POST-COMMUNIST ELITES AND ECONOMIC REFORMS IN CZECHOSLOVAKIA 1989-1992

by

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ABSTRACT

The thesis deals with the role of post-communist political elites in shaping and enacting the economic reforms in Czechoslovakia shortly after the fall of communism. Acknowledging the rich literature on the role of political actors in transitions the work asserts the crucial role of the elite variable in economic transformation from state socialism. Following the genesis and the configuration of the respective Czech and Slovak national political elites the thesis demonstrates how their ideological beliefs and positioning in the political field influenced the reform agenda. The thesis argues that while the Czechs embraced a homegrown neoliberal program of radical reform, the Slovaks' more ambiguous relationship with communism made them disposed to a more gradual reform. The ensuing divergence of elite opinions on economic reform further exacerbated the political and constitutional dilemmas of post-communist Czechoslovakia.

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INTRODUCTION

Political elites in post-communist countries vary greatly in their social and historical origins, career paths, values and ideological orientations. The role of elites in bringing about economic reforms was crucial; however their motives and reasons for their success/failure remain relatively understudied. The Czechoslovak case presents a fascinating example of how newly emerged, divergent national elites and their (re)configuration influence the shape, the prospects and the pace of reforms.

In my thesis I will focus on the role of elites in bringing about the first economic reforms in the former Czechoslovakia after 1989. I will argue that the newly emerged, divergent national elites and their (re)configuration influenced the shape, the prospects and the pace of reforms. The basic proposition is the recognition that the tempo and mode of economic transformation was, to a large extent, determined by the decisions of the elites. The aim of my work is to describe and explain the transformation processes in Czechoslovakia after the fall of communism until the break-up of the federation through the prism of the theory of elites. I intend to establish the key role of the economic reformers, their beliefs and actions, in this period and identify the factors that shaped their decisions. The work will however limit itself with only a more general and cursory overview of some initial reforms, specifically in the area of privatization, as I do not wish to deal with the minutiae of all particular reform proposals and their enactment, nor do I intend to cover the whole of the transition period.

Relying on methods of descriptive, qualitative analysis I will present a historical narrative and propose to answer the following questions: How does the national elite configuration in Czech and Slovak parts of the Czechoslovak Federation prior to the break-up explain the choices of economic reform policies, specifically with regards to privatization?

Can the differences in elite configuration (composition) explain and help chart the differing economic transition paths in Czech and Slovak republics?

The paper offers only a partial glimpse of the events, a snap-shot, which cannot and does not wish to assert the exhaustiveness and punctiliousness of a historical work, but is instead an attempt to interpret the economic transformation as partly a result of political elite configurations. The change of the economic organization of the country may offer a prime example of the fundamental role of political leaders in transition period, while it will also serve as a potential source of conflicts making and breaking political alliances. In the case of Czechoslovakia it will also help illustrate the extent of the divergence of the dominant parts of the Czech and Slovak elites.

Looking at the transition processes in East Central Europe in particular and democratization in general the question of structure vs. agency confounds much of the theorizing. This distinction has produced two competing theoretical traditions, highlighting alternately structural determinants and actor-oriented analyses (Teorell & Hadenius 2007, 69-73). At least since Lipset (1959) the structure, i.e. the economic development and socio-economic modernization has been repeatedly accentuated as an important determinant of democratization, especially in its long, historical variety. However the collapse of authoritarian regimes in the so-called Third wave of democratization gave a new impetus to elite research. The actor-oriented approach (Rustow 1970, O'Donnell & Schmitter 1986, Burton & Higley 1989) stressed the importance of the strategic elite interactions for the successful installation of democratic regimes[1].

In this work I adopt the latter, actor oriented approach and focus on the elites in the post-communist Czechoslovakia as the determining feature and key explanatory concept for the period of transition political phenomena. I will present a comparative snapshot of two

[1] For example, Burton and Higley (1987) point out that the transitions where elites played a central role have been historically the most successful ones.

national elite configurations, the respective Czech and Slovak post-communist political elites, their composition, outlooks and social trajectories that lead them to their positions and demonstrate how their understanding of and commitment to economic reforms differed. The aim is to identify the relevant elite actors not only in their set structural context but to reveal the whole complexity of their interactions and mutual interests.

In doing so I adopt Higley and Lengyel's (2000) concept of elite configuration and will show how Czech and Slovak elites differed in their approach to economic policies. I will show that post-communist political development produced an elite constellation where facing each other were Czech and Slovak elites with antagonistic beliefs and ideological profiles. I believe elite theory is most fruitful when applied to regime transformations and I intend to show how modern new elite theory as theorized by Burton, Higley et al. combined with a judicious application of Bourdieu's genetic structuralism (Bourdieu 1985, Bourdieu 1986) as offered by Eyal (2003) can offer convincing explication of political decisions on the nature of economic reforms.

Joseph Stiglitz (1999) famously lambasted post-communist economic reforms, 'shock therapy' and adoption of privatization practices as driven by free-market ideology, promoted by "market Bolsheviks" from the international community who were aggressively pushing neoliberal reforms on hapless post-communist governments (Stiglitz 1999, 22). However, the shape of the transformation of the economy in Czechoslovakia was not due to an import of some neoliberal project (see Greskovits 1998, 20-21) by western advisers, but it was foremost an outcome of the interaction of the domestic elites whose interests were projected into the resulting policies. In fact the "neoliberal" blueprint for economic reforms cannot be even said to be a result of some sinister plot on part of the old cadres following their economic self-interests, but was a product of an extensive debate among certain economists in socialist

countries, who kept track with western economic science and were capable of supplying the right political and economic prescriptions (Bockman & Eyal, 2002).

The Czech case offers an example of a home-grown neoliberal program. The dissident intellectuals argued for the moral case of radical reforms while the small group of "technocratic" economic reformers was able to theoretically outline the radical policies of political and economic liberalization. The Czech proposed economic reforms of rapid liberalization and privatization were thus devised with an instrumental, rational approach, as clear-cut technical solutions to economic ails of socialism, a result of technical rationality. However, at the same time, there was also a teleological element; the reforms were also presented as a part of a systemic decommunisation, a thorough divorce with the past, a moral reaction to the sins of communism through which society must purge itself. Building capitalism thus was part of a mythic struggle against the forces of the old regime. (Kabele, 1999, 16; Eyal 2000)

However, even in the situation when economic reforms have become a structural necessity, the questions about the particulars of such a transformation were open to debate and political struggle. The economic reformers, who have gained political pre-eminence in the Czech part of the federation and were instrumental in forming the first, most important steps of economic transformation as well as democratic transition, soon came into conflict with the emerging new Slovak elites, who saw the question of economic reform only as a part and parcel of broader struggle for Slovak national identity. This new emerging post-communist elite in Slovakia, who managed to supersede the initial Slovak intellectual and dissident movement, consisted of "reformist" communists, managerial "technocratic" cadres from various state enterprises and a small group of nationalist intellectuals, all of which understood political reforms in the context of a necessarily broader reform of the constitutional

organization of the federated state and envisaged themselves as advocates of Slovak "specific distinctness".

As a result, while the Czech elites were more radical and sweeping in their reform design and intent, based on their conviction that socialism is unreformable and immoral and needs to be supplanted by a market economy as quickly as possible, arguing for a radical break with the past via a technocratic design culminating in their voucher privatization proposals, the Slovak elites were less enthusiastic. They saw the legacy of communism as more ambiguous and wanted a more gradual change; their primary concern was the idea of representing Slovak national distinctness, they opposed the reforms, arguing for political proportionality in economic decision-making.

The thesis consists of three chapters. Chapter one will introduce elite theory, past and present, with a special attention to elite theorizing of post-communist transformation. The limits of elite theory are also duly acknowledged; as Mladen Lazić not entirely unfairly observed; "elite theory has been trivial, descriptive, and non-analytical at the abstract level, although it has often spawned compelling empirical research" (Lazić 2000, 126). Chapter two then offers the particular overview of Czech and Slovak post-communist national elite, their social genesis and composition. The third chapter goes into more detail and describes how and why the respective national elites proposed and opposed the economic reforms, with special attention on privatization.

CHAPTER 1 – THEORY OF ELITES

1.1 Elite theory: classical and modern

The notion of the elite in the popular lexicon views them usually as the rich, successful and powerful, the crème de la crème of the society, or people who are potentially best in their particular field of expertise. Often enough it can be understood in a negative context, animated by egalitarian feelings, as shady groups with suspect and ulterior motives. Contrary to such readings, the Spanish philosopher José Ortega y Gasset, for example, was convinced that every society needs to be aristocratic, or more precisely, it is a society only as longs as it is aristocratic (Ortega y Gasset 1960, 20). He contrasted the common mass man with the elite, or nobility, who are generally men of excellence, responsible to higher goals than they themselves.

> Contrary to what is usually thought, it is the man of excellence, and not the common man who lives in essential servitude. Life has no savour for him unless he makes it consist in service to something transcendental. Hence he does not look upon the necessity of serving as an oppression. When, by chance, such necessity is lacking, he grows restless and invents some new standard, more difficult, more exigent, with which to coerce himself. This is life lived as a discipline – the noble life. Nobility is defined by the demands it makes on us – by obligations, not by rights. *Noblesse oblige*. (Ortega y Gasset 1960, 63)

The classical exposition of elites of Gaetano Mosca, Robert Michels and Vilfredo Pareto has at times viewed elites in no less fanciful terms, although theirs was the first modern attempt of a scientific analysis of the concept of elites. Their theory of elites was partly a response to the perceived 'naivety' of democratic theories of the day (see e.g. Mosca 1967 289-290, Michels 2001). Gaetano Mosca said that in all societies two classes of people always appear, those that rule and those that are ruled. This simple empirical fact and the recognition that the ruling minority is more cohesive and organized, which allows it to hold power over

the disorganized masses, forms the basis of elite theory (Mosca 280; Dunleavy and O'Leary 1987, 136). Mosca also emphasized the growing importance of the sub-elite of the lower technocratic stratum of the society consisting mainly of intellectuals, managers and bureaucrats who can at times of change serve as repositories of new elite recruitment (Akard, 2001: 2623).

Vilfredo Pareto offered a simple model of a two-tier social stratification, where the elite were simply the minority who excelled in their particular area of activity over the mass. These were further subdivided into governmental and nongovernmental elite, where the former are directly or indirectly responsible for influencing or administering the governmental affairs (Parsons 1949, 279-280). The continual process of elite "circulation" as Pareto described it, where new individuals step up and force out the older actors is important for social change, the history is but a circulation of elites. Societies where the elites severe all possibilities of ascending to power to others, such as various caste or aristocratic systems, tend, according to Mosca and Pareto, to become rigid and stagnant and produce social tensions and destabilizing conflicts, which may lead to abrupt social changes (Akard, 2001: 2623).

Similarly, Robert Michels, in his sociological study of the oligarchic tendencies in modern democracies and political parties (Michels [1915] 2001), showed that elites are a necessity in any modern, complex and structured social organization. Demonstrating his *Iron Law of Oligarchy* on the ostensibly egalitarian Social democratic party of Germany he argued that the organizational necessity of the emergence of leaders through the functions they adopt leads to *qualitative* detachment of the personalities. (Michels, 2001: 240) The oligarchic tendencies are partly psychological, with their acquired positions comes the furthering of power and resources concentration and power preservation. Any organization is thus also an oligarchy (Michels 2001, 241).

According to Michels most historical conflicts can be understood as struggles between the dominant minorities in antagonistic groups. "The social classes which under our eyes engage in gigantic battles upon the scene of history […] may thus be compared to two groups of dancers executing a *chassé croisé* in a quadrille". (Michels 2001, 224). Furthermore, Pareto's theory of elite circulation must be tempered by an observation that there never was a simple replacement of one elite group for another but always "a continuous process of intermixture, the old elements incessantly attracting, absorbing, and assimilating the new". (Michels 2001, 225).

The classical elite theorists, however, viewed elites through the prism of their individual capabilities, which constrained the theory's analytical potential. This individualistic tradition defined elites based on their capabilities and qualities, an approach that leads to psychologistic interpretations (Lazic 2000, 123). Elite theory was updated by the work of modern social theorists, e.g. Burton and Higley (1989), who understood elites as a purely functional concept devoid of any of the earlier normative underpinnings. Elites are understood to be the key explanatory concept, which has been rid of its qualitative connotations and is understood as a purely positional category. Thus political elites are defined as holders of strategic positions in powerful organizations and movements (dissident ones included) who are capable of regularly and significantly influencing national political outcomes (Dogan & Higley 1998, 15). National elite is generally operationalized as all the persons in strategically influential positions in the biggest and most influential political, administrative, economic, military, professional media and cultural organizations (Burton & Higley 1989, 18).

The popular, traditional and somewhat conspiratorial view of elites, summed by Meisel's three Cs characterizing the elites (consciousness, coherence, conspiracy) (Zuckerman 1977, 326) was challenged by empirical research into democratic transitions in Latin America and Southern Europe. A move to procedural democracy by these countries was

no guarantee of a stable democracy, since a key factor also necessary for the survival of democracy was the consensus among political elites regarding the basic values and rules of the game. The disunified elites in these countries lacked structural integration, i.e. relatively inclusive formal and informal networks of communication and influence between elites, and also lacked value consensus, i.e. a relative agreement on the rules of the game of political conduct and the intrinsic value of existing political institutions. Regimes with disunified elites tend lead to unconsolidated democracies with the possibility of an imminent collapse.[2] (Burton, Gunther & Higley 1992, 10-11)

Higley and Lengyel (2000) offer a comprehensive model of national elite configuration and its relation to political regimes. This model distinguishes patterns of elite unity or disunity, differentiation, and circulation. Elite unity is composed of two dimensions: normative and interactive, which are tantamount to the aforementioned value consensus and structural integration, that is shared belief system and inclusive channels and networks of communication and influence. Elite differentiation denotes to what extent are the elite groups heterogeneous, organizationally diverse and autonomous from each other and the state. By combining elite unity and elite differentiation Higley and Lengyel come up with 4 ideal types of elite configuration of consensual, fragmented, ideocratic and divided elites. These particular configurations can generate distinct sets of strategies adopted by the elites in their interaction (Higley and Lengyel 2000, 3-4). Elite circulation is part of the model; its patterns are described through two key aspects, its scope – i.e. the range and depth of elite circulation – and its mode, i.e. the speed and manner of circulation. (Higley and Lengyel 2000, 5)

A wide and deep & gradual and peaceful circulation is akin to the classic circulation which Mosca and Pareto regarded as essential for elite renewal and is conducive to an ethos of unity in diversity of consensual elites without social closure. Wide and deep but sudden

[2] Transformation of a disunified elite into a consensually unified elite then can occur either via elite settlement or elite convergence. (see Burton, Gunther & Higley 1992, 13-30)

and coerced, i.e. replacement circulation is a more revolutionary, violent variant where a peripheral counter-elite sweeps aside everyone previously dominant. A narrow and shallow and sudden and coerced quasi-replacement usually occurs in already divided elite configuration and usually takes a form of a coup. Finally, a circulation positionally narrow and socially shallow in scope but gradual and peaceful in mode is termed reproduction. A dominant elite group engages in some small positional changes and maneuvers and modifies its doctrinal stance in order to secure its positions. A few do lose their positions, however no significant change in elite profile takes place and the hasty efforts to obtain safe places may "contribute greatly to elite fragmentation". (Higley and Lengyel 2000, 5-6)

1.2 Elites in post-communism

Pierre Bourdieu's theoretical study of power conversion on the convertibility of different forms of social capital – conversion of cultural capital to political, political to economic – has inspired many elite theoreticians to examine transitions in post-communist countries. The convertibility of different forms of capital is, according to Bourdieu, the basis for strategies of capital preservation through its reproduction. The capital's bearer can preserve his capital in different form and maintain also his position in the "social field". Different capitals differ in their "reproducibility", or how easily they are transmitted, i.e. how they can be reproduced in different form with what costs and level of concealment (Bourdie, 1986: 253).

His theories have gained currency among the students of democratic transitions specializing on the questions of elite composition and change. Applying Bourdieu's insight on power conversion and his "field" of power – social arenas internally structured by power relations – sociologists, such as Elemér Hankiss, postulated that the ruling elite gave up its political power only when it saw an opportunity to convert it into an economic one (cf.

Bozóki, 2003: 223-224). Similarly, Akos Róna-Tas (1994) wrote about the advantages of the ex-communist cadres in the transition period thanks to their accumulated social capital in the newly dynamic corporate space. The assertion of many theoreticians was that pragmatic self-interest of ruling elites leads them to convert their political capital to an economic one via reform as an instrument of maintaining their influence.

Likewise, Jadwiga Staniszkis (2006) expected the old power elites would use the new political situation to convert their political capital into an economic one. This "Political Capitalism" – Jadwiga Staniszkis' term – is a phenomenon where the economic reforms were supposed to be designed specifically according the needs of the old nomenclature. Members of the nomenclature began using their position in the "mercantile structures" of the state for their own benefit; they began using the institutional possibilities of the state to accumulate their own capital, crossing the ideological limits of communism, they sped up the fall of communism. (Staniszkis 2006, 68-69).

However, this idea that former communist cadres reconstituted themselves successfully as new economic elites is problematic at best. Of course most post-communist countries cannot be lumped together, there are substantial differences, but in countries where the regime change and subsequent state asset appropriation and distribution was thorough and relatively orderly like in the Czech, Polish and Hungarian cases, "the degree to which the elite also changed was high and the infiltration of the cadre elite into business and propertied elites was more moderate" (Lane et al. 2007, 14).

Czech sociologist Ivo Možný, when asking the question why did the regime collapse so 'easily', suggested that at the end, the regime did not suit anyone and also subscribed to the Bourdieuan interpretation of the desire of communist cadres to convert their informal capital into a more tangible formal one, as one explanatory factor of transition. (Možný 1999, 62) However, another Czech sociologist Jiří Kabele countered that such an explanation is

problematic, for it presupposes that the elites would embark on a revolutionary change with highly uncertain and potentially dangerous results. (Kabele 2005, 280) Furthermore, I believe it necessary to stress, that the fact that people with social connections and ties from the old regime had best opportunities in cashing in on this social capital and profiting from the transformation does not mean that they were in any way responsible for the preparation, passing or enactment of economic decisions and reforms. That some nomenclature cadres may have been in good positions to quickly adapt themselves and take advantage of the new changing situations does not presuppose that they had a plan all along and acted in unison guided by some ghostly emanation of their collective class interests.

Ivan Szelényi (1995) has drawn on the post-Marxist "new class" theories and saw the managerial-technocratic stratum as the potential new dominant class which would form the emerging post-communist regime. In this *managerialism* "the control over the key factors of production is claimed on the basis of technical know-how of managers" and „no identifiable owners or groups of owners are capable of exercising effective control over strategic economic decisions". The cultural capital has become the main source of power and privilege. (Szelényi 1995, 1)

Eyal et al. (1998) offer a somewhat more tempered analysis, seeing the post-communist managerialism not as beginning of a new regime, but a phase on the road to the development of the new propertied class. (Bozóki 2003, 228) The authors presented the bearers of cultural capital, the cultural bourgeoisie, as 'a second Bildungsbürtum', composed of dissidents and technocratic-managerial elite, as an emerging power bloc which appropriated the historic task of the bourgeoisie: "civilizing their societies and creating market institutions" (Eyal et al. 1998, 46).

Ivan Szelényi and Szonja Szelényi (1995) reformulated the Paretian differentiation between elite circulation and elite reproduction and in their examination of social

stratification in central Europe they studied the fates of communist cadres and new elite composition in post-communist societies. While elite reproduction would mean that old nomenclature has managed to largely survive the political changes at the top or exchanged their political influence for economic advantages, elite circulation would mean that the top of the social hierarchy is being populated by new people according to new principles. (Szelényi and Szelényi 1995, 616) The question obviously could not be which of the two is happening exclusively, since neither reproduction nor circulation could be absolute; circulation is not total in even the most revolutionary situations, while the total reproduction of the old elites is impossible since the old elites are usually not old in name only. The question then was which of these trends was prevailing in central Europe.

Their empirical findings from Poland Russia and Hungary have confirmed both reproductions and circulations; many from the old guard survived in positions of influence even 5 years after the regime change, their status mostly undiminished, while circulation has also been confirmed, when most of the key political actors in 1993 have not been in positions of influence in 1988. However, these did not have to be necessarily entirely "new", but could have been next in line, deputies who have been rushed to power by radical political change. (Szelényi and Szelényi 1995, 622-623) This latter type of elite recruitment has been described as "the method of dragon teeth" (Lipták 1999, 308) where after dilapidation and falling out they are quickly supplanted by ones from the second row. The main source of post-communist elite recruitment was the middle technocratic and political management (Szelényi and Szelényi 1995, 624), with elite reproduction the most relevant in economic areas, where the technocratic management of state enterprises quickly adapted and became the new propertied bourgeoisie. Unsurprisingly, circulation was most visible in political elite. (Szelényi and Szelényi 1995, 628)

But the political transformation entails more than just a change in elite which holds power; systemic change has economic and institutional dimensions, with their continuities and discontinuities. Transition periods are rife with acute elite conflicts over institutional and cultural problems, with the elite rivalries being based in different institutional power sub-centers, cultures, ideas, discourses and interests of elite groups. (Ágh 1996, 45) Much of the theorizing has concerned itself with the question to what extent have the changes been made based on elite blueprints and to what have they been in trawl of previous historical legacies and structural conditioning.

1.3 Questions of transition: path dependency or primacy of actors?

Transition is basically just an interval between one political regime and another (O'Donnell and Schmitter 1986, 7) marked by high indeterminacy of results of political actions, of the outcomes, interactions and strategies, where actors, facing highly volatile and changing context may undergo significant changes as well. And even though broad macro-structural factors may "filter down" the behavior of political actors and limit the contingencies, the shifts and variation on configuration of power depend more than ever on the political leadership, their interests, ideals and interactions. (O'Donnell and Schmitter 1986, 4-5)

Similarly, Munck and Skalnik Leff conceptualize the mode of transition in terms of identity of actors and strategies they employ, insisting that these modalities shape the political regime by affecting the patterns of elite competition and the institutional rules devised in the transition period (Munck and Skalnik Leff 1999, 195)

Democratic transitions understood in the broader perspective are long-term processes, entailing, apart from the political, also social, economic and cultural developments of democracy consolidation, where democratic norms, structures and procedures need to get

embedded and rules and values of democracy internalized by the actors as democracy becomes the only game in town. (Linz and Stepan 1996, 5). Since Rustow (1970) political scientists have emphasized the political factors, political actors and institutions, moving away from economic, social and cultural explanations of democratic transitions (cf. Anderson 1999). While keeping the latter in mind, the question of the viability of the political community (Rustow 1970, 351) and political actors' strategies and decisions (Rustow 1970, 352-357) have been increasingly recognized as decisive. At the outset of regime change democracy is far from a given. The actor-centered variables of democratic transition have been accentuated by O'Donnell & Schmitter (1986) or Linz and Stepan (1996, 66-72) who broadly agree that though the structural conditions may limit the options and strategies of political actors, the latter remain the main determinants of successful transitions to democracy.

Dankwart Rustow's classical dynamic model of democratic transition (1970) was developed further by Wasilewski (2001), based on the central-European post-communist experience. Similarly to Rustow, Wasilewski divided the transition period into three phases based on the tasks laid out before the political elites in each of them. The first phase required that the elites, enjoying vast autonomy, deconstruct the *Ancien Régime* and broadly outline the vision of a new regime and its basic institutions, employing mainly symbolic politics. They were preoccupied mostly with the broadly and freely conceived public discourse, while the second phase required the preparation of the detailed programs of reforms to be submitted to free political competition and enacted via compromise and political coalitions using the technologies of power The third habituation phase then required elites of consolidation, with particularistic interests and distributive politics becoming prevalent (Wasilewski 2001, 137). What was remarkable about the Czechoslovak case was that the first two phases, due to the unexpected collapse of the old regime, have almost coalesced and blended together leaving

the elites with a double task of symbolic struggle for a new regime and pragmatic institutionalization of reforms.

Sociologist David Stark however, rejected the very notion of a transition (to capitalism) as a *teleological* construct in which "concepts are driven by hypothesized end-states" (Stark 1992, 22) asserting that an attempt to "design" capitalism by a grand plan is a rationalist fallacy similar to the earlier implementation of socialism. Instead, Stark argues, economic transformations are marked by *path dependency*. Actors who seek to departure from long established routines and restructure the norms "find that their choices are constrained by the existing set of institutional resources" limiting their field of action (Stark 1992, 21). The result should be a dynamic transformation, adaptation and reconfiguration of existing institutional elements rather than their replacement (Stark 1992, 22)

However, as Szelenyi and Kostello note, Stark's approach precludes making new discoveries and reduces all variation in social phenomena onto a single linear scale, turning the question into an assumption (Szelenyi and Kostello 1996, 1086). His meta-theoretical objection fails to fully acknowledge the impact of individual human action. Of course, it would be folly to assert that actions are not conditioned by long term social and historical trends and constrained by institutions, however the changes that manifestly took place have to be *done* by someone, and this someone – the elite actors – are largely responsible for the shape these changes took. The actor vs. structure dichotomy is in certain respects a false dilemma, a chicken and an egg problem that has no real solution and choosing between these perspectives depends on the question we wish to answer.

Historical and social determinism are not fully capable of illuminating the changes after 1989. However, the researcher's task of studying the complexity of social phenomena has been compounded by the manifold transitory processes of political and economic changes. Just as it is impossible to do a vivisection of a society to see its inner workings, it is

impossible to simply pluck individual actors from their socio-historical context, from their environment and deprive them of their defining features. Elite members, as unique personalities with their own idiosyncrasies, remain a product of their historic time and place, their socialization and experiences, as well as the heritage and memory of societies they belong to, and institutions and networks they are embedded in.

As we shall see, for the key political actors in Slovak and Czech parts of the federation the question of economic reform quickly became a defining feature in building their ideological packages, which they would assemble and employ in the upcoming power struggles. Guided by considerations of political and electoral reasoning, but also by their social positions, identities, tastes and perceived enemies, the political actors crafted their political strategies. Political actors do represent social interests, yet they don't simply reflect the social bases and determinants of their social context, they occupy positions in a complex field of relations and can act in relative autonomy, especially in times when social relations are becoming unstuck in restructured in novel ways. (Eyal 2003, 136-138) Owing to this relative autonomy of the actors we can observe along with Wacquant that they have the capacity "to transpose, invert, and in some cases subvert the social divisions […] leading to unforeseen outcomes" (Wacquant 2005, 7).

Yet despite the unique disjointed and uprooted nature of the transitory processes, the actors did not appear out of nowhere. The new elites are conditioned by their previous experiences, their socialization, their social networks and working experiences. Many scholars of the democratization processes stress the beliefs and actions of the elites as a preeminent and most significant variable, however they are far from the whole story, since many other factors feature prominently. Historical legacies and structural variables also play a large role, in fact they tend to shape the beliefs, limit and influence the actions and re-inforce the commitments of the elites. (Higley and Burton 2006, 3) Elite studies have revealed a

massively important role of elites, especially in the early phases of transition, but these have also indicated the importance and the actual interdependence of elites and wider social changes. (Machonin and Tuček 2000, 26)

I am convinced that no actor-oriented perspective can in its analytical framework dismiss the larger structural configuration and historical experiences that shaped the actors in question. In other words, to fully understand the role of elites in economic reform decisions, to understand why these decisions were made and what belief systems and interests animated these decisions, it might prove instrumental to look at the social genesis of particular elite groups in Czechoslovakia. This will be largely the task of the following chapter.

CHAPTER 2 – THE GENESIS OF CZECH AND SLOVAK NATIONAL POST-COMMUNIST ELITES

2.1 Introduction

The popular unrest during the winter months of 1989 may have been the impetus towards regime change in Czechoslovakia, but the main task of steering the transition and forging the new democratic regime was the task of the new elites. The fall of communism and transition towards liberal democracy and market economy present circumstances of dynamically changing political conditions in which old rules lose their applicability and political results are more than ever dependent on the decisions made by key actors. To better understand the transition period this chapter will concentrate on some of these actors – elites who formed the new polity by their actions or inaction and left their mark on the new regime.

The peaceful demise of Czechoslovakia just three years after the collapse of the communist regime makes the question of elite actions even more pertinent. The growing divisions that initially shaped politics in Slovak and Czech parts of the federation were not result of mere political rivalries, nor did they necessarily reflect only societal differences. In fact, at the time the Czech and Slovak societies were at their most similar. The divides which sent Czech and Slovak politics in separate ways emerged largely because of the political strategies chosen by the elites. While the underlying cultural and economic differences limited the options the elites faced, the malleability of potential political conflicts at their hands needs to be emphasized. (Deegan-Krause 2006, 19)

The configuration of the national elites influenced to a large extent the political trajectories on which the respective countries headed and determined the shape and scope of reforms and policies enacted. Institutions and historical legacies played a large role, but only to a certain extent; they provided a framework, in which an ample maneuvering space existed for agency. This maneuvering space is further extended as elites enjoyed more latitude of

choice and action, when most institutions were in a regime-change sparked flux. (Higley and Lengyel 2000, 2)

In this chapter I will pay closer attention to the respective national members of the emergent post-communist elites and show how the Czech and Slovak national elite followed their own separate paths of development resulting in different elite configurations. So while the Czech elites adhered more closely to the classical elite circulation and their elite configuration coalesced quite soon in a consensual mold, the fate of Slovak post-communist elites followed the line more closely associated with elite reproduction, resulting in a fragmented elite configuration, albeit soon dominated by one particular elite alliance.

2.2 Czech post-communist elites

To understand the configuration of the Czech political elite we need to look in the past. The Czech nascent political elite, their discursive strategies and their social trajectories, were shaped during the communist normalization period. In this section, relying on Gil Eyal's account (2000), I will present a picture of how the two major groupings that emerged in 1989 with a powerful claim to power, the dissidents and internally exiled technocrats (monetarist economists), exemplified by Václav Havel and Václav Klaus, came to share a common conception of how society should be ruled and crafted a temporary, yet formidable elite alliance.

Eyal contends that the Czech counter-elites that emerged after 1989 were an unlikely coalition of dissident intellectuals and "internally exiled" technocrats (bohemians, moralists, dissidents & neo-liberal economists, bankers). They seemed to come from different worlds, but what united them was a shared perception of intellectuals' role in society and how society should be ruled. They shared a sense of moral duty to create institutions of capitalism and

became the bearers of the ideology of the spirit of capitalism, appointing themselves the *footmen* "holding the door open for a [propertied] class that is yet to arrive" (Eyal 2000, 49).

2.2.1 The dissidents

The group of dissidents originated mostly from the humanities. Though Václav Havel came to epitomize this group he is not a completely typical embodiment. He was a playwright, an artist; however the typical breeding ground for dissidence was not the theater but Charles University and its philosophy and law faculties. They were philosophers (Jiří Dienstbier), historians, jurists (Petr Pithart, Pavel Rychetský), social scientists (Michael Žantovský) and journalists, editors and writers (Milan Uhde) dismissed from their jobs after 1968, unable to continue their work in their particular field, black-listed. (Eyal 2000, 57-58)

Their dissidence was not quite their clear moral choice, but the inverse is more likely: "their taste for 'dissent' as a life-style […] ushered them into a moral universe, conditioned them to begin to perceive the world in moral terms" (Eyal 2000, 59). The dissidents' response to the purges and crisis of 1968 was the "technology of the self", Foucault's term for a sort of self-betterment. They worked on themselves through espousing authenticity, self-examination, and, most importantly, "living in truth", as opposed to the corrupting influence of living in conformity which was required by socialism. Their dissidence was a "calling" and an "existential attitude", not a profession. Their 'professions', for the time being, were menial jobs, as workers, stokers, or various freelance jobs. (Eyal 2000, 60-62).

The purge meant a complete disconnect from the regime and the political capital. They substituted this by embracing a new, cultural one, emanating from their willingness to sacrifice. Their new social situation, their isolation, conditioned them to perceive the world in

clear moral terms. Their situation endowed them with moral authority.[3] However, they did not want to challenge the politicians or formulate political programs, but urge the populace to be responsible for the meaning of their lives and encourage their moral integrity. (Eyal 2000, 65)

According to the Czech philosopher Jan Patočka, the intelligence is always tied to a moral stance, it is not meant to criticize the establishment, but to seek for truth through authenticity, against the lures of private interests. Similarly, another Czech philosopher, Václav Bělohradský, found the role of the dissident to be in realizing the conception of conscience as not an entirely private affair, but a basis for accusing the 'objective' state. The state can stand trial before one's private conscience. (Pynsent 1996, 36) This was the basis of Václav Havel's particular brand of anti-politics.

The dissidents embraced anti-politics, though not entirely in Konrád's (1984) somewhat utopian sense of the word, since for Konrad the power of the state and the power of the human spirit were entirely irreconcilable. For Havel (1985, 38-48) the nature of the communist state power is a thick mechanism of control and manipulation with prescribed hypocritical rituals holding it together. To follow these rituals is to live a lie, so to live authentically, in accordance with one's true identity, within the truth, means posing a threat to the regime. Moral phenomena thus have a political dimension and to "live within the truth, must […] appear as a threat to the system […] something which is political *par excellence*" (Havel 1985, 48).

In order for dissidents to maintain their cultural capital and not succumb to silencing, metaphorical 'strangulation in the dark' by the regime, and while being shut out of the official culture, they had to create their own cultural sphere. They had to engage in what dissident philosopher Václav Benda theorized as parallel structures, capable of supplementing functions missing in the official ones – a second culture. They were no longer to be concerned only with

[3] What Foucault came to call "pastoral power", the power of a shepherd over its flock, based on the shepherds guidance and willingness to sacrifice for the good of the flock

their own authenticity, but strived to create a moral community – a civil society – in which they would go about educating, informing and influencing the moral conduct of others (Eyal 2000, 68)

Asserting their cultural authority meant turning it into a political weapon – posing the idea of a rule of individuals governing their conduct morally and authentically (by "living in truth") confronted the regime with a self-organized society, a polis morally and rationally superior. This entailed the idea of shaping the conduct of individuals and populations "from a distance", that is, not by commanding, but based on the knowledge of human nature and devising suitable institutions. They intended to establish congruence between political institutions and individual moralities (Eyal 2000, 70-71). The only thing lacking from the dissident arsenal was a technology of government, which, as Eyal argues, was supplied by the second group: the technocrats.

2.2.2 The technocrats

The group of so-called *technocrats* was comprised of economists and finance experts, men with formal economic training, some of which was done abroad. They were employed either by the State Bank or the economic research institutes of the Czechoslovak academy of sciences. Most of them were stalled in their career after 1968, their ascendance blocked, some were even demoted (Klaus had to work as a clerk in the State Bank). They were not particularly rebellious, however, their reaction was a strategy of an "internal exile" and they retreated outside of politics, into the private sphere. Apart from Václav Klaus, the group comprised also Karel Dyba, Dušan Tříska, Vladimír Dlouhý, Ján Stráský, Jan Tošovský or Tomáš Ježek, to name a few. They formed a tightly knit social group; their ideological heterodoxy and "internal exile" reinforced each other.

They were neither dissident, for they continued to work in the institutes, but they were not 'co-opted' nor were they reform communists either. Through their interest in Western economic theories they understood that communism is not capable of being reformed and needs to be removed. Surprisingly, their interest in capitalist economic theories was tolerated precisely because it was never directed toward reforming communism. (Eyal 2000, 72-73) Furthermore, since the economists were the 'heirs' of Marx and Engels, they had some amount of respect and academic freedom. The communist nomenclature looked up to the economists to solve the economic ails of socialism and counted on them to come up with that "miraculous formula" (Ježek in: Husák, 1997: 36)

According to Tomáš Ježek, the core of the future reform team began forming already in the sixties, in the Economic institute of the Czechoslovak academy of sciences, where preceding and during the Prague Spring arguments already began between "the emerging young economic avant-garde and the older generation of reform economists". (Ježek in: Husák 1997, 31) Alongside Tomáš Ježek, Karel Dyba or Václav Kupka, the young Václav Klaus was already a vocal non-Marxist economic theoretician. He considered the program of economic reform of communism as proposed by Ota Šik and other communist reformers to be valuable only by the virtue of its critical, de-mythologizing force, slowly eroding the prevalent economic ideology of the time (Šulc 1998, 40).

In 1986 the Cabinet of prognostics of the Economic institute of the Czechoslovak academy of sciences is turned into the Institute of Prognostics, headed by Valtr Komárek, a reform communist economist with the support of the perestroika-sympathizing communist nomenclature. (Šulc, 1998: 66) Valtr Komárek attempted to build his own power base from the institute and gathered here the "intellectual elite" of the best economic brains in the country (Ježek in Husák, 1997: 57; cf. Myant 2003, 12). Dyba, Dlouhý, Ježek and Tříska

joined the institute and soon managed to bring Klaus as well. Apart from this group, many blacklisted reform communists from the 60s also found work here. (Šulc, 1998: 66-67).

What this younger generation of economists shared was not only the belief in the pre-eminence of non-Marxist neo-classical economic theory but a rejection of the idea of a detailed reform plan. What they advocated were simple, fixed, general rules and principles and rational macro-economic policy with emphasis on strong markets. They embraced a technology, which Eyal terms *monetarism* (i.e., not the economic doctrine), a technology of practical reason and action. It is understood as a (neo)-liberal technology of governing economic life, seeking to create "self-organizing spheres of social action, and to empower individuals" to act autonomously and responsibly (Eyal 2000, 74-76)

The affinity on which the technocrats and dissidents could form an alliance was their shared sense of purpose. They both rejected the idea that intellectual knowledge could be a basis to plan society. They both embraced different aspects of civic education, their roles of pastors, teachers and *civilizers* who give laws to people and teach them to become law-abiding citizens. They also sought to create conditions under which it would be possible for people to govern themselves, through living in truth and morality and through the market, which based on the rational unhindered pricing mechanism should also equal the truth. Finally, they shared the belief that procedural exercise of power is the best way to govern conduct and that society needs to be ruled not by command and repression but by fostering civil self-organization. (Eyal 2000, 79-83)

While the dissidents needed the technocrats and their technology of monetarism to create their ideal, inclusive concept of a civil society, monetarists needed dissidents for their moral authority to legitimate the newly restored capitalistic order and to educate the population in the virtues of responsibility. They shared discursive strategies and identities. Their affinity was rooted in their similar responses to the normalization purges, their strategy

of dissent, and of opting-out, or internal exile. Both groups embraced the power of 'anti-politics' and both worked hard to disassociate and distinguish themselves from "reform communists" who were perceived as untrustworthy, or tainted.

The subsequent political events would show the technocrats to be more politically astute. Václav Havel became the embodiment of what Attila Ágh called "the politician of morals", specializing in moralizing politics (or their specific variant of anti-politics) in opposing the communist regime and re-inventing themselves in the post-communist period as "post-modern politicians", based on an almost 'aristocratic' intellectual moralizing and an opposition to "routine professional politics"; i.e., making a virtue out of their non-professionalism. (Ágh 1996, 46) However, this did not prove to be an entirely effective strategy and though Václav Havel became the philosopher-king, world-renowned intellectual playwright turned respected president; he was not by far the most representative of the Czech post-communist political elite. It would be Václav Klaus, the economist from the "grey zone", who would redefine the Czech political landscape.

Václav Klaus proved to be a very adept post-communist politician, who, using neo-liberal rhetoric and ultimately social-democratic practice, managed to dominate Czech political field and set the tone of political discourse for most of the 90's. As a pre-election slogan from a 1998 election campaign cartoon memorably presented the choice to the voters: "To the left – or with Klaus?", effectively labeling all his opponents as leftist (Appel 2004, 165) His relentless pace of promoting, defending the economic reforms and his public lecturing about their necessity have won him a lot of support and he quickly became a natural choice for the leader of the Civic Forum in October 1990. However he soon clashed with the "president's men" like Pithart and Dienstbier, who disliked the idea of a hierarchical party machine Klaus was intent to build out of the loose alliance of the Civic Forum (Stein 2000, 81).

The disagreements finally lead to a split in February 1991 when Václav Klaus and most of the Civic Forum leave to start the Civic Democratic Party, which becomes a de facto successor of Civic Forum with most of its policies and public support. Klaus manages to outmaneuver the liberal dissidents and the reform communists, presenting them as people of the past, and offers an ideological package of radical economic reforms, pragmatical realism in their execution (contrasting it with the impotent intellectualizing of some of the dissidents) and a rhetoric of anti-communism (allied here with conservative dissidents such as Václav Benda) and a programmatic divorce with the past embodied in the lustration laws (see Pšeja 2004, 453-456; Eyal 2003, 156).

2.3 Slovak post-communist elites

Similarly to the Czech case, Slovak elites were very much determined by their socialization experience during the normalization period. However, as we shall see, this experience was very much different. The result of the political processes in the early 90s then was a fragmented political elite, where one elite alliance came to pre-eminence; however the elites lacked a common understanding of how politics should be conducted. This configuration destabilized the political scene and prolonged the consolidation of democracy in Slovakia until the late 90s.

Shari J. Cohen in her study of Slovak post-communist politics (1999) provides an illuminating analysis of how fascist and communist past and a lack of common historical narrative influenced post-communist politics and shaped the struggles between the new elites. She distinguished between two types of elites in Slovakia. The ideological elites, who were the bearers of pre-communist alternative ideologies, democratic and nationalist, civic and ethnic anti-communists, and who presided over the beginnings of the transition process in 1989. The new ‘mass-elite’, in contrast, “had no connection to any alternative ideology and

[…] were solely formed by the official Leninist socialization process". (Cohen 1999, 5). The former, at least its civic democratic part, had much in common with the emerging Czech elites; however they soon lost the political battle against the 'mass-elite', which by the 1992 came to dominate the political landscape.

Pre-communist ideologies could be found only among the catholic nationalists, who founded the Christian Democratic Movement and the democrats who founded and comprised the core of the Public Against Violence organization. Their ideologies were formed through personal and family ties. (Cohen 1999, 57) They were far less numerous and less cohesive then the dissidents in Czech Republic.

The catholic nationalists were connected with the activities of the secret underground church and coalesced around personalities such as Ján Čarnogurský (who published the samizdat *Bratislavské listy*), František Mikloško, or Bishop Ján Korec, the founder of the underground church. These three were among the very few bona fide Slovak dissidents (Cohen 1999, 59). This wasn't because of some inherent lack of rebelliousness in Slovakia, but was partly caused by the nature of the communist rule in Slovakia, which was much more nationally-accommodative and much less repressive than the one in the Czech part of the country. Also the normalization purges after 1968 differed in their severity. While the Czech purge constituted an almost complete turnover of elites, the Slovak purge was much less vicious with many social ties between the communist nomenclature and the reform-minded individuals remaining intact (Eyal 2003, 35).

Tied to this was the nature of elite strategy in Slovakia. While, as we saw, the Czech dissidents and technocrats followed a strategy of anti-politics, the Slovak elite strategy could be described as an 'upper class', first as a social milieu of an interconnected inter- and intra-generationally closed and educationally and politically privileged social class and secondly as

a mode of representation where different fractions of the upper class all claim to represent the Slovak nation by representing the various estates which comprise it. (Eyal 2003, 29-30)

Eyal (2003, 96-97) shows Ján Čarnogurský as one example of how tightly knit the 'upper class' in Slovakia was and how the networks and connections protected individuals from the worst excesses of normalization purges. Son of a fascist Slovak state politician, he was nevertheless allowed to study law thanks to his father's acquaintance with Gustáv Husák[4]. Later, being a catholic activist and a publisher of a samizdat was not nearly enough to throw him fully into a full-fledged dissidence, he needed "to provoke authorities several times to overcome their more charitable instincts" (Eyal 2003, 97). Defending a Charter 77 signatory in court only meant a demotion and only much later was he fired and finally put to prison for a brief moment in 1989, still remaining tied symbolically and socially to the center of Slovak politics (Eyal 2003, 97).

Ján Čarnogurský would also become an example of a post-communist "politician of the historical mission", a rationalist nationalist, who had a vision of achieving an independent Slovakia by a strategy of small steps within the constitutional limits (Ágh 1996, 48). This however may have helped unleash a political change where the more irrational nationalists could later carry the day by wrestling the agenda out of his control. (Szomolányi 1994, 75)

The second small group who bore an anti-communist ideology were the democrats. Part of them were former communists who transformed from true believers through disillusion into civic democrats (such as Miroslav Kusý) and part came from the younger generation of artists, social scientists (sociologists) and environmentalists (Fedor Gál, Peter Zajac, Soňa Szomolányi, Martin Bútora, Ján Langoš et al.). They came to espouse a civic democratic ideology based on the Czechoslovak interwar democratic tradition. They associated democracy with the union with Czechs and were less concerned about the Slovak

[4] It is a well known anecdotic feature of the social life in the 1940s Slovak state that fascist (*ľudáci*) and communists visited the same Bratislava cafés.

national identity (Cohen 1999, 70). Similarly they embraced the strategy of anti-politics, believing that ideologies developed in private and through personal networks could be translated into wider political realm. This, their belief in general opposition to the communist regime in the populace, as well as the moral and political issues which they accentuated however proved to be a misguided strategy in the Slovak political context. (Cohen 1999, 83-84) They would soon learn that the popular political discourse lay elsewhere.

The 'mass elite' that emerged as the dominant part of Slovak post-communist elites can be better understood as a coalescing of three particular groups of the upper class joined together by a discursive strategy of representing specific Slovak interests. Embodied by the enigmatic and mercurial Vladimír Mečiar, they didn't posses so much an ideology, their appeal was "*reflective* of society's lack of commitment rather than *representative* of an alternative point of view" (Cohen 1999, 163 [emphasis in the original]). In fact, they were not so much representatives of any particular viewpoints but of the *estates* of the Slovak nation.

First of these were the technocrats and prognosticians, who chose the strategy of "reform of communism". Unlike the Czech dissidents, the reform communists among them didn't go into dissent, but like the Czech dissidents they also felt they are responding to a "calling" or a sense of duty – they didn't opt for dissent after 1968 but instead continued to work 'for the good of the nation' They remained connected, kept social ties and networks with the ruling communist elites and waited in research 'safe-havens', dreaming about gradual reforms and economic sovereignty of Slovakia. (Michal Kováč, Hvezdoň Kočtúch, Augustín Marián Húska, Rudolf Filkus et al.). (Eyal 2003, 100-103)

Like Czechs they had their own technology – *prognostics*, which was technical knowledge intended to provide maps for the long term objectives of the society. The ails of socialist planning for them were connected with its centralist, directive nature (and not economic irrationality), which they saw as creating a disproportionality harming the Slovak

interests in most sectors, be it industry, environment, resources or human development. True proportionality required an economic reform but also the fixing of the disproportional Czech and Slovak relations. For them "[t]rue proportionality required economic sovereignty" (Eyal 2003, 109-114; 114).

Augustín Marián Húska and Michal Kováč are two exemplary persons of this group. A.M. Húska worked in The Institute for the Economics and Organization of the Construction Trade as a scientific researcher. In 1990 he was co-opted in the Slovak parliament for Public Against Violence [Verejnosť proti násiliu, VPN] and became a member of the team preparing the VPN's election program. Since 1990 he was the first Slovak minister of privatization (i.e. chairman of the Office for the privatization and administration of the national property; succeeded in April 1991 by Ivan Mikloš) in spring of 1991 left Public Against Violence with Mečiar and became one of the founders and a long-time vice-chairman of the Movement for democratic Slovakia [Hnutie za demokratické Slovensko, HZDS]. Michal Kováč worked as a clerk in the State bank and later as a researcher in the Central Institute for National Economic Research. He joined Public Against Violence and became Slovak finance minister, co-founder of HZDS and later the first president of Slovakia. Both Húska and Kováč, along with Vladimír Mečiar, were also the members of the HZDS political negotiation team after the June 1992 elections and thus would afterwards also become the "founding fathers" of the Slovak statehood (Húska 2006, 6).

The nomenclature managers of various state enterprises co-opted by the regime comprised the second major group. They weren't a tightly knit social group, and most of them weren't touched by the normalization purges (except for Mečiar). Through their nomenclature positions they occupied "important nodes in the vast networks of relations that constituted the formal and informal power structure" (Eyal 2003, 117), however they were also *only* deputies, the second row of the dragon's teeth, to recall Lipták's phrase (1999, 308). They were not in

charge and could claim expertise indispensability after 1989 and thus accomplish the "revolution of the deputies". Soon after 1989 they entered politics, opposing the liberal reforms proposed by Klaus et al., claiming to advocate Slovak "specific" interests in agriculture and industry, the specificity of the Slovak 'national economy'. (Vladimír Mečiar, Ján Ducký, Ľudovít Černák, Peter Baco et al.). (Eyal 2003, 115-120)

Vladimír Mečiar is the most prominent of this particular group, though he could be considered the ideal representative of the Slovak post-communist elite. A reform communist, narrowly a dissident, he nevertheless managed to finish studying law in the 70's and became a state company lawyer, keeping social ties and connections with many reform communists. With the support of reform communists he becomes Slovak minister of the interior and after the first election he is nominated by the Public Against Violence (VPN) as the Slovak PM. However, he soon clashes with his coalition partners and also the VPN's liberal leadership. After an unsuccessful bid for the VPN leadership he founds the Movement for Democratic Slovakia (HZDS), tying the nationalist and reform-communist strands of Slovak political field into a potent alliance. (Stein 2000, 83; cf. Leško 1996)

And finally, the third were the nationalist intellectuals and historians concerned with representing the "nation". These humanistic intellectuals were neither dissidents, nor reformers nor internally exiled – they chose a strategy of co-optation and working within the official communist structures. Here they came to promote a new historical orthodoxy of "national memory", i.e. they constructed nationalist myths[5] on a range of topics: the ethnogenesis of Slovaks, the Great Moravia, or the Slovak National Uprising. (Vladimír Mináč, Dušan Slobodník, et al.). (Eyal 2003, 120-124)

[5] What is more, this mythologization was to a large extent a conscious programmatic effort. Augustín Marián Húska was quite unabashedly forthright when he expressed his opinion, congruent with the nationalist historians, that "the ideology of each dominant state creates its own state doctrine, by help of which it adduces and to a certain extent also mythologizes its own existence. The mythologization is not only a heroization and an embellishment of history, but is also a legitimate condition of linking of one's historical consciousness to its pre-historic roots [...]" (Húska 2006, 11).

These three strands of a future political elite shared identities, social bonds and discursive strategies and after 1968, although heavily disillusioned with the federative arrangement, instead of opting out they chose to embed themselves within the regime and wait for better times. These common understandings facilitated their post-communist coalition. They didn't seek universal, objective rules, but instead as 'experts' they wanted to 'translate' and represent the interests of the particular estates and the Slovak nation. (Eyal 2003, 131-132)

2.4 Conclusion

The new Czech political elite embraced a basic task of a symbolic condemnation of the past, achieved via moral and technocratic means of lustrations, rapid transition to a market economy and civic education. What we saw emerge here then came close to the consensual elite configuration described by Higley and Lengyel. The elite circulation was also more peaceful and gradual, yet deep and wide. Not all communists were immediately removed, some, like Marián Čalfa (who remained as a federal prime minister until 1992), could find agreement with the dissidents and offer them their services, came to keep their positions.

The Slovak elite configuration took a different shape than the Czech counterpart. Not only was the elite circulation more akin to reproduction, with reform communists and nomenclature cadres re-emerging with a nationalist discourse, but the post-communist elite became deeply fragmented and divided around the issue of nationalism and state formation. The democrats (now joined by the Christian democrats) and the emancipatory nationalists were bitterly opposed, lacking a common understanding of politics. It would take the next decade and the ousting of Mečiar from power until a gradual convergence of elites could occur (see Gould & Szomolányi 2000).

One of the lessons of elite theory has been that the strategies of politicians can amplify or mute tendencies for polarization. Economic reform in Czechoslovakia would prove to be such an issue of contention. The standard explanation of economic reforms in post-communist countries and privatization in particular usually focused on the material interests of the key actors to explain the design and development of the reforms. The studies "revolve around economic and political 'stakeholders' who sought to impose their material preferences on the policy makers responsible for designing institutional reforms" (Appel 2004, 10). These however severely underestimate the importance of ideological commitment of post-communist leaders. The following chapter will examine this issue of economic reform in elite context in more detail.

CHAPTER 3 – ELITES AND ECONOMIC REFORM

3.1 The state of the state

When describing the varied nature of crises in socialist countries, Anders Aslund (2002, 40) poignantly recalled the Tolstoy's famous opening line from *Anna Karenina* about unhappy families being each unhappy in its own special way. The communist regime in Czechoslovakia, although similar in most respects to other regimes in the region, was nevertheless also unhappy in its own special ways.

The communist regime in Czechoslovakia was a sclerotic, rigid, post-totalitarian regime, which underwent "detotalitarization by decay" (Linz & Stepan 1996, 294). Since the 1968 Soviet invasion's suppression of reformist movement, for the next twenty years the regime was stalled, deathly afraid of any change. There were no attempts to control all aspects of life, instead there was an almost ideology-free silent pact of political quiescence, where passivity, apathy and formal loyalty were rewarded with a relative lack of repression (Dvořáková and Kunc 1995, 128). The regime didn't undergo any changes, it didn't respond to circumstances and didn't try to evolve, it just "froze" (Linz & Stepan 1996, 319). This frozen nature of the regime also meant no liberalizations of the economy were possible prior to 1989[6].

Throughout the years between 1969 and 1989 some more perceptive parts of the leadership of the communist party were at times aware of the limited possibilities of the regime and the unsustainability of the socialist economic model. However, they adhered to the homogeneity of the party line, unwavering, motivated by fears of liberalization and also by

[6] This rigidity of the regime also meant that there were fewer qualms about a radical divorce with the past when the regime ended. After the 20 years since 1989, the unreformable nature of the socialist economy was widely accepted, and since the communists had no time to transform (they failed, or were unable to do so), the new regime in Czechoslovakia was "the least bound by compromises, making a clean slate appear possible" (Aslund 2002, 57).

the communist cadre's experience that the homogeneity of the party leadership might be also maintained without their continued presence in it. (Turek 1995, 75)

The communists were thus able to preserve an economic system closely resembling the classical centrally planned system. As a result, Czechoslovakia could 'boast' the smallest private sector outside of the Soviet Union, with only some 3% of the GDP contributed by private enterprises and just 0,7% from non-farm private enterprises (Mejstrik & Burger 1994, 136). The whole of the economy, from large factories to small retail trade and consumer services, remained nationalized[7].

The reformers faced an economy characterized by lack of almost any private sector, dominated by artificially large, integrated state owned plants and enterprises that formed monopolies and oligopolies, and were supervised and coordinated by administrative monopolies. (Mejstrik & Burger 1994, 136-37) The task before them required the privatization of these overly large and inefficient state owned enterprises and the creation of suitable conditions for the development of small and medium sized private firms sector (Rondinelli 1994, 1).

3.2 The transition reform struggles

Like in Poland, where a 'pacted transition' was agreed upon by the opposition and communist leaders (Linz & Stepan 1996), and Hungary, where a similar negotiated transition took place (Welsh 1994, Wasilewski 1998), the transition in Czechoslovakia was also marked by the importance of elite behaviour. However, unlike the former cases, the rigid, 'frozen' post-totalitarian regime in Czechoslovakia with a mostly inflexible party leadership and only rudimentary opposition groupings does not quite allow to classify it as a negotiated transition.

[7] On the plus side, the economy was run with surprising balance. There were no extensive foreign debts, the government pursued relatively sound fiscal and monetary policies with balanced budgets and low(er) open and hidden inflation and only limited monetary overhang (Kupka et al. 1993, 43). The economy, as run by the communists in Czechoslovakia, could have been characterised as an orderly decline, suffocating, to paraphrase Václav Havel, under 'the dead weight of inertia'.

(Szomolanyi 1999, 20-21) The transition in Czechoslovakia could be described more accurately as a reform through *rupture*, ignited by the popular mobilization against the regime's repression of student demonstration. In the following winter weeks "previously isolated dissident leaders received validation in the approbation of the crowds at almost daily rallies and a brief symbolic strike" made the Communist leadership realize their power was collapsing. (Munck and Skalnik Leff 1999, 207)

The round-table talks between the Prime Minister Ladislav Adamec and opposition activists led by Václav Havel were possibly only after the mass protests. The communists were unable to deal with the crisis and hesitated to employ violence. They agreed to talks in hope of bolstering their shaken position. However, situation accelerated very quickly, and even despite the opposition's lack of a clear political strategy, the negotiations soon became about a simple transfer of power (Suk 2003, 24-25; Bureš 2004, 13; Szomolányi 1999, 22-23; see also Hanzel 1991).

The new Prime Minster of the "government of national understanding", communist Marián Čalfa, was instrumental in speeding the power transfer by insuring the election of Václav Havel by the old-regime Federal Assembly. Thanks to Čalfa's technocratic power prowess Václav Havel is unanimously elected president and Alexander Dubček is elected new Chairman of the Assembly before the end of the year. (Suk 2003, 27-28) The transfer of power is accomplished with only minimal institutional changes. This relatively fast assumption of power by the new elites meant that they "were not forced to embrace the politics of compromise and negotiations and didn't learn to reach a consensus by way of dialogue and mutual concessions" (Szomolányi 1999, 25). All the subsequent institutional changes, including the question of economic reforms, were now subject to negotiations and struggles between the *new* elites, and newly emerging centers of power (Bureš 2004, 18-19).

Already on November 22 the OF (Civic Forum) movement is joined by several economists (Václav Klaus, Tomáš Ježek, Vladimír Dlouhý, followed few days later by Valtr Komárek) from the Institute of Prognostics, who are offering their services in drafting proposals for economic reforms. (Bureš 2004, 4) The arrival of economic experts from the 'grey zone' meant a breaking of the potential isolation of the mostly dissident Civic Forum from the public at large, while at the same time, the economists mostly non-communist past did not threaten the symbolic power of dissidents. (Eyal 2003, 147) They immediately joined the roundtable talks[8] and also helped draft the first programmatic proposals of the movement, emphasizing the need for economic reforms. (Burian 1997, 500)

Joining the roundtable talks were also the dissidents from the Slovak opposition movement VPN (Public Against Violence), Civic Forum's apparent ally. But as Eyal notes (2003, 146) they were partly a Trojan horse, because they differed from Czech dissidents in that they were more "reformist" than radical and wanted the new government about to be formed to show a bit more continuity. It was their insistence that Valtr Komárek, the aforementioned reform communist economist, be invited to the final rounds of round-table negotiations – against the wishes of the Czech dissidents – and later become the member of the new government of national understanding responsible for economic reform. It was Ján Čarnogurský, who at the joint meeting of VPN and OF coordination centers on December 8th 1989 stated that VPN considers Valtr Komárek to be "the key – the cornerstone […] of the government's longer perspective in the sphere of economic policy" (Hanzel 1991, 350).

Apart from the reformist Valtr Komárek, who becomes the deputy prime minister for economy, Marián Čalfa's government of national understanding is also joined by Václav Klaus and Vladimír Dlouhý, who become the finance minister and deputy prime minister for planning, respectively. The new government's program from December 1989 had among its

[8] A the very first meeting of Civic Forum delegation and the delegation of the goverment, 26.11. 1989, Václav Havel gaffes, introducing Václav Klaus thusly: "...you probably know from television, this is doctor Volf". (Hanzel 1991, 13)

main goals the unequivocal transition to a market economy. The emerging consensus about the necessity of reforms and publicly demonstrated unity of the prognosticians however did not imply a consensus on the content of the reforms (Burian 1997, 505).

As it turned out, this decision about the nature and extent of economic reforms became the first point of contention between newly developing centers of political power. The main antagonists however were not the old regime versus new regime representatives, but 'radical' reformers like Václav Klaus, Karel Dyba, Tomáš Ježek, Dušan Tříska or Vladimír Dlouhý and the 'old boys' (an English nickname employed by the radical younger generation), economists who were behind the reform attempts in 1968 and argued for a more gradual reform pace.

Valtr Komárek became the first loser in the political fight for economic reform. Although, from the outset, he was the deputy prime minister of the new government with economic reform as his main agenda, he maintained a proposal of gradual reforms and liberalization with a ten-year horizon – ineffective and politically unskilled[9], he was quickly sidelined[10] by his subordinate, the much more dynamic federal finance minister, Václav Klaus. Komárek's output at this time consisted mainly of critiques of "shock therapy" and proposals for a gradual reform, paced over the next 4 to 10 years. He however failed to submit any concrete plans and most of his potential co-workers went to work for the team forming around Klaus and the finance ministry. (Šulc 1998, 73; Suk 2003, 401; Myant 2003, 16)

This initial disunity of the federal government and fears by OF leadership over worsening economic situation leads to a formation of a 'rival' grouping of economic reform team, consisting mainly of the 'old boys' economists connected with the reform process in

[9] Tomáš Ježek had harsher words, describing Komárek as a "slacker" and a "loudmouth" (in: Husák 1997, 56-57), who didn't really have a conception of reform, only an "unending procession of rhetorical exhibitions with which he duped people". (in: Husák 1997, 106)

[10] Komárek resented his sidelining, seeing it as a betrayal by his colleagues from the Prognostics institute (Ježek in: Husák 1997, 105) and later attacked the economic reform proposals as a "militant program of the renewal of an unregulated capitalist system" (Komárek 1991, 103).

1968, such as Karel Kouba, Zdislav Šulc, Ota Turek and even Ota Šik, under the auspices of the deputy prime minister of the Czech government František Vlasák (a 68-er himself). They rejected Komárek's gradualist approach and already in March (1990) proposed their first blueprint of economic reforms. (Suk 2003, 403; Šulc 1998, 73)

This initiative however threatened the supremacy of the federal government, so Klaus quickly reacts and in April proposes his own conception (Suk 2003, 403). In May the finalized competing proposals, the first 'sequenced' (full title "The proposal for a strategy of a sequenced transition towards a market economy in ČSFR"), the second 'radical' (full title "Strategy for radical economic reform") written under the auspices of ministers Klaus and Dlouhý, were put forward to the Federal government. In an explicit polemic with the 'Czech' proposal, the 'Federal' proposal argued for a quick and radical liberalization and privatization (Suk 2003, 403-404, Šulc 1998, 75).

Between the two proposals there were only slight differences in policies regarding the price liberalization and the sequencing of external trade liberalization, but the main point of contention lay in the question of ownership transformation – privatization. The 'Federal' program argued for quick and complete privatization, including large-scale enterprises, even if this should entail 'non-standard' methods (i.e. vouchers) required by the fact of low domestic capital resources. The aim of a quick, formal privatization was to stop/prevent potential 'spontaneous' privatization by managers, which would be both inefficient and inequitable and could arouse popular backlash (Aslund 2002, 257).

As Tomáš Ježek observed, the behavior of managers required a quick and non-standard approach to privatization; the purpose was not to increase efficiency of particular firms but to create market structures encouraging private business (Ježek 1997, 180). The economists opined that privatization would happen either way, what was required was a swift action of the state to make the process more equitable, transparent and comprehensive. The

'Czech' program, on the other hand, argued for a two-step process: doing corporatization first, along with price liberalization, so that firms can first 'learn' how to operate in a market, and only privatize later when proper institutional framework is built as well. (Suk 2003, 404-405)

In May 1990 the Federal program prevailed, the government recommended the incorporation of a few ideas from the Czech proposal (e.g., National property funds), but Klaus' reform team had the main say. Although both sides offered valid economic points, in the end the federal one prevailed because it had also better political arguments. (Suk 2003, 407; cf. Myant 2003, 16-21)

3.3 Privatization

Privatization is not only a political strategy to reduce inefficiency of public enterprises but a precondition for the creation of a market economy where none existed before. Privatization can be understood as two parallel changes undertaken by the reformers. First would be the corporatisation, meaning a severing of the company's ties with the state and turning over the control of the company to managers. This can also happen spontaneously, when in a weak state the declining power of bureaucracy creates conditions suitable to managerial seizure of firm's assets. Second change required for a privatization program then is the commercialization, i.e. the reduction of cash flow ownership by the state treasury and an increase of private cash flow ownership by managers and shareholders. There are different allocation schemes of shares the state can pursue, it can sell them or give them away via various voucher programs. (Boycko et al. 1996, 313-314) This widens the separation between managers and politicians and fosters the restructuring of the firm (Boycko et al. 1996, 316)

Reform program was constructed as flexible, only the goal of restructuring the economy was rigid – there was little disagreement on its necessity – the success of transformation hinged on the government's ability to transform the state enterprises (Dyba

and Švejnar 1991, 19). For this reason, Dušan Tříska, one of Klaus' economic advisors and the main originator of the conception of the voucher privatization, considered privatization to be the defining feature of economic transformation, since price liberalization and monetary reform could just as well be "some 'radical' variant of the reform of 'real' socialism". More importantly, with the collapse of the communist power the ownership claim of the state collapsed as well and privatization would thus "happen no matter what". (Tříska 2006)

3.3.1 Voucher privatization

The large (mass) privatization although "quick and rapid" took a lot of time to prepare and get started. The number of tasks that lay ahead of reformers was enormous, given the volume of legal acts needed, the selection of enterprises to be privatized, their pre-required corporatization and division into smaller units. A number of methods were considered and in the end all of them were used, although the voucher (coupon) privatization was chosen as the main one. In Czechoslovakia it was first proposed by economists Dušan Tříska and Jan Švejnar, who were also inspired by a similar proposal raised in Poland a few months earlier by economists Lewandowsky and Szomburg (Ježek in: Husák 1997, 101-103). However, more standard methods of large enterprise privatization were also employed, such as direct sale, auctions, tenders, and transfers of property to municipalities.

Voucher privatization was the perfect example of the "monetarist" technology (Eyal 2000, 77), for it was an elegant and practical solution for the problem of property structure transformation. Václav Klaus, Dušan Tříska, Vladimír Dlouhý and Tomáš Ježek advocated it for several following reasons (Mejstrik & Burger 1994, 151).

Vouchers were to be distributed freely – for a nominal fee of 1000 Crowns – in the population and were exchangeable for shares in selected companies. This method would not only be relatively fast and easy to enact (with the emphasis on *relatively*) (Aslund 2002, 273),

but also truly massive, allowing a high fraction of state assets to be privatized at once and in bulk. It was deemed fair and universal since every citizen would have a chance and a right to participate and buy shares in formerly state owned enterprises. Furthermore, the lack of capital didn't allow trying other more direct methods – there were simply too many assets and too little wealth in the general population for attempting direct sales. Additionally, the prevailing views were that direct sales and auctions would attract only certain 'shady' elements (e.g., people dealing in illegal money exchanges) and/or communists who would be the only ones with enough disposable cash. The prospect of black marketeers and corrupt nomenclature with potential illegal backing of foreign investors would not turn out very popular (Mejstrik & Burger 1994, 143).

Popularity was also a major concern and the idea of voucher privatization was immensely popular – at least at the beginning. As Večerník documents (1996, 154), by the end of 1990 more then 60% of the Czech population agreed on the desirability of selling of large enterprises, and at the beginning of the first wave of coupon privatization, some 50% declared their intent to participate. This mass participation also served as a future institutional insurance that the reforms would be harder to revert – it was perceived as a greater constraint for potential re-nationalization. It is most likely harder electorally to go against the interest of many citizens/shareholders than against those of a few capitalists. Finally, there was also an undeniably psychological and educational aspect to the whole proposal. Mass shareholdings were supposed to work as an instrument of entrenching capitalist values and educating the citizenry in the principles of the market economy. Vouchers thus seconded as an instrument in the pastoral role of the Czech elite's task of civic education, leading the nation out of the desert of communism (Eyal 2000, 80).

All these points presented an alluring political package. Privatizations had to be politically popular, acceptable and sustainable, to survive in a newly created competitive

political environment. Privatization was thus a part of an ideological project of the new emergent political elites; it was a symbolic tool for the deconstruction of the old regime and a construction of a new identity embedded in a market society, a radical divorce with the structures of the past and a step on the path of return to the civilized world (Eyal 2000).

Despite some criticisms[11], it was an important facilitating step, allowing to build a private sector and (re)distributing state owned assets relatively fairly, diminishing the potential of spontaneous privatizations. As Earle and Gehlbach (2003, 2) argue, voucher privatization was a lynchpin of economic reform, since it built support for the reform process:

> [B]y ‘‘sweetening’’ the bitter medicine of structural reforms with policies that draw in popular participation and create immediate, widespread benefits, the policymaker may be able to increase the sustainability and irreversibility of reforms even during a period of economic dislocation. (Earle and Gehlbach 2003, 2)

Voucher privatization entered the public discourse in March 1990 when Václav Klaus starts to publicly present it as a solution and it is also included in the ‘federal’ reform proposal. In the summer months Dušan Tříska works on a detailed conception (Ježek in Husák 1997, 103) and it is finally approved in the Federal assembly in February 1991.

3.3.2 Other methods

Unlike the mass privatization, the decision about the 'small privatization', directed mainly at retail trade and consumer services, was passed relatively easily. There were some 'technocratic' arguments in favor of insider privatization, favoring gradual decentralization and privatization of existing structures, building on the 'knowledge of the experts and specialists'. However the reformers were adamant in their support for rapid privatization

[11] Apart from the recognition that voucher privatization would bring only very limited (if any) revenue for the government, the main criticism was aimed at the resulting unclear and dispersed ownership structure. It would not only fail to change the behavior of firm managers, but the lack of a proper legal framework and the apparent long agency chain would lead to poor corporate governance and potentially (as often proved to be the case) to asset stripping, or what came to be colloquially known in Czechoslovakia as 'tunneling'. (Svejnar 2002, 6)

without any preferences for the trade insiders – this was consistent with the predominant approach to privatization in Czechoslovakia in general: "to break the monopoly of nomenclature and create a new class of small-scale entrepreneurs who would therefore support the reform program of the new government" (Earle et al. 1994, 47).

Small privatization met with relatively little disagreement and was prepared in haste when preparation for the large privatization was going slow. The aim of small privatization was also to do something quick and visible in the summer months after the 1990 elections when public impatience grew with the pace of economic transformation. The reformers wanted to demonstrate their ability to carry out reforms (Ježek in: Husák 1997, 131). As Earle et al. note, "Czechoslovak reformers were always very attentive to maintaining the political momentum of the economic transformation" (1994, 59 fn.17).

Small privatization included sale of small trade and consumer services, most shops, kiosks, stores, restaurants, bars, hotels etc. This was probably the easiest sector to privatize with little controversy or protest, safe for some of the losing 'insiders'. Beginning in early 1991 and finishing by the end of 1993 this program was largely successful at demonopolizing the retail sector and along with restitutions it was responsible for the creation of the basis for the development of small and medium size business sector[12] (Earle et al. 1994, 59).

Restitutions, however, were not considered by reformers at first, because major problems were expected in their potential realization. The method was viewed as impractical, offering too many potential technical, legal and bureaucratic complications that could take too long to overcome – it could delay other reforms considerably. For this reason many reformers, including Klaus, were against restitutions. (Ježek in: Husák 1997, 117) They thus

[12] The units were sold in an uniform process of public auctions, open to only domestic buyers in the first round. Given the low capital holdings of the domestic population a variant of the Dutch auction method was employed, where prices were progressively decreased by 10% until a bid was made after which normal bidding could proceed. Unsold assets went to a second round in which foreign buyers could also participate (Earle et al. 1994, 69)

demonstrated their technocratic concern by giving precedence to practicality over a just compensation.

However, there were very strong public expectations about returning the property stolen by communist nationalizations. Restitutions as such were later appreciated by some 77% of the Czech (and 63% of the Slovak) population (Večerník 1996, 156). It was also perceived as a matter of justice and fairness – to right the wrongdoings of nationalization. For this reason, Tomáš Ježek, freshly designated Czech privatization minister, defies some of his colleagues and passes his version of the restitution law to two MPs who successfully propose it as an MP initiative (Ježek in: Husák 1997, 118-120).

Points of contention originally arose about both the extent and the timeline of the wrongdoings and although there have been prior nationalizations the deadline was set for the date of the communist putsch on February 25th 1948. Despite the reformers' fears restitutions turned out to be a fairly quick and efficient way to create a basis for small-business sector. The resulting restitution program was the most extensive in CEE, and may have helped create the critical mass of private business and maintain public support of the reform process (Earle et al. 1994, 53-59).

3.4 The Slovak specificity

The transition in Bratislava was also initiated by liberal intellectuals and dissidents, but with the help from some reform-minded communists (Rudolf Schuster, a functionary of the Central Committee of the Communist party of Slovakia becomes the chairman of the Slovak parliament, while Milan Čič, the communist minister of justice, becomes the new Slovak PM). Public Against Violence, Civic Forum's Slovak counterpart, suffered from lack of human resources; there were only so many trusted dissidents, social scientists and intellectuals. Soon they had to co-opt and recruit many reform communists, including

communist economists such as Hvezdoň Kočtúch and Augustín Marián Húska (Szomolányi 1999b, 437; Šútovec 1999, 239).

Another reason for this personal continuity of communists was that unlike in the Czech republic, representatives of the reform communism and the people of "the socialism with a human face" were initially much more popular than the unknown dissidents, so Public Against Violence decided to include them in their election list to counterweigh the growing popularity of the nationalist Christian Democrats and earn themselves the claim to represent the Slovak nation. (Eyal 2003, 146) First on the list was the living symbol of 1968, Alexander Dubček, while the first candidate on the list without a communist past was only 9th (Szomolányi 1999, 45).

Soon after the November events, the informal grouping *Obroda* (Revival) of the adherents and supporters of the "socialism with a human face", who have been sidelined by the normalization and have been waiting in ideological isolation for their chance for a comeback, began to revive their 20 year old proposals for a third way between capitalism and socialism, building on presumed Czechoslovak and Slovak specifities. (Šútovec 1999, 205)

Even before the formulation of the Czech and the Federal conceptions of economic reform, one little noticed article published in two parts in the first two March 1990 issues of the Slovak *Literary Weekly* would for the first time come to state, in a rudimentary fashion, the programmatic thinking of much of the new Slovak elite about economic reforms and the desired constitutional order of Czechoslovakia. Dated February 2nd and entitled *The suggested conception of a Czecho-Slovak federation under the conditions of market mechanism* (Kočtúch et al. 1990) it was rich on rhetoric and poor on specific proposals, but came to epitomize the ideology of Slovak national economic distinctness. The authors were the already mentioned Augustín Marián Húska, his colleague from the economic research

institute[13] and member of the *Revival* group, Hvezdoň Kočtúch[14], Ivan Laluha, the chairman of the *Revival*, and the economist Miloš D. Plachtinský and Ivan Tirpák, who would later become the Slovak minister for the environment.

The authors attempted to resuscitate the third way ideals of 68's socialism with a human face in the economic area by advocating a gradual and de facto market-socialist policy of economic transformation. After historical and geopolitical excursions they exhorted the need for synergy of economic mechanisms if an "authentic federation" is to be achieved, arguing for the primacy of the state arrangements over the economic ones.

> The actions of the federal government are building 'from the roof' and not from the most solid Czech and Slovak fundaments. But the market mechanism can be an instrument for the realization and functioning of the ČSF [Czecho-Slovak Federation], and not the other way around! (Kočtúch et al 1990, 12)

The authors tried to advance the notion that there are multiple forms and variants of markets, amenable to state actions. Owing to specific problems and "comparative disadvantages" of the Slovak economy, which were partly a result of an asymmetry in political relations in the federation, the authors argued for the 'creation' of a market mechanism best suited to Slovak needs. They feared that a federal conception of economic reforms (though no such conception was put to paper yet) might be more "pro-Czech" and harmful to Slovakia. A non-autonomous centralized economic policy did not and could not have the desired "synergic" effect, but instead put Slovakia in Czechoslovak, i.e. *Czech*, context, depriving Slovakia of its true national identity. (Kočtúch et al. 1990, 12; Šútovec 1999, 237)

They argue for a radical change in ownership structure, ending the "state capitalism" and emancipating the enterprises. This however, in their framework, didn't necessarily entail

[13] The Institute for the Economics and Organization of the Construction Trade.
[14] Hvezdoň Kočtúch also wrote a study *Federation? Confederation?* in 1968, where he discussed some potential state arrangement models and their social symmetry, stating that the title two are optimal. (Šútovec 1999, 97-98)

privatization; in true spirit of market socialism the authors suggested also the possibility of state enterprises becoming self-governing, socially owned enterprises created in an "intersection of individual and enterprise ownership". This should help alleviate "today's alienation of workers from ownership" (Kočtúch et al. 1990, 12). The plurality of ownership forms should bring about a "symphony of effectiveness" by tying "the individual, the enterprise, the communal, the national, the private and the mixed forms of ownership by the criteria of their resulting synergy" (Kočtúch et al. 1990, 13).

This wholesome construction of the market mechanism requires a complementary institutional administration. Therefore, the authors suggested, since the creation and administration of a local market structures requires regional self-governance, Czechoslovakia needed to be organized as a loose federation not only politically, but economically as well, giving the national governments economic sovereignty. Original competences in the economy would thus belong to the national governments, leaving only defense, foreign affairs and monetary policy at the federal level. (Kočtúch et al. 1990, 13)

Despite this and similarly worded proposals there have been no detailed conceptions of economic reforms developed in Slovakia. This is, of course, partly to be explained by the virtue of the fact that, as the Slovak nationalists rightly observed, the power center was indeed in Prague (Szomolányi 1999b, 427). Therefore it made more sense to propose and develop conceptions at the federal level in Prague. However, since most of the Slovak economic researchers were wedded to the idea of reforming communism by molding the economy and creating an artificial market as an addition to the politics of state planning, they were not fully intellectually prepared to face the collapse of this economic model and respond accordingly.

The Slovak prognostics economists and reform communist technocrats were specialized in mathematical modeling, input-output analyses, cybernetics, and programming and planning. Since this knowledge was supposed to be the most useful in reforming the

communist economy, they continued to search for a synthesis of state planning and the market. The market for them was just a 'simulator', a sensitive instrument for the measuring of economic trends, part of a feedback loop of the economic system, a tool of the planner (Eyal 2003, 108-109).

They would later come to bemoan the fact that the Czech economists were "too enamoured with elegant mathematic economic theories of the West to pay due attention to something like cybernetics" (Húska 2006, 142) and complained that Klaus was too '"mentoring" and "professorial" in their mutual dealings (Húska 2006, 141). The Czech economists not only had different views about the economic reform, they effectively snubbed their Slovak counterparts and denied them the collegial recognition of an equal 'expert' footing[15]. In this regard, Tomáš Ježek's reaction upon meeting his Slovak ministerial counterpart A.M. Húska is most telling:

> He started to draw for me those systemic diagrams with those "feedbacks", squares with little arrows intertwined, diagrams, which in my life of a researcher I have seen a million too many and which always made me want to puke because of their emptiness and meaninglessness. [...] A.M. Húska started to draw these loopy beasts on his knee on a piece of paper and I was politely, at first full of timid respect, listening to him and thought to myself: oh my. (Ježek in: Husák 1997, 225)

Effectively, for the Czech economists any communication with Slovak reform communists "was out of the question. Theirs and our worldviews were logical skew lines" (Ježek in: Husák 1997, 229).

This, however, did not preclude the Slovak reform communists' views from becoming more prevalent. In response to the transition recession pains these economic views tapped right into the rhetoric of Vladimír Mečiar, who after his unsuccessful bid for the VPN

[15] Augustín Marián Húska (2006) would try to apply this general disregard to his side's advantage at the Czecho-Slovak post-election negotiations of summer 1992: "My use of system-cybernetics argumentation was based on an expectation that the highly self-confident and eloquent Václav Klaus was not a fan of cybernetics. […] I deliberately used professional cybernetic-informatics jargon, which made our negotiating partner nervous […] and irritated him." (Húska 2006, 141)

leadership and the subsequent ousting was now free to follow his political instincts. His popularity grows in proportion to the declining support of Ján Čarnogurský's government which staggered with the thankless task of enacting painful reforms. Mečiar, now followed into his Movement for democratic Slovakia (HZDS) by most reform communists, prognosticians and technocrats (Húska, Kováč, Kočtúch) and supported by state enterprise managers was able to maneuver himself on the political field in-between the Slovak nationalists and the liberal remnants of VPN.

HZDS raised the issue of an 'authentic federation' and criticized Prague centralism as responsible for the economic woes, but at the same time criticized the previous regime and its tactics, making it more palatable to voters of both VPN and nationalists (Eyal 2003, 173) quickly becoming the dominant player in the Slovak political field. Mečiar and men from his government who followed him to HZDS used the economic reform package from Prague to illustrate the evils of 'centralism', indicating that the quest for universal economic principles to be applied in different regions is in essence akin to communism (Eyal 2003, 175). As a remedy they advocated an equal partnership of nations (presumably in a confederacy), a Slovak national sovereignty and 'subjectivity in international law'. As Húska summed up the rhetoric of the time, "[W]e unreservedly wanted to have our own 'chair' at the 'table of European nations'." (Húska 2006, 8) Finally, after the June 1992 election their desire would soon become fulfilled to the letter.

CONCLUSION

In my thesis I described how the differences in elite configuration and composition explain the different approach to economic reforms prior to the break-up of the Czechoslovak federation. The importance of the elite variable has been expounded in numerous literatures on post-communist transition and drawing on this scholarship I emphasized the elite configuration and ideological packages the political actors came to be endowed with as one key feature for the explanation of political decisions in transitions.

The respective Czech and Slovak national elites came to espouse different belief systems and different political strategies in response to the shaping of the political field after the collapse of communism. Their response was partly tempered by their socialization experience during communism. Their personal genesis thus could not be neglected if we should account for their decision-making.

For the Czech post-communist elite consisting mainly of dissidents and economic experts a program of a quick and radical privatization became a lynchpin of their reform program. They proposed voucher privatization not only as a pragmatic mechanism of property creation and (re)distribution but also as a moral tool of undoing the wrongs of communism and restoring the lost culture of capitalism. Thanks to their personal anabasis and similar anti-political reaction to the normalization period the dissidents and economists were mutually compatible enough to form a political alliance and using their symbolic power and cultural capital they were capable to dominate the Czech political field.

The Slovak post-communist elite soon become fragmented, pitting 'democratic' loyalist elite against a 'mass', emancipatory nationalist elite. While the former consisted mostly of dissidents, intellectuals, social scientists and activists, the latter and ultimately more politically successful, recruited mostly from the reform communists and nomenclature

managers and technocrats. Their success resided in their strategy to concentrate on the questions of the reform and proper shape of the constitutional order of the federation and advocating national sovereignty of Slovakia, including the sovereignty in the economic realm. They largely rejected the Czech economic reform proposals as too radical and centralistic, arguing that these reforms do more harm due to Slovak economy's specificities. Instead the nomenclature managers and reform communist advocated a more gradual, phased out program reform and the establishment of self-governing enterprises, largely inspired by the 1968 program of 'market socialism'.

The change of the economic organization during transition can serve as an ideal example of the importance of elite composition. During transition the institutions themselves become the objects of change enacted by political actors and can not be considered as independent variables. The work as it now stands opens further questions regarding the continued influence of the respective elites in the newly independent Czech and Slovak republics, offering a potential for a comparison of economic reform processes in the two republics up until their admission to the EU. Such a further examination would indeed be in order, but was beyond the scope of the present work.

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