

Escaping from Socialist Paternalism: Social Policy Reform in the Czech Republic

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Abstract: The new Czech social policy system is analyzed from various perspectives: the dual nature of the communist system of "social guarantees," expectations of social citizenship in the continued absence of the market, and the need both to de-institutionalize society and establish new institutions simultaneously. Various models of capitalism (state, liberal and corporatist) are discussed and the dilemmas accompanying policy-making during social transition are shown. A new system of social regulation will crystalize not in revolutionary conceptions and acts, but in gradual changes and adaptations to economic problems and budget constraints as well as to the influence and pressure of Central European surroundings and international institutions. To confirm a wide range of social rights in a materially plundered economy and in a society deprived of a firm moral base would prove to be nothing other than short-sighted populism which would undermine economic and social reconstruction sources even further.

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It is generally agreed that transitions to a market economy must be safeguarded from problematic social consequences. It is necessary to prevent the financial ruin of those who are unable to adapt to the new economic conditions. In order for economic reform to progress, social peace must be maintained. The social democratic tradition of prewar Czechoslovakia and the close proximity of "Social Europe" has prevented the unrestrained capitalism of the 19th century from returning. None of the Czech political parties or movements have called the importance of the social dimension of the ongoing transformation into question -- indeed, the population considers it to be second only to personal security in importance.

An intensive discussion on the transformation of social policy is, however, lacking. In fact, economic reform is being introduced without any explicit idea as to the interplay between the economic and social spheres. Conservative arguments voice a strong conviction as to the efficiency/equality trade-off, maintaining that large-scale social security measures threaten work motivation. Social democratic arguments are based on the effort to hinder an excessive increase in social inequalities and to avoid social disintegration. The state is gradually adjusting

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social legislation to meet the new challenges. Nevertheless, neither the applied approach nor any other theoretically viable approaches have been articulated in more general terms on either the academic or pragmatic political levels. Although the situation in the former Czechoslovakia shares some similarities to those in Poland and Hungary, it is considerably different to that in the West, where social policy issues are focused on both research and policy making.

There are further reasons for the lack of discussion. First, after having been sunk in Marxist-Leninist clichés and in a routine of unchanging social benefits for years, neither academia nor the social political lobby have the appropriate conceptual apparatus at hand. Second, any discussion of social policy is likely to be suspect because of the overly "socialist" connotation associated with these problems.¹ Third, given the long list of urgent tasks, such as the introduction of democratic laws and the launching of economic reform, and after the unexpected split of the Czechoslovak Federation and the establishment of a new state, the problem of social policy has not proved to be such a pressing issue. Finally, with regard to the fact that large-scale privatization has not yet taken place and that newly started private businesses have been able to employ a surprisingly high number of people, social problems have not revealed themselves as dramatically as in Poland or Hungary.

This article will examine some problems related to the social security and social support systems currently being introduced. This is primarily a question of origins, i.e. the advantages and disadvantages generated by the policies of the past. There are also the new social problems brought about by the commencement of economic reform and the new challenges coming from the West, to which there are various alternative responses and the multiplicity of dilemmas accompanying them. The conclusion of this article will deal with adaptations and transformations of social institutions and the system of social regulations.

It must be noted that there are no satisfactory "prognostic" answers to questions concerning the concrete forms of social policy in our society. They will crystallize gradually, arising from the day-to-day clashes between political rivals and their economic tactics and from budget constraints and international requirements. Social regulation will always be a compromise between social ambitions and economic potential. It is, however, important to open and continue the debate and provide it with efficient conceptual machinery.

1. The legacy of "real socialism": the two-faced nature of social guarantees

Social policy in communist Czechoslovakia had two faces. It proclaimed itself to be universal and based on both work and state generosity. When the constitution of

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¹) As Johan De Deken made clear - "The Leninist regime effectively discredited anything that makes even the most moderate allusion to socialism." [De Deken 1992: 21] Similarly, Zsuzsa Ferge showed that because of the past, social policy is the weakest part of socialist party activity. [Ferge 1992: 210]

1960 pronounced Czechoslovakia a "socialist" state, everybody had the right to free health care and pension benefits. The main tool of this universal system was the right to work, a right which was not only nominal (as stressed in communist ideology) but "actual." Everyone could be a member of the "working class" (or the "associated class of cooperative farmers") and, as such, could benefit from the "advantages of socialism." The state/party took care of its citizens and provided them with the necessary care. Benefits were relatively high in comparison to incomes. Communist Czechoslovakia was a state without unemployment, without visible wide social disparities and without official poverty.

However, the system was principally totalitarian: everyone was under lifelong control. Wages, pensions and any other benefits acted as perfect instruments for party/state control of the population. It was not work productivity but length of employment, loyalty to the regime, and work in more favored branches which decided one's social security. A part of the population (especially older pensioners) was distinctly marginalized because the relationship between benefits and wages became more and more disadvantageous, with pension benefits becoming barely sufficient for basic necessities.

The key aspects of social policy within the totalitarian system are universal (compulsory) employment and (state) control, not universal social generosity and solidarity. Work is not a right, but a duty and a mechanism for controlling the citizenry. The strongest quality common to both the economic and political structures was that they both encouraged the subordination of the population to centralized power. The universal (and in real terms inferior) state social benefits controlled people's futures. The total opacity of pension financing was supposed to make manifest, from the paternalistic point of view of the "good ruler," that the state provided generous gifts to all people. Regulations neither specified methods of distribution, nor when to increase old benefits or introduce new ones.

Generally speaking, however, the population did not view the system as a totalitarian system of control. It was partly perceived as a continuation of pre-existing social democratic traditions, as an extension of prewar social policy and an expression of the classless traditions of Czech society. Benefiting from this tradition and bombarding people with propaganda, the state/party was able to convince the population that the "guarantees" of the socialist system were preferable to the insecurities of capitalism. State paternalism was advantageous for a large part of the population, especially for the original supporters of the communist party, i.e. the lower strata of the working class and a section of the agricultural sector. Step by step, other parts of the population learned how to use the system as the whole. In replacing work with employment and education with credentials, the dissolution of wage differentiation within the economy and the expectation of life-long state care became elements of the new way of thinking.

At present, both interpretations of social policy, are shaping people's expectations and their reactions to political decisions, thus reflecting this two-faced nature. On the one hand, the emancipatory attempt and courage of part of the population to rely on their own capacities can be seen. On the other hand, the habitual paternalistic expectation of universal state care is evident. On the one

hand, efforts both to remove the state from its former monopolistic position within the economy and society and to limit its role to a necessary minimum are in motion; on the other hand, attempts to maintain its functions and reproduce the power of state bureaucracy still persist.

2. New problems: their pragmatic and systemic levels

The beginning of the economic transformation has brought with it a number of social problems. Firstly, price liberalization has led to a general decrease in incomes' purchasing power and thus exposed part of the population to poverty. Secondly, the reduction of the state bureaucracy and the beginning of the privatization of large-scale enterprises has caused unemployment, a hitherto unknown phenomenon. Beside the "old poverty," which endangered large families and the oldest pensioners in particular, a "new poverty" arising from unemployment or the low adaptability of some households to the new conditions is emerging. Only a fraction of Czech households is able to mobilize alternative economic sources, move to the expanding segments of the labor market, obtain secondary incomes, profit from old or newly acquired real estate, etc.

Under the communist regime, the status of work inevitably decreased as the links between ability, performance and reward weakened or even disappeared. Success in the competitive labor market requires some of those dispositions and abilities which were methodically suppressed: competence, training, adaptability and mobility. Now, only about 20% of the population is convinced their education is suitable for the present market conditions. As far as unemployment is concerned, however, the level in the Czech Republic is still very low (having fallen below 3% as of mid-1993), but its future rate will be influenced by contradictory tendencies. In the near future, we can expect a certain increase in lay-offs as a result of the privatization of large state firms (and a consequent reduction in "social employment") as well as the establishment of Western corporations which are trying to control some markets and reduce domestic production. On the other hand, the increasing activity of new domestic and foreign firms as well as that of the service and informal sector will considerably increase the demand for labor.

By causing unemployment and inflation, the economic transformation inevitably also produces poverty. Poverty in "socialist" Czechoslovakia was hidden and socioeconomic research on it was prohibited. There are as yet no official data on poverty. According to the "Economic Expectations and Attitudes" surveys, the poverty rate is higher in absolute terms (based on official minimum income) than in relative terms (based on EC poverty standards), and much higher in subjective than in objective terms. The poverty line was newly established in November of 1991 and valorized in March 1993. According to official estimates, the percentage of households falling below the poverty line does not exceed 2%. According to our surveys, it is only slightly more. In subjective terms, about 10% of Czechs consider their households to be "definitely poor." A higher and slowly increasing number of households estimates their subjective minimum income to be higher than their actual (declared) income. In January 1993 about 30% of Czech households but only about 25% adults and children fell into this category. This is a result of the

higher proportion of single pensioners among those who subjectively consider themselves poor.

Unemployment and poverty are heavily concentrated among Roms (Gypsies). Following a 1965 government decision, the Communist regime intensified its effort to liquidate their separate and autonomously managed villages in Central and Eastern Slovakia and forcibly dispersed Roms throughout the whole of Czechoslovakia. A consequence of this artificially provoked migration was the complete destabilization of this nation and the creation of social-pathological centers in many Czech cities and towns that impulsively absorb further contingents of unadapted Slovak Roms. These are consequently centers which generate fear and crime, destroying houses and surroundings. The Rom unemployment rate is much higher than that of the rest of society, due to their low level of training and work reliability. Also, the percentage of Rom criminality is much greater and has developed into whole sectors of organized crime (prostitution and smuggling). Considering their extremely slow pace of adaptation and their expansion by migration and high fertility, Roms present a serious social problem.

These emerging or increasing social problems challenge the system of social security and assistance. Under the Communist regime, all social guarantees were anchored within the work sphere. The administrative allocation of work was inseparably tied up with social guarantees. Wages were equalized because their function was to support the reproduction of a loyal but undifferentiated working mass at the lowest possible cost.² Hence, on the one hand, wages functioned as an "employment benefit" for those who would have dropped out of the job market due to low productivity or the low quality of their work, while on the other they functioned as a minimum support for hard-working people who actually deserved much more. Firms built apartments and ran kindergartens, and everyone could claim a pension because of his/her former employment. Essentially, it was a single, uniformly controlled and targeted system.

The economic transition has started to untangle and differentiate this system. First of all, the obligation both to work and employ has vanished and a real labor market has come into being. The state no longer administers work, but is obliged to determine a minimum wage, take care of the unemployed and support new occupational opportunities. Health insurance and pensions, formerly financed from the state budget, are becoming independent and are being transformed into independent (but state-guaranteed) funds financed by employers and employees alike. Social policy institutions are also becoming independent of the production sphere and more removed from the state budget; social insurance is starting to work on a mixed-budget fund and on a private basis. In sum, social policy is changing its bearer and its institutional structure: the dependent worker is being replaced by the independent citizen and the opaque party/state administration is being replaced by defined public, private and charity institutions. According to the

²) The function of wages for the mere reproduction of workers under socialism has already been discussed by the author in connection with the hypothesis demonstrating the principally exploitative character of "real socialism." [Večerník 1991a]

present government's strategy, the economic transformation should be associated with a shift away from the paternalistic state and the de-motivation of "social guarantees" toward a more efficient and better targeted social policy.

The transition of the system conceals two large problems or dilemmas. The first is related to the rooted character of citizenship while the second is connected to the problem of institutions.

T. H. Marshall [1964] described the historical process of the formation of modern society. In the 18th century, citizens' rights established individual freedom, in the 19th century political rights were established. The establishment of social rights characterizes the 20th century, i.e. "liberating the individual from want." This sequence is, however, reversed in the formative processes of postcommunist societies. Paradoxically enough, the only aspect adopted from the communist past by both the population and state institutions is the last item in the sequence. The "social guarantees" of the past were proclaimed to be a certain form of social citizenship (despite their fundamental totalitarian substance, productive basis, and marginalizing effects) and are still treated as such. Whereas everybody should know that the dependency of individuals on the state has to be severely decreased in the market system, the maintenance of social guarantees ensures people's trust in the new regime.

Regarding institutions, it is possible to say that communist society was over-institutionalized. Institutions controlled all spheres of life, replacing market mechanisms, moral norms, communities, associations and informal movements. They acted as extensions of the "center" with their individual branches very closely connected by official and hidden links. The logical reaction to such a situation is to attempt to de-institutionalize the society and create space for spontaneous processes. However, tearing apart the integrity of the existing political-economic-social mechanisms implies an urgent need for new functional institutions. Under the conditions of a normative vacuum and an "associative wasteland,"³ the newly gained space for freedom is hard to fill with positive and spontaneous collective activity. Individual actions, if controlled by the simple survival instincts inherited from communism, can often have destructive effects. When the "visible hand of the party" loses its universal power and the growth of civil society is slow, the necessity arises of filling the vacuum with a number of mutually independent institutions which will simultaneously demonstrate and ensure plurality within the social structure.

Both dilemmas (the preference for social citizenship over political citizenship and the need for new institutions in a milieu of disintegrating power structures and decaying normative chaos) can only be solved at the price of permanent compromise. Righting the anomalies remaining from communism cannot be done immediately. One of the compromises is, of course, the social compromise, i.e. finding the road from paternalistic care to individual responsibility that is neither socially harsh or nihilistic nor contributes to the further disintegration of society.

³ The term was used by Claus Offe when discussing the total absence of the institutions of civil society and networks in post-communist countries. [Offe 1992]

3. The types of capitalism: theoretical or real challenges?

After the fall of communism, everyone called for political democracy and a market economy. This initial general enthusiasm (partly honest, partly feigned) is gradually being replaced by a plurality of opinions. People are starting to recognize that there are, in fact, not one but many types of "capitalism" and that its concrete form will be gradually shaped by the conflict between different political currents and economic strategies. The levels of how far the state can withdraw from the economy differ and there are different ways of smoothing out the state/market relationship. Here we will consider these issues under the delineations of state, cooperative and liberal forms of capitalism.⁴

State capitalism

State capitalism springs from different traditions, some of which are more liberal and pragmatic, while others are more socialist and egalitarian. The "social liberalism" of the classical economy (J. S. Mill) leads to the Keynesian concept of state interventionism and to Beveridge's social system. The socialist branch, arising from Fabian thinking and social democratic policy, became the basis for the Scandinavian type of welfare state but was also abused by the totalitarian type of "real socialism". Here the state modifies capitalism through various active policies [Putterman 1990]: it a) prevents market failures (monopolies, externalities, the inability to provide public goods), b) redistributes incomes from market participation, c) accomplishes macroeconomic stabilization through operations aimed at the labor and capital markets (Keynesian policy), and d) intervenes to the benefit of specific economic orientations (industrial policy). State intervention should be both independent and legitimate -- a difficult task to achieve. The first path can easily lead to authoritarian and bureaucratic power, the second to lobbyism and the parcelization of state activities and sources. Within the domain of social policy, state capitalism corresponds best to the "social-democratic welfare state" based on full employment, wherein the state cultivates an active labor market policy and functions as an important employer. [Kolberg, Esping-Andersen 1992]

Corporative capitalism

Corporative capitalism is conceptualized according to two orientations, one of which derives more from a community perspective, the other from a class perspective.⁵ In the first instance, it is interpreted according to Durkheim's conception of solidarity, the Christian democratic doctrine or Saint-Simon's associationalism. Unlike the concept of the "autonomous economy, operating according to its own coherent logic, independent from the rest of human social life" [Block 1985: 19], the economy is understood as being naturally embedded in civil

⁴) In this section, we rely mostly on Ian Gough's classification scheme and descriptions. [Gough 1994]

⁵) Liberal neocorporativism, in contrast to authoritarian corporativism (based on a pre-industrial society divided into estates), is based on the complex web of sector and class interests in a society characterized by high social mobility. [Aleman 1990:139]

society. In order to function, a market economy requires trust and cooperation among the main interest groups in society, as well as their active participation in political negotiations. In the second instance, it is based upon Marx's conviction that class divisions exist within society and that politics is the expression of economic interests. The rational solution for workers is to follow a strategy wherein they respect the interests of capital. [Przeworski 1986]

With social partnerships and negotiations among the collective actors as their base, different interests can be harmonized either through compromise or through their redefinition. With this "third way," new institutions for negotiation and networks of social partners can be created and both market and state mechanisms can be replaced. But the question remains: to what extent can all the different interests be represented and realized? Corporatism can easily degenerate into interest cartels, particularism and clientelism. It can marginalize and exclude groups that are not represented (the youth, the elderly or the disabled, as well as certain occupational categories such as free-lancers). This "selective corporatism" resolves short-term conflicts but at the same time contributes to the creation of new fields from long-term conflict. [Aleman 1990] Corporatism ensures an effective social policy supported by social insurance and universal social help.

Neoliberal capitalism

Neoliberal or "minimally regulated" capitalism combines liberal and conservative elements results in a "free economy and a strong state." This "New Right" program, which attracted attention in the 1970s and 1980s, opposes both state and corporative capitalism. It posits that everywhere and constantly, the failure of the government is more likely and more dangerous than the collapse of the market. State intervention can be neither rational (it is impossible to express the will of dispersed participants), nor universal (it is necessarily controlled by lobbies); it causes the disintegration of the market and is thus counterproductive. State policy is inevitably clientelist when various groups influence the government and put forward specific claims and ideas. It is more likely, defenders of liberalism say, for the state to put forward particular rather than universal interests. The state bureaucracy necessarily tends to find routine solutions according to rules laid out in advance, and tends to strengthen its own position instead of building up well-founded and targeted projects. That is why the state tries to decrease its own powers (through deregulation, de-etatization, privatization, tax cuts) while at the same time trying to weaken the role of other institutions (trade unions, occupational associations, etc.) In liberal capitalism, state social policy is limited to the safety net, which functions as a last resort for individuals and can effectively cause marginalization and stigmatization. In the Esping-Andersen typology, it is called a "residual welfare state." [Esping-Andersen 1990]

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The idea of "building capitalism" according to a consistent theoretical concept is just as unrealizable as the idea of "building socialism" according to Marxist-Leninist ideology and the long-term plan. The models presented above are, however, used as patterns and strategies. They form expectations in the population, in the

programs and activities of political parties and in the prospective intentions of governmental bodies. To give clear preference to any single one of them is almost impossible. Given its prewar traditions, the Czech Republic can be counted among those countries such as Austria and Germany with corporative organizations. In view of its heritage and the problems of the present transformation, it could, however, easily be attracted to some of the variants of state capitalism. The necessity of cutting ties to communist paternalism is reorienting the country toward neoliberal capitalism with a minimal amount of state participation. Today, elements of all three models are present and there is no doubt that they will continue to mix in the future. The character and power of the social actors will influence the relative proportions of liberal, state, and cooperative elements in this interplay.

Development following an entirely different political path is also possible. The communist regime left behind a deeply rooted egalitarian psychology, considerable state guarantees for households and a "repressed social structure."⁶ This can lead to various arrangements that connect state authority with populist policy. This reveals itself when a promised generous social policy wins the support of important sections of the population, so that social policy can hide behind a social democratic or corporative shelter. It must be stated that although this authoritarian-populist compound corresponds well to the character of the previous regime and, represents for a significant part of the populace a way out of the chaotic impasse of the transition, it does not seem that it can have a truly great impact in the Czech Republic, where historical experience of this type is non-existent (unlike in neighboring Poland and Hungary). Nevertheless, we should be aware of such an alternative.

4. Alternatives and limits of change

The radical change in vocabulary does not fully show what it means to create new forms out of old content or to actually cut ties with the past. The dominance of social claims in the temporary value spectrum and the need to both de- and re-institutionalize society are simply manifestations of a generally paradoxical and confused situation in which there are several available alternatives to basic choices. Here we will describe a few of them.

1. Among the favorite slogans of "real socialist" leaders were: "we can only distribute what we produce" and "to provide social benefits we have to earn money first." Today, a routine budget approach is applied and should be respected. This means that money for the social sphere must be saved in production or that a social policy which economizes more will allow a more intensive financing of economic modernization, either directly (through state support) or indirectly (through lower taxes for entrepreneurs). Such static antagonism opposes the dynamic view [Offe 1993] that investments in the social

⁶) The term is from Zs. Ferge who means by it a situation in which structural forces cannot act normally, being limited by barriers intentionally created by the communist ruling class. [Ferge 1993]

- sphere are investments in human capital and social peace and, because of this, even deficit budgeting can be allowed. From the neoclassic and liberal perspective, social policy is a factor outside the economy, whereas from the socio-economic and corporative perspective it is an integral constituent of economic life. Generally speaking, a socially satisfied population and a secure labor force generate increased long-term benefits in productivity and reliability.
2. The economic rule of an efficiency/equality trade off was formulated many years ago [Okun 1975], according to which personal effort input grows when income is directly proportional to output. It implies that the work motivation is undermined when incomes are equalized. According to neoclassical rules, wages must also be downwardly flexible in order to motivate entrepreneurs to employ less effective workers and decrease unemployment. That is why both minimum wages and ceilings on them are unacceptable. The reverse side of this coin is the argument that human work is primarily a social activity [Polanyi 1957] and that financial reward is only one of many compensations taking various forms of a fundamentally social character. The process of ensuring and rewarding work should respect principles of justice and must support, not undermine, the social integration of society.⁷
 3. There is no unified hypothesis or theory to guide the growth of capitalism in postcommunist countries. One opinion classifies the current movement as "political capitalism"; capitalism is being created without well-established bourgeois classes and their interest associations. It is being created from the top by the new elite according to its own plan; "old apparatchiks turn into new entrepreneurchiks." [Staniszki 1991] It is hard to accept that the new regime is coming into being in a social vacuum, more aptly put the old organizational structures and social relations are in a phase of metamorphosis. Instead of a transition, what is happening is rather a transformation in which newly-introduced elements are combined with adaptations, new arrangements, permutations and reconfigurations of existing organizational structures. [Stark 1992: 300] Instead of the "non-system" and institutional vacuum formulated by political science, and instead of utopian economic projects based on the theoretical possibility of choosing the new system freely, the actual sociological perspective is one of a transformed continuity of the old (parallel) structures and interiorized (informal) routines. More than a consistent architectonic project, then, it is an amateur "bricolage" of various elements, as David Stark puts it.
 4. Up to now, a general consensus in favor of democracy and a market economy, as well as both political and economic rights and freedoms, has prevailed. In reality, these relationships are not so clear. Looking at the history of capitalism, the

7) Fred Block considers today's fashionable dilemma between capitalist accumulation and social policy to be very unfortunate. On the basis of Polanyi's argument on the "embeddedness" of economic activities in the social structure, he shows that "the growing centrality of the 'human factor' means that social policy could now come to the forefront of the social reconstruction process. In an epoch in which the production of wealth now depends on human problem-solving capacities, the complex of policies through which societies shape human development becomes central to economic efficiency." [Block 1985: 28-29]

liberty and independence of economic actors has historically preceded political democracy. New demands on the part of capital accumulation do not always have to be legitimized by democratic procedures, as new classes of entrepreneurs can arise from former elites. It is even conceivable that it was exactly these elites who brought about the fall of the communist regimes for their own economic benefit. [Možný 1991, Mink, Szurek 1992] How these people will behave as participants in the market economy can be questioned. As an example of the "tunnel effect" (in A. Hirshman's formulation), Claus Offe pointed out that opening of democracy and the establishment of a market economy can cause a mutual "blockage," that democracy can block privatization and marketization. The market economy will then fail to distribute properties and this failure could lead to such accumulated dissatisfaction that democracy will be replaced by populist authoritarianism. [Offe 1991]

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Such argumentation concerning these contrasts is clear only on the theoretical level, that is from various theoretical perspectives. In a rapidly changing social reality, however, neither reliable criteria of behavior nor convincing indicators of results are strong enough to bring any clear solutions to such academic discussions. We cannot withstand the attraction of self-fulfilling prophecies nor the deliberate choice of applicable arguments in such a chaotic reality. The choice is made mostly on the political level and the only question is whether the route taken by the transformation is the manifestation of a particular or individual political will or if it is paved by the interests of actual social actors.

5. The actors: political parties, the state and the population's expectations

Dismantling communism brings about a situation completely without precedent in which all variables are unknown. Actors in the changes are newly defined (or define themselves), as are their interest fields and proposed aims. Political parties are gradually profiling themselves according to social policy and formulating their programs in this field. The state is reacting to new problems and trying to meet the requirement of adjusting the social system to the market model. Furthermore, other institutions - associations of entrepreneurs, trade unions, occupational organizations, etc. - are also claiming to represent the new social groups and vying for attention.

If political party programs are compared, only two basic approaches can be found. On the one hand, the approach of the fathers of economic reform, the conservative Czech parties ODS (Civic Democratic Party) and ODA (Civic Democratic Alliance), stress the "market without attributes." Their approach to social policy is based on a combination of universal social insurance and means-tested social support. Well targeted rather than universal social benefits are emphasized when referring to the residual welfare state, as is the principle of subsidiarity: "the basis for any activity is the individual, the family and the locality. The state is the last resort for the citizen. Social policy should be de-etatized as much as possible in favor of the local associations." [Svoboda a prosperita 1992: 16] On the other hand, OH (Civic Movement) and ČSSD (Czech Party of Social

Democracy) give priority to the "social market economy," referring more, however, to the German and Austrian social democratic model than to the Scandinavian one. LSU (Liberal Social Union) and KSČM (Communist Party of Bohemia and Moravia) require much more generous allowances and the regular indexing of all wages and social benefits. The left wing of the political spectrum does not use the discredited Marxist categories but the Keynesian interpretation of significant state intervention. The Christian parties ČSL-KDU (People's Party, Christian Democratic Union) are still searching for specific social programs ("the trampoline instead of the safety net"), while stressing community and voluntary organization.

Both left and right wings agree on the essential harmony of democracy and market economics (but not on where priorities are to be given), on the necessity of economic reform (but not on its form and speed) and on certain unavoidable "social costs" of the reform (but not on their acceptable range). Each political party's orientation is crystalizing, with every decision on benefits, taxes or wage regulation being made pragmatically.

The presumably conservative government is not pursuing a consistent social strategy.⁸ Obviously it is not autonomous in its activity, being directed not only by political parties but also by pressure from international institutions, and not only by leading personalities but also by routine bureaucracy. Bob Deacon has made an interesting point concerning the different and contradictory influences of foreign institutions. On the one hand, the IMF and World Bank require a minimum safety net. On the other hand, the International Labor Office proposes implanting social rights as far as possible, or to base the new system on a social citizenship enabling flexibility within the new market.⁹ From one point of view, the Tripartite Commission is condemned as an institution that maintains trade unions' bureaucratic staff in power. Yet from another point of view, it is being established as a means of maintaining of social peace. Further, the Economic and Social Committee of the European Parliament has been in sharp opposition to those who would like to introduce a market economy without the adjectival attribute "social." There is a gulf between the influences of the international institutions resident in the USA, "the thinking of which in the field of social policy draws on an American

⁸) Some examples: the government continues to liberalize all prices and equalize opportunities for everybody but keeps rents in former state-owned houses (for one-third of the population) at a ridiculously low level. On one occasion, pension benefits are proportionally increased by the same percent, the next time by the same amount of money. The Minister of Labor and Social Affairs prepared a law on additional insurance based on a corporatist principle (funds ruled by employers, with their contributions included into costs), which was then transformed by the government into one based on a citizenship principle (fully individual insurance with state guarantees and contributions).

⁹) I have already expressed reservations to proposals to introduce a "basic income" in Czechoslovakia or in the other postcommunist countries as a good solution for social policy. As an universal and unconditional benefit "basic income" would have destructive consequences for the state budget, in the conditions of surviving psychology of the paternalistic state and badly functioning financial and social institutions. [Večerník 1991b]

individualism," and the European institutions, "in which social policy has a corporative and social democratic character." [Deacon 1992]

Trade unions claim to represent the "working people" in tripartite commissions, however their public support is not so clear. Even though 76% of our respondents consider trade unions necessary for the positive functioning of society, only 62% think that their activity stimulates democratic development and only 57% that the activity of trade unions is helpful to the national economy. Only 59% of trade union members know about the activity of their own specific organization, and the level of their activity is even lower. Most members stay in the trade unions out of inertia rather than out of a necessity to defend their interests. ["Economic Expectations and Attitudes", June 1991]

Along with governmental and trade union bodies, associations of employers, professionals' chambers and community organizations are emerging. The pace of their formation and utilization in everyday political life is, however, slow. People are re-learning how to live under democratic conditions and share the pragmatic democratic struggles. Following empirical surveys, we can see a gradual crystalization of their attitudes and an increasing consistency of their perceptions of society and the expected role of the state.

It is quite understandable that the expectations of the population are not yet clearly defined. During the revolutionary period of November 1989, people expressed a readiness to tighten their belts. Everyone outwardly accepted the necessity to economize strongly in order to compensate for forty years of economic devastation. In the beginning, there was a real forum for presenting liberal thoughts and attracting people with them. At the same time, however, most people were unable to imagine an economy without state supervision. Our survey (Table 1) showed that people agreed with the statements supporting both "total freedom for private businesses" and "state control of the economy". These overall positive but unfortunately also contradictory attitudes are gradually being replaced by less positive and also less contradictory ones. Fewer people think today that private businesses should be given total freedom or that the state should intervene in the economic sphere. These positions are more crystalized and reflect the gradual polarization of opinion.¹⁰

Nevertheless, expectations from the state remain high: over half the population believes that the state should control prices to a greater extent, should guarantee work for everybody, should find a flat for every family that cannot find one for itself and should also limit the increase of wages to prevent inflation (Table 2). Moreover, 21% of respondents in the Czech Republic (and 25% in Slovakia) think that the state should clearly define ceilings on the amount of

¹⁰ In May 1990, 80% of respondents who decisively agreed on total freedom for private businesses also agreed with a state control of the economy (50% "definitely yes," 38% "rather yes"). In June 1992, the number was 20% lower (29% "definitely yes", 32% "rather yes"). While in May 1990, the first statement (freedom for businesses) corresponded only weakly with the axis of political "right-left," while in June 1992 both statements were clearly correlated with this axis. ["Economic Expectations and Attitudes"]

money an individual can earn. The analysis shows that in June 1992 consistent attitudes were minimal and that not even 20% of the population professed a clear right-wing orientation. This 20% showed itself to be better educated and better-off, from the Czech lands, and ODS or ODA voters (Table 3). The crystalized left-wing position has, however, an even weaker representation, since support for state intervention is usually accompanied by a more or less strong acceptance of a market economy. A substantial part of the population's attitudes are characterized by ambivalence. It is more often the combination of positive outlooks (expectations of the free market and the strong state), and less negative opinions (a refusal of both the freedom of the market and state intervention.)

The same is true of the choice between a "market without attributes" and a "social market economy" (which are used more often as political slogans than as actual social political alternatives). It is worthy of note that this issue has divided the population in two.¹¹ Groups of respondents inclining to one or the other variant can only be described to a certain extent in demographic, social, economic, political or territorial terms (Table 4). As the data shows, any hypothesis stating that the social structure supports a definite choice would be premature.

Surveys show that the "social market" alternative is much more closely connected with authoritarian and protectionist attitudes, although the liberal alternative does not completely exclude them. As shown in our survey, the populist-authoritarian variant is more acceptable to older people, those from smaller localities, and with lower education and income. It was also mildly preferred by the Slovak part of the population.¹²

Without a doubt, the socio-political scene is already prepared for new social actors in the form of social groups and movements representing property, professional and local interests. Nevertheless, while some of the new interests and activities call for the formation of associations (which are, however, not keeping to their mission), the vacuum is only being filled hesitantly due to the ambitions of political leaders.¹³ The repressed social structure, however, can be quickly reformed (or radicalized) by the similarity of individual fates, common problems and the need for collective action.

11) The data from June 1991 show that 5% of respondents would prefer the socialist regime that existed until November 1989. 48% chose a "market without attributes" and 47% a "social market economy."

12) In June 1992, the question "Would it be better for our country if discussion about various ways of solving the present situation were replaced by a strong-handed government and if somebody were to clearly say what to do?" was answered as follows: 22% of respondents "definitely yes", 34% of respondents "rather yes." The question: "Do you think that it is necessary to protect our nation from foreign influences?" was answered "definitely yes" by 25% of respondents and "rather yes" by 41% of respondents.

13) An example of the first situation is the privatization of the apartments which has led to the establishment of a "Union of Tenants" on one hand and "Union of House Owners" on the other. An example of the second situation is the hasty founding of parties with insignificant membership that claim to represent "interests which are yet to be born."

6. Adaptation of the social policy system or implementation of a new type?

From a normative and institutional perspective the start of a new social policy system does not mean a complete break with the communist past. The reform also incorporates elements of the pre-war system - a branch of the Bismarckian corporatist social state based on class-divided insurance and basic state benefits. Czechoslovak social security was nominally based on insurance, but the funds were "nationalized" after 1948. From that point on, benefits were revenue-financed. Today the system is gradually being based on independent insurance funds again and the structure of benefits is being reformed. New benefits have been introduced, namely unemployment benefits and a subsistence minimum as means-tested state benefits, and further regulations for increasing existing benefits (pensions, parental benefits) according to inflation are being introduced. The system is gradually and continuously being changed. Proposals to reconstruct the benefit system entirely in a revolutionary manner (by introducing concepts like Basic Income or Negative Income Tax, for example) have been rejected.

Social security benefits are developing in three directions: social insurance, state social support and social assistance. The new system of social insurance, launched in 1993, includes its de-etatization and the establishment of independent funding. Instead of full revenue financing, the state will act merely as a guarantor. This system should also stimulate the establishment of complementary pension systems based on citizenship. State social support includes targeted and differentiated aid for households whose incomes are over the poverty line but which fall into certain situations of financial hardship. The system aims to contribute to their survival but not to fully cover newly emerging costs. The construction of benefits is derived from a minimum income level (the official poverty line). Social assistance is oriented towards households with incomes below the poverty line and is aimed at the highest possible level of de-centralization. The regulations and administration have to ensure better targeting and means testing: only those who are not able to overcome financial hardship themselves will be eligible. In order to make social assistance more flexible for households in need, a new, more effective network of institutions providing social support is to be built up.

The social benefit system and employment services will be gradually improved, completed and developed, with their purposes subject to political tailoring and their budget more or less constrained by economic possibilities. Both the social-market approach (from the social democratic heritage) and the residual welfare state (from a rather conservative background) are now supported by fundamentally equally strong arguments.

An extensive social policy, based on the role of social citizenship and its material underpinning, is especially strongly supported by the social democratic traditions of prewar Czechoslovakia. It is also supported by the attractive models of Austria and Germany as representatives of the "soziale Marktwirtschaft" or "demokratischer Sozialstaat." In addition, there is the strong influence of another legacy, i.e. that of the deep-rooted experience of the social guarantees system-

established by the former paternalistic state. As previously shown, people have great, scarcely fulfillable expectations of the state. Hence, the claims they make are influenced by their former experience of paternalistic care. The change in the economic mechanism encourages considerable hopes for the future, but also presents considerable problems for the present. Social policy acts as a buffer which enables people to wait: "it lowers the danger of vicious circles - first in an economic sense, insofar as social policy stabilizes purchasing power; secondly in a political sense, insofar as social policy reduces the conflict level in the society." [Vobruba 1992: 6] Social peace is a strong argument in the hands of trade unions and a powerful weapon for the political opposition.

The residual (conservative) social policy is in motion because at present it is necessary to renew individuals' responsibility for their own fate and well-being, a responsibility which was systematically wiped out by communist paternalism. It is necessary to divide the tangle of economic and social guarantees, i.e. "to eliminate the still preserved intermingling of the social and economic criteria of distribution" [Hartl, Večerník 1992: 170] or in other words to eliminate "the connections among the economic, political and social functions of the state." [Kolarska-Bobinska 1992: 63] To entrench too great a measure of social beneficence during the period directly after communism would mean assuming the risk of falling into two kinds of traps: to be exposed to the danger of continuing individual irresponsibility and the danger of perpetuating state paternalism. Also in favor of economizing on social policy are actual budget constraints. During the economic transformation, when tax and social institutions are not efficient, generous social benefits cannot be financed by taxes which are not collected.

Currently, the social system can neither turn completely to the "left" (to the universal scheme based on social citizenship), nor to the "right" (to the residual system only selectively filling out private insurance.) The matters being discussed are the various types and levels of benefits rather than the system as a whole. Hence, the problems are seen only through budget constraints: ever-tighter budget limitations are forcing the government to cut expenditures and realize a less generous social policy. "The best social policy is the right economic policy," said Václav Klaus quoting Ludwig Erhard. [Klaus 1993] That is why minimum benefits have been increased less than what would correspond to the greatly increasing cost of living. Furthermore, the duration for provision of unemployment benefits has twice been reduced. Therefore, some benefits originally meant for the whole or parts of the population regardless of income level are now being tested.¹⁴ A certain part of the active labor market policy has also been discarded by the new Czech government.

The character of the future social regulatory system will not crystalize in revolutionary conceptions and acts, but in gradual changes and adaptations to economic capacities and budget constraints, as well as to the influence and

¹⁴A concrete example is the state benefit which compensates for the loss of food price subsidies. This benefit was made available to everyone after the removal of price subsidies in mid-1990. Now it has been transformed into a means-tested benefit.

pressure of the Czech Republic's Central European surroundings and international institutions. The system will have a mixed character and will combine elements from various systems. Four important areas will act as checks and balances on one to another.

First, it is necessary to maintain the precarious balance between efforts to compensate fully for the rising cost-of-living with benefits and impulses that could undermine the transformation, and the need for increasing economic efficiency. This concerns prices and labor costs (rising wages will better cover subsistence needs but undermine the comparative advantage of low labor costs with possible inflationary stimuli) as well as the relationship between the economically active and non-active part of the population. (Until now, pensions rose more rapidly than wages, thus causing a deterioration in the relative income position of families with children.)

Second, there is a real need to be aware of a certain distinction between the target system (which respects the character of the society and region) and an instrumental system (which creates conditions for reaching the target system.) In other words, one should take the specific nature of the transformation period into consideration. Whereas the target system will probably be one based on universal social citizenship (a sort of social market economy), the instrumental system should lie in a more economic social regulation. Here the state should function primarily as a last resort institution and benefits should have the maximum motivational capacity for the labor market. However, there is no gulf between the different types of social policies and the system can gradually adapt to new capacities and aims.

Third, the same is true of the distinction between patterns coming from the West and the possibility of applying them according to systemic and budgetary policies. If we are exposed to strong argumentation in favor of work "decommodification," then Western patterns are only acceptable after extensive "marketization" and the introduction of hard budget constraints even to individual life choices. In fact, the very first step is to depoliticize both labor and social security, i.e. to remove the confusing global character of state involvement and to clearly separate the market and state, economic and social factors, and distribution and redistribution. This concerns mechanisms, institutions, and the value principles of an individual's behavior. Only after that will it be possible to consider the newly existing relationships between people, the social economy and the social status of labor.

Fourth, there is the problem of social structure and the formation of civil society. If the communist system intentionally crushed all informal social ties, the emerging market system in no way functions in the opposite sense. Due to the newly appearing ownership relations, labor market and financial hardship, the atomization of the society is continuing and new selections and dividing lines are

emerging.¹⁵ Civil society is being established under very crude conditions and the imbalance between the economics-based and moral-based social structure is striking. Social policy should, then, support the creation of intermediary networks and institutions - "between the state and the individual in order to guarantee civilized competition and conflict regulation" [Gaas, Melvyn 1993: 28] - as well as protect against the disintegration of the society and establish mechanisms of social inclusion.

It seems clear that the confirmation of a wide range of citizens' rights in a materially plundered economy and in a society deprived of social ethics would result in nothing more than short-sighted populism which would further undermine the sources of economic and social reconstruction. It also seems clear that there should not be a sharp difference between the target and instrumental systems, between the "original" and "other" Europe (Jacques Rupnik's term), or the market economy and civil society. The government must rely on dynamic social groups and offer acceptable social compensation to those whose guarantees were undermined and whose prospects remain unclear. At the same time, it must support integrative institutions and encourage the creation of a rich social infrastructure.

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¹⁵) One should recall Amitai Etzioni's dictum that "the more people accept the neoclassical paradigm as a guide for their behavior, the more their ability in a market economy is undermined." [Etzioni 1988: 257]

Tables

Table 1. Some opinions on private business and the role of the state
(% answers "definitely yes")

	May 1990	December 1990	June 1991	December 1991	June 1992	January 1993
<i>A. "Capitalism represents the only possible course for our future development."</i>						
Czech Republic		18.2	20.3	19.1	19.5	14.2
Slovak Republic		10.9	10.4	7.3	9.2	9.7
<i>B. "Private entrepreneurship should be given complete freedom."</i>						
Czech Republic	49.7	45.8	40.0	28.3	33.6	25.8
Slovak Republic	37.3	33.5	27.6	19.1	20.2	17.2
<i>C. "There should be an absolutely open space for foreign firms in our country."</i>						
Czech Republic	17.1	22.5	19.3	15.9	16.6	10.0
Slovak Republic	13.0	10.9	12.0	8.8	9.8	10.2
<i>D. "Even under the new conditions the economy should be under state control."</i>						
Czech Republic	52.0	39.7	39.0	37.3	29.2	28.6
Slovak Republic	53.9	42.7	38.7	41.4	31.5	31.4
<i>E. "It is right that capable and competent people have a lot of money, even millions."</i>						
Czech Republic	40.3	47.3	49.5	45.0	47.4	41.8
Slovak Republic	34.3	35.2	32.5	25.0	28.7	26.4
<i>F. "Differences in wages and salaries should increase."</i>						
Czech Republic	57.8	55.5		46.9	43.4	35.2
Slovak Republic	48.0	43.9		31.9	29.1	22.4

Source: Surveys "Economic Expectations and Attitudes," 1990-1993.

Table 2. Some opinions on liberal values and the role of the state (%)

	definitely yes	rather yes	rather no	definitely no	Total
<i>1. "In your opinion, should the state increase its administrative price fixation?"</i>					
Czech Republic	15.6	32.1	34.8	17.5	100.0
Slovak Republic	22.1	41.7	27.6	8.6	100.0
<i>2. "The state should provide a job for anybody who wants to work."</i>					
Czech Republic	24.8	38.3	24.0	12.9	100.0
Slovak Republic	38.0	40.4	16.4	5.2	100.0
<i>3. "In your opinion should privatization continue quickly, regardless of the danger that property will fall into the wrong hands?"</i>					
Czech Republic	8.1	19.7	39.4	32.8	100.0
Slovak Republic	3.4	17.2	45.3	34.2	100.0
<i>4. "Do you think that the state should provide housing for every family which is unable to find it?"</i>					
Czech Republic	18.2	44.7	27.2	9.9	100.0
Slovak Republic	25.1	43.8	22.1	9.0	100.0
<i>5. "Do you think that existing provisions and social policy measures, i.e. benefits, family allowances, and contributions, are presently satisfactory?"</i>					
Czech Republic	5.7	26.3	41.4	26.6	100.0
Slovak Republic	3.3	12.1	43.3	41.4	100.0
<i>6. "Do you think that the state should command some entrepreneurs to lessen the prices of their products?"</i>					
Czech Republic	18.5	30.0	29.1	22.5	100.0
Slovak Republic	27.4	37.2	23.2	12.3	100.0
<i>7. "Private entrepreneurship should be given complete freedom."</i>					
Czech Republic	33.2	34.6	25.0	7.2	100.0
Slovak Republic	19.9	33.2	34.6	12.3	100.0
<i>8. "It is right that capable and competent people have a lot of money, even millions."</i>					
Czech Republic	44.2	34.2	13.9	7.7	100.0
Slovak Republic	27.5	34.9	21.8	15.8	100.0
<i>9. "The state must cease all intervention in the functioning of the market."</i>					
Czech Republic	16.2	35.1	39.9	8.7	100.0
Slovak Republic	12.4	33.1	39.9	14.5	100.0
<i>10. "Only an individual can be blamed for his/her poverty."</i>					
Czech Republic	16.2	30.5	36.2	17.0	100.0
Slovak Republic	8.6	17.8	40.3	33.3	100.0
<i>11. "The people in our country most often get rich in an unfair way."</i>					
Czech Republic	33.6	44.3	19.5	2.5	100.0
Slovak Republic	38.0	45.4	14.1	2.5	100.0

Source: Survey on the "Economic Expectations and Attitudes," June 1992.

Table 3a. Factor loadings of some opinions on liberal values and the role of the state (Varimax rotation)

	FACTOR 1 (strong state)	FACTOR 2 (strong market)
1. control prices	.635	-.357
2. provide employment	.743	-.199
3. quick privatization	-.319	.498
4. provide housing	.710	.053
5. sufficient benefits	-.475	.110
6. lower prices	.663	-.264
7. freedom to business	.009	.794
8. millions to the best	-.262	.633
9. no intervention	-.096	.690
10. everybody responsible	-.325	.528
11. wealth not legitimate	.476	-.210

Table 3b. Clusters based on the factor scores

	FACTOR 1 (strong state)	FACTOR 2 (strong market)	N=
CL1	-.866	1.091	349
CL2	1.145	1.304	231
CL3	.659	-.120	670
CL4	-.939	-.293	479
CL5	.149	-1.504	306
			2035

Table 3c. Correlations of clusters to some social characteristics

	CL1	CL2	CL3	CL4	CL5
Gender	-.063*	-.011	.034	.002	.031
Age	-.064*	.031	.018	-.068**	.084**
Education	.155**	-.088**	-.139**	.107**	-.032
Left/right	.365**	.066*	-.211**	.053*	-.221**
Wealth	.136**	.014	-.086**	.011	-.058*
Size of locality	.041	.004	-.015	.032	-.061*
Czech/Slovak	-.171**	-.018	.134**	-.084**	.116**

Source: Survey on the "Economic Expectations and Attitudes", June 1992.

Table 4. Preferences of a social market or a pure market economy

Question: "Do you generally prefer an economy: 1. as a social market with a high degree of state intervention; 2. as a free market with minimal state intervention".

1. social market (47%)	2. pure market (48%)
Women (56%) ***	Men (54%) **
Persons over 60 (62%) ***	Persons under 30 years (55%) **
Elementary school (64%) ***	Persons 30-39 years (53%) *
Peasants (60%) *	University (59%) ***
Manual workers (54%) *	Professionals (56%) *
Agriculture (54%) *	Manufacturing (53%) *
Wealth to 200 th. (60%) **	Banking (65%) *
Salary to 2500 (58%) ***	Wealth over 1 million (66%) **
Political parties:	Salary over 7500 crowns (73%) ***
ČSSD (79%) ***	ODA (64%) **
KSČM (90%) *	ODS-KDS (71%) ***
HZSD (57%) ***	
SDL (78%) ***	
Localities to 5000 (55%) **	Cities over 100000 (54%) **
Slovak Republic (57%) **	Czech Republic (51%) **
"definitely feel poor" (67%) **	"definitely do not feel poor" (66%) ***
"cope with difficulties" (65%) ***	"cope easily" (69%) ***
"definitely fear unemployment" (66%) ***	"definitely do not fear unemployment" (54%) **
"definitely should rule with a strong hand (57%) **	"definitely should not rule with a strong hand" (66%) ***
"definitely is necessary to protect the nation against foreign impacts" (68%) ***	"definitely is not necessary to protect the nation against foreign impacts" (77%) ***

Source: Survey on the "Economic Expectations and Attitudes", June 1992.

Statistical significance:

*** < 0.001

** < 0.01

* < 0.05

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Source of data: Surveys on "Economic Expectations and Attitudes of the Population": A biannual survey organized by the project on "Economic Inequalities and Labor Market" of the Institute of Sociology, Academy of Science of the Czech Republic, Prague, headed by the author. Sample: 1650-1800 adults over 18 (some questions also concern the situation of the household). The surveys were conducted by the Empirical Survey Center STEM.