not far from conservatism. With respect to the considerable historical, political and value discontinuity of development of Czech society, we must be very careful in the interpretation of this dimension from the point of view of conservatism.

Figure 11.9 Location of voters of main political parties on the libertarianism-authoritarianism axis (means and confidence intervals)

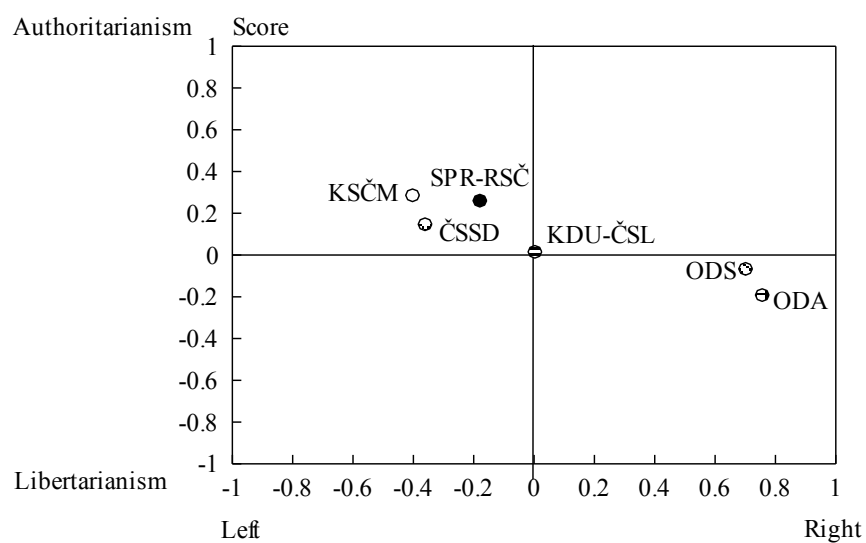


Source: ISSP–1996.

Box 11.6 Construction of the libertarianism-authoritarianism axis using attitudes to socio-economic issues

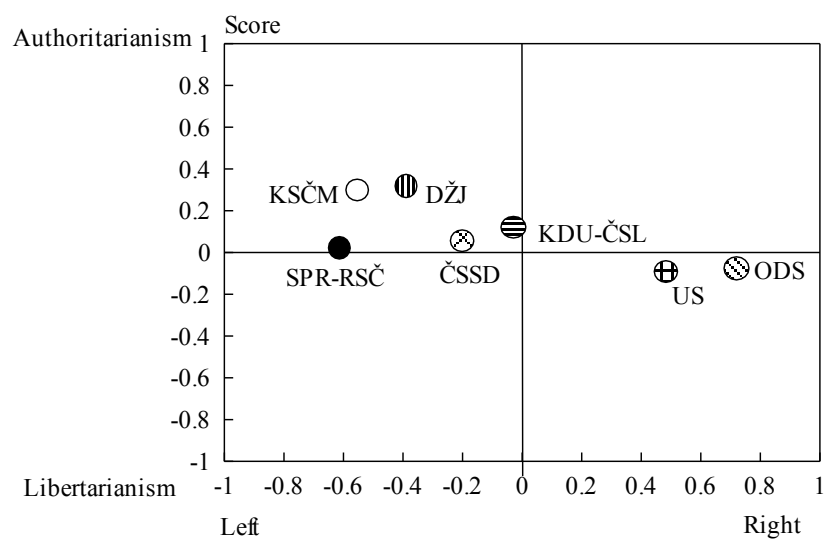
The libertarianism-authoritarianism axis expresses opinions on the role of authority and strictness of penalties for the violation of laws: ‘People should be allowed to organize protest meetings against the government?’, ‘People should be allowed to organize protest marches and demonstrations?’; ‘Young people today do not have enough respect for traditional values’, ‘For some crimes, the death penalty is the most appropriate sentence’, ‘Schools should teach children to obey authority’; ‘Laws should always be obeyed even if a particular law is wrong’, ‘Censorship of films and magazines is necessary to uphold moral standards’, and ‘People who break the law should be given stiffer sentences’.

Figure 11.10 Location of voters in the political space defined by the two main axes in 1996 (factor scores)



Source: ISSP-1996.

Figure 11.11 Location of voters in the political space defined by the two main axes in 1998 (factor scores)



Source: Trends 4-98 (STEM).

The location of voters of individual parliamentary parties in the two-dimensional space constituted by the left-right and the libertarianism-authoritarianism axes informs us about the politically important values shared by them (Figure 11.10). Voters of the right-wing civic parties were situated in 1996 and even in 1998 in the right-liberalism quadrant, whereas ČSSD and KSČM (together with SPR-RSČ) in 1996 were located in the space of leftist economic attitudes combined with authoritarianism in the political sphere. The policy of the KDU-ČSL was situated in the center between the other political parties, and the opinions of their voters were right in the middle of the above-mentioned space among other opinion groupings.

After the creation of Freedom Union (US) in 1998, the position of ODS and ODA weakened and DŽJ temporarily strengthened. Consequently, the position of voters changed. Voters of ODS remained in their original place and to their left was installed the US, sharing similar values. The authoritarian tendency among voters of KDU-ČSL slightly increased but they still remained in the center of the space of voters' identification. In contrast, the authoritarian attitudes of ČSSD voters weakened. Regarding their socio-economic values, these voters also moved a little to the center but they remained leftist in about the same degree as in 1996. Stable KSČM voters did not undergo any major value-related changes, remaining at the extreme left and authoritarian poles. DŽJ supporters were the closest to communist voters. The only surprise was the change in the SPR-RSČ position where authoritarian inclinations weakened and a substantial shift to the left occurred. (Figure 11.11).

Box 11.7 The 'new' left and right

In the time when Lipset studied political actors, only the 'old' left and right existed. However, the left and right in Western countries underwent significant changes since. The left was the first to be called 'new' already in the 1960s. As compared with the right, it was much more liberal on issues such as the abolition of censorship, legalization of abortion, homosexuality, and prostitution, while in its economic program, Keynesianism and an emphasis on the importance of the demand side of the market economy persisted. The 'New Right' was the name used for the liberal and conservative right of the 1970s and 1980s, personified by Margaret Thatcher and Ronald Reagan. Both rallied behind free market ideals and emphasized the importance of the supply side of the economy. While the liberal New Right defended free competition even beyond the economic field, in such areas that had been traditionally served by the state (justice and public order), the conservative New Right defended a strong state, hence it was called authoritarian. Subsequently, in the 1980s and 1990s, leftist parties accepting the idea of a free market started to be labeled as the 'New Left' or 'New Labor', after the laborist parties emerging in Commonwealth countries and personified by Australian Prime Minister Bob Hawke, New Zealand Minister of Finance Roger Douglas and by British Prime Minister Tony Blair.

Concerning the position of voters of different political parties in the political space, it is possible to speak of an association between the left-right and liberalism-authoritarianism dimensions. This confirms Kitschelt's hypothesis that economic liberalism is connected with political liberalism and economic paternalism with authoritarianism, which applies to both political parties and their voters. Also Lipset (1981) has spoken clearly about the

close association between the right and political liberalism. He argues that political liberalism based on the defense of political and civil freedoms and cosmopolitanism is not an inherent characteristic of the left. The left is more authoritarian and extremist, less inclined towards democracy, more xenophobic and less tolerant of differences, while conservatism is more liberal in this respect.

Unlike values asserted on the current political scene in Western countries, the character of the Czech left and right voters in 1996 was more 'old' than 'new'. However, it is worth mentioning that since 1996 ČSSD's authoritarian tendencies have weakened, and this party became politically more liberal, moving closer to the center in its economic program. In this way it departed from the traditional left which is now represented more by DŽJ and KSČM. ČSSD represents a democratic left-wing party and despite its traditional rhetoric, is not far from the New Left. KSČM, on the other hand, is an authoritarian party adhering to communist ideology, rejecting capitalism, and trying change in regime. The leftist and authoritarian DŽJ does not directly invoke communist ideology or to change the regime, but its announced aims are very similar to those of KSČM. DŽJ supporters on the other hand are less nostalgic for the pre-November system than KSČM voters but they publicly support social security characteristic of 'really existing socialism'.

The location of voters in important political parties in the two-dimensional space is in many respects contradictory to common ideas about the voter profile of particular parties. For example, SPR-RSČ is currently labeled as a right extremist party but according to our analysis its voters in 1996 were located in the center of the left-right axis and closer to the authoritarian pole on the libertarianism-authoritarianism axis. In 1998, they were placed on the authoritarianism-libertarianism axis closer to its center. In spite of its customary 'right extremist' label, this analysis better explains the actual character of SPR-RSČ. Rather than a right-wing extreme (authoritarian conservatism) it is an extreme center or left-center party. The same opinion is shared by political scientist Miroslav Novák (1996).

A number of features characterizing the extremism of the center applies also to SPR-RSČ. In analyses, this party has been seen as centrist or center-leftist for a long time. On the left-right axis, its supporters occupy the center but with a great range. Their measured political values and attitudes to the role of state and market, economic inequality or social justice are also centrist or center-leftist and they may even seem liberal, according to the accustomed categorization of ideological types. However, unlike moderate centrist parties, the practical policy of Republicans has strong radical, authoritarian, nationalist, xenophobic, and isolationist tendencies.

The political elite of the Czech centrist extreme itself violates the order and laws, which it claims to respect. It calls also for the isolation of Czech Republic, declares an irreconcilable attitude towards Germany and favors populist public presentations. In its political program it appeals to small entrepreneurs and tradesmen because it places itself in opposition to both big capital and the proletarian revolution. In 1996 it was already clear that the Republican Party, in comparison to other parties, attracted more young manual workers who were voting for the first time, a group usually typical of voters of extremist parties in modern democracies. For this reason, the electorate of the Republican Party has shifted from the centrist extreme to the left. At the same time it has been losing its original voters

who have been drifting mainly to ČSSD and KSČM. In the 1998 elections, this outflow was so extreme that SPR-RSČ did not win a single seat in Parliament.

Box 11.8 Extremism of the center

Extremism of the center has already been described in detail in political science studies dating back to the 1930s. S.M. Lipset (1981) has summarized them and argued that the usual categorization of political actors on the left-right axis is an oversimplification of the political reality. According to Lipset, both democratic and extremist parties, groups and ideologies can be independently categorized in the same way. He classifies extremism as follows: left = Communism, center = fascism, right = conservative extremism. He breaks down fascism even further into centrist, which represents classical fascism, and leftist, as seen in peronism. Extremism of the center is connected mainly with small entrepreneurs who, with their inclination to extreme movements and parties, react to the development of modern capitalism, and to competition resulting from the diminishing importance of state borders and expansion of foreign trade. They call for strong order and strict laws directed against other nations, races, and ethnic groups.

Instability, the shift to the left in opinions of supporters of the Republican Party and their failure in the 1998 elections has resulted in a weakening of the centrist and non-communist left-wing extremism. This process is undoubtedly favorable for the renewal of democracy, which has undergone many dramatic changes. Neither manual workers nor the middle classes feel disadvantaged by social, political, and economic processes to such a degree that they seek a solution in the extremism of SPR-RSČ. On the other hand, it should not be forgotten that in any society there may appear social groups which consider themselves to be disadvantaged. If a more sophisticated and better-targeted non-communist extremism appears, it could attract the attention of such people.

11.5 Conclusion

It is understandable that the left-right axis in Czech society has its meaning not only in the competition between political parties but also in voter identification. Contemporary Czech society is no longer a *tabula rasa*. However, it is clear that politically relevant socio-economic values of voters connected to the left-right axis have been since 1989 subject to considerable change. These values are changing much more today than in the early 1990s according to where voters locate themselves on the left-right scale. Voters are in the process of learning, and a value-related maturing and cultivation of political orientations is gradually taking place. Political values, ideas and expectations affect the selection of a party, which in turn influences the ideological self-perception of voters. The association between the selection of a specific party and self-location on the left-right axis is relatively strong among Czech voters. It is, in any case, stronger than the association between the choice of a party and inclination towards certain political issues.

The development of political values associated with the left-right axis shows that only a small part of the Czech population is really in favor of economic liberalism. The expectations of most Czechs are, on the contrary, linked to the paternalistic state – which is hardly surprising. In spite of this, the Czech Republic was once referred to as an island of liberalism for mainly two reasons: 1. Post-communist economic reforms were presented by a strong neo-liberal rhetoric, which enjoyed greater political success than in any other transition country. In Poland and Hungary such rhetoric was abandoned in 1994 when nominally leftist parties won the elections (Dangerfield, 1997). 2. In comparison with other transition countries, the Czech Republic achieved greater economic freedom and in this respect is closer to the advanced countries of democratic capitalism (Gwartney, Lawson and Block, 1995; Johnson, Holmes and Kirkpatrick, 1998).

However, some authors (e.g. Orenstein, 1995; Dangerfield, 1997) think that even in spite of the rapid reforms that occurred under liberal rhetoric, a truly liberal environment was not established. Reform policies involved not only *laissez-faire* elements (which were criticized by the opposition and even by one of the coalition partners KDU-ČSL) but also interventionist and paternalist methods. These latter methods, although receiving only little publicity, were practiced in the real policy-making. The government proceeded in this way in order to hold reforms under control and not to allow the living standard to decrease too greatly, and consequently to keep social peace. Although the main reforms implemented between 1990 and 1996 did not bring as serious decline in the standard of living and high unemployment rates as in other post-communist countries, public opinion shifted towards the left as it did to other CEE countries. In other words, behind the quite stable declared right-wing orientation, and clear reluctance to declare identification with the left, there was nevertheless a hidden shift of public opinion to the left.

The difference between the declared and actual value-related political orientation of voters helps to explain the transition process of socio-economic values after 1989. In the early 1990s, the difference in opinions between the left and right was barely visible, and trends in the changes of opinion along the left-right dimension were difficult to identify. Once reforms started, people enthusiastically supported the idea of an economically liberal society even though they did not fully identify with it. However, in the climate of general euphoria, such factors as the small disparities in income and wealth persisting from the communist regime also played their role. Among the other influential factors were the market-favorable rhetoric of the media, the arrival of Western goods, consumer lifestyle, restitution, and privatization.

After the main steps of the reform had been completed, the situation started to change. Society was returning from a 'revolutionary' period to a more calm one and had to cope with problems inherent to all democratic and capitalist countries. People located on the political left and in the center especially started to bring their subjective orientation closer to objective values and the political programs of their political representatives. In this manner, a shift from general values to interests rooted in person's social class or status began (Matějů and Řeháková, 1997). Leftist voters differed more and more from rightist ones and the greatest divide appeared between the voters of civic and leftist parties, from all of which particularistic interest groups have become established. Since values favorable for leftist parties prevail within the population, a space for the electoral victory of the left opened up.

Analyses of the development of the two value axes – left-right and liberalism-authoritarianism – showed that in 1996, the most prominent difference was that between the socio-economic attitudes of the two liberal-conservative parties on the one side and all other parliamentary parties on the other. However, by 1998 more voter groups differed in terms of their values. Our results showed a gradual polarization of the Czech public in socio-economic values and civil rights, i.e. the movement of some groups to the left-authoritarianism segment and other groups to the right-liberalism segment. The political conflict by definition two-dimensional, transformed itself into an important but one-dimensional political competition.

The one-dimensional character of political confrontation usually leads to a keen struggle over voters. The outcomes of such struggles, expressed in election results, are in such a politically polarized society usually very frustrating for citizens whose political representation does not win. Together with such frustration from election results is a perception of the rival's victory as a possible threat to one's own situation and future. It may be that the competitor does not satisfy the voters of other parties not only in terms of the socio-economic program but even in terms of civil rights.

We do not know to what degree Czech political parties are aware of this value-related polarization of society. However, political strategies suggest that many politicians are aware of its existence, since they use it as a basis for their propaganda, which in turn sharpens the public mood. We can only speculate what the impact was on the public opinion of sharpening criticism of reforms presented by ČSSD, criticism of ODS presented by its coalition partners KDU-ČSL and ODA, the strongly ideological election campaign of ODS in 1998 playing the card of 'mobilization against the left threat'. The strong polarization of society and rather prevalent pessimism of the population has imprinted itself in the election results of 1996 and 1998. Increasingly, the public is divided between two political gravitation poles representing two contradictory approaches to political issues – the ČSSD and ODS.

12 The development of political parties and the party system

The development of the political party system in the Czech Republic since November 1989 has not yet been fully mapped or analyzed. Therefore, in this chapter we will offer a brief description and analysis of the main political parties, and attempt to capture the main phases of the development of the party system and the important trends within its framework. Our analysis is based on the definition of those phases, which have had a determining impact on the development of the party system as a whole.

The main phases of development were as follows: 1. November 1989 until June 1990 - the foundation of the system; 2. June 1990 until June 1992 – the period of system formation; 3. June 1992 until June 1996 – the period of system stabilization; 4. June 1996 to the present-day – the period of the balancing of forces. These periods are based mainly on elections, which are the primary events in the party system and have continued to have an impact on the functioning of the system. To mark the individual phases, we have attempted to grasp the prevalent trends of each period, while it is of course natural that in each given phase processes with other characteristics also occurred.

The events following November 1989 were decisive to the creation of the new party system in the Czech Republic. The previous state is characterized by the National Front as an artificial alliance of ‘sister’ political parties ostensibly governing together with the Communist Party. Although this state has also been described and classified in political science studies (Box 12.1), the relationship between it and the present party system in the Czech Republic is very loose. Despite the fact that some of the parties from the previous National Front continued to be active even after November 1989, from the system perspective, they are two completely different functional mechanisms and have different means of power sharing, therefore there is little sense in comparing them.

Another drawback is that we will discuss only the Czech party system, even though until the end of 1992 Czech political parties operated within the framework of a Czechoslovak Federation. This problem is actually rather minor, because with the exception of the Communist Party (KSČ, later KSČS), which during 1990 was transformed into a federal union of KSČM and SDL, and several minor subjects (e.g. Czechoslovak Movement for Mutual Understanding), the activity of the parties and movements on the Czech political scene was limited exclusively to the Czech Republic. To the objection that the coalition or ‘blackmail’ potential of individual parties was important at the level of the Federal government in 1989–1992, we have a rather intelligible response. The subsequent dissolution of Czechoslovakia serves as proof that it had no basic impact on the functionality and internal relations of parties operating in the Czech lands. To give an example, the

difference in the number of parties which succeeded in the 1992 elections to the Federal Assembly and the Czech National Council was of no importance due to the short life of the Federal Assembly. Therefore, even during the existence of the Czechoslovak Federation, Czech political parties created an autonomous system and thus may be evaluated as such.

Box 12.1 The classification of party systems

According to surveys made by Giovanni Sartori, and with the use of numerical criteria which here have the function of the main distinguishing criterion, it is possible to define seven classes of party systems: 1. The one-party system, where no other party subject exists; 2. The hegemonic party system, where the predominance of one party leads to its near absolute supremacy (e.g. Mexico); 3. The dominant party system, where one party repeatedly and over a long period gains a considerable majority; 4. The two party system, characterized by bipolar competition; 5. Limited pluralism, 6. Extreme pluralism and 7. Atomized pluralism. According to Sartori, the boundary for distinguishing between limited and extreme pluralism is the five party system; in the case of atomized pluralism, the number of political subjects is naturally much higher, yet due to the other mechanism of its functioning, this is not an important factor. The main contribution of Sartori is that he developed further the previous three party classification (one, two, and more party systems), and that on the basis of this classification he introduced a corresponding typology. While it functions much better than the simple classification in describing party systems, due to its intricacy we do not have the space to consider it here (Sartori, 1976).

Our aim in this chapter is not only to outline the main points and trends in the development of the party system, but also to propose an analytical assessment of the above-mentioned phases of development. In addition we intend to point out their characteristic aspects which may not necessarily be obvious at first glance. In the sections of the chapter where we will discuss the theoretical basis, we make use of generally recognized and widely utilized political science studies which can be used for the study of the Czech Republic's party system. In the majority of the text we have analyzed data from primary sources concerning individual political subjects as well as newspapers.

12.1 Establishing the foundations: November 1989 – June 1990

The transformation of the Czech party system, which began in November 1989, was from the beginning characterized by a considerable increase in the number of parties and movements attempting to establish themselves within the framework of the new system. They were often of a very different character, but in general three types of parties or movements characterized the development of the party system in the Czech Republic: 1. Those active before November 1989 and continued afterwards, such as the Czechoslovak Socialist Party (ČSS), Czechoslovak People's Party (ČSL), and Czechoslovak Communist Party (KSČ); 2. Those who had resumed their activity or linked with groups already active

in the pre-November period (see Novák, 1997) such as Social Democrats (ČSSD) and Club of Committed Non-partisans (KAN), but also the Czechoslovak Democratic Initiative and Civic Freedom Movement; 3. Entirely new subjects, such as the Republican Party (SPR-RSČ) or Movement of Pensioners for Life Guarantees (HDŽJ).

The Civic Forum (OF) was a very special type of subject, and there were two conflicting views concerning its classification. From a legal standpoint (according to Law No. 15/1990) OF belonged to the already existing parties or movements: 'the already established political parties are the Czechoslovak Peoples' Party, Czechoslovak Socialist Party, ... Czechoslovak Communist Party... Civic Forum ... are political movements according to this law'. From the political science point of view, OF belonged to the newly established subjects, despite the fact that it also included organizations which cannot be classified in the same way, such as *Klub Obroda* (Revival Club – association of reform Communists acting in secret already before November 1989).

Generally we can say that during the whole first phase, the existence and character of the OF were to a considerable extent predetermined by the events on the Czech political scene as well as the direction of the emerging party system. OF, established on November 19, 1989, from the beginning declared itself to be a non-political and civic organization, whose main purpose was the reconstruction of society. OF would therefore play the role of an 'umbrella' organization, providing space for all whose shared its interest in the renewal of society as a whole. The logical consequence of this perception was that OF became the point of confrontation of many currents of often opposing opinions (e.g. KAN and Revival Club met here under one roof).

The existence of the OF was obviously not the only specific element in the first phase of development. The rapid increase in the number of political subjects was also symptomatic. According to the list of parties and movements registered at the Ministry of Interior, there were 35 by June 8, 1990 (the first day of parliamentary elections), but only four attained major significance including the renewed KAN, HSD-SMS, the Agricultural Party, and Movement of Pensioners for Life Guarantees (HDŽJ). These are of course only estimates. It is said that there were 66 subjects in the whole Federation (Dvořáková and Kunc, 1996:57), but 85 parties and movements had been established between 1989 and 1990 (Budování států, October 1990).

The great number of parties and movements, typical for party systems in the early phases of development, was not in itself of great significance. Otherwise we must consider two other aspects of the system, the establishment of the Christian element in politics and the rather strong emergence of the 'Moravian' movement. The popularity of calls for greater Moravian autonomy was totally unexpected, but the influence of these parties did not last for more than a year and they were no longer playing a major role by the time of the parliamentary elections in 1992. By contrast, the Christian element, supported by the existence of a traditional 'people's party' voter base located mainly in South and Central Moravia (Jehlička and Sýkora, 1991), in time came to be a permanent component of the Czech party scene.

The first parliamentary elections after November 1989 were held in June 1990 and the ballots for elections to the Czech National Council (ČNR) included 13 coalitions, parties and movements. The absolute winner was OF, which gained 49.5 % of the votes and

63.5 % of seats. KSČ, HSD-SMS and KDU also entered the ČNR. Not even the ambitious Socialist Party (ČSS), the Social Democrats or the Green party made it, despite their high expectations for electoral success at the beginning of the spring (according to data of the Institute for Public Opinion, their election preferences between March and May was around 10 %). The election results, contained in Table 12.1, show the overwhelming predominance of the OF.

Table 12.1 Results of elections to the Czech National Council in 1990 (%)

Party	Votes	Seats
Civic Forum (OF)	49.50	63.5
Communist Party of Czechoslovakia (KSČ)	13.24	16.0
Movement for Autonomous Democracy – Association for Moravia and Silesia (HSD-SMS)	10.03	11.0
Christian-Democratic Union (KDU)	8.42	9.5
Alliance of Farmers and Country (SZV)	4.11	-
Social Democracy (SD)	4.11	-
Green Party (SZ)	4.10	-
Czechoslovak Socialist Party (ČSS)	2.68	-
Free Block (SB)	1.04	-
All-People's Democratic Party (VDS) + SPR-RSČ	1.00	-
Electoral Grouping of Interest Associations (VSZS)	0.84	-
Friends of Beer Party (SPP)	0.61	-
Czechoslovak Democratic Forum (ČSDF)	0.33	-
Total	100.00	100.0

Source: Election results 1990, CSO.

The constitutive and unifying role of the OF is characteristic for the first period of the development of the party system in the Czech Republic. It was perceived as a guarantee of the right direction for the further development of society, a situation which could perhaps be described as an atomized pluralist system (Fiala and Mareš, 1997:106), even though it is not clear whether it deserves the label 'system'. While there were many individual elements which should have influenced the functioning of the system at the beginning, neither the intensity nor the direction of their mutual interaction was clear. In addition, the hierarchy of power was not apparent. On the other hand, the actual representations of certain subjects (above all OF and KSČ) gave clear evidence that there were real differences based on their specific character. In other words – a real party system with the appropriate attributes was first established in the course of elections.

All of these facts allow us to specify the following three characteristic signs of the first phase of development:

1. *'Non-political' character.* For this entire period, many Czechs shared the opinion that political parties must be considered with a certain distrust because of their activity as political subjects, and that the political will of citizens could be equally well served by a broad civic movement. This was both a rather irrational reaction to the concept of the political party, which was until this time identified almost exclusively with the Communist

Party, as well as an opposition to the fact that practically all normal political parties are based on some ideology, which was a highly discredited term. In general, it is true that these opinions were closely linked to the existence of the OF, which rapidly lost influence with its dissolution.

2. *The origin of major movements and parties.* Leaving aside subjects originating from OF which were established during the second phase of development, the vast majority of all important parties and movements today already existed in the first period. Parties or movements formed after this point were, with only few exceptions (e.g. DEU), not entirely new, but born through renaming, merger, or affiliation.

3. *The early appearance of non-standard subjects.* This phenomenon has several distinct aspects. First, it concerns parties and movements which were specific in their narrow focus as Election Configuration of Interest Groups (VSZS) or The Friends of Beer Party (SPP), and this also applies to the OF. The existing subjects practically without exception did not correspond to the trend prevalent in European party systems – i.e. they were usually not ‘mass’ parties. This aspect in particular was decisive to the character of the Czech party system in its first period of development.

The Czech party system thus entered its second phase of its development in a situation where its basic pattern of stratification, determining the boundaries of future development, was already in place, and where there was already a nucleus of standardized interactions between individual subjects.

12.2 Formation of the system: June 1990 – June 1992

The second period was characterized by the final constitution of the basic character of the system, and by the decisive choice of a political *party* as the basic element of mediation of the political will of citizens and interests of social groups. The dissolution of the OF also played an important role, which divides this period into two rather discrete phases. In the first phase, internal tension within the OF increased, and the framework and foundation for other parties and movements was established. Another characteristic of this phase was also an attempt at organizing the party system into a specific form (i.e. defined in the right-left space). The second phase is then distinguished by the development of the relationship between individual subjects.

Two distinct methods are most advantageous for the evaluation of the development of the party system during this period. Regarding the first phase we shall discuss mainly the development of the OF, before turning to events linked to other subjects. For the second phase, we shall monitor separately the formation of movements in various parts of the party spectrum and divide them to facilitate orientation, into the right-wing, center and left-wing (see Sartori, 1976:337).

The parliamentary elections in June 1990 confirmed that the primary factor influencing the future shape of the Czech party system would again be the development of the OF, for no other subject had enough importance to exercise any significant impact on the system. Inside the OF, the climate had become polarized, and the elections played the role of a catalyst in speeding up the natural differentiation of opinions. Two important currents were born within the OF – first the right-wing, classical, liberal moderately conservative current, and the second a centrist, rather socially liberal (see characteristics for ‘classic’

and 'social' liberalism in Box 12.2). The right-wing trend was formed under pressure from regional organizations, whereas its counterpart had its main support from the intellectuals in the OF leadership (e.g. P. Rychetský or P. Pithart), who enjoyed the support of the President and those around him. The right-wing trend based its program on the opening of the market economy and on individual values, while the centrist trend aimed at maintaining the movement's unity with the simultaneous coexistence of various currents, defending its non-political and civic character.

An important, if only partial milestone was the establishment of the Inter-parliamentary Club of the Democratic Right in September 1990, from the initiative of D. Kroupa (one of the founding members of ODA). Initially, 66 deputies from the Federal Assembly and Czech National Council belonged to this club, but 208 deputies from both legislative bodies had become members. One might say that its establishment formed the 'right wing' within the OF, for it was its members that had called for a firm organizational structure for OF, as well as a clear and precisely defined program to acquire the character of a political party.

Box 12.2 Comparing the values of 'classical' and 'social' liberalism

It is possible to say that original liberal values, which were established mainly in the 18th century, have today become more or less normal attributes of all non-extreme parties, and we may thus argue that in this sense liberalism is a fundamental ideology. One can consider liberal values from two angles: the important role was played by individualism, egalitarianism (in regard to the ethical value of humans), universalism and meliorism (Gray, 1986); and specifically, classical liberalism is the belief in individual freedom and the market economy, in the sanctity of private property; 'new' liberalism adds to these values the belief in the active, if not omnipotent role of the state (welfare state) and social justice. 'Social' liberalism is generally considered to be the doctrine behind the modern European form of the welfare state and the basis of the social-market economy.

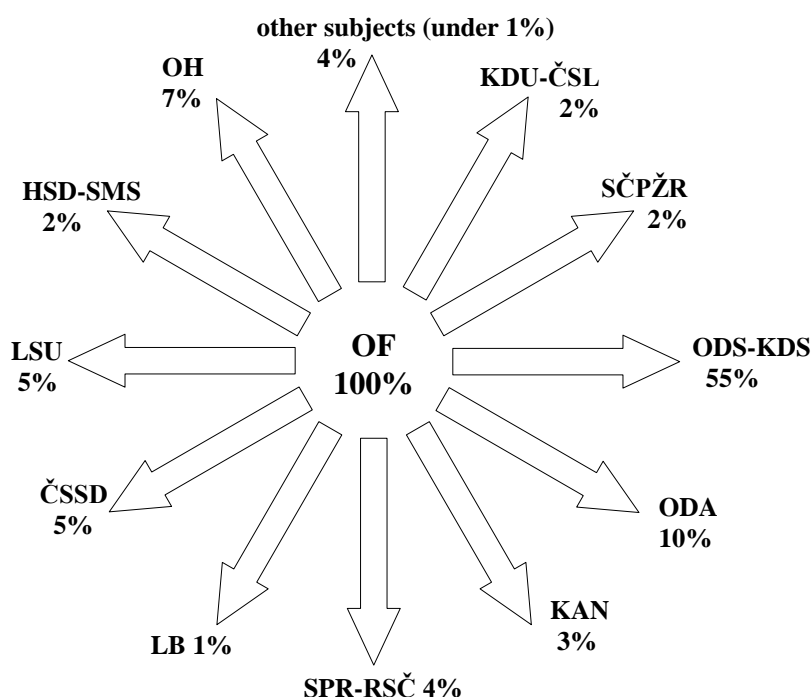
The OF convention in October 1990 was decisive for its future development, during which the representative of the right-wing current, Václav Klaus, was elected as chairman. Despite the fact that it elected a twenty member collegium in which the representatives of the centralist group held the majority, this vote very much strengthened the conservative-liberal trends within the OF. Further developments would lead more clearly towards a split inside the OF. Already by the end of October 1990, the OF Council had announced that the Left Alternative and the Revival Club were no longer a part of the OF. The centrist contingent responded to this right-wing offensive with the creation of the OF Liberal Club in December of the same year, stressing the fact that the market economy was not the goal but a tool, thus emphasizing human values and the quality of man.

The development in the other section of the party spectrum did not have much bearing on the system's character, as in the case of the OF, but it was not without interest. From a long-term perspective, the most important events appear to be internal developments within the people's party (ČSL). Its central committee voted in July 1990 to give a vote of confidence to its chairman Bartončík, who was accused just before the elections of having collaborated with the former state security service. This vote did not stop internal disputes within the party. The solution came first at an extraordinary convention in September

1990, with the surprise election of a new leader, the rather unknown agricultural engineer Josef Lux.

This last event, which would be of some importance regarding the development of the party system, represented an attempt to cooperate on the left side of the political spectrum. By the end of 1990, the only important force remaining besides the KSČM was ČSSD which, thanks to cooperation with several leftist parties, left-center and HSD-SMS, the actual closeness of these subjects was revealed. The municipal elections in November 1990 also give a picture of the individual subjects on the Czech party scene. The most successful was the OF, followed by the KSČM, ČSL and ČSSD, while independent candidates obtained 10.6 % of the votes.

Picture 12.1 Votes of former voters of the Civic Forum



Source: IVVM.

The first phase of the second period ended with the dissolution of the OF. In January 1991, in addition to the two existing OF clubs, the Club of Social Democrats was established and the antagonism between the individual currents grew. The ratio between the strength of support continued to worsen for the Liberal Club, due to a certain mood in

regional organizations, and was strongly in favor of the right-wing current. During the dissolution of OF, the ratio was 3:1 in favor of ODS (Krejčí, 1994:218). In February 1991, an agreement was signed between right-wing supporters and the Liberal club on the split of the OF into two autonomous subjects, and following further disputes was confirmed at the so-called Farewell Convention by the end of the month.

Following the dissolution of the OF and the parliamentary elections in 1992, during the second phase of this period the main role was played by subjects who originated within the OF or were closely linked to it (above all ODS, but also OH and ODA). The establishment of OF successor subjects happened immediately after its dissolution. Already at the beginning of March 1991, the OH was officially registered and shortly followed by ODS. This was accompanied soon after by a change in the orientation of former supporters of the OF. Due to the wide range of opinions within the OF, it was only logical that its members and supporters would be drawn to many different parties and movements (e.g. the second largest number of OF voters later supported ODA).

Picture 12.1 provides us with a more concrete view of the benefits gained by subjects on the existing political scene following the dissolution of the OF. The data on the transfer of voter sympathy between the elections of 1990 and 1992 is shown in Table 12.3. It appears that nearly three-quarters of OF voters had chosen parties declaring themselves to be right-wing (ODS, ODA, KAN, SPR-RSČ and even SČPŽR). This also means that this phase was a signal of the emergence of a clearly defined right-wing. Even the right-wing subjects perceived this themselves and at that time their activity was focused in two directions. To outside it was the greatest possible enforcement of the liberal economic reforms, and to inside it was to utilize mutual contacts and cooperation. This aspect of their development had become apparent in the number of negotiations for various types of coalitions and in the rather intense level of cooperation.

The leading subject in the newly developed right – ODS – was the most closely linked to ODA. This relationship was greatly weakened by the events of September 1991, when ODS managed to obtain the position of Mayor of Prague, much to the detriment of ODA. Consequently, ODA responded by announcing that it was no longer willing to remain in the coalition with ODS and that it had decided to seek out closer contacts with Václav Benda's Christian Democratic Party (KDS). A certain improvement of the relationship between ODS and ODA brought about their November agreement, which emphasized mutual tolerance. In any case, this arrangement was the extent to what the two parties were able to agree upon. The first ODS convention in November 1991 in Pilsen confirmed its efforts to form a wider organization of right-wing forces. This was expressed in the announcement of cooperation with the KAN, but more importantly in the agreement on the creation of a pre-election coalition with the KDS. The 'Christian element' certainly played a role here, i.e. ODS's attempt to gain more influence among Christian voters and especially to broaden its policies, which had only emphasized the economic dimension.

After the rupture with ODS, ODA also made efforts to approach other parties. Following unsuccessful negotiations with the KDS, it began to integrate with the LDS and, in the beginning of February 1992, ODS announced the signature of a preliminary coalition agreement with the newly-formed Party of Czechoslovak Entrepreneurs, Tradesmen and Farmers – SČPŽR. The outcome of both proceedings was rather unfortunate. In November 1991, LDS has split into two factions, one of which merged in March 1992 with ODA,

the second one, however, continued its activity as a very minor subject. Cooperation with SČPŽR was terminated in mid-April 1992 due to attacks from both sides.

Movements of integration and differentiation also marked the relationship of the two relevant 'Christian' parties – the KDS and ČSL. The ČSL's attempt at integrating with the subjects grouped in KDU coalition (especially with KDS) failed due to mutual misgivings, and the 'Christian' coalition was subsequently dissolved. Later, in June 1991, ČSL initiated the birth of a widespread movement, which took the name KDU – allegedly due to the fear of abuse of their 'trademark'. The KDS subsequently began the process of approaching ODS, while ČSL was mainly busy with its internal problems. In spring 1991, the ČSL concluded an agreement concerning its post-election cooperation with ODS, which substantially strengthened its position while at the same time securing a final merger with KDU and the establishment of a new party called KDU-ČSL.

Despite attempts at closer cooperation to bring together all parties declaring an inclination to the right side of the political spectrum, the final situation at the end of this phase was not much different than at the beginning. Also, the power ratio remained unchanged, characterized by the strong position of ODS, the slightly weaker one of both KDU-ČSL and ODA, and a minority position of all other parties. The only exception was the KDS, which, upon joining the coalition, gained an important position, and coalition potential, which was better than the strength of its support. The SPR-RSČ was left in a system-isolated position, although the party gained strong support from certain groups in the population.

The activities in ČSSD were the most important ones for future development on the political left. In April 1991 at its 25th convention, ČSSD decided to accept the Revival Club into its ranks, which confirmed the ever-stronger inclination of the party towards the left despite opposition. Declared by a part of its membership, a dispute erupted between its leaders and the group around R. Battěk which eventually led to his expulsion from the party. Of no less importance was the fact that after the dissolution of the OF, some of its deputies (among them V. Komárek and M. Zeman) joined the Social Democratic Party (ČSSD) which thus became a parliamentary party despite its failure in the elections.

The ČSSD took advantage of the isolated position of the KSČM and the weak position of the other left parties, and gradually became the main force of the so-called constructive left, despite internal disputes in the leadership. Partial calm came with the proximity of the elections, however several sub-groups within ČSSD still coexisted, grouped around strong party personalities – Horák, Komárek, Fišer and Zeman. In January 1992, it was Miloš Zeman who came forward with the project of the so-called Realist Block which associated the opposition forces of the left and the center and became a counterweight to the government coalition. Meanwhile, the personal strengthening of ČSSD continued to the detriment of the OH with the acquisition of deputies Z. Jičínský and P. Kučera.

The consolidation of the position of ČSSD was also assisted by the developments within the KSČM. The efforts of some members to lead the party out of isolation and to bring it closer to the social democratic platform resulted in the issuing of an internal party referendum, whereby members were to decide whether they would agree with an eventual

change in the name of the party, leaving out the term 'communist'. The negative result of the vote had two consequences. First, the KSČM would remain at the left margin of the party spectrum, thus leaving a wide space for the further expansion of ČSSD, and over the long term, it resulted in the departure of those members who did not agree with this orientation.

At the political center, the formation of political subjects was the most pronounced. The first step occurred in May 1991, when an election coalition was established under the name Liberal Social Union (LSU), the members of which were joined by the Agricultural Party and ČSS. In September, the Farmers Movement and the Czech Land Organization of the Green Party joined the LSU, which proved to be a successful move. Participating parties were indeed below the required 5 %, but the simple calculation did not fail this time and the election preference gave them the combined support of 7–8 % of voters. The LSU had the ambition of becoming a strong grouping of the left-center, appealing to voters unhappy with the government's policies, but also unwilling to support the traditional left. This actually occurred and in the 1992 elections it became a parliamentary party. The success was helped also by a fortunate legal development: its registration as a movement generated a strong reaction from right-wing parties that made a brisk but unsuccessful attempts to have this change revoked.

The integrative tendencies linked to the establishment of the LSU also affected the fading 'Moravian' movement HSD-SMS. The difficulties of this party began with internal disputes, which peaked in the beginning of 1991 when the management decided to leave the government coalition, a move opposed by its representative in the government, Minister of State Control B. Tichý. A month later he left the government, but the previous disputes resulted in an internal split within the movement. The HSD-SMS situation was further complicated in May 1991 by the sudden death of its chairman B. Bárta, a dominant personality in the movement. His successor J. Kryčer attempted to integrate HSD-SMS with other left-center parties, but the possibility of a certain form of involvement of this movement in LSU failed in February 1992 due to opposition from the Green Party.

There were two results of this process at the center of the political spectrum. First they helped to make the situation in this part of the spectrum clearer, resulting in the creation of three relevant parties (also OH in addition to LSU and HSD-SMS. This, however, did not interfere with changes in the party spectrum) and it prepared the conditions for cooperation by future centrist parties with ČSSD. However, the development after the 1992 elections was such that this possibility was never taken advantage of.

The results of the 1992 parliamentary elections, which are reported in Table 12.2, completed in practice the formation of the rough profile of the Czech party system. With certain exceptions, they determined which parties would have a relevant role in the following period and defined the space for their movement. The elections confirmed the development of the second period, i.e. the crystallization of the right and center parties and the basically stable position of the left. They also confirmed the importance of those parties which were in some way tied to the former OF and which could more or less be defined as its heirs for the shaping of the whole party system. It is worth noting that in addition to

these parties (and with the exception of OH), only subjects which had either existed independently already before the 1990 parliamentary elections were somehow interconnected (LSU), managed to enter the Czech National Council (ČNR) and may be characterized as compounds (e.g. HSD-SMS or ČSSD).

Table 12.2 Results of elections to the Czech National Council in 1992 (%)

Party	Votes	Seats
Civic Democratic Party + Christian Democratic Party (ODS-KDS)	29.73	38.0
Left Block (LB, KSČM+DL)	14.05	17.5
Czechoslovak Social Democracy (ČSSD)	6.53	8.0
Liberal Social Union (LSU)	6.52	8.0
Christian- Democratic Union - Czechoslovak People's Party (KDU-ČSL)	6.28	7.5
Association for the Republic- Republican Party of Czechoslovakia (SPR-RSČ)	5.98	7.0
Civic Democratic Alliance (ODA)	5.93	7.0
Movement for Autonomous Democracy – Association for Moravia and Silesia (HSD-SMS)	5.87	7.0
Civic Movement (OH)	4.59	-
Movement of Pensioners for Life Guarantees (HDŽJ)	3.77	-
Party of Czechoslovak Entrepreneurs, Tradesmen and Farmers (SČPŽR)	3.15	-
Club of Committed Non-partisans (KAN)	2.69	-
Independent Erotic Initiative (NEI)	1.37	-
Friends of Beer Party (SPP)	1.30	-
Movement for Social Justice (HSS)	1.08	-
Democrats 92 for a Common State (D92)	0.58	-
Romany Civic Initiative (ROI)	0.26	-
Party of Republican and National Democratic Union (SRNDJ)	0.17	-
National Social Party - Czechoslovak Party of National Democracy (NSS-ČSNS)	0.15	-
Total	100.00	100.0

Source: Election results in 1992, CSO.

Table 12.3 gives a more detailed answer to the question of to what extent the dissolution of the OF contributed to parties who participated in the 1992 elections, and where voters went, who in the previous elections had voted for unsuccessful parties. The distribution of votes between the 1990 and 1992 parliamentary elections show that ODS, ODA and OH drew the great majority of their voters from OF. A relatively small number of OF voters opted for SPR-RSČ, for whom this source represented nearly a half of voters. These trends were also confirmed by the fact that in the 1992 elections ČSSD obtained a full 42 % of its votes from previous OF voters. In contrast, the KSČM retained its voters as did KDU-ČSL and to a certain extent the HSD-SMS. It is thus apparent that the dissolution of OF was of decisive influence to the future shaping of the right-wing of the party system and also had a strong impact on the development at its center. At the same time it

opened the door for shifts in voter preferences on the spectrum as a whole, from the extreme right to the left center, and made space for the refinement of opinions and values within the parties and movements.

Table 12.3 Voters of the most important parties in the 1992 elections according to who they voted for in the 1990 election (%)

Political party	OF	VDS+ SPR- RSC	HSD- SMS	KSČ	Soc. dem.	KDU	SZV	Other	non- voters	Total
ODA	75	1	3	1	1	3	1	10	5	100
ČSSD	42	0	9	8	12	2	2	20	5	100
HSD-SMS	27	1	48	4	1	2	1	11	5	100
KDU-ČSL	27	1	4	1	1	59	2	3	2	100
LSU	35	0	5	9	3	4	18	22	4	100
OH	78	0	3	2	2	1	1	10	3	100
SPR-RSČ	49	10	11	3	3	4	1	12	7	100
LB	6	0	3	80	1	0	1	6	3	100
ODS-KDS	84	0	2	0	1	3	0	6	4	100

Source: Elections 1992, IVVM.

An important element in the shaping of the Czech party system was the number of relevant subjects and, related to this, the designation of the Czech party system as either limited (moderate) or extreme (polarized) pluralism. Even though simple addition would suggest that the number of relevant parties grew between the 1990 and 1992 parliamentary elections, this approach is of only limited value here. It is true that this increase was caused by the heterogeneity of politics and opinions within the OF. And secondly, it is apparent from the growing number of clubs in the legislative bodies in this period that the issue of the parliamentary representation of parties and movements was by no means resolved only by the elections. Thus we may conclude that because it is not possible to speak of attribution to a certain type of party system, the only appropriate type is polarized pluralism.

The second period may be characterized with three attributes, of which the first one is related mainly to the first phase, whereas the other two are clearly related to the second.

1. The constitution of the left. Considering the conditions in which the new party system developed, the fact that the left part of the party spectrum was the first to be stabilized may at first glance be surprising. In terms of the spectrum of opinions, the OF had covered the area from social democracy to the conservatives, even though the intensity of the emphasis on the various lines of opinion varied. In any case, this situation led to the fact that any subject wanting to define itself in the space taken by OF (which was the whole space of the center and the right), faced difficulties and had little chance of success.

The left had no such problem, for no party was too dominant to stifle competition. Both the KSČM as well as ČSSD were sufficiently established already in 1990. It is true that ČSSD partially overlapped with the OF, but fortunately for it, the social democratic current within the OF was relatively weak and rather centrist in orientation, thus leaving suf-

ficient space for its own realization. With the exception of the slow decline of the ČSS and its subsequent rebirth into a centralist grouping, no other parties or movements had been established. The left had gained a certain advantage, which was soon lost partly due to its own mistakes.

2. *The constitution of the right.* Similar to the first phase, in which a rather fixed scheme of the left-wing of the party system had been established, during the second phase the political right developed its own character. All of the relevant parties which today belong to the right (except for the DEU), either originated in this period (such as ODS), clearly affirmed themselves for the first time (as with ODA and SPR-RSČ), or identified themselves with the right (KDU-ČSL) even if only for strategic purposes. An exception can be made for the KAN, whose importance had, however, deteriorated. The position that the individual subjects of the right adopted in relation to each other remained stable for nearly the entire subsequent period.

3. *Tracing the space at the center.* Developments in the center of the political spectrum were completely different from the above ones where, in contrast to the right, fluctuating movements were an important formative element. During this period, a space was defined in which parties and movements wishing to be considered as members of the political center could be established. After the left and the right had achieved a stable position, the realistic boundaries of parties at the center became clear. Besides the OH, which was certainly well situated at the center of the spectrum, it was difficult to find another party belonging to the center by its individuality rather than because the center was a residual space, and the only one left for remaining political subjects.

The party system in the Czech Republic thus had a well-defined right and left after the 1992 parliamentary elections and a rather fixed-force distribution among the individual subjects active in this space. It was lacking clearly defined subjects in the political center, and it had a weak and unstable ideological background, and individual political parties were only at the halfway point on the road to becoming standard European parties.

12.3 Stabilization of the system: June 1992 – June 1996

The period immediately following the elections was influenced by problems in relations with Slovakia and the beginning of the dissolution of the Czechoslovak Federation. This process had a double impact on the development of the party system. The first was external, in the sense of a split within the party spectrum over the issue of maintaining or separating the state. The second one was internal and related to the events inside the framework of individual parties.

In the first case, parties were divided between those which stressed some positive results of talks with the Slovak representation, and those preferring the very act of meeting and talking, which corresponded roughly to the division between the coalition and the opposition. In the second case, problems in the dissolution of the state and the issue of Czechoslovak relations were so predominant that all other activities had become for the time being secondary for individual parties and movements. However, the process of state separation itself and its final result remained without greater consequences for the further development of the Czech party system, as it just confirmed the existence of conceptual differences between the individual subjects. The autonomous system of Czech parties, which was in practical terms already in place, could thus be considered complete.

The third phase of the Czech party system was characterized by several trends, of which the most important include: 1. The integration and gradual weakening of the center, as the individual subjects belonging to it unsuccessfully attempted to obtain relevant positions; 2. The expansion of ČSSD policies, whereby it gradually filled in the hypothetical space constrained on one side by KSČM and on the other by the diminishing center; 3. The strengthening disharmony within the government coalition, which had weakened its capacity for action and assisted, in the long run, certain changes in the location of certain parties (mainly ODS and KDU-ČSL) in the multi-dimensional party space, this aspect, however, was less important than the previous two.

The development on the right was – with the exception of KDU-ČSL, which we shall describe later – no less revolutionary. This was particularly true of both ‘civic’ parties, the mutual relations and positions of which were, at the end of the monitored period, practically the same as at the beginning. The evolution of these parties was also similar. Up until 1995, ODS fulfilled the role of the leading party on the right; its position can be described as a strong and stable one, despite the occasional objections made by its coalition partners, accusing it of uncooperative and power-based politics. The slow but steady downward trend of election preferences and repeated scandals, however, generated a need for self-reflection, for which mainly Minister of Foreign Affairs J. Zieleniec made calls already in 1995. It was largely due to his initiative that a long-term program was prepared and accepted in its final form at the sixth party congress in November 1995.

The ODA had also undergone a similar development, in which the main topics were communication within the party and its future political style. Internal discussions were initiated by a parallel sequel of scandals concerning the party’s debt with the Credit and Industry Bank, and alleged surveillance by the Security Information Service (BIS), which was all very detrimental to the party. In contrast to ODS, where internal party disputes were mainly based on conflicts of ideas among individual personalities, in ODA the conflict was between two wings of the party.

There were also conflicts within KDS. At the December 1993 Convention, the group supporting I. Pilip gained strength and called for a more dynamic and pragmatic policy than that favored by the chairman V. Benda. Let us note, however, that in contrast to ODA, this was not a conflict of programs and ideas, but rather an attempt to create a more attractive image for the KDS. Despite the efforts by KDU-ČSL to lure the KDS over to its side at the beginning of 1995, a merger between KDS and ODS was finalized in March 1996. However, there was an interesting prelude to this event. A merger with the KAN, which was in preparation, had started to fall apart due to the intention of the KDS to merge with ODS. A split into two separate camps of equal strength occurred within the KAN, one favoring the merger with ODS and the other opposed to it and in the end the merger did not occur.

In this area of the party spectrum, the most interesting development was in KDU-ČSL. In June 1992, its management had already resolved the residual disputes and expelled R. Sacher, who later joined, together with the former party chairman J. Bartončík, the newly created but marginal Christian-Social Union (KSU). The tactics for the following period, prescribed to members of KDU-ČSL by Josef Lux, were based on the gradual building of

an image of a non-conflictual and constructive approach to problems and as having no internal disputes, in contrast with other parties. These tactics began to be fruitful at a time when ODA and ODS became concerned with resolving their internal difficulties and as their capacity to commit forces to other problems dwindled.

This occurred at the same time that ČSSD began its rather dramatic ascent. At KDU-ČSL's Brno Convention at the end of September and the beginning of October in 1995, Josef Lux placed greater emphasis on the importance of a social-market economy and presented the people's party as a 'calm force' on the Czech political scene. The beginning of this shift into the actual (not only nominal) political center had become altogether realistic following the 1996 parliamentary elections, and entailed the gradual strengthening of the coalition potential of KDU-ČSL (Fiala, 1995 and 1997).

From the point of view of the political party system, the establishment of the Democratic Union (DEU) could have presented interesting changes, and which was officially registered in March 1994. But even in this party internal disputes soon emerged, and its impact remained only very limited: according to Institute for Public Opinion, DEU's election preferences throughout its entire existence was at most 3 %.

Even the general development of the right during 1992–1996 can ultimately be characterized as a modest shift towards the center. In the case of the people's party this shift was intentional, for the civic parties it was caused by the weakening of their political will in general, and in the case of ODS, there was on top of this its gradual transformation into the 'catch-all' party, which is usually characterized by centrist leanings (Box 12.3).

Box 12.3 Characteristics of 'catch-all' parties

Otto Kirchheimer was the first to describe the 'catch-all' party, characterized by the following five conditions: 1. Drastic limitation of a party's ideological burden; 2. Further strengthening of groups centered on individual leaders; 3. A drop in the importance of individual party members; 4. Limitation on the emphasis on a concrete class or religious group; and 5. Connection to a wide range of interest groups. To realistically fulfill these conditions, a situation must appear in which 'the mass integrating party, which is a product of a time when the boundaries between the classes were firmer and Church activities more emphatic... is transformed into an all embracing 'people's' party. It abandons the attempts for an intellectual and moral selection of the masses; instead it turns more decisively to the voters as a whole and attempts to exchange the efficiency of its activity for yet a wider field of partisans and a faster election success' (Kirchheimer, 1990:5).

At the political center, a number of complex events had occurred. Immediately after the 1992 elections, problems emerged in LSU, where tension between the ČSS (especially its 'right' wing grouped around P. Hirš and J. Vyvadil) and ZS, and also in HSD-SMS, where the criticism of the chairman J. Kryčer was growing. The separatist trends within the LSU were finalized with its gradual transformation from a movement into a political party. On the other hand, the 'Moravian' movement, which had occupied a rather marginal position, was looking for a way to strengthen its position through its transformation into a standard centrist party (specifically into ČMSS in January 1994) and

a subsequent merger with other subjects. These were in the end joined together, when the ČMSS, LSU and ZS established the ČMUS coalition in December 1994, and in February 1996 was transformed into a party. The LSNS took another road, aiming at cooperation with the governing coalition. After 1995, discussions were held about forming a closer relationship with the Free Democrats (the transformed OH), ending in December 1995 with the establishment of a single subject bearing the name Free Democrats - Liberal National Social Party (SD-LSNS).

In general, the development among subjects at the center can be divided into three parts. The first one is linked to the transformation of the ČSS into the LSNS and the dissolution of the LSU movement. The second one concerns the changes into the 'Moravian' movement and its relationship with the subjects formerly belonging to the LSU, and finally the third is linked to the transformation of the OH into the SD and its subsequent merger with the LSNS. However, this complex turn of events did not bring any particular benefit to the participating parties. As far as the existence of the relevant subjects was concerned, the space at the center was empty at that time.

The most important development occurred on the left, specifically within ČSSD. As was the case with the subjects at the center, ČSSD had entered this period with various subgroups within it, which gradually formed two currents. The first consisted of the 'old' Social Democrats, who had renewed the party after November 1989, grouped around the chairman J. Horák. The second current, including M. Zeman and P. Dostál, consisted mostly of former OF members. But these groups were not unanimous in their opinions; for example, M. Zeman's current supported cooperation with the Communist Left Block, not only against the will of J. Horák, but also that of P. Dostál.

In the period before the 26th Convention of ČSSD in February 1993, there were already three currents within this party: the 'Rakovník' one, closest to the government coalition (J. Paroubek), the 'centrist' one, including P. Buzková, P. Novák and P. Dostál, and the 'radical' one led by M. Zeman, which endorsed a confrontational stance in relations to the government (*Budování států* 2/1993:7). The election of a chairman in the absence of J. Horák ended with M. Zeman's victory, which represented an important turn. The new chairman associated himself with expansive trends directed towards the left, which had already existed in ČSSD during the era of his predecessor (see the case of the Revival Club). It began with a populist type of politics with two goals: to increase its number of voters and to suppress competition on the left of the political spectrum. The practical consequence of his effort to obtain the strongest possible position on the left was to put pressure on other subjects on the left as well as on the right of ČSSD, which was made apparent by both absorbing members of these subjects and their voters.

The ČSSD was assisted in its efforts by the disintegrative trends on the extreme left when, in connection with the strengthening of the 'conservative' wing of KSČM and its later victory at the June 1993 convention (when M. Grebeníček replaced the pro-reform J. Svoboda as chairman), the 'reformists' began splitting off. They founded two new parties (the SDL and LB) and the subsequent activities of ČSSD were focused mainly on gaining their members (especially of SDL) and voters. Thus in the space between ČSSD and KSČM, two small subjects were established, which led to the shift of the KSČM to the left margin of the political spectrum. The departure of several dissatisfied members did not bring about much change for the KSČM, and its voters seemed to be satisfied with the new leadership.

The expansion of ČSSD towards the political center was also visible in the revival of the idea of the Realist Block in June 1993, joined by the LSU and KSU. Simultaneously, a slow but relatively steady transfer of some personalities from the OH (or SD) to ČSSD had been going on. The decisive turn for ČSSD occurred in the first half of 1995, when Zeman's tactics, together with the 'civic' parties problems contributed to a sharp increase in support for ČSSD, which almost doubled, exceeding 20 %. Shortly before that (in November 1994) V. Grulich, on behalf of ČSSD, made the first formal offer to KDU-ČSL to cooperate in the preparation of a 'social-market economy' model. The ČSSD was thus gradually gaining hegemony in the space between the KSČM and KDU-ČSL. Despite occasional expressions of disapproval by some members, M. Zeman had built for himself a similar position inside the party.

During the third phase of its development, the party system in the Czech Republic underwent a gradual clarification of the positions of individual subjects both in regard to the standing of these subjects in the multi-dimensional space defined by Sartori (horizontal refinement), and to their importance within the system of internal relationships (vertical refinement). Similar to our description of the previous phases, even here it is possible to emphasize some characteristic traits of the whole period, in particular the following two:

1. *The integration and collapse of the center.* During this period, political subjects at the center of the spectrum had become more integrated after a long wait, but even this did not strengthen them in any way. Even prior to the 1996 parliamentary elections, it was obvious that no center parties had been clearly established there. In addition to the fact that adepts themselves aiming at being labeled 'center party' were weak, this situation was augmented by KDU-ČSL's steady movement towards the center. This party had gradually acquired a real position in the center of the party spectrum and even began to function as a centrist subject in certain aspects of its activities.

2. *The establishment of European-type parties.* Between 1992 and 1996, the external picture of subjects on the Czech party scene began to change. Subjects conceived on a status, national or other narrow principle had begun to lose support, while parties, which approached the whole electoral spectrum, had fared better. The relevant political parties or the parties with a significant coalition or blackmail potential (above all ODS, but also ČSSD had become more of a 'catch-all' party) gained the character of non-selective parties. Consequently, they abandoned their focus on the more narrow and better-defined areas of social problems and voter groups that were typical for the initial period of the development. The Czech party scene was also characterized by the total disappearance of the form of political subject, which had been popular earlier – the political movement.

Shortly before the 1996 parliamentary elections, the party system in the Czech Republic had all of the prerequisites to complete its basic stabilization and to enter the next phase in which a shift in the power relations between parties replaced changes in the number and character of the subjects. While it is not possible to classify the party system as moderate or polarized pluralism, there is sufficient evidence to suggest that the aspects of moderate pluralism were predominant. Due to certain features of the development of this system during the third period (most importantly the above-mentioned shift of KDU-ČSL towards the center), it was not clear whether these characteristics would strengthen in the following period or whether there would be a change towards polarized pluralism.

12.4 Balancing of powers in the system: after the May 1996 elections

The elections to the Chamber of Deputies held on May 31 and June 1, 1996 represented an important turning point in the development of the Czech party system. The elections not only brought about a significant reduction in the number of the political subjects represented in Parliament, but also restored the association between the actual importance of a political subject and its share in legislative power. In addition, these elections also decided that those unsuccessful subjects who had not gained the necessary 5 % would remain marginalized in the future and that their potential for growth would be very limited, at least for the next election period. This is also witnessed by the fact that the majority of unsuccessful political subjects have since been characterized by a continuous long-term decrease in preferences. The exception was DŽJ, which regularly earns about 3 % of votes and to a certain extent even DEU, which has not earned enough support to receive financial contributions from the state (Table 12.4).

In addition to these consequences, the elections also brought a change in the system itself. The political parties that made it into the Chamber of Deputies entered an environment in which only six subjects, with roles, which were to a certain degree pre-defined, would determine the limitations of the maneuvering space. Possibilities of strategic advances, which had been quite high in the previous election period, had closed significantly. The system as a whole was now facing a situation where the ongoing changes were only of a tactical character (with the possible exception of KDU-ČSL).

Two other important changes in the system were linked to the election results, the first concerning the KDU-ČSL. Although it had already shifted significantly to the actual center of the spectrum during the pre-election period, it unambiguously occupied this space after the elections. This gave it a balanced coalition potential both in relation to the 'civic parties' as well as ČSSD. In a certain sense KDU-ČSL had earned the greatest coalition potential on the Czech party scene, the second change was linked to ČSSD. The loss of the election battle with ODS confirmed its hitherto rather theoretical position as the alternative counterpart to ODS. On the other hand, ČSSD gained a practical hegemony in the space between the KSČM and KDU-ČSL, due to the election failure of the 'center' parties and other left subjects (with the exception of KSČM).

The development inside the six parties was limited during the months preceding the first Senate elections as their position was either affirmed or strengthened by the elections, with the exception of only occasional attempts at finding out how far one or another subject could go in this new situation. A typical example of such behavior were the reflections of Prime Minister Václav Klaus on prospective mergers by the right subjects or the attacks of M. Zeman against ODS politics or against some of its members, who were gradually gaining force. The elections to newly established Senate, which occurred during two weekends in November 1996, did not have any significant impact on the shape of the party system (this was also due to the character of the Senate in general).

Table 12.4 Results of elections to the Chamber of Deputies in 1996 (%)

Party	Votes	Mandates
Civic Democratic Party (ODS)	29.62	34.0
Czech Social Democratic Party (ČSSD)	26.44	30.5
Communist Party of Bohemia and Moravia (KSČM)	10.33	11.0
Christian-Democratic Union – Czechoslovak People's Party (KDU-ČSL)	8.08	9.0
Association for the Republic - Republican Party of Czechoslovakia (SPR-RSČ)	8.01	9.0
Civic Democratic Alliance (ODA)	6.36	6.5
Pensioners for Life Guarantees (DŽJ)	3.09	-
Democratic Union (DEU)	2.80	-
Free Democrats - Liberal National Social Party (SD-LSNS)	2.05	-
Left Block (LB)	1.40	-
Independents	0.50	-
Czech-Moravian Centre Union (ČMUS)	0.45	-
Movement of Autonomous Moravia and Silesia (HSMS-MNSj)	0.42	-
Moravian National Party (MNS-HSMS)	0.27	-
Party of the Democratic Left (SDL)	0.13	-
Czech Right (ČP)	0.05	-
Total	100.00	100.0

Source: Election results 1996, CSO.

In 1997, developments occurred which would significantly influence the position and importance of the majority of subjects on the party scene. Worth mentioning from the first half of the year is the exchange of positions by the strongest two parties. According to election preferences indicated in opinion polls, ODS and ČSSD had switched places at the beginning of spring 1997, and the margin ČSSD's lead gradually increased to 6–9 %. Much more pronounced changes occurred in the fall of 1997 and continued into 1998, which completely altered the right-wing of the party spectrum. Prolonged financial scandals, already plaguing ODS since 1995 (hiding donations by sponsors behind the fictional donors), led to an internal party crisis which later evolved into a governmental crisis. These events had three serious impacts on the development of the party system:

1. A split in ODS caused by personal, political and moral priorities of both rank and file members and party leaders. The result was on the one hand a visible weakening of ODS among voters (according to Institute for Public Opinion, its support dropped to 10 %, however soon after it started to climb to between 12 % and 15 %). On the other hand, it also caused a certain consolidation within the party around V. Klaus after the departure of a number of its members.

2. The establishment of the Freedom Union (US) made up of former ODS members and fresh individuals that had been outside of politics. Although it was not clear at the beginning what position this party would occupy in the framework of the party spectrum, it was soon apparent that it would most likely be a liberal-conservative subject attempting to appeal to voters by stressing the role of ethics in politics and society. Soon after its estab-

lishment, US had already gained rather substantial support from voters (according to Institute for Public Opinion surveys 12–13 %).

3. The formation of US also significantly influenced the position of KDU-ČSL, which up to then represented a 'substitute' alternative for right voters who were unwilling to support either of the 'civic' parties. This role was taken over by US immediately after its formation, which was reflected in a significant drop in support for KDU-ČSL (from 10–12 % down to 7–8 %). While this drop had no impact on the coalition potential of KDU-ČSL, it nevertheless represented an obvious sign that their position as the party which 'strikes the balance' could in certain circumstances be jeopardized.

The scandal which caused the break-up of ODS also had an impact on the situation in ODA. The internal problems of the alliance, where two groups had been fighting against each other since spring 1997, were not resolved even after the election of J. Skalický as the party chairman. The temporary suppression of these problems ended when the financial audit of the party, initiated by Skalický, uncovered irregularities similar to those which had destabilized ODS not long before. Some of the members of the right faction, grouped around Ivan Mašek, left ODA and established the marginal Party of Conservative Contract. The majority of the leading representatives had gradually left and the party itself ceased to exist as a significant subject (its preferences have dropped to 1 %). The appearance of US contributed to ODA's retreat from important political positions. Whereas KDU-ČSL suffered only a nominal drop in voters as a result of the establishment of US, ODA (perpetually struggling with the instability of its voters and their weak relationship to the party) saw the loss of the remaining support of its voters, accompanied by internal crisis.

It is remarkable that the difficulties which both civic parties and even the entire political right were facing did not in any way strengthen the position of ČSSD. The disintegration of the right should have theoretically strengthened ČSSD's position, but nevertheless in spring of 1998 it experienced a drop in the number of supporters. We can assume that ČSSD in continuing with its policy of incessant criticism, due largely to its leader, this time was distracted in aiming at the newly formed US instead of utilizing the right's difficulties in a more constructive manner. This policy, alongside the fact that even ČSSD was itself unable to avoid scandals, was likely the cause of the loss support. But the subsequent elections showed that voters interpreted all of this as a clash between the right and left, and that actual party scandals had basically no impact on their decisions.

12.5 Conclusion

The results of the June 1998 elections to the Chamber of Deputies have indeed brought some changes, but none of which might be described as a change of the system as a whole. As Table 12.5 shows, the bipolarity of the system remained intact, with ODS on the right and ČSSD on the left. The KSČM has maintained its extreme left character despite attempts at change. Such attempts found a response in the proposals of ČSSD to give the KSČM some representative function in Parliament and in the willingness of President Václav Havel to meet the representatives of this party under certain circumstances. Overall KDU-ČSL had maintained its previous position at the center of the political system.

Not even SPR-RSČ's failure in the elections could be considered as a change in the system, despite the fact that this failure certainly widened the space for maneuver for the subjects which made it into Parliament, theoretically making the formation of viable coalitions easier. From the system perspective, the absence of ODA and the newfound representation in Parliament by US may be considered even less significant. It is likely that US will take over the same position which belonged to ODA, so that the system as a whole will continue to work without any change.

Table 12.5 Results of elections to the Chamber of Deputies in 1998 (%)

Party	Votes	Seats
Czech Social Democratic Party (ČSSD)	32.31	37.0
Civic Democratic Party (ODS)	27.74	31.5
Communist Party of Bohemia and Moravia (KSČM)	11.03	12.0
Christian and Democratic Union - Czechoslovak People's Party (KDU-ČSL)	9.00	10.0
Freedom union (US)	8.60	9.5
Association for the Republic - Republican Party of Czechoslovakia (SPR-RSČ)	3.90	-
Pensioners for Life Guarantees (DŽJ)	3.06	-
Democratic Union (DEU)	1.45	-
Green Party (SZ)	1.12	-
Independents	0.87	-
Moravian Democratic Party (MDS)	0.37	-
Czech National Social Party (ČSNS)	0.29	-
Civic Coalition – Political Club (OK-PK)	0.25	-
Total	100.00	100.0

Source: Election results 1998, CSO.

The short time that has elapsed since the elections does not allow for further analysis. However, one aspect, which could in theory lead to some change in the political system might be mentioned. In the eventuality that the so-called opposition agreement signed between ODS and ČSSD led to either constitutional change or the introduction of a kind of majority electoral system (which would be an acceptable alternative for leaders of both parties), or if the consequence were to be an attempt by these two subjects to monopolize power on the political scene through some kind of 'cartel' agreement, there could be substantial changes in the functioning of the system and important changes in the system as a whole.

Another important development, which could potentially change the Czech political scene, is the integration of the moderate center and right parties, which has begun to occur recently. Before the Senate elections in 1998, the so-called Four Coalition consisted of KDU-ČSL, DEU, ODA, and US. The programs of these individual subjects are, however, rather different. The KDU-ČSL is aiming at a politics of the 'right center', US is presenting itself as the rightist party of a 'new kind', the DEU has up to now only been concerned with anti-communist issues and the ethical dimension of politics, and ODA has shaped itself as a conservative-liberal party of an Anglo-Saxon type. These four coalition parties

also have a largely dissimilar membership (numerically and socially), which would be an obstacle to further integration. In the event of the introduction of a majoritarian electoral system, or the in case of a significant modification of proportional representation, some sort of functional cooperation among them will become necessary.

At present, the party system in the Czech Republic has an ambivalent shape. On the one hand, from the point of view of the 'location' of the subjects on the left-right axis it is already established. But on the other hand, despite the fact that the 1998 election results have made the situation much more clear, neither the strength of the relevant subjects nor the intensity of their mutual relationships are known. Furthermore, it is becoming apparent that although significant chances of change in the distribution of power are not likely, it is possible to foresee a replacement of one type of subject with another. In theory it is also possible that more analogous subjects could begin functioning in a particular space. We must also not forget that clashes within ČSSD became stronger in 1997 and 1998, which raise the possibility of a potential split.

In general, it is possible to outline several attributes of the Czech party system: 1. The existence of only four parties with the potential of forming a coalition and at the same time each uncompromisingly enforcing its own policies (ODS, KDU-ČSL, ČSSD, and US replacing ODA); 2. The centripetal trends of these parties linked to tougher competition in the struggle for undecided voters, and 3. The relatively stable distribution of power between the left and right. As for the parties that did not make it into Parliament, we could say (with the probable exception of DŽJ) that any further development in the future would depend upon their success at the regional level.

Conclusion: the challenges and pitfalls of the transformation

Typically, the development of a society is described in terms of specific milestones. In its original Czech version published in 1998, this report shared the number '8' with several other important dates in the 20th century Czech history. The Czech state in its modern democratic form was first founded in 1918 and then dissolved in 1938. In 1948, the Communist Party took the power, and in 1968, Soviet tanks once again blocked Czechoslovak reforms. If the next year of hopes – 1988 – was wasted, the 'Velvet Revolution' came a year later, bringing many changes and – even more – expectations. Regarding 1998, we can not yet tell to what degree the country's history will be affected by last elections results and ensuing political stalemate caused by the 'Opposition Treaty' between leading parties of the political left and right.

As political history proceeds from one milestone to another, society lacks any fundamental dividing lines. Although society responds to both politics and economy, it evolves relatively independently of both; it develops at a slower rate, has richer sources, and functions more diversely. Therefore, to be able to grasp and to understand the development of the society is far more complex than to determine elections results or the economic cycle. What 1998 means for Czech politics and economy, does not mean the same thing for the society. Rather, it will remain only one of many years of its transformation during which Czechs are invited and forced to adapt to new modes of thinking, choosing and acting.

In this report, there has been an emphasis on developmental trends and gradual changes over time. If there is a start and an end when speaking of political and economic trends, the process of societal transformation never ceases and is without any clear beginning or ending. While it is possible to define a limited set of indicators of change for political or economic fields, it is nearly impossible to decide which are the primary indicators in sociological terms. Even entire sets of social indicators are insufficient to describe the society as a whole, and for certain phenomena (e.g. ethics) the relevant indicators are lacking. It is also true that the value of such indicators may be confirmed only in the context of a certain approach that focuses upon a single aspect of a society, i.e. social structure, economic inequalities, the state of institutions, or more comprehensively, civic society.

If we look at Czech society in light of the transformation, it is clear that we are interpreting the implemented and ongoing changes through the lenses of the market and democracy. In November 1989 and the period immediately following it, there was no more important issue than a return to standard Western civilization boasting a functioning dem-

ocratic system and an efficient market economy. By means of spontaneous demonstrations, the Czech people manifested their defiance of the totalitarian regime and command economy as well as a determination to prevent any control over civic and economic life. Market and democracy, as expressions of human freedom in the economic and political spheres, became the principal issues of new political subjects and guided the work of intellectuals paving the path of the transformation.

It is not sure to what extent were the market and democracy taken as real challenges, it means as objectives that are difficult to attain and necessitate full engagement and sacrifices of individuals. Or to what extent they were taken as a given, as gifts of the changing times, or as rewards for previous suffering. During the first reform years, it may have seemed that the Czech people had re-established a standard environment for social and economic life that they had been deprived of during the communist regime. Upon the collapse of the communist regime, there was nothing that could stand in the way of the market and democracy to reviving and invigorating the people. It was presumed that the democratic habits and market behavior are intrinsic to human beings, particularly within nation with deep capitalist roots.

Nevertheless, challenges do not tend to be innocent. They hide pitfalls which can occur suddenly when there is a rapid change rather than over a period of gradual development. Both the market and democracy are fragile human creations, dependent upon individuals who are far from infallible. It is illusion to think that they are given matrices able to reshape human behavior. In contrast, smooth functioning of both democracy and market is dependent on many requirements and prerequisites, primarily on the value and moral environment in which they operate. In the end, this environment will be the deciding factor for how well they serve and whether or not they will be abused.

The possibility of abuse in an institutionally insufficient and morally corrupted environment represents the greatest trap for both democracy and the market. The promotion of particular or personal interests, mainly by means of populist propaganda or media manipulation can readily destroy democracy. More often power comes from a pre-existing power and the democratic mechanism often serves only to help legitimate and camouflage their conversion. Nor the market is an embodiment of innocence, as its most natural tendency is to establish a monopoly, and to push out other participants thus dictating its conditions. Who would resist the temptation of using the market against other people, if rules or enforced order do not stifle such endeavors?

Whether we take democracy and the market separately or consider their intersection (far from natural and harmonious), or whether we take any 'proven' instrument, mechanism or institution, the surrounding society penetrates them and fills them with its own content, it means with people who are at hand. The selection of people who take up their new roles is usually less determined by their skills necessary for specific positions than by the degree of their involvement and effort. Thus, it is not a purposeful normative selection, but a competition without transparent rules. In particular, if 'social capital' accumulated during the communist regime prevails, the competition becomes largely unfair. During the moments of national unity of 1989–1990, it seemed as though the Czech people had nearly forgotten their habits and particular interests – but the 'society' began manifest its structured interests and to exercise its rights soon.

Theoreticians of democracy and the market – similar to their practitioners – view society in a simplified mode since they usually perceive citizens and social actors in a schematic and undifferentiated way. It cannot be otherwise, because it is impossible to embrace the endless complexity of a society, and because understanding always lags behind political events. Politics cannot wait for research to reach its conclusions. It was necessary to begin reform without any thorough consideration of the breadth of its possible consequences. Moreover, if such prior consideration had been possible, how much of it could have been implemented at that time with the use of the available tools? Thus it is not only more convenient but in the end also inevitable that some work has to be left to the ‘society’ and at the same time to run the risk of modifying not only the concept of reform but possibly even its content and direction.

While involuntary ignorance can be excused, voluntary or even intentional ignorance cannot be. Knowledge on society under the communist regime was limited since it was subject to dogmas and was purposefully biased. The transformation revealed large gaps in information concerning the past as well as the current state of the country. Even if someone had been interested in it at that time, social science would have been hardly capable of describing the subject of interest well enough, from the point of view of the entire structure of interaction between the population and institutions. Unintentionally, the social sciences left the architects of the reform and citizens with many illusions and few warnings; for example, about threats ensuing from frequent predatory habits formed by the communist regime or about population’s strong identification with social security.

The most powerful theory of the post-communist transformation has undoubtedly been *path dependency*, in other words dependency upon the prior development. This theory, expanding the concept of transaction costs, highlights the strength of the continuity in social development, the onerous legacy of the past, and of the illusion that it is possible to change from one regime to another like changing trains. In the opinion of some of its experts, the deified market had in fact such formative capacities, but social reality revealed something different. For this reason, it is important to be aware of the development of inertia and to be familiar with the roots of society today, when aiming to create more realistic policies. Such policies set more modest but attainable objectives, in contrast to verbose politics, which set unattainable objectives while actually pursuing other covert or even unintended aims.

As mentioned at the beginning of this book, the selection and sequence of individual chapters was to a large extent determined by the application of the concept of society as an active entity, rather than as a suffering organism in need of control from the state. We had originally titled this volume *Social Report*, as in the West such a title suggests a standard report about society and its current development. However, in the Czech language it would imply a description of the situation of pensioners, families with children, and of all categories of the population in need, in addition to other social problems. Even though we do not neglect such issues completely (see the analysis of unemployment in Chapter 1 or of redistribution in Chapter 6) they are approached in the context of a society as an active whole which reproduces itself from its own resources.

This approach, however, involves an implicit criticism of how the transformation was tackled in the Czech Republic, i.e. from the macroeconomic standpoint and in a rather

schematic way. If macroeconomic indicators are favorable, why are there problems 'down below'? A stabilized economy will surely sooner or later develop its own rules and ethics and will soar up from 'the bottom', from a countless number of rational players in pursuit of their own interests who do need not the guidance of 'social engineers'. The new regime economists remain bedeviled by old Marxist phrases about 'base and superstructure', according to which economic relations dictate (in the end) laws and ethics, and Hegel's idea of the 'iron laws of history' which wins recognition irrespective of the will and readiness of its participants. Today the dismantling of the command economy and the totalitarian regime should suffice to allow people to build a capitalist paradise through their own spontaneous activities in the same way as the nationalization of factories was considered as sufficient to enable masses to build communism.

Rejecting one scheme does not mean that we want to replace it with another seemingly superior one. Our objective here has been to adopt a less schematic approach. Social change uses many diverse resources: the work of individuals and their entrepreneurial spirit, skills, and education, but also activity of families, representing the very base of the mankind. The first part of this report deals with these particular resources. Socio-economic change affects each person differently, according to their position in the social structure, amount of family assets and personal values. The second part of the report thus focuses on social stratification, the movement of people in social space, and the role of the state in balancing disparities. Political interests and behavior stem from concrete situations and the social position of people; however, politics remains to be an ideological arena. Changes in the areas mentioned above are described in the third part of this report.

The primary ambition of such social reports should be to highlight situation in and relations between various areas of social life. Similar to any other comprehensive change, societal transformation is the interplay and intersection of many spheres. Traditionally, the division follows individual social sciences, distinguishing political, economic and social fields, and – where appropriate – also legal, environmental, and demographic areas. However, all these spheres are very closely linked, which implies momentous challenges and dangerous pitfalls. For example, one substantial challenge is to free up business activities and to loosen all regulations. Instead of healthy competition, this might lead to the control of particular arenas by the most powerful players, those who have mapped them out in the past and who find the market as a useful means to establish an oligopoly. However, it is difficult to say which boundary conceals bigger pitfalls – whether it is the mutual penetration of politics and economy, the friction between political and social spheres, or tensions between economic and environmental issues.

Compared to the economy, whose performance can be relatively accurately expressed in terms of product or profit, or compared to politics, where we can apply terms of hierarchical functions and division of power, society seems to be a rather intangible entity. Its fluid character even causes some people to believe that society consists of only individual citizens and their mechanical or interest groups. At the same time, however, they would have to admit that every individual carries in oneself a certain societal ethos and respects external behavioral impulses, as well as certain limits. We must also admit that there is also something more that has persisted despite the evidence regarding the massification and atomization of modern society; it is precisely society as a structured entity, as a field of differentiated interests, and as a socially differentiated community.

It is clear that the notion of social strata to describe societal structure has departed from its original meaning of geological strata. In some cases we cannot clearly identify which individuals enjoy a socially higher position and who a lower one (e.g. whether a professional in the public sector or a freelance on the same professional level). This terminology only helps us to visualize society as more than a monolithic mass (which corresponds to the communist ideology). Interaction between social strata, pursuing diverse interests and acquiring different shares of the national wealth and political power, is an important engine for social movement. Regional differences also play a very dynamic role, and we are aware of the specific functions of gender and generational differentiation, although sufficient attention to these issues was not paid in this report.

Nonetheless, we consider the perspective of the middle class to play a key role in the transformation process. It is called the 'middle' not because it finds itself in the middle of society, thus representing an average of diverse values. Rather, this label stems from the seemingly unreconcilable conflict between labor and capital. According to Marx, such a conflict should have led to the elimination of the middle class and society would be divided into a bourgeoisie and proletariat until a socialist revolution instigated by the oppressed masses. The political bureaucracy of the 'really existing socialism' attempted to establish what 'history' failed to do. But even the repressive policy of the totalitarian regime did not complete the work of this destruction and society remained differentiated, although to a limited extent and in a distorted form. The renewal of the market and democracy stirred expectations for the rebirth of the middle class.

At the end of the millennium, the role of the middle class is not only attenuate the conflict between labor and capital, it also finds itself in the center of dynamic processes, which are unthinkable from the modern period. Some of these processes include the information revolution, a boom in education and communication flows defining the new dominance of production and distribution of symbolic values over traditional material assets. The bustling speed of this development also goes hand in hand with the undiminished importance of innovations and their architects – entrepreneurs, or better, active people in Joseph Schumpeter's classical view. Entrepreneurs and professionals are typical representatives of the re-born middle class. Their position in the center of social dynamics should be reflected in their income and life-style, however the quantitative 'statistical' definition is insufficient.

Sociologists are often asked who represents the middle class and how many, which of course is deserving of a conditional answer. We claim that to be a member of a certain class is not solely determined by occupation or income, especially if they are taken out of the appropriate context. The key position of the middle class in the transformation is that it should give the entire society the character of a middle-class society. There are practically unlimited possibilities for the strata to expand, since ultimately it not only depends on how an individual places oneself on the social ladder and within societal space, but particularly on their life opportunities. Here, the subjective dominates the objective, similarly to the value of material assets or services, where their subjective value for the consumer is more important than objective production costs.

Thus, the formation of the middle class represents both the greatest challenge and pitfall, and at the same time is the most sensitive measure of the transformation. It is a silent challenge since it does not have any concrete objective. It is more a derivative of other tasks – to establish equal opportunities for entrepreneurs, to utilize one's education and ensure return to investments, to pay according to performance, to limit redistribution to a minimum, and so forth. Generally speaking, what is beneficial to society as a whole – to its economic development and social dynamics – contributes to the formation of the middle class and the expansion of their life-style and working habits. Ultimately, it is self-evident, if we remember that the middle class is the best representative of innovative and modernizing social trends.

Nevertheless, since November 1989 the middle class in this respect have been cornered and the transformation has so far failed to meet its expectations. Simply, instead of the unequivocal establishment of the new criterion of production (multiplication of the national wealth over the long-term), the previously governing criterion of redistribution was paradoxically strengthened again. If considering large-scale privatization in the past, it consisted of a hurried redistribution of national property into the hands of old-regime and new-regime redistributors. The purpose of the subsequent flow of capital between the state, banks and companies was to maintain the *status quo* rather than to cut old ties and create a business sphere governed independently from the state. Instead of capitalizing on new money, there was an outflow of a substantial part of the little capital left following communist management of the economy.

Although the amount of government spending in GDP has been gradually decreasing, the high taxation of entrepreneurs has not substantially changed. Even though real wages have increased slightly since the first recession, the position of professionals in public administration has changed very little. This is only inadequate evidence of the problematic dynamics of the 'old' and 'new' middle class in the transformation, apart from many other, much subtler ones. The state has been increasingly successful in supporting labor hoarding and 'social employment' and in providing protection to the poor. The opposite has been true in unburdening those who are the indispensable bearers of social dynamics and who can guarantee the entrance of the Czech Republic into the family of West European countries. At the same time, the state has shown a dangerously high tolerance of the illegal accumulation of property and has allowed the creation of an unproductive stratum of *nouveaux riches*. Both tendencies have harmed the interests of the middle class as well as the long-term interests of the society.

A middle-class society is an active and productive society, which creates material or symbolic assets, and thus is neither parasitic nor redistributive. It opposes to self-strengthening redistribution, which fosters a lack of incentives, demotivation and overall shrinkage of funds to be redistributed, resulting eventually in a limited amount of all resources. Moreover, a middle-class society is a society of law and order and a particular life-style, not merely an economic society in which the primary competition is over-consumption. A consumer society eventually consumes itself. Both of these interpretations represent a pitfall for the middle class. Unfortunately, if the middle class becomes trapped, society as a whole will be suffocated as well.

In consideration of all of these challenges and pitfalls, we must not overlook ourselves. This report has served as a challenge to overstep borders between disciplines, to monitor interactions, and to grasp key social issues more comprehensively. Perhaps we have ourselves been caught in a trap of excessively high ambitions projected in a very short period. Thus, this book should serve as a challenge for future authors of such social reports on Czech society, which will undoubtedly be more knowledgeable, comprehensive, and lucid.

Appendices

Main political events in the Czech Republic after 1989

- December 1989: Václav Havel is elected the President of Czechoslovakia for the period ending by the first free parliamentary elections.
- June 1990: first post-communist elections both to the federal and national assemblies, the winning coalition of OF, VPN and KDH forms the federal government (Prime Minister Marián Čalfa).
- July 1990: the newly elected Parliament re-elected Václav Havel to the presidency for the period of two years.
- June 1992: general elections both to the federal and national assemblies: the winning and government parties in the Czech part of the federation are ODS, ODA, KDU-ČSL and KDS (Prime Minister Václav Klaus) and in Slovakia HZDS (Prime Minister Vladimír Mečiar). Temporary federal government is headed by Jan Stráský.
- July 1992: President Václav Havel abdicates.
- Late summer and fall 1992: negotiations on the future form of Czechoslovak federation, finally the agreement about separation of Czechoslovakia in two independent states – the Czech Republic and the Slovak Republic.
- December 1992: the new Constitution of the Czech Republic approved by the Czech National Council.
- January 1993: the Czech Republic is established, the former national assembly (the Czech National Council) is transformed into the Chamber of Deputies of the Czech Parliament.
- January 1993: Václav Havel is elected the first President of the independent Czech Republic.
- June 1996: after the general elections, the minority cabinet of Václav Klaus is formed (coalition parties are ODS, KDU-ČSL, and ODA).
- November 1996: first elections to the Senate of the Czech Parliament.
- Fall 1997: culmination of a series of scandals linked financing of the ODS led to resignation of Václav Klaus and his government.
- January 1998: a new cabinet with a narrow support in the parliament is established (Prime Minister Josef Tošovský).
- January 1998: Václav Havel is elected the Czech President for the second term.
- June 1998: Social Democrats win irregular elections and form a minority cabinet supported by ODS following to an 'Opposition Treaty' between ČSSD and ODS.
- March 1999: the Czech Republic becomes a member of NATO.

A. Demographic development in Central and Eastern Europe

Table A1 Median state of the population (millions)

Country	1985	1990	1991	1992	1993	1994	1995	1996
Czech Republic	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3
Hungary	10.6	10.4	10.4	10.3	10.3	10.3	10.3	10.3
Poland	37.2	38.1	38.2	38.4	38.5	38.5	39.0	38.6
Slovakia	5.1	5.3	5.3	5.3	5.3	5.4	5.4	5.4
Slovenia	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Netherlands	14.5	15.0	15.1	15.2	15.3	15.4	15.5	15.6
Austria	7.6	7.7	7.8	8.0	8.0	8.1	8.1	8.1

Sources for all tables: Pavlík and Kučera, 1994–1997; Pohyb obyvatelstva, 1989–1996; Kučera and Fialová, 1996, Demografická příručka, 1996.

The development in the number of citizens in any country is determined above all by a natural population change, i.e. that people are born and die. Population is also affected by international migration. The population of the Czech Republic has been relatively stable since the beginning of the 1980s, estimated at around 10.3 million. With 1.3 % of the European population, the Czech Republic ranks among medium-sized European countries. Since 1994, the Czech population has experienced a slight decline due to the fact that the number of deaths has exceeded the number of births. Generally speaking, for advanced countries (Austria and the Netherlands are used as examples in this article) the rate of natural population growth is rather low, which results from long-term low birth rates.

The fact that the rate of natural increase in Western Europe has not fallen below zero (as is currently the case in the Czech Republic, Hungary and Slovenia) is due to favorable mortality rates and the continuous increase in life expectancy. Conversely, the rather negative natural increase in Hungary has been caused, together with the low birth rate, by its unfavorable mortality figures. Of all post-communist countries, only the Czech Republic and Slovenia have relatively low death rates, where the negative natural increase without doubt may be attributed to low birth rates. However, a negative level of natural increase does not necessarily mean a reduction in the population. Loss through natural population change might be compensated for by immigration.

Zero population growth or even slight population decline by itself (provided substantial emigration or high mortality rates do not cause it) does not serve as a significant demographic indicator. As emphasized in demographic textbooks – a negative natural increase conveys little about reproduction levels or even the quality of life in a given country. Population growth or loss always reflects a particular age structure and particular birth and death rates. Therefore, more demographic indicators are necessary to describe the specific situation in a given country and to make international comparisons.

Table A2 Mean age of women at first marriage (years)

Country	1985	1990	1991	1992	1993	1994	1995	1996
Czech Republic	21.6	21.4	21.5	21.7	21.9	22.2	24.6	24.9
Hungary	21.3	21.5	21.5	21.6	21.7	22.0	22.2	-
Poland	22.6	22.7	22.8	22.2	21.9	22.0	22.0 ^m	-
Slovakia	22.8	21.9	21.0	21.1	21.1	21.3	21.7	21.6
Slovenia	21.3	23.6	23.9	24.1	24.5	-	25.4	25.4
Netherlands	24.4	25.9	26.3	26.6	26.9	-	27.4	27.6
Austria	24.0	25.1	25.4	25.7	26.0	26.3	-	26.9

m = age median

The total number of children born in a specific calendar year and the number of children born to individual women depend in many countries on the age at which young people (women in particular) get married. It also depends on the proportion of those who stay single, since in many European countries most children are not born until after the couple is married. Generally speaking, the more people marry and the lower the mean age at marriage, the higher are the fertility indicators – a longer time spent in marriage extends the scope of time when conception and births can occur. Up to the very end of the 1980s, the marriage rate was so high in the Czech Republic that basically all Czech women (96 %) got married during their lifetime and nearly all Czech men married at least once (90 %). The proportion of single, twenty year-old women stayed at around 55–57 % throughout the 1980s, indicating that close to half of all young women were married by the age of twenty. This corresponds with the mean age of Czech women at marriage that was 21.6 years in 1985 and 21.4 in 1990. The pattern in other communist countries was similar, where Hungary in particular closely resembled the Czech development.

Following the political changes in 1989, marriage rates in all these countries dropped significantly. For a variety of reasons, young people have started postponing their weddings, choosing for the time being to stay single. For example, in 1997 83 % of Czech women at age twenty were single, compared to 57 % in 1989. The mean age at first marriage is projected to start increasing at an even more dynamic pace than it has thus far. For the present, its values are still relatively low compared with Western countries. One of the possible explanations is purely arithmetic: the mean age at first marriage reflects only those marriages occurring in a given calendar year. In the Czech population there is currently a relatively large number of young women over 25 who are postponing marriage. As soon as these women begin to get married, their age will affect the calculation of the mean values, so that the mean age at first marriage is highly likely to increase relatively soon to an approximate 27–28 years, which is common in Western Europe. At present, interpreting marriage indicators requires a great deal of caution since their levels are distorted by current changes in Czech demographic behavior.

Table A3 Total fertility rate (children per woman)

Country	1985	1990	1991	1992	1993	1994	1995	1996
Czech Republic	1.95	1.89	1.84	1.70	1.66	1.44	1.28	1.18
Hungary	1.83	1.87	1.88	1.78	1.69	1.65	1.57	1.46
Poland	2.33	2.04	2.05	1.93	1.85	1.80	1.61	1.60
Slovakia	2.25	2.09	2.04	1.98	1.92	1.66	1.52	1.47
Slovenia	1.72	1.48	1.42	1.34	1.34	1.32	1.29	1.28
Netherlands	1.51	1.63	1.61	1.60	1.59	1.57	1.54	1.53
Austria	1.47	1.46	1.50	1.49	1.48	1.44	1.40	1.42

The total fertility rate is at present a closely watched demographic indicator. It represents the average number of children that would be born alive to a woman during her lifetime, provided that the fertility rate remained the same as it was in the year when the indicator was calculated.

At the turn of the 1980s and the 1990s, fertility rates in communist countries except for Slovenia were certainly relatively high, approximating or even exceeding 2.1 children per woman. The fertility level of 2.1 is considered to secure the replacement of the parents and thus the reproduction of the population. In advanced countries, the total fertility rate has been relatively low for a long time, ranging from 1.4 to 1.7 children per woman, remaining more or less stable. In terms of fertility trends, stability is very desirable as it prevents population waves in the age structure of a nation, which tend to result in economic and social problems. The population pyramids of Austria and the Czech Republic illustrate the difference between a balanced and an unbalanced age structure. The projected increase in total fertility rate in the Czech Republic from the current 1.18 children per woman to about 1.5, which represents the standard in Western Europe, will further distort the shape the Czech population pyramid.

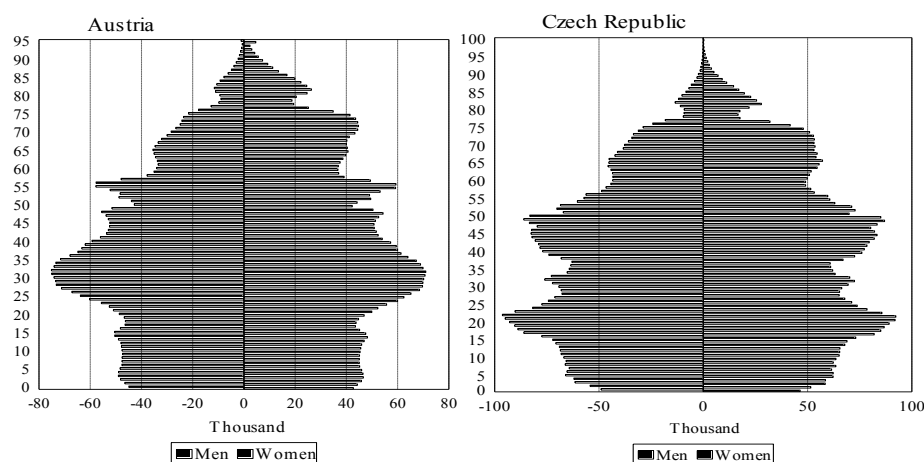


Table A4 Illegitimacy rate (births out of wedlock per 100 live births)

Country	1985	1990	1991	1992	1993	1994	1995	1996
Czech Republic	7.3	8.6	9.8	10.7	12.7	14.6	15.6	16.9
Hungary	9.2	13.1	14.1	15.6	17.6	19.4	20.7	22.6
Poland	5.0	6.2	6.7	7.2	8.2	9.0	9.5	10.2
Slovakia	5.7	7.6	8.9	9.7	10.6	11.7	-	14.0
Slovenia	19.1	24.5	26.4	27.7	28.0	28.8	-	31.8
Netherlands	8.3	11.4	12.0	12.4	13.1	-	14.3	16.9
Austria	22.4	23.6	24.8	25.2	26.2	26.8	-	28.0

As mentioned earlier in the article, the majority of children are born to married couples. Data show that the proportion of children born outside formal marriage has steadily increased in most European countries. High illegitimacy rates in Austria, Slovenia, and Hungary are very likely to reflect the growing popularity of so-called unmarried cohabitation, where two partners of the opposite sex live together and share a household without being legally married. In Scandinavian countries, where unmarried cohabitation is common, the percentage of children born outside marriage is around 50 %. The highest figures have been recorded in Iceland (61 %), Sweden (59 %) and Norway (48 %), and the lowest in Greece (3 %). With respect to the proportion of illegitimate children, the Czech Republic is within the European average, however it follows a similar trend as the Netherlands. Between 1996 and 1997, the proportion of children born outside marriage in the Czech Republic further increased to 18 %. Most illegitimate children are born to women in the 25–29 age group.

The fact that children are born outside marriage does not necessarily indicate that a single parent brings them up. In many countries, these children are often born to partners who live together and who subsequently tend to eventually marry. Such a pattern has so far been rather rare in the Czech Republic. Should an unmarried woman become pregnant, the couple traditionally gets married before the child is born, as is reflected in a relatively stable and considerably high proportion of children born within the first eight months of marriage. Not until 1996 did this proportion drop below 50 %.

Life expectancy at birth represents the average number of years which a new-born boy (girl) could be expected to live provided that the mortality rates experienced in the calendar year of the child's birth do not change during his/her lifetime. Life expectancy is an important demographic indicator considered also being a concentrated indicator of the standard of living. The relevant data reflect a grim communist legacy: inhabitants of post-communist countries (males in particular) die much younger than their contemporaries in Western Europe. The least favorable situation is currently recorded in the republics of the former Soviet Union: in Russia, life expectancy for males is 57.6 years, 61.8 in Moldavia, 63.6 in Lithuania, and 63.9 in Latvia. Conversely, Swedish men can expect to enjoy the longest life and live to an incredible average of 76.5 years, followed by Icelandic men (76.2 years), the Swiss (75.7 years) and Norwegians (75.4 years), in addition to Greeks (75.0 years) and the Maltese (74.9 years). In each country, female life expectancy tends to exceed the corresponding figure for males by 5–7 years. In the most advanced European

countries women can currently expect to live 82 years on average (Switzerland and Sweden). In France, Spain, Norway, and Italy female life expectancy is 81.

Table A5 Life expectancy at birth (years)

Country		1985	1990	1991	1992	1993	1994	1995	1996
Czech Republic	men	67.4	67.5	68.2	68.5	69.3	69.5	69.7	70.4
	women	74.7	76.0	75.8	76.3	76.4	76.7	76.7	77.3
Slovakia	men	66.9	66.6	66.9	67.1	68.4	68.3	68.4	68.8
	women	74.7	75.4	75.4	75.9	76.7	76.6	76.5	76.7
Poland	men	66.5	66.5	66.1	66.7	67.4	67.5	67.6	68.1
	women	74.8	75.5	75.3	75.8	76.0	76.1	76.4	76.6
Hungary	men	65.6	65.1	65.1	64.6	64.6	64.9	65.2	66.1
	women	73.6	73.8	73.9	73.9	73.9	74.4	74.5	74.7
Slovenia	men	-	-	69.4	69.6	69.3	70.0	70.8	71.0
	women	-	-	77.4	77.5	77.5	77.7	78.5	78.6
Netherlands	men	72.9	73.9	74.1	74.3	74.5	74.7	74.7	74.7
	women	79.5	80.2	80.4	80.6	80.8	80.5	80.6	80.3
Austria	men	70.4	72.4	72.5	72.7	73.0	73.4	73.6	73.9
	women	77.4	79.1	79.2	79.3	79.5	79.9	80.2	80.2

The Czech Republic and Slovenia are basically the only post-communist countries to experience an improvement in mortality rates after 1990, accompanied by a steady increase in life expectancy. In 1997, life expectancy was 70.5 years for men and 77.5 years for women in the Czech Republic. It is important that the increase in life expectancy is due in particular to a decline in mortality among older age-groups which, in terms of mortality, used to be the most disadvantaged when compared with advanced countries. In the youngest age groups, mortality rates, including infant mortality, are relatively low. Available data suggest that the promising trend of growing life expectancy will continue in the future. There is no reason why the Czech Republic's mortality rate should differ greatly from the figures recorded in neighboring Austria, where men can expect to live 73.9 years and women 80.2 years.

Declining infant mortality has always resulted in the increase in life expectancy. Since infant mortality has already fallen so low, reaching its biological limit and thus being prevented from any further significant decreases, the steady increase in life expectancy logically reflects the fact that mortality has been declining even among the older and the oldest age groups. Declining death rates among the elderly combined with low birth rates contribute to the escalation in the process of demographic aging in advanced nations. Even though death rates in the Czech Republic cannot yet compare with those in advanced European countries, Czechs have not been spared the process of population aging. On the contrary, this process is expected to be highly dynamic since rapidly declining death rates reinforce the impact of the key factor in population aging, i.e. the rapid drop in fertility.

Table A6 Infant mortality rate (per 1,000 live births)

Country	1985	1989	1990	1991	1992	1993	1994	1995	1996
Czech Republic	12.5	10.0	10.8	10.4	9.9	8.5	7.4	7.3	6.0
Hungary	20.4	15.7	15.0	15.7	13.8	12.2	11.5	10.5	10.9
Poland	18.5	16.0	15.8	15.0	14.0	13.1	14.9	14.6	12.2
Slovakia	16.3	13.5	12.0	13.3	12.6	10.6	11.2	10.6	10.2
Slovenia	13.0	-	8.4	8.1	8.7	6.8	6.4	5.5	4.7
Netherlands	8.0	7.0	7.1	6.5	6.3	6.2	5.5	5.5	5.7
Austria	11.2	8.4	7.8	7.6	7.5	6.5	6.1	5.3	5.1

The infant mortality rate measures the number of children per one thousand live births who die during their first year in a given calendar year. In a certain way, this demographic indicator reflects the level of development of a nation as well as its standard of living. The current figures in advanced European countries fluctuate between 4.0 and 6.0, indicating that for every thousand live births only four to six children die in their first year. The infant mortality rate of 5.9 recorded in 1997 ranks the Czech Republic along with Slovenia among the group of advanced European countries, with Slovak and Hungarian infant mortality rates not too far behind. In other post-communist countries, infant mortality is rather high: 28.3 in Albania, 26.0 in Azerbaidzhan, 22.3 in Romania, 20.5 in Moldavia, 18.2 in Russia, 15.9 in Latvia, and 15.6 in Bulgaria.

B. Economic development in Central and Eastern Europe

The transformation process in CEE countries can be documented through the growth of GDP, inflation, unemployment, budget deficit and current accounts of the balance of payments. To compare the impact of the transition, it is convenient to consider also other data as the inflow of foreign capital, increasing foreign indebtedness and foreign exchange reserves. An adequate comparison can be carried out between CEFTA countries, since they had relatively similar basic conditions in economic development, labor productivity, and comparable price levels, at the beginning of the transformation process. They can also be compared with the other indicators characterizing the leading world economies (USA, Japan, EU and OECD). To ensure comparability, the data below was drawn from statistics of multinational organizations – the OECD and UN.

Table B1 Yearly growth of GDP (%)

Country	1989	1990	1991	1992	1993	1994	1995	1996	1997
Czech Republic	4.5	-1.2	-11.5	-3.3	0.6	2.7	5.9	4.1	1.0
Hungary	0.7	-3.5	-11.9	-3.1	-0.6	2.9	1.5	1.0	4.0
Poland	0.2	-11.6	-7.0	2.6	3.8	5.2	7.0	6.1	5.6
Slovakia	1.1	-2.5	-14.6	-6.5	-3.7	4.9	6.8	7.0	5.0
Slovenia	-2.7	-4.7	-8.9	-5.4	1.9	5.3	3.9	3.5	3.5
Bulgaria	0.5	-9.1	-12.0	-7.3	-1.5	1.4	2.6	-9.0	-6.0
Romania	-5.8	-5.6	-12.9	-8.7	1.5	3.5	7.1	4.1	-4.0
EU	3.5	3.0	1.5	1.0	-0.5	2.9	2.4	1.6	2.3
OECD	3.6	2.9	1.0	1.9	1.2	2.9	2.2	2.6	3.0
Japan	4.8	5.1	3.8	1.0	0.3	0.6	1.4	3.6	2.3
USA	3.4	1.3	-1.0	2.7	2.3	3.5	2.0	2.4	3.6

Source: Eurostat, Statistics in Focus, Economy and Finance, No. 29, 1997; OECD Economic Outlook, No. 62, 1997.

The slump in GDP was caused by closing down ineffective production, withdrawing subsidies, providing loans to companies on a needs basis, launching privatization, foreign trade, price liberalization, and reform of the legal system. The decline in the GDP was also caused by changes in the foreign trade policy. The dissolution of COMECON, transfer to payments in hard currencies, and settlements at world prices (instead of the five-year running averages) led to a steep drop in mutual trade between CEE countries, which had to be reflected in a drop in production.

Since the beginning of 1990s, the total production decrease in CEE countries reached 15 %. In 1992, Poland, as the first country to undergo reform, managed to reach an increase in real GDP. Similar increases could also be observed in all seven of the countries compared, nevertheless, the pace of the increase in real GDP slowed down again in the Czech Republic, Hungary, Bulgaria, and Romania due to restrictive economic policies.

Table B2 Yearly growth of consumer prices (%)

Country	1989	1990	1991	1992	1993	1994	1995	1996	1997
Czech Republic	1.4	9.7	56.6	11.1	20.8	10.0	9.1	8.8	8.9
Hungary	17.0	28.9	35.0	23.0	22.6	19.1	28.5	23.6	18.4
Poland	264.3	585.8	59.4	43.0	36.9	32.2	28.8	19.9	15.1
Slovakia	1.3	10.4	62.2	10.0	23.2	11.7	7.2	5.4	6.0
Slovenia	128.5	549.7	117.7	201.0	32.3	18.3	8.6	8.8	9.0
Bulgaria	6.4	23.8	338.5	91.3	72.9	96.2	62.1	123.1	1083.0
Romania	1.1	5.1	170.2	211.0	256.1	137.1	32.2	38.8	154.9
EU	5.1	5.5	5.0	4.4	3.5	3.0	3.0	2.4	2.0
OECD	6.4	7.2	6.5	5.1	4.4	5.0	5.9	5.4	5.0
Japan	2.3	3.1	3.3	1.7	1.2	0.7	-0.1	0.1	1.7
USA	4.8	5.4	4.2	3.0	3.0	2.6	2.8	2.9	2.6

Source: *OECD Economic Outlook*, No. 62, 1997; *Economic Survey of Europe*, No. 1, 1998.

In some of the countries in comparison, soaring prices counterbalanced the early and swift launch of reforms. The highest inflation rate occurred in Slovenia in 1989 and 1990. In the second half of the 1990s all of these countries managed to curb their inflation rates thanks to the adoption of austere economic policies (with the exception of Bulgaria). In the Czech Republic, the highest increase in prices occurred in 1991 due to price liberalization and the devaluation of CZK. Since that time, the Czech National Bank has managed to keep inflation around 10 % (the only exception was in 1993 when a price increase was a result of the newly implemented tax regulations).

At the beginning of the transformation period, the monetary policy in all observed countries was rather restrictive, with the purpose of keeping inflation down. Since 1994, with regard to development on current and capital accounts, the balance of payments has become one of the primary objectives for monetary policy and the maintenance of an external balance. This issue is also closely related to the policy which aims at the production of increased internal savings; the monetary policies in the given countries applied high interest rates to achieve this objective. The Czech Republic, Hungary, Poland, Slovenia and in part Slovakia managed to attract foreign capital through high interest rates and large-scale privatization. Therefore, the central banks had to bridle the excessive inflow of capital to prevent an excessive increase in currency reserves and consequently placed pressure on price increases.

The Czech National Bank constantly implemented a restrictive policy in the context of expected price increases, which occurred during price liberalization and devaluation of CZK (1991) and the introduction of the new tax system (1993). Restrictive policy also helped to lower domestic demand in order to establish an external balance (July 1996). Monetary policies in Hungary and Poland stemmed from the exchange rate policy, the so-called crawling peg. But in 1996 and 1997 this gave rise to conflicting aims of monetary and exchange rate policies, i.e. efforts to suppress inflation at the same time stimulating exports which would increase economic growth. The National Banks in Bulgaria and Romania opted for devaluation as demand on the foreign currency market exceeded the hard currency supply.

Table B3 Rate of unemployment (%)

Country	1990	1991	1992	1993	1994	1995	1996	1997
Czech Republic	0.8	4.1	2.6	3.5	3.2	3.1	3.5	4.4
Hungary	1.5	12.3	12.1	12.6	10.9	10.3	10.0	8.9
Poland	6.1	11.8	13.6	16.4	16.0	13.3	12.4	11.6
Slovakia	1.5	11.8	10.4	14.4	13.3	12.8	10.9	11.0
Slovenia	-	10.1	13.4	15.4	9.1	7.4	7.3	7.0
Bulgaria	1.8	11.1	15.6	16.4	12.8	10.8	12.5	14.0
Romania	1.3	3.0	8.4	9.9	10.9	9.5	6.3	9.0
EU	7.9	8.5	9.6	11.1	11.6	11.2	11.3	11.2
OECD	5.9	6.6	7.3	8.0	7.9	7.6	7.5	7.3
Japan	2.1	2.1	2.1	2.5	2.9	3.1	3.3	3.2
USA	5.6	6.8	7.5	6.9	6.1	5.6	5.4	5.0

Source: *Quarterly Labor Force Statistics*, No. 4, 1997; *OECD Economic Outlook*, No. 62, 1997; *Economic Survey of Europe*, No. 1, 1998.

Table B3 clearly shows the diversity in the development of unemployment in the Czech Republic during the transformation period compared to other CEE countries. The unemployment rate was about 3–4 % until mid-1997. The low rate of unemployment among other things generated pressure on real wage increases. Subsequently, one of the Czech Republic's comparative advantages was weakened, cheap skilled labor.

Other CEE countries faced problems of high and long-term unemployment, which made the transition formation and political stability more complicated. This also explains why political parties promising a slower implementation of reforms and ensuring higher social security won parliamentary elections in these countries. In recent years all of these countries have experienced moderate decrease in unemployment, but its rate remains around 9–11 %. The governments of CEE countries tried to remedy the problem of high unemployment by introducing unemployment benefits and a temporary lowering of the retirement age, which is from a long-term demographic perspective, unsustainable. This approach attenuated social tensions while simultaneously putting pressure on the growth of the state deficit and public budgets.

In all compared CEE countries, the employment rates reach 75–88 % during 1989, with exception the Czech Republic, where employment in 1996 amounted to 93 % of the 1989 level. The drop in employment was caused not only by the re-structuring of companies, which resulted in the elimination of over-employment, but also by doing away with the obligation to work. Some economically active people stay at home (mainly mothers with young children) or live on their property and thus do not enter the labor market.

In 1989–1996, overall employment dropped by 16 % in transforming economies, but not all sectors of the national economy experienced the same decline. Despite the differences between CEE countries, some common features can be traced in this change in all of the economies. The highest absolute and relative employment decrease could be seen in manufacturing industry, ranging between 30 and 40 % (but in the Czech Republic and Slovakia it reached only 20 %).

Table B4 Public budget balance of GDP (%)

Country	1990	1991	1992	1993	1994	1995	1996	1997
Czech Republic	0.9	-1.0	-0.2	0.1	2.0	0.3	0.0	-0.7
Hungary	0.8	-2.1	-6.8	-5.6	-8.4	-6.8	-3.0	-4.9
Poland	0.7	-6.4	-6.0	-2.8	-3.7	-2.9	-3.4	-3.7
Slovakia	0.9	-1.0	-3.1	-6.2	-0.4	0.1	-1.3	-3.0
Slovenia	-	-	0.3	0.3	-0.2	-0.2	0.0	-0.7
Bulgaria	-8.5	-3.0	-5.7	-11.0	-5.6	-5.7	-11.0	-4.0
Romania	1.0	-1.0	-4.4	-1.7	-5.5	-3.3	-8.4	-3.5
EU	-3.8	-4.4	-5.6	-6.5	-5.8	-5.2	-4.4	-3.0
OECD	-2.1	-2.7	-3.9	-4.3	-3.6	-3.3	-2.9	-1.9
Japan	2.9	2.9	1.5	-1.6	-2.3	-3.7	-4.4	-3.1
Japan ¹⁾	-0.7	-0.8	-2.0	-4.8	-5.1	-6.6	-7.3	-5.8
USA	-2.7	-3.3	-4.4	-3.6	-2.3	-2.0	-1.6	-1.1
USA ¹⁾	-3.7	-4.2	-5.2	-4.4	-3.2	-2.8	-2.5	-2.0

Source: *OECD Economic Outlook*, No. 62, 1997; *Economic Survey of Europe*, No. 1, 1998.

¹⁾ Note: Public budget balance does not include the balance of social security funds.

During the transformation period, the main objective of fiscal policies in all compared countries was to not underestimate public budget deficits and inflation, and to limit redistribution in the economy through lower public spending relatively to GDP. Nonetheless, as early as the beginning of the 1990s, many reformed countries were facing problems with high negative balances of public budgets. In 1991, problems with fiscal discipline occurred mainly in Poland and Hungary in 1992. In 1991, Poland experienced a dramatic decline of GDP, which was reflected in lower tax revenues funneled into the public budgets than expected. On the other hand, social expenditures were seen rising at the same time.

The highest percentage of public budget deficits of the GDP occurred in Bulgaria (11 % in 1993 and 1996) and in Hungary (8.4 % in 1994). Governments of both countries agreed to the implementation of a restrictive economic policy, which Bulgaria failed to adhere to for long and was replaced by an increase in public spending due to the pressure of political and economic instability. This resulted in a record deficit in public budgets of the GDP, reaching 11 %.

To control the state budget deficit in reform countries, a new tax system aiming at a higher proportion of indirect taxes had to be enforced; hence, the introduction of the VAT. A successful changeover to the new tax system was one of the reasons why the Czech Republic did not encounter serious problems with the state budget deficit.

One of the transformation objectives, as mentioned above, was to reduce the amount of GDP redistribution. This was the reason why the fiscal policy undertaken by the Czech Republic was restrictive at the beginning of the transformation process and produced public budget surpluses. As these surpluses were dissolved in the following years, the fiscal policy became more expansive, causing internal economic imbalances. It is also noteworthy to mention the one-time revenues that entered into the public budgets from the sale of privatized property as well.

Table B5 Current account balance (billion USD)

Country	1990	1991	1992	1993	1994	1995	1996	1997
Czech Republic	-0.34	1.14	-0.31	0.12	-0.05	-1.36	-4.48	-3.20
Hungary	0.13	0.27	0.32	-3.46	-3.91	-2.48	-1.68	-1.90
Poland	0.72	-1.36	-0.27	-2.33	-0.94	-2.30	-8.51	-10.90
Poland ¹⁾	-	-	-	-1.33	0.76	5.46	-1.35	-6.10
Slovakia	-0.77	-0.79	0.17	0.56	0.71	0.65	-1.90	-1.80
Slovenia	0.52	0.13	0.93	0.19	0.54	-0.04	0.05	-0.10
Bulgaria	-1.71	-0.08	-0.36	-1.10	-0.30	-0.20	0.10	0.20
Romania	-1.65	-1.37	-1.46	-1.17	-0.43	-1.64	-1.50	-2.00
EU	-31.40	-80.30	-80.70	8.60	23.60	51.30	92.20	114.90
OECD	-115.70	-60.40	-67.50	3.70	-26.40	14.10	-15.40	2.20
Japan	44.70	68.20	112.40	131.90	130.50	110.40	65.80	91.80
USA	-91.90	-5.70	-56.40	-90.80	-133.50	-129.10	-148.20	-170.80

Source: *OECD Economic Outlook*, No. 62, 1997; *Economic Survey of Europe*, No. 1, UN, 1998.

¹⁾ New methodology introduced in 1993.

One of the most significant changes in all of the compared countries was the development of foreign trade and the overall balance of payments. Dissolution of the COMECON, adoption of world prices and payment in hard currency meant not only a territorial re-orientation in foreign trade but also fundamental changes in its commodity structure. To enter the Western markets these countries had to implement price cutting policies (through devaluation at the beginning of the transformation process) and inevitably to increase the quality of products and services.

To boost foreign trade, the former Czechoslovak Federal Republic, Hungary and Poland signed the Accession Agreement to the EU in March 1992. To facilitate mutual trade between Central European countries, these countries together with Slovakia signed the Central European Free Trade Area Agreement (CEFTA), which was later joined by Slovenia, Romania and Bulgaria. Nonetheless, even these agreements did not prevent a trade balance deficit that has become a serious economic problem in most of the reform economies. Each government had to respond by adjusting its existing economic policies.

The development in the current account of the balance of payments reached a crisis first in Hungary (1993 and 1994) and then two years later the same problem occurred in Poland and in the Czech Republic, where the current account deficit of the GDP amounted to 8 %. In Poland, the rate was significantly changed but only due to the method applied for statistical calculations in foreign trade, consisting in the transfer of non-specified trade transaction items from the capital account to the current account (this item represented the foreign currency supply resulting from cross-border contact). Since this item had a positive balance, the current account balance improved as well. In Slovakia the external imbalance soared in 1996 (approximately 10 % of the GDP). The condition was even more serious because Slovakia had the lowest amount of direct foreign investment out of all CEFTA.

Table B6 Foreign direct investment in 1990–1996 (billion USD)

Country	1990	1991	1992	1993	1994	1995	1996	Total
Czech Republic	120	511	1004	568	862	2562	1428	7055
Hungary	311	1459	1471	2339	1146	4453	1983	13162
Poland	10	117	284	580	542	1134	2741	5408
Slovakia	18	82	100	134	170	157	119	780
Slovenia	4	65	111	113	128	176	186	783
Bulgaria	4	56	42	40	105	90	82	419
Romania	-18	37	73	94	341	419	210	1156

Source: Economic Survey of Europe, No. 1, 1998.

Rapid and far-reaching privatization in all reform countries, together with improvement in their rating evaluation, helped to attract direct foreign investment. Hungary gained the most direct foreign investment since it was among the first countries to launch its economic transformation and implemented a great number of tax and other types of benefits to attract foreign investors. In contrast, the lowest proportion of direct foreign investment was channeled into Bulgaria, which was a result of its economic instability.

The declaration of more extended CZK convertibility in October 1995, with the adoption of the new foreign currency law and accession of the Czech Republic to the OECD, improved ratings, stable foreign exchange rates, and capital investment from foreign to leading Czech companies (SPT Telecom, Škoda Mladá Boleslav, České rafinérie and Tabák Kutná Hora). In addition it also created significant momentum for capital inflow into the Czech Republic. The highest wave of foreign capital flowed into the Czech Republic in 1995, reaching 223 billion CZK, which accounted for 18.4 % of the GDP.

Table B7 The number of months of imports hedged by exchange reserves

Country	1990	1991	1992	1993	1994	1995	1996	1997
Czech Republic	0.5	0.9	0.8	2.6	3.7	5.3	4.1	3.3
Hungary	1.4	3.8	3.7	5.2	5.1	6.7	5.7	3.9
Poland	3.8	2.5	2.5	2.2	3.1	6.0	5.6	5.4
Slovakia	0.5	1.4	0.9	0.6	2.3	3.7	3.0	2.8
Slovenia	-	0.2	1.2	1.3	2.1	2.0	2.5	3.6

Source: Economic Bulletin for Europe, volume 48, 1996; Economic Survey of Europe, No. 1.

A similar trend in the development of foreign currency reserves can be seen in all CEE countries, namely their absolute growth and the increased number of months of import hedged by hard currency reserves. This growth has ensued from the inflow of foreign capital into individual countries, which expresses that foreign investors have faith in the positive course of the economic reforms and in political stability. The foreign capital inflow surpassed the current account deficits of the balance of payments, which generated higher foreign currency reserves thus covering the increasing share of imports.

Table B8 Gross external debt (billion USD)

Country	1990	1991	1992	1993	1994	1995	1996	1997
Czech Republic	4.4	7.5	7.8	9.6	12.2	17.2	19.5	21.3
Hungary	21.3	22.7	21.4	24.6	28.5	31.7	27.6	22.8
Poland	48.5	48.4	47.1	47.2	42.2	43.9	40.7	38.0
Slovakia	2.0	2.6	3.0	3.7	4.3	5.8	6.3	10.0
Slovenia	1.9	1.9	1.7	1.9	2.3	3.0	4.0	4.3

Source: Economic Bulletin for Europe, volume 48, 1996; Economic Survey of Europe, No. 1, 1998.

Table B9 Net external debt (billion USD)

Country	1990	1991	1992	1993	1994	1995	1996	1997
Czech Republic	4.0	7.0	7.0	5.8	6.1	3.3	8.8	11.5
Hungary	20.2	18.7	17.1	17.9	21.8	19.7	17.9	14.4
Poland	44.0	44.8	43.1	43.3	36.4	29.2	22.8	17.7
Slovakia	1.9	2.1	2.6	3.3	2.7	2.5	4.4	6.8
Slovenia	1.9	1.8	1.0	1.1	0.8	1.2	1.7	1.0

Source: Economic Bulletin for Europe, volume 48, 1996; Economic Survey of Europe, No. 1, 1998.

Poland had the highest gross external debt at the end of 1997, amounting to 38 billion USD, and its net external debt was USD 17.7 billion. An interesting observation is the dynamics of the indebtedness. In Hungary the amount of both debts is still nearly the same, without any signs of a change in this trend. In the Czech Republic, Slovakia and Slovenia growth of gross external debt can be seen, but the countries maintain relatively stable internal net debt. On the other hand, we can see a stable level of gross external debt as well as a decreasing net external debt in Poland.

The net external debt indicator more accurately expresses the external indebtedness of a country, since it also takes into account assets represented mostly by foreign currency reserves. Thus, it is always necessary to analyze changes in foreign currency reserves. Some countries lower their gross external debt through gold reserves and loans granted abroad. Lowering external debt through gold reserves has its logic since they may be sold on the world markets promptly without losing their value. Consequently, foreign currencies can be bought to cover obligations abroad. Loans to foreign countries represent a more complex issue since they have their period of maturity and moreover they occasionally turn into bad debt.

Good export performance of the economy is important in terms of the ability to pay off external debt. For this reason, an indicator expressing the ratio between gross and net external debt to the annual total import was constructed. From this perspective, Slovenia is well off in both respects – 40 % of its annual export is enough to cover its gross external debt and only 9 % to cover its net debt. The Czech Republic needs 69 % of its annual export to cover its gross debt and 38 % to cover its net debt. The other countries (Hungary, Poland and Slovakia) face a similar situation since 88–119 % of their annual export can cover their gross external debt and 55–63 % to cover their net external debt.

Table B10 Foreign exchange rate (yearly average, exchange rate in units of national currency for one USD)

Country	1989	1990	1991	1992	1993	1994	1995	1996
Czechoslovakia	15	19	30	28	-	-	-	-
Czech Republic	-	-	-	-	29	29	27	27
Slovakia	-	-	-	-	31	32	30	31
Hungary	59	63	75	79	92	105	126	153
Poland ¹⁾	1439	9500	10576	13627	18136	22723	2	3
Yugoslavia ²⁾	28760	11	20	-	-	-	-	-
Slovenia	-	-	28	81	113	129	119	135
Bulgaria	1	1	17	23	28	54	67	178
Romania	16	22	72	308	760	1654	2033	3085

Source: Economic Survey of Europe in 1996–1997, UN, 1997.

¹⁾ The 1st January 1995 monetary reform was carried out, exchange rate was changed to 1:10,000.

²⁾ The 1st January 1990 monetary reform was carried out, exchange rate was changed to 1:10,000.

At the beginning of the transition period, foreign exchange rates after devaluation in all countries were highly competitive, which was reflected in extremely low wages when compared to the international situation using the official exchange rate. The figures on average monthly wages serve as evidence of this trend; in 1991 monthly wages were approximately 166 USD in Poland, 128 USD in Czechoslovakia, 240 USD in Hungary, 98 USD in Romania, and 58 USD in Bulgaria. Low wages, skilled labor and geographic proximity to Western markets were the most important factors for competitive export by reforming countries.

The competitiveness of exchange rates and wages in CEE countries was very high at the beginning of the transition. To maintain the political and social stability in the fragile region, Western Europe could not introduce protectionist policies towards these countries since this would increase the income imbalance between East and West European countries. Existing differences could be obliterated through better access to Western markets and export growth in East European countries. As it happened, however, export from reform countries was very susceptible to the economic cycle in market economies, which was reflected in the decrease in total exports to market economies. On the other hand, economic situation in developed countries had a much lower impact on exports from the Russian Federation compared to those from CEFTA countries, due to the fact that fuel and raw material exports were less affected by the economic cycle than industrial goods. The commodity structure of exports from the Czech Republic, Hungary and Poland are approximately 6 % fuel, 16 % raw materials and 78 % industrial products, while the commodity structure of Russian exports was 34 % fuel, 14 % raw materials, and 52 % industrial products).

Globally speaking, the Czech Republic, Hungary, Poland, Slovakia and Slovenia belong to the most successful transforming economies of the former Eastern Block. Most of the basic macroeconomic indicators in these countries reflect a positive trend and some of them are even comparable with macroeconomic indicators in Western countries. Never-

theless, during the last two years, the three leading reform countries (Poland, Hungary, and the Czech Republic) experienced growth of internal and external imbalances as a result of several reasons. The external reason was above all the economic stagnation in EU countries and more than 60 % of the total export in the analyzed countries went to EU markets. The main internal reason could perhaps be the slowing-down of privatization, the incomplete institutional framework of these economies, excessive social spending which has led to public budget deficits, faster increases in real wages than in the productivity of labor, and a drop in the price competitiveness of domestic goods on world markets.

It is possible to expect similar problems in Slovakia, where the present development was impeded by slow privatization and less liberal policy undertaken by the Slovak government. In contrast, one of the most successfully developing countries in view of the macroeconomic indicators is Slovenia, which managed to recover very swiftly from the split of the former Yugoslavia and prepare favorable conditions for sound economic growth. The comparison also revealed that Bulgaria and Romania did not make the decisive steps in their economic policies that would have been initiated by strong and stable government policy. Thus their basic indicators, mainly the level of inflation, lag behind the other countries from the first wave of transformation.

The transition from a centrally planned to a market economy in the compared CEE countries has brought with it many problems, to which the individual economic policies were forced to respond. Nevertheless, these findings suggest that the first five compared countries have relatively successfully implemented the idea of taking the fast route to the transformation from command to market economy.

C. Selected political and social indicators

The role of public opinion and the influence it exerts via the modern media is immense. Empirical research mapping attitudes of the public enjoys great attention in all democratic countries. In the Czech Republic after 1989, we also notice a boom of public opinion surveys, financed from both private and public funds.

The history of public opinion polling in the Czech Republic goes back much further. The *Czechoslovak Institute for Public Opinion Research* was founded already in 1946. It had met with relative success: for instance, it precisely forecasted results of the 1946 elections. However, it was closed down in the early 1950s for ideological reasons. Only in 1967, the *Institute for Public Opinion Research of the Czechoslovak Academy of Sciences* was established. In the so-called 'normalization' period after 1968 it was brought under the jurisdiction of the Federal Statistical Office, reporting directly to the Central Committee of the Czechoslovak Communist Party, which had exclusive rights to its results until 1989. The current *Institute for Public Opinion Research (IVVM)* of the Czech Statistical Office is a continuation of the above mentioned Institute, and thus boasts the longest research tradition in Czech society.

In 1990 it became possible for a number of private companies to open, dealing more or less with the research of public opinion. One of the first was the *Association for Independent Social Analysis (AISA)* which, however, focuses today only on marketing research. Soon after, the *Center of Empirical Research (STEM)* was founded, which since 1990 has collaborated closely with the academic research programs in social sciences. Later, STEM also extended its activities to other areas. In 1994, the agency *Factum Non Fabula* joined the family of most significant polling agencies (upon merging with the multinational chain Sofres its current name is *Sofres-Factum*). With the exception of those agencies which are best known in the media, there are other private corporations dealing with public opinion surveys. However, in their case such research is only a supplement to their dominant marketing activities.

IVVM has the largest amount of data from regular surveys, enabling the comparison of social trends from the very beginning of transformation to the present. STEM has been carrying out regular (monthly) surveys under the name *Trends* since 1993 and Sofres-Factum since 1994 (since 1997 every two weeks). In most cases the size of samples of all agencies is approximately one thousand adult citizens (STEM has 1500), selected usually by quota method.

Interviews based on questionnaire, which is the source of the majority of published results, is of course only one of many methods how to learn about the opinions of citizens and their change over time. Nevertheless, it is the principal and most frequently used method. This is why we will focus on some results of questionnaire surveys describing main trends in opinions in the post-communist period. The objective of our presentation is to provide information about the existing data sources rather than to describe the development of public opinion in since November 1989.

The Czech political scene has undergone several phases, which are also visible from the political preferences. The initial dominant position of the party ODS, based on its victory in the 1992 elections, was later threatened by the opposing ČSSD party. The latter gradually increased from its initial 6 % of votes in 1992 and was gaining slowly on the ODS to eventually surpass it. According to surveys, the ČSSD exceeded the 20 % limit for the first

time in the spring of 1995, and the process of a ‘search for a strong opposition’ finally resulted in the rather small difference against the ODS in the June 1996 election results. In 1998, the cabinet changed, but the principal feature of the Czech political scene, characterized by two main poles – ČSSD on the left and ODS on the right – remained unchanged.

Table C1 Preferences for main political parties (%)

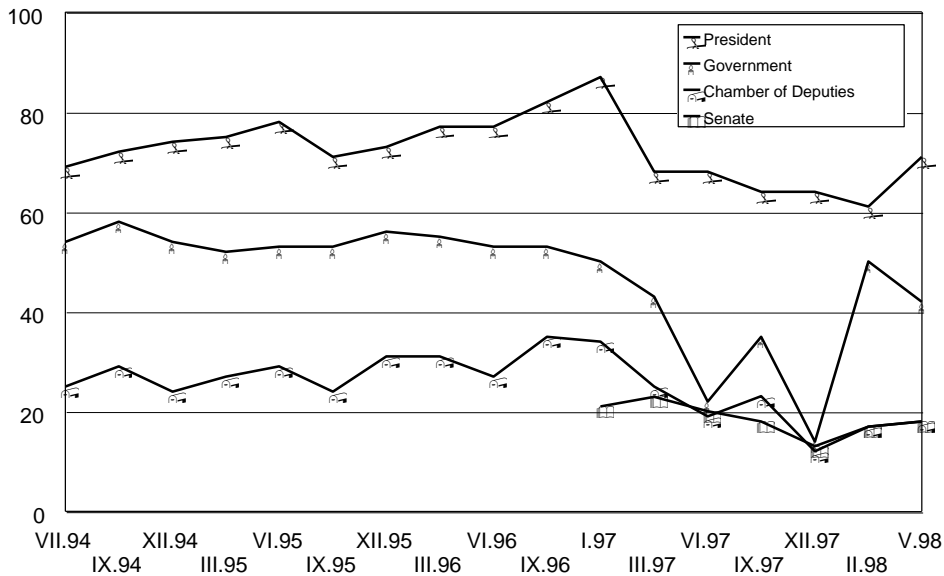
Party	IX.92	V.93	XI.93	XII.94	III.95	III.96	V.96	IX.96	XII.96	III.97
ODS	36	35	32	26	29	28	27.8	26	27	27
KDU-ČSL	5	5	5	7	7	9	10.1	7	10	11
ČSSD	6	14	17	18	20	20	21.8	26	24	25
KSČM	10	10	10	10	8	9	11	10	9	9
SPR-RSČ	4	3	4	3	3	6	8.9	4	5	5
ODA	6	10	12	12	10	9	7.1	7	8	9
	IV.97	VI.97	IX.97	XII.97	I.98	II.98	III.98	IV.98	V.98	VI.98
ODS	22	21	22	18	15	12.1	11.4	15.9	16.3	19
KDU-ČSL	12	13	12	13	11	9.2	9.3	9.1	9	8
ČSSD	24	30	29	30	32	29.3	29.5	23.7	25.4	23
KSČM	11	9	9	12	10	10.9	9	10.7	10.5	9
SPR-RSČ	6	5	5	6	5	7.5	8	5.7	5.1	7
ODA	13	10	9	6	7	5.8	1.3	1.4	-	-
US	-	-	-	-	-	11.1	18.3	12.7	13.7	8
DŽJ	-	-	-	-	-	-	-	4	6.2	7

Source: STEM.

A number of events were hidden behind this dominant tendency. In early 1997, the popularity of the ODS dropped and its voters subsequently drifted to two minor coalition parties – the Christian democrats (KDU-ČSL) and the liberals (ODA). These smaller parties obviously profited from their position in a particular ‘opposition in coalition’, which is common for small coalition parties in a proportional electoral system. In spite of its former popularity, ODA eventually completely disappeared in spring of 1997, most likely because it lacked a firm and loyal core of voters.

The Freedom Union (US), which originated from a split within the ranks of ODS, entered the political scene with vigor. Due to high preferences which STEM had recorded several weeks after its appearance on the political scene (18 %), there were considerably high expectations. The subsequent loss of preference and the character of its voters was the reason why some analysts described US as the ‘new ODA’.

Figure C1 Confidence in constitutional institutions (%)



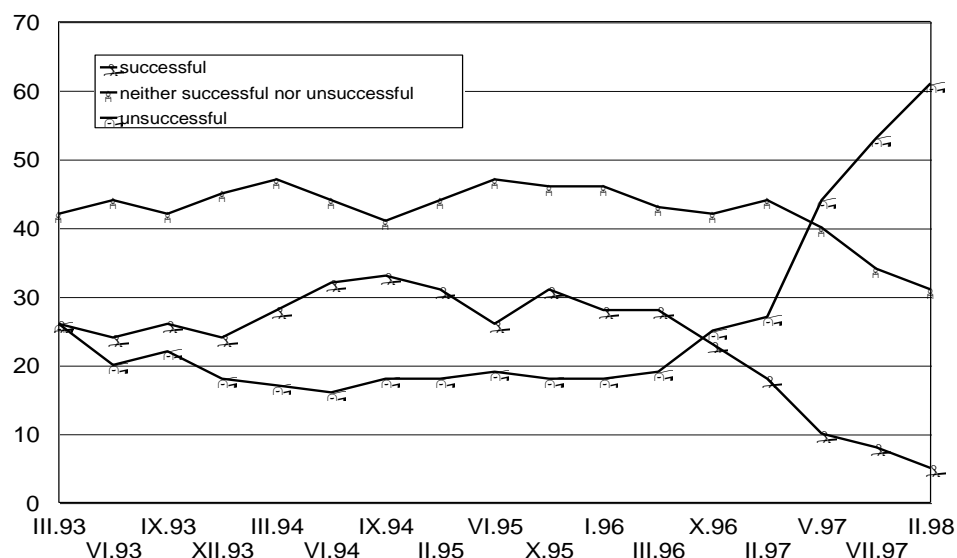
Source: IVVM.

From the standpoint of the measured confidence of the population, the President retained the first position, and could rely on the trust of about three-quarters of population. This is, in comparison with other constitutional bodies, a far overwhelming majority. During President Václav Havel's serious illness and his subsequent lung surgery in early 1997, this support grew to 87 %, only to drop a short time later. Eventually preference stabilized on the previous level of 60–70 %. According to the recent survey dated May 1998, a little more than 70 % of population declared confidence in the President.

Trust in the government cabinet remained stable for a long time at the 50 % level and corresponded to the general level of optimism in the society. The economic measures taken in spring 1997 (the so-called economic packages) were followed by a decrease in public confidence in the cabinet. It reached the former value of 50 % only after the nomination of the Josef Tošovský's cabinet in the spring of 1998.

Trust of the population in the Chamber of Deputies remained stable during the whole monitored period, reaching about 30 %. However, in the troubled year of 1997, it dropped slightly below one-fifth. Trust of the population in the Senate was a little lower since its inception. These attitudes also reflected the economic and political difficulties of 1997. In general, the Senate is perceived as the least trustworthy element of the Czech constitutional system.

Figure C2 Evaluation of the transformation process (%)



Source: IVVM.

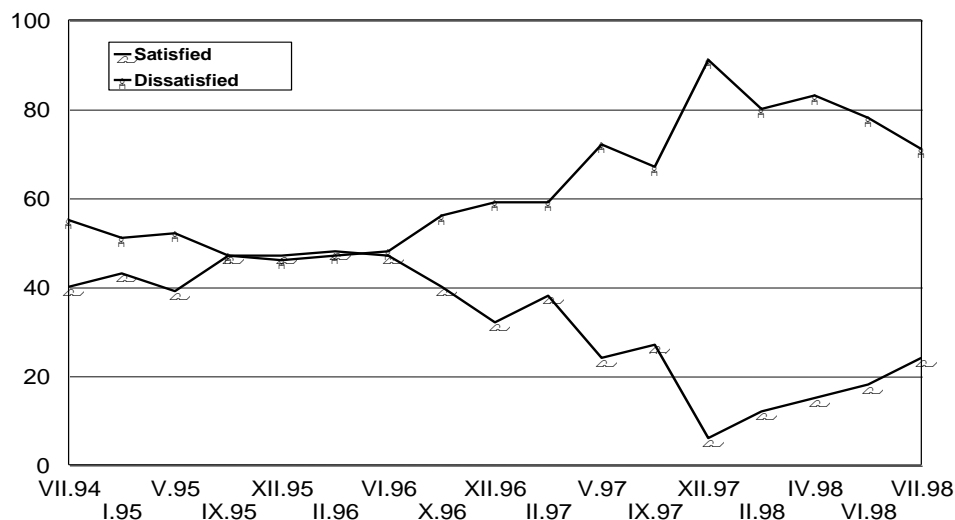
The social and economic transformation was most often seen as half successful (in the period from 1993–1996 this opinion was consistently expressed by 40–50 % of respondents). Fully positive evaluation of the reform prevailed during the entire time over the explicitly negative opinions. Satisfaction culminated in the second half of 1994 when only one third of respondents positively evaluated the transformation and negatively by less than one-fifth (with 40 % ‘half satisfied’).

Substantial changes occurred only in 1996. First of all, negative evaluation was gaining over the positive one and subsequently the number of people perceiving the reform as at least ‘half successful’ dropped. These trends continued also during 1997. In early 1998, 5 % of population evaluated the reform positively, 31 % were ‘half satisfied’ and 61 % ‘completely dissatisfied’.

The evaluation of the transformation by the population is very heterogeneous. Young people, university graduates, businessmen and people with higher living standards evaluated the transition process as successful. On the contrary, the elderly and retired and those considering their living standard to be poor were above-average critical. The distribution of positive and negative preferences was also closely associated with the political spectrum: from the right to the left the share of satisfied people was decreasing considerably.

Together with the decrease in the positive evaluation of the transformation, the number of people declaring that the present regime is worse than the communist regime before 1989 grew. The proof of the strong association between these phenomena is evidenced in the fact that the structure of bearers of these opinions was in both cases equal. The only difference was that inhabitants of small towns (500–2000 inhabitants) and the unemployed joined the supporters of the socialist system.

Figure C3 Satisfaction with the current political situation (%)



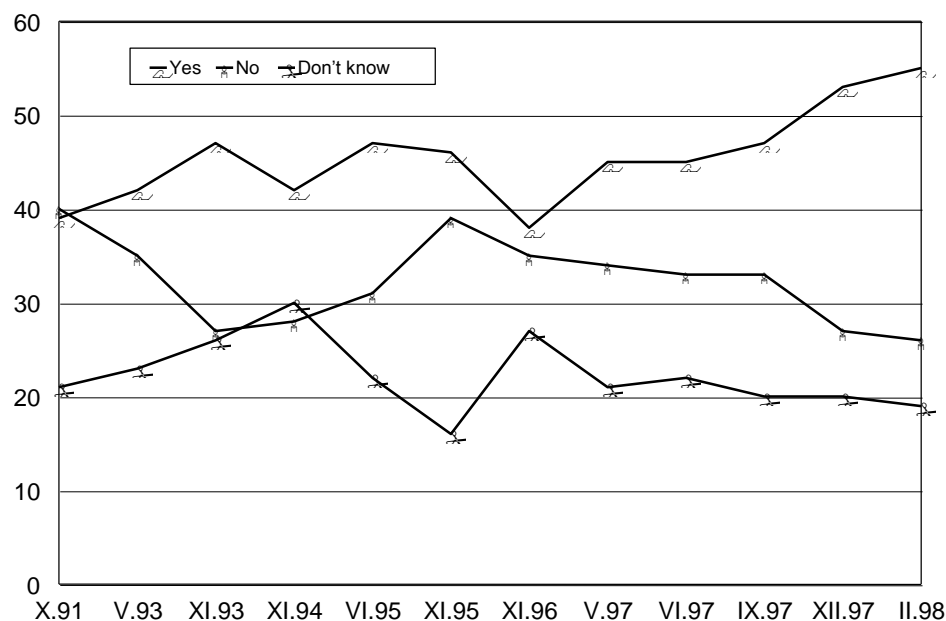
Source: IVVM.

The share of both satisfied and dissatisfied people was equal for a long time and only at the end of 1996 did the share of dissatisfied increase. The reason can be most probably found in trends following the parliamentary elections in June 1996. The first traces of discontent appeared at the end of the year. The criticism of the economic situation, followed by the so-called 'economic packages' probably convinced many people about the capacity of the Parliament to act and the share of satisfied people again grew for a short time. However, in December 1997 only 6 % of the population were satisfied with the situation. During the next period there was again an increase in support. After the nomination of Tošovský's cabinet, the degree of satisfaction with politics started to grow slightly and consistently. After the 1998 elections, one-fourth of population was satisfied with the situation.

However, the feeling of satisfaction and dissatisfaction was not uniform within the society as a whole. Quite satisfied were young people, students, and businessmen and in general people with good living standards, while pensioners, employees, people with lower education (without secondary school diploma) and in general with a lower living standard were more discontent. The degree of contentment was also associated with political preference: there was an above-average number of content voters on the right (namely among ODS supporters), while on the contrary an average number of dissatisfied were among the supporters of the left.

The majority of responses also reflected the deterioration of the political situation. At the end of 1997, 10 % of people positively evaluated the developments during that year and 87 % negatively. No improvement was expected in the future: 17 % of citizens expected a promising future, 71 % had a negative view. There was also a difference of opinion concerning foreign policy that was positively appraised by 53 % (negatively by 35 %) and 46 % had positive expectations (35 % of people negative expectations).

Figure C4 Support for the NATO membership (%)



Source: IVVM.

Note: Only respondents interested in the issue are included.

Table C2 Support for EU membership (%)

Answer	V.93	III.96	XI.96	I.97	IX.97	II.98
Yes	66	42	51	58	58	61
No	12	21	26	23	22	15
Don't know	22	37	23	19	20	24

Source: IVVM.

Public opinion on international institutions (NATO and EU) had not been very positive in the past, but more recently, 3 in 5 Czechs support admission to these institutions. In spite of occasional criticism of the insufficient attention devoted to this issue, regular surveys over the past several years show that the attitudes of the Czech public to NATO and EU have been crystallizing. This is most visible in the case of NATO. It seems that the number of people having no clear idea about Czech accession to this organization is decreasing and the number of supporters have been slowly increasing to the level of 55 % in 1998.

In both cases more support is being expressed by younger and more educated people as well as by inhabitants of major cities. Men express more positive attitudes than women who often do not have an opinion on these issues. The support of Czech integration into Western European structures decreases as we move from the right to the left of the political spectrum.

The Eurobarometer is a series of standard comparative public opinion surveys organized by the European Commission, mapping systematically opinions in EU member countries since 1973. In the fall of 1990, CEE and Baltic countries were included for the first time. Between 1990 and 1997, eight representative studies were conducted in the countries of the former Eastern Block, using one thousand respondents over 15 years of age in each.

The main objective is to capture the public opinion on the EU in the monitored countries. It was also focused on ideas reflecting some important events in the post-communist development, namely the general evaluation of development in each country, the functioning of democracy, securing of human rights and the attitudes towards market economy. Our comparison here deals only with the four CEE countries: Czech Republic, Poland, Hungary, and Slovakia.

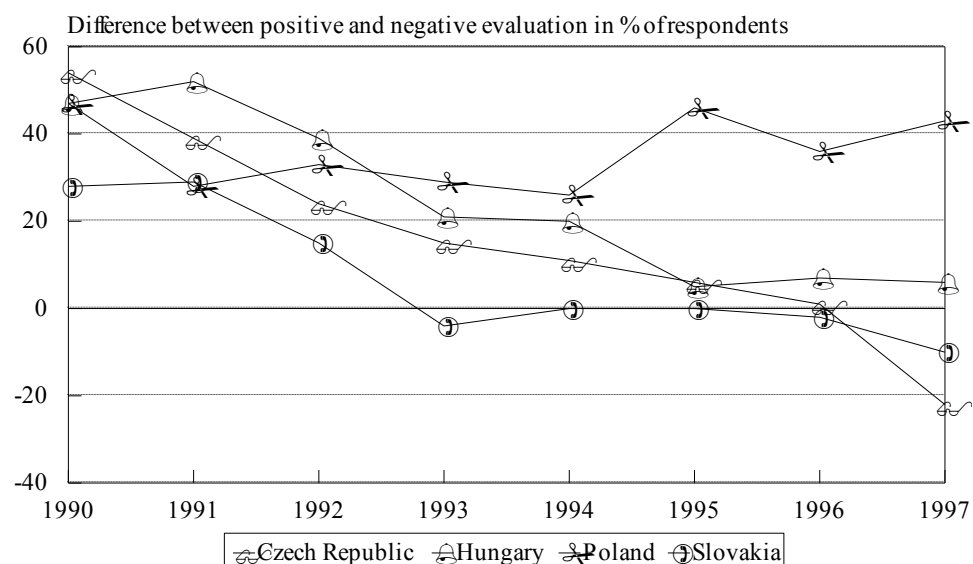
Attitude towards market economy. In the early 1990s, an outstandingly favorable attitude towards the market economy prevailed in all four CEE countries. However, it slowly weakened, probably due to the experience with its actual workings. The only exception was Poland where the trend was in the opposite direction and the market was gaining ground among people. On the other hand, in the Czech Republic and Slovakia the attitude towards the market in 1997 was already prevalently negative. While in Slovakia this was the result of a long term trend (of all the countries, the Slovak population was most skeptical to the market), the Czech Republic scored so low due to a considerable decrease by more than 20 percentage points since 1996.

General attitude to the direction of country. A similar decrease was noticed recently in the Czech Republic also in respect to the degree of satisfaction with the country's general direction (more than 50 percentage points), placing the Czech public next to Slovakia. In Hungary and Poland, the appraisal has recently been rather positive. Here, the setback suffered in previous years had already been compensated for.

Satisfaction with development of democracy. Although the fall of communism was usually perceived in CEE countries as the path to democracy, in their responses even after several years, people do not reflect any substantial rise of democracy and improvement of democratic procedures. Only in Poland, thanks to recent positive changes, the share of people satisfied with the development of democracy is prevailing. In other CEE countries during the whole period of monitoring, dissatisfaction has prevailed considerably: in Slovakia 50 % are more dissatisfied than satisfied, in Hungary over 30 %, and in Czech Republic about 20 %.

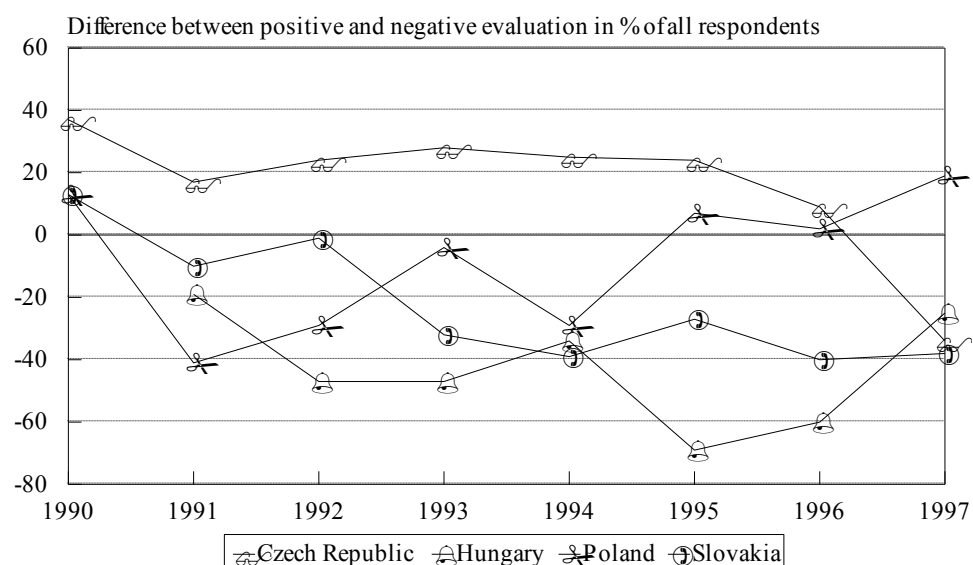
Respect for human rights. In this respect the very recent development was appraised positively and the belief that humans rights are respected in a satisfactory way has been growing in all countries analyzed. However, there is an opposite long-term trend in all mentioned countries; comparing the change between 1991 and 1997, there was a decrease in all countries except Poland. It was most prevalent in Slovakia after 1994 that is after the victory of HZDS in the parliamentary elections.

Figure C5 Market economy: right or wrong?



Source: CEE Barometer.

Figure C6 Direction of country: right or wrong?



Source: CEE Barometer.

Figure C7 Satisfaction with development of democracy

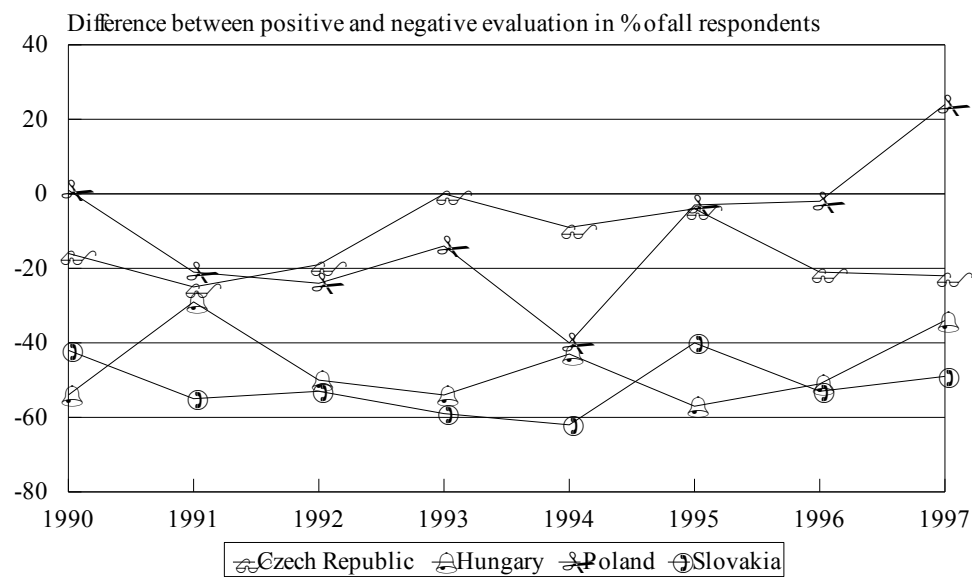
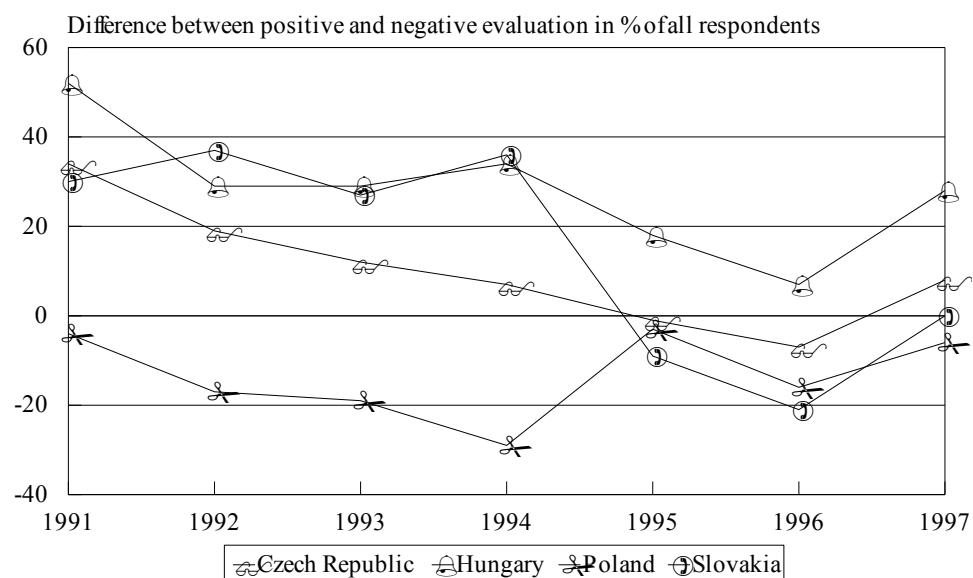


Figure C8 Respect for human rights



D. International Social Survey Program (ISSP)

ISSP is a long-term international research project, which originated in 1983 and is based on international and inter-project cooperation in the areas of the social sciences. It has four founding members: the Social and Community Planning Research (SCPR) United Kingdom, The National Opinion Research Center (NORC) the US, Zentrum für Umfragen, Methoden und Analysen (ZUMA) Germany, and The Institute of Advanced Studies of the Australian National University. Since 1983, the number of participants has grown continually, reaching 29 in 1998.

Each year, research on one topic is conducted in all participating countries. These topics are then prepared by all participants over several years, and are then processed at team meetings. At each ISSP annual working conference, modules of research questions are completed and accepted for the following year, proposals concerning questionnaires for the year after are presented to all participants for discussion, and a vote on the research topic for the third year is taken. All questionnaires are designed and prepared in British English and their final versions are then translated into the other national languages of participating countries.

In addition to these topical question modules, ISSP has developed a set of identifying variables (demographic, social, and economic), which are the same for each module and for the time being unchanging. Individual modules are then repeated after a specified period and new topics are introduced only when they are considered to be important and applicable in international and temporal comparison.

The institutes of the participating countries are responsible for the collection, initial preparation, and documentation of data for their country. Data files from each country are brought together, polished, controlled and archived by the *Zentralarchiv für Empirische Sozialforschung* at the University of Cologne. Data from ISSP research projects is freely available to scientific communities, including students. Files for all countries are accessible two years after the completion of the research project. The ISSP home page, containing all necessary information, is located at: <http://www.issp.org/>.

Since 1991, The Institute of Sociology of the Academy of Sciences of the Czech Republic has been the Czech member of ISSP. Its teams have conducted six ISSP research projects on the following topics:

Year	Topic	Fieldwork agency	Month of data collection	Sample size
1992	Social Inequality	STEM	October	1101
1993	Environment	STEM	November	1005
1994	Family and Changing Gender Roles	Universitas	September	1024
1995	National Identity	Amasia, Ltd.	November	1111
1996	Role of Government	STEM	October-December	1100
1997	Work Orientations	STEM	September-November	1014

ISSP 1992: Social Inequality

Basic sets of questions:

- General evaluation of inequalities
- The role of government in relation to inequalities and social problems
- Factors of wage differences
- Support for further growth of inequalities
- Estimates of actual and just wages in selected occupations
- Causes of life success
- Evaluation of social tension between selected social groups
- General typology of differentiation in society
- Unemployment
- Evaluation of the transformation thus far

Selected results:

How wages are and how they should be? While differences in wages are perceived to be too great, the wage hierarchy is not considered to be unjust. 76 % of Czechs and 91 % of Slovaks considered wage differences to be too great. The estimate of just wage is higher than the estimated real wage for many occupations, however they are ordered in the same way. Only in the highest wage category (owners of big companies, government ministers) were actual wages considered to be higher than just. In 1992, two-thirds of people believed that it is the responsibility of a conscientious government to reduce wage differences. This proportion is higher than in Western countries, but at same time much lower than in other CEE countries (89 % in the eastern part of Germany, 81 % in Bulgaria).

How do people imagine society? Different variations of stratification of society may be summarized in five ideal types expressed with the help of ideograms (Diagram D1). Only three of them are relevant to the description of the Czech situation in 1992. About 22 % of our respondents believed that society is extremely polarized with the majority consisting of poor people, a small elite at the top of the social ladder, and a very small middle class (type 'A'). 39 % viewed the present state of society as a balanced pyramid (type 'B') and 21 % as a classic middle class society (type 'D'). According to 75 % of the population, an ideal society was one with dominant middle and upper-middle strata (types 'D' and 'E'). In this respect, the future looks rather optimistic, i.e. the majority of respondents expected changes to continue towards just this type of society, where the middle strata is dominant.

What is the source of life success? In the Czech population, classic merit-based variables were the strongest factors determining life success: hard work, aspirations, ambitions, talent, and abilities. The importance of these values in the Czech Republic was practically the same as in stable Western countries, where meritocratic ideology is much more deeply rooted. As in the West and East, connections and acquaintances were also seen as very important in the Czech Republic. One shortcoming among Czechs was the low importance given to education, both one's own and one's parents. The value of individual paths to success was practically the same in both the Czech and Slovak populations.

Picture D1 Beliefs about social structure

***** *** *** *** *** ***** *****	<i>Type A:</i> A small elite at the top, very few people in the middle and a mass of people at the bottom	Today: 21.9 % After 30 years: 11.4 % Ideal: 1.5 %
***** ***** ***** ***** ***** ***** *****	<i>Type B:</i> Pyramid-shaped society with very few elite at the top, more people in the middle, and the majority at the bottom	Today: 38.3 % After 30 years: 12.0 % Ideal: 4.1 %
***** ***** ***** ***** ***** ***** *****	<i>Type C:</i> A pyramid except that only a few people are at the very bottom	Today: 13.6 % After 30 years: 17.1 % Ideal: 18.0 %
***** ***** ***** ***** ***** ***** *****	<i>Type D:</i> A society with most people in the middle	Today: 20.7 % After 30 years: 27.5 % Ideal: 36.3 %
***** ***** ***** ***** ***** ***** *****	<i>Type E:</i> Many people near the top and only a few people near the bottom	Today: 3.1 % After 30 years: 18.0 % Ideal: 37.5 %

ISSP 1993: Environment

Basic sets of questions:

- General awareness of factors influencing the quality of the environment
- Attitudes towards possible effects of civilization on health
- Relation of the environment to economic growth and development
- Science and the environment
- Feelings of individual responsibility for the environment
- Interest in the state of environment
- Active approach towards the protection of environment
- Membership in ecological movements and participation in their activities

Selected results:

Risk factors. Nearly all respondents believe that the achievements of modern civilization represent a greater or smaller risk to the environment. This is the case not only in the Czech Republic (where about two-fifths of the population agree with the argument that everything we do in modern life is negative for the environment), but nearly everywhere in the world. Individual countries differ only in the degree of seriousness ascribed to specific dangers.

For example, in 84 % of the Irish population consider nuclear plants to be very serious risks to the environment, while the percentage is lower in other countries and the lowest being in the US and the Czech Republic. Over 60 % of the population in Japan, Canada, Western Germany, and the Czech Republic consider automobiles to be dangerous while Norwegian, Slovenian and Dutch citizens have more moderate attitudes. In these countries, about one-third of people express fear of a negative impact on the environment from use of automobiles.

Conscious modesty. Even though the Czech population is aware of the fact that cars harm the environment, they are generally unwilling to limit their use of them. While 83 % of people are convinced that in the next decades, the health of residents of larger cities is going to worsen as a result of pollution from cars, nearly one-third (i.e. one half of users) reject cutting back on driving for the interest of the environment. Results are similarly negative in other countries, including Great Britain (55 %) and the US (61 %). The least conscious drivers were found in Germany and the Netherlands, where only one-fourth of motorists would agree to limit their driving on account of the environment.

Similarly, people are also unwilling to pay higher prices to support the environment (40 %), higher taxes (55 %), or risk a potential drop in living standards (55 %). While the awareness of ecological risks is rather high, it does not represent a source of change in people's life-style or other sacrifices in the interest of the environment. However, it is necessary to note that in this respect, we did not find either positive or negative differences between the Czech Republic and other countries.

Solutions. Czech respondents see economic growth as one chance for the protection of the environment, and to a much greater extent than citizens of other countries. In the Czech Republic, about one in ten believe that economic growth itself is not inherently detrimental to the environment, which is higher than in Western countries where about 5 % of the population agree with this, while in other post-communist countries it is about 15 %.

Figure D1 Would you cut back on driving a car for environmental reasons?

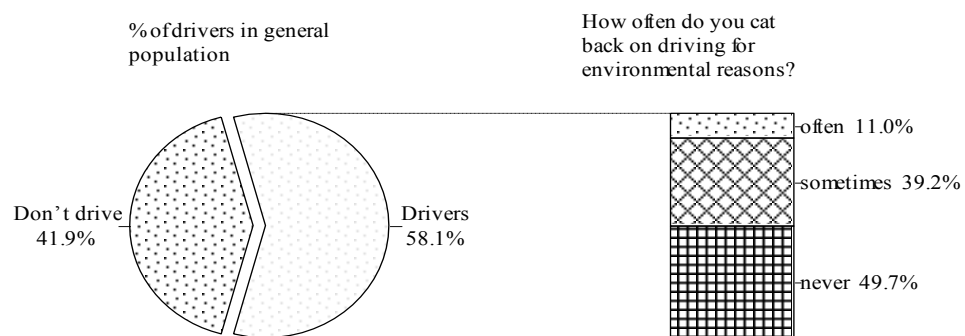
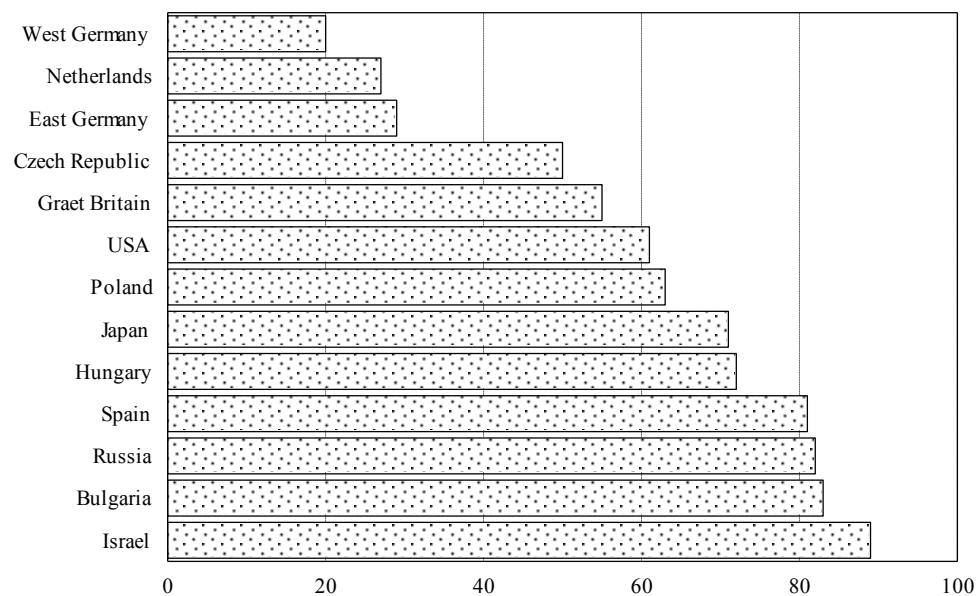


Figure D2 Percentage of drivers who never cut back on driving (%)



ISSP 1994: Family and Changing Gender Roles

Basic sets of questions:

- Family relations
- The ideal family model
- The position of men and women within the family
- Division of roles and domestic activities between men and women
- Opinions about child rearing
- Ties between economic and social conditions of the family
- Sexual relations and behavior

Selected results:

Family relations. Czech men and women are sharply divided over the preferred model of family relations. Nonetheless, there are also other factors, namely age, education, employment position, and religious denomination. Approximately over half of the population views the relation between work and family in a very traditional way; the woman is strongly connected to the family and if she leaves the home, it is only out of the need of a second income. One-third of the Czech population considers an ideal consensual model to be one in which a woman's employment is not motivated by the need of additional income, but rather as an expression of her independent and sovereign position and of the social status of the whole family.

Children and their upbringing. A two-child family is considered to be ideal, both in the Czech Republic and in other countries. Among the Czech population, there is a surprising tendency towards a non-authoritarian style of child rearing, which is only slightly more common in Sweden, Norway, and the former East Germany. In all other respects, people place a much greater emphasis on obedience and respect for authority. In all of these countries, independent thinking is more emphasized in the younger generation. As in the Czech Republic, the majority of observed countries about 30 % of people think that child rearing by one parent is sufficient. The only exceptions being Austria, Eastern Germany, and Japan, where people prefer child rearing with two parents.

Sexual harassment. In the workplace, people are oftentimes the target of attempts at unwanted sexual advances, are forced to listen to debates about sex against their will, or are the recipients of propositions from colleagues or superiors. Altogether 34 % of men and 43 % of women admit having had similar types of experiences.

Abortion. In the modern world, tolerance towards abortion is prevalent. Only in a minority of countries is opposition to abortion so great that it is the dominant position, namely in pre-dominantly Catholic countries; the Philippines, Ireland, Poland, and Italy. In this respect, post-communist countries are very tolerant: in the former East Germany and Russia, over 80 % of the population and 67 % in the Czech Republic believe that women have an unconditional right to abortion.

Homosexuality. There is less tolerance of homosexual relations. Data show that tolerance of homosexuality is greater than the opposition to it only in two countries (the Netherlands and Canada). In comparison, the Czech Republic is rather tolerant (about 49 % tolerant people). The greatest opposition to homosexuality is in religiously oriented societies (Northern Ireland, Poland, Italy), but also in Japan and Hungary.

Table D1 Optimal number of children in the family (%)

Country	none	1	2	3	4 and more	Total	Average
Bulgaria	5.0	7.5	65.6	19.3	2.6	100.0	2.1
Czech Republic	0.7	10.8	67.3	18.6	2.7	100.0	2.1
Germany (East)	0.6	10.0	78.0	10.5	1.0	100.0	2.0
Germany (West)	0.8	5.3	70.2	19.2	4.5	100.0	2.2
Great Britain	0.6	1.8	74.8	15.8	7.0	100.0	2.3
Hungary	0.6	5.4	59.6	31.6	2.8	100.0	2.3
Ireland	0.2	0.8	31.6	31.9	35.4	100.0	3.0
Italy	0.4	4.3	67.8	24.7	2.8	100.0	2.2
Netherlands	2.1	2.0	53.2	29.3	13.3	100.0	2.5
Norway	0.2	0.5	47.9	42.4	9.1	100.0	2.6
Poland	-	1.9	55.7	32.9	9.4	100.0	2.5
Russia	-	9.3	61.7	24.5	4.5	100.0	2.2
Slovenia	0.9	4.0	59.2	30.7	5.2	100.0	2.4
Spain	-	6.1	61.8	25.3	6.8	100.0	2.3
Sweden	-	0.8	63.7	28.7	6.9	100.0	2.4

Table D2 What is more important in preparing children for life? (%)

Country	To be obedient	To think for themselves	Cannot decide	Total
Bulgaria	25.3	67.3	7.4	100.0
Czech Republic	8.7	82.0	9.3	100.0
Great Britain	25.5	66.3	8.2	100.0
Germany (East)	8.6	87.9	3.5	100.0
Germany (West)	10.6	83.3	6.0	100.0
Great Britain	25.5	66.3	8.2	100.0
Hungary	48.3	42.0	9.7	100.0
Ireland	36.3	56.2	7.4	100.0
Italy	45.6	48.5	6.0	100.0
Netherlands	42.4	47.7	9.9	100.0
Norway	6.1	91.6	2.3	100.0
Poland	24.2	69.5	6.3	100.0
Russia	24.1	62.9	12.9	100.0
Slovenia	16.4	78.6	5.0	100.0
Spain	28.3	50.3	21.4	100.0
Sweden	7.3	86.7	6.0	100.0

ISSP 1995: National Identity

Basic sets of questions:

- Approaches to statehood, nationalism and citizenship
- National pride and patriotism
- National biographies of the family
- Relation to residence and willingness to move
- Cultural proximity with other states and nations
- International relations
- Attitudes on national minorities, refugees and immigrants

Selected results:

What does it mean to be Czech? For a person to be considered to be a true Czech, he or she must above all be able to speak the Czech language and possess Czech qualities. Less important is to be a Czech citizen, having spent the majority of his life in the Czech Republic or have respect for its laws and institutions. The tie between 'Czechness' and birth in the Czech Republic is very limited, as is the relation between 'Czechness' and Christianity. People from the countryside and with lower education were more demanding, actually creating more conditions and placing greater importance on being a 'true Czech'.

What can Czechs be proud of their country for? Altogether 91 % of respondents were proud of Czech history, 86 % of art and literature, and 71 % of successes in sports. Far fewer people were proud of the economy, functioning democracy, army and social security. Feelings of Czech exclusivity increased with age and were stronger in smaller communities. More educated people and those with knowledge of foreign languages tended to be more skeptical in this respect.

Command of languages. For 64 % of respondents, Czech is the only language in which they are capable of communicating. German is the most common second language (34 %), followed by English (23 %) and Russian (22 %).

Relation to immigrants and refugees. 90 % of the population think that the Czech state should enforce more strict regulations against illegal waves of immigrants from other countries. The most common argument against accepting refugees is fear of an increase in crime (68 %) and unemployment (42 %). This type of xenophobia towards immigrants is common in all post-communist countries, and is shared by many Western countries (Austria, Germany, and Italy). Ireland and Canada are seen as ideal countries for refugees, where few people have negative attitudes towards immigrants, and where the majority of people see them as the source of positive contributions in the areas of cultural openness and the economy.

Ties to residence and willingness to move. Three-fourths of Czech respondents today live in the same area where they grew up (57 % in the same community, 16 % in a different community within the same region), and feel a strong attachment to it. There is little willingness to move in order to improve one's economic situation. People are most willing to move to a different part of the same city. Only 8 % of respondents would be willing to move out of Europe for economic reasons.

International relations. Two countries have specific positions here: Slovakia and Germany. Slovakia is seen as a country with the most similar culture and is often referred to as an important political and economic partner. Similar feelings apply to Germany, but more than half of Czechs believes that it is a possible source of danger.

Figure D3 For what are you proud of your country (percentages of agreement) (%)

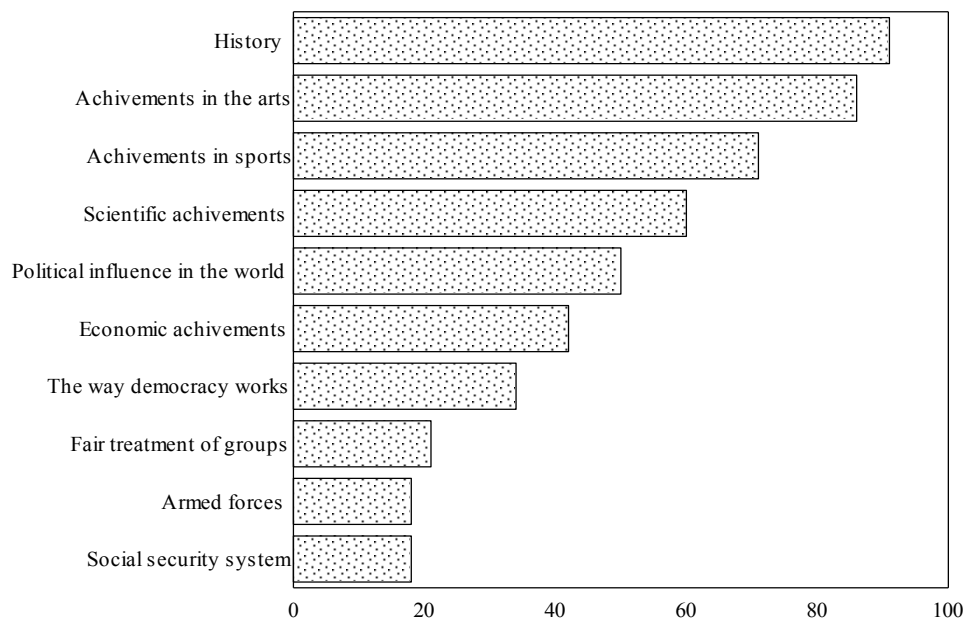
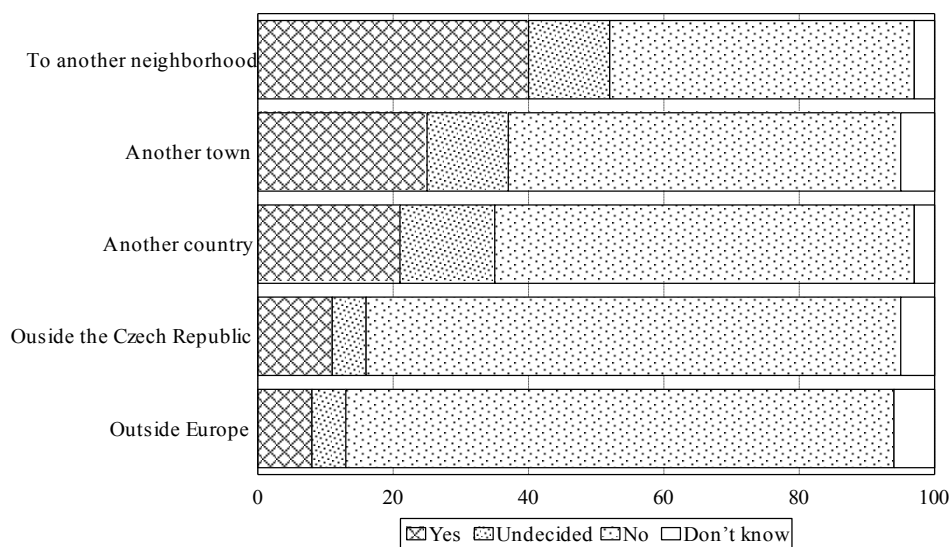


Figure D4 Willingness to move for economic reasons (%)



ISSP 1996: Role of the Government

Basic sets of questions:

- The role of the government in the economy, distribution and redistribution
- Attitudes towards government spending
- Evaluation of the power of government, trade unions, and large industrial firms
- Tasks of the government in resolving the problem of inequalities
- Opinions on taxes
- The degree of alienation from the political system among citizens
- Understanding of political affairs
- Tendency towards social protests and degree of tolerance towards extremism
- Social and political participation
- Anomie
- Identification of the dimensions of the political field

Selected results:

State ownership vs. private ownership. Czech society in general gives preference to state ownership of strategic holdings over private ownership. This is the case in other reforming countries as well. Citizens of Western countries are much less inclined towards state ownership. Exceptions to this are Northern countries, where there is a more liberal approach to productive enterprises (energy plants) and strategic services (banks), however in the case of hospitals, they believe the state should play an even greater role than do citizens from the post-communist world.

Macroeconomic preferences. The majority of the Czech population (65 %) gives preference to low inflation over low unemployment (35 %). This is nothing unusual; if the unemployment rate would stay around 4 %, there would be no reason to think that an increase would be problematic. For several years already the inflation rate has been around 10 %. It is important to note, however, that about one-fifth of the population does not have an opinion. The majority of people who placed greater emphasis on low unemployment placed themselves on the left of the political spectrum, while advocates of the right supported anti-inflation politics.

Tax policies. According to the typical spectrum of opinions on taxes, the less privileged pay too much while the wealthy pay too little. Calls for higher taxation of the rich are colored by the fact that people do not have a clear understanding of the actual tax burdens on the rich. These critics estimate that the median tax on a salary of 40,000 CZK should be 8,000 CZK, which is much less than the actual tax on this salary.

Acceptability of a budget deficit. 44 % of respondents support the preservation of the present rate of public spending, even at the cost of a budget deficit, and one-third support a balanced budget even at the cost of cuts in public spending (23 % of respondents were undecided). It is interesting that opinions on the state budget corresponded closely to the political spectrum. On the left side there was greater support for the maintenance or increase in public spending, while the right side was dominated by calls for a balanced budget.

Table D3 Governmental or private control? (% of respondents in favor of public control)

Country	Electricity	Hospitals	Banks
Australia	37	21	71
Canada	55	26	73
Czech Republic	19	17	24
France	57	27	27
Germany (East)	27	14	41
Germany (West)	56	37	73
Hungary	7	9	30
Ireland	50	27	58
Spain	39	21	56
USA	80	74	78

Table D4 Low unemployment or low inflation rate? (% of agreement)

Country	Inflation	Unemployment
Australia	42	58
Canada	40	61
Czech Republic	65	35
France	18	82
Germany (East)	53	47
Germany (West)	62	38
Hungary	55	45
Ireland	34	66
Spain	22	79
USA	47	53

Table D5 Same level of social security and monetary deficit or balanced state finances and lower social expenses? (% of agreement)

Country	Same level of social security	Lower social expenses
Australia	47	53
Canada	44	56
Czech Republic	57	43
France	48	52
Hungary	68	32
Spain	58	42
USA	63	37

ISSP 1997: Work Orientations

Basic sets of questions:

- General attitudes towards work and leisure time
- Relation of work and leisure time
- Work ethic
- Work and personality
- Fears of unemployment
- Consequences of unemployment
- Organization of work
- Content of work
- Factors influencing attitudes towards work
- Attitudes towards independent entrepreneurship
- Beliefs about life success
- Comparison of the employment in private and public sector and in all and large businesses
- The representation of collective interests (trade unions)

Selected results:

What is important in a job? Job security in the future was the most important factor, followed by interesting work. However, Hungary differs notably in this respect, where a high wage is considered much more important than interesting work. The possibility to make one's own decisions was most valued in Germany (41 %) and least valued in the Czech Republic (20 %). The possibility of promotion is important for Hungarians (29 %) and Italians (37 %), while of only little importance to Czechs (8 %) and Swedes (11 %).

Unemployment. East Germans are most afraid of unemployment. Swedes and Italians feel most secure in their work positions (approximately half of them expect job security in the future). It is interesting that while there is much lower unemployment in the Czech Republic than in Hungary, Hungarians express much less fear about job loss (more than one-third feel secure in their positions in the future, in comparison with only 22 % of Czechs).

Finding a new job. What would happen to someone if lost his or her job? From the position of evaluating one's chances of success on the labor market and of finding a new position, there is little optimism among the surveyed countries. In all countries except the Czech Republic, the opinion that finding a new job in the next twelve months is unlikely, was dominant.

Labor mobility. Only with the arrival of the market to the Czech Republic did the concept of labor mobility begin to lose its negative meanings, and had even become something both necessary and desirable from the perspective of the allocation of the labor force. Since 1989, 32 % of economically active people changed jobs (20 % even several times) and 28 % even changed their occupation (10 % several times). Nevertheless, in the Czech Republic, there are still a significant number of people who have remained in the same position as before 1989.

Figure D5 Job security (% of economically active people who do not have fear of losing their jobs)

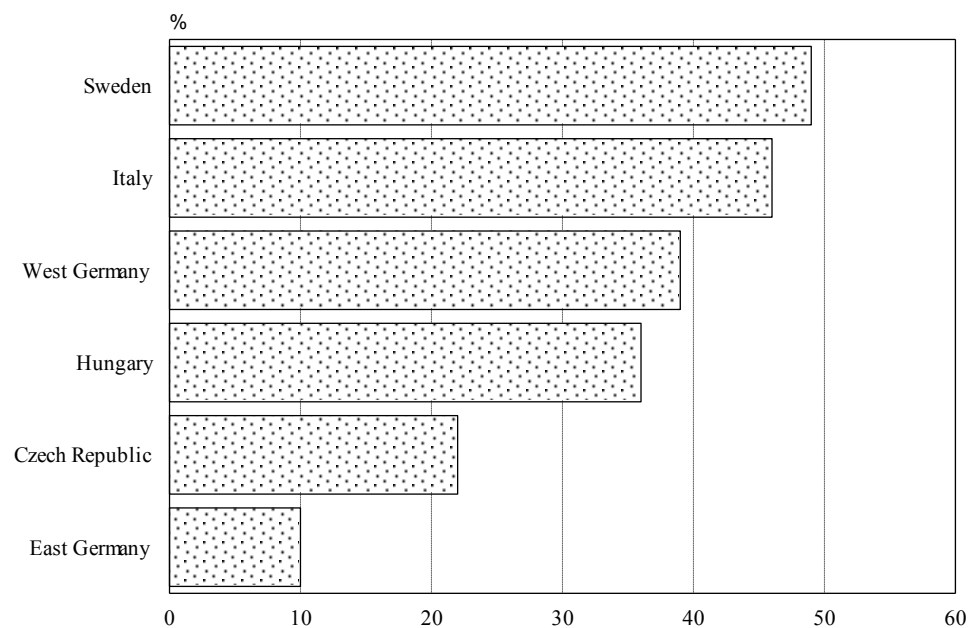
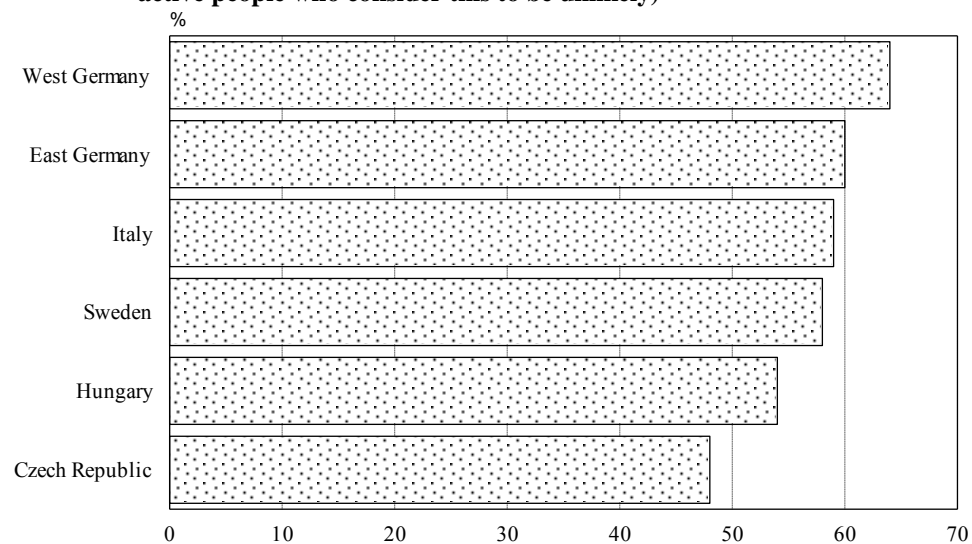


Figure D6 Ability to find another job in the next 12 months (% of economically active people who consider this to be unlikely)



E. Other surveys used

Social Justice 1991 and 1995

The survey was conducted in 1991 within the framework of the *International Social Justice Project* aiming to compare perceptions of social inequalities and social justice in 13 countries: USA (N=1405), Japan (777), West Germany (1837), Great Britain (1319), the Netherlands (1783), Bulgaria (1405), Czechoslovakia (810 in the Czech Republic and 371 in Slovakia), Hungary (1000), East Germany (1019), Poland (1542), Russia (1734), Slovenia (1375) and Estonia (1000). In order to describe the changes that had occurred since the first year of transformation, the survey was repeated in 1995 in the Czech Republic and in 1996 in Bulgaria, Hungary, Russia, and East Germany.

In all three cases, the Institute of Sociology of the Academy of Sciences organized the Czech survey. In 1991, the sample of adult population over 18 was selected by a random sampling procedure, whereby the region and size of the locality were defined in the first step and individuals according to *Central Register of the Population* in the second step. In 1995, the sample was selected by 'random walk'. First, the selection of localities was used and then a systematic selection of houses and apartments took place. Finally, within households, respondents were randomly selected. Data was collected by the Center for Empirical Research STEM.

Social Stratification in Eastern Europe after 1989 (SSEE) and survey on elites

The survey was conducted in 1993 in Bulgaria (N=4919), Czech Republic (4737 + 884 over-sampling in Prague), Hungary (4977), Russia (5002) and Slovakia (4920), and later in 1994 in Poland (3520). Donald J. Treiman and Ivan Szelényi conducted the international comparative research project from the University of California in Los Angeles. The questionnaires used in individual countries included fully comparative questions, from which the international file was created.

The Institute of Sociology of the Academy of Sciences prepared the survey in the Czech Republic. Data collection occurred in March and April of 1993 and was carried out by the Czech Statistical Office, using a sub-sample of the Microcensus 1992. One-third of households surveyed by Microcensus 1992 was addressed by SSEE questionnaire. Within households, individuals over 18 years of age were randomly selected. The sample was intentionally increased in Prague for the purpose of urban geography.

Along with the survey of representative samples of the populations, in 1993 Hungary, Poland and Russia, and in 1994 in the Czech Republic, a survey on elites was conducted which compared the situation before and after 1989. The original intention was to apply the same method in all countries and gather samples of '*nomenklatura* cadres'. This consisted of a random selection of positions registered by central committees of national communist parties in 1988), the 'old economic elite' (random selection of biggest state firms and their top managers in 1988), the 'old economic elite' several years on (random selection of the biggest firms and their top managers in the year of the survey) and the 'new political and cultural elite' (random selection of the most important positions in politics and culture in the year of the survey). However, due to difficulties with the organization of the survey, different methods were applied in the various individual countries.

Economic Expectations and Attitudes (EEA)

The surveys of the Czechoslovak and later only Czech population started in May 1990 and were conducted biannually in 1990–1992 and later annually (1993–1998). Surveys were organized by the team of socio-economics of the Institute of Sociology of the Academy of Sciences headed by Jiří Večerník. The samples include adults selected by a two-step quota sampling procedure, whereby the region and size of the locality were defined in the first step and gender, age and education in the second. The data was collected by the Center for Empirical Research STEM.

Time and samples of EEA surveys:

	Collection	Czech	Slovak
I.	May, 1990	1107	544
II.	December, 1990	1160	584
III.	June, 1991	1092	597
IV.	December, 1991	1126	583
V.	July, 1992	1104	980
VI.	January, 1993	1142	829
VII.	November, 1993	1113	853
VIII.	November, 1994	1307	816
IX.	January, 1996	1459	-
X.	January, 1997	1421	-
XI.	April, 1998	1380	-

Microcensus surveys started in 1958 as regular income surveys conducted every 3–5 years on 1–2 percent samples of households. Data on wages were notified by employers and pension benefits by post-offices. Here, we used the 1989 Microcensus conducted by the CSO on a 2 percent random sample (N=69,912) in March 1989 including yearly incomes in 1988, the 1992 Microcensus, conducted by the CSO on a 0.5 percent random sample (N=16,234) in March 1993 and including yearly incomes in 1992, and the 1996 Microcensus, conducted by the CSO on a 1 percent random sample (N=28,148) in March 1997 and including yearly incomes in 1996. In the two later surveys, incomes were not confirmed but data corrections were made by the CSO.

Family Budgets as a regular survey series was established in 1958 as a quota-sample based survey of households of manual workers (working class), non-manual workers (employees) and cooperative farmers, with pensioners (only households without economically active members) added later. The survey is conducted on about a 0.1 percent sample and – unlike FES in other countries – it is a permanent survey based on daily records of all incomes and expenditures. After 1989, the category of self-employed was also included and a special sub-sample was added aiming to over-represent the number of households living below or close to the legal living minimum. The size of the sample was slightly reduced in the 1990s and covers a maximum of 3,500 households.

F. Sociological Data Archive

The archiving of the micro-data of sociological surveys began in the United States and Europe in the 1960s. Sociological data archives have also already been established in several CEE countries. The data archive is today considered to be a standard tool, which provides storage and protection of public domain data files from social science research and makes them easily accessible for secondary use. The basic aims of the archive are the following: 1. To store data files from sociological research projects; 2. To systematically process, document, and classify these files; 3. To protect them from possible damage; 4. To make them accessible for secondary use.

The establishment of the *Sociological Data Archive*, which has been in operation since September 1998, was a response of the project *Social Trends* to the poor conditions for the utilization of costly sociological surveys financed from public resources. Before the archive was opened, most social data files in the Czech Republic remained under the control of individual research teams even after the so-called protection period. There was no systematic index of existing files, and poorly protected data was at risk of being lost or damaged. Anyone interested in a specific data file had to first find out where it was held, and then negotiate with the researchers. In the end, the lack of documentation, often stored in an unsatisfactory format, made it difficult to gain immediate access to data.

The benefits offered by the archive can be summarized as follows: 1. Collection of data in one place makes sociological information easily available for other researchers than of the original team; 2. The archive makes accessible previously unavailable sources of research materials for teaching and dissertations; 3. The archiving better protects the data files from loss or irreversible damage; 4. Archiving data allows replication of surveys even after the original research teams have been dissolved; 5. The processing of data for archive purposes increases the value of existing data; 6. The wide availability of data allows for greater public control over the quality of data and current research.

The archive creates a new channel for communication between Czech and international researchers, and establishes a means of cooperation with foreign institutions concerned with sociological data. It can help make foreign data more easily available to Czech researchers, while also increasing the accessibility of Czech data to foreign researchers, thus making Czech research better known internationally. The archive may also become a basis for contacts with business and make many surveys conducted for commercial purposes available to academic research. Increasing access to existing sources of sociological information contributes to a greater popularization of sociology among the public.

The archive stores the following data files: 1. Data files originating in the research projects of the Institute of Sociology of the Czech Academy of Sciences; 2. Sociological data files originating in other sociological research financed from public resources; 3. Data files of surveys conducted for private purposes obtained on the basis of agreement on data exchange for teaching and research purposes; and 4. Data files from accessible public opinion surveys.

Because data archiving started within the project *Social Trends*, it focused on comparative projects, in which the Czech Republic has participated since 1990, and on the monitoring of changes in social structure in the Czech Republic. Among international projects, there are surveys of the *International Social Survey Programme (ISSP)*, *Social Stratification in Eastern Europe after 1989 (SSEE)*, *Social Consequences of Transition (SOCO)*,

the international *Social Justice* project and *Social Actors of Transformation and Modernization*. Among national Czech projects, there are the survey series *Economic Expectations and Attitudes (EEA)* and *Transformation of the Social Structure*. The further collection of data files will be focused on archiving all data files from earlier research projects of the Institute of Sociology since 1990.

Data files are stored together with corresponding documentation, including original fieldwork instruments (questionnaire, show-cards, etc.), information about the authors and their institutions, description of the fieldwork, sampling method, representativeness, variables transformations and weights, information generated from the data (list of variable and frequencies), information on publications based on the data, and any other relevant information. The completeness of the documentation depends on its availability. Unfortunately, securing the availability of all required items is often rather problematic.

The standard conditions for the provision of files includes: 1. Data may be used only for non-commercial research and teaching purposes; the intended purposes are to be specified in the request and may not be altered; 2. Personal information about respondents in research projects is strictly confidential and the user cannot publicize it; 3. Any publication based on the data file must quote the source accurately; 4. The user of a file may not, without the permission of the archive, further distribute data or make the data accessible to persons not specified in the original request; 5. The user is required to inform the archive about all publications based on data obtained from it; 6. Data files from state-sponsored projects are free of charge. Additional expenses (printing of questionnaires and documentation, copying data files on portable media, postage, etc.) are to be covered by the recipient.

The majority of files are provided to all interested persons who meet the basic conditions. Certain files may be offered only to particular interested persons, for example, international research projects whose data are archived abroad, or may be made accessible only to interested persons from the Czech Republic. The intended use of data may be limited on the request of the depositor and certain data files may be distributed only with written permission.

To obtain the data from the archive, the interested person must complete the following steps: 1. Identification of the required data file; information on data files can be found on the archive website or in printed materials from the archive; 2. Complete the *Data Order Form* and sign the *Undertaking Form*; forms include personal data, information about the purpose of the research, the method of delivery and information on the format of data, and a signature is required to indicate agreement with the conditions of data use; 3. Send both completed forms to the archive; the *Data Order Form* may be completed on the Internet, the *Undertaking Form* requires a signature and it is thus necessary to send it via post or fax; 4. The archive will respond to each request, and after meeting the conditions for obtaining the requested data file, the data and accompanying documentation will be made available; 5. The user of any data file must inform the archive about publications based on the data.

Data files are provided in their original format, or in formats compatible with the SPSS program for Windows, and may be distributed via ordinary mail on portable media (3.5 floppy diskettes, CD, ZIP), or via specially provided *ftp* access on the server. To increase accessibility of sociological data for teachers and students, the archive offers the possibil-

ity of on-line access to selected data files. These public domain data files will be made available for educational purposes to all users without having to complete a data order form or sign the conditions of its use.

Information on how to obtain data is available on the website of the archive, which contains 1. An overview of stored data files with searching possibilities; 2. Basic information about the data files and variables; 3. The possibility of obtaining questionnaires and/or codebooks on-line; 4. The possibility of ordering data files with the electronic order form; 5. The possibility of obtaining selected data for educational purposes on-line.

Information about the archive will be published in topical and other periodicals, in institutions of higher education and public sector. Public presentations of the archive and its services have already been organized. An information bulletin about the archive, with a methodological supplement, is published quarterly. In the future, the activities of the archive will also include analytical services and overview studies.

The Archive can be contacted personally, via post, e-mail or on the Web at the following addresses.

Postal Address:
Institute of Sociology
Sociological Data Archive
Jilská 1
110 00 Praha 1
Czech Republic

Fax/Phone: (+420-2) 2222 1658
E-mail: archiv@soc.cas.cz
Internet: <http://archiv.soc.cas.cz>

G. The project Social Trends

The project *Social Trends: Research - Archives - Publications - Training* was financed by the Grant Agency of the Czech Republic between mid-1996 and the end of 1998. It was conceived by researchers of four institutions: the Institute of Sociology of the Czech Academy of Sciences; the Faculty of National Economy, Economic University in Prague; the School of Social Studies, Masaryk University in Brno; and the Center for Educational Politics, Pedagogical Faculty, Charles University in Prague. The aim was to bring together economic, demographic, sociological and pedagogical institutions. The headquarters of the project was in the Institute of Sociology of the Czech Academy of Sciences, under the leadership of Petr Matějů and Jiří Večerník.

The project arose from the idea that the association of the Czech Republic to Euro-Atlantic structures also entails its integration into international networks of information, including the regular monitoring of economic, social and political change. While a strong base for this has already been built in other transition countries (especially Hungary and Poland), the Czech Republic has lagged rather far behind. However, this is not only an issue to feed the demand of international institutions, because there is also an important domestic audience for such information, ranging from governmental institutions and Parliament to the interested public. A large interest was evolved already by preparatory publications – eight-page bulletins for the wider public and comprehensive working papers directed towards specialists (see the list below).

The main goal of the project was to initiate the publication of a series of *Social Reports* aiming to systematically map the development of society from economic, social and political points of view. We proposed the publishing of social yearbooks as an overview of basic information and data, which are simply analyzed and briefly commented in a relatively comprehensive historical and comparative form. The core of this was to be description of socio-economic and political structures and the behavior of the population, placed within their macroeconomic and demographic contexts. The planned publications were to enable the description of society as a multi-dimensional and dynamic socio-economic and political entity, and to place emphasis on several of these facets of society.

But this main aim can only be achieved within the wider context of supporting and complementary ones. The first of them was the foundation of the *Sociological Data Archive* similar to those already functioning in all advanced and even some transition countries. The aim of such an archive is to make the original data files easily accessible to students, researchers and all private interested parties, to be used for their own analyses according their research hypotheses. This type of archive is an important source not only for those who are already aware of such research projects, but may also serve as an inspiration for all those who are interested in formulating research problems or locating empirical support for their hypotheses.

The second supporting aim was to secure participation of the Czech Republic in the *International Social Survey Programme (ISSP)*. This participation allows not only the regular flow of internationally and historically comparative data, but also cooperation with prominent sociologists from around the world, which provides necessary pressure on the standards of Czech sociological research. Thus the goal is to create conditions for the

maintenance of a high standard of data from the Czech Republic and at the same time for the more intensive use of ISSP survey data in domestic research projects and university teaching.

The third supporting aim was to use international data and common work on Social Reports for the *training of young researchers*. This aim arises from the conviction that the present separation of teaching and post-graduate education from research is unfortunate. The new generation of specialists in social research is isolated from the core research projects with which the Czech Republic is entering into international cooperation. This situation is even more ridiculous because on the one hand, as a rule students have scarce access to empirical sources of good quality and analytically oriented specialists and, on the other hand, research projects are conducted in the absence of post-graduate students and promising young researchers. Despite this unfortunate situation and many formal declarations, all attempts to effectively join research and teaching have so far been unsuccessful.

For this reason the Institute of Sociology of the Academy of Sciences and the Faculty of Social Studies at Masaryk University joined forces to create a *seminar* for the comparative analysis of data from social research projects. It was intended to open international comparative projects to lecturers and students, which itself would be a great contribution to the projects themselves. In the short-term, these projects would have received great assistance in data analyses and their documentation (student papers and theses, student participation in the preparation of files and data processing), and over the long-term, it would enable the directors of large research projects to contribute to the preparation of a new generation of social researchers.

Although this long-term (as originally planned) project was terminated already after the first two-year period, its goals were met to the greatest degree possible. According to our plan, we published the Czech version of the Social Report in 1998 (which has already attracted the attention of a large audience) and this English version in 1999. Within the project, three ISSP surveys were conducted: *The Role of Government* (1996), *Work Orientations* (1997) and *Social Inequalities* (1998). One survey from the series *Economic Expectations and Attitudes* was also collected. Furthermore, the *Sociological Archive* was successfully opened and there has been increasing interest in it (see Appendix F). Only the creation of a 'Western-style' seminar was not realized because, among other reasons, our Brno colleagues were burdened with the transformation of the previous School of Social Studies belonging to the Faculty of Philosophy into an independent Faculty of Social Studies. Only small seminars of the project have taken place, attended by interested students and journalists.

The list of published bulletins *Information and analyses*

1. Petr Matějů: Stáváme se společností středních tříd? (Are we becoming a middle class society?) .
2. Jiří Večerník: Výdělky, příjmy domácností a majetek: jak se posilují tržní nerovnosti? (Earnings, household incomes and wealth: how are market inequalities increasing?).
3. Klára Vlachová: Co říkají volby do Sněmovny o české politické scéně? (What do the parliamentary elections say about the Czech political scene?) .
4. Petr Matějů and Klára Vlachová: Volby do Senátu: voliči, osobnosti, strany a ideologie (Senatorial elections: voters, personalities, parties and ideologies).
5. Ladislav Rabušic: Současné populační trendy v české společnosti (Contemporary population trends in Czech society).
6. Petr Matějů and Jiří Večerník: Veřejné mínění a společenský vývoj. Je naše společnost v krizi? (Public opinion and social development: is our society in crisis?).
7. Kamil Janáček a Marie Frýdmanová: Trh práce: dosavadní vývoj a česká specifika (The labor market: recent development and Czech specificities).
8. Ladislav Čerych: Transformace vzdělávací soustavy: kvantitativní změny a mezinárodní srovnání (Transformation of the educational system: quantitative changes and international comparison).
9. Petr Fiala, Miroslav Mareš and Pavel Pšeja: Strategie českých politických stran po volbách v roce 1996 (Strategies of Czech political parties following the 1996 elections).
10. Klára Vlachová: Jakou chceme vládu? Názory na roli státu v České republice, evropských zemích a USA (What kind of state do we want? Opinions about the role of government in the Czech Republic, European countries and the USA).
11. Jiří Večerník: Jak se přerozdělují příjmy? Daně a dávky v letech 1989–1996 (The redistribution of incomes: taxes and social benefits in 1989–1996).
12. Petr Matějů and Martin Kreidl: Proměny ve vnímání úspěchu, bohatství a chudoby – ‘americký sen’ nebo ‘italská cesta’? (Changes in the perception of success, wealth, and poverty: the ‘American dream’ or an ‘Italian road’?).

The list of published *Working Papers*

1. Petr Matějů and Blanka Řeháková: Turning left or class realignment? Analysis of the changing relationship between class and party in the Czech Republic, 1992–1996.
2. Petr Matějů: Objektivní mobilita, subjektivní mobilita a životní šance v postkomunistické Evropě (Objective mobility, subjective mobility, and life-chances in post-communist Europe).
3. Petr Matějů and Blanka Řeháková: Obrat doleva nebo proměna vzorců volebního chování sociálních tříd? Analýza změny v efektu příslušnosti k sociální třídě na volební chování v České republice 1992–1996 (see No. 1).
4. Jiří Večerník: Privatizace, formování středních tříd a postoje populace (Privatization, middle class formation and attitudes of the population).
5. Blanka Řeháková: Vývoj představ o spravedlivém příjmu (Changing beliefs about a just income)
6. Petr Matějů: Představy o distributivní spravedlnosti v transformující se společnosti (see No. 7).
7. Petr Matějů: Beliefs about distributive justice and social change.
8. Martin Kreidl: Percepce příčin chudoby a bohatství (Perception of the causes of poverty and wealth).
9. Petr Matějů and Klára Vlachová: Krystalizace politického spektra a faktory působící na volební rozhodování v České republice (see No. 10).
10. Petr Matějů and Klára Vlachová: The crystallization of political attitudes and political spectrum in the Czech Republic.
11. Petr Matějů and Klára Vlachová: The role of politically relevant attitudes and value orientations in electoral decisions. The Czech Republic in 1996.
12. Vladimír Tomšík: Komparace makroekonomického vývoje transformačních ekonomik s důrazem na vývoj zahraničního obchodu a platebních bilancí (The comparison of macroeconomic development in transitions countries with an emphasis on the foreign trade and balance of payments).
13. Jiří Večerník: Social stratification and income distribution: socio-economic policies and the middle class in Czech reforms.
14. Petr Matějů: Peripetie vývoje a krystalizace střední třídy (Peripeteias of the development and crystallization of the middle class)
15. Blanka Řeháková: Volební chování různých skupin voličů v předčasných parlamentních volbách v roce 1998 (Voting behavior of different social groups in the 1998 irregular elections).
16. Petr Matějů and Martin Kreidl: Rekonstrukce sociálního statusu (see No. 20).
17. Eric Hanley, Petr Matějů, Klára Vlachová and Jindřich Krejčí: The making of post-communist elites in Eastern Europe.
18. Martin Kreidl, Klára Vlachová: Nastal soumrak pravicového extremismu? (Has the right-wing extremism come to disappear?)
19. Petr Matějů: The middle class formation in the Czech Republic 1991–1997.
20. Petr Matějů and Martin Kreidl: The crystallization of social status in the post-communist society. The Czech Republic 1991–1997.
21. Jiří Večerník: Distribution of income in the Czech Republic in 1988–1996: readjustment to the market.

H. Definitions of social classes and index of socio-economic status

Classification of classes EGP

Robert Erikson, John H. Goldthorpe and Lucienne Portocarero (1979) developed classification of social classes used throughout this report for comparative studies of social mobility. The authors' initials were used to create an acronym for this classification (EGP). After testing, the EGP class schema was adopted as a standard tool for comparative analyses of social structure and mobility. One of the most comprehensive studies of Erikson and Goldthorpe, which explains and applies the EGP class schema, was published in 1992 (Erikson and Goldthorpe, 1992).

The authors themselves emphasize that the aim of the classification is to differentiate positions within labor markets and production units, taking into account also their distinctions in terms of the employment relations. Although principles of the differentiation adopted to build the schema have been derived mostly from classical sources (K. Marx and M. Weber), they meet requirements of analyzing class mobility in industrial nations.

The EGP classification determines class position according to three major characteristics of a person's occupation, which are assumed to be key attributes of occupational class:

1. *Economic status*, i.e. whether a person is employer, self-employed, or employee. Three main groups then are a) employers (that can be further classified into large and small), b) self-employed (further classified in self-employed in manufacturing or agriculture), and c) employees, where can be distinguished those in service relationship, intermediate, and those with labor contract.

2. *Form of regulation of employment* distinguishing employees in service relationship (predominantly salaried professionals, higher technical, administrative, and managerial positions), wage earners in "intermediate" position (routine non-manuals, lower technical and manual supervisory workers), and workers whose position is characterized by labor contract (typically manual occupations).

Additional criteria used to define more detailed version of the classification are the following: the type of industry (agriculture, services, manufacturing), position in the hierarchy of authority and autonomy (lower or higher professionals, managers), and level of skills among workers (skilled or unskilled workers).

EGP class schema has several versions according to the number of classes that are distinguished. The most detailed version (full version) distinguishes eleven classes, the collapsed versions proceed from ten to three categories. Application of a particular version depends on concrete conditions of analysis. First of all, in order to secure reasonable number of cases in each class category, reduced (collapsed) versions of the class schema are used if the number of analyzed cases is small. Another important condition for the definition of classes is the number and compatibility of available characteristics (variables) that can be used to define individual classes in data files.

The following table shows the version of EGP class schema, which is most frequently used in this report along with average values of socio-economic index.

Classification of classes (EGP) and average values of international index of socio-economic status (ISEI) in CEE countries

Code	Original code	Description	Average value of ISEI
1	I.	Higher-grade professionals, administrators, and officials; managers in large firms; big proprietors	65
2	II.	Lower-grade professionals, administrators, and officials; higher-grade technicians; managers in small firms; supervisors of non-manual employees	54
3	IIIa. + IIIb.	Routine non-manual employees	45
4	IVa.	Small proprietors, artisans, etc. with employees	44
5	IVb.	Small proprietors, artisans, etc. without employees	40
6	V.	Lower-grade technicians; supervisors of manual workers	39
7	VI.	Skilled manual workers	35
8	VIIa.	Semi- and unskilled manual workers (not in agriculture)	27
9	VIIb.	Agricultural and other workers in primary production	22
10	IVc.	Farmers and small-holders; other self-employed in primary production	25

Source: Erikson and Goldthorpe, 1992:38; SSEE.

International index of socio-economic status

The index of socio-economic status of occupation (SEI) was developed in 1961 by O. D. Duncan (see Duncan, 1961). The index was constructed by regressing known occupational prestige ratings of a limited set of occupational titles on the age-specific average education and age-specific average of income of matching 1950 U.S. Census occupational categories. The following regression equation was applied to produce SEI scores for Census occupation categories:

$$\bar{P} = 0.59INC + 0.55EDU - 6.0$$

Where P is prestige score (whose estimates is in fact the socio-economic index), INC is the proportion of men with income higher than 3500 dollars, and EDU is a proportion of men with at least four years of high school. Therefore, though the socio-economic index is calculated as an approximation to standard prestige score, it is in fact a linear transformation of average education and income.

Duncan's index known under the acronym SEI (*Socio-Economic Index of Occupations*) became a generalized measure of socio-economic status interpreted as a weighted sum of the average education and average income of occupational groups. Duncan's method was used by other scholars both in the U.S. and other countries. Since SEI was developed as a proxy to prestige scores, many authors treated SEI as equivalent or an approximation of occupational prestige.

In response to a growing number of cross-national comparative analyses, at the end of 1980s, H. Ganzeboom, P. De Graaf and D. J. Treiman (1992) developed the international index of socio-economic status. Unlike Duncan's SEI, ISEI (*International Index of Socio-Economic Status of Occupations*), was neither conceptually, nor methodologically linked to occupational prestige. The method applied by the authors was based on the requirement that socio-economic index of occupation must explain the relationship between education and income. In this respect this index satisfies Duncan's original definition of occupation as the intervening activity linking income to education. Technically, using multidimensional scaling applied on 73,901 men aged 21-64 sampled from 31 data sets from 16 countries, the authors were able to develop ISEI scores for 271 detailed occupational categories within the framework of the *International Standard Classification of Occupations* (ISCO).

The advantage of ISEI is that it can be used for cross-national comparative analyses and is available for large number of occupational titles comprised in the most frequently used classification of occupations (ISCO). The scale of the index runs from 10 to 90. Since the value of the index ISEI depends on a typical level of education as well as on average income in a given occupational group (regression coefficients $\beta=0,582$, $\beta=0,466$) the index ISEI can be interpreted as a measure of socio-economic status of people who belong to the occupational group.

List of abbreviations

1. Political parties of the Czech Republic

ČMUS	Českomoravská unie středu	Czech-Moravian Centre Union
ČP	Česká pravice	Czech Right
ČSDF	Československé demokratické fórum	Czechoslovak Democratic Forum
ČSNS	Česká strana národně sociální	Czechoslovak Party of National Democracy
ČSS	Československá strana socialistická	Czechoslovak Socialist Party
ČSSD	Česká sociálně demokratická strana	Czechoslovak Social Democracy
D92	Demokraté 92 za společný stát	Democrats 92 for a Common State
DEU	Demokratická unie	Democratic Union
DŽJ	Důchodci za životní jistoty	Pensioners for Life Guarantees
HDŽJ	Hnutí důchodců za životní jistoty	Movement of Pensioners for Life Guarantees
HSD-SMS	Hnutí za samosprávnou demokracii – Společnost pro Moravu a Slezsko	Movement for Autonomous Democracy - Association for Moravia and Silesia
HSMS-MNSj	Hnutí samosprávné Moravy a Slezska	Movement of Autonomous Moravia and Silesia
HSS	Hnutí za sociální spravedlnost	Movement for Social Justice
KAN	Klub angažovaných nestraníků	Club of Committed Non-partisans
KDU-ČSL	Křesťansko-demokratická unie - Česká strana lidová	Christian-Democratic Union - Czechoslovak People's Party
KDS	Křesťansko-demokratická strana	
KSČ	Komunistická strana Československa	Communist Party of Czechoslovakia
KSČM	Komunistická strana Čech a Moravy	Communist Party of Bohemia and Moravia
KSU	Křesťansko-sociální unie	Christian-Social Union
LB	Levý blok	Left Block
LSU	Liberálně sociální unie	Liberal Social Union
MDS	Moravská demokratická strana	Moravian Democratic Party

MNS-HSMS	Moravská národní strana	Moravian National Party
NEI	Nezávislá iniciativa	Independent Erotic Initiative
NSS-ČSNS	Národně sociální strana - Československá strana národně demokrat.	National Social Party - Czechoslovak Party of National Democracy
ODA	Občanská demokratická aliance	Civic Democratic Alliance
ODS	Občanská demokratická strana	Civic Democratic Party
OF	Občanské fórum	Civic Forum
OH	Občanské hnutí	Civic Movement
OK-PK	Občanská koalice-Politický klub	Civic Coalition – Political Club
ROI	Romská občanská iniciativa	Romany Civic Initiative
SB	Svobodný blok	Free Block
SČPŽR	Strana československých podnikatelů a rolníků	Party of Czechoslovak Entrepreneurs, Tradesmen and Farmers
SD	Sociální demokracie	Social Democracy
SDL	Strana demokratické levice	Party of the Democratic Left
SD-LSNS	Svobodní demokraté- Liberální strana národně sociální	Free Democrats - Liberal National Social Party
SPP	Strana přátel piva	Friends of Beer Party
SPR-RSČ	Sdružení pro republiku - Republikánská strana Československa	Association for the Republic- Republican Party of Czechoslovakia
SRNDJ	Strana republikánské a národně demokratické jednoty	Party of Republican and National Democratic Union
SZ	Strana zelených	Green Party
SZV	Spojení zemědělců a venkova	Alliance of Farmers and Country
US	Unie svobody	Freedom Union
VDS	Všelidová demokratická strana	All-People's Democratic Party
VSZS	Volební seskupení zájmových svazů	Electoral Grouping of Interest Associations
ZS	Zájmové svazy	Interest Associations

2. Other abbreviations

BIS	Bezpečnostní informační služba (Security Information Service)
COMECOM	Council for Mutual Economic Aid
ČSÚ (CSO)	Český statistický úřad (Czech Statistical Office)
CZK	Czech Crown (currency)
EGP	Erikson, Goldthorpe, Portocarero (classification of social classes)
EEA	Economic Expectations and Attitudes (survey)
EU	European Union
GDP	Gross Domestic Product
IPF	Investment Privatization Fund
ISCO	International Standard Classification of Occupations
ISEI	International Index of Socio-Economic Status of Occupations
ISSP	International Social Survey Programme (comparative surveys)
MU	Masaryk University in Brno
MFD	Mladá fronta DNES (daily newspaper)
NORC	National Opinion Research Center (USA)
OECD	Organization for Economic Co-operation and Development
SCPR	Social and Community Planning Research
SOCO	Social Costs of Economic Transformation (research project)
SSEE	Social Stratification in Eastern Europe after 1989 (research project)
STEM	Středisko empirických výzkumů (Centre of Empirical Surveys)
CEE	Central and Eastern Europe (here the Czech Republic, Hungary, Poland and Slovakia)
UNICEF	United Nations Children's Fund
LSF	Labor Force Survey
ZUMA	Zentrum für Umfragen, Methoden und Analysen in Mannheim

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