

Economic Policy Making and Parliamentary Accountability in the Czech Republic

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Acronyms

AITU	Asociace samostatných odborů (Association of Independent Trade Unions)
CEB	Council of Europe Development Bank
CESA	Rada hospodářské a sociální dohody (Council for Economic and Social Agreement)
ČKD	Českomoravská–Kolben-Daněk (Czech-Moravian Kolben-Daněk)
CMCTU	Česko-moravská konfederace odborových svazů (Czech and Moravian Confederation of Trade Unions)
ČMSS	Českomoravská strana středu (Czech-Moravian Centre Party)
ČMUS	Českomoravská unie středu (Bohemian and Moravian Union of the Centre)
CNB	Česká národní banka (Czech National Bank)
ČNR	Česká národní rada (Czech National Council)
Coll.	Collected Acts
CSCTU	Česká a slovenská konfederace odborových svazů (Czech and Slovak Confederation of Trade Unions)
CSFR	Československá federativní republika (Czech and Slovak Federative Republic)
ČSOB	Československá obchodní banka (Czechoslovak Trade Bank)
ČSSD	Československá sociální demokracie/ Česká strana sociálně demokratická (Czechoslovak Party of Social Democracy/ Czech Social Democratic Party) (The name was changed in 1993.)
ČSTV	Český svaz tělesné výchovy (Czech Sport Organization)
CZK	Česká koruna (Czech crown)
DB	Deputies' Bill
DEU	Demokratická unie (Democratic Union)
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
ESCB	European System of Central Banks
ESOP	Program zaměstnaneckého vlastnictví akcií (Employee Share Ownership Plan)
EU	European Union
EUR	Euro
FS	Federální shromáždění (Federal Assembly)
GA	Generální dohoda (General Agreement)
GB	Government Bill
GDP	gross domestic product
HSD-SMS	Hnutí za samosprávnou demokracii–Sdružení pro Moravu a Slezsko (Movement for Autonomous Democracy–Association for Moravia and Silesia)
HZDS	Hnutí za demokratické Slovensko (Movement for a Democratic Slovakia)
IAO	Independent Audit Office
IMF	International Monetary Fund
IPB	Investiční a poštovní banka (Investment Post Bank)
IPF	Investiční privatizační fond (Investment Privatization Fund)
KDH	Křesťanskodemokratické hnutí (Christian Democratic Movement)
KDS	Křesťansko demokratická strana (Christian Democratic Party)
KDU–ČSL	Křesťansko demokratická unie–Československá strana lidová (Christian Democratic Union–Czechoslovak People's Party)
KOVO	Odborový svaz KOVO (Czech Metalworkers' Federation)
KSČ	Komunistická strana Československa (Communist Party of Czechoslovakia)
KSČM	Komunistická strana Čech a Moravy (Communist Party of Bohemia and Moravia)
LB	Levý blok (Left Block)

LSNS	Liberální strana národně sociální (<i>Liberal National Socialist Party</i>)
LSU	Liberálně sociální unie (<i>Liberal-Social Union</i>)
MP	member of Parliament
NATO	North Atlantic Treaty Organization
ODA	Občanská demokratická alliance (<i>Civic Democratic Alliance</i>)
ODS	Občanská demokratická strana (<i>Civic Democratic Party</i>)
OECD	Organisation for Economic Co-operation and Development
OF	Občanské fórum (<i>Civic Forum</i>)
OH	Občanské hnutí (<i>Civic Movement</i>)
Parliamentary DICE	Dokumentační a informační středisko o parlamentech střední Evropy (<i>Documentation and Information Centre on the Parliaments of Central Europe</i>)
PIU	Phare Project Implementation unit
PPG	Poslanecký klub (<i>Parliamentary Party Group</i>)
SCO	Nezávislý kontrolní úřad (<i>Supreme Control Office</i>)
SPR-RSČ	Sdružení pro republiku–Republikánská strana Československa (<i>Association for the Republic–Republican Party of Czechoslovakia</i>)
SPT Telecom	Společnost Proti Telefonování (<i>telecommunications company</i>)
UNCTAD	United Nations Conference on Trade and Development
UNRISD	United Nations Research Institute for Social Development
US	Unie svobody (<i>Freedom Union</i>)
USSR	Union of Soviet Socialist Republics
VPN	Verejnosť proti násiliu (<i>Public against Violence</i>)
WTO	World Trade Organization

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Summary/Résumé/Resumen

Summary

Responsibility and accountability are major issues in every democracy, and are especially important in countries that are building democratic systems and market economies. Accountability is closely linked to the issues of delegation of power, the existence of traditional democratic checks and balances, and sanctions. The treatment of accountability in a legal system requires a framework for the system's functioning, but the reality may differ from the ideal. Legislation is generally created gradually; practice often precedes the formation of rules or reveals the weaknesses of existing laws. These problems can be ameliorated by simply gaining experience over time, by the professionalization of elites and, sometimes, by external political and economic influences.

In this paper, Zdenka Mansfeldová emphasizes the legislative power of parliament and the ways in which the government attempts to coordinate the decision-making process in the field of economic policy. The paper highlights six areas:

- the economic transformation in the Czech Republic and the evolution of economic policy making;
- policy-making styles during economic transformation, the creation of independent authorities – in particular the independent Czech National Bank (CNB) – and their relationship with legislative authority, and the role of international financial institutions and their influence on economic and political transformation;
- the nature of the political system and the relationship between the legislative and executive branches;
- parliamentary participation in economic policy making during the phase of decision making or, *ex post*, during the phase of control;
- the process of bargaining on the state budget; and
- participatory aspects of technocratic governance, the role of interest groups and the emergence and development of a social dialogue.

In the Czech Republic, the initial period of transformation between 1990 and 1992 was crucial for the creation of democratic institutions and the formation of the political spectrum. At the same time, a major decision was made about how economic reforms would be carried out. The process during the first few years of the transition pushed the issue of accountability into the background, although a legislative framework for accountability was created. The emphasis on rapid economic reform, the process of privatization and the underestimation of the legislative framework and its ethical dimensions created problems, especially in the second half of the 1990s, when it became apparent that individual aspects of the reform programme had not been sufficiently coordinated. The lack of experience among the new political elites also played a role in this dilemma. The 1990s, however, also brought considerable professionalization of political elites. In the process of consolidating democracy in the Czech Republic, the Parliament has become functionally embedded in the constitutional system.

The programmes that democratic political parties presented in the first free elections in 1990 after the fall of communism were typical of efforts to return to democratic Europe, which in concrete terms meant the inclusion in those international institutions and organizations of which Czechoslovakia had been a member before the communist regime, or which were created during that regime. These programmes were an important step at the beginning of the political and economic transformation because, among other things, they made possible foreign loans and expertise from international organizations. This, in turn, helped develop new legislation and create new institutions.

The establishment of an independent central bank, the CNB, was an important part of the economic reform process. Nonetheless, the high degree of independence guaranteed to the bank

under the law created tensions between the CNB and the government. It routinely became a subject of political disputes related to the economic development of the country. The means by which the government wanted to resolve such problems often clashed with the position of the bank. The independence of the CNB has never been questioned; the issues were related to increasing the accountability of the institution vis-à-vis the elected representatives (the members of Parliament); addressing accountability from a legal perspective; and ensuring communication with the cabinet. In the second half of the 1990s, cooperation between the CNB and the European Union and European Central Bank increased in the areas of monetary policy and banking, and in matters related to the anticipated accession of the Czech Republic to the European Union.

In the last section of the paper, Mansfeldová examines the role of interest groups, especially in the area of labour and capital, with respect to influencing the direction of economic policies during the transformation. She maps the development of an institutionalized social dialogue, its role in the transformation process and the new challenges related to accession to the European Union.

Zdenka Mansfeldová is a Senior Research Fellow at the Institute of Sociology, Academy of Sciences of the Czech Republic. Her research interests include political sociology, in particular the institutionalization and representation of interests, both their political representation (in political parties and parliaments) and their non-political “mezzo-structures”.

Résumé

Responsabilité et contrôle, enjeux majeurs dans toute démocratie, revêtent une importance particulière dans les pays qui sont en train de se doter d'un système démocratique et d'une économie de marché. Le contrôle est étroitement lié aux questions de la délégation des pouvoirs, à l'existence des freins et contrepoids traditionnels dans une démocratie et aux sanctions. L'organisation du contrôle dans un système de droit suppose que le système fonctionne selon des règles données, bien que la réalité puisse s'écarter de l'idéal. L'élaboration des lois se fait en général de manière progressive; la pratique précède souvent l'énoncé des règles ou révèle les faiblesses des lois en vigueur. Ces problèmes peuvent s'aplanir avec le temps, simplement grâce à l'expérience acquise, à la professionnalisation des élites et parfois à des influences politiques et économiques extérieures.

Zdenka Mansfeldová se penche ici sur le pouvoir législatif du parlement et sur la façon dont le gouvernement tente de coordonner le processus décisionnel en politique économique. Son étude porte sur six domaines:

- la transformation économique de la République tchèque et l'évolution constatée dans l'élaboration de la politique économique;
- les modalités d'élaboration des politiques pendant la transformation économique, la création d'institutions indépendantes, comme la Banque nationale tchèque (BNT), et leurs relations avec le pouvoir législatif, le rôle des institutions financières internationales et leur influence sur le changement économique et politique;
- la nature du système politique et les rapports entre le législatif et l'exécutif;
- la participation du parlement à l'élaboration de la politique économique pendant la phase de prise de décision ou, *ex post*, pendant la phase de contrôle;
- les négociations auxquelles donne lieu le budget de l'Etat; et
- les aspects participatifs de la gouvernance technocratique, le rôle des groupes d'intérêts et l'établissement et le développement d'un dialogue social.

En République tchèque, la phase initiale de changement (1990–1992) a été cruciale pour la mise en place des institutions démocratiques et la formation du spectre politique. C’est à cette époque-là qu’une décision capitale a été prise sur les modalités d’exécution des réformes économiques. Pendant les premières années de la transition, la question du contrôle a été reléguée à l’arrière-plan, bien qu’un cadre législatif ait été créé dans ce but. La priorité donnée à une réforme économique rapide, le processus de privatisation et l’attention insuffisante accordée au cadre législatif et à ses dimensions éthiques ont créé des problèmes, en particulier dans la seconde moitié des années 90, lorsqu’il devint manifeste que des aspects individuels du programme de réforme avaient été insuffisamment coordonnés. Le manque d’expérience des nouvelles élites politiques n’a pas été étranger non plus à ce dilemme. Cependant, les années 90 ont été marquées aussi par une considérable professionnalisation des élites politiques. Plus s’affermissait la démocratie en République tchèque, plus le Parlement et ses fonctions se fondaient dans le système constitutionnel.

Les programmes qu’ont présentés les partis politiques démocratiques en 1990, lors des premières élections libres après la chute du communisme, étaient typiques d’un retour à l’Europe démocratique, qui s’est traduit concrètement par l’entrée dans les institutions et organisations internationales dont la Tchécoslovaquie avait été membre avant le régime communiste ou qui s’étaient créées pendant ce régime. Ces programmes ont été une étape importante au début de la transformation politique et économique parce qu’ils ont donné accès, entre autres, à des emprunts à l’étranger et à l’expertise d’organisations internationales, ce qui a à son tour contribué à l’élaboration de nouvelles lois et à la création de nouvelles institutions.

La fondation d’une banque centrale indépendante, la BNT, a tenu une place importante dans le processus de réforme économique. Le degré élevé d’indépendance garanti à la banque par la loi a été cependant une source de tensions entre elle-même et le gouvernement. Il a fait régulièrement l’objet de différends politiques lors de problèmes liés au développement économique du pays. Les moyens que le gouvernement voulait employer pour régler ces problèmes étaient souvent contraires à la position de la banque. Bien que l’indépendance de la banque centrale n’ait jamais été remise en question, on s’interrogeait sur les moyens à employer pour l’amener à être plus comptable de ses décisions devant les représentants élus (les parlementaires), et l’on se demandait comment régler cette question d’un point de vue légal et comment assurer la communication avec le conseil des ministres. A partir de 1995, la coopération entre la BNT, l’Union européenne et la Banque centrale européenne s’est intensifiée dans les domaines de la politique monétaire et des affaires bancaires, en vue de l’adhésion de la République tchèque à l’Union européenne.

Dans la dernière partie de son étude, Zdenka Mansfeldová examine le rôle des groupes d’intérêts, en particulier dans le domaine du travail et du capital, et leur influence sur l’orientation des politiques économiques pendant la transformation. Elle retrace l’évolution d’un dialogue social institutionnalisé, son rôle dans le processus de transformation et les difficultés nouvelles liées à l’adhésion à l’Union européenne.

Zdenka Mansfeldová est chargée de recherche principale à l’Institut de sociologie de l’Académie des sciences de la République tchèque. Ses recherches portent notamment sur la sociologie politique, en particulier sur l’institutionnalisation et la représentation des intérêts, tant politique (dans les partis politiques et au parlement) que dans les “meso-structures” non politiques.

Resumen

La responsabilidad y la rendición de cuentas son cuestiones fundamentales en cualquier democracia, y revisten particular importancia en los países que están estableciendo sistemas democráticos y economías de mercado. La rendición de cuentas está estrechamente vinculada con las cuestiones de la delegación de poderes, la existencia de controles y balances democráticos tradicionales, y las sanciones. El tratamiento de la rendición de cuentas en un

sistema jurídico exige un marco para el funcionamiento del sistema, pero la realidad puede diferir del ideal. Por lo general, la legislación se elabora gradualmente; la práctica muchas veces precede al establecimiento de normas o revela la debilidad de las leyes existentes. Estos problemas pueden remediarse simplemente a través de la experiencia adquirida con el tiempo, de la profesionalización de las élites y, algunas veces, de las influencias políticas y económicas externas.

En este documento, Zdenka Mansfeldová destaca el poder legislativo del parlamento, y las formas en que los gobiernos tratan de coordinar el proceso de toma de decisiones en el ámbito de la política económica. Se ponen de relieve seis ámbitos:

- la transformación económica en la República Checa y la evolución que ha experimentado la formulación de políticas económicas;
- los estilos de formulación de políticas durante la transformación económica, el establecimiento de autoridades independientes –en particular el Banco Nacional Checo (BNC) independiente– y su relación con la autoridad legislativa, y el papel que desempeñan las instituciones financieras internacionales y su influencia en la transformación política y económica;
- la naturaleza del sistema político y la relación entre los poderes legislativo y ejecutivo;
- la participación parlamentaria en la formulación de políticas económicas en la fase de toma de decisiones o, posteriormente, durante la fase de control;
- el proceso de negociación sobre el presupuesto estatal; y
- aspectos participativos de la gestión de gobierno tecnocrática, el papel que desempeñan los grupos de interés, y la aparición y el desarrollo de un diálogo social.

En la República Checa, el período inicial de transformación entre 1990 y 1992 fue crucial para la creación de instituciones democráticas y la formación del espectro político. Al mismo tiempo, se tomó una importante decisión sobre el modo en que se llevarían a cabo las reformas económicas. Durante los cinco primeros años de la transición, el proceso relegó la cuestión de la rendición de cuentas a un segundo plano, aunque se creó un marco legislativo para la misma. El énfasis en una reforma económica rápida, el proceso de privatización, y la subestimación del marco legislativo y de sus dimensiones éticas; plantearon problemas, particularmente en la segunda mitad del decenio de 1990, cuando resultó evidente que los aspectos individuales del programa reformista no se habían coordinado suficientemente. La falta de experiencia entre las nuevas élites políticas también desempeñó un papel en este dilema. Sin embargo, el decenio de 1990 también conllevó una profesionalización considerable de las élites políticas. En el proceso de consolidación de la democracia en la República Checa, el Parlamento se ha integrado funcionalmente en el sistema constitucional.

Los programas que presentaron los partidos políticos democráticos en 1990, en las primeras elecciones libres tras la caída del comunismo, reflejaron esfuerzos encaminados a volver a la Europa democrática, lo que en concreto suponía integrarse en aquellas instituciones y organizaciones a las que Checoslovaquia había pertenecido antes del régimen comunista, o creadas durante dicho régimen. Estos programas constituyeron un paso importante en los albores de la transformación política y económica porque, entre otros aspectos, hicieron posible la obtención de préstamos exteriores y el apoyo especializado de las organizaciones internacionales, lo que a su vez contribuyó a la elaboración de una nueva legislación y a la creación de nuevas instituciones.

El establecimiento de un banco central independiente, el BNC, fue una parte importante del proceso de reforma económica. No obstante, el alto grado de independencia que la legislación concedió al Banco creó tensiones entre éste y el gobierno, y fue continuamente objeto de debates políticos relacionados con el desarrollo económico del país. Los medios que el gobierno quiso

emplear para solucionar estos problemas muchas veces entraron en conflicto con la posición del Banco. La independencia del BNC nunca fue cuestionada; se trataba de analizar el modo de aumentar la rendición de cuentas de la institución frente a los representantes electos (los miembros del Parlamento), de abordar la rendición de cuentas desde una perspectiva jurídica, y de asegurar la comunicación con el gabinete. En la segunda mitad del decenio de 1990, la cooperación entre el BNC y la Unión Europea y el Banco Central Europeo aumentó en los ámbitos de la banca y la política monetaria, y en relación con la adhesión anticipada de la República Checa a la Unión Europea.

En la última sección del documento, Mansfeldová examina el papel que desempeñan los grupos de interés, especialmente en relación con la fuerza de trabajo y el capital, en lo que respecta a su influencia en la dirección de las políticas económicas durante la transformación. Proyecta el desarrollo de un diálogo social institucionalizado, su papel en el proceso de transformación, y los nuevos desafíos relacionados con la adhesión a la Unión Europea.

Zdenka Mansfeldová es Investigadora Principal en el Instituto de Sociología, en la Academia de las Ciencias de la República Checa. Su área de investigación incluye la sociología política, en particular la institucionalización y representación de intereses—tanto su representación política (en partidos políticos y parlamentos) como sus “meso-estructuras” no políticas.

Introduction

The transformation in Czechoslovakia,¹ and ultimately, the Czech Republic,² started as a convergence of two main processes – the shift from a socialist command economy to a market economy, and from an authoritarian regime to a political democracy. In addition, the division of the Czech and Slovak Federative Republic (CSFR) in 1993 brought with it the challenge of creating an independent state. The country has always striven for a “return to Europe”, which, in practice, has meant membership in international institutions, together with other democratic countries.

At the time of the collapse of the communist regime in November 1989, there were no readily available concepts of political transformation, but there was a group of economists who, throughout the 1980s, had prepared for such a situation by systematically organizing its ideas in seminars and discussions and developing a theoretical concept of the steps for reform. Shortly after November 1989, they established themselves as a group within the political umbrella movement called the Civic Forum (OF), and after the first elections they assumed key government positions and were able to set the goals of the required reforms.³ The first steps of transformation were thus strongly influenced by luminaries or intellectuals, and this was reflected especially in the approach to economic policy making (for more on this, see section 1). Their choice was the neoliberal approach, which is based on the belief that the aim of public policy is to give people the freedom to define their environment, and that this freedom should not interfere with the freedom of others; once this conception of freedom was attained, everything else would take its proper course. The effort to implement the reform programme as quickly as possible and the underestimation of the relationship between the economy and the law led to “privatization with the lights out”, which, in the second half of the 1990s, resulted in a number of problems. A major consequence of these problems was the fall of the government of Prime Minister Václav Klaus at the end of 1997.

The economic reform strategy (for more on this, see section 1) was primarily based on liberal theoretical concepts. Its basic tenets were deregulation, price liberalization, the liberalization of foreign trade and the creation of conditions for the inflow of foreign investments, as well as privatization and the support of the private sector, the reform of the legal system and a restrictive macroeconomic stabilization policy (UNDP 1997:37). In the autumn of 1990, the Czech crown was devalued, and price liberalization had occurred by 1 January 1991. After this “jump” in liberalization, only 5–6 per cent of the gross domestic product (GDP) involved regulated prices at the end of 1992, compared to 85 per cent in 1990. One of the goals of the transformation was the separation of the economy from politics, although this did not completely rule out parliamentary participation in economic policy making.

Nevertheless, discussions about the economic transformation and its various forms did not take place in Parliament, but were conducted among the above-mentioned group of economists. This prefigured the course of the reform, which was primarily in the hands of the government and bureaucrats. Parliament, aside from passing individual laws and engaging in frequent discussion, had only minimal influence. It can be said that, in general, at the beginning of the 1990s, intellectuals strongly influenced the economic, political and legal fields, their influence perhaps outweighing even that of the democratic mechanisms of decision making and control, which were in the process of being created and had yet to “become settled”, or embedded in society. Also, it is important to mention that since there was a new political elite, not all of the

¹ Czechoslovakia is a short, frequently used one-word name with an historical tradition. The official name of the state has changed several times during the postwar period. The most recent was the Czech and Slovak Federative Republic.

² Czechoslovakia as a unified state changed into a federation consisting of two parts (the Czech and Slovak Republics) in January 1969, pursuant to the Constitutional Act of 1968. The federal state was abolished pursuant to a Constitutional Act as of 31 December 1992. As of 1 January 1993, there have been two separate states: the Czech Republic and the Slovak Republic.

³ The group of economists who established the Civic Forum included, among others, Václav Klaus, Tomáš Ježek, Vladimír Dlouhý, Josef Zelenienec, Josef Tošovský, Karel Dyba, Jan Stráský, Pavel Kysilka and Ivan Kočárník.

political actors had sufficient economic knowledge and experience. As will be discussed in section 2, deputies were inexperienced, and were focused more on the political transformation. Parliament was concerned more with the formulation of legislation than with its control, and this was also determined, at least partially, by the great legislative burden related to the creation of the legislative framework of a democratic state with a market economy, as well as the (unplanned) creation of the independent Czech Republic.

The fact that, after the fall of communism, there was a team of people in the country who knew, in theory, how to effect the transformation to a market economy and had the political will to enforce it, combined with favourable starting conditions in the country (such as low debt), provided a good foundation for the success of the economic reforms in the first half of the 1990s. The transformation had relatively low social costs and the wide support of the general public, as demonstrated in elections. In 1992, the Civic Democratic Party (ODS) won the elections by a large margin. The most important differentiating factor between the elections of 1990 and of 1992 was the impact of economic reform on the Czech sector of the federation. Satisfaction with the way reforms were progressing showed a high correlation with support for the ODS—a party that identified itself with liberal democratic values and individualism. While the issue of economic reform was not in itself a contributing factor in the division of the country, there was a clear difference in opinion between the two parts of the federation concerning the creation of democratic institutions and a market economy. In the electoral and post-election constellation of forces, these differences acted to trigger the mechanism for the division of the federation. In Slovakia, the principal differentiating factor in the elections was the issue of national identity.

After the 1992 elections, attitudes toward economic reform became a particularly divisive issue; the Czech political system was being characterized as “one-dimensional” (Kitschelt 1994:36) consistent with the left-right axis. Opinion polls conducted between the second and third elections showed that the positions on the left-right axis, along which parties placed themselves, corresponded to voters’ perceptions.

At the beginning of 1990, in the period around the first elections, there were no discussions about specific forms of changing ownership relations. In substance, the debates produced a consensus that an efficient economy is represented by a market economy.⁴ Privatization, as the only road to an efficient economy and to a change in work motivation, became a key issue. There were differing views on the manner and pace of privatization; different perspectives as well as “groups” were formed around these concepts. The economic reforms began to act as a trigger for political polarization. Political protagonists transformed the discussions on reform into ideological terms, and the support of a radical conception of the reforms became associated with long-term support for democratic development.

The basic legislative framework and institutional conditions for the economic transformation were created between 1990 and 1992. Basic privatization—as well as restitution—acts (for “small”⁵ and “large” types of privatization) were adopted, and the Ministry for Privatization and the National Property Fund were both established. By 1994, the largest portion of the

⁴ Privatization, that is, ownership transfer, is a fundamental step toward the creation of a market economy (Stark 1992).

⁵ Act No. 535/1990, Collected Acts (Coll.), On the Transfer of State Ownership of Certain Property to Other Legal or Physical Entities, constituted the small privatization programme. This programme covered, among others, the privatization of shops, restaurants, services and small production firms. The foundation for the large privatization programme (privatization of large industrial companies) was established through Act No. 92/1991, On Conditions and Terms Governing the Transfer of State Property to Other Entities. The programme employed a wide variety of methods of property transfer, including standard methods of auctions, tenders and direct sales, as well as free transfers through the “non-standard” coupon programme.

One aspect of the privatization programmes was restitution, that is, the return of property nationalized after 1948 to the original owners. Two principal acts and amendments to the privatization acts regulate the restitution of property to the former owners. These are: Act No. 403/1990, On Relieving the Consequences of Certain Property Injustices (Small Restitution), as Amended and Act No. 87/1991, On Out-of-Court Rehabilitation (Large Restitution).

privatization programme had been completed.⁶ The share of the private sector in the national GDP grew from 12 per cent in 1990 to 78 per cent in 1999. The most dynamic development in this area was recorded between 1993 and 1994. Parties that advocated privatization gained a majority in Parliament.

What was the responsibility of those who made decisions on individual privatization transactions? What control did Parliament, the civil society (various associations) and citizens have? To what extent and in what manner could, for example, the trade unions have asserted their opinions during the privatization process? The attitude of the Klaus government was ideological;⁷ the government did not want the trade unions to participate, and the unions themselves quickly gave up any hopes of such cooperation.

Examining the options available to Parliament, especially the agenda discussed by the Committee of Economics, and the Budget and Control Committee, it is evident that control consisted primarily in the acquisition of information. Parliament was able to act primarily *ex post facto* by establishing inquiry committees to examine particularly suspicious cases, such as conditions relating to the privatization and economic operations of the company POLDI Kladno in 1996, or the activities of the Transplantation Centre of the Teaching Hospital in Ostrava in 1999. After the 1996 elections, when a balance between the right-of-centre and left-of-centre forces was achieved, it was possible for opposition parties to gain more efficient control, although the opposition still lacked unity.⁸ This can be seen as progress in the constitution of democratic mechanisms, and Parliament even made substantial efforts to monitor the government, for example, by setting up parliamentary investigation committees.

A plausible theoretical frame of reference that can be used to help interpret the survey findings (see below) is the concept of accountability. Although the term “accountability” expresses an old problem for democracy, “explicit efforts to define its meaning in the context of political science only began in the mid-1990s” (Krause 2000:19). While the concept of accountability is not free from speculation, it continues to provide a satisfactory interpretive framework for a number of relationships and processes occurring between citizens (voters) and politicians, among politicians themselves, and between political institutions and elites in general (Brokl et al. 2001). Using O’Donnell’s generally accepted differentiation between vertical and horizontal accountability (O’Donnell 1998), vertical accountability “describes a relationship between unequals” and includes relationships such as those between superiors and subordinates or between voters and their representatives. The subject of this study is horizontal accountability, which depends on the existence of the traditional “checks and balances” and involves the executive, legislative and judicial branches, and extends to state agencies empowered to take action against unlawful acts or omissions committed by other state agencies or agents (Zajc 2000). The central bank is one of the institutions on the horizontal axis. In addition to vertical and horizontal accountability, another dimension mentioned in this study concerns the intensifying process of globalization: many international organizations and bodies are influencing the realization of accountability by enhancing reforms from outside and by establishing standards that the new states must meet before they are accepted into international organizations and groupings.

Data sources

The following resources and materials were used to conduct the study:

⁶ In addition to the privatization of state property, a transformation of the ownership of agricultural, productive and consumer associations occurred between 1992 and 1993.

⁷ According to statements of trade union representatives expressed in interviews.

⁸ In addition to Social Democrats, it consisted of Communists and Republicans, defined in Sartori’s terminology as anti-systemic parties without coalition potential, which weakened the influence of the opposition (Sartori 1976).

Data from surveys of the Parliament of the Czech Republic;⁹ a long-term study on social partnership; interviews of social partners—trade unions and employer associations; a study of documents in the secretariat of Council for Economic and Social Agreement (CESA) at the presidium of the government of the Czech Republic; an analysis of voting in the Chamber of Deputies in the Czech Parliament concerning selected acts; a study of the archive of the House of Deputies and the Senate, especially the documentation of the Committee for Economics and the Budget Committee; a study of the documents in the library of the Czech National Bank; interviews with employees and dignitaries of the Budget Committee of the Chamber of Deputies and representatives of the Czech National Bank (the Legislative Department and the Foreign Affairs Department); and interviews of responsible persons in the Ministry of Finance of the Czech Republic (the International Organisations Department and State Budget Department).

Section 1: Economic Transformation in the Czech Republic

Macroeconomic framework

The Czech Republic, or Czechoslovakia, was fortunate in that the starting conditions were relatively favourable at the beginning of the transformation—that is, the country was not severely in debt. However, unlike other post-communist countries (such as Hungary), the country lacked even the basic structures of a market economy, and production was, to a great extent, oriented toward the markets of socialist countries. After the division of Czechoslovakia, the Czech Republic had to come to terms with other unexpected problems, such as the loss of the Slovakian market and the division of state property. It was fortunate that the citizens supported the economic transformation and were willing to make sacrifices, although initially they were not called upon to do so.

Between 1991 and 1993 the economy experienced a recession, during which economic output fell substantially. The years 1992 and 1993 were, moreover, marked by the dissolution of the federal state. The new economic dynamic started in 1994 and positive developments continued until around 1996, with an acceptable rate of inflation, a low unemployment rate and a stable currency. Between 1997 and 1999, the GDP fell by 4 per cent, hitting its lowest point in the first quarter of 1999; growth of slightly less than 2 per cent was expected in 2000 (to reach 97 per cent of the GDP volume in 1989 with a better structure).

During this period of economic decline, the relationship between economic development and salary growth became strained as the purchase power of the average salary increased by approximately 27 per cent (UNDP 1999:163). Real salaries thus reached 1989 levels, but by the end of the 1990s rising salaries had become, among other things, an important element of economic instability. Other factors that contributed to economic instability included:

- the harsh anti-inflation policy of the Czech National Bank (CNB), which was not coordinated with governmental economic policy and restricted the inflow of money into the economy, accompanied by high interest rates;
- a slowdown of the structural reform process, especially in the case of large companies crucial for the economy;

⁹ A project entitled *The Party System and Parliament in the 1992 Election Year*, supported by the Research Support Scheme of the Central European University, Budapest, 1 September 1992–31 August 1994; GA ČR Project No. 403/96/0388 in cooperation with the East Carolina University, Greenville, and Charles University in Prague; a project entitled *Deputies of the Czech Parliament in its Second Term*, financed by the Institute of Sociology, the Academy of Sciences of the Czech Republic; GA ČR Project No. 407/00/0747, *Deputies and Senators of the Czech Parliament in its Third Term*; GA AV ČR Project No. S7028003, *Documentation and Information Centre on the Parliaments of Central Europe (Parliamentary DIce)*; and Project No. K 9058117, *Contemporary Czech Society and Problems of European Integration*.

- the placing of only minor emphasis on the use of bankruptcy proceedings in the cases of unprofitable companies with bleak prospects;
- an interruption of the privatization of the banking sector;
- weak corporate governance; and
- the end of the boom in world markets, especially in the European Union (EU), with which the Czech Republic is most closely connected in terms of its trade transactions.

The attempt by the government to correct the economic problems assumed the form of two “packages” of restrictive measures. The restrictions affected the public sector in particular and were accompanied by outbursts of dissatisfaction, which jeopardized the social peace. This led to a vote of confidence in the government in June 1997; the government was upheld by a majority of one vote. In this period of economic difficulty the policies of the CNB and the ideas of the government often clashed.

In the early years of the transformation, until 1996, the unemployment rate was very low, even though large numbers of people from the demographic boom of the 1970s entered the labour market. The low unemployment rate can be partially attributed to the ability of the less developed tertiary sector to absorb a large part of the labour force as well as the fall in the number of employed pensioners. The low unemployment rate before 1996 was the result of overemployment and suspended restructuring of industry. Once companies found themselves in financial difficulties, unemployment started to increase, from 2.9 per cent in 1995, to 8.5 per cent in 1999. During the first months of 2000, the unemployment rate briefly rose, and subsequently fell to approximately 9 per cent.¹⁰ It was expected that in the future the unemployment rate would be affected by dismissals in large, mainly state-controlled enterprises and also by a reduction in the number of newly privatized companies. The expectation was that employment growth would be stimulated by governmental incentives aimed at increasing employment and foreign investment inflow, such as support for the creation of new jobs, subsidies for education and retraining, contributions for infrastructure and land improvement, and encouragement of the construction of new industrial zones. Development will, of course, depend to a large extent on the industries and branches that will receive foreign capital in the future.

The period 1998–2000 in the Czech Republic was characterized by a sharp increase in direct foreign investment. This is viewed as resulting from a change in governmental policy, with extensive incentives offered to foreign investors. Another crucial factor was the privatization and sale of shares held by the state in strategic companies (in particular, banks). In 1998, investor interest was concentrated mainly on the banking, wholesaling, communications, car production, foodstuff production and retail sectors. When acquiring a capital stake, foreign companies usually valued the skilled labour force and the advantageous location of the region, taking into account the country’s anticipated inclusion in the EU in 2004. The change in the structure of foreign direct investment in 2001 and 2002 shows the new trend in the Czech Republic; projects in the fields of research, development and shared services are rapidly increasing. The investors providing technology centres and business support service centres are not all new. Some companies that formerly had only production programmes in the Czech Republic are now transferring their higher added value development activities, based on their favourable experience. The Czech Republic has already managed to attract investments from a number of multinational companies (CzechInvest Newsletter 2003).

¹⁰ In February 2004, the unemployment rate was 10.9 per cent.

The concept of economic transformation

The economic discourse was the first to be articulated, but during the “Velvet Revolution” it receded slightly into the background in favour of the political transformation debate. However, economic discussions continued to dominate at certain moments, articulated in various ways both independently and as background to other discourses and events, and continued to grow in extent as well as in intensity. Overlapping with discussions on the institutional organization of the country in 1991 and 1992, the economic dialogue emerged in its full intensity after the division of the Czechoslovak Federation.

The basic legislative framework and institutional conditions for the economic transformation were created between 1990 and 1992: basic privatization acts were passed, along with the restitution acts, and the Ministry for Privatization and the National Property Fund were established.

Restitution, which is the process of returning property nationalized after the communist takeover on 25 February 1948 to the original owners, was restricted to certain groups of eligible persons, such as Czechoslovak citizens (original owners and/or their progeny) and, in specific cases, churches. Foreigners, corporations, associations and various other legal entities were not eligible to make restitution claims.

In examining the course of the debate on economic transformation, the denationalization of property and the renewal of justice entailed a conflict over the form of democracy, the degree of state interference and the appropriate redistribution mechanisms. In specific cases, this involved a confrontation between ethical principles and concrete practical policies. It reflected the clash between three concepts of society typical of post-communist countries after 1989 (see, for example, Ost 1993). The discussion on the economic transformation, which occurred within the context of these clashes, may be characterized briefly in the following manner:

- The classic liberal model with “a government that governs least”, a developed civil society and free, active citizens. In this context, civil society is seen as an agglomeration of unions, associations and organizations that develop activities independently of the state but do not strive for state power.
- “Pure” liberalism, represented by Minister of Finance (and later Prime Minister) Václav Klaus, based on the relationship between the individual and the state, mediated through the political system without any corporatist interference that could lead to the post-totalitarian fragmentation of society. This concept, which promised the optimum democratic realization of individual interests and development of social concerns, was being promoted after 40 years of totalitarianism during which the civil intermediary structures had been eliminated (perhaps much more than in other Eastern European countries). At the heart of the explanation concerning the weak post-communist civil society lies the specific manner in which relations between the state and society were structured in the communist era. Because the interests that existed in the post-communist society emerged from a state socialist framework that suppressed any development of autonomous classes and made all groups dependent on the state, the organization of interests in post-communist society has necessarily been very weak (Ost 1993:456). On the other hand, this situation has made it possible to carry out rapid and general social changes.
- The social democratic corporatist approach, a concept advanced by the left, and essentially “the third road”, promised a socially sensitive market economy and greater democracy than Klaus’s concept. In this model, the civil society, its collectivity, corporations and communities, stand between the weak state and the individual. It was framed within the context of ideas supported by the new contemporary European and American left and its preoccupation with eliminating the shortcomings of contemporary democracies by means of democracy built up “from below”.

Discussions about economic transformation took place primarily at the level of debate between experts and politicians; in substance, there was almost no public discussion, nor was there any demand for this “from below”. It is true that the economic transformation revived the values and symbols that had existed in Czech society since the end of the nineteenth century, and that had managed to survive the socialist period. These values and symbols can be characterized as national-democratic, oriented toward a civil society.

The mobilization strategy used in the beginning involved such ideas as “hard work”, “high quality work”, and “living in freedom”. This strategy in the Czech Republic (the Czech sector of the former Czechoslovak Federation) was related mostly to a functioning economy, with individual initiatives connected to democracy. In general, entrepreneurship has been associated with national democratic values in Czech society since the beginning of the twentieth century and the pre-Second World War period.

This existing value framework created a favourable climate for the economic transformation and provided the basic ethical legitimacy for the articulation of economic reforms. The basic concepts for further development were formed in the period between November 1989 and the first free elections in June 1990. Three possibilities had been discussed, in substance:

- i. a reform of the planned economy;
- ii. a mixed economy; and
- iii. a market economy.

With respect to the official version of the programme for the transformation of the economic engine, the three principal concepts of economic reform had already clashed prior to November 1989.

The first concept was articulated as a reform within the system. It represented a *socialist concept of self-administrative economy*, the core of which was defined as “the replacement of the formal collectivization of the production means with a genuine collectivization (precisely in the form of economic self-administration) while using all of the possible forms of the socialist market mechanism” (Heczko 1997:14). This stream of thought was represented, for example, by Zdeněk Hába—later one of the prominent representatives of the Communist Party of Bohemia and Moravia (KSČM)—Ladislav Rasmich, Alexej Bálek and other economists active within the official structures.

The second concept was based on *the idea of a modern mixed economy*, which would preserve the participation of the state in the economic system (within the conditions of a competitive environment) alongside a strong private sector. The market would play a crucial role and would accentuate social and environmental elements. This stream of thought was supported both by economists active in the official structures, such as Valtr Komárek, the director of the Prognostic Institute of the Czechoslovak Academy of Sciences; and a number of economists from other establishments, such as Miloš Zeman; Zdislav Šulc, who wrote for Samizdat publications; Vladimír Kadlec (former president of the School of Economics in 1968); and Rudolf Zukal.

The third direction was supported by economists—some of whom also worked in the Prognostic Institute of the Czechoslovak Academy of Sciences—who had been critical for some time of the concept of economic reform without creating a free, competitive market. They advocated a *neoliberal free-market model* based on monetarist schemes. In principle, this model would have to be connected with an irreversible and crucial social change. The proponents of this concept included Václav Klaus, Karel Dyba, Tomáš Ježek, Dalibor Tříška, and, from the younger generation, Vladimír Dlouhý.

It is important to note that the economists active in the official structures (the situation was altogether different in the work of economists active in the dissent movement) restricted their theoretical work primarily to greater or lesser “systemic criticism of the functioning of the existing economic mechanism and the criticism of inconsistent reform proposals submitted by the official bodies of state power. These texts were limited by the barriers of external censorship” (Šulc 1998:71), particularly by the economic and ideological departments of the Central Committee of the Communist Party.

The first alternative outlined above was quickly abandoned after the Velvet Revolution. Discussions concentrated on the second and third options. It should be kept in mind that Czechoslovakia at the time of the Velvet Revolution had no substantial private sector, little private farming and few firms with major markets in the West. Unlike the former countries of the Soviet bloc such as Hungary and Poland, economic reforms that would grant some space to the market economy, liberalize prices and at least partially liberalize foreign trade, were not introduced in Czechoslovakia until November 1989.

Debates between the domestic and émigré experts (in particular, Ota Šik, Jan Švejnar, Jiří Kosta and Bedřich Levčák) made it obvious that transition to a market economy was necessary; the difference in views concerned the manner and pace of reforms. Václav Klaus spoke of “a return to Europe”, including the adoption of an economic system typical of the “civilized world”.¹¹ This formulation fit in with the accepted stereotype of the civilized world. Initially the expression “a return to capitalism” was not used. The participants in the discussions had agreed on the necessity of denationalization, but differed in their opinions as to how to denationalize, what other forms of property ownership should be encouraged and what the role of the state would be. The second key problem was the issue of remedying property injustices, that is, property restitution. Together with the economic aspect of privatization and restitution, both of these forms of denationalization were tied to a wide range of ethical problems interpreted by the representatives of individual political groupings in accordance with the outlook of their particular party.

At the beginning of 1990, in the period around the first elections, there were no discussions about the specific forms of changing ownership relations. In substance, the debates reached consensus with respect to the fact that an efficient economy is represented by a market economy. Privatization, seen as the only path to an efficient economy and to changes in work motivation, became a key topic.

The impact of a text by émigré economist Jan Švejnar¹² from the University of Pittsburgh was much greater than that of the above-mentioned concepts. Švejnar’s article was published in Czechoslovakia in English in December 1989 and was intended for a meeting of economists and politicians organized by the federal government between 2 and 4 February 1990. It was in this scenario that the idea of mass privatization (that is, the distribution among the population of shares of state companies transformed to stock companies) was first articulated. This plan drew on the experience of Chile and British Columbia, Canada. None of this material, however, was adopted as the starting point for the implementation of the governmental plan for the economic transformation.

Valtr Komárek, former director of the Prognostic Institute of the Czechoslovak Academy of Sciences, assumed the position of the deputy chairman of the federal government responsible for the economy. He had at his disposal the apparatus of the former Governmental Committee

¹¹ Public response of Klaus to an open letter from Škoda Works, *Lidové noviny*, 10 March 1990.

¹² Since his return to Czechoslovakia, Jan Švejnar has not been personally active in any political party. He became the first director of the newly established Institute of the National Economy of the Czechoslovak Academy of Sciences after the Economic Institute of the Academy was abolished.

for the Planning and Management of the Economy, which, however, had been entangled in the “semi-reforms” that had been in preparation for several years (Šulc 1998:73).

In a number of his very popular public presentations, Komárek (as a member of the OF) promoted a concept that emphasized the gradual nature of individual steps and social sensitivity (gradual liberalization of the market over the course of several years, the optimistic scenario envisioned as being from four to eight years, the pessimistic being eight to 10 years). He criticized the concept of rapid price liberalization and tax reform as an impermissible form of “shock therapy”. Komárek, a social democrat, also became the principal media representative of the “gradualist approach”, although he had never submitted any concrete projects or scenarios for this type of transformation.

Based on the charge by the government of the Czech Republic, the first realistic Proposal of the Strategy for the Transformation to the Market Economy was executed by a group of economic experts from the Economic Council, headed by František Vlasák, first deputy prime minister of the Czech government. The group also included Zbyněk Šulc, Oldřich Turek, Ota Šik, Milan Matějka and others. It was clear from the very start of discussions on the new social conditions that, after November 1989, the only realistic and possible strategy for a transformation to the market economy was to

take over the prepared ‘half-hearted’ mechanism as a yearly provisional arrangement, and using the available tools of central regulation to minimize, within this time period, its potential destabilizing effects; and at the same time prepare a comprehensive, consistent set of systemic changes which could be, as one large package, realized in a comprehensive manner as of 1 January 1991 (Šulc 1998:74).

While a general consensus was reached in the area of ownership transformation, this was not the case in the field of foreign trade liberalization. Two alternatives for the strategy proposal were implemented. While the first alternative linked foreign trade liberalization to the liberalization of internal prices, the second advocated a two-step solution: first, the parallel existence of a regulated foreign exchange market with a free market, followed by a gradual expansion of the free market to achieve complete convertibility of the Czech crown.

These initiatives of the Czech government and the projects executed by the group of experts of the government’s Economic Council were undertaken in parallel with the execution of a transformation project at the Federal Ministry of Finance headed by Václav Klaus. A document dated 20 April 1990 states that the proponents were Dlouhý (who now headed the still existing State Planning Committee), Klaus in cooperation with Stanislav Stračár, Josef Tošovský (the future governor of the CNB and non-partisan prime minister of the caretaker government between December 1997 and June 1998), and Andrej Barčák and Petr Miller, among others. This document, titled *Strategies of the Economic Reform*, co-authored by other neoliberal economists (including Josef Zieleneč¹³ and Tomáš Ježek¹⁴), advocated a fast track for economic reform. However, it contained many ideas also found in the alternative proposals of the Czech government, which were also based on a relatively fast track for the key reform issues such as price liberalization and currency convertibility. It should be noted that, with regard to privatization, this material admitted the option of a managerial lease and staff shares using the Employee Share Ownership Plan (ESOP) method.

When comparing both the principal scenarios for the economic transformation, it is evident that they did not differ in their concept of the “target solution”, but in the central aspects of how this

¹³ Josef Zieleneč was the minister of foreign affairs in the Klaus government of 1992 until his abdication from the government in 1997. He used to belong to the ODS and is currently an independent senator.

¹⁴ Tomáš Ježek was the Minister for the Management of National Property and its Privatization in the first Czech government (20 July 1990–2 July 1992).

objective should be accomplished: the manner of price liberalization in relation to foreign markets (the speed of opening up the Czechoslovak economy to the world) and the manner of the ownership transformation of state enterprises.

The federal government discussed both of the proposals at a meeting on 3 May 1990, which resulted in a single, integrated proposal that was finalized by the federal government; Vlasák acted only as “a minority commenting actor”. In September 1990 the Federal Assembly debated the scenario of economic reform resulting from the June 1990 elections. The proposal also addressed certain social issues with regard to the economic transformation; it is crucial to note that the Federal Assembly was not authorized to approve the proposal, only to debate it. The nuances, interpretation and understanding of the material depended upon how it was perceived by governmental institutions, especially the Federal Ministry of Finance, and this fact was clearly reflected in the manner in which the project was implemented, with its execution being entrusted to bureaucrats. It should be noted that at this time the OF was disintegrating, and the ODS, which formulated its economic transformation programme in clearly neoliberal terms, was being established. Furthermore, during this period the Czech Social Democratic Party (ČSSD) gradually consolidated itself (although it was founded only a few days after November 1989 and later merged with the exiled Social Democratic Party), but at the time of the 1996 election its influence was still rather limited. In addition, the personal influence of Komárek and his economic programme diminished quickly after the appointment of Miloš Zeman as chairperson of the Social Democrats. Although the Communist Party of Czechoslovakia (KSČ) still controlled approximately 14 per cent of the seats for deputies in the Federal Assembly and the Czech National Council, its economic transformation concepts were not, with certain exceptions, approved, even though they would have had an appreciable impact on welfare.

It is understandable that the formation and realization of the project was greatly affected by the recommendations of the International Monetary Fund (IMF) as well as by the negotiations with the World Bank when applying for credit to create foreign exchange reserves at a time when there was a strong devaluation of the Czech crown. The entire discussion concerning the economic transformation may be summarized as follows:

The first concept was a radical, rapid reform, the neoliberal “shock therapy” that was connected with certain risks and relied on the “all-powerful market”, which would eliminate central planning, and strove for rapid privatization and full price liberalization. This concept was represented and personified by Václav Klaus (the head of the ODS since 1991).

The second concept was the so-called “gradualist approach”.

Opinions clashed concerning future political development during debates about the task of economic reform. The position on economic reforms, or on certain aspects of the reforms, had become the main issue polarizing the Czech population with respect to the social transformation. Political protagonists had shifted the discussions about the reform into ideological terms, and support for a radical concept of reform was associated with long-term support for democratic development. This was represented and personified by Komárek, of the ČSSD.

The discussion of approaches to privatization was a crucial point; the debate primarily concentrated on the acceptance or refusal of ESOP shares (staff shares), coupon privatization and, to some extent, money laundering. The two sides, constituted by advocates of the two concepts mentioned above, emphasized the principle of “justice”, although the definitions of justice that each side employed frequently differed.

The advocates of radical reform and coupon privatization¹⁵ understood “justice” to mean:

- equal starting conditions in privatization for everyone;
- equal access, the possibility for all citizens to participate without any segments of the population being excluded;
- opportunities for “honest citizens” to participate in privatization (it was supposed that individuals who had large savings and were able to buy shares could not have gained them through honest work on account of the low average salaries in the past).

The advocates of the gradualist concept, who opposed coupon privatization, in different statements published in the press, considered that “justice” included the following concerns:

- those who had saved money and prepared for the future should have the option to buy shares and have a more advantageous starting position than those who had not;
- creating equal starting conditions in a coupon privatization is not realistic;
- people will want to sell their shares, thereby fuelling inflation;
- the anonymity of the capital market might lead to selling out the nation’s wealth to foreigners;
- giving something for nothing is immoral and demoralizing as opposed to selling of shares and ESOP;
- people might not recognize managerial incompetence and therefore be cheated; and
- this will function to the benefit of organized crime and elite fraternities, and will make money laundering possible.

Participation in the privatization exercise by the elite, whose access to political power was barred by the Lustration Act,¹⁶ and money laundering, were judged within the context of these issues. It was felt that everyone should have equal access, and that therefore the reforms should be jump-started. It was also believed that time and the market would resolve many of the problems. David Ost characterized the situation whereby former managers, directors and party officials used their connections and their capital to lease firms, set up new companies and otherwise provide for themselves in the new economic environment as a function of

¹⁵ The coupon privatization programme was organized in two waves. In each wave, the ownership of shares of a series of businesses was determined. Each wave was then organized into so-called rounds (the first wave had five rounds, the second six), the number of which depended on the gradual balance of supply and demand in the framework of the individual wave. This demand was expressed by citizens through the aid of so-called points. Citizens expressed their demand for selected companies by offering these points. Each citizen over the age of 18 could purchase a coupon booklet for each wave, for an altogether symbolic price (one point for one crown). Each booklet contained 1,000 points, which could either be entrusted to a certain Investment Privatization Fund (IPF) that would buy company shares or be used in the direct exchange for shares of each wave (Pavlik 1996:23–24).

¹⁶ Act No. 451/1991 Coll., the Lustration Act, sets out further conditions for the performance of certain functions in state bodies and organizations of the Czech and Slovak Federative Republic, the Czech Republic and the Slovak Republic; it was specified by the Constitutional Court No. 3/1992 Coll., and amended by Acts No. 555/1992 Coll., No. 254/1995 Coll. and No. 422/2000 Coll. Objectively, the Lustration Act applies to all of the functions filled through election, appointment or installation in state administrative bodies, the Army, the Security Information Agency, the Police of the Czech Republic, the Castle Police Force, the Office of the President of the Republic, the Office of the Government and offices of the Parliament of the Czech Republic (in the original wording of the act there were governments and parliaments of the Republics and Federation), offices of the Constitutional Court, the Supreme Court, the presidium of the Academy of Sciences, the Czech National Bank, “public-service” state-run television and radio and in enterprises with majority state participation.

In all of these functions, it was and is necessary to present a negative lustration certificate, which proves that from 25 February 1948 until 17 November 1989 the applicant for, or performer of, the function, had never been included in the file of State Security or registered in the documents of the State Security Office Administration as a resident, agent, informer or ideological collaborator of the State Security, that she or he had not been a secretary of a body of the Czech Communist Party or the Communist Party of Slovakia at a regional level or higher, a member of the People’s Militia, a member of an action committee of the National Front or a student of the University of F.E. Dzerzhinsky of the Council of Ministers of the Union of Soviet Socialist Republics (USSR), the University of the Ministry of Interior of the USSR, the Political College of the Ministry of the USSR, or a research fellow at any of the above educational institutions.

“spontaneous privatisation” (Ost 1993:469). The moral aspect was not taken into account in this conception.

The emphasis placed on rapid economic reforms, the privatization process, and the underestimation of the complexity of the legal framework and the ethical considerations, created problems, especially in the second half of the 1990s, when it became apparent that the timing of the individual components of the reform had not been sufficiently coordinated.

By 1994 the largest portion of the privatization had already been completed. The share of the private sector in the national GDP grew from 12 per cent in 1990 to 78 per cent in 1999. The most dynamic growth was recorded between 1993 and 1994 (Government of the Czech Republic 2000:33). The most frequent form of denationalization was the transformation of state-owned enterprises into joint-stock companies and their subsequent privatization. Privatization, as it was finally conducted, involved a combination of standard (auction, sales) and “non-standard” methods. In the Czech Republic this involved the coupon privatization, in particular, which was launched in 1992 and occurred in two waves. Approximately six million Czech citizens took part in the first wave and 6.1 million in the second wave (out of 7.4 million Czech citizens over 18). The majority of the adult population thus became shareholders, although this did not lead to the creation of genuine owners nor did it allow businesses to obtain the capital required for development.

It also became evident that citizens could not become experienced investors and make informed decisions about their investments overnight. Investment Privatization Funds (IPF—the official name of the funds through which the citizens invested their privatization coupons) that were created during this period (and which encouraged participation in coupon privatization through various incentives), made it easier for the population to decide which companies to select. According to Kotrba, approximately 72 per cent of the points in coupon booklets in the first wave of privatization and 64 per cent in the second wave were invested through IPFs (Kotrba 1995). Between 1993 and 1994, there were more than 290 IPFs in existence; by 1998 this number had dropped to 89. Many of these funds were established by large banks in which the majority shareholder was the state. After the two official coupon privatizations, the third wave started in 1995, which basically entailed the banks and investment funds purchasing shares from small shareholders.

As a result of missing or inadequate legislation, a non-transparent legal environment emerged during the privatization period, which led to money laundering and resulted in the phenomenon of “tunnelling”,¹⁷ which crippled the budding capital market and discouraged foreign investors. It was also customary for new Czech capitalists to purchase companies with bank loans that they could not or would not be able to repay. It must be said that in the first years of economic reform the main goal was to privatize quickly, and the issues of responsibility and accountability were completely disregarded. The slow and imperfect development of the legal framework contributed to the creation of an environment conducive to economic criminality and corruption, both of which remain serious problems to this day in the Czech Republic.

Now, after more than 10 years of development, when evaluating the course, results and consequences of the economic reforms, especially the privatization of state enterprises, one might ask how the government could have accomplished the task/process better.

While from an official and rather formal perspective, one of the basic merits of the implemented transfer of ownership rights was considered to be speed, from an economic perspective, which takes into consideration the necessity of

¹⁷ Tunnelling can be explained as the transfer of assets and profits out of firms for the benefit of their controlling shareholders using defective privatization laws or loopholes in the privatization laws.

finding regular and responsible owners, the results achieved give rise to some doubt. It may be argued that the transfer of ownership from the State to specific owners got out of the hands of the authors of the privatisation project (Večerník and Matějů 1999:77).

What was the extent of responsibility of those who made decisions on individual privatization transactions? What was the level of parliamentary control, and control by civil society and citizens? To what extent and in what manner could, for example, the trade unions have advanced their opinions during the privatization process? Representatives of trade unions later admitted that the unions should have been more active, that the supervision by trade unions within enterprises could have been greater, and that this might have provided the government with essential feedback. It is possible that this could have reduced the danger of tunnelling in the course of the privatization process. However, as mentioned above, the position taken by the Klaus government was an ideological one according to trade union representatives, and the government did not want any trade union participation. As previously noted, in such a political climate, the unions themselves quickly gave up any attempts at such cooperation. It is symptomatic of the time that the report on the course of the privatization process was on the agenda of the meeting of the Economic and Social Agreement Committee only once (in 1994).

Over time, other bodies—bodies that did not have the right to interfere directly, but whose recommendations represented some form of control—were eliminated. The Committee for Economics of the government, which came into existence at the beginning of the 1990s, was such an advisory body. The Confederation of Employers' Associations had representatives on the Committee for Economics who provided opinions on each privatization project based upon professional knowledge and verification of the actual situation "in practice". This meant that a project of poor quality would have been rejected. Although it was a very demanding, and probably also a lengthy process, it prevented some projects of poor quality from being adopted.¹⁸ Although the government did retain the final authority, it never made decisions contrary to the opinion of the Committee for Economics. After Klaus became prime minister in 1992, there was some pressure to abolish the committee. It was disbanded at the beginning of 1993, and after that, privatization projects only passed through a referential evaluation at the ministry; decisions on questionable projects would rely on the opinion of the Council of Economic ministers, over which Klaus presided. The ministries were in favour of this step as their importance and power grew; however, the transparency of individual decisions, and opportunities to examine them, were reduced.

In examining the options available to Parliament, especially the agenda discussed in the Committee for Economics, and the Budget Committee (see section 4), it is evident that control consisted primarily in the acquisition of information. The Parliament could have acted only *ex post facto* by establishing an investigation commission to examine suspicious cases.

Section 2: Policy-Making Styles in Economic Transformation

This section examines the policy-making styles of successive governments during the period of economic transformation. It begins by discussing the nature of the new elites entrusted with political power and policy-making authority. A key question is the extent to which new individuals associated with the values of market-led economic transformation gained influence in the key political and economic institutions. Was there simply a reproduction of the old communist elite, or was there a proliferation of new actors?

The next discussion highlights two economic institutions—the Ministry of Finance and the Czech National Bank—that were central to the creation of economic policy in the Czech

¹⁸ Some rejected projects were later approved once the committee no longer existed, and subsequently became the subject of lawsuits.

Republic. This is followed by a brief analysis of the tensions that emerged between the central bank and the government on economic policy issues, including problems of coordination. The discussion is divided into three phases: the first phase (1992–1996) is one of harmonious relations; the second phase (1996–1998) represents economic difficulties and conflictual relations; and the third phase (post-1998 elections) is characterized by improved relations. The section concludes with a discussion of the relations between the Czech government and international financial and economic institutions.

Who were the new elites?

One indicator of the stability of a new regime is the stability of the new elite, especially the political elite. This is related to the issue of who the new political elites are, and whether there was real turnover within the elites or merely a reproduction of the former elites.

With respect to Parliament, at the beginning of the period of transformation in 1990, there were many new faces, only a very small proportion of whom had any experience working in the highest legislative body. The situation, however, quickly changed—over the years, the numbers of deputies without any previous parliamentary experience elected to the House of Deputies has fallen, and the percentage of re-elected deputies has been rising. Of the deputies elected to the federal and republic parliaments¹⁹ in the 1990 elections, 5.1 per cent had experience from the previous electoral term. In the 1992 elections, 34.8 per cent of the deputies were re-elected (to the Federal Assembly/FS, and the Czech National Council/CNR). In the current House of Deputies (elected in 2002), 58 per cent of the deputies have experience from the previous electoral term.

The circulation of the economic and political elites was investigated in 1995 in a large international comparative research project conducted by Ivan Szelenyi and Don Treiman; the Czech portion of the research was conducted by a team headed by Petr Matějů, and published in 1998, comparing the Czech Republic, Hungary and Poland (Hanley et al. 1998). They reached the conclusion that the majority of the parliamentary and executive elites were not in their positions prior to the change of the regime (compared to 1988)—these were largely new people. The turnover was greater among political elites as compared to economic elites (see appendix 2). With regard to economic elites, people from the second or lower ranks of the hierarchy, such as deputy directors, often rose to the top ranks. A comparison of the three above-mentioned countries shows that, in general, the Czech Republic is more typical with regard to the turnover of elites, whereas in Hungary and Poland there was greater reproduction of existing elites. According to Brokl, this is due to the changes that have taken place in the recruitment of elites since the 1960s, as well as the differing manner and speed of political changes (Brokl and Mansfeldová 1998).

It should also be mentioned that the Lustration Act, which has been in force since 1991, has, to some extent, prevented the reproduction of certain groups of elites. The impact of the Lustration Act, although it cannot be precisely calculated, has not been massive, but a number of potential applicants for key positions did have to give up their aspirations because of this law. In the first half of the 1990s, this law influenced parliamentary elections since political parties had to provide a guarantee that their candidates did not have a “negative” lustration certificate (indicating that the candidate had never been included in the file of State Security or registered in the documents of the State Security Office, and was thus eligible to run). In fact,

¹⁹ In 1968, Czechoslovakia was proclaimed a federation, composed of the Czech and Slovak Republics. The structure of Parliament was changed to accommodate the federation. Parliament was renamed the Federal Assembly and a second chamber was added, creating the Chamber of People (with representation according to the size of the population) and the Chamber of Nations (each republic having 75 representatives). At the same time, national parliamentary bodies were set up in both republics; the Czech National Council and the Slovak National Council. After the break-up of the federal state at the end of 1992, the former Czech National Council became the Chamber of Deputies on 1 January 1993, the day that the Constitution of the Czech Republic came into force. The Czech National Council adopted the new Constitution of the Czech Republic on 16 December 1992.

not all parties gave such guarantees regarding their candidates. (The communists were a case in point.) It was only a moral challenge to purportedly democratic parties.

Looking at key economic institutions such as the economic ministries or the central bank, the same trend is seen here as well; a circulation of the elites has, in fact, taken place. The new elite is a national elite, often with experience abroad. Economic institutions also relied upon foreign advisors who have worked in various economic institutions for a very long time, and in some cases, returning émigrés. The assistance provided by these advisors and consultants was very important at the beginning of the transition period when the new legislation was created, and when the position and structure of institutions was being defined, and large loans were granted by international financial institutions to help move the economy forward.

The extent of influence of these advisors and consultants is hard to judge objectively; the decisions themselves were a matter for the national political elite. There has been harsh criticism of the supranational institutions and international advisors, such as suggestions that the functions of the state, especially the economic functions, were being assumed by supranational institutions (UNDP 1998:12). The liberal economic theory that dominated primarily in the first half of the 1990s created an appropriate environment for these processes. Membership in international organizations and foreign loans brought with them many obligations and restrictions that had to be respected and that imposed certain limitations on the environment in which Czech politicians were able to operate.

Ministry of Finance

Ministers in the Czech cabinet enjoy considerable autonomy. Although governmental decisions are adopted collectively, the prime minister does not usually interfere with the sphere of activities of individual ministries. Individual ministers tend to have the image of individual political managers. Despite the relatively strong position of the government and individual ministers, a minister may be interpellated by deputies²⁰ or invited to a meeting of a parliamentary committee to explain a certain issue. This may, of course, involve questions pertaining to cooperation with international financial institutions. In this sense, the ministry has a different position and can be controlled more easily than the governor of the CNB, for example.

The fundamental changes at the Ministry of Finance that took place after 1990 were associated with economic transformation and reform. It was necessary to guarantee the general and legislative aspects of these changes. During the first half of the 1990s, the following major changes took place: privatization, restitution and extrajudicial rehabilitation; emergence of a new insurance system and a new tax system; and the emergence of capital markets. In the second half of the 1990s, there were major changes in the functioning of this ministry relating to preparations for accession to the EU. New bodies were formed to meet the demands of the pre-accession process, and some of the existing bodies were also charged with new objectives. For example, the State Budget Department established a division for drawing off EU structural funds. Another major transformation appeared in connection with the new state administrative arrangements. With the establishment of regions,²¹ the new local budget system was introduced, along with parallel bodies at the Ministry of Finance. Among other functions of the ministry, new forms of international cooperation were established, such as with the Organisation for Economic Co-operation and Development (OECD). As a result of these experiences and exchanges, the functioning of the Ministry of Finance was brought up to a level

²⁰ There is an unwritten but widely accepted internal rule that deputies from the governing party/governing coalition in the 1992–1996 term would not interpellate members of the government.

²¹ Regions, that is, “higher self-governing territorial units” had been foreseen by the Constitution of the Czech Republic as early 1993, but the delay between conception and realization was as much as five years. After many years of discussions, on 24 October 1997 the Chamber of Deputies passed the constitutive law according to which 14 higher territorial administrative units, including Prague, would be formed in the Czech Republic as of 1 January 2000. With this act, conditions for the decentralization of public administration and the reinforcement of self-government were formed.

commensurate with those in advanced democracies. This transformed the Ministry of Finance into a powerful technocratic institution.

Despite the importance of the Ministry of Finance, the minister of finance has no special powers or position relative to other members of the government. In the first half of the 1990s, the strong personality of the minister and wide consensus on reform among political parties enhanced his informal authority in comparison with other ministers. The tenure of finance ministers was longer during this period than in the second half of the 1990s, especially in the period following June 1998 (which saw three different people in the position of minister of finance in two years; see appendix 1). On the contrary, until the 1992 elections, the highest position in government, as compared to other ministries, was the Ministry of Privatization. The authority and status of this ministry was later reduced somewhat and brought on par with that of the others. There was also an informal grouping—a financial council established by Klaus (as the federal minister of finance between 1990 and 1992), whose members included the three ministers of finance (federal, Czech and Slovak), the Czech and Slovak ministers of privatization and other invited guests.

Independence of the central bank

The role and competencies of the central bank—called the Czech National Bank in the Czech Republic—are defined by the Constitution in Chapter VI, Article 98, Paragraph (1): “Czech National Bank is the central bank of the State. The main purpose of its operations is to promote the stability of the currency; its operations may be affected only on the basis of law”; and Paragraph (2): “The position and competence of and other details regarding the Czech National Bank shall be defined by law”.

The problems concerning the independence of the CNB, or, more precisely, the level of its independence (*vis-à-vis* the executive power), is connected with the fact that bank independence was a new phenomenon in the Czech Republic in the period of transition to a market economy. This, however, was not exclusively a Czech problem; in the 1990s, legislative changes to promote the independence of central banks took place in many countries around the world (Maxfield 1999:285). On the whole, a tendency toward increasing the independence of the central bank could be observed.

In discussions about the influence and consequences of the independence of the central bank, a basic distinction exists between *independence from* (independence from the executive branch) and *freedom to* (freedom to choose policy instruments). In practice, this means that either the central bank, when setting the goals of monetary policy, does not have to consider the government’s programme on fiscal policy (independence of goals), or that there is mutual independence between setting the goals of monetary policy and the means of achieving these goals (independence of instruments). These different concepts underlie the discussions about the independence of the CNB. Another approach, which was raised in 2000 in connection with the process of passing the new Act of the Czech National Bank, concerns the structure of legal independence.

The standard components of legal independence include some or all of the following categories of statutory stipulations: personnel appointments (most importantly, the proportion of central bank policy board members appointed by the government and their length of term); government finance (the nature of limits); the policy process (specifically in relation to the government); policy objectives and instruments; mechanisms for resolving bank-executive branch conflicts; and the extent of constitutional guarantees (Maxfield 1999:286).

Central bank independence is politically controversial (Maxfield 1999:289) and in this context, the questions of accountability and transparency are always discussed.

The independence of the Czech National Bank from the government and parliament is secured by the Constitution and the special legal act of the CNB. The president is the only politician in a position to influence—to a very small extent—the activities of the CNB. The only way for the president to exercise his power is through the appointment of the governor and the members of the Bank Council (this power is somewhat limited by the new act of 2000, see below), and unless a serious criminal offence is committed, there is virtually no way to remove a member of the Bank Council. The importance and position of the Bank Council within the CNB are extraordinary; apart from its decisions on monetary policy, the council also directs and is responsible for the internal affairs of the CNB and is in charge of the supervision of other banks as well.

A reasonable case can be made for the absolute independence of the CNB from the government and prime minister, as well as from the deputies and senators. The election period is too short for politicians to be able to pursue long-term goals, rather than the short-term or populist objective of retaining power and winning the next election (UNDP 1998:289). In spite of this valid argument, this concept of independence, together with the absence of political accountability, can have the effect of giving international organizations, and in particular the IMF, more influence.

One of the premises of the process of transformation in the Czech Republic was restructuring the system of banks at two levels; this had already been prepared before 17 November 1989. It was only implemented under changed circumstances between 1990 and 1993, first through the reform of the then existing State Bank of Czechoslovakia and later, after the split-up of Czechoslovakia, through the establishment of the Czech National Bank. The idea of separating the functions of a commercial bank (state-owned at that time), a general credit bank and a central bank (the State Bank of Czechoslovakia) was developed in 1988–1989. This change was strongly influenced by those who played an important role in politics after 1990, especially in the fields of economics and law.

The first legal act—Act No. 139/1989 Collected Acts (Coll.), in force as of 1 January 1990—defined the tasks of the central bank in accordance with other market economies. However, it had been conceived before the change of the political system, within the so-called Jakeš's reform,²² and therefore included some elements associated with a planned economy. The bank gained independence from the government and parliament. The Bank Council, including the governor as its head, was appointed by the president of the Czech Republic. Consultations with the IMF took place, and a consultant worked in the country for a considerable time. This was a common practice at that time: such consultants worked in Hungary and Poland as well. There were, in particular, specialists from the IMF, and all of the consultants' activities were well coordinated.

This first act constituted a step toward the standard position of an independent central bank, even though the government exercised strong influence in the appointment of the Bank Council, as provided by law. This was changed through further legal regulations. The act also addressed the issue of supervision of banks (which was then adopted in Act No. 22/1992), as well as a number of other instruments. These instruments, however, were not used in the first period.

The new Act No. 22/1992 Coll. significantly modified the position of the central bank and the appointment of the Bank Council (still within the federation) and shifted sharply toward respect for market principles. After the division of the federation, Act No. 22/1992 Coll. was basically incorporated into Czech law—the Act on the Czech National Bank No. 6/1993 Coll. of 17

²² Milouš Jakeš was the last general secretary of the Czechoslovak Communist party before the break-up of communism. The legal act was not prepared for market economy conditions; it included, among other provisions, the existence of a State Planning Commission.

December 1992.²³ This law created a legal basis for the activities of a standard central bank, independent of both the legislative and executive powers, which also fulfilled the “requirements” for the new Czech central bank. When preparing the act on the CNB, the legal regulations of the European System of Central Banks (ESCB) and the European Central Bank were taken into account, as were the positions of some other central banks, particularly the legal regulations of the function of the Bundesbank in Germany (Reytt 2000:15).

According to this measure, the supreme regulating body is the Bank Council of the CNB, composed of seven members: the governor of the CNB, two vice-governors and four other members. The members of the Bank Council are appointed for six-year terms and can be removed by the president. The membership of the Bank Council is incompatible with the position of a member of Parliament (MP), as well as with positions in the government, executive, and supervisory and control bodies of other banks and commercial companies.

The position of the central bank (following the change of its status in 1992, when it gained full independence) was frequently debated, especially in the context of resolving the economic problems of the country, which the government wanted to solve in a certain way, only to be confronted by a different approach by the central bank. The policy of consensus was replaced by a policy of conflict. The views of the CNB always prevailed. After about 1997, intensive discussions took place about the independence and position of the central bank, which arose not only from the tense relations between the government and the CNB, but also, and especially, from the need to harmonize national legal regulations with those of the European Union. Some standards had to be explicitly regulated by law, such as the prohibition on financing the public sector, whether directly by providing financial aid, or by the purchase of government bonds or those disseminated by any other authority.

The draft act was prepared by the legislation department of the CNB, although it was submitted by the government (the CNB has no right to table bills in Parliament). The draft act was based on European legislation, specifying the points of correspondence and discrepancy between Czech law and European legislation. When preparing the bill, the relevant sections of the European Commission as well as the European Central Bank were consulted. The draft act was submitted to the legislation board of the Ministry of Finance, and then to the Legislation Council of the government, which delivered an expert opinion with respect to harmonization with the legislation of the European Union.

In the Chamber of Deputies in Parliament, the draft act was addressed by both the Budget Committee and the Committee for European Integration, within whose competence the law was framed. In the Budget Committee, where the parties of the “opposition agreement”, the ČSSD and ODS, had 71.4 per cent of the seats, the proceedings followed the standard procedure—a discussion by a group of specialists in particular fields of economics. The Committee for European Integration was, however, influenced in its proceedings and decisions by parliamentary party groups²⁴ rather than by committees, making the decision-making process more political than professional in its final stages.

In the first reading, the draft act was assigned to the Budget Committee, which approved about 50 proposed amendments, and further amendments were proposed in the House; altogether 96 amendments of the government supplementary bill were proposed. However, not all of them were, in fact, pushed through by their submitting parties,²⁵ as shown in table 1. The most

²³ Until the break-up of the Czech and Slovak Federal Republic (31 December 1992), federal law was in force.

²⁴ A parliamentary party group (PPG) is a group of deputies belonging to one political party; it can also include non-partisan MPs. PPGs have considerable power in appointing deputies to the bodies of the Chamber of Deputies. When chamber bodies such as committees and commissions are being established, the factions propose individual deputies according to the number of allocated positions. During the election of the chairperson and deputy chairpersons of the Chamber of Deputies, only PPGs may propose candidates (Linek and Šalamounová 2001:59).

²⁵ The proposer of the draft is called the submitting party.

successful were the amendments proposed by the two parties bound by the “opposition agreement” – the ruling ČSSD and the opposition ODS. For example, 51.6 per cent of the ČSSD deputies supported all 13 ODS proposals. Among the most important amendments adopted were:

- the duty to respect the government’s economic policies aimed at sustainable economic development, as long as the main goal of the CNB was not endangered;
- the duty of the CNB to consult with the government about the considered rate of inflation, and to decide on the policy concerning the rates of exchange following agreement with the government;
- the appointment of members of the Bank Council and the governor at the government’s suggestion;
- the accommodation of the level of wages in state administration;
- the possibility of appointing Bank Council members for a maximum of two terms in office; and
- the right of the Supreme Control Office (SCO) to monitor the financial administration of the CNB, and approval of the management budget and investment budget of CNB by the Chamber of Deputies.²⁶

Table 1: Average support by parliamentary party groups for proposed amendments to the government supplementary bill

Proposed by	Number of proposals	Supported by (per cent)				
		ČSSD	ODS	KSČM	KDU-ČSL	US
ČSSD	10	97.1	69.6	89.0	68.3	65.1
ODS	13	51.6	99.3	38.5	19.6	13.2
Budget Committee	7	70.7	99.7	84.3	70.6	65.4
KSČM	1	0.0	0.0	100.0	100.0	100.0
KDU-ČSL	1	2.0	0.0	95.0	94.0	93.0

Note: Proposed amendments in the third reading, 26th session of the Chamber of Deputies (held 27–30 June, 3–4 July and 10–14 July 2000, when amendments were also on the agenda).

From the Chamber of Deputies, the draft act was transmitted to the Senate, in accordance with the rules of the legislative process. During the proceedings in the Committee for European Integration of the Senate, the ambassador of the European Commission to the Czech Republic at that time, Ramirro Cybrian, was also present. The amendments that were accepted by the Chamber of Deputies of the Parliament changed the original idea of the supplementary bill to such an extent that the draft act – according to some senators – contradicted the requirements of the European Union as well as the Constitution of the Czech Republic on several points. The debate in the Senate revolved around those contentious points.

The Senate rejected the supplementary bill, which was nevertheless approved by the deputies in the necessary quorum²⁷ (above all, by the ODS and KSČM deputies) and submitted to the president of the Czech Republic. President Václav Havel, using his constitutional right, returned the bill to the Chamber. On 7 December, the Chamber of Deputies overrode the

²⁶ Novela zákona o České národní bance (Amendment to the Act on the Czech National Bank) No 442/2000 Sb. and No. 166/1993 Sb., on the Supreme Control Office, Sbirka zákonů (Collected Acts), Vol. 2000, No. 123, pp. 6490–6495. http://web.mvcr.cz/rs_atlantic/ftp/sbirka/2000/sb123-00.pdf, accessed in March 2005.

²⁷ If the Senate defeats the bill, the Chamber of Deputies votes on it. The bill passes if approved by more than half of all deputies (Article 47 of the Constitution).

president's October veto of the new law on the Czech National Bank.²⁸ The vote was 122 to 46, with most deputies representing the ČSSD and the ODS supporting the bill. President Havel said that the law restricted the independence of the bank and was unconstitutional.

The act and the way it was debated caused great agitation on the political front. The discussion revolved around the independence of the bank and, above all, the appointment of the governor and Bank Council.

In reviewing the issues, there was a certain indirect limitation on the president's powers and a strengthening of the role of the government (which was the aim) in the operations of the CNB, an issue related to the long-standing attempts by some political parties to limit the president's powers. The underlying consideration of the ČSSD and ODS, which together pushed the bill through, was the question of whether one person, who is not accountable because of his official position,²⁹ can play such a crucial role with regard to an institution that is utterly independent and whose policies determine, to a large extent, the success or failure of the government's economic policy (Reytt 2000:20). The agreement on the central bank was, however, just one of the topics covered by the joint proposals for changes leading to the limitation of the president's powers. The independence of the CNB was—in itself—not called into question at all. The criticism was mainly about a higher degree of accountability of such an institution to elected representatives—the deputies. This political accountability was not dealt with in the previous legal regulations, or in the new ones.

The original draft of the amendment bill was, in many respects, more revolutionary than the one eventually approved by the Chamber of Deputies. The CNB immediately rejected the amendment bill, and was unwilling to modify its position. In the opinion of the legal experts of the CNB, the approved version was worse than the original with regard to the issue of the harmonization of laws. There was some agreement about the problems between the CNB and the Ministry of Finance, and the ministry (in cooperation with legislation specialists of the CNB) prepared a “small harmonizing amendment bill” that would allow Parliament to improve the controversial act.

The controversy about the CNB continued with the appointment of a new governor of the CNB to replace Tošovský, who left office before the end of his term to take up another position abroad. The appointment of Zdeněk Tůma as the new governor was opposed by the outgoing governor, as well as by some political parties. As Minister of Finance Pavel Mertlík said at the time (Fiala 2000), the controversy around the governor of the CNB was more about the way in which President Havel had appointed him than about the actual appointee or his ideas. The analysis of the situation should bear Mertlík out in the sense that it was more of a conflict between the powers of the president and the overall government, than a conflict concerning the CNB and the scheme of establishing the Bank Council.

The president's responsibilities are set out in the Constitution. The president consults his own experts and selected specialists (who are often members of the current Bank Council) to choose new members of the Council. Although the president primarily consults with professionals (and is absolutely free to choose his consultants), the latter, nevertheless, do not take any risk or responsibility for the appointments. This is solely the president's responsibility. When preparing the draft act in 2000, the initiators of the changes based their considerations on a common practice in many EU countries by which the government plays some role in the appointment of members of the Bank Council. The original draft stipulated that the Senate, the

²⁸ The President of the Republic may return an enacted law, with the exception of a Constitutional Act, together with the grounds for the return, within 15 days of the day the law was referred to him. (ii) The Chamber of Deputies shall take a new vote on the returned law. No amendments may be introduced. If the Chamber of Deputies upholds the returned law by a majority vote of all deputies, the law shall be promulgated. If not, the law shall be considered defeated (Article 50 of the Constitution).

²⁹ According to the Constitution, Chapter III, Article 54, Paragraph (3) “the President of the Republic shall not be accountable for the performance of his office”, indicating, in effect, that nobody has the right to control the president.

Chamber of Deputies and the government should nominate two members each to the Bank Council. In the final version, the role of the government was strengthened; it was agreed that the president would appoint the governor, vice-governors and members of the Bank Council at the recommendation of the government.

The political parties that supported the amendment to the Act of the Czech National Bank would have liked the new governor to be appointed under the newly amended law, but it had not yet come into force. The focus of the dispute was simple: the government insisted that the letter of appointment had to be countersigned by the prime minister, while the president rejected that interpretation. The prime minister refused to countersign the letter of appointment. The cabinet called an extraordinary session and dealt with the legal issue resulting from different interpretations of the Constitution. Though legal experts representing the cabinet and the president negotiated, they did not come to an agreement. The cabinet's decision to challenge the president's action in the Constitutional Court for the first time in the history of the Czech Republic was announced immediately after the appointment of Tůma as governor of the CNB. As noted earlier, the dispute concerning the governor of the Czech National Bank did not concern the actual person and his ideas but the president's selection process. It was this process that led to the dispute about the appointment of the governor.

Problems of policy coordination with the executive branch

According to the law, the Czech National Bank is required to be independent in relation to the government. The proceedings of the Bank Council can be attended by an accredited member of the government in an advisory capacity, and, vice versa, the governor can be present in an advisory capacity at the meetings of the government. This arrangement has become a rule of Czech political life. The development of the relationship between the government and the CNB emerged in three stages.

First stage: 1992–1996

In this period there was, by and large, harmony in relations between the government and the CNB. The generally shared view was that the greater the independence of the CNB, the greater the stability of the currency. (This was in keeping with international experience at that time, and it was also promoted by international financial organizations.) The stability of the currency was considered the most important aim of the CNB, and it was felt that this could be attained by granting as much independence to the CNB as possible. In terms of economic development, this was a successful period, characterized by some signs of increase in output. Therefore, there was no reason for conflict between the ideas of the CNB and those of the government.

Second stage: 1996–1998

In 1996 and 1997, economic difficulties began to occur, and the government tried to solve them through a number of measures.³⁰ Conflicts arose between the ideas of the government and those of the CNB: the government criticized the bank for an excessively restrictive policy as well as for sticking too closely to its main objective (that is, stability of the currency and low inflation), which, it believed, was the main cause of problems in the economy. However, because the CNB is independent, the government was virtually helpless in challenging the bank's monetary policy. Its only option was to ask the governor of the bank to moderate the policy. The government, through Prime Minister Klaus, appealed to the CNB to ease the restrictive policy, but without success. The CNB continued to give preference to the goal of maintaining monetary stability over other macroeconomic concerns.

³⁰ On 16 April the government put forward the document, Correction of Economic Policy and Other Transformation Measures, known as the "package of measures". The aim was to improve the development of the balance of trade and the balance of payments, prevent stagnation of economic growth and provide protection to the domestic market, an adequate state budget balance and financial market transparency. Because the first package of measures did not have the desired result and did not cover all of the existing problems, the chairmen of the coalition parties (ODS, Civic Democratic Alliance/ODA, Christian Democratic Union-Czechoslovak People's Party/KDU-ČSL) adopted the Stabilization Curative Programme of the Government Coalition.

Following the fall of the Klaus government and accession of the “semi-caretaker” government led by Josef Tošovský (who was governor of the CNB at the time of his appointment as prime minister),³¹ there were improvements in the communication between the CNB and the government. Perhaps Tošovský’s personal experience in both roles was an advantage. Changes in the direction of the CNB’s policies and its relations with the government were also evident when he took up the governor’s position again after the election in June 1998. A sense began to emerge that, despite the importance of the CNB’s independence, it should also attach priority to harmonizing its policies with those of the government.

Third stage: following the 1998 election

The previous stage underscored the need for modification of the act of the CNB. However, price stability was still regarded as the main priority, which is also a requirement of the EU. The CNB’s communication with the government improved substantially during this period. Moreover, Part Three, Article 9 of the amended act states that it is the duty of the CNB to consult on the system of exchange rates and proposed level of inflation, and to submit reports on those questions to the government upon request.

The Czech National Bank and legislative power

The problem of accountability was resolved by the act of 1993 (the Act on the Czech National Bank No. 6/1993 Coll. of 17 December 1992), which calls on the CNB to inform Parliament of monetary developments at least twice a year. In the amended act of 2000, the problem of accountability is formulated even more widely in Part One, as follows:

- i. The Czech National Bank shall be obliged to submit to the Chamber of Deputies of Parliament at least twice a year for review a report on monetary development. If the Chamber of Deputies so resolves, the Czech National Bank shall submit within thirty days an extraordinary report on monetary development. The resolution of the Chamber of Deputies must state what the extraordinary report should contain.
- ii. The report on monetary development shall be submitted to the Chamber of Deputies by the Governor of the Czech National Bank, who in such an event, shall be entitled to attend the session of the Chamber of Deputies and must be accorded permission to speak.
- iii. The Chamber of Deputies shall acknowledge the report on monetary development or shall ask for a more accurate and complete report.
- iv. If the Chamber of Deputies asks for a more accurate and complete report, the Czech National Bank shall be obliged to submit within six weeks a more accurate and complete report in compliance with the requirements of the Chamber of Deputies (Part One, Article 1).

According to this new regulation, the Czech National Bank is also obliged to inform the public on monetary development at least once every three months.

In the Chamber of Deputies of the Parliament, a permanent Banking Board existed between 1990 and 1998, led by Karel Ledvinka, a vice-chairman of the Chamber. The board held meetings once a month, and from the point of view of the CNB, this created a better basis for professional communication with the Chamber of Deputies. However, this was, by and large, concerned with gaining a wider scope for representation of particular interests, thus giving the banks a better bargaining position. The board was (according to information gathered in interviews) a kind of private club, communicating with banks, but only to a very limited extent

³¹ Josef Tošovský was the Governor of the CNB from 20 January 1993 to 17 December 1997, and from 22 July 1998 to 30 November 2000.

with other MPs. Deputies who were not members of the board were not admitted to the proceedings, even if they were members of the Budget Committee and had applied for admission. When the committees were newly established after the 1998 election, the activities of the Banking Board were to be transferred to the Subcommittee for Finance so that the structure would be identical with that of the other subcommittees. According to the Rules of Procedure, membership in a particular subcommittee is also possible for deputies who are members of other committees (in this case, other than the Budget Committee). The sessions of the subcommittees are closed. However, the Subcommittee for Finance did not take over the role of the board in its full scope. Rather, it dealt with specific minor problems, such as cooperative savings banks, but not with the problems of the capital market. However, the work of a subcommittee always largely depends on the personality and ideas of its chairperson.

The deputies' willingness to study and deepen their knowledge of monetary issues has decreased considerably since the late 1990s. When the CNB offered a seminar concerning the preparation of the new draft act, as well as lectures by officials of the European Central Bank, the deputies showed no interest, and no one turned up. This may reflect a lack of interest, but may also be due to the pressures of work: the legislative period in 2001 can be characterized as a "legislation storm", and very likely, the deputies were barely able to find the time to read the documents. It should be mentioned here that every legal act should have at least one reporting person (and there is usually more than one), which puts considerable pressure on the deputies and committees.

The Czech Republic and international financial and economic organizations

In the first free elections in 1990, the early manifestos of the political parties and groupings embraced "the return to Europe". This specifically meant inclusion in international institutions and organizations of which Czechoslovakia had been a member prior to the communist regime, or those that were established outside of the country during the 40-year communist period. The first government started to pursue this programme intensively. This was an important step at the beginning of the political and economic transformation, as it meant, among other things, the opportunity to obtain foreign loans needed to "start" the economy. Furthermore, the expert consulting offered by many international organizations was crucial, and contributed significantly to the process of adopting new legislation as well as to transforming or creating new institutions. Table 2 provides an overview of the membership of the Czech Republic in international financial and economic organizations.

**Table 2: Membership of Czechoslovakia/Czech Republic
in international financial and economic organizations**

Name of organization	Date of accession
Council of Europe Development Bank (CEB)	Czech Republic: 12 February 1999 ^a
European Bank for Reconstruction and Development (EBRD)	Czechoslovakia ^b : 28 March 1991 Czech Republic: 1 January 1993
International Monetary Fund	Czechoslovakia: 14 September 1990 Czech Republic: 1 January 1993
Organisation for Economic Co-operation and Development	Czech Republic: 21 December 1995 ^a
United Nations	Czechoslovakia: 29 October 1945 Czech Republic: 19 January 1993
World Bank	Czechoslovakia: 14 September 1990 Czech Republic: 1 January 1993
World Trade Organization (WTO)	Czech Republic: 1 January 1995 ^c

^a Czechoslovakia was not a member. ^b Refers to Czechoslovakia/CSFR. ^c The WTO was established on 1 January 1995. **Source:** International Organizations Department, Ministry of Finance of the Czech Republic.

The Ministry of Finance ensures membership in international financial institutions and financial bodies of the OECD, the EU and other international economic groupings, unless such membership is the exclusive responsibility of the Czech National Bank. The Ministry of Finance is the central body of state administration for the state budget and regional budgets, the Final State Budgetary Account, the Treasury, the financial and capital market, taxes and tax administration, fees, customs, duties, prices, financial management, financial control, accounting, auditing and tax consulting, as well as international financial relations, including the state's assets and liabilities in relation to other countries and the protection of foreign investments. The ministry is also the central body for raffles, lotteries and similar games, as well as for the management of state property, privatization of state property, for matters concerning insurance companies and pension funds, and for activities directed against the legalization of proceeds from criminal activity.

The Czech National Bank is solely responsible for relations with the IMF and its bodies; the Ministry of Finance is, in this respect, a passive recipient of information. The CSFR acceded to the International Monetary Fund Convention on 20 September 1990. Since then, the membership of the former Czechoslovakia in Bretton Woods institutions, which was interrupted in 1948, has been renewed. The Czech and Slovak Federative Republic became the 152nd member of the IMF. When the CSFR split up into the Czech Republic and the Slovak Republic, the succession of membership of both of the newly formed countries was ensured on 1 January 1993. Consultations are a requirement of Article IV of the Convention between the Czech Republic and the IMF, the goal of which is to evaluate the state of the Czech economy. The results of these consultations are then discussed at the IMF Council, which leads to specific recommendations for subsequent economic policies.³²

The accession to the IMF was very important for the Czech Republic, as both the IMF and the World Bank have provided substantial loans that were greatly needed at the beginning of the economic transformation. They also helped create an image of trustworthiness, which made it possible to obtain further foreign loans and aid during "institution building". The position of the central bank, its structure and the structure of the banking sector, as well as legislation, bank supervision and statistics, were all prepared with the assistance of foreign advisors. In 1994, for example, the IMF participated in developing the concept of the Bank Act. At the beginning of the 1990s, acceptance of this expertise was not a matter of open political debate or confrontation. This was primarily due to the neoliberal orientation of the ruling political parties, which had no objections to the recommendations and directives proposed, since the parties were also aware of the necessity of launching the reforms as quickly as possible. In 1994 the Czech Republic repaid its debt to the IMF, and since then the annual recommendations have not really been more than informal suggestions or guidelines, and certainly not directives. In view of the gradual inclusion in international structures, however, compliance with certain recommendations is becoming a necessity. The government, which is responsible to Parliament and indirectly to the voters, is responsible for the realization of these recommendations and the impact their implementation may have on the economic standing of the country.

Another area within the authority of the CNB is cooperation with the European Union with regard to monetary policy and banking. Cooperation in this field has developed in accordance with the relevant articles of the European Agreement. The goal is to create and develop an appropriate framework for a gradual conversion of the monetary policy of the CNB and the policy of the European system of central banks, and the support of banking functions, with

³² Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussion with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff team prepares a report that forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the managing director, as chairman of the board, summarizes the views of the executive directors, and this summary is transmitted to the country's authorities.

emphasis on the strengthening and restructuring of the banking and financial sectors, and improving the supervision of banking and financial services and their regulation.

During the course of 1999, the relationship between the Czech National Bank and the European Central Bank (ECB), which, until that time was not directly involved in the accession process, intensified. This intensification was prompted by a visit from Tommaso Padoa-Schioppa, a member of the Executive Board of the ECB, who visited Prague in June 1999 at the invitation of the governor of the CNB. Subsequently, various strategies for cooperation between the CNB and the ECB were approved, based on the impetus of the professional departments of the CNB. In November 1999 there was a meeting of top representatives of the ECB and central banks of the candidate countries in Helsinki. The CNB devoted considerable attention to developing a relationship with the ECB, which was expected to become the main partner of the CNB upon accession to the EU.

The Czech National Bank also manages the Phare Programme for projects in the Czech banking sector. This is a programme, established in 1990, whereby countries within the European Union provide assistance to countries of Central and Eastern Europe. The CNB-Phare Project Implementation Unit (PIU) was established on 1 July 1991. Since 1991, a total of EUR 11.374 million³³ has been allocated for projects in the Czech banking sector within the Phare programme, divided into six annual budgets (1991, 1992, 1993, 1995, 1997 and 1998). This amount represented approximately 4 per cent of the total budget of the Phare Programme for the Czech Republic between 1990 and 1998.

During the monitored period, negotiations on the accession of the Czech Republic to the EU, much like the other five “first wave” countries, remained at the so-called “screening” level, in which EU and Czech legislative measures were compared. Officially, the screening of Czech and European legislation started in April 1998 and ended in July 1999.

The CNB has paid considerable attention to the preparation for all three principal screening negotiations. In coordination with professional departments, “screening lists” containing evaluations of the harmonization initiatives of relevant Czech and European legislation have been prepared. After the screening negotiations, positional documents were drafted in cooperation with the sectors involved. After their approval by the government, they were submitted to European Commission representatives.

Section 3: The Party System, Coalition Politics and the Parliamentary Process

The previous sections have provided some idea about the complexities of the process of the economic transformation of the Czech Republic, the debates that shaped the transformation and the evolution of the government’s macroeconomic policies and institutions established to guide the transformation, including the style of policy making. This section will focus on the party system, the coalitions that initiated and sustained the economic transformation and the parliamentary process that gave legitimacy to the new programmes and policies. As a parliamentary democracy, all policies and bills in the Czech Republic must be debated in Parliament. The key question is the extent to which Parliament has been able to influence the programme of economic transformation and hold the government accountable for its policies. This discussion will begin by providing a brief sociopolitical framework essential for understanding the political changes. The powers of the government, Parliament and president in policy making will then be discussed, followed by a review of the relations between the

³³ EUR is the European currency, Euro (1 EUR=\$1.32, February 2005).

legislative and executive branches of government and parliamentary control of government. The last sections will explore the nature of the bargaining process in Parliament.

Sociopolitical framework

With the exception of a short phase of liberalization in 1968, the Czech Republic experienced a bureaucratic-authoritarian regime with a centrally planned economy until the downfall of communism in November 1989. Therefore, it had to undergo three transformations: political—to build a democratic system; economic—to shift from a state-planned economy to a market economy; and, unexpectedly, to redefine the national state after the disintegration of the federation and the creation of two separate successor states, the Czech and Slovak Republics, on 1 January 1993.

Czechoslovakia lacked experience in liberalization and negotiations between the old and new elite. The communist regime was in full control until almost the very end and collapsed within a period of only 10 days. Thus, the new political parties could emerge only after the transformation, although some parties had their foundations in embryonic structures that existed beforehand. Czechoslovakia, unlike other countries in Central and Eastern Europe, was able to build upon the tradition of a well-functioning prewar democracy. In the first months of 1990, it adopted the laws necessary to create a plural party system and organize free elections. The period between 1990 and 1992 was crucial for the creation of democratic institutions and the basic crystallization of the political spectrum.

After November 1989, it was not necessary to address the issue of the historical choice between the parliamentary and presidential systems of government in Czechoslovakia. In compliance with the tradition of the First (prewar) Republic, priority was given to a parliamentary system with a relatively weak president. The president does not have the power of legislative initiative, and efforts were made, especially in the legislative period of 1998–2002, to restrict or modify his powers. Furthermore, the decision whether to adopt either a majoritarian or proportional representation voting system was crucial; this issue was the subject of discussions at roundtables in November and December 1989, which continued until January 1990. Václav Havel clearly preferred a majoritarian electoral system. The OF preferred, and in the end implemented, the concept of proportional electoral representation. “OF wanted for all politically relevant powers (parties) to get to the Parliament; it did not want to win absolutely, which is something a majority system would lead to” (Jičínský 1996:67).

The first post-transition elections in Czechoslovakia were held on 8–9 June 1990. Four bodies were elected: two chambers of the Federal Parliament, and a Czech and Slovak National Council. One more election took place within the federation in June 1992, and the unforeseen consequence was the dissolution of the federation. Since 1990, there have been five elections in the Czech Republic, which have led gradually to the consolidation of the party system (see table 3). After the first, basically plebiscitary, elections, the “effective number”³⁴ of the parliamentary parties continued to decrease, from 4.8 (in 1992) to 4.15 (in 1996) to 3.71 (in 1998) to 3.89 (in 2002).

³⁴ The effective number of parties is a commonly used index that shows the fragmentation of the party system. Its value represents the inverse of the summed squares of the fraction of votes (seats) each party receives in an election.

Table 3: Number of parties in the elections to the Czech National Committee and House of Deputies of the Parliament of the Czech Republic

Elections	1990	1992	1996	1998	2002
Parties running	23	40	16	13	28
Parties with parliamentary seats	4	8	6	5	5

Source: UNDP 1998:130; Czech Statistical Office Web site, www.czso.cz, accessed on 5 February 2005.

All of the elections were held on the basis of the same electoral principle, although the voting act had undergone some changes. Since the adoption of a new Constitution, in force as of 1 January 1993, the Czech Republic has had a bicameral system with a Chamber of Deputies and a Senate.

Since the 1996 elections, there has been a growing tendency toward stabilization of the party system and connection between social groups and their political representation. No nationalistic parties considered as charismatic or clientelistic have appeared or functioned for a long time. The prevailing differentiation of the right and left on the political spectrum reflects the attitudes toward the transformation of the economy and the redistribution of resources. With regard to ideological and cultural aspects, the Christian parties (including the Christian Democratic Party, which merged with the Civic Democratic Party in March 1996), with their traditional and authoritarian approach, were the only parties with an orientation that differed from the majority of the other parties, which tended toward modern liberalism.

The Czech Republic moved rapidly toward democratic consolidation (Krause 2000), became a member of the North Atlantic Treaty Organization (NATO) in March 1999, and a member of the EU in May 2004. The drafting of the Constitution has been gradually completed; the second chamber of the Parliament—the Senate—was established only at the end of 1996 (until it was created, the House of Deputies of the Parliament of the Czech Republic was the highest legislative institution, and therefore it was basically impossible to dissolve it). The reform of state administration and self-government—and creation of higher administrative units as regions—was not completed until 2000.

The government

The government is the supreme body with executive power. It consists of the prime minister, deputy prime ministers and other ministers. The government coordinates the activities of ministries and central bodies of the state administration, and has the right to initiate legislation and express its opinion on any and all bills. The Czech Republic is a parliamentary system with a weak president and a strong prime minister. The Constitution sets out that the president is the head of state, but the government is the supreme power of the executive. The government is accountable for its performance only to the Chamber of Deputies, not to the entire Parliament.

The prime minister is appointed by the president of the Czech Republic. The president also appoints, at the prime minister's proposal, the other members of the government and entrusts them with the direction of the individual ministries or other agencies. Within 30 days after its appointment, the government presents itself to the Chamber of Deputies and requests a vote of confidence. Should the newly appointed government not receive the confidence of the Chamber of Deputies, the procedure is repeated. If a government appointed in this way again fails to win the confidence of the Chamber of Deputies, the president can appoint a prime minister on the proposal of the chairman of the Chamber of Deputies.

The government may request a vote of confidence by the Chamber of Deputies at any time, and the Chamber of Deputies may give a no-confidence vote at any time. However, the Chamber of Deputies will discuss a motion for a vote of no-confidence only if submitted in writing by at

least 50 deputies. The government must resign after the constituent meeting of the newly elected Chamber of Deputies. Otherwise, the government resigns if the Chamber of Deputies has repudiated it in a requested vote of confidence, or if it has expressed no-confidence. For example, a vote of confidence took place in June 1997 when the ruling coalition parties won a vote of confidence in the Chamber of Deputies by a margin of only one vote (101 against 99). An independent deputy supported the government when the prime minister promised not to privatize banks and large state-owned companies without a vote in the Parliament.

The government makes decisions as an integral body. The adoption of a resolution of the government requires the majority of its members. The government is authorized to issue decrees, signed by the prime minister and the respective member of the government, and to implement laws. The government is accountable to the Chamber of Deputies of the Parliament for the fulfilment of the state budget. It also disposes of the government budget reserve and controls the management of the funds of the state budget and the state funds of the Czech Republic.

The decision-making process in cabinet is governed by highly formalized Rules of Procedure. The decision of the government is made collectively, after consultation with all cabinet members. The deputy prime minister can decide that before a document is presented to a government meeting, it should be discussed with the ministers in the purview of the relevant deputy prime minister. Such interministerial meetings often take place among ministers related to economic policy (including the ministers of finance, industry and trade, transportation and communication, agriculture, and local development), or to interior and defence policy. As noted earlier, the minister of finance does not have any special authority, such as right of veto, compared with other ministers. Any such special position would only be informal, as an expression of the attitude of the government toward the minister of finance. This, however, has not occurred in the Czech Republic, although undoubtedly the influence of Václav Klaus and Ivan Kočárník as the ministers of finance in the first governments (1990–1992, 1992–1996) was significant.

Since 1990, seven cabinet governments have been formed in the Czech Republic (see table 4), of which three were coalitions consisting of right-wing parties, one was a semi-caretaker cabinet and one was formed by a single party – the ČSSD, with the support of the strongest opposition party, the ODS. The most recent cabinet was formed in 2004 by a left-right coalition.

Table 4: The composition of the government and its support in Parliament

Cabinet created	Number of ministers from governing party/parties	Percentage of Parliamentary seats
June 1990–federal government	9 OF, 4 Public Against Violence (VPN), 2 Christian Democratic Movement (KDH), 1 independent	65.0
June 1990–Czech government	10 OF, 2 KDU-ČSL, 1 Movement for Autonomous Democracy–Association for Moravia and Silesia (HSD-SMS), 8 independent	84.0
June 1992 Czech government	11 ODS, 4 KDU-ČSL, 2 Civic Democratic Alliance (ODA), 2 Christian Democratic Party (KDS)	56.0
July 1992 “temporary” federal government	4 ODS, 4 Movement for a Democratic Slovakia (HZDS), 1 KDU-ČSL, 1 without party affiliation	52.7
June 1996	8 ODS, 4 KDU-ČSL, 4 ODA	49.5
January 1998 (semi-caretaker government)	3 KDU-ČSL, 4 US-former ODS, 3 ODA, 7 without party affiliation	31.0
August 1998	18 ČSSD, 1 without party affiliation	37.0
July 2002	11 ČSSD, 3 KDU-ČSL, 3 Freedom Union–Democratic Union (US-DEU)	50.5
July 2004	9 ČSSD, 3 KDU-ČSL, 3 US-DEU, 3 without party affiliation	50.5

Source: Government of the Czech Republic, www.vlada.cz, accessed on 5 February 2005.

It is fair to assert that the Czech Republic had relatively stable governments in the first years of its existence. Between 1993 and 1996, Prime Minister Klaus headed a fairly stable cabinet, within which there were only a few changes. The government introduced a new Czech currency, improved relations with the European Union, privatized the majority of state property and reduced the inflation rate. The beginnings of instability, however, originated in the creation of a minority government after the June 1996 elections, ending (as Klaus characterized it) the advantageous political framework for economic reforms. As shown in table 4, the governments had excellent support in Parliament until the 1995 elections, and it was much easier for them to enforce reforms and related legislation. The formation of a new government turned out to be difficult, since the former centre-right coalition gained only 99 out of 200 seats. The Constitution does not prohibit minority governments; however, all incoming governments need to win a vote of confidence on the government programme within 30 days in the national parliament. After several rounds of negotiations with the former centre-right coalition parties, Prime Minister Klaus signed a coalition agreement with the Christian Democratic Union/Czechoslovak People’s Party (KDU-ČSL) and the Civic Democratic Alliance (ODA). Klaus had to look for support among the strongest left-wing opposition party, the ČSSD. Since no final agreement was reached between the ruling and the opposition parties, the ČSSD deputies left Parliament when it came to the vote of confidence.

Between May 1997 and June 1998, the political system experienced a period of cabinet instability. In early 1997, economic problems in the Czech Republic, as well as growing tensions within the centre-right coalition parties and within the strongest party, the ODS, combined with several scandals in the financing of the major political parties and instances of fraudulent privatization, created a serious cabinet crisis. The result was the resignation of the cabinet and the formation of a temporary semi-caretaker government.

In the 1998 election, the Social Democrats, with 74 seats in the 200-member Chamber of Deputies, became the strongest party, but needed to find a coalition partner or win the support of other parties to form a minority government. At the beginning, there were hopes of forming a coalition with the Christian Democrats (which, combined, would have resulted in 94 seats). The US negotiated the possibility of forming a coalition with the ODS and KDU-ČSL (102 seats) in case the ČSSD should fail. There was also the possibility of forming a coalition of ČSSD with KDU-ČSL and the Freedom Union (US) (113 seats). Coalitions of the ODS and ČSSD, or ČSSD

and KSČM were deemed impossible. The KSČM was viewed as a political party without any coalition potential. The US refused to form a coalition with ČSSD, but negotiated with the KDU-ČSL and ODS concerning a possible coalition. These negotiations were hampered by the personal animosity between the chairman of the US and the chairman of the ODS.

In the end, a single-party government was formed by the ČSSD, due to the so-called “opposition agreement”, which set out conditions for the formation of a minority cabinet of the ČSSD and conditions under which the cabinet would be tolerated by the ODS. The “opposition agreement” provided for the right of the opposition party to chair both chambers of Parliament; head the control bodies of the lower chamber (the Commission for the Control of Security Information Service and the Commission for the Control of Military Protection Intelligence); chair the Budget Committee; and preside over the Supreme Control Agency. Both parties undertook, *inter alia*, to refrain from calling for a vote of no-confidence during the term of the Chamber of Deputies and to refrain from using constitutional provisions leading to the dissolution of the Chamber.

After the 1998 election, the Czech cabinet system returned to a state of normalcy. However, since this was a minority government with 37 per cent of the seats in Parliament, it made it more difficult to obtain support in Parliament. As a result, the opposition exerted considerable power, particularly with respect to economic policies and debates about the privatization of state property and state-owned interests, and the development of pension reform programmes. Furthermore, the establishment and composition of the investigative commissions of Parliament (see below) revealed the considerable influence the opposition had on the control of the government.

The results of the 2002 parliamentary election brought two surprises. The first was a dramatic decline in electoral turnout—58 per cent (compared to 73.9 per cent of eligible voters in 1998). The second surprise was the considerable gains made by the KSČM—18.51 per cent of the votes and 41 seats (as compared to 11.03 per cent of the votes and 24 seats in the 1998 elections). This rendered the Communist Party the third strongest parliamentary party in the Czech Republic. A left-right coalition cabinet was formed by ČSSD, KDU-ČSL and Freedom Union–Democratic Union (US-DEU), headed by Prime Minister Vladimír Špidla. This government had only a slim majority in the Chamber of Deputies (50.5 per cent). Due to the differences in the political programmes of the coalition parties, every time there is an important vote the cabinet has to “fight” for the one decisive vote.

The Parliament

According to the Constitution of the Czech Republic, legislative power is exercised through a bicameral parliamentary system. The Czech National Council was transformed into the Chamber of Deputies (Lower House), retaining the 200 MPs. The deputies are elected for a four-year term on the strength of general, equal and direct voting rights in the system of proportional representation.³⁵ The laws related to elections for the Senate (Upper House) were passed only in 1995 and 1996. The Upper House consists of 81 Senators who were initially elected under a majoritarian system in 81 single-member districts. Like the United States Senate, members of the Upper House serve a term of six years, and one-third of these members are re-elected every two years.

The Constitution of the Czech Republic allows a member of Parliament of either house to also hold the position of minister. A member of the government, however, cannot concurrently be the chairperson or vice-chairperson of the Chamber of Deputies or the Senate, or be a member

³⁵ Every citizen of the Czech Republic over 18 years of age has the right to vote. To be elected to the Chamber of Deputies, a citizen must have the right to vote and be over 21 years of age; citizens over 40 are eligible to be elected as senators. No one can be a member of both chambers of Parliament at the same time. The posts of judges, the president of the Czech Republic and several other posts specified by law are incompatible with the seat of deputy or senator.

of a parliamentary committee or investigative commission. It is possible for a deputy to also be a minister at the same time: both posts are – with some limitations – compatible, and within the political context of the Czech Republic, such a combination is not uncommon, as shown in appendix 3. This could raise questions about the extent to which this practice is contrary to the division of power between the legislative and executive branches (although ministers cannot hold positions in the House of Deputies), but this question has never become a subject of party or public discussion. However, technical restrictions have come under consideration, for example, the absence of ministers from meetings of the House of Deputies. Appendix 3 illustrates the situation at the beginning of the electoral term; during the term, the number of people with a convergence of positions usually decreases because some of them decide to concentrate only on their ministerial responsibilities.

All legal initiatives and major policies have to be debated in Parliament. Members of the government have the right to take part in meetings of the Chambers, committees and commissions. They are given the floor whenever they wish. If a resolution of the Chamber of Deputies so requires, they are obliged to take part in the meetings. In the case of committees and commissions, they can delegate a substitute unless their personal attendance is explicitly required. Every deputy has the right to pose parliamentary questions to the government or its members, who have a duty to respond to the question within 30 days.

The Chamber of Deputies can be dissolved by the President of the Czech Republic under the following circumstances:

- if the Chamber of Deputies has not expressed confidence in the government;
- if it fails to pass a resolution within three months on a government bill that entails a request for an expression of confidence;
- if the procedures of the chamber have been interrupted for longer than the permissible period (the total extent of the interruption must not be longer than 120 days per year); or
- if the chamber fails to have a quorum for longer than three months, even though procedures were not interrupted and sessions have been called repeatedly.

The Chamber cannot be dissolved during the three-month period before the end of the election term. In case the Chamber is dissolved, the senate can adopt legal regulations that cannot be delayed and that would otherwise require the enactment of a law. The senate, however, may not adopt legal measures regarding the Constitution, state budget, final state budgetary account, election law or international treaties that have the force of law.

As one of the goals of this study is to analyse vertical accountability, this paper will now focus on the institutions that are accountable to the Chamber of Deputies in the field of economics. According to Article 97 of the Constitution, the Supreme Control Office performs the audit of the management of state property and implementation of the state budget. The president and vice-president of the SCO are appointed by the President of the Czech Republic at the recommendation of the Chamber of Deputies. The Chamber of Deputies, and particularly the Budget Committee, initiates the tasks of the SCO. The cooperation between these two bodies has been very constructive (as of the time of initially drafting this paper in 2001), with mutual understanding and agreement. The SCO has a duty to submit a summary report of its activities, a report of its financial management (bookkeeping) and its budget to the Chamber of Deputies.

The Budget Committee has also established an Audit Subcommittee. This subcommittee has dealt selectively with some of the findings of the SCO; it has also detailed records of audits at its disposal and has the right to call the respective minister for attendance at the meeting. There are numerous SCO findings, and therefore the Audit Subcommittee may only choose cases that seem particularly significant. Having the necessary documents available, such as records of audits, the Audit Subcommittee can study a particular case in depth and then, on the basis of its

own proceedings, inform the Budget Committee, which in turn considers how to further deal with the findings.

The Chamber of Deputies approves the budget and report of the activities of the National Property Fund. The activities of the fund are then monitored by the SCO and its reports submitted to the Chamber of Deputies. Also, the Export Bank submits its reports of activities and financial management and budget to the Chamber of Deputies. (The bank was established by the state and receives state subsidies but generates revenues to cover its costs.) Until its recent dissolution, the Children and Youth Fund had to report its activities and submit its budget to the Chamber of Deputies as well.

The president

The president is elected by a joint session of the Upper and Lower Houses for a five-year term and may not serve more than two consecutive terms. While the powers of the president are rather limited, he shall not be accountable for the performance of his office (Constitution, Chapter 3, Article 54, Paragraph 3). For example, the president needs the countersignature of the prime minister before he appoints or dismisses ministers. For other special appointments the countersignature of a minister is required as well. The president may convene sessions of the Parliament, but he has no power to initiate laws. He is also allowed to veto legislation, but an absolute majority of deputies in Parliament may override his veto. Since his election as president of the independent Czech Republic in 1993, Václav Havel took advantage of the option to return passed bills to Parliament 18 times (as of the time of writing in 2001). Deputies, however, overrode his veto in the great majority of cases and in 13 instances passed the bills again.³⁶ It happened more frequently at the end of the 1990s when the president's veto was overruled in each instance by the Chamber of Deputies. In three cases, Havel submitted proposals to the Constitutional Court to cancel a bill.

The president of the Czech Republic could become powerful in a situation in which the political parties in Parliament were fragmented and lacked a majority against the veto of the president. Such a situation, allowing the president to assert his legal authority, arose in early 1998: Prime Minister Václav Klaus and his cabinet resigned (on 30 November 1997), and the break-up of the former government coalition, together with the split-up of its most powerful party, the Civic Democratic Party, and internal problems within other coalition parties, proved to be a barrier to setting up a new cabinet. Under these circumstances, the president became involved in the political struggle and invited the chairman of the KDU-ČSL, who was reputed to be skilled at facilitating consensus, to bargain with other political parties on the formation of a new cabinet. The idea of a non-partisan government seemed to be a reasonable solution; President Havel also supported this idea, which was not surprising considering his traditional aversion to political parties. Eventually, forming a "semi-caretaker" government under Tošovský, a non-party man and governor of the Czech National Bank at the time, appeared fully acceptable. The parliamentary parties agreed on the condition that a new election would be held before the term. The choice of Tošovský was a matter of political consensus; his previous position as governor of the Czech National Bank did not play a crucial role. Nor was it a problem for him to return as head of the CNB and continue his term as governor.

The president has the following powers:

- naming and recalling the prime minister and members of the government, as well as accepting their resignations;

³⁶ According to the Constitution, Article 50, Paragraph (2), "The Chamber of Deputies shall take a new vote on the returned law. No amendments may be introduced. If the Chamber of Deputies upholds the returned law by majority vote of all Deputies, the law shall be promulgated. If not, the law shall be considered defeated".

- convening sessions of the Chamber of Deputies;
- dissolving the Chamber of Deputies;
- empowering the government whose resignation he has accepted or that he has recalled to continue performing its functions until the appointment of a new government;
- appointing judges to the Constitutional Court, together with its chairman and vice-chairman, with the approval of the Senate;
- appointing the chairman and vice-chairman of the Supreme Court;
- declaring amnesties and granting pardons;
- vetoing an approved law and sending it back to Parliament (except in the case of a constitutional law);
- signing laws;
- appointing the President and Vice-President of the Supreme Control Office; and
- appointing members of the Bank Board of the Czech National Bank.

The president's powers and the scope of his competence are subjects of ongoing criticism from almost all parliamentary political parties, and attempts to limit them continually arise. The last attempt was a constitutional amendment bill by the two "opposition agreement" parties (the ODS and ČSSD) that was submitted to the Chamber of Deputies in January 2000; one of its aims was to reduce the president's powers. It was proposed to introduce a rule that the chairperson of the most powerful party would always be invited to form the government. Apart from the appointment of the prime minister, the object of criticism was the president's competence concerning the granting of pardons and the appointment of the governor, vice-governor and board of the CNB.

These reservations arose again during the presidential election in 1998 when Václav Havel stood for re-election before his second term in office. The attitudes of the deputies and senators were different from what they had been during the 1993 presidential election, and there was some criticism of Havel in the debate. He was faulted for not having adequate contact with the government, deputies or the citizens in his role as president. His emotional, rather than well-reasoned, granting of pardons ("the president shall pardon and mitigate penalties imposed by a court, order that criminal proceedings should not be initiated and, if already initiated, should be suspended" Constitution, Article 62) was also not forgotten. He was criticized for his choice of collaborators and reproached mainly for his interference in policy, which was not neutral, because of his involvement in the "anti-Klaus" political wing at the time of the government crisis at the end of 1997. These reservations were reflected in the ballot, when Havel was only elected in the second round of voting. The whole course of the election led to the assumption that the deputies and senators wanted to elect Havel, but at the same time wanted to teach him a lesson.

In 2000, the newly elected MPs were asked to comment on the specific spheres of the president's areas of competence they felt should be modified (that is, either widened or limited). The results show (see appendix 4) that among the deputies, the presidential powers they had the most misgivings about were the granting of pardons and amnesties, and certain appointments, such as the board of the CNB and judges. Among the senators, the president's power to grant pardons and amnesties, to appoint the board of the CNB, and to appoint the prime minister and government were mentioned.

Although the members of the Czech Parliament wished to limit the president's powers, they were not able to reach a consensus regarding the powers that needed to be limited. Discussions about this did stop temporarily after Václav Klaus was elected president in February 2003. The deputies simultaneously wanted to expand the president's powers of veto and to extend his

authority to initiate legislation (according to the Constitution, the president has no authority to introduce bills in the Chamber of Deputies).

Some points of view suggest that there should either be the possibility of overriding the president's veto on a law by a constitutional (three-fifths) majority, or that the Constitutional Court should decide on a law which has been returned by the president. In the opinion of some deputies, the right to grant pardons (often controversial and frequently criticized) should be exercised before the sentence is pronounced by the court, or possibly a countersignature by the minister of justice or prime minister should be required by law.

In general, the discussion on the scope of the president's competence includes the following issues:

- the need for a more specific description of competence, which became obvious after the Constitution had been in effect for more than 10 years;
- the need to define the president's accountability for his performance; and
- the process of presidential elections (direct or indirect).

Relationship between the legislative and executive branches and control of the government by Parliament

The relationship between the government, parliament and president is defined by the Constitution of the Czech Republic. Although the Constitution does not visualize Parliament as having greater powers than the executive branch, the need to develop new legislation resulted in the expansion of the role of Parliament at the outset of the transformation in 1990–1992, during the period of the creation of a legal state and after the formation of the Czech Republic in 1993. According to survey results, deputies felt that the role of Parliament was becoming more important. This can be seen, in part, in the establishment of various legislative (parliamentary) commissions.

Since 1993, surveys done by the Institute of Sociology have regularly explored opinions concerning the importance of different parliamentary functions. According to the deputies, oversight of government was the most important role of Parliament, following legislative activity. In view of the fact that Parliament began to exert control over the government, as in other post-communist countries, after the change of the political regime (it was de facto the Communist Party that performed this function under socialism), the relationship between the legislative and executive branches began to take shape. Based on the example of the Hungarian Parliament provided by Soltéz (1995), it appears that the legislative and control functions of the Parliament are closely linked and cannot be clearly separated from each other. In the process of legislative development, a certain form of control is exerted. The parliament furnishes the government with powers, rights and duties and adopts the state budget for the execution of these functions.

The importance of parliamentary control of the government is viewed differently by the government coalition on one hand and by opposition parties on the other. The opposition in Parliament demands greater control of the government, which is understandable, whereas MPs of the parties of government coalitions do not attach such a high value to this issue. Although according to deputies' evaluations, the explicit formulation of the importance of control of the government decreased somewhat in comparison to 1993, the utmost importance was attached to the adoption of the state budget, and the state budget is one of the ways to indirectly control the government. With regard to who has the principal influence on the direction of government policy, parliament is deemed to have a less important role than the government.

As indicated in table 5, reality was inconsistent with the concept the deputies had in mind. At the beginning of the 1992–1996 term, 60 per cent of the principal direction of government policy was decided by the government coalition (the coalition of four political parties) and only 37 per

cent by the party with the largest number of deputies (with the remaining 3 per cent not specified). But during this four-year period, the influence of the strongest party increased significantly, at least from the perspective of the deputies. In 1996, because of tensions within the coalition, the difference between the amount of influence exerted by the strongest party and that exerted by its coalition partners became nearly equal with respect to deciding the principle direction of government policy, with the strongest party, the ODS, strengthening its position considerably. That this did not please the other coalition partners was borne out after the 1996 elections: during negotiations between coalition parties about the formation of the cabinet, the weaker coalition partners attempted to obtain greater influence in the government. The data from 1998, collected just before the early elections, shows that during the period of the semi-caretaker government and the crisis among the parties of the former coalition, the influence of any one single party, including the strongest, decreased rapidly. The data from 2000 shows the position of the minority government formed by one party – the Social Democrats. At the end of the 1990s, the deputies were in a situation where there was either a narrow majority or minority government, and, compared to the previous term, greater importance was placed on the influence of Parliament on the government’s decisions on principal issues.

**Table 5: The principal direction of government policy:
 The decision makers, as perceived by the deputies (per cent)**

	1993	1996	1998	2000
Government coalition / government ^a	59.7	49.0	60.1	69.3
Party with the highest number of deputies	36.6	48.2	10.1	5.6
Other unspecified actors	3.0	2.8	23.0	10.6
Parliament	0.7	—	6.8	14.5
Total	100.0	100.0	100.0	100.0

^a In 2000, only deputies from the government were asked because there was only one party in office. **Source:** Institute of Sociology, Academy of Science of the Czech Republic.

The process of bargaining in Parliament

The legislative process

The process of bargaining on legislative measures (or proposals) is outlined by the Rules of Procedure, Part 12. The principal steps can be summarized as follows: deputies, groups of deputies, the Senate, the government or the council of a self-administered region submit bills to the chairperson of the Chamber of Deputies, who assigns them to the Organizational Committee. Bills submitted by bodies other than the government, are submitted to the government for an opinion pursuant to Article 44 of the Constitution. The government is obligated to send a written opinion of the bill to the chairperson of the Chamber of Deputies, and must do so within 30 days. After the government has expressed its opinion of the bill, the Organizational Committee has 15 days in which to recommend to the chairperson of the Chamber of Deputies that the submitted proposal be included in the agenda of a meeting of the Chamber. The chairperson will then also name the committee or committees to which the proposal should be assigned and designate a person to explain the reason for the proposal for the first reading of the draft act.

Until 1995 (when the new Rules of Procedure of the Chamber of Deputies were initiated), draft legislation was passed by the Presidium of the Chamber, to be addressed by particular committees. Nearly all committees dealt with the bill, and the committees based the debate at plenary meetings on a joint report. Under this arrangement, as “insiders” can attest, it was easier for a lay opinion to defeat a professional one. In this respect, the new Rules of Procedure represented a step toward a greater degree of expertise. According to the new Rules of

Procedure, the bill passes through the first reading in the Chamber, which assigns it to the respective committees for discussion. Then the report is transmitted by only these committees, which is perceived as a guarantee of expert knowledge.

Within the committees, an informal two-tiered system of debating bills was established. In one session, a reporting person is chosen by vote. At the beginning of the next session, this deputy in charge delivers an interpretation of the bill, which is followed by the general debate, and a deadline is appointed for handing in amendments in writing. The debate on the issue is suspended for ten days as a rule. The amendments turned in by the deadline are sent to the Submitting Party as well. Both the Submitting Party and the respective ministry (which may be the same in the case of a government bill) will deliver a written opinion concerning the amendments proposed. At the next session of the committee, the debate is continued and a resolution adopted. About 90 per cent of proposed amendments undergo this procedure. The remaining 10 per cent of the amendments are—intentionally, due to political infighting—not submitted to the committee, but rather to the House, for the second reading of the bill; the amendments that have undergone this procedure by the committee are usually adopted by the House. The institution of two-tiered proceedings is mainly based on the political culture. The increasing number of bills addressed in this manner shows that the political culture is improving and moving toward Western European standards.

The period between the first and the second reading is the most important for submitting amended proposals and recommendations, as well as alternative recommendations from interest groups and associations (such as business associations and trade unions). When a draft act is reviewed within the committee, representatives of such associations can take part in the procedure, and they frequently make use of the opportunity. This applies primarily to representatives of business associations, trade unions and employer associations. They may ask permission to speak and—as a rule—are given the floor.

At the third reading, a parliamentary debate takes place. In this debate, the only revisions that may be proposed include corrections of legislative mistakes of a technical nature and grammatical errors. At the conclusion of the third reading, the Chamber votes on amending the proposals to the bill. After this, the Chamber of Deputies decides whether it concurs with the passage of the measure.

To approve a law, at least a simple majority is required; a three-fifths majority (120 deputies) is necessary to approve a Constitutional Act. An absolute majority (at least 101 deputies) is required to adopt an act rejected by the Senate or president, as well as for votes of no-confidence in the government.

Following its adoption by the Chamber of Deputies, a draft bill is sent to the Senate. The Senate is obliged to address it within 30 days. If the Senate fails to pass a resolution on the draft bill within this period, the bill is adopted. The Senate may also express its unwillingness to deal with the bill, in which case the bill is also considered adopted. The president then signs it into law. The president has the right to return an adopted bill, excluding constitutional acts, to the Chamber of Deputies.

The Senate was first elected in 1996, and in the early years had to find its place in the political life of the country. Moreover, after adopting the Constitution of 1992, in which the Senate was conceived as the Upper House, some political parties accepted it with reservations, and the citizens were not entirely convinced of its utility. Simultaneously, between the two chambers and their committees, as well as between deputies and senators, nascent relationships and forms of cooperation and communication were developing.

With regard to economic questions, both the deputies and the senators use their own separate circles of consultants and sources of information, if needed. Communication between deputies and senators has been established step by step. The legal regulation of cooperation between the

two chambers (the Inter-Cameral Relations Act) has been under discussion since 1997 but, at the time of writing, has not yet been adopted.

The efficiency of parliamentary work

The political and economic transformation launched in 1990, the creation of an independent state in 1993 and the preparation for accession to the EU at the end of the 1990s and at the beginning of the century exerted constant pressure on the legislature. The inexperience of the deputies and their frequent lack of sufficient expertise, in combination with the “legislative storm”, affected the quality of legislation. Despite the respectable range of legislative activities since 1990, practice often moved faster than legislation, which also affected economic activities. In addition to taking advantage of the gaps in commercial laws and the difficulty in enforcing some legal norms, excessively liberal legislation led to a hasty expansion of the commercial and cooperative banking sectors. This, in combination with the inexperience of management, led to a number of banking houses becoming insolvent in the second half of the 1990s. The large banks were not immune either.

An overview of the amount of work and the quality of the proposed legislation is provided in table 6. The statistics demonstrate that most bills are submitted by the government, and this tendency is increasing. The government’s bills are also more successful, according to the proportion of acts passed by Parliament and drafted by the government.

Table 6: Legislative activity of the Czech Parliament

	First term (1992–1996)				Second term (1996–1998)				Third term (1998–2002)			
	Submitted		Passed		Submitted		Passed		Submitted		Passed	
Draft by	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Government	285	63.2	111	52.1	115	52.0	88	75.9	471	60.0	339	72.9
Deputies	166	36.8	102	47.9	104	47.1	27	23.3	285	36.3	114	24.5
Senate	—	—	—	—	2	0.9	1	0.9	19	2.4	9	1.9
Region	—	—	—	—	—	—	—	—	10	1.3	3	0.6
Total	451	100.0	213	100.0	221	100.0	116	100.1	785	100.0	465	99.9

Note: Due to rounding, not all percentage columns add up to 100. **Source:** Parliamentary Institute, Parliament of the Czech Republic.

When speaking about the effectiveness of the Parliament’s work it is important to also take into account the number of amendments passed by the Chamber. Table 7 provides examples of some of the relevant legislation.

The large number of amendments to legislation, reflecting the precipitous way some measures were passed, as well as the inadequate interconnections of some of the laws, were undertaken during a period when the entire framework of the law was being changed. In the period 2000–2003, a large number of amendments were also due to the necessity of adapting Czech law to the legislation of the European Union (Community *acquis*).³⁷

The committees

The short description of the legislative process above highlights the importance of parliamentary committees. Committees can be characterized as groups of deputies (in the Czech Republic, usually with 16–24 members each), always established at the beginning of the election term, with a clearly stated scope of functions. There are some committees whose

³⁷ Community *acquis* is the body of common rights and obligations that bind all of the member states within the European Union.

existence is explicitly required by the Rules of Procedure³⁸ (such as the Mandate and Immunity Committee, Petition Committee, Budget Committee and the Organizing Committee), and other committees that are permanent or that are established for a limited period of time. Due to their specializations, the committees enable the deputies to focus their attention on a specific sphere of activity – especially in the discharge of their legislative and control functions.

Table 7: Selected legislation on the economy, with the number of amendments and modifications in 2001

Number and title of the Act	Adopted on	Number of changes
21/1992, on Banks	20 Dec. 1991	26
6/1993, on Czech National Bank	17 Dec. 1992	5
569/1991, on Land Assets Fund of the Czech Republic	16 Dec. 1991	22
535/1990, on the Transfer of State Ownership of Certain Property to Other Legal or Natural Persons (<i>so-called small privatization</i>) ^a	25 Oct. 1990	12
92/1991, on Conditions and Terms Governing the Transfer of State Property to Other Persons (<i>so-called large privatization</i>) ^a	26 Feb. 1991	19
63/1991, on Protection of Competition	30 Jan. 1991	5
248/1992, on Investment Companies and Investment Funds	28 Apr. 1992	13
455/1991, on Small Businesses (<i>Small Businesses Act</i>)	2 Oct. 1991	81
591/1992, on Securities	20 Nov. 1992	71
328/1991, on Bankruptcy and Settlement	11 July 1991	58
506/1992, on Income Tax	20 Nov. 1992	78
587/1992, on Excise Tax (<i>Consumption Tax Act</i>)	20 Nov. 1992	22

^a The small privatization programme covered the privatization of shops, restaurants, services and small production firms. The foundation for the large privatization programme covered the privatization of large industrial companies. For more details on the two programmes, see footnote 5. **Source:** Library of the Parliament of the Czech Republic.

Although the rules of procedure of the committees are stated in the Rules of Procedure of the Chamber of Deputies, the committee meetings are, to all intents and purposes, less formal, enabling the deputies to discuss specific problems in an informal way. Therefore, the committees provide an opportunity for interaction between members of different political parties within Parliament and also creates an environment that permits professional discussion and rivalry instead of direct political confrontation. The rivalry is due to differences in orientations and to the programmes of particular political parties.

Members of the committees become – to some extent – authorities on the questions covered by their committees, and they are looked upon as such by their colleagues in the party and the daily press, as well as by the general public. For deputies, membership on a committee leads to increased specialization and greater authority. This is particularly true when the deputy serves a number of terms as a member of Parliament and accumulates diverse experience.

Olson and Norton (1997) list several examples of paradoxes of institutional development that also involve parliamentary committees. It is worthwhile to review the paradoxes that pertain to this analysis. The first is the inevitable functioning of legislative bodies under completely new circumstances, but largely in keeping with the old rules. It should be mentioned here that immediately after its establishment on 1 January 1993, the Chamber of Deputies acted in compliance with the Rules of Procedure of the Czech National Council of 1989. Although the rules were amended several times between 1989 and 1992, the new Rules of Procedure, in force

³⁸ Act of the Rules of Procedure of the Chamber of Deputies, as amended by Act No. 47/2000 of the Collection of 14 February 2000.

from 1 July 1995, were adopted at the 30th meeting of the House. Another paradox is the new position of the committees as professional structures and parliamentary party groups as political structures. Under conditions in the Czech Republic, this paradox was also visible before the above-mentioned change of the Rules of Procedure in 1995. The committees become a venue for professional discussion but the results of the proceedings are largely influenced by political decisions of the parliamentary party group (PPG; although within a PPG there are usually some ad hoc groups of specialists appointed to review new and particular topical problems). These paradoxes are part of the grand paradox of parliaments: possibilities for negotiation have increased while negotiating capacity has decreased. This has been particularly true during the implementation of the EU legislation, when a large number of regulations have had to be adopted. The excessive number of regulations can affect their quality (Rakušanová 2001).

Thus, the ongoing institutionalization and—to some extent—professionalization of the committees had the same effect on the activities and functions of Parliament as the external political influences. During the period in question, the turnover among deputies steadily decreased: in 1996, 63 per cent of the deputies were elected for their first term, while in 1998 the newcomers represented less than one half of the total (46 per cent), and in 2002 only 42 per cent. Representation on the committees has also followed this tendency, and the number of deputies who have some experience of the functioning of Parliament and its committees is therefore increasing. As a result, the new deputies do not need time to become accustomed to the parliamentary routine. A rising number of deputies who are experienced in the functioning of a legislative body (or possibly of a particular committee), promotes professionalization and—on the whole—has a positive influence on the work of the organ. For instance, on the Budget Committee (discussed earlier), after the 1996 election, seven members out of 20 (35 per cent) had some experience of working on the committee from the previous term. After the 1998 election the figure was six members out of 21 (28.6 per cent).

By 2004, there were 14 permanent committees (see table 8), including the Organizational Committee, of which 11 had a legislative function, including participating in the preparation of legislation and control of the government's activities. Distribution of the agenda in ordinary committees does not correspond fully to the distribution of the portfolio between ministries. There are a number of reasons why the scope of competencies of particular ministries are not covered in the same way. One reason is tradition: the scope of competencies of the committees was taken over after the practice of the Czech National Council and Federal Assembly before the political change in 1989, and changes in the profile of the committees are very slow. Another reason is the growing and changing number of ministries, which means more committees. With its limited number of members, and because of restraints on eligibility due to the incompatibility of committee membership, the Chamber of Deputies cannot manage to staff so many committees.

Table 8: Number of committees and subcommittees

Chamber of Deputies	First term 1992–1996 ^a	Second term 1996–1998	Third term 1998–2002	Fourth term 2002–2004
Number of permanent committees	12	12	13	14
Number of committee members	13–23	11–26	11–22	11–23
Average size	18.4	20.3	19.0	18.9
Number of subcommittees	24	24	40	49

Note: Data provided refer to the period of the establishment of the committees. ^a As of 1 January 1993, after the split of the Czechoslovak Federation and establishment of the Czech Republic. **Source:** Chamber of Deputies of the Parliament of the Czech Republic Web site, www.psp.cz, accessed in July 2004; author's calculations.

Although the functioning of all committees is equally important for the activities of the Chamber of Deputies, the work of those immediately linked to the legislation and the economy of the country is the primary focus of interest of the political parties, and much more prestigious among the deputies as well. Within the framework of political agreement after each election, a party key³⁹ for staffing of particular committees is set in the post-election period. This key serves, above all, to ensure a majority when voting on fundamental questions; to ensure that every deputy is a member of a committee (excluding the chairperson and vice-chairpersons of the House and members of the government, who, according to the Rules of Procedure, cannot be members of a committee while in an office incompatible with such membership) and that the committees are representative. First, a party key is agreed on staffing the Budget, Constitution and Legal Committees, and Committee for Economics. There are between 18 and 21 members on these committees. The party key to staff the other committees is then set by additional calculation to ensure compliance with the conditions required by the Rules of Procedure. As a result, it is possible that the number of members in a committee may vary, but generally it has stabilized at 17–22 members (excluding the Mandate and Immunity Committee, which has 14 members, and the Constitution and Legal Committee, which has 24), depending on observation of the party key by particular parties⁴⁰ (see appendix 5). Interest in membership on certain committees, especially the prestigious ones such as the Budget Committee and the Constitution and Legal Committee, is enormous even within particular political parties, with many more seeking membership than are permitted by the Rules of Procedure.

Another important factor in staffing the committees is the ratio of seats between the coalition and the opposition. Since 1996, staffing the committees and electing the chairpersons has been part of coalition bargaining. By and large, it can be noticed that in the most important committees the governing coalition parties appoint the majority of the members. As mentioned earlier, in the eyes of political parties, deputies and possibly the public (although here empirical evidence is not available), the various committees have different degrees of prestige attached to them. The difference between particular committees (see appendix 6) is considerable. Traditionally, a high degree of prestige is attached to the Budget Committee, the Committee for Economics, and the Constitution and Legal Committee. The prestige of the latter, however, has been declining, and this can be explained by the fact that more and more legal measures are actually due to the harmonization of Czech legislation with that of the European Union, with the national legislation simply following EU guidelines (the scope for its own legislation is therefore becoming narrower).

The workload in the committees varies, depending on the scope of their activity, such as producing new legislation for a newly democratic state, particularly in the early 1990s. This section focuses on the two busiest committees: the Committee for Economics and the Budget Committee.

With the exception of promulgating legislation, the most important task of the committees is to review the functioning of the government. This task is the natural consequence of a system of government in which the administration is directly and continuously responsible to Parliament. Committees are the main practical working instruments for fulfilling this responsibility.

The effectiveness of oversight depends on the ability of committees to collect information from the government, ministers and other administrative officials. Members of the Chamber of Deputies realized the importance of information from the administrative authorities during the drafting of the Law on the Rules of Procedure. The deputies have obtained the right to compel government officials to provide information during committee meetings. Members of

³⁹ The party key is the proportion of positions occupied among parliamentary parties, that is, proportional representation in committees depending on the number of party members in the parliament.

⁴⁰ In the early years, there were proposals by some deputies to elect the chairperson of a committee by considering the professional profile of the candidate. Such proposals, however, should be seen rather as attempts by unsuccessful candidates to gain ground.

government as well as members of other central administrative agencies are required to attend committee meetings when asked, and to provide the information and explanations requested.

The oversight system of committees consists of two principal types of actions:

- debates (and subsequent decisions) on issues initiated by the government or a ministry; and
- debates (and subsequent decisions) on issues initiated by a committee.

The effectiveness of administrative review is affected by the composition of the Chamber of Deputies in relation to the composition of the government. When the government has a majority in the Chamber of Deputies, the effectiveness is lower because the government has a majority in each committee. In practice, the ministers and officials do not usually refuse to provide required information, but the MPs from government parties use their legislative power to defend their ministers from excessive interference with legislative power. When there is a minority government, the effectiveness of the administrative review increases, especially in committees in which the chairman is an opposition MP. The programme of a committee is concentrated on the administrative review and the content of debates is more substantial (Mansfeldová et al. 2002). Any committee may establish a subcommittee dealing with a specific issue.

In addition to committees, the Constitution stipulates that the Chamber can set up commissions to act as control mechanisms over special spheres of executive activity. There are three such bodies: the Permanent Commission of the Chamber of Deputies for Controlling Activities of the Security and Information Service; the Permanent Commission of the Chamber of Deputies for Controlling Operative Technology of the Police of the Czech Republic; and the Permanent Commission of the Chamber of Deputies for Controlling Military Defence Intelligence, which carries out activities similar to the committee supervising the civil intelligence services.

In addition, the Inquiry Commission is a special agency of the Chamber of Deputies for investigating matters of public interest when necessary. Upon the request of at least one-fifth of all deputies, the Chamber of Deputies elects an investigative commission, whose members are deputies but not members of the government. The investigative commission can engage experts, particularly investigators and support staff, and its work is confidential. Should facts ascertained by the commission indicate that an offence has been committed, the investigative commission informs the bodies responsible for initiating criminal proceedings. The commission compiles a final report summarizing the outcome of the inquiry, and this report is discussed in the Chamber of Deputies.

As can be gleaned from table 9, in practice, the creation of investigative commissions has only gradually been enforced in Parliament. Although the opposition has always been more interested in the membership of investigative commissions, it has managed to assert itself more emphatically in this way only after the 1996 elections, when a balance between the right-of-centre and left-of-centre forces was achieved, and it was possible for the opposition parties to gain more efficient control, although this was not a united opposition. This can be seen as progress in the development of democratic mechanisms, and evidences a great effort by Parliament to monitor the government.

In the first two electoral terms, investigative commissions dealt with problems related to overcoming the heritage of the communist past, and the events that had preceded, or resulted in the fall of, the communist regime (for example, the Parliamentary Commission for the Supervision over the Investigation of the November 1989 Events in Prague). Until 1996, the subjects of investigation of these commissions were cases related to privatization, activities of banks and organized crime within the economy. Of the seven investigative commissions established between 1996 and 2001, six have examined economic cases. Their composition (see table 9) demonstrates the growing role of the opposition in monitoring the government. The last

investigative commission listed in table 9—the Investigative Commission of the Chamber of Deputies for the Investigation of the Decision Making of the State in Investment Post Bank (IPB) from its Inception until the Imposition of the Forced Administration and its Sale to Czech Trade Bank (ČSOB)—was created only because certain parliamentary parties were not satisfied with the procedure employed by the government with respect to IPB. The establishment of the parliamentary commission was supposed to clarify precisely what happened in this case, and whether the government acted lawfully. A total of 194 deputies (out of 200) voted in favour of the establishment of the commission.

Table 9: Investigative commissions

Electoral term / number of functioning investigative commissions	Date established	Total number of members	No. of members from the governmental coalition/party
1990–1992 / 3			
1. Parliamentary Commission for the Supervision over the Investigation of the November Events in Prague (17 November 1989)	20 July 1990	—	—
2. Commission of the Czech National Council for the Investigation of the Death of the Dissident Pavel Wonka	4 Sept. 1990	7	7
3. Investigative Commission Concerning the Issue of Lustrations	14 May 1991	15	11
1992–1996 / 1			
1. Investigative Commission of the Chamber of Deputies for the Investigation of the Circumstances Related to the “Norbert”, “Zásah” and “Vlna” actions ^a	25 Feb. 1993	11	7
1996–1998 / 4			
1. Investigative Commission of the Chamber of Deputies for the Investigation of the Circumstances Leading to the Termination of the Activities of Kreditní banka a.s. Plzeň	1 Sept. 1996	12	6
2. Investigative Commission of the Chamber of Deputies for the Investigation of the Conditions of the Privatization and Economic Functioning of the Steel Company, POLDI Kladno	16 Oct. 1996	12	6
3. Investigative Commission of the Chamber of Deputies for the Investigation of the Contents and Accuracy of Financial and Property Transfers Within ČSTV [Czech Sports Organization] and Its Creation, Including the Financial Connections to Sazka ^b	7 July 1997	—	—
4. Investigative Commission of the Chamber of Deputies for the Permeation of Organized Crime in the State Administration in the “Olomouc Case” ^c	27 Feb. 1998	10	2
1998–2002^d / 3			
1. Investigative Commission of the Chamber of Deputies for the Investigation of the Activities of the Regional Transplantation Centre of the Teaching Hospital in Ostrava	1 June 1999	10 ^e	2
2. Investigative Commission of the Chamber of Deputies for the Investigation of the Doubts Arising in the Case of the Telecommunication Company, SPT Telecom	13 Jan. 1999	10 ^e	2
3. Investigative Commission of the Chamber of Deputies for the Investigation of the Decision Making of the State in Investment Post Bank from Its Inception until the Imposition of the Forced Administration and its Sale to Czech Trade Bank	10 June 2000	10 ^e	2

— = information not available. ^a actions organized by State Security. in November 1989. ^b the largest company for sports betting. ^c a light fuel oil business where tax evasion occurred. ^d information is as of 25 March 2005. ^e all of the parliamentary parties were represented equally. **Source:** Archive of the Chamber of Deputies, Parliament of the Czech Republic, www.psp.cz/sqw, accessed on 25 March 2005.

Section 4: Bargaining in Parliament on Economic Policy Issues

This section discusses the bargaining processes that take place in Parliament on issues relating to the development of economic policies by focusing on the budget. Bargaining on economic policy issues takes place, as with all other issues, in the committees and in the general parliamentary session. Political decisions, that is, decisions on how to vote, occur mostly in parliamentary party groups. It is important, therefore, to discuss some preconditions for successful bargaining. As the focus is on the budget, the next section will examine the Budget Committee, and the last sections will explore the process of budget bargaining and the Committee for Economics.

Preconditions for successful bargaining

The formal framework for parliamentary bargaining is defined in the Constitution and the Rules of Procedure of the Chamber of Deputies. The actual bargaining procedure has developed with the deputies' increasing experience with parliamentary work, with the gradual shaping of the relationship between the government and Parliament, and with the changing composition of political forces. The inexperience of the deputies, especially during the beginning of the transformation period, was visible in the activities of the committees, and Parliament as a whole, in their efforts to cooperate with the government and individual ministries. This led to a reduction of the influence of Parliament on economic policy making during this key period. The gradual professionalization of deputies, the creation of a strong opposition and the gradual equalization of powers between the right and left have led to efforts by Parliament to gain greater control over the government by using the powers granted to it. On the other hand, the inclusion into European structures has repositioned decision-making processes to transcend the national framework, thus strengthening the power of the executive and consequently restricting the influence of Parliament.

It is useful to take a closer look at the recruitment and professional experience of the members of Parliament, who constitute a very important part of the elite. During communist rule, a certain quota of parliamentarians was established for individuals who represented industrial and agricultural workers. Looking closely at the differentiation during individual terms of Parliament (see appendix 7), it can be seen that the occupational origins of the parliamentary elites continued to shift gradually toward professions that were associated, in the old regime, with a certain level of loyalty to the communist system, while in a democratic system they represent a professional preparation for top politics. While in 1992, many representatives of the scientific and academic spheres were elected to Parliament, more than half of the deputies in recent years are recruited from the top political echelons. Less qualified professions are rarely represented. At the same time, there is evidence that an increasing number of deputies have obtained their experience at the highest national level. The political careers of deputies now approach the "standard" in well-established democracies; thus, it is quite rare that a new person enters politics directly at the highest levels. However, this did occur in the Freedom Union, which was established as an ODS splinter group in 1998 and which brought in several deputies who lacked previous political experience in Parliament.

At the beginning of the period of transformation in 1990, the legislators were primarily new, and only a very small proportion of them had any experience working in the highest legislative body. The situation, however, quickly changed, and fewer deputies without previous parliamentary experience were elected to the Chamber of Deputies. Stabilization of the parliamentary political elite and its professionalization, which are important for the work in parliamentary committees, has occurred. The percentage of re-elected deputies has been increasing. In the current Chamber of Deputies (elected in 2002), 58 per cent of the deputies have prior experience within the highest representative body.

The Committee for Economics and the Budget Committee both played a crucial role in the bargaining processes relating to economic policy issues. After the 1990 elections, the decision on the composition of the committees was made by the OF; later this decision was subject to

coalition negotiations. The proposal to distribute MPs among committees according to expertise did not gain wide support. Thus, committees were staffed according to political agreements and the agreed party structure based on preferences on key issues. However, the professional profile of members of both of the above-mentioned committees has changed. There are now more economists on the committees, which contributes to their greater expertise.

The Budget Committee

The Budget Committee (before the transformation of the Czech National Council on 1 January 1993, called the Budget and Audit Committee) is one of the most vital and prestigious committees of the Chamber of Deputies. The Budget Committee plays a dual role: it discusses all issues concerning the Ministry of Finance, and bears primary responsibility for the adoption of the national budget. It collects draft amendments that deal with the budgets of the ministries from all of the other committees, and drafts the final version of the proposed budget for the Chamber of Deputies. The Budget Committee is therefore one of the busiest (see table 10).

Table 10: Activity of the Budget Committee, 1990–2004

Term	1990–1992	1992–1996	1996–1998	1998–2002	2002–present^a
Number of members	17–18	17–20	20	21	21
Number of committee meetings	65	78	36	59	24
Number of adopted resolutions	398	627	318	560	324

^a The present term is 2002–2006; information is as of 26 January 2004. **Source:** Archive of Chamber of Deputies, Parliament of the Czech Republic.

The scope of duties of the Budget Committee is naturally much wider than mere debates on the state budget and its particular chapters. The Budget Committee ranks among the four committees whose existence is required by the Rules of Procedure, and there is a survey of the problems it was dealing with in two election terms (1990–1992 and 1992–1996) (see appendices 8 and 9). These committees were chosen because, through them, the development of economic reforms and the genesis of new legislation in the transformation period can best be demonstrated by this sample. As can be seen in an overview of the topics, apart from the issues of budget, finance and taxes, there were also privatization acts and audits of techniques of privatization. Privatization was the government's responsibility, but members of the Budget Committee observed its course.

As with the Parliament as a whole, the Budget Committee consisted mainly of members without any previous experience of high-level politics. Only exceptionally did some have economic backgrounds; the others, however, tried to compensate for this handicap by taking part in seminars and discussing issues with specialists from academic circles and members of the government who were connected with the reform of the economy (such as the minister for national property management or the minister for economic policy and development). In the first meeting of the committee, it was proposed that appointments to the posts in the committee take professional backgrounds into account. This proposal was rejected, and it was agreed to distribute posts to all parties equally. At the time, there was an emphasis on the necessity of gaining respect for the executive through dynamic and high quality work. There was enormous enthusiasm for the work. The attendance at the seminars was very high, and members of the committee did not hesitate to criticize a minister if they felt that his lecture was not well prepared. In some instances they required that the lecture be repeated, or they expressed their dissatisfaction with the government in a resolution. Gradually the deputies became more professional and learned how to work with information, how to obtain it and how to evaluate it critically. There were nine seminars held on topics including the state budget; privatization, re-privatization and economic reform; privatization and private enterprise; the scenario of the

economic reforms; the state budget and the problems of municipal property; banking; and the problems of a Guarantee and Development Bank.

In the proceedings of the Budget Committee, many guests were invited to participate in discussions on individual items on the agenda. They included representatives of ministries, the Office of the Government, the Czech Statistical Office and the Czech National Bank, as well as other banks, together with many other officials and experts.

A look at the issues that were the subjects of bargaining during the next election term of 1992–1996 reveals a greater concentration on the state budget. Following the establishment of the Supreme Control Office, the auditing functions were transferred to this office. The name of the Budget and Audit Committee was changed to the Budget Committee.

The Budget Committee receives regular reports on the following issues (indicative of the broad purview of the committee):

- the state of the economy of the Czech Republic (quarterly reports as well as annual surveys of the past year);
- utilization of expenditures of the state budget;
- monetary policy of the CNB and its bookkeeping, and results of the management of budget resources for particular years;
- the bookkeeping of the Ministry of Finance;
- debates on the state budget;
- debates on utilizing expenditures and annual statements of the accounts of the Children and Youth Fund (since 1994);
- the Land Assets Fund of the Czech Republic;
- the National Property Fund; and,
- the state of the Customs Office and its activities, together with an overview of the frequency of visitors and their composition.

The topics of the seminars in this period were more specialized. In particular, they were focused on systems of taxation and income taxes; remuneration arrangements for the highest state officials whose pay and perquisites are established by law; the potential of leasing in the development of the market economy; cooperative banking (which later became a serious problem); tax allowances and their role in the stimulation of economic development; principles of grants policy and development of municipal credit systems; and control of public finances in a democratic country. Also, an international seminar, Budget and the Role of the Parliament, was organized in cooperation with the East West Parliamentary Practice Project, the Ford Foundation and the Centre for Democracy and Free Enterprise (with deputies from Estonia, France, the Netherlands, Poland, United Kingdom and the United States, all of whom were members of their country's budget committees).

Bargaining on the budget

The budget can be seen as a case study for the analysis of the bargaining process in legislative institutions. Discussions about the state budget reveal the various political and particular interests both in the meetings of the Chamber of Deputies and in the committees. The course of the bargaining process depends upon the distribution of political forces. In the case of a minority government, coalition building is very important in bargaining during the budget process.

The state budget is regulated by rules that are precisely stated in the Rules of Procedure of the Chamber of Deputies. As an introduction to this section, it may be helpful to provide a brief

summary of the most important steps in the discussion of the state budget.⁴¹ The bill on the state budget is submitted to the chairperson of the Chamber of Deputies by the government no later than three months prior to the commencement of a new budget year. The chairperson assigns the Act on the State Budget to the Budget Committee for discussion. The bill is introduced by the proponent (the government). During the first reading, the Chamber of Deputies discusses the basic information on the draft in a general parliamentary debate, including expenditures, the balance and so forth. In the event that the Chamber of Deputies approves the basic information in the draft Act on the State Budget, the individual chapters are assigned to committees. Each committee discusses the individual chapters of the bill assigned to them, and does not have the authority to propose changes in other chapters. The Ministry of Finance provides the design of the budget chapters; individual committees debate the internal contents of relevant chapters, and this is where deputies play a crucial role. Hypothetically, the potential impact of various interest groups may be expected at this point.

Until the adoption of the new Rules of Procedure in mid-1995, the draft act was discussed by the Budget Committee and also by a number of other committees, after which a joint report was submitted. This procedure offered greater opportunities for lobbying, and a lay opinion could prevail over a professional opinion, as each committee had one vote and the special budget and economics committees formed a minority (out of the usual four to five committees involved). After the changes to the Rules of Procedure, the Budget Committee obtained more competencies. Currently, it is very difficult for deputies to gain anything for their own constituencies, because they are expected to specify how the proposed expenditure will be paid for, and what other expenditures should be cut in order to obtain money for the proposed item.

The Budget Committee then discusses the committees' resolutions and/or reports of opposing views on individual chapters of the draft Act on the State Budget with the participation of the reporting persons of the committees and adopts the resolutions.

During the second reading, the draft Act on the State Budget is introduced by the Submitting Party, and the Budget Committee's reporting person then speaks. During the detailed parliamentary debate, amendments and other proposals are submitted.

The third reading of the draft may commence no earlier than 48 hours after the second reading has been completed. During the parliamentary debate, the only items that may be proposed are corrections of legislative errors of a technical nature, correction of grammatical errors and proposals for repeating the second reading. At the conclusion of the third reading, the Chamber of Deputies votes on proposed amendments, and eventually the House decides whether it will express its agreement with the bill.

The most important stage of the bargaining process is the first reading, which is meant to give a clear outline of the total funds to be allocated for mandatory expenditures (expenditures explicitly required by law), the total expenditures and revenues, the balance of the state budget and the budgets of municipalities. The Budget Committee is responsible for preserving a balance between revenues and expenditures. After the mandatory expenditures are subtracted, only approximately 15 per cent of the total funds allocated for expenditures remain. It is then necessary to come to an agreement as to which sphere, such as education, science or health care, will be emphasized. This percentage will be further reduced if the ongoing investment projects of the government that cannot be abandoned are considered, as well as unwritten obligations – percentages that are required for certain chapters of the budget (such as for science or for defence) by the EU and NATO. This means that the publicity in the media is actually about the small number of items that are debated in Parliament. It should be noted that the first round of putting together particular expenditures takes place at the ministries. This is why the ministries

⁴¹ Act No. 90/1995 Coll. of 19 April 1995, Rules of Procedure of the Chamber of Deputies, Part 13.

seem to be a better venue for raising special interests; it is much less transparent than the Parliament. The Chamber of Deputies is second in importance with respect to lobbying.

The Act on the State Budget is approved solely by the Chamber of Deputies. The debates are ideologically biased from the very beginning of the procedure; therefore debating the budget and voting on it is always a key issue for parliamentary party groups. Voting on the budget is always connected with strong party discipline, and refusing to follow the party line can have unpleasant consequences for the deputy, especially in the case of a minimal winning coalition⁴² or a minority government. An example of this is the vote on the budget in early 1997, when the government coalition had only a small majority. Two deputies from the Social Democrats voted against the party line and were expelled from the party. Soon after, one of them joined the right-wing Civic Democratic Party.

More evidence of the fact that voting on the budget is one of the key political issues performed in strict conformity with the party line is the analysis of voting in the Chamber of Deputies. Detailed analysis of the votes was available for a period of eight years (see appendices 10, 11 and 12).

The data highlights the percentage of members of a PPG that voted for the submitted budget, and also the parties that abstained from voting—in many cases, with the intention of allowing the bill to pass. The data demonstrates the strong discipline of the party when voting on the state budget. It can also happen that the budget is not adopted at first attempt, as was the case for the 2000 budget. Parliament did not pass the government budget; only the deputies of the minority government of the Social Democrats voted for it. Right-wing deputies voted against, and the Communists abstained from voting. As a result, the government operated on a provisional budget, and the budget had to be renegotiated at the beginning of 2000. As is seen in appendix 12, an agreement of the parties (the Social Democrats and Civic Democratic Party) bound by the “opposition agreement” occurred, and the budget was adopted.

Table 11 reveals the extent to which deputies feel bound by the party line when voting on the state budget and on other economic issues. When voting on the state budget, a majority of deputies, especially experts on economic issues and the state budget, feel bound by their respective parliamentary party groups.

Table 11: Voting choices (*per cent*)

Voting on	Vote cast	Deputies		Senators	
		Experts	Others	Experts	Others
Budget bill	In conformity with parliamentary faction's resolutions	74.4	80.8	—	—
	In conformity with MP's own opinion	25.6	19.2	—	—
Other economic topics	In conformity with parliamentary faction's resolutions	27.9	55.4	0.0	36.1
	In conformity with MP's own opinion	72.1	44.6	100.0	63.9

Source: Deputies and Senators of the Parliament of the Czech Republic in its Third Election Term (1998–2002), Project GA ČR No. 407/00/0747, Institute of Sociology, Czech Academy of Sciences, Prague.

⁴² Winning by a very narrow majority.

Reviewing the votes on amendment proposals for different years, it is possible to see how coalitions and ad hoc coalitions were created within the Chamber, or rather, how stable the government coalition was (see appendices 13–17).

Committee for Economics

Most acts that were vital for the economic reform programme were adopted between 1990 and 1992, which is reflected in the problems dealt with by the Committee for National Economy (later Committee for Economics) during that term (see appendix 18). In the last six months of 1992, the dissolution of the federation gave rise to problems, in particular the division of property. At that time the committee was mainly composed of people without backgrounds in economics, who were trying to acquire basic knowledge to overcome their lack of experience. The creation of a legislative framework necessary to carry out the economic reforms was primarily the responsibility of the Federal Assembly. The Czech National Council (which would become the Parliament of the Czech Republic) also dealt with this legislation.

Acts concerning the banks and banking were mainly submitted by the government, which preferred leaving the preparation of bills to the central bank. As the central bank has no right of legislative initiative, it only prepared the draft, handing it over to the Ministry of Finance, which submitted it as its own draft act, that is, as a government bill (GB). During the debates on the draft acts that had been drafted by the CNB, the governor was always present, and, as a rule, would answer questions concerning the GB. However, the bills regarding issues such as investment funds were mainly prepared by the deputies, in particular by Tomáš Ježek, since the government was not particularly interested in investment policy. Only one seminar, focusing on the problems of privatization, was held in this period.

While the committee discussed laws related to economic reform, reform of the welfare system and healthcare during the 1990–1992 term, the debates shifted to the privatization of specific companies during the 1992–1996 term, together with economic issues such as the privatization and restructuring of the railways (see appendix 19).

The number and topics of the seminars during this term reflect the wider scope of the agenda in the Committee. Table 12 summarizes the activities of the Committee for Economics during four election terms.

Table 12: Activity of the Committee for Economics, 1990–2002

Term	1990–1992	1992–1996	1996–1998	1998–2002
Number of members	20–21	21	20	22
Number of committee meetings	61	67	41	81
Number of adopted resolutions	n.a.	509	146	425
Number of seminars	1	10	n.a.	n.a.

Source: Archive of Chamber of Deputies, Parliament of the Czech Republic.

Section 5: Participatory Aspects of Governance

The economic reforms, the creation of a private sector and the rapid transfer to a market economy also produced phenomena that were previously unknown, such as unemployment, poverty and increased differences in wages. This section examines the role of interest groups, such as organized labour, in influencing the direction of economic policy during the transformation.

Interest groups

The formation and implementation of social policies in the Czech Republic since 1990 have occurred in a civilized atmosphere and mostly within a valid (although constantly changing) legal system. The entire discourse, however, has suffered from another integral problem: the public was so confused and overwhelmed with other problems related to the social transformation that its voice became almost completely muted. Policy makers were often tempted to closet themselves in the ivory tower of cabinet politics. As Martin Potůček summarizes in his book, *Křižovatky české sociální reformy* (Crossroads of the Czech Social Reform), the governments (until 1992, the government of the Federation and of the Czech Republic and, since 1993, only of the Czech Republic) and the executives of the central and regional authorities acted as the leaders of Czech social reform. They had at their disposal great intellectual and administrative capacities and, therefore, in addition to conceptual materials, they managed to introduce dozens of new bills, most of which were passed in the successive parliaments (until 1992, by the Federal Assembly of the Czech and Slovak Federative Republic and the Czech National Council; after 1993, by the Parliament of the Czech Republic). The creation of social policy was basically a product of the government and the Ministry of Labour and Social Affairs. The concepts and bills were prepared at the ministry. After a preliminary discussion at an informal, but influential, Council of Economic Ministers and (sometimes) the Council for Economic and Social Agreement (see next subheading), a relevant bill was approved by the government and submitted to the Chamber of Deputies. In the event that a bill was not passed, it was returned to the ministry for reworking (Potůček 1999).

The weakness of this approach was that other actors, especially representatives of interest groups and independent experts, were effectively excluded (partly by making access complicated) from the process of social policy creation and implementation (Potůček 1999:85). This approach was based on the negative attitude of the governing coalition parties (especially the strongest party, the ODS) toward including interest groups and intermediary actors in these processes. This attitude was most succinctly expressed by Václav Klaus who, as a theoretician advocating conservative and neoliberal traditions, stated that he believed “in the spontaneity of development, in traditions and values created and accumulated in long-term historical development, in the market, in individualism and the freedom of an individual, in the wisdom and abilities of Man whom the state should serve and not control” (Klaus 1996:228) and further, that “freedom, political pluralism and the market are enough and...this is the best that can be done for a just, decent and solidary society”.

The efforts of interest groups to assert their interests during the creation of legislation and reform measures were not limited solely to the area of social affairs. Professional associations and chambers, such as the Medical Chamber, the Dentists’ Chamber, the Chamber of Lawyers and others, attempted to assert their influence during the creation of legislation and the formulation of conditions under which they were to perform their activities. However, though weak, the trade unions and business associations were the only important partners of the government at the time. During negotiations with them, some of the measures under preparation were altered. The trade unions gradually acquired the support of the general public, support that they did not have at the end of the communist era and at the beginning of the transformation period. Thus, in the first part of the 1990s, even as the status of the trade unions grew, the willingness of the government to accept them as an equal partner decreased.

The emergence and development of a social dialogue

The reform strategy after 1989 required a political and institutional basis for a social dialogue that would help prevent, resolve or minimize anticipated conflicts. As in other states in Central and Eastern Europe, the federal and national governments decided in 1990 to create institutions that would represent the relevant interests and allow feedback. The goal of the Council for

Economic and Social Agreement⁴³ was to create a platform for preventing and resolving conflicts. Neither the existence of the council, nor its relationship to Parliament, is formally enshrined in the legal order. Its work is the result of an agreement between the parties concerned.⁴⁴ The concept of a social dialogue is based on the joint solution of problems and the representatives of labour and capital arriving at a consensus. Tripartite negotiations take place among representatives of employers and employees, with the state (government) representing the interests of society as a whole.

The social partnership represents an institutionalized non-political form of interest representation between labour and capital, that is, between employers and employee associations, with the participation of the state as a representative of the general social interest. It is an expression of civil society formation in the sphere of labour. The basic idea is that the general aims of economic and social policy should be accepted by all actors, and that they can be reached more effectively through cooperation and consensual policies than through conflict. The objective of the social partnership model is the joint solution of problems and balancing of interests based on the willingness to reach consensus and to compromise.

The first use of tripartite negotiations was a consultation on important government actions, bills and measures concerning employment, the standard of living, and social and working conditions, before the government made its decision on these proposals. The dialogue helped to create the proper framework for economic and social development. Nevertheless, it has to be stated that the trade unions and other major interest groups (especially employer associations) lost influence over the restructuring of the economy at the beginning.

Privatization was in the hands of the government from 1995 until the elections at the conclusion of 1998 that signalled the end of the right-wing government, and the trade unions and employers' associations had little input in this situation. At the beginning of the 1990s there had been a work team created and staffed by representatives of the trade unions and employer associations, and this team communicated with the Ministry of Privatization. This contact gradually ceased after the right-wing government came to power in the 1992 elections. CESA would receive information (between 1994 and 1997, for example, the subject of ongoing information on privatization was on the agenda of the tripartite meeting three times) or would discuss the transformation of railways, but it could not influence the course of the meetings.

The form taken by tripartite ties developed as a result of the changing political, economic and social conditions and the growing maturity of the social partners. Denationalization and privatization resulted in changes to the content of the negotiations. The political situation during the first two-year term of the government (1990–1992) was favourable for CESA. The original conception of the CESA changed in the latter part of 1993, when the new Czech government that emerged from the 1992 elections formulated its idea for the future of tripartite ties, evidently driven by the classic liberal objections to neocorporatism and the desire to minimize them. Its idea was that in the post-transformation period, the council should transform itself into an advisory and consultation body of representatives of employees and employers, with the government merely adopting the role of an observer. Another problem was the political, rather than expert, discussion on neocorporatism and representative democracy.

⁴³ Known as tripartite agreement because of the participation of the three partners—government, trade unions and employers.

⁴⁴ A social partnership is not part of the parliamentary system of the Czech Republic. There is no legislative regulation of the relationship between social partners and Parliament. There were not even formal ties between social partners (employees and employers) and political parties. Even at present the trade unions continue to avoid creating linkages with any particular political party, but increasingly look for support for their demands among their natural political partners. Trade unions suggested a legislative solution on CESA's position in the institutional system, which was aimed at solving the binding nature of CESA's decisions for participants of the tripartite body and for further legislative processes. The proposals were not realized. In the Czech Republic, this is no longer demanded by trade unions or employer associations.

In 1995, the tense situation and the deadlocked negotiations resulted in the adoption of new Statutes for the Council for Economic and Social Agreement. These statutes included a fundamental revision of the original concept and form of tripartite ties and a narrowing of the set of problems for discussion on the issues of wages, pay, labour relations, collective bargaining, employment, work safety and other social matters. Changing its name to the Council for Social Dialogue (later the Council for Dialogue between Social Partners) and creating a new structure for the body were consistent with this change.

Under the newly adopted concept, the council's function was to provide information rather than bring about agreement. The change essentially implemented the government's hidden agenda of eliminating the tripartite entity as an intervening body, and meant that Parliament would then become the principal venue where interests were to be represented. Klaus's government did not show any willingness to come to agreement on the tripartite issue with its social partners, especially the trade unions, and recommended that the trade unions assert their demands in Parliament. The trade unions started to do so and developed a way of communicating with parliamentary committees, parties in Parliament and individual deputies. They discovered that this was more efficient and that they could advance more of their demands through Parliament than through tripartite negotiations. After the 1996 elections, the same governmental coalition no longer recommended this approach, but the trade unions found that the procedures they had developed suited them well. They did not turn to a specific party (that might be ideologically closer to them) but interacted across the political spectrum with those whom they expected would support their proposals. Generally, it must be said that between 1994 and 1996, even though there was a climate of hostility toward the tripartite institution, the trade unions were not provoked into abandoning tripartite ties.⁴⁵ Foreign experience had shown the trade unions that the tripartite mechanism was easy to shut down but hard to resume.

The importance of tripartite ties was reinforced after the 1996 elections; in the deteriorating economic situation in 1996 and 1997, and with growing social tensions,⁴⁶ the government displayed a greater willingness to negotiate and consult with its social partners and seek their support for planned initiatives. Upon the instigation of both employers and trade unions, negotiations were held in the spring of 1997 on new Statutes and Rules of Procedure for the Council, with a demand that economic issues be put back on the agenda, with particular emphasis on the role of an agreement broker and on renewing trust between the parties through dialogue.

Like most social-democratic governments, the government created after the 1998 election placed great emphasis on social dialogue. This was warranted both by the nature of its government programme and preparation for accession to the European Union, which presupposed that important steps be discussed with the government's social partners.

In recent years, social partners, and especially the trade unions, have been considering the extent to which they should become involved in solving problems that the government is responsible for, and the extent to which they should co-author decisions on issues that have to be decided by the government, and thus bear responsibility to voters. The trade unions no longer want to interfere with matters of economic policy, but within the tripartite body (CESA) they have fought for the right to information, and the right to consultations and decision-

⁴⁵ During this period the trade unions adopted the parliamentary method of interest representation and learned how to use it more effectively.

⁴⁶ Before the end of 1996, strikes were merely sporadic, but they became more frequent in 1997 (such as the strike by employees of the Czech Railways and the successive strikes by staff in elementary, nursery and secondary schools). The number of protests increased; for example, the trade union for the metal industry, Czech Metalworkers' Federation (KOVO), organized more than 30 different protests in the second half of 1999.

making authority between trade unions and employers with the objective of executing collective agreements.

The fundamental document with an agreement on common interests within the tripartite body was the General Agreement (GA), which was also a general document and starting point for collective bargaining at the sectional and corporate level. It was not a legally binding document, but rather a product of a democratically achieved consensus between the participating various parties, and compliance with it could only be sought politically. This differentiated the General Agreement from collective bargaining processes, in which the collective agreements concluded at various levels are legally binding and enforceable.

The General Agreement was signed every year between 1991 and 1994. The signing of the agreement was always preceded by long and often turbulent negotiations. A comparison of the GAs from these years indicates that over time their formulation reflected differing degrees of maturity, the institutionalization of interests and the changing economic situation during privatization. The fact that the demand that this arrangement should be binding was dropped – something the unions had pushed for in the years before – also reflected the changing situation.

The first GAs contained various frameworks (prices and wages), defined social security, and tried to set out precise rights, entitlements and responsibilities. During the economic transformation and privatization, these specific definitions were important for the parties involved, but later lost their importance. Even so, the trade unions and many employers wanted to agree to some sort of general arrangement, even if it was to be more loosely conceived. The discordant development of tripartite ties and the differing ideas and demands of the social partners has meant that it has not been possible to conclude a General Agreement from 1995 until after the 1998 election.

The deterioration of the economic situation and, later, the emergence of a new Social Democratic government in 1998, led to a revival of interest in tripartite activity and the conclusion of some form of general agreement; the social partners expressed an interest in the GA and supported its creation. Two types of opinions could be found among employers: (i) opinions asserting a looser concept of the agreement, resembling a framework agreement between partners for a longer period of time (for example, a term of government), and as a pact formulating “who would do what in return for what”; and (ii) opinions advocating the original concept of the GA and with the original name. Both partners – employers and trade unions – expected that the General Agreement, or a similar document, would help reinforce social harmony and both saw it as desirable. The document thus prepared (called the “Social Pact”) was to be a framework agreement for a longer period of time expressing the willingness of the partners to negotiate and define the principal tasks and rules for mutual awareness. This idea was not finalized during the term of the government (1998–2002). In the current situation (2004) neither the left-right coalition cabinet (formed by ČSSD, KDU-ČSL and US-DEU) nor the social partners, have expressed any interest in such an agreement.

Actors in the social dialogue process

When the Council for Economic and Social Agreement was set up in 1990, it included seven representatives each from government, trade unions and employers, in what were called delegations. Despite the different types of delegations, and in view of the changing statutes and conceptions of tripartite ties, the council has always consisted of three partners and the same institutional representatives of employers and employees. The council is headed by a government representative, usually the minister of finance or the minister of labour and social affairs. Earlier, the government was represented by the ministers of agriculture; industry and trade; economy; health care; education, youth and sports; labour and social affairs; and finance. In 2004, the government was represented by the ministers of labour and social affairs; finance; justice; agriculture; industry and trade; and regional development, as well as the deputy

ministers of transportation and health care. The chairman of CESA is the prime minister, and the vice-chairman is the minister of labour and social affairs.

Employees are represented by two central trade union bodies: the largest, the Czech and Moravian Confederation of Trade Unions (CMCTU) with 850,000 members (as of 2002) and the Association of Independent Trade Unions (AITU) with 200,000 members (as of 2001).⁴⁷ As of 2004, the trade union delegation has been comprised of the chairmen of CMCTU, the Czech Metalworkers' Federation (KOVO) trade union, the Health Care and Social Care trade union, the Stavba (construction) trade union, the Chemical Industry Trade Union, the Association of Independent Trade Unions; the vice-chairman of CMCTU; and a member of the Council of the CMCTU.

Although trade union organizations outside of these umbrella groups are currently not represented in the tripartite negotiations, there is pressure from some of them for this to change. The trade unions have remained highly centralized in the Czech Republic, and this has proven to be an advantage during negotiations, in part because of their strong base of expert specialists.⁴⁸ A frequently discussed issue has been the representation of newly formed entities, especially new trade unions, the representation of other civic associations, and in general, the criteria for various levels of representation.

Employers are represented in tripartite negotiations by the Coordination Committee of the Confederation of Employers and Business Associations of the Czech Republic and the Federation of Industry and Transport of the Czech Republic. The employers' delegation has seven members and is comprised of the president of the Federation of Industry and Transport of the Czech Republic; the vice-president of the Federation of Industry and Transport of the Czech Republic; the chairman of the board of Skoda Auto a.s.; the vice-president of the Federation of Industry and Transport of the Czech Republic; the managing director of EASTMAL Sokolov a.s.; the vice-president of the Federation of Industry and Transport of the Czech Republic and director of company PROSPEKS; the president of the Confederation of Employer and Entrepreneur Associations; the chairman of the Federation of Czech and Moravian Manufacturing Cooperatives and the president of the Association of Construction Entrepreneurs of the Czech Republic.

The Confederation of Employers and Business Associations is an umbrella organization for several business associations set up for individual branches of industry or the bringing together of private businessmen. It also includes associations of businesses in agriculture and the cooperative sector. Membership in employer associations is voluntary, as is membership in trade unions. Compared to the trade unions, employer associations are not mutually supportive; they are understaffed and do not have substantial funds or expertise.

There are no formal links between political parties and the social partners in the Czech Republic. The guiding principle, declared at the outset by both employers and trade unions, is independence from political parties and the apolitical status of the social partners. This is incorporated in the new statutes of the council by the requirement that a group be sufficiently representative. Relations between employers and the trade unions are today described by both parties as correct and standard. If employers have a common interest with the trade unions (as was the case when they pressed for wage regulations to be eliminated), they are able to join forces to advance their common position in tripartite negotiations. Relations between the

⁴⁷ The successor umbrella organization in 1990, after the collapse of the former Revolutionary Trade Union Movement, was the Czech and Slovak Confederation of Trade Unions (CSCTU), which took over its member base and assets. The Czech part of the CSCTU federation later founded the CMCTU.

⁴⁸ Membership in trade unions has been steadily declining since 1989. While in 1998, 26 per cent of the labour force was unionized, by 1999 this fell to 23 per cent. The decrease in membership is mainly due to industrial restructuring and privatization.

government and trade unions have not been as straightforward. After supporting a government policy and its economic programme in the early years, the trade unions began to realize the risks involved in the government's social policy. They are able to organize warning protests or strikes, which has led them into conflict with the government.

The main issues discussed by CESA

The main problems tackled in tripartite negotiations in the past concern the transformation of the social sphere, wages, labour relations and the Labour Code. The act on strikes and the act on the civil service are also worth mentioning. The problems associated with the transformation of the social sphere have affected mainly social, health and pension insurance.

A tripartite discussion on transformation of the social sphere

Negotiations on pension insurance generated three areas of conflict: the separation of the pension system from the state budget, the raising of the retirement age and issues of supplementary pension insurance on a collective (employee) or individual basis. With regard to the last point, the government sought to assert the individual principle exclusively. This has changed, and since 1999, employers can contribute to supplementary pension insurance plans.

Since the beginning of the economic and social transformation, the amendment of the Labour Code to reflect all of the fundamental changes in labour relations has been an important and contentious issue. There was disagreement on both the form of the new legislation on labour relations and its substance, and there have been ongoing discussions about regulations related to labour law for over 10 years. In the mid-1990s, the question was whether labour law should be covered by a separate code (as had been the case since 1965) or should become a part of the Civil Code. It was not only the trade unions that stood in the way of this move; employers were also largely against the incorporation of labour legislation into the Civil Code. In November 1994, the trade unions organized a demonstration in Prague against the government bill on changing the Labour Code, which was later passed by Parliament. In 1995, other discussions started to take place concerning the preparation of a new Labour Code, but since the discussions were not productive, work on the new Labour Code was suspended.

Accession to the European Union has brought about the need to harmonize the Czech labour law with that of the EU. A broad discussion among the social partners was directed and coordinated by the Ministry of Labour and Social Affairs in new political conditions, and resulted in amendment of the existing Labour Code. Twenty-eight European Commission (EC) guidelines related to the labour law have been implemented in the Czech Labour Code. The amendment was adopted as Act No. 155/2000, and came into force on 1 January 2001. A new amendment, the so-called Euro-amendment, was added later to harmonize the code with European law.

Between 1991 and 1995, the main point of conflict in the area of wages was the regulation of wages, which was definitively eliminated in July 1995. The development of wages was limited by wage control, undertaken by the government from the beginning of 1991 to mid-1995. Wage control was introduced by a government provision of 1991 as an anti-inflation measure, and since its introduction it has been a hotly disputed issue in CESA. The wage controls only involved state-owned companies; private enterprises, companies with foreign stakeholders and small businesses were exempted. With the progress of privatization and the growing share of foreign capital, regulatory interventions by the state became less relevant.

Economic and wage specialists, in their published comments, generally agreed that regulation was inappropriate in a market economy, and because a consolidated market economy was still not in place, it was necessary to restrain the growth of wages. It is true that the CESA was involved in negotiations regarding wages, and it was also a part of the General Agreement, but it was actually the government that decided such issues. The trade unions had very limited room to manoeuvre. The problem, therefore, was not whether the social partners and the

government in the tripartite body would agree on regulations, but whether they would accept the regulations imposed by the government (Mansfeldová 1997:136–139).

Unemployment, considering its low levels, did not constitute a serious problem in the Czech Republic for a long time, and therefore was not a central issue in the tripartite council. But in 1997, unemployment, which until then had been relatively low, started to increase, and this tendency continues. Scaled-down programmes affecting some industrial regions, restructuring industry, and low mobility have made unemployment an urgent problem in some regions (see appendix 3). Therefore, unemployment became one of the issues that became a priority in CESA, in particular exploring ways to solve the problem of unemployment in the worst affected areas. This primarily concerned employment schemes for northeastern Bohemia and the Ostrava region, where the problem was assuming the form of structural unemployment. CESA was concerned with developing specific proposals to improve the situation, which were then submitted to the government.

Closely related to the unemployment is the issue of minimum wages, which was a focus of CESA from the early 1990s. Minimum wages ranked among the most controversial issues in the tripartite agreement process. It was predominantly trade unions that promoted an increase in minimum wages, which conflicted with the ideas of the government and resulted in controversy. By the end of the 1990s, however, the government had changed its attitude. Low minimum wages, which virtually equalled the government-guaranteed subsistence level or the unemployment benefits, often had a counter-incentive effect on job hunting and—as a consequence—created a heavy burden for the Treasury.

Another aspect of the issue of wages was wage arrears, which in 1999 became a rather frequent phenomenon. In 1999 there were still economic and social problems and problems in some of the major industrial companies. In the second half of the year there were cases of delayed payments of wages to workers. In late 1999 insolvency of companies and the resulting demands for back payment of wages became a very significant problem. According to estimates from the CMCTU headquarters, 300,000 employees were affected—they either failed to receive wages, received partial wages and/or experienced delays. According to the government report on the situation concerning insolvent companies, at least 53,000 employees did not receive their wages. The situation in the Christmas period resulted in concerns about living and discontent within the population.

On 21 December, approximately 1,000 demonstrators (mainly from the companies that had failed to pay wages, such as Zetor Brno and Czech-Moravian Kolben-Daněk/ČKD) gathered in front of the Parliament to show their discontent with government and parliamentary policies on back payment of wages. The Chamber of Deputies passed a bill requesting the government to release CZK 400 million⁴⁹ for interest-free credit to be granted to people who were not paid. The Act on the Protection of Employees in Case of Insolvency, which came into force in May 2000, addressed this issue by making district Labour Offices responsible for the payment of wages in cases of insolvency. In addition, the government launched a loan programme that enabled district authorities to grant loans to people who had not been paid (Government of the Czech Republic 2000:25).

Matters related to integration into the European Union began to appear on the agenda of tripartite negotiations, and a working group for matters of European integration was formed in April 1998, chaired by the head of the government negotiating team. Both trade unions and employers welcomed this as a chance to acquire information and express opinions on the documents being prepared, if for no other reason than that, despite their efforts and expressions of interest, they had not succeeded in joining the negotiation team.

⁴⁹ CZ is the Czech currency, Czech Koruna (\$1=23.20 CZK, January 2005).

Conclusion

The issue of accountability is a problem for every democracy, and particularly for those countries developing a democratic system and a market economy. Accountability is related to the delegation of power, the existence of classic democratic checks and balances, the potential abuse of power and the existence of appropriate sanctions. The legislative foundation of accountability creates a necessary framework for the functioning of the system, but political practice may be different as “the rules of the game” are created gradually, and often only practice reveals the weaknesses of a particular item of legislation. The concept is related to the institutionalization of democratic structures, the establishment of democratic values, the acquisition of experience and the professionalization of the elites, together with external political and economic influences.

It was symptomatic of the beginning of the economic and political transformation that the problems that arose could be solved through democratic mechanisms, but these very mechanisms were still being developed. Under these circumstances, high-profile figures wielded a great deal of influence and sometimes their perspectives outweighed the democratic mechanisms of decision making and control. The form of the first initiatives of the transformation was, to a substantial degree, influenced by these figures, and this was reflected especially in the approach to economic policy making. The executive, ministries and government institutions held decisive power. The Parliament did not have a significant impact on the process, nature or letter of the law; and there was also very little time for the preparation of laws in the “legislative storm”. A majority of the deputies also lacked, to a certain degree, the relevant expertise that would have helped them evaluate the bills submitted, and some of them failed to give adequate attention to the performance of their functions. The parliamentary committees performed some work, especially the Committee for Economics and Budget Committee; in the field of social policy, it was primarily the Committee for Social Policy and Healthcare that evaluated the bills submitted.

Interest groups participated in privatization at the beginning, during the small privatization, when members of county privatization committees were also members of the Union of Entrepreneurs. Trade unions could have joined this effort, but they took little advantage of this option because they did not have enough qualified people to take part in privatization commissions. Their participation in the large privatization was no longer even expected. There was also a great aversion against any type of neocorporative form of representation of interests. There were inclinations on the part of members of the Committee for Economics and, even more, the Budget Committee, to participate in the privatization committee, but this did not happen.

The conceptualization of the legislature with regard to the process of economic reform and its realization was complicated until 1993 because one portion of the legislation was within the power of the federation and the other within the power of the republics. Laws often had to be prepared twice—for the federal and republic parliaments. Laws were produced “while waiting”; abbreviating the 60-day legislative process was a matter of personal agreement between the proponent and the relevant official in the Parliament. In 1995, this was disallowed in the new Rules of Procedure of the Chamber of Deputies of the Parliament of the Czech Republic. The “abbreviated process” requires that a state of “legislative need” be proclaimed, and has strictly defined rules.

At the beginning of the 1990s, the Czech economic reforms created a division in society and in the party system, and support or criticism of a given procedure was closely linked to support or criticism of the transition to democracy. The emphasis on speedy reform and reliance on the effects of the market led to the underestimation of ethical, and sometimes even legal, principles. As an example, consider the frequently repeated statement on the non-existence of dirty money or “privatization with the lights out”. This attitude, along with underdeveloped democratic control mechanisms, underestimation of their importance and the non-transparent legal

environment, created opportunities for many fortune hunters and also made tunnelling possible later. The consequences of this development came to light in the second half of the 1990s in connection with economic problems, financial affairs concerning prominent individuals, risky credits and the tunnelling of banks and companies. It is clear that a relationship between membership in political parties and the economy was established (in practical terms, the financing of political parties and the revelation of such practices), and this was not limited only to government coalition parties. Opportunities presented themselves during the small privatization, and even more during the large privatization (for example, the cases of the privatization of two companies, Knižní Velkoobchod and the Poldi Kladno ironworks, in which some of the foreign sponsors of political parties were actually deceased). This can be regarded as a consequence of the government being insufficiently accountable to Parliament.

The reform itself was a system of economic and political steps that had a direct psychological impact on the population. A crucial development was the division in the spring of 1991 of the OF—an ideologically heterogeneous group of people—and the establishment of the ODS, a party that was able to formulate a clear and convincing programme and gain support among the general electorate. In the 1992 elections, ODS, which had a concentration of the authors of the reform⁵⁰ after the collapse of the OF, offered an orientation toward the future, and promised prosperity (although with sacrifices) as well as social mobility for anyone who actively participated in the transformation. The victory of ODS in the 1992 elections signified a shift from “non-political politics” to professional politics. The support expressed in the elections, however, had an underside—voters desired a market economy while preserving social certainties. As long as their situation did not deteriorate dramatically, they appreciated the successes of the reform. However, people also expected restoration of the ownership rights they had lost as a result of nationalization; they wanted to feel that there was justice. The scope of restitutions that this led to was unseen even in neighbouring Hungary and Poland.

For the Czech Republic, it has been extremely important from the very start to accede to international structures. In the area of the economy, this primarily meant accession to the IMF, as both the IMF and the World Bank provided the massive loans needed at the beginning of the economic reforms. As a result, an image of trustworthiness was created that made it possible to obtain further foreign loans and aid during “the institution building” process. The role and structure of the central bank (the Czech National Bank), as well as the structure of the banking sector, the required legislation, banking supervision and statistics were all developed with the assistance of foreign advisors. The adoption of this know-how was not a subject of open political discussion or confrontation at the beginning of the 1990s. This was due particularly to the neoliberal orientation of the ruling political parties, which were not against the relevant recommendations and directives, and also due to awareness of the necessity of a prompt launch of the reforms.

The Czech economic reforms and privatization did not depend on foreign experts, although the offer of consulting services was ample. Aid from foreign experts represented a major contribution in areas in which they were able to use their professional skills—for example, they helped with the preparation of the Centre of Coupon Privatization, the stock exchange and the evaluation of potential investors, among other programmes.

The adoption of this know-how, however, often concealed inadequacies in the transparency of decision-making processes and in the political accountability of the actors involved. In view of the gradual accession to international structures, the acceptance of certain recommendations has become necessary. The issue of accountability has, as a result, reached a new dimension.

With the inclusion into supranational structures, especially NATO (March 1999) and the EU (May 2004), citizens and researchers may wonder whether the government agenda will become

⁵⁰ Others were members of ODA, such as Minister of Privatization Ježek.

even more bureaucratic and less accountable, and what role and powers the Parliament will have. Joining supranational structures changes the control functions; internal rules and standards must be commensurate with international standards. What will occur, as has thus far been the case with member states, is the “reduction of the degree of policy control by individuals within member states; to intrusion of the EU into functions that were previously performed by the nation states; and to an overall lack of democratic accountability and transparency” (Weale 1997:667).

In any case, supranational integration will have an influence on the relationship between Parliament and the government. For the time being, we can only learn lessons from the experiences of countries that have gone through the process of integration.

Appendices

Appendix 1: Ministers of finance, 1989–2000

Level	Name	Period in office
Federal	Jan Stejskal	11 October 1988–10 December 1989
Federal	Václav Klaus	10 December 1989–2 July 1992
Republic	Karel Špaček	29 June 1990–2 July 1992
Republic	Ivan Kočárník	2 July 1992–31 December 1992
Federal	Jan Klak	2 July 1992–31 December 1992 ^a
Czech Republic	Ivan Kočárník	1 January 1993 ^b –3 June 1997
Czech Republic	Ivan Pilip	3 June 1997–16 July 1998
Czech Republic	Ivo Svoboda	22 July 1998–20 July 1999
Czech Republic	Pavel Mertlík	21 July 1999–12 April 2001
Czech Republic	Jiří Rusnok	13 April 2001–14 July 2002
Czech Republic	Bohuslav Sobotka	15 July 2002–present

^a End of CSFR. ^b 1 January 1993 was the date of creation of the Czech Republic.

Appendix 2: Occupational origins of economic and political elites in the Czech Republic, Hungary and Poland (per cent)

	Number of respondents	Occupational origins (1988)						Out of labour force ^f
		Director	Deputy director ^b	Legislator	Administrator ^c	Professional ^d	Other worker ^e	
Czech Republic								
Economic elite (1993)								
<i>Director</i>	476	19.3	54.2	—	2.1	19.1	2.7	2.5
<i>Deputy director</i>	274	8.0	57.7	—	0.7	28.1	3.3	2.2
Political elite (1993)								
<i>State administration</i>	52	1.9	17.3	—	19.2	48.1	7.7	5.8
<i>Parliament</i>	103	—	16.5	2.9	16.5	53.4	6.8	3.9
Hungary								
Economic elite (1993)								
<i>Director</i>	432	36.3	38.9	—	6.9	15.0	1.9	0.9
<i>Deputy director</i>	55	7.3	78.2	—	9.1	3.6	1.8	—
Political elite (1993)								
<i>State administration</i>	80	1.3	3.8	1.3	52.5	40.0	1.3	—
<i>Parliament</i>	78	5.1	3.8	11.5	14.1	59.0	—	6.4
Poland								
Economic elite (1993)								
<i>Director</i>	306	32.7	47.7	—	2.3	14.7	2.0	0.7
<i>Deputy director</i>	212	3.8	76.4	—	3.8	13.7	1.9	0.5
Political elite (1993)								
<i>State administration</i>	184	4.3	6.0	—	25.5	58.2	3.3	2.7
<i>Parliament</i>	72	5.6	4.2	2.8	16.7	51.4	9.7	9.7

Due to rounding, all percentage rows do not add up to 100. ^a "Director" refers to the managers of economic enterprises, i.e., firms involved in agricultural production, manufacturing, mining, construction, transport, utilities, tourism, trade and finance. ^b "Deputy director" refers to the deputy directors and department managers of economic enterprises. ^c "Administrator" refers to officials in public administration, health services, education and cultural institutions. ^d "Professional" refers to both standard professionals, such as engineers and university professors, and associate professionals, such as technicians and secondary school teachers. ^e "Other worker" refers to clerical, sales, service, agricultural, skilled manual and unskilled manual workers. ^f "Out of labour force" includes such categories as attendance at school, military service, unemployment and maternity leave. **Source:** Hanley et al. 1998:30.

Appendix 3: Percentage of MPs and senators in cabinets in the Czech Republic, 1992–2003

Cabinet	Number of ministers	MPs (number/per cent)	Senators (number/per cent)
V. Klaus's cabinet 1992–1996 (as of 1 January 1993)	19	5 / 26.3	0 / 0
V. Klaus's cabinet 1992–1996 (as of 1 January 1996)	19	6 / 31.6	0 / 0
V. Klaus's cabinet 1996–1998 (as of I January 1997)	16	14 / 87.5	0 / 0
J. Tošovský's cabinet 1998 (as of 1 February 1998)	17	8 / 47.1	0 / 0
M. Zeman's cabinet 1998–2002 (as of 1 January 1999)	19	8 / 42.1	4 / 21.1
M. Zeman's cabinet 1998–2002 (as of 1 January 2001)	16	7 / 43.8	3 / 18.8
V. Špidla's cabinet 2002 (as of 1 January 2003)	17	13 / 76.5	2 / 11.8
S. Gross's cabinet (as of 26 July 2004)	18	12 / 66.7	1 / 5.6

Source: Information and Documentation Center on Central European Parliaments (Linek and Rakušanová 2002:39); Chamber of Deputies of the Parliament of the Czech Republic Web site, www.psp.cz, accessed on 5 February 2005; Government of Czech Republic Web site, www.vlada.cz, accessed on 5 February 2005.

Appendix 4: Particular spheres of the president's competency to be modified: A survey of deputies and senators

Sphere of competency	Deputies	Per cent	Senators	Per cent
Amnesty, pardon, termination of criminal cases	37	37	22	43.1
Bank council of CNB	21	21	11	21.6
Legislative powers	4	4	1	2.0
Personal appointment (for example, of judges)	9	9	1	2.0
Appointment of prime minister and government	5	5	7	13.7
Responsibility for own activities	1	1	1	2.0
Relation to executive, revoke countersignature	2	2	3	5.9
Right to veto laws	5	5	1	2.0
Dissolution of Chamber of Deputies	1	1	1	2.0
As stated in last draft of Constitutional Law	1	1	—	0.0
Supreme command of armed forces	1	1	—	0.0
Merely nominal competence, representation	2	2	—	0.0
Investigative competence	1	1	—	0.0
Involvement in home politics	2	2	—	0.0
Foreign policy	3	3	—	0.0
Consultation with other constitutional institutions	2	2	1	2.0
Same as at present	2	2	2	3.9
Don't know	1	1	—	0.0
Total	100	100	51	100.2

Due to rounding, not all percentage columns add up to 100. **Note:** Although several deputies and senators expressed some reservations in the survey, officially they agreed with the current scope of the president's competence. **Source:** Survey of Deputies and Senators of the Parliament of the Czech Republic in the Third Election Term, 1998–2002, Project GA ČR No. 407/00/0747, Institute of Sociology, Czech Academy of Sciences, Prague.

Appendix 5: Number of members in the committees, 1992–2004

Name of the committee	1992–1996	1996–1998	1998–2002	2002–
Mandate and Immunity Committee	15	12	11	14
Committee for Petition, Human Rights and Nationalities	13	19	17	17
Budget Committee	18	20	21	22
Committee for Economics	21	20	22	22
Constitution and Legal Committee	20	20	19	24
Committee for European Integration/ Committee for European Matters ^a	—	—	17	18
Defense and Security Committee	20	20	19	22
Committee for Social Policy and Health care	21	19	21	22
Committee for Science, Education, Culture, Youth and Sport	19	26	22	21
Committee for Public Administration, Regional Development and Environment	23	26	21	21
Committee for Foreign Affairs	15	20	17	20
Agricultural Committee	18	20	19	19
Organizational Committee	28	27	19	22
Electoral Committee	—	—	19	11

Note: Figures provided are for beginning of term. — = The committee did not exist during this period. ^a The name was changed on 12 May 2004. **Source:** Chamber of Deputies of the Parliament of the Czech Republic Web site, www.psp.cz, accessed in June 2004.

Appendix 6: Rating of prestige of committees: A survey of deputies (per cent)

Year survey was conducted	First term		Second term	Third term	Fourth term
	1993	1996	1998	2000	2003
Committee					
Constitutional and Legal Committee	91.9	88.7	63.9	60.9	40.2
Budget Committee	61.0	89.4	84.1	89.4	91.1
Committee for Economics	60.3	41.5	42.7	49.7	49.7
Foreign Affairs Committee	26.5	21.3	27.4	20.7	25.4
Defence and Security Committee	11.8	16.3	28.0	25.1	17.2
Committee for Social Policy and Health Care	8.1	12.0	22.3	15.1	10.1
Committee for Science, Education, Culture, Youth and Sports	5.1	7.0	4.5	2.8	5.9
Petition Committee	3.7	2.8	0.6	1.7	3.6
Agricultural Committee	2.9	7.7	9.6	5.0	11.8
Committee for Public Administration, Regional Development and Environment	2.2	1.4	7.6	18.4	16.6
Committee for European Integration	—	—	—	5.0	4.1
Mandate and Immunity Committee	1.5	4.2	2.5	3.4	2.4
Election Committee	—	—	—	—	1.2

— = The committee did not exist during this period. **Source:** Documentation and Information Centre on the Parliaments of Central Europe (Parliamentary DICE), Institute of Sociology, Academy of Science of the Czech Republic.

Appendix 7: Occupation of deputies prior to their election to the Parliament
(per cent)

Occupation	Czech National Council		Chamber of Deputies	
	1986	1992	1996	1998
High political function (minister, deputy, advisor, vice minister, junior minister)	7.5	34.0	43.0	53.5
Low political function (politician on a local level, party official or employee)	15.0	8.5	18.5	12.5
Other state officials	2.5	3.5	3.0	1.5
Army	0.0	0.0	0.5	0.0
Research workers with university education	8.5	28.0	13.5	15.0
Art profession	0.5	0.5	1.0	1.5
Civic society, church	6.0	1.0	4.0	1.0
Top management	5.5	9.0	10.5	9.0
Other employee	9.5	7.5	3.0	4.0
Labour profession	38.0	5.5	0.5	0.5
Farmer	5.5	2.5	0.0	1.5
Others (unemployed, student, pensioner)	1.5	0.0	2.5	0.0
Total	100	100	100	100

Source: Archive of the Chamber of Deputies, Parliament of the Czech Republic.

Appendix 8: Budget and Audit Committee in the election term, 1990–1992

Some of the key issues discussed:

- Debates on the Government Policy Statement
- Government Bill of 1989 Closing State Budget of the Czechoslovak Socialist Federal Republic
- Closing State Budget of the Czech Republic
- GB of Municipal Property
- Rules of the Budget of the Czechoslovak Socialist Federal Republic
- Rules of Management of Budget Resources
- Fundamental Charter of Rights and Liberties
- Debate on chapters of the budget, Office of the Czech National Council
- Amendment of the Act of the Rules of the Budget
- Joint meeting with the Office of the Government Presidium to discuss the GBs of competencies of the organs of the Czech National Council and the GB of the Act of the 1991 State Budget
- Draft of the Constitutional Act of the Constitutional Court
- Draft of the Constitutional Act of the Referendum
- Information on the transfer of approximately one-quarter of national property of the Czech Republic to municipalities
- Transition to the unified system of classification, based on international standards and requirements of the IMF
- Evaluation of the Budget: decrease in companies' profits; problems related to revenues
- Problems related to establishment of state funds

- Amendment of the acts of restitution of property and rehabilitation of churches and religious associations
- Information on the state of small privatization, and on the preparation and technical support of large privatization (together with the Committee for Economics and Committee for Commerce and Tourist Trade)
- GB of Protection and Exploitation of Mineral Resources
- GB of Banks
- GB of the State Bank of Czechoslovakia
- Draft of the procedure for debating the 1992 state budget in the Czech National Council
- GB of the Budget of the National Property Fund of the Czech Republic
- GB of providing guarantees by the state budget for international organizations
- Overview of the work of the board which discusses and approves privatization projects within the scope of large privatizations
- GB of the principles of the Act of Social Insurance Financing
- GB of Ownership of Flats and Nonresidential Rooms
- GB of Investment Funds
- GB of Taxes, such as the road tax and real estate tax
- GB of Management of Rates and Taxes, Court Fees and Charges for the extract from Criminal Records, draft act by the Czech National Council of company, trade, departmental and other Health Insurance Companies

Source: Archive of the Chamber of Deputies.

Appendix 9: Budget and Audit Committee / Budget Committee in the election term, 1992–1996

Some of the key issues discussed:

- Draft budget of the National Property Fund
- Draft act of the Independent Audit Office (IAO)
- Approving the budget of the Council for Radio and Television Broadcasting
- Schedule of the Closing State Budget
- Closing State Budget (chapters of the Ministry of Finance, Ministry of State Control when still in existence, Czech Statistical Office, IAO, Czech National Council, General Inland Revenue, President's Office, Chamber of Deputies of the Parliament, national debt)
- Draft procedures for the nomination of the president and vice-president of IAO
- Draft budget of the Land Assets Fund of the Czech Republic
- Opinion statement of the Committee on the Rules of Economy of Deputies Clubs
- Insurance schemes of the General Health Insurance Company and other health insurance companies
- Draft act of the Rules of Procedure of the Chamber of Deputies of the Parliament of the Czech Republic
- Annual financial reports of political parties and movements
- Approving bilateral agreements

- Subsidies (both annual and per ballot) for political parties; evaluation of annual financial reports of political parties and movements
- Draft of the procedure for debating the state budget, discussion of the draft for nomination of IAO members
- Discussion of anticipated aspects of the surplus of the state budget

Source: Archive of the Chamber of Deputies.

Appendix 10: Voting on the state budgets in the first election term, 1992–1996
(per cent)

	ČMSS (formerly CMUS)	ČSSD	KDS	KDU- ČSL	KSČM	LB	LSNS	LSU	ODA	ODS	SPR-RSČ
1995	0	11	100	100	0	0	100	0	94	100	0
1996	31	0	100	100	0	0	100	—	100	98	0

Source: Data from the Parliamentary Bulletins of the Institute for Democracy and European Unity; calculations by A. Seidlová.

Appendix 11: Voting on the state budgets in the second election term, 1996–1998
(per cent)

	ČSSD	KDU-ČSL	KSČM	ODA	ODS	SPR-RSČ
1997	3	100	0	100	99	0
1998	0	100	0	100	100	0

Source: Data from the Parliamentary Bulletins of the Institute for Democracy and European Unity; calculations by A. Seidlová.

Appendix 12: Voting on the state budgets in the third election term, 1998–2002
(per cent)

	ČSSD	KDU-ČSL	KSČM	ODS	US
1999	97	90	100	0	0
2000	100	0	0	88	0
2001	93	5	0	90	0
2002	96	0	0	98	0

Source: Archive of Chamber of Deputies, Parliament of the Czech Republic.

**Appendix 13: Voting on the Governmental Draft Act of the state budget of 1995:
Amending proposals in the third reading (per cent)**

Proposed by	Number	Supported by										
		ČMSS	ČSSD	KDS	KDU-ČSL	KSČM	LB	LSNS	LSU	ODA	ODS	SPR-RSČ
ČMSS	13	92.3	41.2	2.3	2.8	36.7	2.7	4.6	91.0	0.5	0.3	100.0
KSČM	1	13.0	100.0	0.0	6.0	89.0	100.0	0.0	83.0	0.0	0.0	75.0
KDS	1	0.0	89.0	80.0	8.0	67.0	85.0	60.0	67.0	100.0	66.0	100.0
KDU-ČSL	3	54.3	96.3	63.3	80.3	96.3	98.3	73.3	88.7	54.3	24.0	100.0
LB	8	37.9	44.5	1.3	4.1	93.1	98.8	0.0	78.9	0.0	0.0	100.0
LSNS	3	41.7	78.3	17.7	29.0	74.0	68.3	73.3	72.0	30.7	19.0	25.0
ODA	10	57.8	82.6	28.3	47.4	48.8	49.8	24.0	68.9	65.9	25.2	62.5
ODS	4	22.0	59.8	50.0	67.3	58.3	71.0	50.0	49.8	70.3	60.5	50.0

Source: Data from the Parliamentary Bulletins of the Institute for Democracy and European Unity; calculations by A. Seidlová.

**Appendix 14: Voting on the Government Draft Act of the state budget of 1996:
Amending proposals in the third reading (per cent)**

Proposed by	Number	Supported by									
		ČMUS	ČSSD	KDS	KDU-ČSL	KSČM	LB	LSNS	ODA	ODS	SPR-RSČ
ČMUS	1	100.0	9.0	0.0	0.0	13.0	17.0	67.0	0.0	0.0	100.0
ČSSD	11	66.2	83.5	9.1	13.4	88.9	65.5	51.1	11.6	8.6	97.7
KSČM	3	74.3	65.0	0.0	3.3	100.0	94.7	0.0	0.0	0.0	100.0
LB	8	83.6	94.4	0.0	1.8	88.9	100.0	47.9	1.0	0.3	100.0
ODA	8	20.4	12.5	26.6	13.1	6.9	17.6	12.5	97.4	12.3	31.3
ODS	5	69.2	55.2	93.2	78.6	40.0	40.0	76.6	33.0	95.6	0.0

Source: Data from the Parliamentary Bulletins of the Institute for Democracy and European Unity; calculations by A. Seidlová.

**Appendix 15: Voting on the Government Draft Act of the state budget of 1997:
Amending proposals in the third reading (per cent)**

Proposed by	Number of proposals	Supported by					
		ČSSD	KDU-ČSL	KSČM	ODA	ODS	SPR-RSČ
Committee	1	29.0	94.0	100.0	15.0	99.0	0.0
ČSSD	5	98.0	1.2	100.0	12.4	0.0	100.0
ODS	5	49.2	34.6	27.4	38.6	54.0	20.0
KSČM	7	55.9	0.9	99.3	0.0	5.3	85.7
KDU-ČSL	4	56.3	97.3	50.0	27.0	32.0	0.0
ODA	6	52.3	35.2	94.8	94.8	23.5	49.0
SPR-RSČ	1	14.0	0.0	9.0	0.0	3.0	100.0

Source: Data from the Parliamentary Bulletins of the Institute for Democracy and European Unity; calculations by A. Seidlová.

**Appendix 16: Voting on the Government Draft Act of the state budget of 1998:
Amending proposals in the third reading (per cent)**

Proposed by	Number of proposals	Supported by					
		ČSSD	KDU-ČSL	KSČM	ODA	ODS	SPR-RSČ
Committee	1	0.0	100.0	91.0	100.0	100.0	0.0
ČSSD	16	88.1	24.0	83.1	25.5	26.3	12.5
ODS	6	51.7	40.0	75.0	47.3	65.0	50.0
KSČM	11	51.6	1.1	99.1	0.0	1.0	73.7
KDU-ČSL	2	77.0	89.0	97.5	0.0	48.5	0.0
ODA	3	20.3	33.3	6.0	49.3	40.0	0.0
SPR-RSČ	15	19.5	0.0	58.1	0.0	0.4	98.8

Source: Data from the Parliamentary Bulletins of the Institute for Democracy and European Unity; calculations by A. Seidlová.

**Appendix 17: Voting on the Government Draft Act of the state budget of 2000:
Amending proposals in the third reading (per cent)**

Proposed by	Number of proposals	Supported by				
		ČSSD	KDU-ČSL	KSČM	ODS	US
Committee	4	56.3	46.0	25.3	75.0	29.5
ČSSD	2	50.5	76.0	56.5	43.5	64.5
ODS	6	2.3	65.0	57.8	81.5	66.7
KSČM	6	4.7	27.8	88.2	2.7	7.8
KDU-ČSL	6	0.8	99.2	80.7	10.7	88.2
US	3	32.3	68.3	50.0	36.7	100.0

Source: Data from the Parliamentary Bulletins of the Institute for Democracy and European Unity; calculations by A. Seidlová.

**Appendix 18: Scope of issues addressed by the Committee for National Economy in
the 1990–1992 election term (highlighting key examples)**

- Debate on the government policy statement
- GB on Income Tax
- GB of the Transfer of State Ownership of Certain Property
- to Other Legal or Natural Persons
- GB of Competencies of State Authorities of the Czech Republic Concerning the Transfer of State Ownership of Certain Property to Other Legal or Natural Persons
- GB of Protection of Economic Competition (anti-monopoly measures)
- GB of the Transfer of State Property to Other Persons for the Purpose of Free Enterprise
- Deputies' Bill (DB) of the Act of the Transfer of State Ownership to the Funds of Economic Reconstruction and Conditions of Its Privatization
- Debates on the chapters of the Draft Act of the State Budget, specifically, those of the Ministry for Economic Policy and Development; Ministry for Management of State Property and Its Privatisation; Ministry of Industry and Commerce; Ministry of Agriculture; Commission for Nuclear Energy; and Administration of the State Material Reserves (a state administrative body responsible for organization of the material support of measures in emergencies, for state material reserves and for management of material possessions)
- DB of the amendment Act of Small Privatization
- GB of the Act of Import Tax

- Bill (by the Czech National Council) of the Land Assets Fund of the Czech Republic
- GB of the State Bank of Czechoslovakia
- GB of the Banks
- GB of General Health Insurance
- DB of the Land Assets Fund of the Czech Republic
- GB of the Budget Rules of the Federation
- GB of the Trade Offices
- GB of Tax Consultancy
- DB of the Principles of the Act of the Supreme Audit Office
- GB of Management Charges
- GB of the Road Tax
- DB of the Principles of the Act of the Inheritance Tax, Gift Tax and Real Estate Transfer Tax
- The president's proposal, alteration and amendment of Constitutional Law No. 327/1991 Coll. of the Referendum (the president, however, has no right of legislative initiative)
- GB of Regulation and Settlement of Property in Cooperatives
- Delimitation of federal authorities (for example, Federal Measurement and Standards Office or Federal Inventions Office) – transfer of their powers to those of the Czech Republic

Source: Archive of the Chamber of Deputies.

Appendix 19: The scope of issues the Committee for National Economy/Committee for Economics⁵¹ addressed in 1992–1996 (highlighting key examples)

- Delimitation of federal authorities (for example, Federal Measurement and Standards Office or Federal Inventions Office) – transfer of their powers to those of the Czech Republic
- Debates on the chapters of the Draft Act of the State Budget – of the Ministry for Economic Policy and Development, Ministry for Management of State Property and Its Privatization, Ministry of Industry and Commerce, Ministry of Agriculture, Commission for Nuclear Energy and Management of Material Possessions
- Preparation for election of the Supervisory Board of the National Property Fund the Fund informs the Committee of the number of public tenders and their costs
- Information about the activities of the Czech-Moravian Guarantee and Development Bank (a state-established bank created to provide guarantees of credit for small and medium-sized businesses at commercial banks)
- Problems with the law of forests
- Information about negotiations between foreign oil companies and the Unipetrol Company
- Problems of privatization and restructuring of railways

Source: Archive of the Chamber of Deputies.

⁵¹ Having transformed the Czech National Council to the Chamber of Deputies of the Parliament of the Czech Republic on 1 January 1993, the Committee removed the word "national" from its name.

Appendix 20: Party composition of the Chamber of Deputies 1993–2004 and of the Czech National Council 1990–1992 at the beginning of the electoral term^a

Year	1990	1992	1996	1998	2002
Eligible voters	7,553,477	7,738,961	7,990,770	8,116,836	8,264,484
Participation in election	7,310,856	6,583,988	6,096,404	5,994,844	4,789,145
Turnout	96.78	85.06	76.29	73.86	58.00
Number of valid votes	7,211,047	6,473,250	6,059,215	5,969,505	4,768,006
Percentage of valid votes	98.63	98.32	99.39	99.58	99.56

	Seats	Per cent	Seats	Per cent	Seats	Per cent	Seats	Per cent	Seats	Per cent
OF ^b (OH)	127	63.5	—	—	—	—	—	—	—	—
ODS	—	—	66	33.0	68	34.0	63	31.5	58	29.0
KDS ^c	—	—	10	5.0	—	—	—	—	—	—
ČSSD	—	—	16	8.0	61	30.5	74	37.0	70	35.0
KSČM (KSČ, LB) ^d	32	16.0	35	17.5	22	11.0	24	12.0	41	20.5
KDU-ČSL	19	9.5	15	7.5	18	9.0	20	10.0	21	10.5
ODA	—	—	14	7.0	13	6.5	—	—	—	—
US ^e -DEU (US)	—	—	—	—	—	—	19	9.5	10	5.0
SPR-RSČ ^f	—	—	14	7.0	18	9.0	—	—	—	—
LSU ^g	—	—	16	8.0	—	—	—	—	—	—
HSD-SMS	22	11.0	14	7.0	—	—	—	—	—	—
Total	200	100.0	200	100.0	200	100.0	200	100.0	200	100.0

— = Indicates that the party did not win a seat, did not run for election or did not exist. ^a The electoral term is for four years since 1992; early elections were held in 1998. ^b In 1991 the OF was divided into the ODS and the Civic Movement (OH). ^c Before the 1996 election, the KDS merged with ODS. ^d In the 1992 elections, KSČM ran together with Demokratická levice (Democratic Left) within the LB election coalition; an overwhelming majority of MPs elected on the ballot of this coalition were party members of KSČM. ^e The US was established in January 1998 after splitting off from the ODS. ^f The party Association for the Republic–Republican Party of Czechoslovakia did not pass the 5 per cent threshold for entering Parliament. ^g LSU was a union consisting of the Liberal National Socialist Party, Agrarian Party and Green Party. **Source:** Czech Statistical Office, www.volby.cz, accessed in July 2004.

Appendix 21: Composition of the Upper House (Senate) after elections, according to Senate party groups

Party	1996		1998		2000		2002	
	Seats	Per cent	Seats	Per cent	Seats	Per cent	Seats	Per cent
ODS	32	39.5	28	34.6	22	27.2	26	32.1
ČSSD	25	30.9	23	28.4	15	18.5	11	13.6
KDU-ČSL	13	16.0	9	11.1	6	7.4	15	18.5
ODA	7	8.6	3	3.7	3	3.7	—	—
KSČM	2	2.5	4	4.9	3	3.7	—	—
DEU	1	1.2	—	—	—	—	—	—
Four-party coalition ^a	—	—	13	16.0	30	37.0	—	—
Independent	1	1.2	1	1.2	2	2.5	—	—
US-DEU ^b	—	—	—	—	—	—	16	19.8
Senate Party group "Independents"	—	—	—	—	—	—	5	6.2
Unaffiliated Senators	—	—	—	—	—	—	8	9.9
Total	81	99.9	81	99.9	81	100	81	100.1

Due to rounding, not all percentage columns add up to 100. ^a Member of an election grouping that consists of a four-party coalition (KDU-ČSL, US, ODA and DEU). ^b The US-DEU senate group is called the Open Democracy Club (Klub otevřené demokracie) and in addition to US-DEU members, there are also some candidates who ran as independents or on the ballot lists of some smaller parties. Five senators are needed to form a senate party group. **Source:** Czech Statistical Office, www.volby.cz, accessed in July 2004.

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