

# Public Support for Economic Transition<sup>1</sup>

Lucie Coufalová<sup>2</sup>, Lenka Kolajtová, and Libor Židek<sup>3</sup>

## Abstract

This paper focuses on the Czech economic transition and aims to identify the determinants of unusually high and long-lasting public support for market reforms. The study is based on a unique combination of statistical analysis of survey data and oral history (interviews with reformers, managers etc.), which has enabled us to depict the views of the general public as well as of many people involved in decision-making processes on both macro and micro levels. These findings allow us to propose recommendations on how to gain and maintain public support for economic reforms. Above all, reformers must utilize the period of euphoria and communicate the individual steps of reform with the public.

**Keywords:** Economic transition, public support, socialism, market reforms, Czech Republic, logit model, oral history

**JEL classification:** N24, N84, P21, P31, P37

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<sup>2</sup> Corresponding author.

<sup>3</sup> Masaryk University, Faculty of Economics and Administration, Lipová 41a, 602 00 Brno, Czech Republic.

# 1 Introduction

After the fall of the communist regimes in countries across Central and Eastern Europe in 1989, the new governments began an economic reform processes to move from extremely inefficient central planning systems to market economies. Though the design and execution of the reforms were in hands of political actors, the ultimate success of these reforms – like any institutional change – depended on their acceptance by the general public.

Gaining and maintaining public support for economic transition was complicated by the painful impacts of the reforms. The reformers had to convince the public that this economic hardship was temporary, and that the reforms would be beneficial in the long run. Above all, it was essential to make use of the precious political capital stemming from the political change. In this respect, the Czech transition stands out. In comparison with other post-soviet countries, the Czech reformers were able to gain the necessary public support quickly and maintain it for a relatively long time. This allowed them to implement radical reforms shortly after the beginning of transition and keep the reform process going. However, in the end, support had to drop. The reform government was toppled in autumn 1997, and the main opposition party at the time, the Social Democrats, won the following elections in 1998.

This paper explores the economic transition in the Czech Republic. Its main objective is to uncover the determinants of public satisfaction with economic transitions, and identify what drove the public to support reforms. We adopt two complementary methodological approaches: statistical analysis of Czech national survey data and oral history. The former is based on data from the Economic Expectations and Attitudes (EEA) survey conducted in the Czech Republic from 1990 to 1998, and focused on public beliefs about the most important issues of economic transition. The high value of this survey lies not only in its large representative samples, but also their long-term character. This enables us to observe trends and changes in public opinion. Logit models were used to identify the main factors associated with public satisfaction with economic reforms. These descriptive results have been complemented by almost 100 in-depth interviews that revealed the personal experiences of those involved in the transition, providing further evidence on key factors of public support.

We add to the existing literature in several ways. First, we bring a new perspective to the reform process, linking it to the role of public opinion. Although we use a simple econometric analysis which does not allow us to draw causal interpretation, we offer a detailed overview of the factors determining the support for the transition and their evolution over time. Second, the oral history adds another, much more personal, layer of insight to the analysis; and identifies other determinants of satisfaction with the transformation that broad surveys are simply unable to capture. In-depth interviews give respondents free space to highlight aspects of support that they find important without being directly asked about them. These are eyewitness accounts from those who both took the most responsibility for the reform steps and who had to face the consequences. The two methods are also complementary in the sense that whereas the interviewees were overwhelmingly “winners” in the transformation, the surveys reveal the far more ambivalent views of the general public (for a deeper discussion about this topic see, for example, Doyle and Fidrmuc, 2003). In sum, we bring a much deeper and broader perspective to the economic transformation. Third, the combination of these two methods is original and helpful in overcoming the limits of the econometric aspects alone. Fourth, the findings from this study can be used as a basis for recommendations on how to gain and maintain public support for economic reforms – support that is essential for their successful implementation.

The paper is structured as follows. Section 2 introduces the economic and social context of the Czech economic transition, highlighting the incredibly high level of support for the transformation at the beginning. Section 3 provides a brief literature review on the public

support for economic reforms in transition countries and identifies its main determinants. Section 4 describes the data, the methodology, and the results of our econometric analysis, which tests the relative importance of these determinants in the Czech transformation. These results are contextualized in Section 5 with evidence from oral history. The last section concludes and offers our recommendations on how to sustain public support for economic reforms.

## 2 The Czech transition

Public support for the transformation process had its roots in the dysfunction of the centrally planned economic system and in socialist society generally, but also in the path that the transformation took after the fall of the regime, and the speed it took this path. Political as well as economic aspects played crucial roles.

The Communist Party took power in a coup in 1948. The secret police controlled every aspect of life in the country, and the totalitarian, communist regime limited many civil and political freedoms alongside any criticism of the regime. People were not allowed to travel, there was no competition of political ideas, and elections were a farce. Any opposition was suppressed, and its members were jailed.

Political change in Czechoslovakia took place in 1989 and was referred to as the Velvet Revolution for its gentle course. One crucial aspect included massive demonstrations with a thrilling atmosphere of up to hundreds of thousands of people on the main squares all around the country. The protesters expressed their broad dissatisfaction with the communist system as well as the state of the economy more specifically. Personal freedoms and political competition were immediately re-established. The first free election, which took place in June 1990, resulted in landslide victories for the newly established political movements in both parts of the federal state. Support for political changes was at that moment enormous.<sup>4</sup>

Besides the political motives, the frustration with communist reign had economic reasons as well. Czechoslovakia permanently lagged behind the developed market economies. GDP per capita in purchasing power parity was on par with Austria in 1950, but barely half of that of its southern neighbor at the end of the 1980s (Maddison, 2013). The numbers describing the economy were secret to the public, but the general view was that the socialist companies were unable to compete with western ones (even though the propaganda permanently trumpeted the ‘outstanding’ achievements of the socialist regime). The reasons, however, were baked into the economic system. Nationalization and central planning were the guiding principles, and companies had, in practice, perverse incentives to maximize inputs and minimize outputs. These incentives contributed to low efficiency of the system, which was further worsened by a total absence of competition on the internal market, a system of fixed prices, poorly directed subsidies, individual tax rates for each company, a chaotic system of deductions, an absence of bankruptcy law, and isolation from the world economy. Shortages were omnipresent on all levels of production, from commodities to consumer goods; goods imported from countries with convertible (hard) currencies were even harder to find, due to a corresponding lack of demand for Czechoslovak goods in Western markets. This resulted in queues, black markets and widespread bribery. At the same time, the geographical proximity of the West allowed a

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<sup>4</sup> For example, the Civic Forum (the main opposition movement) obtained around 50 percent of the total votes (in the Federal and the Czech Chambers of the Parliaments) in the Czech part of the Federation (Czech Statistical Office, 2021).

significant share of Czechoslovaks to watch foreign TV, and they were thus well aware of the supply of consumer goods in market economies. All these features contributed to the dissatisfaction with the system.<sup>5</sup>

Naturally, the political changes of 1989 catalyzed necessary reforms in the functioning of the economy. There were several possible avenues of reform, but the economists around Václav Klaus (federal Minister of Finance at the time) ultimately gained the upper hand. Their proposal embraced a quick and radical change of the economy. These economists did not have any illusions about the condition of the centrally planned system<sup>6</sup> and tried to establish a reasonably functioning market economy as quickly as possible. 1990 was characterized by laying the groundwork, with a few preliminary measures. More comprehensive changes took place at the beginning of 1991. These included price liberalization, trade liberalization, the elimination of subsidies, tax reform, restrictive fiscal and monetary policies, wage regulation, and privatization (see, for example, Drabek, 1995). The reformers also tried to stabilize the macroeconomic environment. However, one side effect of these changes was the ‘transformation recession’, accompanied by significant increases in the prices; together, these contributed to a 20 percent decline in real wages in 1991 (Czech Statistical Office, 2012).

Even so, the public generally accepted the need for harsh reforms. This was mainly due to that price liberalization together with trade liberalization immediately resulted in imports of Western goods, which were practically unobtainable before 1989. Satisfaction with the market’s range skyrocketed (Koutníková, 1992). The reformers were successful in relatively quick stabilization of the macroeconomy, with exceptionally low unemployment. At the same time, the thrilling atmosphere and the abandoning of restrictions led to an astonishing interest in starting private businesses.<sup>7</sup> This interest contributed to a very low unemployment rate.

Meanwhile, the process of privatization, which had already started in 1990, continued. It embraced several different forms – small privatization, restitutions, mass privatization, and individual privatization cases. This process of denationalization was relatively quick – as early as 1995, the private sector’s share of GDP reached 70 percent (European Bank for Reconstruction and Development, 2008) – and ran more or less smoothly, but it did not prevent several scandals, a condition often referred to in the Czech environment as ‘tunnelling.’<sup>8</sup> The economic recovery and the consequent economic growth lasted until the 1997 currency and economic crisis, which contributed to the fall of the reformist government that same year. That marked a turning point in support for the transformation.

Election results in other post-socialist countries, however, show how strong the position of the pro-reform governments in the Czech Republic was. In most countries, (radical) reformers lost the second round of free elections (Poland, Russia) – if they had even won the first round (Romania, Bulgaria, Ukraine); subsequent governments often slowed down the reforms or in some cases (for instance in Bulgaria), even reversed them. Public opinion polls were rare. One of them was conducted in spring 1991 – just as radical reforms were introduced in

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<sup>5</sup> Admittedly, the Czechoslovak system was not on the brink of collapse at the end of the 1980s. Shortages of staple goods were usually only temporary, and the country did not suffer from high inflation or unsustainable public or current account deficits, in contrast to some other centrally planned economies. Moreover, Czech reformers were able to maintain political support for reforms in part because even policymakers who were not entirely convinced about the main steps of the transformation process – like President Václav Havel – were nevertheless willing to support the first phase of the transformation without hesitation (for example Havel, 1992).

<sup>6</sup> Czech communist leaders did not introduce any serious reforms in the 1980s; thus, the economy had remained one of the most centralized in the entire Eastern Bloc.

<sup>7</sup> For an idea of this, at the end of 1991, almost 30 per cent of the EEA respondents were registered as entrepreneurs. The reforms thus clearly awakened creative forces and stimulated business activity in society.

<sup>8</sup> Following Johnson et al. (2000, p. 22), we understand ‘tunnelling’ as ‘the transfer of assets and profits out of firms for the benefit of those who control them’.

Czechoslovakia. The results showed that at that time, support in the Czech Republic was exceptionally high.

**Table 1:** Answers to the question, ‘Thinking back to 1989/1991, do you approve of your country moving from having a state-controlled economy to having a market economy?’

		Strongly approve	Approve	Disapprove	Strongly disapprove	DK/Refused	Total
Poland	Fall 2009	26	45	11	4	13	100
	Spring 1991	25	55	7	4	9	100
Czech Rep.	Fall 2009	28	51	12	3	5	100
	Spring 1991	42	45	4	3	6	100
Hungary	Fall 2009	9	37	27	15	13	100
	Spring 1991	22	58	9	1	10	100
Slovakia	Fall 2009	18	48	20	4	10	100
	Spring 1991	19	50	11	3	17	100
Bulgaria	Fall 2009	10	43	31	8	8	100
	Spring 1991	23	50	13	2	12	100
Lithuania	Fall 2009	9	41	23	5	22	100
	Spring 1991	26	50	8	2	13	100
Ukraine	Fall 2009	11	25	33	14	17	100
	Spring 1991	12	40	26	8	13	100

Source: Pew Global Attitudes Project, [www.pewglobal.org](http://www.pewglobal.org) (2009).

### 3 Literature review

This paper seeks to add to the literature on public support for economic reform (see, for example, Fidrmuc, 2000; or Doyle and Fidrmuc, 2003). Boettke, Coyne and Leeson (2015) postulated that the ultimate success of reforms depends on their acceptance both by leading politicians, who implement the changes, and by the public, who adopts them. Public support also determines the progress and course of reforms.<sup>9</sup> The question of who supports market reforms, or rather what makes people support them, is of great significance not only for scientists, but also policymakers hoping for their successful implementation.

In general, public support for any reform is the strongest after a political change takes place. The fall of the communist regime gave rise to a ‘special state of mass psychology’ which produced a large amount of extremely valuable political capital that was bound to be depleted with time (Balcerowicz, 1994, p. 47).<sup>10</sup>

Market reforms generate satisfaction as well as dissatisfaction in society. Balcerowicz (1993) stressed that eliminating the shortages typical of a socialist economy and increasing the supply of market goods connected with liberalization are important sources of public satisfaction. On the other hand, declining living standards, uneven impacts of reforms on different groups in society, the changing roles of these groups, and the risk of unemployment

<sup>9</sup> The empirical literature suggests that the stronger the public support is, the faster the reforms proceed (see, for example, Kim and Pirttilä, 2006; or Roberts and Kim, 2011).

<sup>10</sup> The time of depletion depended, among other things, on the economic development, media influence and the strength of political opposition (ibid.).

breed discontent (ibid.).

The empirical literature unsurprisingly suggests that many factors affect public support for reforms; however, it is impossible to consider them all within the scope of a single paper. Our focus is therefore on the determinants of public support for pro-market reforms in post-communist countries. Five broad groups of determinants stand out and are generally considered to be the most significant – the legacy of communism, ideology, the quality of the institutional environment, economic performance, and individual socioeconomic characteristics.

### ***Communist legacy***

The empirical literature shows that living under communist rule for several decades changes the way people think. Above all, assigning a significant role to the government in social protection and redistribution, together with support for income equality within society, are considered to be the legacies of communism.<sup>11</sup> In this sense, Alesina and Fuchs-Schündeln (2007) found that after the reunification of Germany, East Germans were more prone to support redistribution and state intervention than their Western counterparts. They expected these attitudes to converge in one to two more generations. Roland (2012) showed that despite the huge change in the formal institutional environment in post-socialist countries, ‘culture’ in the sense of values and beliefs changed very little in the 20 years following the fall of communism. He observed that what institutional development did occur depended on the historical experience prior to communism. Countries that came under the same political arrangements prior to communism (e.g., the Austro-Hungarian Empire) showed similarities in their post-1989 preferences for democracy and economic interventionism.<sup>12</sup>

Fuchs-Schündeln and Schündeln (2020) indicated that individual attitudes to democracy, redistribution, and governmental involvement in the economy depended on the amount of time the person lived under communism, which is in line with previous studies on long-lasting effects of communism on preferences. As a consequence, the communist legacy is linked to the age of people and is rooted more strongly in older cohorts (Alesina and Fuchs-Schündeln, 2007). Younger generations in post-socialist countries tended to hold more pro-capitalist attitudes (Landie, Thesmar and Thoenig, 2008).

Kluegel, Mason and Wegener (1999) and Sirovátka, Guzi and Saxonberg (2019) also both noted that although the citizens of post-communist states supported the transition towards a market economy in general, they also believed that the state should be responsible for the protection and well-being of its citizens, and therefore regulate the economy.

### ***Ideological factors***

Besides the traditional division into the left and right of the political spectrum, which might be indicative of a person’s general attitude toward the economy, agreement with basic market principles in particular should affect the satisfaction with transformation. Certainly, people who believe that the market system is just and efficient should likely be more supportive of economic reforms than people who are distrustful of market forces. Sirovátka, Guzi and Saxonberg (2019)

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<sup>11</sup> It is important to mention, though, that the Czech society was egalitarian even before the communist era. This path dependence is often used to explain the differences between the economic ideology of the citizens of former communist states and other European countries.

<sup>12</sup> Becker et al. (2016) observed that past affiliation with the Habsburg empires led to higher current trust in local public services and to reduced corruption in courts and police; Becker, Mergele and Woessmann (2020) showed that differences between East and West Germany resulted from more than just a communist legacy.

showed that although the attitudes toward market economy principles (for instance competition, responsibility, private ownership, and firm freedom) are converging between post-communist and other European countries, support remains lower in post-communist states.

### ***The quality of the institutional environment and trust in political institutions***

According to Duch (1993), democratic institutions also helped to facilitate the transition process. The quality of the institutional environment and trust in political institutions might also influence public support for economic reforms (Rovelli and Zaiceva, 2013; Sirovátka, Guzi and Saxonberg, 2019). Denisova et al., (2009) found that a high-quality institutional environment complemented marketable skills; this resulted in widening gaps between skilled and unskilled individuals with respect to support for reform.

### ***Economic performance***

Naturally, the *economic context* in which the reforms take place, such as the pace of reform, the development of main economic indicators, and economic performance in general, affect public support for reforms. People might not support the reforms if they experience or anticipate economic hardship. In this sense, slow growth pace, higher inflation, unemployment, and greater inequality reduce support for economic transition. Public opinion is significantly affected by the liberalization of prices, the functioning of the labor market, and the privatization process (among others Kim and Pirttilä, 2006; Roberts and Kim, 2011; or Hayo, 2004). Nevertheless, especially at the beginning of the transformation process, people's subjective assessment of economic performance does not need to correspond to reality, as they first need to learn about the functioning of the new system (Anderson and O'Connor, 2000).

### ***Individual socioeconomic characteristics***

Last but not least, some people are more likely than others to benefit from a transition to a market economy, and therefore support reforms. On the other hand, people who do not succeed and are unemployed or struggle financially are more likely to be dissatisfied. The available literature shows that well-educated, highly skilled people have tended to be more supportive of reforms (Duch, 1993; Doyle and Fidrmuc, 2003; Kaltenthaler, Cecolli and Michta, 2006; Denisova et al., 2012). They are expected to be equipped with higher levels of human capital, which helps them to succeed in market competition. Moreover, some studies indicate that public support varies based on employment in the private or public sector, with workers of the latter sector showing more dissatisfaction with economic changes, especially concerning privatization (Fidrmuc, 1999; or Battaglio and Legge, 2009). Given the extensive restructuring of the economy that accompanies transition, private entrepreneurs and people working in the tertiary sector are more likely to benefit from the economic changes than workers in the secondary or primary sectors (Fidrmuc, 2000). On top of that, some groups are considered to face higher risks during transition. For example, people living in rural areas, the elderly, and women tend to be less supportive of market reforms (for example see Hayo, 2004; or Rovelli and Zaiceva, 2013). Scholars have argued the last two groups have less secure positions in the job market, and have the most to lose from a diminished social role of the state, which had been typical for socialist countries (Kaltenthaler, Cecolli and Michta, 2006).

## 4 Econometric analysis

### 4.1 Data

We tested the factors influencing the support for Czech transition using data from a unique Czech public opinion survey. In comparison to broad international opinion surveys, such as Eurobarometer or the World/European Values Survey often used in studies concerning public opinion, national surveys enable a more detailed focus. The EEA survey used in this study was conducted (bi)annually in the Czech Republic from 1990 to 1998 by the Institute of Sociology of the Czech Academy of Science (IoS). It focused on ‘attitudes concerning the central problems of economic transformation (speed of economic reforms, poverty, social justice, the role of the state in the economy, privatization, etc.)’ (IoS, no date). The target population of the survey were citizens of the Czech Republic over 18 years of age. Before the split of Czechoslovakia in January 1993, Slovak citizens were also included in the survey. In these years, we restricted the sample to include only respondents from the Czech Republic.<sup>13</sup> The sample size ranged from 1092 to 1459 people – different respondents participated in each wave of the survey. A standardized interview in the household was used as the mode of data collection. This allowed the researchers to establish rapport with the respondents, provide clarification if needed, and ensure a high response rate.

Apart from these attitudes, socioeconomic characteristics and political orientation of respondents were also examined. Moreover, many questions were asked repeatedly in consecutive years, which made it possible to track trends and changes in people’s attitudes.

### 4.2 Methodology

The dependent variables were the respondents’ answers about their overall satisfaction with the ongoing economic transition. The specific question was the following:

*Would you say that you are generally satisfied with the recent progress of the economic reform?*

The participants responded on a four-item Likert scale: completely agree (1), somewhat agree (2), somewhat disagree (3) and completely disagree (4). We decided to ignore the difference between completely (dis)agree and somewhat (dis)agree to form a dichotomous dependent variable *satisfaction*, which showed whether the respondent was fundamentally satisfied with economic transition.<sup>14</sup> The evolution of the aggregate responses is displayed in Figure 1.

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<sup>13</sup> The respondents of the EEA were chosen based on a non-probability two-stage quota sampling. In the first stage, municipalities were selected according to district division and the size of the cities. In the second stage, respondents were chosen based on age and education. Quota sampling ensured that all the subgroups in the population would be adequately represented in the sample.

<sup>14</sup> Keeping all four categories would have been desirable to provide more detailed information and to avoid possible bias. However, given that introducing a dichotomous variable did not change the main results, we preferred to work with a transformed variable which was easier to handle in the analysis of public satisfaction.





**Figure 1:** Satisfaction with economic transition.

The selection of the independent variables was limited by the design of the survey. Based on the literature review, we hypothesized about several groups of factors that could have influenced the support for transition.<sup>15</sup> The first group of variables comprised attitudes about basic principles of the market economy; that is, the respondents' opinions on private enterprise, state control of the economy, price regulation, and foreign trade liberalization. The second group included factors relating to the persistence of socialist values in society; that is, attitudes towards economic incentives, income inequality, and existing welfare policies. These ideological variables were complemented by examining the political orientation of the respondents. The third group of determinants addressed the respondents' assessments of the quality of the institutional environment, posing the question of whether they believed that democracy had been successfully built in the Czech Republic. The fourth group consisted of questions about the appropriate pace of reform and insecurities about future economic development. Lastly, a battery of socioeconomic characteristic of the respondents was included that controlled for economic status, level of education, gender, age, and residence. Table A1 in the Appendix summarizes the variables used in the analysis, together with their description.

The means of the variables are included in Table A2 in the Appendix.<sup>16</sup> Changes in the means of attitudinal variables are especially informative, as they reflect the changes in people's views over time.

Based on the original format of the attitudinal responses to survey questions, multinomial logistic regression emerged as the most appropriate method for the analysis (see, for example, Doyle and Fidrmuc, 2003). Nevertheless, with such a large number of regressors, the results might be hard to interpret. For the purposes of our analysis, the extent of the consent (the

<sup>15</sup> We did not examine some of the potential factors because they were impossible to draw from the EEA. For example, trust in political institutions is not included because the respondents were not asked about this issue over time. We also were unable to explore the impact of employment in individual sectors of economy, because the classification is not consistent throughout the survey.

<sup>16</sup> The means of the variables are equal to the proportion of respondents with a positive code (1).

difference between completely and somewhat agree) was not important. For this is reason, we decided to estimate simple logit models that facilitated a more concise, though still informative, interpretation.<sup>17</sup> We had to estimate the model separately for each year because the waves of the EEA included different sets of representative respondents.<sup>18</sup>

### 4.3 Results

Table 1 summarizes our main results. As we are not able to draw causal interpretation, the coefficients are interpreted as correlations. Our regression analysis identifies several determinants that are positively correlated with support for transformation, as well as other factors that appear to be negatively correlated with support for the reform process.

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<sup>17</sup> To verify the robustness of the results, we tried various model specifications – from different functional forms to alternative sets of independent variables. These results, as well as those from the multinomial model, are available upon request.

<sup>18</sup> The survey was not conducted in 1995. In 1990, 1991, and 1993 two waves of the survey were carried out. In 1990, the first wave did not include the dependent variable, and is therefore not included in the regression results.

**Table 2:** Regression results. Logit, dependent variable satisfaction.

<b>VARIABLE</b>	<b>1990</b>	<b>1991/6</b>	<b>1991/12</b>	<b>1992</b>	<b>1993/1</b>	<b>1993/11</b>	<b>1994</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
<i>Constant</i>	-1.353*** (0.4474)	-0.3726 (0.4556)	-2.239*** (0.3794)	-0.8829* (0.5319)	-0.1891 (0.5701)	-1.436*** (0.5334)	-0.2150 (0.4981)	0.2256 (0.4355)	-0.2187 (0.4053)	-0.5583 (0.5826)
<i>Private enterprise</i>	0.04761 (0.1902)	0.1072 (0.2523)	0.2397 (0.1959)	0.3825 (0.2427)	0.4190* (0.2329)	0.2797 (0.1765)	0.2922 (0.2212)	0.5070*** (0.1828)	0.4287** (0.1878)	0.7220*** (0.1574)
<i>State control</i>	0.02698 (0.1614)	0.1024 (0.2120)	0.1875 (0.2141)	-0.3154 (0.2647)	-0.1012 (0.2931)	-0.1461 (0.2308)	-0.1188 (0.1966)	0.1878 (0.2414)	-0.7693*** (0.2210)	-0.8678*** (0.2362)
<i>Price controls</i>		-0.6207*** (0.1867)	-0.5154*** (0.1818)	-0.4136* (0.2312)	-0.1868 (0.2715)	-0.1209 (0.2141)	-0.4180*** (0.1617)	-0.7911*** (0.1903)	0.1423 (0.1962)	-0.2337 (0.1587)
<i>Foreign companies</i>	0.6760*** (0.1465)	0.1926 (0.1876)	0.3738** (0.1522)	-0.006294 (0.2564)	0.7950*** (0.2115)		0.08028 (0.1888)	0.3255* (0.1788)	0.5907*** (0.1557)	0.2035 (0.1904)
<i>Incentives</i>	0.4930** (0.2130)	0.4692** (0.2234)	0.3655* (0.1983)	0.7615*** (0.2682)	0.06360 (0.2545)	0.7694*** (0.2616)	0.2742 (0.2230)	0.2085 (0.1968)	0.3115 (0.2258)	0.4148 (0.2553)
<i>Wage differences</i>	0.1013 (0.2274)		0.5745** (0.2495)	-0.04459 (0.2438)	0.1908 (0.2319)	0.4115* (0.2130)	0.1878 (0.1930)	0.3552* (0.1830)	0.1309 (0.1695)	0.3114* (0.1630)
<i>Social policy</i>	0.4401*** (0.1421)	0.4881** (0.2138)	0.9157*** (0.2094)	0.2868 (0.2213)	0.5253** (0.2525)	0.3284 (0.2375)	0.8077*** (0.2203)		0.5338*** (0.1718)	
<i>Left-wing</i>		-1.214*** (0.2976)	-1.176*** (0.2427)	0.1972 (0.2097)	-0.9410*** (0.3451)	-0.7386*** (0.2622)	-0.8136*** (0.2337)	-0.7128*** (0.2214)	-0.6744*** (0.1975)	-1.058*** (0.3335)
<i>Right-wing</i>		0.5630*** (0.1571)	0.5569*** (0.1695)	-1.324*** (0.3124)	0.8028*** (0.2306)	0.8496*** (0.2023)	0.5763*** (0.1745)	0.6791*** (0.1870)	0.8149*** (0.1840)	0.5582*** (0.1691)
<i>Democracy</i>		1.178*** (0.1793)	1.052*** (0.1559)	0.8743*** (0.2056)	0.6990** (0.2745)	1.627*** (0.2056)	1.410*** (0.1935)			0.6929*** (0.2171)

**Table 1** (continued)

<b>VARIABLE</b>	<b>1990</b>	<b>1991/6</b>	<b>1991/12</b>	<b>1992</b>	<b>1993/1</b>	<b>1993/11</b>	<b>1994</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
<i>Pace</i>	1.348*** (0.1655)	1.657*** (0.1954)	1.333*** (0.1534)	1.399*** (0.1964)	1.389*** (0.1859)	1.022*** (0.1927)	1.710*** (0.1768)	2.212*** (0.1895)	1.729*** (0.2151)	1.553*** (0.1666)
<i>Worries</i>	-1.044*** (0.1739)	-1.184*** (0.1709)	-1.120*** (0.1764)	-1.163*** (0.2284)	-1.885*** (0.2188)	-1.278*** (0.2083)	-1.393*** (0.1629)	-1.752*** (0.1775)	-1.566*** (0.1823)	-1.224*** (0.1813)
<i>Income problem</i>	-0.5115*** (0.1478)	-0.8084*** (0.2180)	-0.1463 (0.1933)	-0.3729* (0.2059)	-0.8258*** (0.2054)	-0.8516*** (0.1677)	-0.7450*** (0.2006)	-0.4788** (0.1943)	-0.4679*** (0.1812)	-0.7227*** (0.1711)
<i>Unemployed</i>	-0.04943 (1.285)			-1.087 (2.235)	-1.457*** (0.4493)	0.2740 (0.5906)	-1.883*** (0.4384)	-0.08920 (0.4791)	-0.4291 (0.5532)	0.3560 (0.5085)
<i>Trade license</i>	0.2121 (0.2039)	0.2992 (0.2379)	0.08475 (0.1813)	-0.2140 (0.1884)	0.1288 (0.2381)	0.07502 (0.2404)	0.03341 (0.2460)	0.08030 (0.2433)	0.01894 (0.2043)	-0.07530 (0.1803)
<i>State sector</i>				-0.02761 (0.1904)	0.2239 (0.2330)	0.1147 (0.1917)	0.08087 (0.1711)	0.3395** (0.1720)	-0.2261 (0.1986)	-0.3800* (0.2258)
<i>Vocational</i>	-0.1374 (0.1859)	-0.1590 (0.1962)	0.4164** (0.1987)	0.7671*** (0.2833)	-0.2898 (0.2923)	0.2116 (0.2790)	-0.1258 (0.2064)	-0.1244 (0.1788)	0.01516 (0.1679)	0.3375 (0.2588)
<i>Secondary</i>	0.3512** (0.1668)	0.1274 (0.2556)	0.4123* (0.2378)	0.4588 (0.3210)	0.02297 (0.3088)	0.1644 (0.2807)	-0.2719 (0.2580)	-0.06880 (0.1985)	0.2653 (0.1937)	0.3483 (0.2437)
<i>University</i>	0.8200*** (0.2519)	-0.2006 (0.3402)	0.6017 (0.4107)	1.267*** (0.3816)	-0.2400 (0.3654)	-0.1769 (0.3417)	0.001085 (0.3259)	0.04622 (0.3189)	0.4935* (0.2772)	0.4962* (0.2607)
<i>Male</i>	-0.2188 (0.1574)	-0.4567*** (0.1623)	-0.1610 (0.1708)	-0.4292** (0.1742)	-0.4763* (0.2586)	-0.3229* (0.1654)	-0.4311** (0.1744)	-0.06154 (0.1752)	-0.3684** (0.1507)	-0.3802*** (0.1462)
<i>Age 30–44</i>	0.2210 (0.2137)	-0.01625 (0.1670)	-0.4442** (0.2239)	0.2746 (0.2158)	0.07370 (0.2561)	0.03478 (0.2397)	-0.4826** (0.2384)	-0.3718* (0.2140)	-0.3790** (0.1798)	-0.4583** (0.2231)

**Table 1** (continued)

<b>VARIABLE</b>	<b>1990</b>	<b>1991/6</b>	<b>1991/12</b>	<b>1992</b>	<b>1993/1</b>	<b>1993/11</b>	<b>1994</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
<i>Age 45–59</i>	0.2705 (0.2161)	-0.1543 (0.1945)	-0.1554 (0.2281)	0.4594* (0.2395)	-0.2172 (0.2692)	-0.2151 (0.2436)	-0.6163** (0.2464)	-0.8608*** (0.2322)	-0.3170* (0.1843)	-0.4123* (0.2360)
<i>Age 60+</i>	0.5261** (0.2647)	0.1210 (0.2269)	0.1976 (0.2704)	0.4037 (0.2677)	-0.2419 (0.5061)	0.1543 (0.2704)	-0.3200 (0.2578)	-0.7906*** (0.2517)	-0.3548* (0.2123)	-0.6130** (0.2623)
<i>Large town</i>	0.3522* (0.1897)	0.01956 (0.2094)	0.4328** (0.1912)	-0.05023 (0.1839)	0.02395 (0.2239)	0.06682 (0.1887)	-0.3060 (0.2258)	-0.2889 (0.2129)	0.2046 (0.1777)	-0.09956 (0.1790)
<i>City</i>	0.2954 (0.2558)	-0.03191 (0.3171)	0.1139 (0.2440)	0.1291 (0.2321)	0.07535 (0.2623)	0.2910 (0.2528)	-0.04002 (0.2739)	-0.2683 (0.2644)	-0.07452 (0.1564)	-0.09375 (0.2308)
<i>n</i>	1137	1060	1125	863	843	1108	1302	1456	1416	1377
<i>R</i> <sup>2</sup>	0.1875	0.3675	0.3515	0.3416	0.4552	0.4304	0.4622	0.4441	0.4105	0.4154
<i>lnL</i>	-617.3	-458.7	-488.5	-384.1	-318.3	-437.2	-485.3	-560.3	-569.6	-497.0

Note: Standard errors clustered by district in parentheses. \* Significant at the 10 percent level, \*\* significant at the 5 percent level, \*\*\* significant at the 1 percent level. Missing or incomplete observations dropped. Blanks due to missing data. Reference categories: center of the political spectrum, elementary education, age 18-29, small town. *R*<sup>2</sup> is McFadden's pseudo-*R*<sup>2</sup>.

#### 4.3.1 Factors positively influencing public support

First, to be satisfied with transition, the pace of the reforms must be perceived as appropriate and desirable (not too slow nor too quick) as it determines how the inevitable costs connected with transition will be distributed over time. The coefficient estimates of the *pace* variable are positively correlated with the support for transition and is statistically significant throughout the whole period. Therefore, respondents who stated that the reform was being implemented at an appropriate pace (neither too fast nor too slow) tended to be more supportive of transition.

A positive correlation and strong statistical significance can be also observed in the case of the coefficient estimates of the variable *democracy*, controlling for the perceived quality of the institutional environment, which indicated that the respondents believed that the principles of democracy had been successfully built in the Czech Republic. When it comes to ideology, the basic left-right position on the political spectrum alone was highly indicative of the respondents' probable support for reforms. With one exception, both *left-wing* and *right-wing* variables are significant regressors in all of our models. Unsurprisingly, satisfaction with market reforms is positively correlated with right-wing orientation.

From the attitudes toward individual market principles, the coefficient estimates of variables controlling for the support for private ownership (*private enterprise*) as well as foreign trade (*foreign companies*) were statistically significant in at least half of the years. The overall satisfaction with reforms was positively correlated with beliefs that private entrepreneurship should be given absolute freedom and that the activity of foreign firms should be free. It is worth noticing that the *private enterprise* variable was especially important at the end of the observed period. Moreover, the estimates of the variable controlling for economic incentives, that is, rewarding of highly competent people (*incentives*) is significant in at least half of the years as well. Embracing this important driving force of a market economy is positively correlated with satisfaction with the reforms, particularly at the beginning of transition when the distribution of benefits from transition would not yet be known (Doyle and Fidrmuc, 2003). Contrary to our expectations, the statistical significance of the coefficient estimates of the *wage differences* variable was not convincing. Furthermore, our results confirmed the existence of a communist legacy in the Czech Republic. The social responsibility of the state remained deeply rooted in people's opinions. The variable *social policy*, reflecting whether the respondents were satisfied with the measures adopted in this area, was positively correlated with the satisfaction with reforms; only in 1992 and in the second half of 1993 was this variable not significant.

When it comes to the socioeconomic characteristics of respondents, the results indicate that well-educated people tended to be more supportive of reforms. Nonetheless, only higher education (*university*) was statistically significant and positively correlated with the satisfaction with reforms in at least half of the years.

Contrary to our expectations, the results do not indicate that entrepreneurs were the ones who supported transition the most. Nor did the results give sufficient support to the claim that support for transition differed based on the municipality of residence of respondents.

#### 4.3.2 Factors negatively influencing public support

People's subjective assessment of the economic context in which the reforms took place was positively correlated with the satisfaction with transition. The coefficient estimates of the variable *worries*, indicating the economic insecurity perceived by the respondent, were statistically significant every year and negatively correlated with the satisfaction with reforms.

The figures of the *price controls* variable were also negatively correlated with the satisfaction with reforms in at least half of the years, which is in accordance with our

expectations. The coefficient estimates of the *state control* variable were only statistically significant in the last two years, when they were negatively correlated with respondents' satisfaction with reforms; this corresponds in time with the beginning of economic troubles in 1997, when support for the continuation of economic reforms weakened.

The values of the variable *income problem*, indicating that the respondents had troubles getting by with their household income, was the only independent variable from the socioeconomic group that was statistically significant in all years, and was associated with lower satisfaction with economic reforms.

In this sense, our results did not indicate that the *unemployed* and *state sector* workers tended to be less supportive of economic reforms. Unemployment proved to be a significant factor in only two of the years, when it was strongly negatively correlated with satisfaction with reforms. In the Czech Republic, the unemployment rate remained exceptionally low even during major economic changes – the low proportion of unemployed respondents participating in the survey is indicative of this fact. This might be the reason why it did not play an important role in our models. The coefficient estimates of the *employment in the public sector* variable is connected with mixed results.

Immediately after the Velvet Revolution, it seems the initial enthusiasm was shared among people regardless of *age*, but this changed in the last years of the period under review. We took the 18–29 cohort as our reference group and observed that the support for reforms was negatively correlated with older cohorts. In contrast to the previous literature, we find that women were more likely to be satisfied with reforms than men. The variable *male* is negatively correlated with satisfaction, and is statistically significant in most of the years. This might be caused by the fact that men were often employed in the primary or secondary sectors, which were affected the most by restructuring; women, however, may have benefited more from the expansion of the tertiary sector.

## 5 Oral history

The results of the quantitative analysis are only descriptive; taking a complementary qualitative approach using oral history, however, can help identify additional sources of support for the transition, as well as some of the reasoning citizens had for their support – or lack thereof. Our method is based on recorded interviews with direct participants in the above-presented events. The respondents' firsthand experiences offer a personal, unique, and pathbreaking source of information.

At the same time and because of this, this method also has some limits, as it is subject to people's memories. Oral history gathers narrators' opinions about events a given researcher is interested in, but it is the narrators who decide what to tell the interviewer. They can reinterpret the event based on later experiences, the political situation, or collective memory. As a consequence, the referred information is subjective (Beard, 2017). Nevertheless, the goal of oral history is not to present a final or objective version of the historical event. It simply complements the 'official' written version; as Thomson (2015) put it, 'the use of interviews as a source by professional historians is long-standing and perfectly compatible with scholarly *standards*' (in Perks and Thomson (eds.), 2015, p. 22).

Another important drawback of this method concerns which data gets collected – it's the very nature of this method prohibits representative sampling. Nevertheless, the sample size is large enough that additional interviews would be unlikely to introduce any new information, and so the data collected has reached the point of saturation. Moreover, we make no attempt at

generalization from the chosen sample to the entire population. In spite of this, our research is ongoing, and we continue to collect more interviews with regards to some groups of respondents.

We followed Vaněk et al. (2007) and Vaněk and Mücke (2015) and conducted a set of in-depth interviews to corroborate the findings of the quantitative part of our research. So far, almost 100 interviews have been conducted. The bulk of narrators were reformers who participated in the creation of the entire macroeconomic environment, from liberalization and foreign trade, to reform of the tax code, to setting the conditions for privatization. There were also respondents from the ranks of businesspeople reborn as entrepreneurs who participated in the privatization of their companies or established new ones, as well as lawyers, bankers, and brokers. For this reason, we can share testimony of both those who effected the greatest reform steps and those who subsequently had to deal with them. In contrast to the previous econometric part of the text, which provided a general, wide-ranging view of the public, the respondents here were overwhelmingly ‘winners’ of the transformation.

All interviews were conducted by the members of the research team, always with a single respondent. The respondents were born between 1934 and 1972, which means they were at very different ages at the beginning of the transition period. Except for 11 respondents, all of them had higher education; there were only six women among them, mainly because there were not many women in higher managerial positions.

Following the same logic of the econometric part, we identify factors with positive and negative effects on acceptance of the reforms.

## 5.1 Factors that positively influenced the support for transition

Our respondents identified a few key factors that had a positive influence on the support for transition in the Czech Republic. Some of them saw the unsustainability of the centrally planned economic system as one of the key reasons for the reform success. The second very often mentioned point was euphoria about the fall of the communist regime and the restoration of human rights and freedoms. The memories of the narrators frequently revolved around the opportunities offered by the new system, as well as the personality of Václav Klaus. Respondents from the group of reformers also remembered their personal enthusiasm at the time and the hard work they put in, as well as the role of media and the importance of communication with media outlets. The positive factors were often interwoven (for example, enthusiasm and new opportunities) and it is hence difficult to separate them. At the same time, these positive aspects had flip sides that consequently manifested themselves in a decline of support (for example, euphoria led to disillusion).

### *Unsustainability of the previous system*

Some of our respondents expressed their relief about the fall of the previous regime that in their eyes had no viable future.

Well, in the first place, I would say that communism collapsed, as we say, because everyone was sick of it, because everyone was tired and simply did not want it anymore (reformer <ID024>).

[People] welcomed it, because... because they had already known that it was not going to work any longer, right? (textile industry executive <ID003>).



These views were also shared by the representatives of the then regime. For example, the senior official of the Central Planning Commission (later a civil servant) told us:

80, 90 per cent of professionals knew that the old system had exhausted all its possibilities and was, basically, very hard to reform, or, respectively, only reformable to a form that was very similar to the one prop? by Klaus, Trška and so on, right? (<ID066>).

### ***Omnipresent euphoria from the fall of the regime***

Almost all respondents used the word *euphoria* to refer to the atmosphere that followed the fall of the communist regime; this motivated the nation to participate in building a free society and a market economy (see for example the respondents in electrotechnical industry <ID039> and light industry <ID048>). Both groups of respondents – those who were at the birth of reforms as well as people from companies – reported that the reforms were initially accepted and there was general enthusiasm for change:

Back then, I did not feel any, let's say, internal opposition or an effort to hinder the events. Absolutely not. It is necessary to realize that the atmosphere in the society was very euphoric as such, everyone jingled their keys,<sup>19</sup> but it showed up even in the work atmosphere, as everyone stuck together (Ministry of Finance, banking sector <ID060>).

At the beginning of building capitalism in the Czech Republic, an immense surge of creative euphoria arose, and people tried to put all the capabilities they had at their disposal to building it (food industry and banking <ID042>).

...in those days, I would say that the existing euphoria and enthusiasm, people somehow believing that they were doing something good, again worked in favor of that process (reformer <ID024>).

I have never experienced it since, this euphoria – now we can do what we want (culture <ID029>).<sup>20</sup>

'Euphoria' in the first years of the transition was so high that it put the government in a very strong position to implement often unpopular and radical changes to the economic system.

### ***The new system and new opportunities***

Moreover, our respondents link the euphoria from the early 1990s with opportunities offered by the new system (foreign trade <ID015>, reformer <ID024>, (tele)communications <ID038>, Ministry of Finance official <ID065>):

It was an era, when, I think, unbelievable opportunities opened up compared to what had been before 1989. I think that those who wanted to, who had some skills and the disposition, had a great chance of being successful. I think that starting a business in 1990 or at the beginning of the nineties versus starting a business now is a huge, very huge difference. Back then it was really very easy, and I had many friends who started a business and in the first years, they were all successful. Only when the competition started to emerge did it start to show that some had underestimated it or had overestimated their own abilities, so they started going bankrupt or they did not prosper that much, but at the beginning of the nineties, I believe, there were only a few of those who were unsuccessful (entrepreneur in (tele)communications <ID038>).

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<sup>19</sup> The jingling of keys, or other things that were at hand, above the protesters' heads, or the use of alarm clocks, became one of the symbols of those days. The jingle was supposed to mean the 'final bell' of the communists' reign (TOTALITA.cz, 1999–2021).

<sup>20</sup> Our respondents shared very similar views irrespective of employment status – for example, <ID042>, <ID003>, <ID067>, <ID035>.

New opportunities contributed to high expectations:

The people were politically activated; the people, let's say, wearing work clothes, at least when I was among them, they welcomed it, they welcomed the opportunity to be heard, to advance the things that were impossible to advance before. And, for sure, they expected improvement of living standards, some changes (manager in engineering <ID002>).

Back then, they accepted the transformation in the spirit of the belief that everyone would be well off, that everything would be beautiful if they built it. I believe that it was such euphoria when many people, maybe even most of them, thought it was only going to get better (employee in a food sector <ID051>).

### ***Enthusiastic reformers and strong leader***

In general, the reformers expressed their own euphoria in this period and enthusiasm to improve the situation (<ID007>, <ID008>, <ID009>, <ID010>, <ID017>, <ID024>, <ID065>, <ID070>). And these attitudes were expressed in enormously hard work:

But at the time that I was there, I'd go and work 15 hours a day every day, I spent four months in Lnáře in a castle with a stack of projects, and yeah, I don't know, 50 people (lawyer <ID073>).

We were able to bang stuff out, we just banged stuff out, right?... We really did work like crazy, and nobody slacked off, really (deputy at the Ministry of Privatization <ID093>).

Of the entire group of reformers, however, Václav Klaus played the most important role. His name was mentioned by nearly all of our respondents and most of the successes as well as the failures were attributed to him. Respondents' present attitude towards Klaus varied, but most of them gave him a great deal of credit for the outcome of the transformation. At the time, he came across as a confident man with a clear vision who was able to convince people around him as well as the public about the necessity of the reform steps: '[Klaus] was clearly the most important person for that political and economic situation in those years, pushing these reforms –this transformation work, let's say– so far forward' (reformer <ID006>). His political support was strong, even in regions negatively affected by the reforms: 'Klaus did very well in Ostravsko,<sup>21</sup> but I think so even in total, right?' (reformer <ID031>).

### ***Communication with media and the public***

The narrators from the group of reformers and administrative understood that the situation was completely new for ordinary people who previously had experienced life in a completely different environment. At the same time, those active in the reforms recognized that these measures were difficult and stressful for people. They were well aware of the importance of public support and thus they constantly tried to publicly communicate the importance of each individual reform step (<ID006>, <ID024>, <ID031>, <ID065>). Therefore, they visited key companies, wrote journal articles and newspaper articles, took part in a huge number of debates on television or radio, met with members of the academic sphere, and took part in discussions with various professional groups: 'But also, very importantly, you communicate it to people, without this... without the political support, you cannot really make any essential change (reformer <ID006>).

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<sup>21</sup> Ostrava and the surrounding region had a great predominance of heavy industry, which was and has been particularly affected by the transition, especially in the form of high unemployment.

One of the reformers, for example, described the situation surrounding the revocation of a negative turnover tax that was a *de facto* subsidy for retail prices foremost of staple goods and their role in the media:

The negative tax... made about 60 billion crowns, which was a huge amount of money. And, of course, communists did not want to raise prices, or not too much, right, so the subsidies were increasing constantly, right? And when we wanted to abolish them, we came up with the state compensatory benefit to be given to each citizen... And we did explain it, right? On television, to ordinary people – you will get this and that, but the prices will be different. Well, and then it received a rather positive response (reformer <ID031>).

A clerk at the Ministry of Finance described how they reacted to situation when prices suddenly varied among the shops after the price liberalization. Ordinary people were confused because they used to live in an environment when prices were fixed and the same everywhere. The respondent at the same time praised the people and their ability to learn – she told us:

It was a shock. It was a shock to go to the pharmacy for aspirin and suddenly find out that it cost 10 [crowns] in this pharmacy, but 12 in another, how is this possible?... Well, they learned so fast. That's why I say, again, that we all reacted to these things in the articles [we published], right? Every day, truly, every day (<ID065>).

Moreover, she described the reformers' direct work with the public – reaction to mail and communication with the people who came to them:

Once more, it was to our credit that when we carried out the liberalization, we were kind of people-oriented, that we really carefully responded to the letters, invited the people, tenants in particular... who knows how many times I spent there with grandmothers who lived in a three-bedroom flat and all of a sudden, they had to pay high rents, to convince them that they had to move to a smaller flat. It was... it was a lot of work, but good work, I think (ibid.).

The media on its own generally supported the transition process, but at the same time, it increased expectations in the nation, as summarized by a respondent working in the food and banking industries: 'it was also spread through the media, that it was necessary to tighten your belt, but, more or less, with the vision that it would only last ten years and then it would be way different and we would catch up with the West' (<ID042>).

## 5.2 Reasons that contributed to the decline in support for reforms

Our respondents identified several possible reasons for the decline in support for the reform movement. These included the Janus-faced nature of reform: The legacy of the previous regime revealed the necessity of reforms for some; at the same time, it caused a nostalgic yearning for certainty in others. The euphoria resulted in high expectations; disillusionment followed. The resuscitation of the market economy offered opportunities to many, but unemployment to some. Reformers that had been working very hard at the beginning began to run out of steam, and consequently support. And media that were supportive to transformation at the beginning started to notice – and seek out – scandals (connected with the transformation process) later on.

### *The legacy of communism*

For some people who had lived their entire life under the socialist regime, it was difficult to adapt to changes. One respondent who had worked in the textile industry described it in the

following way:

Well, of course, there were those people, and I somehow get them, because he did not have the need to look too far down the road, he knew that socialism would somehow take care of him, that he wouldn't be unemployed, that he would get some money, that they wouldn't leave him, it was just like this (<ID003>).

Another respondent stressed the comfort or convenience of the previous regime, for example for people working in the state bureaucracy:

I have many friends who have been working in public service, and they like it. They like it, I would say, or they don't like what happened – because it [working in public service] was good, right, public service was great, you didn't have to worry about anything, it was just doing the job, that's all, they didn't have any worries. But when it comes to private entrepreneurship, well, the entrepreneur has to do everything on his own, from beginning to end. And when he is really skillful, then he can make some money and the other will be jealous – of what he did and so on (consumer industry and engineering <ID055>).

### ***Disillusion***

We described the period of high expectations and euphoria at the beginning of the 1990s. According to one respondent who was a reformer (<ID024>), at the beginning, the general population expected that it would be terribly easy: 'the expectations back then, of course, which were never possible to fulfill, was that everyone could be a winner... Naturally, there are tons of things that can go wrong in reality, it's impossible, this fantasy that it won't happen like this...' (<ID024>).

Nevertheless, the subsequent inability to meet these high expectations of the public resulted in disillusion, as progress with the reforms invariably clashed with the expectations of people. According to a respondent who worked as a manager in an engineering firm, the rise in living standards was slow and people began to realize that catching up to the level of Western European countries would not be easy at all:

I was working with the people in the workshop, I can say that the most important question, which was all around, and maybe still is even today in the workshop, was 'so I work as a welder here and for 8 hours I am welding things and... (I'm talking about 1992, 1993 let's say) and I make 4,000 crowns and my brother-in-law who fled to Germany in '68 is welding in "Podsika" in Berlin just like me, but he makes 4,000 marks, when I make like 4 marks, right?' This was the change that was expected of the revolution and is actually still expected today, and is still a topic of political debates now, so... So, I think that the blue-collar workers in particular and so on expected a quick and radical improvement (<ID002>).

### ***The negative impact of the reforms***

The reforms brought new opportunities. Many people started their own businesses or discovered another way to freely pursue their dreams, but at the same time there were people who felt the negative impact of the reforms, for example, because they lost their job:

Yes, the atmosphere changed, but the mood soon soured because people started to be laid off, right? And when you realize, that the layoffs were now... because I am speaking about Tatra, like 2,000, this is only the basic Tatra. The foundry stayed, but it doesn't have 1,700 people, it has only like 600 today, right? When I compare it like this, everywhere, even in the subsidiaries, there was a similar drop. So, the atmosphere, naturally... started to turn sour and turned sour together with the atmosphere in the society as a whole, right? Because of the disappointment, that we had these pipe dreams (automotive industry worker <ID067>).

Employees had often worked in the same company all their lives and had personal ties to it: 'people were disappointed, they were unhappy, yes, they had been working in those businesses for years. Such heartbreak' (foreign trade company <ID015>).

In addition to this disappointment, income inequality increased as well. The increase in inequality in a society is generally poorly received in any country; this was all the more impressive in a country that had a tradition of egalitarianism and where the Gini coefficient during the socialist era had been the lowest in the world.<sup>22</sup> One of the reformers described it in the following way: ‘And then, of course, it turns out that there is always a smaller number of winners than non-winners or losers, and the atmosphere begins to change a bit’(reformer <ID024>).

Moreover, the high expectations were fed by the initial promises or the views of the reformers which were not fulfilled: ‘Mr. Klaus surely is a good economist, but the market didn’t solve everything’ (engineering worker <ID033>).

### *The decline in reform efforts*

Our narrators identified the mid-1990s as the beginning of the decline in support for reform efforts (for example banker <ID012>, minister <ID022>, foreign trade official <ID035>). However, the narrator that worked in a central bank (<ID012>) pointed out that by that point the biggest and most important reforms had already been adopted. The government no longer had the ability to introduce even small changes, because the political capital was already drying up, and people had also begun to form organizations and lobbying groups: ‘[you] raise the VAT by half-a-percent and they immediately start herding cows down Wenceslas Square, right?’ (reformer <ID024>). Everything culminated in the ‘Sarajevo Assassination’,<sup>23</sup> when it became clear that support for the transformation had waned:

And together with the fall of the government, Klaus’s government, Sarajevo 1997, then it was obvious, since the numbers of sobbing mothers and daughters, and the like, were not so high as they would have been before. When they were lining up to meet us, and Klaus especially (reformer <ID024>).

### *Privatization scandals and media*

The public’s opinion on privatization and thus the transformation as a whole was also undoubtedly influenced by the several scandals related to capital concentration and ‘tunnelling’ that began to emerge. People felt betrayed. Although, according to one of our respondents (official at the National Property Fund, Ministry of Privatization <ID010>), tunnelling and other corruption scandals were not particularly widespread. He pointed out that about 15,000 companies were involved in privatization, but only recalled a few dozen, at most a hundred, of those involved in tunnelling.

However, it still caused disappointment among the people, who blamed the government for allowing it; this contributed to a decline in support for more reforms:

...Of course, the tunnelling wave in the nineties in the Czech Republic was huge. Loads of fraud, but... what’s important... is that there was an opportunity to do it, right? There was an opportunity... and because of this, because of the fact that the regulatory environment was lacking behind this development and because of the multitude of companies which were privatized all at once, and also because of the eagerness of people to get rich quickly, when this all combined together, then it simply had to happen (capital market investor <ID054>).

What was typical were cases where the privatization funds took over those companies, yeah, because the privatization funds, they were seen as run by the leadership or top politicians, Ježek, or maybe Klaus or I

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<sup>22</sup> The coefficient increased from 19.3 in 1989 to 23.5 in 2004, but stayed low (UNU-WIDER, 2010). The share of government redistribution declined from the socialist levels but stayed on par with other developed countries.

<sup>23</sup> The ‘Sarajevo Assassination’ took place in autumn 1997, while Prime Minister Klaus was on official business in Sarajevo; part of his party revolted against him, which resulted in the fall of his government.

don't know who. These privatization funds, which somehow bought, say, the majority of that company, they would try to grow the company et cetera, et cetera. But in some cases, they didn't, nope. They supposedly never tried to grow the company or whatever, especially in the cases where it would have been really difficult, and yeah, so for them it was far easier to just tunnel out the company and get some cash out of it (official at the Ministry of privatization <ID092>).

According to two of our respondents (<ID073>, <ID082>), these scandals also received more widespread coverage by the media. These outlets had become more active in this respect, looking for all sorts of alleged or real irregularities, often involving our respondents (reformers or senior officials who had often been challenged in court). Together it significantly damaged the image of the transformation in the eyes of the public.

## 6 Concluding remarks

This paper has focused on an unusual case of particularly high and long-lasting public support for the Czech economic transition, shedding new light on how public support was sustained. The uniqueness of the Czech case lies in the fact that the reformist government stayed in power until 1997 – a total of seven years. The fall of the government coincided with a decline in support for the transition, as survey data from the time shows. However, our respondents were able to remember an erosion in public support even sooner.

With regards to the previous literature, both types of our analysis yield similar results to Boettke, Coyne and Leeson (2015) who argued that successful reforms absolutely require by the public as well as the policymakers involved. This condition was clearly fulfilled in the Czech Republic at the beginning of the 1990s. The process was also generally supported by most of our respondents, well-educated people with high skills, which is consistent with findings by Duch (1993) and Doyle and Fidrmuc (2003). Nevertheless, this massive initial support, which our narrators referred to as 'euphoria', dissipated into disillusion; this is fully in line with Balcerowicz's (1994) theory of political capital. Our research indicates that negative impacts of the transformation (unemployment and income problems) had the expected negative correlation with the transformation support (Balcerowicz, 1993). But contrary to Balcerowicz's assertions (1993), we did not find any impact from uneven income development.

However, support for reform is never just based on macroeconomic statistics, but also feelings of economic insecurity. The available literature has also highlighted the importance of expectations – people suffering from or expecting economic hardship in the future will not support reforms (among others, see Kim and Pirttilä, 2006; Roberts and Kim, 2011, or Hayo, 2004). These worries are associated with higher demand for a larger government role in the economy (for example with price controls and social policy) and are both negatively correlated with support for transformation. On the other hand, our findings are also in harmony with Sirovátka, Guzi and Saxonberg (2019) who noted that people who believed more in the market economy were more satisfied with the transformation.

With regards to the communist legacy and individual socioeconomic characteristics, the empirical literature on the long-lasting effects of communism (for example Alesina and Fuchs-Schündeln, 2007; Fuchs-Schündeln and Schündeln, 2020) has documented that communist legacy is linked to the age of people, being more rooted in older cohorts. Our results indicate that the length of time people lived under communism seems indeed to be associated with their support for the process, as increases in age are negatively correlated with support for economic reforms.

However, not everything was in hands of the reformers. They were lucky with the initial conditions (macroeconomic stability), relatively high living standards (the inhabitants were able to bear the costs of transformation), and possibly very negative perception of the communist regime (the knowledge that the economy lagged far behind Western countries and the lack of economic freedom). These favorable conditions lasted throughout the transformation, even as real wages severely declined. The general impact was bearable for most inhabitants, partly due to the fact that unemployment remained relatively low. All these contributed to long-lasting support for the transformation process.

The recommendations for future reformers would be to harness the euphoria of change to pass the most difficult reforms. However, reformers should not promise the moon; high expectations inevitably lead to disillusionment. Nevertheless, those same reformers should work hard and believe in the value of their work and of reform in general. The role of a leader (as Václav Klaus in Czechoslovakia) is difficult to replace. Reformers should be available and active in media, communicate with the public, and try to explain the individual reform steps – and more generally, try to keep the public on their side. In this sense, the media can contribute to the decline in support, especially when alleged or real scandals appear. The impact of the reforms is inevitably hard for part of the population and the reformers could consider addressing the fears and challenges of those most negatively affected and generally try to convince the inhabitants that the reforms are worth the suffering. Nevertheless, support for reform's support can never last forever.

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## Appendix

**Table A3:** Summary of variables

VARIABLE	QUESTION FROM THE SURVEY	DESCRIPTION <sup>24</sup>
<b>DEPENDENT VARIABLE</b>		
<i>Satisfaction</i>	Would you say that you are generally satisfied with the recent progress of economic reform?	1=agree, 0=disagree
<b>INDEPENDENT VARIABLES</b>		
<i>Private enterprise</i>	Private entrepreneurship should be unregulated (given complete freedom).	1=agree, 0=disagree
<i>State control</i>	Even under the new conditions, the economy should be controlled by the state.	1=agree, 0=disagree
<i>Price control</i>	Should the state determine prices administratively to a greater degree?	1=agree, 0=disagree
<i>Foreign companies</i>	Foreign firms should be absolutely free in their activities in our country.	1=agree, 0=disagree
<i>Incentives</i>	It is correct that capable and competent people have a lot of money, even millions.	1=agree, 0=disagree
<i>Wage differences</i>	Should differences in wages and salaries increase?	1=agree, 0=disagree
<i>Social policy</i>	Do you think that existing provisions and measures of social policy, that is, the benefits, family allowances, contributions, are satisfactory at present?	1=agree, 0=disagree
<i>Left-wing</i>	The 'left' and the 'right' are concepts often used in politics. Where would you place yourself, where do you fit with your political views?	1=left or somewhat left, 0=otherwise
<i>Right-wing</i>		1= right or somewhat right, 0=otherwise
<i>Democracy</i>	Do you think that in the Czech Republic the principles of democracy have been built?	1=agree, 0=disagree
<i>Pace</i>	Do you think that the reform is being implemented at a fast enough pace?	1=agree, 0=disagree
<i>Worries</i>	Looking into the near future, are you afraid of economic development? Do you have a feeling of insecurity?	1=agree, 0=disagree
<i>Income problem</i>	How well are you getting by with the present income of your household?	1=with difficulties (very hard, hard, or somewhat hard), 0=easily (very easy, easy, or somewhat easy)
<i>Unemployed</i>	What is your current economic position?	1=unemployed, 0=otherwise
<i>Trade license</i>	Are you registered as a private entrepreneur (with a	1=yes, 0=not

<sup>24</sup> As in the case of dependent variable, we ignore the difference between 'completely' and 'somewhat' (dis)agree, and work with dichotomous independent variables when applicable.

trade license)?

**Table A4** (continued)

<b>VARIABLE</b>	<b>QUESTION FROM THE SURVEY</b>	<b>DESCRIPTION</b>
<i>State sector</i>	What type of firm or organization are you employed in?	1=state enterprise or other state organization, 0=otherwise
<i>Elementary</i>	What is your highest level of education?	1=elementary, 0=otherwise
<i>Vocational</i>		1=vocational, 0=otherwise
<i>Secondary</i>		1=secondary, 0=otherwise
<i>University</i>		1=university, 0=otherwise
<i>Male</i>	Respondent's sex	1=male, 0=female
<i>Age 18–29</i>	Respondent's age	18–29
<i>Age 30–44</i>		30–44
<i>Age 45–59</i>		45–59
<i>Age 60+</i>		60+
<i>Small town</i>	Population size of the area	< 5,000 inhabitants
<i>Large town</i>		5,000–99,999 inhabitants
<i>City</i>		> 100,000 inhabitants

**Table A5:** Means of variables

<b>VARIABLE</b>	<b>1990</b>	<b>1991/6</b>	<b>1991/12</b>	<b>1992</b>	<b>1993/1</b>	<b>1993/11</b>	<b>1994</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
<i>Satisfaction</i>	0.391	0.431	0.392	0.576	0.483	0.515	0.494	0.521	0.427	0.308
<i>Private enterprise</i>	0.790	0.756	0.629	0.678	0.633	0.586	0.593	0.536	0.488	0.472
<i>State control</i>	0.775	0.810	0.815	0.727	0.751	0.793	0.783	0.816	0.813	0.834
<i>Price control</i>		0.578	0.653	0.477	0.547	0.592	0.571	0.600	0.626	0.619
<i>Foreign companies</i>	0.543	0.481	0.413	0.482	0.365		0.291	0.293	0.303	0.298
<i>Incentives</i>	0.748	0.769	0.748	0.784	0.767	0.754	0.755	0.760	0.739	0.744
<i>Wage differences</i>	0.876		0.817	0.802	0.728	0.658	0.592	0.525	0.444	0.389
<i>Social policy</i>	0.239	0.204	0.220	0.319	0.228	0.218	0.208		0.277	
<i>Left-wing</i>		0.194	0.185	0.163	0.195	0.194	0.211	0.207	0.242	0.245
<i>Right-wing</i>		0.363	0.364	0.315	0.433	0.383	0.380	0.370	0.334	0.344
<i>Democracy</i>		0.493	0.479	0.644	0.568	0.628	0.584			0.601
<i>Pace</i>	0.320	0.405	0.363	0.511	0.517	0.580	0.604	0.630	0.547	0.450

<i>Worries</i>	0.713	0.651	0.620	0.524	0.569	0.532	0.534	0.533	0.623	0.741
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**Table A2** (continued)

<b>VARIABLE</b>	<b>1990</b>	<b>1991/6</b>	<b>1991/12</b>	<b>1992</b>	<b>1993/1</b>	<b>1993/11</b>	<b>1994</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
<i>Income problem</i>	0.676	0.811	0.724	0.655	0.684	0.707	0.676	0.636	0.617	0.672
<i>Unemployed</i>	0.004	0.002		0.008	0.021	0.030	0.023	0.015	0.023	0.031
<i>Trade license</i>	0.135	0.226	0.283	0.266	0.230	0.219	0.176	0.164	0.194	0.190
<i>State sector</i>				0.709	0.610	0.319	0.279	0.253	0.232	0.252
<i>Elementary</i>	0.291	0.285	0.279	0.220	0.220	0.229	0.230	0.225	0.232	0.235
<i>Vocational</i>	0.393	0.398	0.401	0.362	0.363	0.359	0.369	0.363	0.362	0.361
<i>Secondary</i>	0.225	0.238	0.236	0.308	0.300	0.295	0.283	0.297	0.297	0.287
<i>University</i>	0.085	0.078	0.0800	0.111	0.115	0.116	0.117	0.115	0.109	0.116
<i>Male</i>	0.480	0.479	0.482	0.479	0.475	0.486	0.480	0.473	0.477	0.477
<i>Age 18–29</i>	0.196	0.221	0.196	0.225	0.226	0.230	0.231	0.226	0.222	0.230
<i>Age 30–44</i>	0.361	0.322	0.346	0.297	0.301	0.301	0.293	0.302	0.294	0.290
<i>Age 45–59</i>	0.302	0.231	0.277	0.249	0.240	0.238	0.248	0.238	0.246	0.244
<i>Age 60+</i>	0.140	0.227	0.176	0.226	0.232	0.231	0.227	0.234	0.235	0.235
<i>Small town</i>	0.331	0.356	0.328	0.336	0.328	0.331	0.316	0.308	0.309	0.326
<i>Large town</i>	0.429	0.443	0.419	0.431	0.428	0.419	0.446	0.442	0.450	0.434
<i>City</i>	0.236	0.202	0.250	0.233	0.240	0.250	0.237	0.251	0.242	0.240

Note: Blank spaces indicate missing values.