An Attempt at a Non-Economic Explanation of the Present Full Employment in the Czech Republic

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Abstract: In the command economy full employment lent legitimacy to the political and social system of despotic socialism by providing social security for everyone. New political elites are now facing the problem of how to reconcile economic rationality with full employment. Two case studies of large privatized factories support the hypothesis that the new (capitalist) owners (mostly the former managers of these state-owned enterprises) are seeking the legitimacy of private ownership in a similar way. Low social distance and open access to the managerial class for sons of blue collar workers in the old system makes a social contract possible in which the owners feel responsible for full employment and workers perceive the new managers (owners) as delegates. A low intensity of industrial conflict characterizes the Czech economy thus far and the attempt to establish a sort of paternalistic capitalism can be seen.
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1.

Full employment was a defining attribute of the Soviet-type socialist countries. Unemployment simply did not exist, that is, not in the statistics. In Bohemia and Moravia, i.e. the Czech part of Czechoslovakia, unemployment did not exist in real life, either: from 1939 until the collapse of the communist system in 1989 continuously the Czech economy was characterized by a markedly higher demand for labor than the market could supply.

Communist governments had two main reasons for maintaining full employment. First, full employment gave legitimacy to the regime. It was the ultimate proof that even "real" socialism could provide a more humane social arrangement than capitalism. For the older generations, the comparison with the traumatic experience of mass unemployment during the Great Depression in the 1930s provided a valid argument for communism. For the younger generations that lacked that experience and were particularly strongly attracted to the consumer riches of neighboring countries, full employment acted as compensation for the drab selection offered by the socialist market. State propaganda was eager to inform citizens that the affluence shown in the shop-windows of the capitalist world hid the permanent anxiety of the employed that they might lose their jobs to casual visitors, and that there were many jobless people, even though you would not, of course, meet them in shops. Any references to the social welfare systems that were gradually established in Western Europe in the postwar era were taboo and only evidence of the negative effects of unemployment, which were easy to find in their

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most dramatic form (beggars, suicides of unemployed people, etc.) in the Western press, was systematically presented in order to create a repulsive image of the destitute unemployed. While verbally rejected and mocked, this propaganda, just as with any publicity campaign, had a surprisingly strong effect on the deeper levels of consciousness. The targets of the campaign were, of course, not aware of it.[1]

The second reason for the maintenance of full employment under the communist regime concerned the very essence of the function of despotic socialism. No well-informed observer could overlook the fact that full employment was the most effective tool of total control over the population. It is not true to say (at least in Central Europe) that the backbone of the despotic socialist state was formed by police control; all the police had to do was control those marginalized dissidents who had proved themselves immune to the stick-and-carrot strategy of (obligatory) full employment. The entire population was, economically speaking, fully dependent on a monopoly employer -- the government. Moreover, the whole social benefit system hinged on employment. Those who "excluded themselves from the work process" (i.e. were not employed by the state) were treated as non-persons by the state. In his discussion of social policies, Jiří Večerník correctly noted that: "The key to the explanation of social policy in the totalitarian system is the universal character of (obligatory) employment and (state) control, in other words not a universal character of social magnanimity and solidarity. To work was not to exercise one's right, it was an obligation and, at the same time, a control mechanism." [Večerník 1993: 127] In addition to adding legitimacy and the coercive functions (together with other practical reasons), full employment also served the bureaucratic need for a detailed listing of all resources in the planned economy.

All of these reasons, however, lay outside considerations of economic rationality. In fact they operated against it. The system was aware of this. For a long time, it was convinced that it could afford to pay this price for stability. In any case, there was no other way out. With growing economic pressure, however, the system became alarmed and began to investigate the gap that had developed in the nationalized economy between the real labor absorption capacity, as it would appear in an unregulated labor market, and the full employment necessitated by ideological and power imperatives. An analysis commissioned by the Central Committee of the Communist Party of Czechoslovakia in 1983 from the Institute for Philosophy and Sociology of the Academy of Sciences revealed that that gap constituted about 25% to 30% of the average work force in the national economy. The report classified hidden unemployment into three noteworthy categories: 1. unemployment at workplaces during working hours; 2. unemployment outside workplaces during working hours; and 3. performing jobs at workplaces the non-

1) Among certain parts of the public, this propaganda had a paradoxical effect: by assuming the communists were utter liars, many Czechs built up an image of an unemployed person as one who lives through the winter at a ski resort and spends the summer in idle leisure on permanent fishing holidays. The unemployed, in this construction, even went to collect their benefits in their own cars.

existence of which would not negatively affect the performance of the economy. [*Sociální* 1983]

In real figures this represented two to three million people. Such a multitude outside any political control in the streets was a nightmare for the politicians of the post-1968 "normalization." When the methodology included the performance of workers during the time when (and if) they were actually doing their work, rather than the ratio of non-working to working hours, the results were even more dismal. Comparing the situation with that in capitalist economies of industrialized countries, namely Germany, France and Belgium, P. Kysilka calculated the relative over-employment in socialist Czechoslovakia to be 65%, 62% and 67% respectively. [Kysilka, in Mlčoch 1988] These analyses demonstrated that state-guaranteed full employment, although effective as a tool of mass coercion, led the system into economic disaster. Needless to say they were never published, but the rulers had this information on their desks. They faced an insolvable dilemma, which is why they accepted the collapse of their system, passively and resignedly. They saw that the dilemma was fatal.

2.

The new post-1989 politicians, if they had not directly dreamed of "unpolitical politics" and were not in their heart of hearts loyal to the socialist dream of a country without any dominance or exploitation, were determined to base their power on radically new mechanisms of dominance. Across the entire spectrum, however, from those on the conservative right through to authentic socialists and to former communists who have not lost faith in the system and simply want to modernize it, are those who have deeply internalized the experience that command-driven economics led the old regime to bankruptcy. Therefore, regardless of whether they had announced the neo-liberal model of zero state intervention in the economy or the "big welfare state" of the Scandinavian type as their goal, they were convinced that the free market had to be the basic economic mechanism of the new system and private proprietorship its fundamental premise. The left only adds that it is not the only premise.

This, however, has pushed the new politicians toward the old dilemma. Again, they are facing the problem of how to reconcile economic rationality with full employment. Is it possible to open up the economy to allow the free operation of market forces and ensure the sovereignty of new economic entities' ownership rights and, at the same time, avoid unemployment?

The long experience of the EC economies hardly offers positive encouragement, and Czech governmental economists are facing incomparably harder economic and social limits. Along with a ruined economy full of redundant employees, the new political elite inherited from the old elite its nightmare, but in a different form. The need for stability, now in the form of "social peace," seems to be an imperative as much for the re-establishment of capitalism as it had been for the "peaceful building of socialism." Now as then, the real threat presented by the large segment of disloyal population looms over the social system. For the old regime, the enemy was represented by former capitalists (and, later, by the

invincible entrepreneurial spirit of the general public). Today it is former communists and a similarly unshakable "mentality of demands" which aspires for the unattainable level of social security to which the broad spectrum of society grew accustomed during forty years of life in a paternalistic state.

The general public as well as the new political elite are -- and have been -- convinced that the road to capitalist consumer society (and the welfare state) requires passage through the "valley of death:" there is no avoiding at least temporary unemployment. White-collar workers read articles in the daily papers and know that the average unemployment rate in the part of Europe to which the new country would like to belong as soon as possible has been fluctuating around 10% for a long period of time. Blue-collar workers do not know any statistics, but neither do they need to: they can see an obvious surplus of labor all around them.

The Czechs seem to be well informed on this topic. They cherish fewer illusions than other populations in similar circumstances. An international comparative study of responses to the new situation after 1990-91 among the populations of nine post-communist countries indicated that 92% of Rumanians saw democracy as something akin to "more job opportunities, lower unemployment." Ninety per cent of respondents in Bulgaria expressed the same sentiments and even in Hungary, which has been relatively open to the West for more than ten years, this opinion is shared by 74% of respondents. The Czech Republic is the only post-communist state in which less than half of the population has these expectations (48% according to the ERASMUS Research Report [Kende 1993]).[2]

It is important to note, however, that although Czechs expect the fifty-year period of full employment to come to an end this does not mean that they are willing to reconcile themselves to it. Václav Havel expressed the attitude of the majority of the population when, in his first speech as the newly-elected first non-communist president of the Federal Republic of Czechoslovakia, he said that we were heading towards a democratic society and free-market economy, but it is up to the government to prevent unemployment. How the government was supposed to achieve that end remained unspecified.

Rational economic calculation identifies such a request for what it is: wishful thinking. The development of unemployment during the years of laying the foundations for a market economy, however, seems to be a victory of wishful thinking over economic reality. Contrary to all expectations and unlike all the other post-communist countries, the Czech Republic has successfully maintained artificial employment for a full one-third of its workforce in the three years

2) The cited research was conducted in the summer of 1991. We can assume (because the expected unemployment still has not arrived) that among Czechs a continuously higher share of the population is becoming subject to the illusion that unemployment will somehow miss us. Given the promises of the government and its claims that all is going well and will continue to go well, there may be genuine surprise when the harsh realities of the transformation begin to hit home.

following the collapse of its planned economy.[3] In spite of the collapse of the COMECON market (which previously received 80% of Czech exports), and in spite of an economic recession in the Western European markets in which the Czech economy is seeking new opportunities under particularly difficult conditions, the unemployment rate in the Czech Republic is less than 2.6% (see Table 1 and Figure 1.)

Table 1. Unemployment rates (in percent)

	Czech Republic	Slovak Republic	Hungary	Poland
1990	0.8	1.5	1.7	6.3
1991/I	1.7	3.7	3.0	7.3
1991/II	2.6	6.3	3.9	8.6
1991/III	3.8	9.6	6.1	10.7
1991/IV	4.1	11.8	8.5	11.8
1992/I	3.7	12.2	8.9	12.1
1992/II	2.7	11.3	10.1	12.6
1992/III	2.6	10.6	11.4	13.6
1992/IV	2.6	10.4	13.5	13.6

Source: Bulletin of the Czechoslovak Federal Statistical Office, Prague, 1992

For 40 years, the structure of the national economy was mutilated to suit the needs of the Soviet empire; an unnaturally high proportion of heavy industry geared to arms production was concentrated in a few regions.[4] Even with a low mean unemployment, it was only to be expected that in some regions structural unemployment would rocket to catastrophic proportions (in the former East

3) I am writing here about the Czech economy, not the Czechoslovak. I am led to this for historical and structural reasons. Historically, the Czech economy and the Slovak economy grew from different initial conditions, were built in different ways and were based on different national mentalities. There were periodic attempts to cover up this fact, but during every crisis of the past half-century Slovaks have put forth a claim for sovereignty and independence (and in the Second World War even temporarily succeeded in this). The final recognition of this national difference was the peaceful break-up in 1992. For the last three years of the federation, which led to the condition being analyzed here, an ambiguity between the bonds and interdependences of the two economies was characteristic. On one hand, a common federal environment was created on the macroeconomic level, while on the other hand two absolutely independent Ministries of Industry managed, respectively, Czech and Slovak enterprises. No federal Ministry of Industry of Commerce existed, nor did there exist a federal Ministry of Labor and Social Welfare, and the legislative regulation of intervention into social affairs was only handled at the level of the republics. I give priority to this equivocation to use it as a reference point for developments in the Czech Republic and those in Hungary and Poland: a comparison with Slovakia would involve a new independent variable into our analyses. Such a comparison, undoubtedly of the greatest importance, deserves and demands a separate study.

4) In the Czech lands (in Northern Moravia and in Northern Bohemia) in the 1950s and 1960s and in Central and Eastern Slovakia in the 1970s and 1980s.

Germany, unemployment has exceeded 50% in some places). Of course there are some differences in the unemployment rate within the Czech Republic, but they are much smaller than might have been expected. The remarkable thing is that the highest unemployment is not affecting industrial areas but backward agricultural regions where part of the local population lives on a barter economy and uses unemployment benefits as a welcome opportunity to improve their budgetary position.

Here we are witnessing an interesting paradox: while other post-communist countries expected more job opportunities from democracy and experienced instead higher unemployment, the Czech Republic expected higher unemployment as an indispensable part of the market economy but has enjoyed practically full employment.

3.

How can we explain this paradox, or at least the Czech part of it? We could choose one of the two explanations offered by the economy: (1) the redundant workforce is being absorbed by dynamically developing private businesses, particularly in the service sector; or (2) the market economy is not yet really functional because the so-called "large" privatization has not progressed far enough to truly institute market behavior in large companies, most of which are still state-owned.

Both arguments are valid, and explain an economically significant part of the situation. However, comparison with the nearest post-communist economies (i.e. Poland and Hungary), shows that an equally significant part of the situation cannot be explained in these economic terms. In those countries the private sector has developed equally, if not more dynamically. In fact, both Hungary and Poland are ahead of the Czech Republic in this respect. Their private sectors are at least equally developed, but their development began much earlier and are backed by much stronger capital resources. Even when we take the rate of economic reform, the progress of privatization and the extent of the market environment for the larger economy into consideration, the comparison between these three countries (although very difficult to make) does not fully support the claim that the pace of the privatization of big industrial companies in the Czech economy is slower than in Poland or Hungary. The extent of state intervention in the three countries is also roughly comparable. In spite of an approximately 25% drop in industrial production compared with 1989, the Czech Republic has nevertheless managed to keep the unemployment rate close to 2.5%, while Hungary and Poland face double-digit figures.

The economist could certainly offer other, more sophisticated explanations for these differences, but while they might help reduce the unexplained portion of the difference they will not provide all the answers. I believe that it is worthwhile also to consider some non-economic explanations, although they may tend to elude an empirical approach and run the risk of remaining in the realm of conjecture.

We have already touched upon one of these non-economic reasons, namely the inherited nightmare of the risk of breaching social peace, which ties Czech politicians' hands and forces them to bend over backwards to maintain full

employment although they, too, are beginning to pay the price in a partial loss of economic efficiency. By tapping new resources inaccessible to communist governments (for instance, profits from the tourist industry have increased more than tenfold) and dormant reserves in human resources, by decreasing military spending and reducing some of the senseless expenses of the communist regime, and through strictly restrictive budgetary policies, it has been possible to avoid deficits in the state budget. The government thus has the necessary financial resources at its disposal and can afford to pay for social peace, just as the governments of the previous regime did. The remains of the command-economy still give the government enough economic power to do just this. Although it is a right-wing coalition government headed by the neo-liberal economist Václav Klaus, the 1993 budget re-allocates 46.3% of the gross national product. For comparison, the last communist budget for 1989 re-allocated 54.8%.

The present right-wing government in the Czech Republic is, first and foremost, a pragmatic one. It has set the pace of the reforms very carefully (today nobody even mentions "shock therapy" anymore) in order to make them "socially acceptable." Its employment policies are also carefully monitored to prevent them from undermining social peace. By postponing the Bankruptcy Bill and intervening in the question of corporate debt, the government has delayed and diluted the inevitable wave of bankruptcies of inefficient companies. By spreading the inevitable bankruptcies over a longer period, it has been successful in ensuring that new jobs in the private sector are being created fast enough to absorb the labor that has been made redundant elsewhere.

The rationale for these economic measures is not economic but political. The present policies of the government coalition made up of parties calling themselves, without exception, right-wing -- and their objectives do make them genuinely right-wing parties -- are only neo-liberal in their public proclamation. In private conversations, leading government politicians admit to a discrepancy between the vocabulary of their public speeches and their practical political measures. One of the deputy ministers in the Ministry of Labor and Social Affairs expressed the logic of his ministry in a private conversation by saying:

> We must claim that everybody has to look after himself now, that state paternalism does not exist any longer. But we are a government in a country where people have not been allowed to take care of themselves for forty years. At the same time, we must keep the social safety net very high. If we admitted that, everybody would start relying on it again and the changes would progress even more slowly. [Personal discussion with the author in the spring of 1991]

4.

The question of whether the government can afford, or how long it can afford, this attitude remains unanswered. It may help to ensure social peace but the need to maintain social peace at all costs finally spelled economic disaster for the old regime.

The answer to this question cannot be found on a macro level. The responses from companies and the behavior and success (or failure) of their managements will decide whether the decision for "dosing" harsh economic reality, selected in view of maintaining social acceptability, will lead -- as a reform process both too long and vacillating -- to economic macrobankrupcy, or -- as too radical a change -- to a collapse of the social consensus on such a scale that it will also mean economic and ultimately also political collapse. The risk of the restoration of command socialism through democratic elections is not merely a theoretical possibility in the post-communist countries.

We have tried to make a contribution to the search for answers to these questions by conducting case studies of two privatized Czech companies, DOMUS and MECHANICA.[5] Due to the method used, namely case studies and semi-structured and deep interviews, the results are of a limited heuristic value. The field investigations were made this spring and results are still being processed; therefore only preliminary conclusions can now be drawn. Nevertheless I wish to point out several aspects and discuss their possible implications.

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5) Cover names. The research is part of an extensive project, which is coordinated and sponsored by the United Nations Research Institute in Social Development. The plants were selected to represent the two most widespread types of successful privatization projects. A plant to be called "MECHANICA Corporation" (4,500 employees) was transferred to private ownership in the first wave of coupon (voucher) privatization. In 1992 it was transformed into a joint-stock company whose shares were divided as follows: 88 per cent went to many different shareholders (actually represented by privatization investment funds) and to a smaller degree (8 per cent) sold at an advantageous price as participation shares, the rest going to the Restitution Fund and the National Property Fund. The plant called the "DOMUS Factory" (2,500 employees) is part of a corporation that was also transformed into a joint-stock company, but a decisive block of shares (64.5 per cent) was acquired by six private persons who have thus become the plant's key owners. Shareholders from voucher privatization received 25.5 per cent of the shares. Relevant information was collected in 72 semi-structured interviews at the MECHANICA Corporation and 40 similar interviews in the DOMUS Factory. Respondents for these interviews were randomly selected from the categories of workers, white-collar employees and management. This was done in a multiple selection process (organizational unit and respondents within). The second source of information for this study was a set of unstructured interviews with the directors and managers of these plants.

What we seem to be lacking in our selection of plants, however, is an unsuccessful response to the ongoing political-economic change: a type of plant apparently doomed to bankruptcy that finds itself in a state that is usually called pre-privatization agony. This often means that a plant has been privatized by the most direct of methods, that is, through theft. Nobody will therefore be surprised that under such circumstances access to such plants has been denied. Indeed we could hardly expect to be given the chance of peeping under the covers of this process. Sociological research cannot compete with criminal investigation authorities, even though the latter have likewise been trying to shed light on such processes, albeit large without success. However, as indicated by the macro-economic data quoted earlier, this particular mode of privatization does not constitute the main method of the process in the Czech Republic.

First, over the course of several months during 1991 both companies lost 60% - 80% of their customers. DOMUS was a monopoly manufacturer of products that were marketable only in the protected domestic socialist market. With the liberalization of international trade and prices, that market totally collapsed. MECHANICA exported 60% of its production to the Soviet Union and its customers were no longer solvent. Both companies were successfully transformed. Within a year, they managed to establish themselves in the world market and restore their production almost to their previous levels. In both cases, they were managed by the same people who managed them in the final years of the command-driven economy. In both cases, the companies received support from a former "capitalist connection." In privatization, DOMUS was purchased by six people: five of them were former top managers from the socialist company, and the sixth was a son of the former founder and owner of the company, which had been confiscated by the state forty years before. This "junior," who is almost seventy years old today, had established his professional career in the trade as a teacher at a university in Slovakia, where he had gone to escape the vigilance of the confiscators in Bohemia. He gradually began to attend international trade fairs and seminars, and thus he restored and further developed his international contacts. With this "social capital" he joined the management of the new comapany. In Germany he successfully applied for credit to lease modern technology which they repaid with their production, and he won a large order from a major Swedish company. MECHANICA was privatized by the coupon method. It is, however, also managed by its former management and the former deputy manager was elected new general manager. This company is also eighty years old. Unlike DOMUS, which was a family enterprise, MECHANICA was a joint stock company before nationalization and has now reincorporated itself. Even under the former government, it successufully managed to avoid the communist marasmus and kept a high level of corporate culture, influenced to a certain extent by its long-term co-operation with the Baťa enterprises. Modernization and changes in export orientation were already being prepared by the management before 1989. The political change only freed their hands to set up a wholly-owned subsidiary in the USA with the assistance of an emigrant from 1968. When wholly-owned subsidiaries were founded in Singapore and Kiev, the company was already well established on the world market.

In these case studies we could discern what we might call the "grandparent advantage" of the Czech economy. Forty years ago, the area of the present Czech Republic was a developed industrial territory, where the GNP per capita was twice as high as in neighboring Austria. Today, it is the other way around, but industrial production traditions have deeper roots here. Compared to Slovakia, Hungary and Poland, invisible structures in managerial culture are still alive, as are many sixty year-old "juniors" of former industrial entrepreneurs. After his first visit to Eastern Europe as vice-president, George Bush remarked that it was still possible to see the boundary at which the Industrial Revolution stopped on its way through Europe. That boundary seems to be still visible in the Nineties.

Second, neither of the firms responded to the critical situation in their sales by massive lay-offs. The production of DOMUS practically stopped for several months and the company laid off workers who had reached retirement age and those with term contracts, but the number of other workers made redundant was kept to a minimum. Although it required unjustified optimism, the companies managed to keep their entire workforce necessary for an immediate restart of production on the original scale. However, this was not simply a question of economic strategy. Deep interviews with managers revealed their paternalistic attitudes towards their employees, including feelings of responsibility to guarantee them jobs.

In the course of the transformation in property rights, their paternalistic responsibility attained a new dimension. For forty years, private ownership of the means of production was illegal in this country and also became (due to persistent propaganda) illegitimate. The managements of production companies, however, wielded so much operational power that they considered themselves virtual owners of the companies they managed: there was no owner who would have the power, or desire, to exert control over them. The disruption of the old system was accelerated by the (unreflected) desire of the management to change their authorization to run the companies into full ownership rights. [for more details, see Možný 1990] As those rights are being legalized in the process of privatization, they are also becoming transparent. What was hidden is now visible. The need to make them legitimate has not disappeared, on the contrary, it has become in a way even more intense. It is one of the paradoxes of the transformation that the society being established here is one in which property is legitimized by performance. However, performance which guarantees the attainment of the decisive advantage of a large owner in this process has nothing to do with the performance of the Protestant ethic or even with economic rationality so far. One of the ways in which new owners are trying to legitimize their rights is by their paternalistic attitudes and by caring for guaranteeing employment rights for their workers.

Third, a new form of the social contract, which is behind every labor contract, is being proposed by the workers. In the old regime, workers not only exchanged guaranteed employment for tolerance of domineering practices on the part of the establishment [see Keller 1993 and Potůček 1993] but also their low performance for limited opportunities of consumption: they pretended to pay us, and we pretended to work. Workers themselves could see that these dubious exchanges exhausted the very essence of the system and led to its collapse. They felt intuitively and with an increasing urgency that by permitting their own corruption, they contributed to a situation in which there soon would be nothing left with which to corrupt them. They too have a vested interest in social change: they offer the new system a higher intensity of labor and responsibility at work, but they require better opportunities for consumption (i.e. higher wages) and guaranteed employment. The guaranteed jobs should come immediately, while the higher standard of living may come a little later (a realistic assessment tells them that the level of their production does not justify any increases yet), but soon, nonetheless.

Managers are expected to provide work that they can do and enough profit for the company to allow wage increases as soon as possible.

Workers are not sympathetic to those who have been laid off: the old system has destroyed workers' solidarity. (Contrary to the case of Poland, solidarity in confrontation with the owners was not the factor that brought the changes in the Czech Republic.) They, however, indicate that workers (should they be made redundant on a massive scale) know how to organize themselves and may come to question the legitimacy of the management. They will remind the people in managerial positions that they are "old structures" that were pardoned by the revolution only in return for a pledge of high performance. After all, the present general managers were voted in by the workers. Corporate management finds itself in a situation similar to that of the government, only a rung or two lower: it is being pressured into guaranteeing economic rationality without social sacrifices.

Fourth, the relationship between the managers now becoming the legal owners of industrial plants and their working-class employees is not assuming the forms of traditional class antagonism, social distance or two polar parties in industrial negotiations. Our deep interviews with workers and managers alike indicate that managers are perceived as the workers' delegates -- and that they themselves feel that way to a certain extent. Since the destruction of property relationships in 1948, entry into managerial positions for working-class sons has been easier than in any other industrial society. A significant proportion of working-class families has placed their children there and family relationships have been maintained. With regard to life styles, no gap ensued between managers and workers, as there was no income basis that would allow it. The ratio betwen the upper and lower deciles of income was 1:2.5 and thus the Czechs developed a society with the least income differential among all COMECON countries. (In this bloc income differences were much lower than in capitalist industrialized countries [Večerník 1989] and still the Czech society was perhaps the most equalized.) A retreat from paternalistic responsibility would be considered (on both sides) intergenerational treason.

According to our findings, the advantageous constellation of the above described circumstances (and perhaps a few others, but a discussion of those would perhaps be premature) have contributed to the relatively successful and surprisingly painless transformation of the Czech economy and society. They also help explain the current low level of unemployment. It remains to be seen to what extent this is only a short-term advantage, a postponement of the inevitable conflicts and slumps that lie ahead, or whether these factors will continue to develop in the direction outlined above over a longer period of time, and that what is emerging in the Czech Republic is a European modification of paternalistic capitalism.

These are some preliminary conclusions from our research project, presented as a hypothesis which will have to be tested by future analysis and further research. It will soon be tested in real life by the ongoing developments in Czech society. In any case, we believe that the extra-economic reasons of economic

phenomena such as the unemployment rate deserve attention as a part of the study of the tremendous social changes taking place in post-communist societies.

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