Economic Policy-Making and Parliamentary Accountability in Czech Republic

United Nations Research Institute for Social Development

Economic Policy-Making and Parliamentary Accountability in Czech Republic

Zdenka Mansfeldová
Institute of Sociology
Academy of Sciences of the Czech Republic
Prague

*****DRAFT NOT FOR CITATION*****

2002

Research monograph prepared under the UNRISD project on Economic Policy-making and Parliamentary Accountability

The **United Nations Research Institute for Social Development** (**UNRISD**) is an autonomous agency engaging in multidisciplinary research on the social dimensions of contemporary problems affecting development. Its work is guided by the conviction that, for effective development policies to be formulated, an understanding of the social and political context is crucial. The Institute attempts to provide governments, development agencies, grassroots organizations and scholars with a better understanding of how development policies and processes of economic, social and environmental change affect different social groups. Working through an extensive network of national research centres, UNRISD aims to promote original research and strengthen research capacity in developing countries.

Current research programmes include: Civil Society and Social Movements; Democracy, Governance and Human Rights; Identities, Conflict and Cohesion; Social Policy and Development; and Technology, Business and Society.

A list of the Institute's free and priced publications can be obtained by contacting the Reference Centre.

UNRISD, Palais des Nations
1211 Geneva 10, Switzerland

Tel: (41 22) 9173020
Fax: (41 22) 9170650
E-mail: info@unrisd.org
Web: http://www.unrisd.org

CONTENT

Introduction

The transformation in the Czech Republic, or Czechoslovakia, started as a convergence of two main processes – a change from a socialist command economy to a market economy, and from an authoritarian regime to a political democracy. In addition, there was the division of the Czechoslovak Federation in 1992 and the challenges of creating an independent state. Since the very beginning, the country has striven for a "return to Europe", which in practise means striving for inclusion in international institutions, especially accession to the European Union.

When the communist regime collapsed in November 1989, there were no readily available guides on political transformation, but there was a group of economists who throughout the 1980s prepared for this outcome by systematically organising their ideas in seminars and discussions and developing a theoretical framework of steps to be taken to pursue reform. Shortly after November 1989, they established themselves in the Civic Forum (Občanské fórum), and after the first elections they assumed key government positions and were able to launch the goals of the required reforms.[1] 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 see Chapter 1). Their choice was the neo-liberal approach -- the belief that the aim of public policy is to give people the freedom to define their space, which should not interfere with the freedom of others; once this conception of freedom is attained everything else would take its proper course. Efforts to speed up implement of the reform programme and the underestimation of the relationship between economy and the law led to the "privatisation with the lights out", which in the second half of the 1990s resulted in a number of problems. The one consequence of these problems was the fall of Klaus' government at the end of 1997.

[1] Let us mention, at least, V. Klaus, T. Ježek (the first Minister of Privatisation), V. Dlouhý, J. Zielenienec, J. Tošovský (the central bank governor to be), K. Dyba, J. Stráský, J. Kysilka, M. Kočárník and others)

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

Nevertheless, discussions on the economic transformation and its form did not take place in the Parliament but were a matter for the above-mentioned group of economists. It prefigured the course of the reform, which was primarily in the hands of the government and bureaucrats. Parliament, aside from passing individual laws and frequent discussions, influenced it only minimally. Generally, it can be said that at the beginning of the 1990s the influence of intellectuals on the economic, political and legal fields was strong, perhaps even outweighing the democratic mechanisms of decision-making and control which were only then being created and which had to "become settled", i.e., embedded in society. Also, we should not forget to mention that we are talking about a new political elite and not all the political actors had sufficient economic knowledge and experience. As we shall see in Chapter 2, deputies were inexperienced, did not have enough economic knowledge and political experience, and focused more on the political transformation. The fact that the Parliament was more concerned with the creation of the legislation than its control was also determined 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 when the agenda of the abolished federation had to be restricted.

On the other hand, the fact that there was a team of people in the country who after the fall of communism knew theoretically how to effect the transformation to a market economy and had the political will to enforce it, along with good starting conditions (low debt etc.), was a good presupposition for the success of the economic reform in the first half of the 1990s, relative low social costs of the transformation and the wide support of the general public as demonstrated in elections. In 1992, ODS won the elections by a large margin. The most important differentiating factor between the elections of 1990 and 1992 was the impact of economic reform in the Czech part of the federation. Satisfaction with the way reforms were progressing showed a high correlation with support for ODS - a party that identified itself with liberal democratic values and individualism. While the issue of economic reforms as such was not 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, which in the electoral and post-election arrangement of forces became the starting mechanism for the division of the federation. In Slovakia the main differentiating factor in the elections was the issue of national identity.

After the 1992 elections, attitudes towards economic reform became such a clear dividing line that the Czech political system was characterised as ‘one-dimensional’ [Kitschelt 1994: 36]. This dimension was 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 their positions as perceived by the voters.

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[2]. Privatisation as the only road to an efficient economy, to a change in work motivation, became a key issue. There were diverging views on the manner and pace of privatisation; diverging concepts as well as diverging "camps" were formed around these concepts. The economic reform began to act as a strategy of political polarisation. Political protagonists had transformed the discussions about the reform into ideological terms and the support of a radical conception of the reform was associated with a long-term support for democratic development.

The basic legislative framework and institutional conditions for the economic transformation were created between 1990 and 1992. Basic privatisation acts (the "small" and "large" privatisation) were adopted, along with the restitution acts, and the Ministry for Privatisation and the National Property Fund were established. The largest portion of the privatisation had occurred by 1994.[3] The share of the private sector in the national GDP grew from 12% in 1990 to 78% in 1999. The most dynamic development in this area was recorded between 1993 and 1994. The proportion of private ownership has remained more or less constant since 1996 [Czech 2000:33]. Parties that advocated privatisation gained a majority in the Parliament.

This study examines the role of parliament in influencing policy decisions that underpinned the transformation of the Czech Republic into a market economy. What was the responsibility of those who made decisions on individual privatisation transactions? What control did the Parliament, civil society (various associations) and citizens have? To what extent and in what manner could, for example, trade unions push their opinions during the

---

[2] Privatisation, i.e., an ownership transfer, is a fundamental step towards the creation of a market economy [Stark 1992].

[3] In addition to the privatisation of state property, a transformation of the ownership of agricultural, productive and consumer associations occurred between 1992 and 1993.

privatisation process? The attitude of the government of V. Klaus was ideological[4]; the government did not want any participation by trade unions, and the unions themselves have quickly given up any attempts at such co-operation.

If we examine the options of the Parliament, especially the agenda discussed by the Economic Committee and the Budget and Control Committee, we will see that control consisted primarily in the acquisition of information. Parliament could have acted mostly *ex post facto* by establishing investigation committees to examine a particular suspicious case. After the 1996 elections when a balance between the right-of-centre and left-of-centre forces was achieved, it was possible for the opposition parties to gain more efficient control, although it was a disjointed opposition.[5] This can be seen as progress in the constitution of democratic mechanisms, and we can even see a great effort by the Parliament to monitor the government, for example, by setting up parliamentary investigation committees.

A plausible theoretical frame for interpreting the survey findings is the concept of accountability. Although the term "accountability" expresses an old problem in democracy, "explicit efforts to define its meaning in the context of political science only began in the mid-1990s" [Krause 2000:19]. The concept of accountability is not free from speculation, but it still provides a satisfactory interpretive framework for a number of relationships and processes occurring between citizens (voters) and politicians, amongst politicians themselves, and between political institutions and elites in general [Brokl et al. 2001]. I start from O'Donnell's generally accepted differentiation [O'Donnell 1998] between vertical and horizontal accountability, according to which vertical accountability "describes a relationship between unequals" and includes relationships such as those between superiors and subordinates, between voters and their representatives. The subject of this study is horizontal accountability, which depends on the existence of "checks and balances" and involves the

[4] According to statements of trade union representatives expressed in interviews.
[5] In addition to Social Democrats, it consisted of Communists and Republicans, parties defined in Sartori's terminology as parties without a coalition potential, which weakened the influence of the opposition.

executive, legislative and judicial branches on the one hand, and extends to state agencies empowered to take action against unlawful actions or omissions committed by other state agencies or agents [Zajc 2000]. It is also necessary to mention the central bank among the institutions on the horizontal axis. In addition to vertical and horizontal accountability, one more dimension has appeared in connection with the intensifying process of globalisation and this concept is also mentioned in the study. Many international organisations and bodies are influencing the realisation of accountability by enhancing reforms from outside and by establishing standards which the new states must meet before they are accepted into international organisations and groupings.

Chapter One provides an overview of the debates on economic transformation. Chapter Two examines the policymaking styles of successive governments, the roles of the Ministry of Finance and Czech Central Bank in facilitating economic transformation, and governmental relations with international financial and economic institutions. Chapter Three discusses the party system, the dynamics of coalition politics and parliamentary processes. Chapter Four discusses bargaining dynamics on economic policy issues by focusing on the budget. Chapter Five looks at wider participatory aspects of governance by discussing the roles of trade unions in influencing government reform agendas. Chapter Six concludes the study.

Data sources

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

Data from surveys of the Parliament of the Czech Republic[6]; a long-term study on social partnership; interviews of social partners – trade unions and employer associations; a study of

---

[6] Project *"The Party System and Parliament in the 1992 Election Year"*, supported by Research Support Scheme by the Central European University, September 1, 1992-August 31, 1994; GA ČR Project No. 403/96/0388 in co-operation with the East Carolina University, Greenville and Charles University; Project *„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*

documents in the secretariat of RHSD at the presidium of the government of the Czech Republic; an analysis of voting in the House 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 Economic Committee and the Budget Committee; a study of the documents in the library of the Czech National Bank; interviews of 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, interviews of responsible persons in the Ministry of Finance of the Czech Republic – International Organisations Department and State Budget Department.

Acknowledgements

I would especially like to thank Petra Rakušanová, who assumed a large portion of the organisational work and documentation in the archive, conducted some interviews and co-authored Chapter 3. May thanks to Emil Voráček who co-authored Chapter 1. Furthermore, my thanks go to all those who were willing to answer my questions and provided me with, or made it possible for me to obtain, the indispensable information and data for this study.

Term"; GA AV ČR Project No. S7028003 *„Information and Documentation Centre on the Parliaments of Central Europe (Parliamentary DICe).*

Chapter 1

Economic transformation in the Czech Republic

1.1. Macroeconomic framework

The Czech Republic, or Czechoslovakia, had at the beginning of the transformation relatively favourable starting conditions – it was not in such a huge debt. On the other hand, unlike other post-communist countries (e.g. Hungary) there were not even elementary structures of a market economy and production was, to a great extent, oriented towards the markets of socialist countries. After the division of Czechoslovakia, the Czech Republic had to come to terms with other unexpected problems, primarily the loss of the Slovakian market, the division of state property, etc. One advantage was the great support of the economic transformation by citizens and the willingness to make sacrifices, although no one demanded them at the beginning.

During 1991 – 1993 the economy experienced a recession, during which economic output decreased substantially. The years 1992 and 1993 were, moreover, marked by the dissolution of the federal state. The new economic dynamic started in 1994 and the positive development lasted until approximately 1996 (see Annex 3), with an acceptable inflation rate, low unemployment rate and a stable rate of the Czech crown. With the fall of the GDP by 4% between 1997 and 1999 (the economy hit bottom in the first quarter of 1999), growth of slightly less than 2% is expected in 2000 (to reach 97% of the GDP volume in 1989 with a better structure).

During this period of economic decline, the relationships between economic development and salary development grew tense as the purchase price of the average salary increased by approximately 27% [Human 1999: 163]. Real salaries thus reached the 1989 level but growing salaries have become, among other things, an important element of economic instability. Other factors that have caused this development usually include:

- harsh anti-inflation policy of the Czech National Bank (ČNB), which – uncoordinated with the governmental economic policy – restricted the inflow of money into the economy and was accompanied by high interest rates;
- slowdown of the structural reform process, especially in the case of large companies crucial for the economy;
- minor emphasis placed on the use of bankruptcy proceedings in the case of unprofitable companies with bleak prospects;
- interruption of the privatization of the banking sector;
- weak “corporate government”;
- fall of the boom in world markets, especially in the EU with which the Czech Republic is most connected as far as business is concerned.

The attempt of the government to correct the economic problem assumed the form of two “packages” of restrictive measures. The restrictions hit the public sector in particular, and were accompanied by outbursts of dissatisfaction and the jeopardy of social peace. They led to a vote on 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 central bank and the ideas of the government often clashed.

The unemployment rate was very low in the first years of the transformation, until 1996, although strong growth in population brought new members to the labor market (see Annex 3). This is explained, among other things, by the ability of the little-developed tertiary sector to absorb a large quantity of the labor force and also the decrease of the employment of pensioners. The low unemployment rate before 1996 was the result of over-employment and suspended restructuring of the industry. Once companies found themselves in financial difficulties, unemployment started to increase from 2.9 to 9.4 percent in 1995 and 1999 respectively. During the first months of 2000 the unemployment rate increased, and subsequently decreased below 9 percent. In the future the unemployment rate will be affected by dismissals in large – mainly state-controlled – enterprises and the reduction in newly privatized companies. The growth of employment would be encouraged by governmental incentives, aimed at employment and foreign investment inflow, such as support in the creation of new jobs, subsidies for education and retraining, contributions for infrastructure and land improvement, and encouragement of constructing new industrial zones. Development will, of course, depend on which industries and branches foreign capital will flow in the future.

The period of 1998 – 2000 in the Czech Republic is characterized by a high increase in direct foreign investments. This fact is interpreted as the result of a changed governmental policy that offers extensive incentives for foreign investors. Another crucial factor is the privatization and sale of shares held by the state in strategic companies (banks, in particular). In 1998, the interest of investors concentrated mainly on banking, wholesaling, communications, car production, foodstuff production and retail. When acquiring a capital stake, foreign companies usually value a skilled labor force and an advantageous position of the region, taking into account the future accession to the EU.

1.2. The concept of economic transformation.

The economic discourse, which was the first to be articulated, slightly receded into the background during the “Velvet Revolution” in favour of the political transformation discourse. Of course, the economic discourse continued to dominate at certain moments, articulated in various ways both independently and in the background of other discourses and events, and continued to grow in extent as well as in intensity. Overlapping with the discourse of the institutional organisation of the country in 1991 and 1992, it 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 privatisation acts (the “small” and “large” privatisation) were passed, along with the restitution acts (the Restitution of Property Act[7]), and the Ministry for Privatisation and the National Property Fund were established. Restitution signified the return of property nationalised after February 25, 1948 to the original owners and/or their progeny.

If we examine its course, the debate concerning the economic transformation, the denationalisation of property and the renewal of justice entailed a conflict over the form of democracy, the degree of state interference and redistribution mechanisms. In specific cases, this involved a confrontation between ethical principles and concrete practical policies. It reflected a clash of 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 characterised briefly in the following manner:

1. the classic liberal model with “a government that governs least”, with a developed civil society and free active citizens. In this context, the civil society is seen as an agglomeration of unions, associations and organisations that develop activities independently of the state but do not strive for state power.

---

[7] Act No. 535/1990, Sb., “On the Transfer of State Ownership of Certain Property to Other Legal or Physical Entities”, constituted the small privatisation program.
The foundation for the “large privatisation“ program was established through Act No. 92/1991 “On Conditions and Terms Governing the Transfer of State Property to Other Entities”. The program 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” voucher program.
Two principal acts and amendments to these acts regulate the restitution of property to the former owners:

- Act No. 403/1990, On Relieving the Consequences of Certain Property Injustices (Small Restitution), as Amended
- Act No. 87/1991, On Out-of-Court Rehabilitation (Large Restitution)

2. “pure” liberalism, represented by Minister of Finance and later Prime Minister Vaclav Klaus, based on the relationships of an individual and the state mediated through the political system, without any corporatist interference that could lead to the post-totalitarian fragmentation of society[8]. This concept, which promised the optimum democratic realisation of individual interests and formation of social concerns, was being enforced after forty years of totalitarianism that had eliminated the civil intermediary structures, 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 the 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 organisation of interests in the post-communist society has necessarily been very weak [Ost 1993:456]. On the other hand, this fact has made it possible to carry out rapid and general social changes.

3. The social democratic corporatist approach, a concept enforced by the left, basically “the third road” promising a socially sensitive market economy and greater democracy than Klaus’ 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 of the new contemporary European and American left and its preoccupation with eliminating the shortcomings of the present democracies by means of “radical democracy” and democracy “from below”.

The discussion of the economic transformation took place primarily at the level of debates 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

---

[8] See a number of speeches and articles of Prime Minister V. Klaus to be.

had revived the values and symbols that had existed in our society since the end of the 19th century and which had managed to survive the previous socialist period. These values and symbols can be characterised as national-democratic, orientated towards civil society.

The mobilisation 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 part 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 the Czech society since the beginning of this century and the pre-war period.

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

1. a reform of the planned economy
2. the market economy
3. the mixed economy.

With respect to the official version of the program for the transformation of the economic mechanism , the three principal concepts of the 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 collectivisation of the production means with a genuine collectivisation (precisely in the form of economic self-administration) while using all the possible forms of the socialist market mechanism”[Heczko 1997:14]. This stream of thought was represented, for example, by Z. Hába (later one of the prominent representatives of KSČM, the Communist Party of Bohemia and Moravia), L. Rusmich, A. 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 aspects. This stream of thought was supported both by economists active in the official structures, such as V. Komárek, the director of the Prognostic Institute of the Czechoslovak Academy of Sciences, and a number of economists from other establishments (Miloš Zeman), but also Zdislav Šulc who published in samizdat publications, or Vl. Kadlec (former president of the School of Economics in 1968) and R. Zukal.

The third direction was supported by economists who had been critical for some time of the concept of economic reform without creating a free, competitive market, some of whom also worked in the Prognostic Institute of the Czechoslovak Academy of Sciences. They advocated *a neo-liberal free market model* based on monetarist schemes. In principle, this model would have to be connected with an irreversible and crucial social change. These included V. Klaus, K. Dyba, T. Ježek, D. Tříska, and from the younger generation Vlad. Dlouhý.

It is important to note that the economists active in the official structures (the situation was altogether different in the works of economists active in the dissent movement) restricted their theoretical works 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][9]

The first alternative outlined above was quickly abandoned after the Velvet Revolution. Discussions concentrated on the second and third variants. We should keep 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 block, such as Hungary and Poland, economic reforms that would grant some space to the market, liberalise prices and at least partially liberalise foreign trade were not introduced in Czechoslovakia until November 1989.

Debates between the domestic and emigrant experts (in particular, O. Šik, J. Švejnar, J. Kosta, B. Levčík) made it obvious that a transition to a market economy was necessary; the difference in views concerned the manner and pace (how quickly). V. Klaus spoke of "a return to Europe", including the adoption of an economic system typical of the civilised world.[10] This formulation fit in with the accepted stereotype of the civilised world. The expression "a return to capitalism" was not used right from the beginning. The participants in the discussions had agreed on the necessity of denationalisation, but differed in their opinions as to how to denationalise, what other forms of property ownership should be preferred and what the role of the state would be. The second key problem was the issue of remedying property injustices, i.e., property restitution. Besides the economic aspect of the privatisation and restitution, both these forms of denationalisation were tied to a wide range of ethical

---

[9] It was, therefore, somewhat paradoxical that when Hospodářské noviny daily published the first appendix dedicated to the authors who could not publish and studies by publishing authors whose concrete works, however, were banned by the censors, it placed, side by side, texts that were typical for this dual focus. While in a previously banned article V. Klaus criticised the inconsistency of the governmental proposals presented by the Governmental Committee for Planning and Management of the National Economy, Z. Šulc formulated a project for a systemic transformation of the existing centrally planned economy to a monetarist-market economy (see Hospodářské noviny 1990, No. 2. Appendix). In January 1990 V. Klaus (Občanské fórum) was the Federal Minister of Finance of the Czechoslovak Federative Republic, Z. Šulc was a member of the expert team of economists of the Economic Council of the Government of the Czech Republic. Members of the committee also included the reform economists from 1968 Ota Šik, M. Matějka and M. Pick.

[10] Public response of V. Klaus to an open letter from Škoda Works, Lidové noviny daily, March 10, 1990, p. 3.

problems interpreted by the representatives of individual political groupings in accordance with the particular party's outlook.

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[11]. Privatisation as the only path to an efficient economy and changes in work motivation became key topics. There were diverging views on the manner and pace of the privatisation; and diverging concepts as well as diverging "camps" were formed around these concepts.

The impact of a text by émigré economist J. Švejnar[12] 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 organised by the federal government between February 2 and 4, 1990. It was in this scenario that the mass privatisation was first articulated (i.e., the division of shares of state companies transformed to stock companies among the population). This plan drew on the experience of British Columbia, Canada and Chile. None of this material, however, was adopted as the starting point for the execution of the governmental plan for the economic mechanism transformation.

V. 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 for the Planning and Management of the Economy, which, however, had been

---

[11] Privatisation, i.e., ownership transfer, is a fundamental step towards the creation of a market economy [Stark 1992].
[12] Since his return to Czechoslovakia, J. 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.

very entangled in the “semi-reform” which had been in preparation for several years [Šulc 1998:73].

In a number of his very popular public presentations, V. Komárek (as a member of Občanské fórum) promoted a concept that emphasised the gradual nature of individual steps and social sensitivity (gradual liberalisation of the market over the course of several years, the optimistic scenario planned on 4 to 8 years, the pessimistic on 8 to 10 years). He criticised the concept of a fast price liberalisation and tax reform as an impermissible “shock therapy”. V. Komárek[13] also became the main mass media representative of the “*gradualist approach*” although he had never submitted any concrete project or scenario of 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 F. Vlasák, first deputy chairman of the government of the Czech Republic. The group also involved the above-mentioned Z. Šulc, O. Turek, O. Šik, M. Matějka and others. It is clear from the very start of the discussions on the new social condition, i.e., after the November 1989, that 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 minimise, within this time period, its potential destabilising effects; and at the same time prepare a comprehensive, consistent set of systemic changes which could be, as one large package, realised in a comprehensive manner as of January 1, 1991”[Šulc 1998:74].

[13] Social-democratic oriented

While a general consensus was reached in the area of ownership transformation, this was not the case in the field of foreign trade liberalisation. Two alternatives for the Strategy Proposal were executed. “While alternative A linked foreign trade liberalisation to the liberalisation of internal prices, alternative B presumed a two-step solution: first, the parallel existence of a regulated foreign-exchange market with a free market, and then a gradual expansion of the free market to achieve complete convertibility of the Czech crown.”

The above-mentioned initiative of the Czech government and the projects executed by the group of experts of the Economic Council of the Government parallel with the execution of a transformation project at the federal Ministry of Finance headed by V. Klaus. The material, dated April 20, 1990, states that the proponents were V. Dlouhý (who now stood in the head of the still existing State Planning Committee), V. Klaus in co-operation with S. Stračár, J. Tošovský (the governor of the National Bank-to-be, the non-party chairman of the “clerk” government between December 1997 and June 1998), A. Barčák, P. Miller and others. The material, titled “Strategies of the Economic Reform”, co-authored by other neo-liberal economists (J. Zielenec – the minister of foreign affairs-to-be in the Klaus government of 1992 until his abdication from the government in 1997, formerly ODS, currently US; T. Ježek and others) presumed a fast track for economic reform. It contained, however, many ideas also to be found in the alternative materials of the Czech government, which were also based on a relatively fast track for the key reform issues such as price liberalisation and currency convertibility. We must mention that with regard to privatisation this material admitted the option of a managerial lease and staff shares using the “Employee Share Ownership Plan” (ESOP) method.

When comparing both of the main scenarios for the economic transformation, we can say that they did not differ in their concept of the “target solution”; they differed, however, in the central aspects as to how this objective should be accomplished: the manner of price liberalisation in relation to foreign markets (the speed of opening the Czechoslovak economy to the world) and the manner of the ownership transformation of state enterprises.

The federal government discussed both the proposals at a meeting on May 3, 1990, which resulted in a single, integrated proposal that was finalised by the federal government; F. Vlasák acted here only as “a minority commenting actor”. The Federal Assembly debated the resulting scenario after the June 1990 elections in September 1990. It also addressed certain social issues of the economic transformation; it is crucial to note that the Federal Assembly was not authorised to approve the material but only to debate it. The interpretation, detailed accents and understanding of the material depended on governmental institutions, especially on the federal Ministry of Finance, and this fact was clearly reflected in the manner in which the project was implemented. (The execution was entrusted to bureaucrats). We should mention that at this time Občanské forum (the Civic Forum) was disintegrating and Občanská demokratická strana (the Civic Democratic Party), which formulated its economic transformation program in clearly neo-liberal terms, was being established. Furthermore, during this period the Czech Social Democratic Party gradually constituted itself (although it was founded only a few days after November 1989 and afterwards merged with the exiled Social Democratic Party) but its influence was rather small at this time. In the Federal Assembly and in the Czech National Council, the Communist Party of Czechoslovakia (Komunistická strana Československa, KSČS) still controlled approximately 14% of the deputy seats, but its economic transformation concepts, though they would have an acceptable impact on welfare, have not, with certain exceptions, been accepted.

It is understandable that the formation and realisation of the project was greatly affected by the recommendations of the International Monetary Fund during consultations with the federal government as well during negotiations with the World Bank when applying for a credit to create foreign exchange reserves at a time when there was a strong devaluation of the Czech crown.

A preliminary outline of the entire discussion concerning the economic transformation may be drawn up as follows:

1. The first concept was a radical, rapid reform, the neo-liberal “shock therapy”, which was connected with certain risks and relied on the all-powerful market, which would eliminate central planning, strove for rapid privatisation and full price liberalisation. It was represented and personified by Václav Klaus (since 1991 Civic Democratic Party).

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

Opinions clashed concerning future political development during debates about the task of economic reform. The stance on the economic reform or on a certain concept of the reform had become the main dividing line among the Czech population with respect to the social transformation.[14] Economic reform began to function as a strategy for political polarisation. Political protagonists had transformed the discussions about the reform into ideological terms and the support of a radical concept of the reform was associated with long-term support for democratic development. It was represented and personified by V. Komárek, Czech Social Democratic Party.

The discussion on the manner of privatisation was a crucial point; the debate primarily concentrated on the acceptance or refusal of ESOP shares (staff shares), coupon privatisation and, to some extent, money laundering. Both camps, constituted by advocates of the above-mentioned concepts, emphasised the principle of “justice”, although the definitions of justice they employed were frequently at variance with each other.

[14] Cf. public opinion surveys from that period, conducted by the Institute for Public Opinion Research and AISA (Czechoslovakia, January 1990, November 1990).

The advocates of radical reform and coupon privatisation comprehended “justice” in the following manner:

- equal starting conditions for everyone;
- equal access, the possibility for all to participate without excluding certain sections of the population;
- opportunities for honest citizens (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 average salary in the past).

The advocates of the gradualist concept and the opponents of coupon privatisation defined justice thusly:

- one who had saved money and thought of the future should have the option to buy shares and have a more advantageous starting position than lazy people;
- equal starting conditions in a voucher privatisation are illusory;
- people will want to get rid of their shares, sell them, thereby fuelling inflation;
- anonymity of the capital market, selling out the nation's wealth to foreigners;
- the wealth of the entire nation should be given out for free;
- giving something for nothing is immoral and demoralising as opposed to selling of shares and ESOP;
- people are not experienced; they will not recognise managerial incompetence;
- this will function to the benefit of organised crime, elite fraternities, and will make money laundering possible.

Participation in the privatisation exercise by the elite, whose access to political power was barred by the Lustration Act, and money laundering were judged within the context of this issue. Everyone should have equal access, and therefore the reform must be jump-started quickly[15]. Time and the market would resolve the problem. D. Ost characterises the situation whereby former managers and directors and former 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 phenomenon of "spontaneous privatisation" [Ost 1993: 469]. The moral aspect was not included in this conception.[16]

The emphasis placed on the speed of the economic reform, the privatisation process and the underestimation of the legal framework and ethical aspects brought problems, especially in the second half of the 1990s when it became apparent that the timing of individual components of the reform was not sufficiently co-ordinated.

By 1994 the largest portion of the privatisation had already been completed.[17] The share of the private sector in the national GDP grew from 12% in 1990 to 78% in 1999. The most dynamic development was recorded between 1993 and 1994. The proportion of private ownership has remained more or less constant since 1996 [Czech 2000:33]. The most frequent form of denationalisation was the transformation of state-owned enterprises into stock companies and their subsequent privatisation. Discussions on the form of the privatisation were mentioned at the beginning of the chapter. Privatisation, as it was finally conducted, involved as a combination of standard (auction, sales etc.) and "non-standard" methods, which in the Czech Republic involved particularly the voucher privatisation launched in 1992, which occurred in two waves. Approximately 6 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

---

[15] The accent on the time factor may be elucidated by a statement of a functionary of a parliamentarian political party, who formulated the problem in the following way at the beginning of the 90's: If we really want to start the reform, it is necessary to switch off the lights for 5 minutes. Afterwards, everything should continue according to the legal provisions.

[16] The advisor to the Minister of Privatisation at that time, T. Ježek, later the head of the National Property Fund, expressed this in print in the following manner: "We must dissuade people from thinking in terms of dirty or clean money. After all, what we're talking about is money." Or: The best way to settle matters with the communists is to transform them into capitalists.

[17] In addition to the privatisation of state property, a transformation of the ownership of agricultural, productive and consumer associations occurred between 1992 and 1993.

majority of the adult population thus became shareholders, but this did not lead to the creation of actual owners nor did this allow businesses to obtain the capital required for development.

It also turned out that citizens could not become experienced investors overnight and make informed decisions on their investments. Investment funds (IPF), which were created during this time (and which augmented the interest in participating in the voucher privatisation through various promises), made it easier for the population to decide. According to Kotrba, approximately 72% of the points in the first wave and 64% in the second wave of the privatisation were invested through IPFs [Kotrba 1995]. Between 1993 and 94, there were more than 290 IPFs in existence; by 1998 the 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 voucher privatisations, the “third wave” started in 1995, which basically entailed the purchase of shares from small shareholders by banks and investment funds. The fourth wave should have involved the arrival of genuine, involved owners.

As a result of missing or insufficient legislation, it was possible for a non-transparent legal environment to arise during the privatisation, which allowed “money laundering” and resulted in the phenomenon of tunnelling[18], deformed 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 the economic reform the main goal was the speed of the privatisation, and the issues of responsibility and accountability were completely set aside. The slow and imperfect creation of the legal framework contributed to the creation of an environment conducive to economic criminality and also, in part, corruption, both of which constitute a serious problem today in the Czech Republic.

If, after ten years of development, we were to evaluate the course, results and

[18] Tunnelling could be explained as the transfer of assets and profit out of firms for the benefit of their controlling shareholders.

consequences of the economic reform, especially the privatisation of state enterprises, we should ask what the government could have done 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 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, Matějů 1999: 77].

What was the responsibility of those who made decisions on individual privatisation transactions? What was the parliamentarian control, the control by the civil society (various associations) and citizens? To what extent and in what manner could, for example, the trade unions have enforced their opinions during the privatisation process? Representatives of trade unions later admitted that the trade unions should have been more active, that the supervision by trade unions within enterprises could have been greater, and this may have given the government the proper feedback. It is possible that the danger of tunnelling in the course of the privatisation process would have been lessened as a result of this. The attitude of the government of V. Klaus, however, was ideological (according to trade union representatives); the government did not want any participation by trade unions, and the unions themselves quickly gave up any attempts at such co-operation. It is symptomatic of the time that the report on the course of the privatisation 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 formed some sort of control – were eliminated. The Economic Committee 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 in the Economic Committee who gave opinions on each privatisation project based on professional knowledge and the verification of the actual situation “in practice”. This meant that a project of poor quality would not be accepted. Although it was a very demanding, and likely also a lengthy process, it prevented the adoption of some projects of poor quality[19]. The government did retain the final say but it was never the case that it would make a decision against the opinion of the Economic Committee. After the rise of V. Klaus to the position of Prime Minister in 1992, there was some pressure to abolish the Committee and, indeed, it was disbanded at the beginning of 1993. After the disbanding of the Economic Committee, the privatisation 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 V. Klaus presided. The ministries were in favour of this step as their importance and power grew while, on the other hand, the possibilities of control and the transparency of individual decisions were reduced.

If we examine the options of the Parliament, especially the agenda discussed in the Economic Committee and Budget and Control Committee (see Chapter 4), we will see that the 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.

[19] Some rejected projects were later accepted, when the Committee no longer existed, and became the subject of lawsuits.

Chapter 2.

Policy-making style in economic transformation

In this chapter, we examine the policy-making styles of successive governments during the period of economic transformation. We start by discussing the nature of the new elites entrusted with political power and policy-making. 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 a reproduction of the old communist elite or a proliferation of new actors? Next we discuss two economic institutions -- the Ministry of Finance and the Czech Central Bank -- that are central to the making of economic policy in the Czech 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 co-ordination. The discussion is divided into three phases: the first phase – 1992-1996—is one of harmonious relations; the second phase – 1996-98— represents economic difficulties and conflictual relations; and the third phase – post-1998 elections – is characterised as improved relations. We conclude the chapter by discussing the relations between the Czech government and international financial and economic institutions.

2.1. Who were the new elites?

One indicator of the stabilization of a new regime is also the stabilization of the new elite, especially the political elite. This is related to the issue of who the new elites are, and whether an exchange (circulation) of elites or their reproduction has occurred.

Concerning the parliament, at the beginning of the period of transformation in 1990, they were especially "new people"; only a very small proportion of them had any experience with working in the highest legislative body. The situation, however, quickly changed – over the years, decreasing numbers of deputies are elected to the House of Deputies without any previous parliamentary experience and the percentage of re-elected deputies has been growing. Out of the deputies elected to the federal and republic (Czech National Committee) parliaments in the 1990 elections, 5.1% had experience from the previous electoral term. In the 1992 elections, 34.8 % of the deputies were re-elected (to the Federal Assembly, FS, and the Czech National Committee, ČNR). In the current House of Deputies (elected in 1998), 55% of the deputies have previous experience from the highest representative body, among them 52.5% of the deputies in the House of Deputies had experience from the previous electoral term [Seidlová 1999].

The circulation of economic and political elites was investigated in the first half of the ninteen nineties in a large international comparative research of elites conducted by I. Szelenyi and Don Treiman in1995; the Czech portion of the research was conducted by the team of P. Matějů, published in 1998 as a comparison of the Czech Republic, Hungary and Poland [Hanley/Matějů et all: 1998]. In their work, 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 new people. The circulation was greater with political elites compared to the economic elites (see Appendix 2). With regard to economic elites, people from the second or lower rank of the hierarchy often assumed the first rank. A comparison of the three above-mentioned countries shows that in general, the Czech Republic is more typical as regards the circulation of elites; in Hungary and Poland we can often see the reproduction of elites. L. Brokl finds one of the reasons for this fact in the different changes of the recruitment of elites since the sixties, as well as in the differing manner and speed of political changes [Brokl/Mansfeldová 1998; Brokl 2000]. We also have to mention that since 1991, the "Lustration Act" was in force, which prevented the reproduction of certain groups of elites to a certain extent[20]. Its impact has not been massive,

[20] Act No. 451/1991 Sb., which lays down certain 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

even though it cannot be calculated exactly, but a number of potential applicants for key positions had to give up their aspirations due to this law. In the first half of the nineties, the Lustration Act influenced the parliamentary elections indirectly, since political parties had to give a guarantee on behalf of their candidates that they did not have a negative lustration certificate.

If we look at key economic institution, such as the economic ministries or the central bank, the same trend applies here as well, i.e., a circulation of the elites has occurred. The new elite is a national elite, often with overseas experience, which works to their advantage under the new conditions. It also relies on foreign advisors who work in various economic institutions for a very long time, and in some cases also returning emigrants. The assistance provided by these advisors and consultants was very important at the beginning of the transition period when the new legislation was created, when the position and structure of institutions was defined and international financial institutions to set the economy going granted large loans.

The extent of this impact is hard to judge objectively; the decisions themselves were the matter of the national political elite. We can sometimes hear very harsh criticism of the supranational institutions and international advisors, such as that the function of the state, especially the economic functions, is being assumed by supranational institutions [Zpráva

---

Republic; it was specified by a finding of the Constitutional Court No. 3/1992 Sb., and amended by Acts No. 555/1992 Sb., No. 254/1995 Sb. and No. 422/2000 Sb. Objectively, the “Lustration” Act applies to all the functions filled through vote, appointment or installation in state administration 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 Constitutional Court, the Supreme Court, the presidium of the Academy of Sciences, in the Czech National Bank, ‘public-service’ state-run television and radio and in enterprises with a majority state participation. In all these functions, it was and is necessary to present a negative ‘lustration’ certificate, proving that from February 25, 1948 till November 17, 1989 the applicant for or performer of the function had never been included into the file of State Security or registered in the documents of the State Security as a resident, agent, informer or ideological collaborator of the State Security, that s/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 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.

1998:12]. The liberal economic theory that dominated primarily in the first half of the nineties created an appropriate environment for these processes. Membership in international organizations and foreign loans brought along many obligations and restrictions which had to be respected and which represented certain restrictions on the space in which Czech politicians could operate.

2.2. Ministry of finance

Ministers in the Czech cabinet enjoy a relatively great 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 deputies[21], invited to a meeting of a parliamentary committee to explain a certain issue etc. This may, of course, also involve questions pertaining to the co-operation with international financial institutions. In this sense, the ministry has a different position and is more controllable than the central bank for example.

The fundamental changes that took place after 1990 at the Ministry of Finance emerged from changes associated with transformation and economic reform. It was necessary to guarantee the general and legislative aspects of these changes. During the first half of the nineties the following major changes took place: privatization, restitution, extra-judicial rehabilitation, emergence of the new insurance system, new tax system, emergence of the capital market etc. In the second half of the nineties, major changes in the functioning of the ministry relating to preparations for accession to the EU occurred. New bodies were formed to ensure the pre-accession tax, custom duty, etc., and some of the existing bodies also obtained new objectives. For example, the State Budget Department established a division for drawing

[21] Widely accepted is an unwritten rule not to interpel members of the government by the deputies from governing party/governing coalition.

on the structural funds. Another major transformation appeared in connection with the new state administrative arrangements. With the establishment of regions, 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 co-operation were established e.g. with the OECD. As a result of these experience and exchanges the functioning of the Ministry was improved up to the level of advanced democracies. This transformed the Ministry of Finance into a powerful technocratic institution.

Despite the its 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 nineties, the strong personality of the finance minister and wide consensus on reform among political parties enhanced the informal authority of the Minister of Finance in comparison to other ministers. The tenure of finance ministers was longer during this period than in the second half of the nineties, especially in the last period following June 1998 when there was a third Finance Minister in office (see Appendix 1). On the contrary, until the 1992 elections, the highest position in government when compared to other ministries was the ministry of privatisation. Later the authority or status of this ministry was reduced to that of other ministries. There was also an informal grouping – a financial council established by V. Klaus (as the federal Minister of Finance between 1990-92), whose members were the three Ministers of Finance (federal, Czech and Slovak), the Czech and Slovak Ministers of Privatisation and other invited guests.

2.3. Central Bank independence

The position and competencies of the central bank – the Czech National Bank (thereinafter „CNB“) -- 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“; 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 (independence vis-à-vis the executive power), is connected with the fact that this phenomenon is new in the Czech Republic in the period of transition to a market economy. This, however, is not a specifically 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 towards increasing independence of the central bank could be observed.

In discussion the influence and consequences of the independence of the central bank, a basic distinction exists between *independence from* (independence from executive branch) and *freedom to* (freedom to choose policy instruments). In practice this means that the central bank, when setting the goals of monetary policy, does not have to consider the Government’s programme of fiscal policy (independence of goals) or that there is mutual independence between setting the goals of the monetary policy and the means of achieving these goals (independence of instruments). These different concepts of independence can also be traced in the background of the discussions about the independence of the Czech National Bank. Another approach, which was mainly exacerbated in 2000 in connection with the process of passing the new Act of the Czech National Bank, is that concerning the structure of legal independence. “The standard components of legal independence include some or all of the following categories of statutory stipulations: personnel appointment (most important, proportion of central bank policy board members appointed by the government and length of the term); government finance (nature of limits); policy process (specifically relation with government); policy objectives and instruments; mechanism for resolving bank-executive branch conflict; and extent of constitutional guarantee“ [Maxfield 1999:286]. Central bank independence (CBI) is politically controversial [ibid:289]. In this context, the question of accountability and transparency is always discussed.

The Constitution and the special legal Act of CNB secure the independence of the Czech National Bank from the Government and Parliament. The only politician in a position to influence – to a minute extent – the activities of the CNB is the President. The only way to exercise his power is exclusively through the appointment of the Governor and the members of the Bank Council for the period of six years. (This sole power of his is somewhat limited by the new Act of 2000.) There is virtually no possibility of their removal unless they commit a serious criminal offence. 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 CNB and is in charge of supervision of banks as well.

A reasonable case can be made for the absolute independence of the National Bank from the Government and prime minister, as well as from deputies and senators. The election period is too short for politicians to be able to follow long-term goals rather then the short-term or populist goals of keeping power and winning the next election [Zpráva 1998: 289]. In spite of this definitely valid argument, this concept of independence together with the absence of political accountability offers a greater possibility of promoting the influence of international organizations, above all, of the International Monetary Fund.

One of the premises of the process of transformation in the Czech Republic was restructuring of the system of banks at two levels, which had already been prepared before 17th 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 then, 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 Coll., in force from 1st January 1990 – defined the tasks for the central bank, which were typical of market economies. It had been, however, conceived before the change of the political system, within the so-called Jakeš's reform[22], and therefore it included some elements associated with a planned economy. The bank gained independence from the government and parliament. The President of the Republic appointed the Bank Council, including the Governor as its head. Consultations with the International Monetary Fund took place, and a consultant from Denmark worked in the country for a long term. This was a common practice at that time: such consultants worked in Hungary and Poland as well. Those were, in particular, specialists of the International Monetary Fund, and their activities were co-ordinated (see part 2.5.).

This first act constituted a step towards the standard position of an independent central bank, even though the government exercised strong influence in the appointment of the Bank Council as preserved in the law. This was suppressed by further legal regulations. The act also addressed the issue of supervision of banks (which was then adopted in Act No. 22/1992), including a number of instruments. These instruments were, however, 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 tilted strongly towards respect for the market principle. After the division of the federation, the Act No. 22/1992 Coll. was basically incorporated into the Czech law – the Act on the Czech National Bank No. 6/1993 Coll. of 17th December 1992[23]. This Act created a legal basis for the activity of a standard central bank, independent from both the legislative and executive power,

[22] M. Jakeš was the last general secretary of the Czechoslovak communist party before the break of communism.
[23] Until the split-up of the Czechoslovak federation (31st December 1992), federal law was in force.

which – by the way –fulfilled the “requirements” towards the new Czech central bank as well. When the Act on CNB was in preparation, the legal regulations of the European System of Central Banks (ESCB) and the European Central Bank were also taken into account as well as the position of some other central banks, particularly the legal regulations of the function of the Bundesbank in Germany [Reytt 2000:15].

According to this law, the supreme regulating body is the Bank Council of the CNB, composed of seven members. These are the Governor of the CNB, two vice-governors and four other members. The members of the Bank Council are appointed and removed by the President, and their term in office is six years. The membership of the Bank Council is incompatible with the position of a Member of Parliament, as well as with positions in the Government, executive, supervising and control bodies of other banks and commercial companies. The President also appoints the Governor of the CNB for a seven-year term.

The position of the central bank (following the change of its status and gaining full independence in 1992) regularly became an issue, depending on 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 the policy of conflict. The views of the Bank always prevailed. After about 1997, intensive discussions took place about the independence and position of the central bank, which arose not only from that tense relation between the government and the CNB, but also and especially from the need to harmonize our legal regulations with those of the European Union. Some standards had to be explicitly regulated by the law, such as prohibition of financing the public sector, whether directly by providing financial aid, or by purchase of government bonds or those emitted by any other authority.

The legislation department of the CNB prepared the draft act, although it was submitted by the Government, as CNB has no right to table bills in Parliament. The draft act was based on European legislation, namely in comparison, specifying the points of correspondence and discrepancy of our law with European legislation. When preparing the bill, the respective section of the European Commission as well as the European Central Bank was consulted. Then the draft act was submitted to the legislation board of the Ministry of Finance, and next to the Legislation Council of the Government, which delivered an expert opinion, considering the harmonization with the legislation of the European Union.

In the Chamber of Deputies in Parliament, both the Budget Committee and the Committee for European Integration, within whose competence the law was framed, dealt with the draft act. In the Budget Committee, where the parties of “Opposition Contract” ČSSD and ODS have 71,4% of seats, the proceedings followed a standard procedure -- a discussion by a group of specialists in particular fields of economics. The main concern of the Budget Committee was to prevent a repetition of the criticisms and problems that occurred at the turn of 1998. The Committee for European Integration was, however, influenced in its proceedings and decisions by parliamentary party groups rather than by committees. One can say that the decision-making process was more political than professional in its final stage.

In the first reading, the draft act was assigned to the Budget Committee, which approved about 50 proposed amendments, and some further amendments were proposed in the House. Therefore, 96 amendments of the Government supplementary bill were proposed altogether. However, not all of them were really pushed through by their Submitting Parties, as shown in Table 1. The most successful were the amendments proposed by the two parties bound by the “opposition agreement” – the ruling Czech Social Democratic Party (ČSSD) and the opposition Civic Democratic Party (ODS). Among the most important adopted amendments are:

- the duty to respect the Government’s economic policy aimed at sustainable economic development as far as the main goal of the CNB is not endangered;

- the duty of the Bank to consult the considered rate of inflation with the Government, and to decide on the policy concerning the rates of exchange after an agreement with the Government;
- appointment of members of the Bank Council and the Governor at the Government's suggestion;
- accommodation of the level of wages in state administration;
- possibility of appointment of Bank Council members for two terms in office as a maximum;
- the right of the Supreme Audit Office (NKÚ) to check the economy of the Bank;
- approval of the management budget and investment budget of CNB by the Chamber of Deputies [Novela /Supplementary bill/ 2000:62].

Table 1: Average support by particular parliamentary party groups for proposed amendments, as related to the Submitting Parties.

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

Note: Proposed amendments in the third reading, 26th session of the Chamber of Deputies (held 27th-30th June, 3rd-4th July, and continued 10th-14th July 2000, when also amendments were on the agenda).
Abbreviations of party names see Annex 4.

From the Chamber of Deputies, the draft act was moved 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, Mr. 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 in 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 quorum[24] (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 7th December, the Chamber of Deputies overrode the President's October veto of the new law on the National Bank[25]. The vote was 122 to 46, with most deputies representing the Social Democratic Party and the Civic Democratic Party supporting the bill. Havel said that the law restricted the independence of the bank and was unconstitutional.

The Act and the way it was debated caused a great agitation on the political scene. The discussion revolved around the independence and above all the appointment of the Governor and Bank Council. What were the issues?

There was a certain *indirect* limitation of the President's powers and strengthening of the role of the Government (which was the aim) in the operations of the CNB. The issue is related to the long-standing attempts by some political parties to limit the President's powers. The President appoints the Governor, two vice-governors and four members of the Bank Council, and he has the power of veto. The background of considerations of ČSSD and ODS, who pushed the bill through together, was the question of whether one person, who is not accountable due to his official position,[26] can play such a crucial role as to decide on an institution, which is utterly independent and whose policy makes up more than half of the success or failure of the government economic policy [Reytt 2000:20]. The agreement about the central bank was, however, just one of the topics covered by the joint proposals of

[24] If the Senate defeats the Bill, the Chamber of Deputies shall take a second vote thereon. The Bill shall pass if approved by more than a half of all Deputies. (Article 47 of the Constitution)

[25] (1) The President of the Republic may return an enacted law, with the exception of Constitutional Act, together with the grounds for the return, within fifteen days of the day the law was reffered to him. (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 af all Deputies, the law shall be promulgated. If not, the law shall be considered defeated. (Article 50 of the Constitution)

[26] According to the Constitution, Chapter Three, Article 54 (3), the President of the Republic shall not be accountable for the performance of his office.

changes leading to the limitation of the President's powers. The independence of the central bank 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 what the Chamber of Deputies eventually approved. The CNB immediately disapproved the amendment bill, and was unwilling to modify its approach. In the law experts' opinion of the CNB, the approved version is worse than original one, when considering the issue of the harmonization of law. When dealing with the bill, the Chamber of Deputies of the Parliament shifted it a couple of steps back. The issue is that – together with the amendment act – the Constitution should have been amended, because there is some contradiction between the act and the present-time version of the Constitution, as some of the deputies noticed during the debate. The Government does not completely reject this criticism. Between the CNB and the Ministry of Finance, there is some agreement about where the mistakes are, and the Ministry (in contact with legislation specialists of CNB) has been preparing a "small harmonizing amendment bill" for the Parliament to improve the controversial act.

Then the controversy about the central bank went on, in conjunction with the appointment of a new Governor of the central bank, as J. Tošovský left the office before 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. One can agree with Pavel Mertlík, the Minister of Finance at that time [Fiala 2000], that the controversy around the Governor of the central bank was about the way in which President Václav Havel appointed him rather than about a particular personality and his ideas. The analysis of the situation should bear Mr. Mertlík out in the sense that it was much more of a conflict between the powers of the President and the overall Government, rather than a conflict concerning the central bank and the scheme of establishing the Bank Council.

The President's responsibility is based on the current Constitution. The President consults his own experts and selected specialists (these often being 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 appointment. This is solely the President's responsibility. When preparing the draft act in 2000, the instigators of the changes based their considerations on the common practice in many EU countries where the government plays some role in the appointment of members of the bank council. The original draft said that the Senate, the Chamber of Deputies and the Government should nominate two members each for the Bank Council. In the final version, the role of the Government has been strengthened; the President shall 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 National Bank Law 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 following from different interpretations of the Constitution. Though legal experts representing the cabinet and President negotiated, they did not come to an agreement. The cabinet's decision to challenge the President's act in the Constitutional Court for the first time in the history of the Czech Republic was announced immediately after the appointment of Tůma as a governor (Daily Lidové noviny 30.11.2000). It can be said generally that the dispute concerning the governor of the National Bank did not concern the actual person and his ideas but the way the President, Václav Havel, chose him.

2.4. Problems of policy co-ordination with the executive branch

According to the law, the Czech National Bank is supposed 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 mutual attendance at each other's meetings has become a rule in Czech political life. At present, the Government holds the meetings on Mondays, while the Bank Council meets on Thursdays. The Governor's communication with the Government is fluent and certainly not confrontational. The development of the relations between the Government and CNB can be discussed in three stages:

1st stage: 1992-1996

In this period there was, by and large, harmony in the relations between the Government and the central bank. The generally shared view was that the higher the level of independence of the bank, the higher the stability of the currency. (This was in keeping with international experience at that time, and it was a tendency promoted by international finance organizations as well.) Stability of the currency was considered the most important aim of the CNB. 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 a conflict to emerge between the ideas of the central bank and those of the Government.

2nd stage: 1996-1998

In 1996 and 1997, economic difficulties country started to occur, and the Government tried to solve them by various sets of measures.[27] 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 much to its main objective (i.e. stability of the currency and low inflation), which was the main cause of problems in the economy. However, as the bank is independent, the Government was virtually helpless in challenging the monetary policy of the central bank as useless or even harmful for the national economy. Its only option is to ask the Governor of the bank to moderate the policy. This was the very case: the Government, namely the Prime Minister Václav Klaus, appealed to the CNB for moderation of the restrictive policy but did not succeed. The NCB continued to give preference to the goal of maintaining monetary stability over other macro-economic concerns.

Following the fall of Klaus' government and accession of the "semi-caretaker" government of Josef Tošovský, the then Governor of CNB, as the Prime Minister, certain improvements appeared in the communication between the central bank and the Government. Perhaps Mr. Tošovský's personal experience of both roles was an advantage. A change in the direction of the CNB's policy and its relation the Government was also evident when he took up the Governor's position again after the election in June 1998. A position began to emerge that although it is important for the CNB to adopt decisions independently, it should in future attach priority to harmonisation of its policies with those of the Government's.

[27] On 16th April the government put forward the material "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, provide protection to the domestic market (e.g. by introducing import deposits), an adequate state budget balance and financial market transparency. Because the first "package of measures" did not bring the desired effect and did not cover all the existing problems, the Chairmen of the coalition parties (ODS, ODA, KDU-ČSL) adopted the "Stabilization Curative Programme of the Government Coalition".

3rd stage: following the 1998 election

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

2.5. Czech National Bank and the legislative power

The problem of accountability was solved by the Act of 1993 as it calls on the central bank 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 Two, Article 3: (1) 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. (2) 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 called upon to speak. (3) The Chamber of Deputies shall acknowledge the report on monetary development or shall ask for a more accurate and complete report. (4) 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. 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 K. Ledvinka, a vice-chairman of the Chamber. The Board held meetings once a month, and from the point of view of the Central Bank it created a better basis for professional communication with the Chamber of Deputies. However, this was, by and large, about getting a wider scope for representation of partial interests, thus giving the banks a better bargaining position. The Board was (according the information gained in our interviews) a kind of private club, communicating with banks but only to a very limited extent with other subjects. A deputy who was not a member of the Board was not admitted to the proceedings, even though he was a member 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 could be identical with that of other subcommittees. According to the Rules of Procedure, membership of a particular subcommittee is also possible for deputies who are members of other committees (in this case, other than the Budget Committee). The session of the subcommittee are closed. Nevertheless, the Subcommittee for Finance did not take over the role of the Board in its full scope. It rather dealt with particular minor problems, such as co-operative savings banks, but not with the problems of the capital market. However, the concept of work of a subcommittee always largely depends on the personality and ideas of the particular chairperson of the subcommittee.

The deputies' willingness to study and deepen their knowledge of monetary issues has much decreased since the late nineties. The CNB offered them a seminar (concerning the preparation of the new draft act) as well as lecturers of the European Central Bank. But the deputes showed no interest, and no one turned up. This may reflect a lack of interest but may also be due to pressure of work: The present period of legislation can be characterized as a "legislation windstorm", and very likely, the deputies can hardly manage to read the documents. It should be mentioned here that at least one reporting person is required for every legal act (and there are usually more of them), which makes the deputies and committees work under great pressure.

2.6. The Czech Republic and international financial and economic organizations

The first political programs with which democratic political formations entered the first free elections in 1990 embraced “the return to Europe”. This meant specifically inclusion into international institutions and organizations of which Czechoslovakia was a member prior to the onset of the communist regime, or those, which were established throughout the world in the course of 40 years. The first government started to enforce the program intensively. At the beginning of the political and economic transformation this was an important step, as it meant, among other things, the option to obtain foreign loans needed to “start” the economy. Furthermore, expert consulting offered by many international organizations was also crucial, contributing greatly to the process of adopting new legislation and institutional transformations and the creation of new institutions. Table No.2 provides an overview of the membership of the Czech Republic in international financial and economic organizations.

Table 2: Membership of the Czech Republic in international financial and economic organizations

Name of organization in Czech	Name of organization in English	Abbre-viation	Date of accession by the CR
Mezinárodní měnový fond	International Monetary Fund	IMF	09/14/1990, Czech Republic since 01/01/1993
Skupina Světové banky	World Bank	WB	09/14/1990, Czech Republic since 01/01/1993
Organizace pro ekonomickou spolupráci a rozvoj	Organization for Economic Co-operation and Development	OECD	12/21/1995
Evropská banka pro obnovu a rozvoj	European Bank for Reconstruction and Development	EBRD	03/28/1991 Czech Republic since

			01/01/1993
Rozvojová banka Rady Evropy	Council of Europe Development Bank	CEB	02/12/1999
Světová obchodní organizace	World Trade Organization	WTO	01/01/1995
Organizace spojených národů	United Nations	UN	01/19/1993
Hospodářský a sociální výbor*	Economic and Social Committee	ECOSOC	01/19/1993
Konference Organizace spojených národů o obchodu a rozvoji	United Nations Conference on Trade and Development	UNCTAD	01/01/1993

Source: Ministry of Finance of the CR – International Organizations Department
Note: * the body functions within the UN
As concerns Evropská investiční banka – European Investment Bank (EIB) -- its shareholders may only be member countries of the EU.

The Ministry of Finance ensures membership in international financial institutions and financial bodies of the Organization for Economic Co-operation and Development, the European Union 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 State Closing Account, the Treasury, the financial and capital market, taxes and tax administration, fees, customs duty, prices, financial management, financial control, accounting, auditing and tax consulting, international financial relations including the State's assets and liabilities in relation to other countries, protection of foreign investments, and the central body for raffles, lotteries and similar games, the management of State property, privatization of State property, for matters concerning insurance companies, 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 International Monetary Fund and its bodies; the Ministry of Finance has, in this respect, the position of a passive recipient of information. The Czech and Slovak Federative Republic accessed the International Monetary Fund Convention (hereinafter “the Convention”) on September 20, 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. In connection with the division of the ČSFR into the Czech Republic and the Slovak Republic, the succession of the membership of both the newly formed countries was ensured on January 1, 1993. One of the important areas of mutual co-operation are consultations as part of Article IV of the Convention between the CR and the IMF, the goal of which is to evaluate the state of the Czech economy. The results of these consultations are then a subject of discussion at the IMF Council, which gives rise to specific recommendations for subsequent economic policies of the state.

The accession to the IMF was very important for the Czech Republic as both the IMF and the WB (World Bank) have provided huge loans, so needed at the beginning of the economic transformation. They have also created a certain image of trustworthiness, which made it possible to obtain further foreign loans and aid during “institutional building”. The position of the central bank, its structure and the structure of the banking sector, legislation, bank supervision, and statistics – all this has been prepared under the assistance of foreign advisors. In 1994, for example, the IMF participated in the development of the concept of the Bank Act. At the beginning of the nineties, the acceptance of this know-how was not a matter of any open political debate or confrontation, which was primarily due to the neo-liberal orientation of the ruling political parties that were not at variance with the recommendations and directives and also were aware of the necessity to launch the reforms as quickly as possible. In 1994 the Czech Republic redeemed its debt to the IMF, and since then the annual recommendations have not really been more than recommendations, definitely not directives. In view of the gradual inclusion into 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 that their implementation may have on the economic standing of the country.

Another area in the power of the central bank is the co-operation with the European Union as far as monetary policy and banking are concerned. The co-operation in the field of monetary policy and banking is being developed based on the relevant articles of the European Convention. The goal is to create and develop an appropriate framework for a gradual conversion of the monetary policy of the Czech National Bank (ČNB) and the policy of the European system of central banks, and the support of banking with emphasis placed on the strengthening and restructuring of the banking and financial sectors, and the improvement of the supervision over banking and financial services and their regulation.

During the course of 1999, the relationships between the Czech National Bank and the European Central Bank (ECB**)**, which until that time stood apart from the accession process, *intensified* because the European Commission officially conducts negotiations on the issue of accession to the EU. This intensification was instigated by a visit from Tommaso Padoa – Schioppa, a member of the Executive Board of the ECB, who visited Prague in June 1999 upon the invitation of the governor of the CNB. Subsequently, various directions of co-operation between the CNB and the ECB have been approved, which are based on the impetuses 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 pays extraordinary attention to the development of relationships with the ECB because this institution will become the main partner of the CNB upon our accession to the EU.

The Czech National Bank also manages the *Phare* program for projects in the Czech banking sector. The Phare program is a program whereby countries associated in the European Union provide assistance to countries of Central and Eastern Europe and dates back to 1990. The Phare unit with the CNB – Phare Project Implementation Unit (hereinafter "the PIU") was established on July 1, 1991. Since 1991, a total of EUR 11.374 million (approximately CZK 430 million) has been allocated for projects in the Czech banking sector within the Phare program, which were divided into six annual budgets (1991, 1992, 1993, 1995, 1997 and 1998). This amount represents approximately 4% of the total budget of the Phare program for the Czech Republic between 1990 and 1998. Since 1992 the PIU operating within the CNB structure has organized 23 successful tenders and executed 49 contracts in a total amount of EUR 10.1 (approximately CZK 336 million).

During the monitored period, negotiations on the accession of the Czech Republic to the European Union, much like the other five "first wave" countries, remained at the level of legislative comparison – "screening". Officially, the screening of the Czech and European legislation started in April 1998 and terminated in July 1999.

The CNB has paid great attention to the preparation of all three main screening negotiations. In co-ordination with professional departments, "screening lists" containing the evaluation of the harmonization of relevant Czech and European legislation have been prepared. After the screening negotiations, positional documents were prepared in co-operation with the sectors involved. After their approval by the government, they were submitted to European Commission representatives.

Thus far, the course of the negotiations relating to screening and the accession of the Czech Republic to the EU in the field of banking and monetary policy has revealed that the Czech Republic does not consider the EC regulations pertaining to the above-mentioned areas problematic and is prepared to be fully harmonized with the EU upon the accession date at the latest (in the field of monetary policy within the scope of validity for countries that have a temporary exception as regards the introduction of the Euro).

Chapter 3

Party system, coalition politics and parliamentary process

We now have some ideas about the complexities of the process of economic transformation of the Czech Republic, the debates that shaped the transformation, the evolution of the Government's macro-economic policies and institutions established to guide the transformation, including the style of policy-making. It is time to focus on the party system, the coalitions that initiated and sustained the economic transformation and the parliamentary process that gave legitimacy to the programmes and policies. As a parliamentary democracy, all policies and bills in the Czech Republic must be debated in parliament. The main question is the extent to which parliament has been able to influence the programme of economic transformation and hold the government accountable to its policies. We start by providing a brief socio-political framework essential for understanding the political changes. Next we discuss the powers of the government, parliament and the president in policy-making. Then we look at the relations between the legislative and executive branches of government and parliamentary control of government. The last sections deal with the nature of the bargaining process in parliament.

3.1. Socio-political framework

The Czech Republic, or Czechoslovakia[28], experienced, with the exception of a short phase of liberalisation in 1968, 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 – transfer from a state-planned economy to a market economy; and also, unexpectedly, the necessity to redefine

[28] Czechoslovakia as a unitary state changed into a federation in January 1969 pursuant to the Constitutional Act dated 1968. The federal state was abolished pursuant to the Constitutional Act as of December 31, 1992. As of January 1, 1993 there have been two separate states, the Czech Republic and the Slovak Republic.

the national state in a situation of a disintegrating federation and the creation of two succeeding separate states on January 1, 1993, the Czech and Slovak Republics.

Czechoslovakia lacked experience in liberalisation and negotiations between the old and new elite. The communist regime was in full control almost until the very end and collapsed within a period of only ten days. Thus, the new political parties could emerge only after the transformation, albeit some parties were grounded in certain embryonic structures existing beforehand. Czechoslovakia, unlike other countries in Central and Eastern Europe, could build upon the tradition of a well-functioning pre-war democracy. In the first months of 1990, it adopted the laws necessary to create a plural party system and the organisation of free elections. The period between 1990 and 1992 was crucial for the creation of democratic institutions and the basic crystallisation of the political spectrum.

After November 1989 it was not necessary in Czechoslovakia to address the issue of the historical choice between parliamentarism and presidentialism. In compliance with the tradition of the pre-war "First Republic", priority was given to a parliamentary system with a relatively weak president. The president does not have the power of legislative initiative and we can see efforts, especially in the past few years, to restrict or modify his powers. Furthermore, the decision to adopt either a majoritarian or proportional representation voting system was crucial; this issue was the subject of discussions at a round table in November and December 1989 and it continued until January 1990. Vaclav Havel clearly preferred a majoritarian electoral system. The Civic Forum preferred, and in the end implemented, the concept of a 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 June 8–9, 1990. Four bodies were elected: two chambers of the Federal Parliament, and a Czech and Slovak

National Council. There was one more election within the Federation that took place in June 1992 and the unforeseen consequence was the dissolution of the Federation. Since 1990, there have been four elections in the Czech Republic, which have lead gradually to the concentration of the party system (see Table No. 3). After the first, basically plebiscitary elections, the “effective number” of the parliamentary parties continued to decrease, from 4.8 (1992) to 4.15 (1996) to 3.71 (1998).

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

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

Source: Zpráva 1998:130.

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

Approximately since the 1996 elections, we can see a growing tendency toward anchoring the party system in the transforming social structure and real interests. No nationalistic parties that could be designated as charismatic or clientelistic were formed or functioned for a long time. The prevailing differentiation of the right and left tendencies in 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 (one party starting in 1996), approaching traditionalism and authoritarianism, were the only parties that are different, while the majority of the other parties tend rather toward modern liberalism.

The Czech Republic has moved rapidly toward democratic consolidation [Krause 2000] and has made progress in the attempt to join the EU. It became a member of NATO in

March 1999. It must be said that the Constitution has been fulfilled gradually and has also 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 held the highest function, and therefore it was basically impossible to dissolve it); the higher administrative units (regions) and self-administrative units were created only in 2000.

3.2. The Government

Since 1990, five 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 the last cabinet was formed by a single party – Social Democrats (ČSSD), with the support of the strongest opposition party Civic Democratic party (ODS), defined in the “Opposition Contract”[29].

[29] So-called “Opposition Contract was an Agreement on Securing Stable Political Environment between the CSSD and ODS, which enabled the creation of a minority Social Democratic Cabinet. In January 2000, five agreements were added to the “Opposition Contract”. The set of five agreements, soon called a “Toleration Act”, concerned the following issues: 1. State budget for year 2000 and budget outlook; 2. Basic parameters of changes in the electoral system; 3. Preparation of the Czech Republic for its entry to the EU; 4. Determination of relevant terms and conditions for tolerating the minority Cabinet; 5. Communication of the clubs of deputies and senators of the two parties. The agreement on the state budget was of a high significance since deputies had not reached a consensus in 1999 and there was a provisional budget during the first three months of 2000.

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

Cabinet created	Governing party/parties	% of Parliamentary seats
June 1990 – Federal government	9 OF, 4 VPN, 2 KDH, 1 independent	65%
June 1990 – Czech government	10 OF, 2 KDU-ČSL, 1 HSD-SMS, 8 independent	84%
June 1992 Czech government	11 ODS, 4 KDU-ČSL, 2 ODA, 2 KDS	56 %
July 1992 “temporary” Federal government	4 ODS, 4 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 gov.)	3 KDU-ČSL, 4 US-former ODS, 3 ODA, 7 without party affiliation	31%
August 1998	18 ČSSD, 1 without party affiliation	37%

Abbreviation of party names see Annex 4.

We can basically state that the Czech Republic had relatively stable governments in the first years of its existence. Between 1993 and 1996, Prime Minister Klaus headed a rather stable cabinet with only a few changes within the cabinet. The government introduced a new Czech currency, improved relations with the European Union, privatised the greatest portion of the 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 that ended (as V. Klaus characterised it) the advantageous political framework for economic reforms. As we can see in Table 4, until the 1995 elections the governments had great support in the Parliament and it was much easier for them to enforce reforms and the 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. According to the constitution, minority governments are not forbidden. However, all incoming new 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 KDU-ČSL and ODA. Klaus had to look for support among the strongest left wing opposition party (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 misunderstandings within the centre-right coalition parties and within the strongest Civic Democratic party, combined with several scandals in the financing of the major political parties and fraudulent privatisation created a serious cabinet crisis. The result was the resignation of the cabinet and formation of a terminated 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 the support of other parties to form a minority government. At the beginning there were some hopes to form a coalition with Christian Democrats (they would have 94 seats altogether). The Freedom Union negotiated the possibility of forming a coalition with the Civic Democratic Party and Christian Democrats (102 seats) in the case ČSSD should fail. There was also the possibility of forming a coalition of Social Democrats with Christian Democrats and the Freedom Union (113 seats). Coalitions of ODS and ČSSD or ČSSD and KSČM were deemed unreal. KSČM stood aside as a party without any coalition potential. The Union of Freedom refused to form a coalition with ČSSD. At the same time, this party negotiated with KDU-ČSL and ODS concerning a possible coalition, but these negotiations impinged upon a personal animus of the chairman of US against the chairman of ODS.

In the end the single party government (ČSSD) was formed thanks to the so-called "Opposition contract" which laid down conditions for the formation of a minority Cabinet of ČSSD and conditions under which the cabinet will be tolerated by the ODS. This Contract provided for the right of the opposition party to occupy seats of the chairmen of both the chambers of the Parliament of the Czech Republic, seats of the heads of control bodies of the lower Chamber (Commission for the Control of Security Information Service and Commission for the Control of Military Protection Intelligence), chairman of Budget Committee and president of Supreme Control Agency. Both the parties undertook, inter alia, not to call for a vote of non-confidence during the term of the Chamber of Deputies and not to use constitutional possibilities leading to the dissolution of the Chamber.

After the 1998 election the Czech cabinet system returned to a state of normality. However, since this is a minority government with 37% of the seats in the Parliament, it is more difficult for it to obtain support in the Parliament and therefore the opposition exerts much greater control. This concerns, in particular, economic policies and debates concerning the completion of the privatisation of state property and state-owned stakes, the preparation of pension reform etc. Furthermore, the establishment and composition of the investigative commissions of the Parliament (see below) has revealed a greater influence by the opposition on the control of the government

The Government is the supreme body of executive power. It consists of the Prime Minister, Deputy Prime Ministers and Ministers. The Government co-ordinates the activities of ministries and central bodies of the state administration. It holds the right of legislative initiative and the right to express its opinion on any and all bills. The Czech Republic is conceptualised as a parliamentary system with a weak President and a strong Prime Minister. 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 whole Parliament.

The Prime Minister is appointed by the President of the Republic, who appoints other members of the Government upon his proposal and entrusts them with the control of ministries or other authorities. Within 30 days after its appointment, the Government is bound to appear before the Chamber of Deputies and request its vote of confidence. Should the newly appointed Government not receive the confidence of the Chamber of Deputies, a new Government is appointed. Should the appointed Government not receive the confidence of the Chamber of Deputies, the President appoints the Prime Minister upon the proposal of the Chairperson of the Chamber of Deputies.

The Government may request a vote of confidence of the Chamber of Deputies at any time. It may combine the question of confidence with the request that the Chamber of Deputies resolve a Government Bill within three months. The Chamber of Deputies may express its non-confidence at any time. However, the Chamber of Deputies will discuss a motion for a vote of non-confidence only if submitted in writing by at least fifty 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 refused it in a requested vote of confidence, or if it has expressed its non-confidence. A vote of confidence happened in June 1997 when the ruling coalition parties won a vote of confidence in the Chamber of Deputies only by a margin of one vote (101 against 99). An independent deputy supported the Government when the Prime Minister promised not to privatise banks and large-state owned companies without a vote in the national parliament. The situation indicated that the support for the minority cabinet decreased among members of parliament.

The Government makes decisions as an integral body. The adoption of a resolution of the Government requires the consent of more than one half of all its members. The Government is authorised to issue Government decrees, signed by the Prime Minister and the respective member of the Government, and to implement Acts. The Government is accountable to the Chamber of Deputies of the Parliament for the fulfilment of the State Budget and it disposes of the Government budget reserve and controls the management of the funds of the State Budget and the State Funds of the Republic.

The decision-making process in cabinet is set by highly formalised Rules of Procedures. 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 the government meeting it be discussed with the ministers in that minister's authority. Such inter-ministerial meetings are often among ministers related to economic policy (Minister of Finance, Minister of Industry and Trade, Minister of Transportation and Communication, Minister of Agriculture, and Minister for Local Development) or to interior and defence policy. The Minister of Finance does not have any special position compared to the other ministers, such as the right of veto. Any such special position could be only informal, as an expression of the attitude of the government towards the Minister of Finance. This, however, has not occurred in the Czech Republic, although undoubtedly the influence of V. Klaus and M. Kočárník as the Ministers of Finance in the first governments (1990-92, 1992-96) was significant.

3.3. The Parliament

According to the new Constitution of the Czech Republic, legislative power is exercised in a bicameral parliamentary system. The existing Czech National Council was transformed into the Chamber of Deputies (Lower House) retaining the 200 Members of Parliament. The deputies are elected for a four-year term on the strength of general, equal and direct voting right in the system of proportional representation[30]. The electoral modalities for the Senate (Upper House) were only approved in 1995. The upper house consists of 81 members who were initially elected under a two round majoritarian system (FPTP system) in 81 single-member constituencies. Similar to the US Senate, members of the upper house serve a total term of six years. One third of the upper house members are re-elected every two years.

[30] Every citizen of the Czech Republic who is aged over 18 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 as Senators. No one can be a member of the two chambers of the Parliament at the same time. Incompatible with the seat of the Deputy or Senator are the posts of the President of the Republic, a Judge and some other posts which are specified by law.

A Deputy or Senator can be a member of the Government. 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 of a parliamentary Committee or Investigative Commission. A Deputy can be a Minister at the same time: both posts are – with some limitations – compatible, and in the political scene of the Czech Republic, such a combination is not uncommon, as shown in Appendix 3. We can ask the question as the extent to which this practice works against the division of power into legislative and executive (although ministers cannot hold any functions in the House of Deputies), but this question has never become a subject of party or public discussion. Technical restrictions have come under consideration, e.g. the absence of ministers from meetings of the House of Deputies; some ministers have also given up their mandate in the House during their electoral term.

All legal acts and major policies have to be debated in the Parliament. Members of the Government have the right to take part in the 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 case of committees and commissions, they can delegate a substitute unless their personal attendance is explicitly required. Any Deputy has the right to pose parliamentary questions to the Government or its members. These have a duty to respond to the question within 30 days.

The Chamber of Deputies can be dissolved by the President of the Republic under the following circumstances: if the Chamber of Deputies has not expressed confidence in the Government; if it fails to make a resolution within three months on a government bill which entails a request for expression of confidence; if the procedures of the Chamber of Deputies have been interrupted for longer than the permissible period (the total extent of the interruption must not be longer than 120 days per year); if the Chamber of Deputies did not have a quorum for longer than three months although the procedures were not interrupted and sessions have been called repeatedly. It cannot be dissolved during the three-month period before the end of the election term. In case of dissolution of the Chamber of Deputies, the Senate can adopt legal regulations that cannot be delayed and which would otherwise require adopting a law. The Senate is, however, not able to adopt legal regulations concerning the Constitution, State Budget, Closing Statement of Budget Account, Election Law, and international agreements, which have the force of a law. A legal regulation is submitted to the Senate by the Government and eventually signed by the Chairperson of the Senate, President of the Republic and the Prime Minister. It must be approved in the first session of the Chamber of Deputies. Unless the new Chamber of Deputies adopts it, the regulation loses any legal force.

As one of the goals of this study is to analyse vertical accountability, let us focus on the institutions that are accountable to the Chamber of Deputies in the field of economy. The Independent Audit Office (IAO) performs the audit of management of national property and fulfilment of the State Budget. The President and Vice-president of IAO are appointed by the President of the Republic at the recommendation of the Chamber of Deputies. The Chamber of Deputies, and particularly the Budget Committee, initiates the tasks of IAO; the co-operation has been very good so far, and there is mutual understanding and agreement. IAO has a duty to submit a summary report of its activities, a report of its economy and its budget to the Chamber of Deputies. The latter approved it at the suggestion of the Budget Committee and following consultation with IAO. The Ministry of Finance must adopt the budgets of the Chamber of Deputies, Senate and IAO as suggested by the Parliament.

The Budget Committee has established the Audit Subcommittee. The Audit Subcommittee has selectively dealt with some findings of IAO; it also has detailed records of audits at its disposal, has the right to call the respective Minister, etc. There are many IAO findings, and therefore the Subcommittee may only choose some cases that particularly seem significant. Having the necessary documents available, such as records of audit etc., the Subcommittee can study a particular case in depth. Then, on the basis of its own proceedings, the Subcommittee informs the Budget Committee, which in turn considers how to deal with the findings further.

The Chamber of Deputies of the Parliament approves the budget and report of the activities of the National Property Fund. The activity of the Fund is then observed by IAO and its reports are submitted to the Chamber of Deputies. Also the Export Bank submits reports of activities, reports of its economy and its budget to the Chamber of Deputies. (The bank was established by the State and gets state subsidies but generates revenues to cover its costs.) Until its dissolution recently, the Children and Youth Fund had to report its activities and submit its budget to the Chamber of Deputies as well.

3.4. The President

The President is elected by a joint session of the Upper and the Lower House for a five-year term and may not serve more than two consecutive terms. The powers of the President are rather limited, but the President of the Republic cannot be held accountable for the performance of his office. The President needs, for instance, 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 national parliament, but he has no power to initiate laws. He is allowed to veto legislation, but an absolute majority of deputies in the Parliament may override the President's veto. Since 1993 when he was elected to head the independent Czech Republic, President Václav Havel has taken advantage of the option to return a passed bill to the Parliament eighteen times. Deputies, however, overrode his veto in the great majority of cases and in thirteen instances passed the bill again. In three cases, V. Havel submitted a proposal to the Constitutional Court to cancel a bill. Since the start of the last legislative term in June 1998, the President has used the right of veto nine times, only to be overruled each time by the House of Deputies.

The President of the Czech Republic might become powerful in a situation where the political parties in parliament are fragmented and find no majority against a veto position of the President. Such a situation, when the President could assert its legal authority, came at the turn of 1998: Prime Minister Václav Klaus and his Cabinet resigned (on 30th 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 for setting up a new Cabinet. Under these circumstances, the President became involved in the political struggle and invited the Chairman of the Christian Democratic Union / Czech People's Party (KDU-ČSL), well known as a personality who is able to arrive at a consensus, to bargain with other political parties on the formation of a new Cabinet. It was the idea of a non-political Government that seemed to be a reasonable solution; President Havel also supported this, which is not surprising, considering his traditional aversion to political parties. Eventually, forming a "semi-caretaker" Government under J. Tošovský, a non-party man and the 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 J. Tošovský was a matter of political consensus; his previous position as the governor of the Czech National Bank did not play a crucial role. Nor was it a problem for him to return to head the CNB and continue his term as governor.

The President has the following powers: (1) He names and recalls the Prime Minister and members of the Government, and accepts their resignations as well; (2) convenes sessions of the Assembly of Deputies; (3) dissolves the Assembly of Deputies; (4) empowers the Government whose resignation he has accepted or which he has recalled with the temporary execution of its office until the appointment of a new Government; (5) appoints judges to the Constitutional Court and its Chairman and Vice-Chairman with the approval of the Senate; (6) appoints the Chairman and Vice-Chairman of the Supreme Court; declares amnesties and grants pardons; (7) has the right to send laws, except for constitutional laws, back to Parliament; (8) signs laws; (9) appoints the President and Vice-President of the Independent Audit Office; and (10) appoints members of the Bank Board of the Czech National Bank.

The President‘s powers and the scope of his competence is an object of lasting criticism from almost all Parliamentary political parties, and attempts to limit them arise constantly. The last of them was the constitutional amendment bill by both “opposition agreement” parties (Civic Democratic and Social Democratic) 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 shall always be invited to form the Government. Apart from the appointment of the Prime Minister, the object of criticism is the President’s competence concerning the granting of pardons and appointing the Governor, Vice-Governor and Bank Board of the central bank.

These reservations arose again at the presidential election in 1998 when Václav Havel stood for re-election before his second term in office. The Deputies and Senators’ attitude was different from that at the 1993 presidential election. In the debate there was some criticism of V. Havel. He was faulted for not having contacts with the Government, Deputies or the citizens in his role as President. His emotional rather than well-thought-out granting of pardons was also not forgotten. He was also criticised for his choice of collaborators. The main reproaches related to some cases of his interference in the policy, which were not impartial, namely his involvement in the ”anti-Klaus” political wing at the time of the Government crisis by the end of 1997. These reservations were reflected in the ballot, when V. 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, though they wanted to elect Havel, at the same time wanted to teach him a lesson.

In the year 2000 we asked the recent Members of Parliament to comment on the particular spheres of the President's areas of competence they felt should be modified (widened or limited). The results show (see Appendix 4) that among the powers most frequently doubted at the present time by the Deputies are the granting of pardons and amnesties, appointing the Bank Board of the Czech National Bank, and some other appointments, e.g. appointing the judges. Among the Senators, the Presidential powers to grant pardons and amnesties, to appoint the Bank Board of the Czech National Bank, and to appoint the Prime Minister and Government were mentioned.

With respect to the question of which of the President’s powers in particular should be widened or limited, the members of the Czech Parliament prefer limiting the President’s competence. The question is how to arrive at a consensus about which specific powers should be further limited and how. To limit the President’s powers is, however, not the exclusive aim of the legislators: on the other hand, they would like to widen his right to veto laws and his competence in legislation (according to the Constitution, the President has no right to initiate new laws at present).

Some points of view state that either there should be the possibility of overriding the President‘s veto on a law by a constitutional (three-fifth) majority, or 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 criticised) should be exercised before the sentence is pronounced by the Court in the due manner, or possibly a countersignature by the Minister of Justice or Prime Minister should be required by law.

In general, the background of the discussion on the scope of the President’s competence is about:

- the need for a more specific description of competence, which became obvious after the eight years of legal force of the Constitution
- defining the President’s accountability for his performance
- the manner of presidential elections (i.e. direct or indirect)

3.5. Relationship between the legislative and executive branches and control of the government by the parliament

The relationship between the government, parliament and the president is defined by the Constitution of the Czech Republic. We have stated that even by the 1970s, in advanced democracies the influence of the executive branch increased and that of parliament decreased. The relationship characterised by Duverger’s statement “If Government is the engine, let the parliament be the brake” has changed. In the Constitution of the Czech Republic, the Parliament is not conceptualised as an institution that would hold in its hands greater powers than government. Despite this, at the outset of transformation in 1990-92, during the period of building a legal state such as after the formation of the Czech Republic, the development of new legislation resulted in the role of the Parliament being higher and deputies felt this leading role was more important. The establishment of various commissions commissions demonstrates this fact.

Since 1993 we have regularly asked in our surveys about the importance of different parliamentary functions. According to the interpretations of deputies, the control of government was, beside the legislative activities, the second most important role of the Parliament. In view of the fact that the Parliament began to perform this function, as in other post-communist countries, after the change of the political regime (it was de facto the communist party who discharged this function in the period of socialism), the relationship between the legislative and executive branches began to take shape, as did the deputies’ opinions on this issue. Based on an example of the Hungarian parliament given by Soltéz [Soltéz 1995], it appears that legislative and control functions of the parliament cannot be rigorously separated from each other -- in other words, they are closely interconnected with each other. In the process of legislative development a certain form of control is performed. 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 government is viewed in a different way by the government coalition and by opposition parties. The opposition demands greater control, which is understandable. Deputies of the parties of government coalitions (ODS-KDS, ODA, KDU-ČSL) in the terms 1992-96 and 1996-98 did not attach such a high value to this issue. The coalition also occupied all the positions of chairmen of the parliamentary committees. Though the importance of explicitly formulated control of government somewhat decreased in comparison to 1993, the highest importance was still attached to the adoption of the state budget, which is one of the forms of indirect control of government.

If we ask who decides the principal direction of government policy, the Parliament is deemed to have a less important role. The real state of affairs was inconsistent with the concept of deputies (Table 5). At the beginning of the 1992-96 term, the principal direction of government policy was 60% decided by the government coalition, formed by four political parties, and only 37% by the party with the highest number of deputies. But within the four years the influence of the strongest party increased significantly, or at least the deputies saw it that way. In 1996, because of tensions within the coalition, the influence between the strongest party and its coalition partners became equalized in the process of deciding the principle direction of government policy, and the strongest party, namely ODS, and considerably strengthened its positions. The negative reaction of the other coalition partners, theoretically anticipated, seems to be proven after the 1996 elections in negotiations of coalition parties concerning the formation of the Cabinet and in the efforts of the weaker coalition partners 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 one, even the strongest, party decreased rapidly. The data from 2000 shows the position of the minority government formed by one party - the Social Democrats. Deputies now place greater importance to the influence of the parliament on the government's decisions on principal issues in comparison with the previous term.

Table 5: Who actually decides the principal direction of the government policy according to the deputies (in %).

	1993	1996	1998	2000
Government coalition / government*	59.7	49.0	60.1	69.3
Party with the highest number of deputies	36.6	48.2	10.1	5.6
Someone else	3.0	2.8	23.0	10.6
Parliament	0.7	-	6.8	14.5
Total	100.0	100.0	100.0	100.0

* In 2000 only the government was asked because there was only one party in the office

3.6. Process of bargaining in the Parliament

The legislative process

The process of bargaining on acts is given by the Rules of Procedure in part twelve. Let us summarise the main steps. Deputies, groups of Deputies, the Senate, the Government or the council of a higher territorial self-administered unit (hereinafter „Submitting Party") may submit bills. Bills shall be submitted to the Chairperson of the Chamber of Deputies, who will assign it to the Organising Committee. Provided that the Submitting Party is not the Government, the government shall send a written opinion statement (the Legislative Council of the government) on the bill to the Chairperson of the Chamber of Deputies. After the government has expressed its view on the bill, the Organising Committee shall recommend within 15 days that the Chairperson of the Chamber of Deputies include the submitted proposal in the agenda of a meeting of the Chamber. At the same time he/she will propose to which committee or committees the proposal should be assigned and shall designate a reporting person for the first reading.

Until 1995 (the new Rules of Procedure), a draft act was passed over by the Presidium to particular committees to be dealt with. Nearly all committees dealt with the bill, and then the committees based the debate at plenary meetings on a joint report. As “insiders” witnessed, a lay opinion could defeat a professional one more easily under such an arrangement. In this respect, the new Rules of Procedure were a step towards a higher degree of expertise. At the moment, according to the new Rules of Procedure, the bill passes through the first reading in the Chamber, which will assign it to the respective committees for discussion. Then the report is given by only one committee, which is perceived as a guarantee of expert knowledge.

Within the committees, an informal two-tier system of debating bills was established at the same time as the Rules of Procedure were changed. 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. Then the debate on the issue is suspended for ten days as a rule. The amendments handed 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 – not submitted to the committee but rather to the House for the second reading of the bill. This is due to political infighting. The House usually adopts the amendments that have passed through this procedure by the committee. The institution of two-tier proceedings is mainly based on political culture. The increasing number of bills that are dealt with in this manner is proof of the favourable development of political culture towards common West-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 or trade unions. When a draft act is dealt with within the committee, representatives of such associations can take part in the procedure, and they frequently make use of this opportunity. This mainly applies 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 shall take place. In this parliamentary debate, the only things that may be proposed are corrections of legislative mistakes of a technical character, corrections of grammatical mistakes etc. At the conclusion of the third reading, the Chamber shall vote on amending proposals to the act and other proposals to the act. After this, the Chamber of Deputies will decide whether it will express its agreement with the act.

To approve an act, 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 when voting on non-confidence in the Government.

Following its adoption by the Chamber of Deputies, an act is sent to the Senate. The Senate is obliged to deal with the act within 30 days. If the Senate fails to make a resolution on it within this period, the act is adopted. The Senate may also express its unwillingness to deal with the act, and in this case the act is considered adopted. Then, the President of the Republic should sign the act; the President has the right to return an adopted act, excluding constitutional acts, to the Chamber of Deputies.

The Senate was first elected in 1996; and in the early years it had to search for its real place in political life. Moreover, after adopting the Constitution of 1992, in which the Senate was conceived as the Upper Chamber, some political parties accepted it with reservations, and the citizens were not convinced of its usefulness either. Also, between the two Chambers and their committees as well as between the deputies and the senators there were just nascent relations of particular co-operation and communication.

As for economic questions, both the deputies and the senators have their own circle of consultants and sources of reference to contact for information, if needed. Communication between the two groups is negligible. This is especially true about the deputies.

The efficiency of parliamentary work

The political and economic transformation launched in 1990, the creation of an independent state (1993) and the preparation for accession to the EU constitute permanent pressures on the legislature. The inexperience of the deputies and oftentimes-insufficient expertise, in combination with the “legislative storm”, have affected the quality of legislation. Despite the respectable range of legislative activities since 1990, practise has often outrun legislation, which has also had an effect on economic activities. In addition to abuse of the gaps in the commercial law and the difficulty of enforcing some legal norms, we can also add that overly liberal legislation has lead to a hasty expansion of the sector of commercial banks and co-operative banking houses. This, in combination with the inexperience of the management, led to a number of banking houses going bankrupt in the second half of the 1990s, and the large banks have not been immune, either.

An overview on the amount of work and the quality of the proposed acts is given in Table 6. The statistics shows that the government submits most bills, 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 government.

Table 6: Legislative activity of the Parliament of the Czech Republic

1st term (1992-1996)					2nd term (1996-98)				3rd term (1998-*)	
submitted			Passed		submitted		passed		submitted	
Draft by:	number	%	number	%	number	%	number	%	number	%
Government	285	64	111	51.6	83	77.6	83	77.6	315	61.0
deputies	166	36	102	47.5	23	21.5	23	21.5	190	36.8
Senate	-	-	-	-	1	0.9	1	0.9	11	2.2
Total	451	100.0	215	100.0	107	100.0	107	100.0	516	100.0

Source: Parliamentary Institute, Prague, 2000
* the end of year 2000

When speaking about the effectiveness of the Parliament's work we have to take into account also the number of amendments passed by the chamber. Table 7 shows a sample of the acts.

Table 7: Selected acts concerning economy, with the number of amendments and modifications

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 *(so-called small privatisation)*	25 Oct 1990	12
92/1991, on Conditions and Terms Governing the Transfer of State Property to Other Persons *(so-called large privatisation)*	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 *(Small Businesses Act)*	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 *(Consumption Tax Act)*	20 Nov 1992	22

Source: Library of the Parliament of the Czech Republic

The large number of changes reflects the precipitate way of passing some acts as well as the inadequate interconnection of particular laws; one could hardly expect anything else, however, considering that the entire framework of the law was being changed in this period, and not just particular laws being adopted. At the present, a large number of amendments are also due to the necessity of adapting Czech law to the legislation of the European Union (Community Acquis).

3.7. Committees

The short description of the legislative process stressed the importance of parliamentary committees. Committees can be characterised as groups of deputies (in the Czech Republic, usually of 16-24 members), always established at the beginning of the election term, with a clearly stated scope of functions. There are some committees whose existence is explicitly required by the Rules of Procedure[31] (Mandate and Immunity Committee, Petition Committee, Budget Committee, and Organising Committee), and some other committees, both permanent and with a limited period of existence. Thanks to their specialisation, the committees enable the deputies to be concerned with more activities – above all, to discharge the legislative and control functions.

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 a less formal way. Therefore, the committees provide an opportunity for interaction between members of different political parties within the Parliament. This creates an environment which substitutes professional discussion and rivalry for direct political confrontation. The rivalry is due to differences in orientation and the programs of particular political parties.

Members of the committees become – to some extent – authorities in the questions covered by their committees, and they are looked upon as such by their fellows in the party, the daily press and the public as well. Thanks to membership in a committee, the deputy not

[31] Act of the Rules of Procedure of the Chamber of Deputies, as amended by Act No. 47/2000 of the Collection, of 14th February 2000.

only specialises but also obtains more authority. This is particularly true when the deputy serves a number of terms as a Member of Parliament and accumulates experience of various kinds.

Olson and Norton [Olson/Norton 1997] list several examples of paradoxes of institutional development, which also involve parliamentary committees. Let us only quote those paradoxes that pertain immediately to this analysis. The first paradox is the inevitable functioning of legislative organs under completely new circumstances but largely in keeping with the old rules. It can be mentioned here that following the moment of its establishment (on 1st January 1993), the Chamber of Deputies acted in compliance with the Rules of Procedure of the Czech National Council of 1989. Although this Act was amended several times between 1989 and 1992, it was not until 5th June 1995 that the new Rules of Procedure, in force from 1st July 1995, were adopted at the 30th meeting of the House. Another paradox is the new position of the committees as professional structures and Deputies Clubs as political ones. Under the conditions in the Czech Republic, this paradox can be seen fully since the above-mentioned change of the Rules of Procedure. The committees become a place of professional discussion but the results of the proceedings are largely influenced by political decisions of the Club (although within a Club there usually are some ad hoc specialist groups, appointed for particular topical problems). These paradoxes are part of the Big Paradox of new parliaments: possibilities for negotiation have increased while negotiating capacity has decreased. This is particularly true while the EU legislation is being implemented and a large number of regulations must be adopted: The excessive quantity of regulations can affect their quality [Rakušanová 2001].

It can be noticed that the ongoing institutionalisation and – to some extent – professionalisation of the committees had the same effect on the activities and functions of the Parliament as external political influences. During the period in question, the turnover of deputies was decreasing steadily: 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). Representation in the committees follows this tendency, and the number of the deputies who have some experience of the functioning of the Parliament and the committees is therefore increasing. The new incoming deputies do not need a special warm-up period either to get used to the parliamentary routine. Thus, it can be noticed that a continuously increasing number of the deputies who are experienced in the functioning of a legislative body (or possibly of a particular committee) promotes professionalisation of the committees and – on the whole – has a positive influence on the work of the organ. For instance, in the Budget Committee, which is also subject to analysis in Chapter 4, after the 1996 election seven members out of twenty (i.e. 35 per cent) had some experience of work in the committee in the previous term. After 1998 election the figure was six members out of 21 (28.6 per cent).

At present, there are 13 committees (see Table 8), including the Organising Committee; eleven of them have a legislative function, taking part in preparation of legislation and control of Government activities. Distribution of topics of the agenda in ordinary committees does not correspond to that between ministries. There are a number of reasons why the scope of competencies of particular ministries are not covered in the same way. First, it is tradition: the scope of competencies of the committees took over after the practice of the Czech National Council and Federal Assembly before the Revolution, and changes in the profile of the committees are very slow. Another reason is the recent number of ministries (14), which would mean – adding those committees whose existence is compulsory according to the law – a total of 18 committees. With the number of its members, the Chamber of Deputies cannot manage to staff such a number of committees, considering the above-mentioned incompatibility of some positions with membership of the committees.

Table 8: Number of Committees and Sub-Committees

Chamber of Deputies	**1st term 1992-1996 ***	**2nd term 1996-1998**	**3rd term 1998- ****
Number of permanent committees	12	12	13
The size of committees	11-24 (18.5)	11-26 (20)	11-24 (17.4)
Number of sub-committees	24	24	36

* Situation in 1993. Following the split-up of the Czechoslovak Federation and establishing of the Czech Republic, two new committees arose in correspondence with the new distribution of competencies: Foreign Committee, and Defence and Security Committee
** Situation by 5th February 1999.

Although the functioning of all Committees is equally important for the activities of the Chamber of Deputies, the work of those immediately connected with legislation and economy of the country is much more the focus of interest of political parties, and much more prestigious among the deputies as well. Within the framework of political agreement, a key party member for staffing of particular committees is set in the post-election period. This key member serves to ensure, above all, a majority when voting on fundamental questions, and also, to ensure that every deputy will be 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 membership of a Committee) and that the Committees will be representative. First, a party key is set to staff the *Budget, Constitution and Legal, and Economic Committees***.** There are between 18 and 21 members in 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 stabilised at 17-22 members (excluding the Mandate and Immunity Committee, which has 11 members), depending on observation of the party key by particular parties[32] (see Appendix 5). The interest in membership of certain committees, especially in

[32] In the first periods we noticed a proposal by some deputies to elect the Chairperson of a Committee considering the professional profile of the candidate. Such proposals, however, should be seen rather as attempts by unsuccessful candidates to gain ground.

prestigious ones such as the Budget Committee or Constitution and Legal Committee, is enormous even within particular political parties, and many times higher than the possibilities provided by the Rules of Procedure.

Another important factor in staffing the committees is the ratio of seats between Coalition and 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 key committees the governing coalition parties appoints the majority of the members. (In the current term, the situation is very specific, with one governing party supported by the "agreement opposition".)

We have mentioned various degrees of prestige of particular committees, as perceived by political parties, deputies, and maybe the public (though here empirical evidence is not available). 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 Economy, and the Constitution and Legal Committee, whose prestige, however, has been on the decrease. One possible explanation for this decline is that more and more legal acts are actually due to harmonisation of the Czech legislation with that of the European Union, with the legislation only following EU guidelines, and the scope for its own legislation is getting smaller.

Workload in the committees varies, depending on the scope of their activity, i.e. producing a new legislation of a democratic state, particularly in early 1990s. Among the busiest committees are the Committee for Economics and the Budget Committee, which is our main focus.

Except for legislation, the second 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 the parliament. Committees are the main practical working instruments for fulfilling this responsibility.

This 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 realised the importance of information from the administrative authorities during the drafting of the Law of Rules of Procedure. The deputies have obtained the right to compel government officials to provide information during committee meetings. Members of government and members of the other central administrative agencies are required to attend in person a meeting of a committee when asked, and to provide the information and explanations requested.

The oversight system of committees consists of two main types of actions as follows:

- debates (and subsequent decisions) on issues initiated by the Government or a ministry;
- debates (and subsequent decisions) on issues initiated by the 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 practise, the ministers and officials do not usually refuse to provide required information, but the MPs from government parties defend their ministers from excessive interference with executive power. When there is a minority government, by contrast, the effectiveness of administrative review increases, especially in committees in which the chairman is an opposition MP. The program of a committee is concentrated on administrative review and the content of debates is more substantial [Syllová at al 1998]. 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: *Permanent Commission of the Chamber of Deputies for Controlling Activities of the Security and Information Service; Permanent Commission of the Chamber of Deputies for Controlling Operative Technology of the Police of the CR; Permanent Commission of the Chamber of Deputies for Controlling Military Defence Intelligence,* which carries out activities similar to the committee supervising civil intelligence services.

In addition, the *Inquiry Commission* is a special agency of the Chamber of Deputies for inquiry into matters of public interest when necessary. Upon the request of at least one-fifth of all deputies, the Chamber of Deputies elects an inquiry commission**,** whose members are deputies who are not members of the Government. For its tasks, the Inquiry Commission can engage experts, particularly investigators and support staff. The work of the Inquiry Commission is confidential. Should facts ascertained by the Commission indicate that an offence has been committed, the Inquiry Commission informs the bodies active in criminal proceedings. The Commission compiles a final report, summing up the outcome of the inquiry. The Report is debated 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 the Parliament. Although the opposition has always been more interested in the membership in investigative commissions, it managed to assert itself more emphatically in this way only after the 1996 elections, when strong groupings left and right of centre were formed. This constellation has made possible the efficient functioning of the opposition and the control of government power, which was a step forward in the democratic development compared to the period of 1992 through 1996.

Table 9: Investigative commissions

Electoral term / number	Established	Total number of members	Out of which the governmental coalition / party
1990-92 / 3			
1. Parliamentary Commission for the Supervision over the Investigation of the	20 July 1990	NA	NA

November Events in Prague			
2. Commission of the Czech National Council for the Investigation of the Death of Pavel Wonka	4 September 1990	7	7
3. Investigative Commission Concerning the Issue of Lustrations	14 May 1991	15	11
1992-96 / 1			
1. Investigative Commission of the Chamber of Deputies for the Investigation of the Circumstances related to the “Norbert”, “Zásah”, and “Vlna” actions	25 February 1993	11	7
1996-98 / 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 September 1996	12	6
2. Investigative Commission of the Chamber of Deputies for the Investigation of the Conditions of the Privatisation and Economic Functioning of POLDI Kladno	16 October 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 and its Creation, Including the Financial Connections to Sazka	7 July 1997	NA	NA
4. Investigative Commission of the Chamber of Deputies for the Permeation of Organised Crime in the State Administration in the "Olomouc Case"	27 February 1998	10	2
1998-to date / 3			
1. Investigative Commission of the Chamber of Deputies for the Investigation of the Activities of the Transplantation Centre of the Teaching Hospital in Ostrava	1 June 1999	10*	2
2. Investigative Commission of the Chamber of Deputies for the Investigation of the Doubts Arising in the Case of SPT Telecom	13 January 1999	10*	2
3. Investigative Commission of the Chamber of Deputies for the Investigation of the Decision Making of the State in IPB since its Inception until the Imposition of the Forced Administration and its Sale to ČSOB	10 June 2000	10*	2

Source: Archive PS PČR
NA = the information is not available
* all the parliamentary parties are represented equally

In the first two electoral terms, investigative commissions dealt with problems related to the overcoming of the heritage of the communist past, those events which 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 Events in Prague). Until 1996, the subjects of investigations of the investigative commissions were cases related to privatisation, activities of banks and organised crime in the economy. Of the seven investigative commissions established since then, six examined economic cases. If we look at their composition (see Table 13) we will see a growing role of the opposition in the form of monitoring the government. The last investigative commission (for the clarification of the decision making of the state in the case of Investiční a poštovní banka since its inception until the imposition of the forced administration on IPB and its sale to Česká obchodní banka) was created only because certain parliamentary parties were not satisfied with the procedure employed by the government as regards IPB. The establishment of the parliamentary commission was supposed to clarify what happened exactly in this case, whether the government acted according to the law etc. A total of 194 deputies voted in favour of the establishment of the commission.

Chapter 4

Bargaining in Parliament on economic policy issues

This chapter discusses the bargaining that takes place in parliament on issues relating to the making of economic policies by focusing on the budget. Bargaining on economic policy issues occurs, as on any other issue, in the committees and the general parliamentary session; political decisions, i.e., decisions on how to vote, occur mostly in parliamentary party groups. It is important, therefore, that we first discuss some preconditions for successful bargaining. Since the focus is on the budget, the next section will then examine the budget committee and the last sections the process of budget bargaining and the committee for economics.

4.1. Preconditions of 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 the Parliament, and with the changing composition of the political forces. The inexperience of deputies, especially during the beginning of the transformation period, could be observed in the activities of the committees and the Parliament as a whole in their efforts to cooperate with the government and individual ministries. This led to a reduction of the influence of the Parliament on economic policy making[33] during this key period. The gradual professionalization of deputies, the creation of a strong opposition and the gradual equalisation of powers between the right and the left has led to efforts by the Parliament to gain a greater control over the government by using the powers granted to it. On the other hand, the inclusion into European structures has repositioned the decision-making processes to transcend the national framework, thus

[33] As stated in Chapter 1, the Federal Assembly debated but was not supposed to approve the final outcome of the economic reform after the first free elections in 1990. The realisation was entrusted to bureaucrats.

strengthening the power of the executive and consequently restricting the influence of the Parliament.

Let us take a closer look at the recruitment and professional experience of the members of Parliament who constitute a very important group of elite. During communist rule, a certain quota of parliamentarians was established for individuals who represented industrial workers and agricultural workers. If we examine closely the differentiation during individual terms of the Parliament (see Appendix 7) we observe how the occupational origin of the parliamentary elites continued to change 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 sphere were elected to the Parliament, at present more than half of the deputies 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 man" enters politics directly at the highest levels. However, this was the case of the Union of Freedom, which was established as an ODS splinter group in 1998 and which brought several deputies without any previous political experience to Parliament.

What type of previous experience with working in a legislative body did the deputies have? At the beginning of the period of transformation in 1990, they were especially "new people" and only a very small proportion of them had any experience with working in the highest legislative body. The situation, however, quickly changed and we can see that a decreasing number of deputies were elected to the House of Deputies without any previous parliamentary experience. We can speak of the stabilisation of the parliamentary political elite and its professionalisation, which is important for the work in parliamentary committees. The percentage of re-elected deputies has been growing. In the current House of Deputies (elected in 1998), 55% of the deputies have previous experience from the highest representative body.

The Committee for Economics and the Budget Committee played a crucial role in the bargaining process concerning economic policy issues. They had to battle the above-mentioned problem as well. After the 1990 elections, the decision on the composition of the committees was made by the Občanské forum committee (Civic Forum); later this decision was subject to coalition negotiations. The proposal to distribute MPs into committees according to expertise did not gain wide support. Thus, committees are staffed according to political agreements and the agreed party structure based on preferences on key issues. However, the professional profile of members of both the above-mentioned committees has shifted. There are now more economists, which helps a greater integration of the committee as an expert whole.

4.2. Budget Committee

The Budget Committee (before the transformation of the Czech National Council on 1st 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 double role: it discusses all issues concerning the Ministry of Finance, and, in addition, it bears primary responsibility for the adoption of the national budget. It collects draft amendments that deal with the budgets of the ministries from all the other committees, and drafts the final version of the proposed budget for the Chamber of Deputies. At the same time, the Budget Committee is one of the busiest committees, as Table 10 shows.

Table 10: Activity of the Budget Committee in four successive election terms (1990 – 2000)

Term	1990 – 1992	1992 – 1996	1996 - 1998	1998 – 2000*
Number of members	17 - 18	17 – 20	20	21
Number of committee meetings	65	78	36	37
Number of adopted resolutions	398	627	318	373
Number of seminars	9	10	N/A	N/A

Source: Archive of Chamber of Deputies, Parliament of the Czech Republic
* The present term is 1998 – 2002, data by 8th November 2000.

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. Let us introduce a survey of the problems it was dealing with in two election terms (1990-1992 and 1992-1996). These were chosen because the development of the economic reform and the genesis of new legislation in the transformation period are best reflected here. As one can see in an overview of topics (see Appendix 8 and 9), apart from the issues of budget, finance and taxes, there were also privatisation acts and audits of techniques of privatisation. The privatisation was the Government's responsibility but members of the Budget Committee observed its course; in the case of "small privatisation", this meant deputies visiting privatisation commissions in districts.

Like the Parliament on the whole, the Budget Committee consisted mainly of members without any previous experience of top politics. Only exceptionally did some have economic backgrounds; the others, however, tried to compensate for the handicap by taking part in seminars, discussing 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 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 into account professional background. This proposal was rejected, and it was agreed to distribute posts to all parties equally. At the time, stress was laid on the necessity of gaining some respect for the executive power through active and high quality work. There was enormous enthusiasm for the work. The turnover at the seminars was very high, and members of the Committee did not hesitate to criticise a Minister if they felt that his lecture was not prepared well enough; they may have required that the lecture be repeated, or they may have expressed their dissatisfaction with the Government in a resolution. Gradually the Deputies became more professional and learned how to work with information, to obtain it and to evaluate it critically. There were nine seminars held on topics such as: state budget; privatisation, re-privatisation and economic reform; privatisation and private enterprise; scenario of the economic reform; state budget and the problems of municipal property; banking, 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. These were representatives of ministries, the Office of the Government, the Czech Statistical Office, the central bank as well as some other banks, and many others. The frequency of visitors is shown in Appendix 10.

A look at the issues bargained during the next election term 1992-1996 reveals a greater concentration on the State Budget. Following the establishment of the Independent Audit Office (thereinafter IAO), the auditing functions were transferred to this office. The name of the Budget and Audit Committee was changed to the Budget Committee.

The Committee receives regular reports on the state of the economy of the Czech Republic (quarterly reports as well as annual surveys of the past year), utilisation of expenditures of the State Budget, monetary policy of the central bank and its economy, results of management of budget resources in particular years, and reports on the economy of the Ministry of Finance, debates of the Budget, debates of utilising expenditures and annual statements of the accounts of the Children and Youth Fund (since 1994), the Land Assets Fund of the Czech Republic, and the National Property Fund. From the Ministry of Finance, the Committee also receives regular reports on the state of the Customs Office and its activities. The overview of the frequency of visitors and their composition (see in Appendix 11) illustrates different interests presented in the committee.

The topics of the seminars in this period were more specialised; in particular, they were focused on: system of taxation, income tax; remuneration arrangements for the highest State Officials whose pay and perquisites are settled by law; potential of leasing in the development of the market economy in the Czech Republic; co-operative banking (which became later a serious problem); tax allowances and their role in the stimulation of economic development; principles of grants policy and development of municipal credit system; control of public finance in a democratic country. Also, one international seminar, *Budget and the role of the Parliament*, was organised in co-operation with the East West Parliamentary Practice Project, the Ford Foundation, and the Centre for Democracy and Free Enterprise (with deputies from Poland, Estonia, UK, USA, the Netherlands and France, all of them being members of budget committees).

4.3. Budget bargaining

The budget could be seen as a case study for the analysis of the bargaining process in the legislative institutions. Discussions of the state budget reveal the various political and particular interests both in the meetings of the House and in the committees. Of course it depends on the distribution of political forces; in the case of a minority government, coalition building is very important in budget bargaining.

The discussion of 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, let us summarise the most important steps of the discussion of the Budget[34]. The Government submits the bill on the state budget to the Chairperson of the Chamber of Deputies no later than 3 months prior to the start of a new budget year. The Chairperson shall assign the act on the State Budget to the Budget Committee for discussion. The bill shall be introduced by the proponent (the government). During the first reading, the Chamber of Deputies shall discuss in a general parliamentary debate the basic information on the draft such as expenditures, the balance etc. 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. Committees shall discuss the individual chapters of the bill on the state budget that they have been assigned. The Ministry of Finance provides the external 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. Committees may propose changes only to those chapters of the State Budget that were assigned to them.

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 more opportunity for lobbying, and a lay opinion could defeat a professional opinion more easily, as each committee had one vote equally and the special Budget and Economy Committees formed a minority (out of the usual 4-5 committees involved). After the changes to the Rules of Procedure, the Budget Committee obtained more competencies. Currently it is very difficult for a deputy to gain anything for his/her own constituency, because he/she is expected to specify how the proposed expenditure will be paid for, i.e., what other expenditures should be cut in order to obtain money for the specific purpose.

[34] Rules of Procedure, Part Thirteen.

The Budget Committee shall discuss committees' resolutions and/or opposing view-reports on individual chapters of the draft act on the state budget with the participation of the reporting persons of the committees and shall adopt the resolutions on them.

During the second reading, the draft act of the State Budget shall be introduced by the Submitting Party. After him/her, the Budget Committee's reporting person shall speak. During the detailed parliamentary debate, amendments and other proposals are submitted.

The third reading of the draft act of the State Budget may be started 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 mistakes of a technical character, corrections of grammatical mistakes, and proposals for repeating the second reading. At the conclusion of the third reading, the Chamber of Deputies shall vote on amending proposals, and eventually the House will decide whether it will express its agreement with the draft act.

The most important stage of the bargaining is the first reading, which is meant to give a clear outline of the total for the mandatory expenditures (i.e. expenditures explicitly required by law), the total expenditures and revenues, the balance of the State Budget, and the budgets of municipalities. The Budget Committee must see to preserving a balance between revenues and expenditures. After subtraction of the mandatory expenditures, only approximately 15 per cent of the total funds allocated for expenditures remain – it is necessary to come to an agreement on which sphere, such as education, science or health care, will be emphasised. This percentage will be further reduced if the continuous investment projects of the government which cannot be abandoned are considered, as well as unwritten obligations – percentages that are given for certain chapters of the budget (such as 1.2 per cent for science, 2 per cent for defence, etc.) by EU and NATO. This means that the publicity in the media is actually about the small number of items that are debated in the Parliament. Now it may not be amiss to mention that the first round of putting together particular expenditures takes place at the ministries. This is why the ministries seem to be a much better place to forward particular interests, as this environment is much less transparent when compared to the Parliament, and the Chamber of Deputies is only the second step in lobbying.

The Act of the State Budget is solely approved 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 (Deputies Clubs). On voting there is always a strong party whip, and a vote against it can have unpleasant consequences for the deputy, especially in the case of a small majority or a minority Government. An example is possibly the voting of the budget in early 1997, with a small Government majority. Two Social-Democratic deputies who voted against the party line were expelled from the party. Soon, one of them joined the right-wing Civic Democratic Party and he is currently one of its deputies.

Another proof of the fact that voting on the budget is one of the key political issues that are normally decided on in a strict conformity with the party line is the analysis of voting in the Chamber of Deputies. More detailed analysis of the vote was possible for a period of five years and data is available in Appendix 12, 13 and 14.

The data in particular columns tells what percentage of the members of a Deputies Club voted for the submitted budget, and also which party did not vote or abstained from voting – in many cases with the intention of allowing the bill to pass. The data proves a great party whip on voting on the State Budget. It may also happen that the budget is not adopted at the first attempt, as was the case of the 2000 budget. The Parliament did not pass the government budget; only the deputies of the minority Government of the Social Democracy voted for it. Right-wing deputies voted against and the communists abstained from voting. As a result, the Government will only have a provisional budget. The budget had to be negotiated again in the beginning of 2000. As we can see in Appendix 14, an agreement of the parties

(Social Democrats and Civic Democratic Party) bound by the "opposition agreement" occurred, and the Budget was adopted.

Table 11 reveals to what extent deputies feel bound by the party line in the case of voting on the state budget and 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: Tell me, how do you personally vote, concerning following matters? (per cent)

Voting on:		Deputies		Senators	
		experts	others	expert	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: Project GA ČR No. 407/00/0747 " Deputies and Senators of the Parliament of the Czech Republic in its 3rd election term"

If we look at the voting on amendment proposals in different years, we can see the creation of a coalition and ad hoc coalition emerging within the Chamber, or rather an opinion on the stability of the government coalition with respect to an important issue like the state budget (see Appendices 15-19).

4.4. Committee for Economics

Most acts that were vital for the economic reform program were adopted between 1990 and 1992, which is reflected in the problems the committee was dealing with during that term (see Appendix 20). In the last six months of 1992, more problems arose, connected with the split-up of the state and – as a result – with the division of property. At that time the committee was mainly composed of people without an economics background, who were trying to catch up on basic special knowledge and overcome the handicap. The creation of a legislative framework necessary to carry out the economic reform was primarily the responsibility of the Federal Assembly. The Czech National Council (the Parliament of the Czech Republic to be) also dealt with this legislation.

Acts concerning the banks and banking were mostly submitted by the Government, which preferred leaving the preparation of bills to the central bank. As the 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, i.e. as a Government bill (hereinafter “GB”). During the debates on the draft acts that had been prepared by CNB, the Governor was always present, who also – as a rule – would answer questions concerning the GB. In this case the Government was happy to leave the initiative to the Governor. On the other hand, the acts concerning investment funds etc. were mainly prepared by the deputies, in particular by T. Ježek, as the Government was not very interested in investment policy. Despite this situation, only one seminar was held in this period, namely, about the problems of privatisation.

While during the term of 1990 through 1992 the Economic Committee discussed laws related to economic reform, reform of the welfare system and healthcare etc., during the period 1992 through 1996 the debates shifted to the privatisation of concrete companies, economic areas such as the privatisation and restructuring of railways (see Appendix 21).

The number and topics of the seminars reflect a wider scope of the agenda in the Committee. Table 12 shows a survey of the activities of the Committee for Economics during four election terms.

Table 12: Activity of Committee for Economics in four terms

Term	1990 – 1992	1992 - 1996	1996 - 1998	1998 – 2000*
Number of members	20 - 21	21	20	22
Number of committee meetings	61	67	41	27
Number of adopted resolutions	N/A	509	146	135
Number of seminars	1	10	N/A	N/A

Source: Archive of Chamber of Deputies, Parliament of the Czech Republic
* The present term is 1998 – 2002, the last information delivered by the Committee to the Archive is by 11th November 1999; for this reason it is not possible to verify the data.

Chapter 5

Participatory aspects of technocratic governance

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

5.1. Interest groups

The formation and implementation of social policies in the Czech Republic since 1990 occurred in a civilised atmosphere and mostly within a valid (although constantly amended) legal system. The entire discourse, however, 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 hushed. Policy makers then often found themselves tempted to become encapsulated in the ivory tower of cabinet politics. As M. Potůček summarises in his book *Křižovatky české sociální reformy (Crossroads of the Czech Social Reform)*, the governments (until 1992 the federation and Czech and since 1993 only Czech) and the executives of central and regional authorities acted as the sovereign of the Czech social reform. We can state that they had at their disposal great intellectual and administrative capacities and, therefore, in addition to conceptual materials, they managed to execute tens of new bills, most of which were passed in the parliaments (until 1992 by the Federal Assembly of the Czech and Slovak Federative Republic and the Czech National Council, since 1993 by the Parliament of the Czech Republic). The formation of the social policy occurred mostly along the lines of the government and the Ministry of Labour and Social Affairs. The concepts and bills divided into legal sections were prepared at the Ministry. After a preliminary discussion at an informal but influential "council of economic ministers" and (sometimes) the tripartite, 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: 83].

The weakness of this approach was that other actors, especially representatives of interest groups and independent experts, were effectively excluded (or at least access was 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, ODS) towards including interest groups and intermediary actors into these processes. This attitude was most succinctly expressed by Václav Klaus who, as a theoretician advocating conservative and neo-liberal 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]…"freedom, political pluralism and the market are enough and…. this is the best that can be done for a just, decent and solidary society" [ibid. 288].

The efforts of interest groups to assert their interests during the creation of legislation and the reform steps did not concern solely the area of social affairs. Professional associations and chambers, such as the Medical Chamber, the Dentist Chamber, the Chamber of Lawyers etc., attempted to assert their influence during the creation of legislation and the formulation of conditions under which they were to perform their activities. We can say, however, that the only fairly important partners of the government were the trade unions and business associations. During negotiations with them, some of the measures under preparation were altered. The trade unions gradually acquired the support of the general public that they had lacked at the end of the communist era and at the beginning of the transformation period.

Thus, as the position of the trade unions grew in status prior to the mid-1990s, the willingness of the government to accept them as an equal partner decreased.

5.2. The emergence and development of social dialogue

The reform strategy after 1989 required a political and institutional basis for a social dialogue that would help resolve the expected conflicts or would prevent or minimise them. The federal government and also the national governments decided, as did other states in Central and Eastern Europe, to create institutions in 1990 that would represent interests and allow feedback. The goal of the Council for Economic and Social Agreement (CESA) was to create a platform for preventing and resolving conflicts. Neither the existence of the Council nor its relationship to the Parliament is formally enshrined in the legal order. Its working is the result of an agreement between the parties concerned.[35] The concept of a social dialogue is based on a joint solution of problems and a consensus achieved by representatives of labour and capital. Tripartite negotiations take place between representatives of employers and employees with the participation of the state (government) as the representative of the interests of society as a whole.

The social partnership represents an institutionalised non-political form of interest representation and concentration between labour and capital, i.e., between employers and employee associations, with the participation of the state as a representative of the general social interest. It is an expression of a civic society formation in the sphere of labour. The basic idea is that all actors should accept the general aims of economic and social policy and that they could be reached better through co-operation and consensual policy than through

[35] A social partnership is not part of the parliamentary system of the Czech Republic. There does not exist legislative regulation of the relationship between social partners and Parliament. Formal ties are missing even between social partners (employees and employers) and political sides. Already at the beginning of the period for creating relations, the trade unions even formulated in their program documents and reports, requirements for their further legislative amendment. They suggested a legislative amendment on CESA's position in the legal system. This was aimed at solving the binding nature of CESA's viewpoint for participating sides of the tripartite and for further legislative process in a legal state. These proposals of the trade unions were not realised. In the Czech Republic, this is no longer demanded, neither by trade unions, nor by employer associations.

conflict. The objective of the social partnership model is the joint solution of problems and the 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 or 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. The privatisation was in the hands of the government and employer associations, and the trade unions did not have much say in this case. At the beginning of the 1990s there was a work team staffed by representatives of the trade unions and employer associations, and this team communicated with the Ministry of Privatisation. It would go to the chateau of Lnáře where the privatisation commission would convene, which the team achieved by exerting pressure on the Ministry of Privatisation. This contact gradually disappeared after the right-wing government came to power. CESA would receive information (between 1994 and 1997, for example, the Ongoing Information on Privatisation was on the tripartite meeting agenda three times) or would discuss the transformation of railways, but it could not affect 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. Denationalisation and privatisation brought changes to the content of the negotiations. The political situation during the first two-year governmental term of 1990-1992 was favourable for the tripartite. The original conception of the Council for Economic and Social Agreement changed in 1993. In autumn 1993, the new Czech government that emerged from the 1992 elections formulated its idea of the future of tripartite ties, evidently driven by the classic liberal objections to neo-corporatism and the desire to minimise it. Its idea was that in the post-transformation period the Council should transform itself into an advice 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 neo-corporatism and representative democracy.

The tense situation and the stalemated negotiations resulted in the adoption of new Statutes of the Council for Economic and Social Agreement (in 1995). The new statutes brought a fundamental revision of the original concept and form of tripartite ties and a narrowing of the set of problems for a discussion on the issues of wages, pay, labour relations, collective bargaining, employment, work safety and other social matters. The change of name to the Council for Social Dialogue (later the Council for Dialogue between Social Partners) and the new structure of 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 getting rid of the tripartite ties as an intervening body and meant that the Parliament would become the main place where interests were to be asserted. It was Klaus's government that did not display any will to come to agreement on the tripartite issue with its social partners, especially the trade unions, and recommended the trade unions assert their demands in the Parliament. The trade unions started to do so and developed a way of communicating with parliamentary committees, parties in the Parliament and individual deputies. They discovered that this was more efficient and that they could assert more of their demands through the 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 procedure they had developed suited them well. They did not turn to a specific party (which could be ideologically closer to them) but across the political spectrum to those whom they expected to support their propositions. Generally, it must be said that between 1994 and 1996 in the climate of hostility towards the tripartite institution, the trade unions were not provoked into abandoning tripartite ties.[36] Foreign experience showed the trade unions that the tripartite mechanism was easy to shut down but hard to resume.

The importance of tripartite ties was reinforced in 1997 after the 1996 elections, in the worsening economic situation in 1996 and 1997 and with growing social tension[37], the government displayed a greater willingness to negotiate and consult with its social partners and seek their support for planned steps. Upon the instigation of employers and the trade unions, negotiations were held in the spring of 1997 on new Statutes and Rules of Procedures of the Council, with a demand for economic issues to be put back on the agenda and with particular emphasis on the role of an agreement broker and renewal of the mutual trust between the parties in dialogue.

Like most social-democratic governments, the government created after the 1998 election is aware of the significance of a social dialogue and places great emphasis on it. This is dictated both by the nature of its manifesto and the preparation for the accession to the European Union, which presupposes that important steps be consulted with the government's social partners.

Today's social partners, and primarily the trade unions, are considering to what extent they should become involved in the solution of problems which the government is supposed to solve; to what extent should they co-author decisions on issues that have to be decided by the government and bear responsibility to voters. The trade unions no longer want to meddle

[36] During this period the Trade Unions stressed the parliamentary way of interest representation and learned how to use it more effectively.

[37] Before the end of 1996 strikes were merely sporadic; they became more frequent in 1997 (e.g. the strike by employees of Czech Railways or the successive strikes by staff in elementary, nursery and secondary schools). The number of different protests increased, for example, the industry trade union in metal industry KOVO organised more than 30 different protests in the second half of 1999.

with the economic policy, but within the tripartite (CESA) they fight for the right to information, the right to consultations, and decision-making between trade unions and employers with the objective of executing a collective agreement.

The fundamental document manifesting an agreement on common interests within the tripartite was *the General Agreement*. The General Agreement was also a general document and a starting point for collective bargaining at the sectional and corporate level. It was not a legally binding document. It was a product of a democratically achieved consensus between the participating parties and compliance with it could only be sought politically. This differentiated the General Agreement from collective bargaining, where 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 individual concluded General Agreements shows that over time their formulation reflected differing degrees of maturity and the institutionalisation of interests and the changing economic situation during privatisation. The fact that the demand for this arrangement to be binding was dropped - i.e., something the unions had pushed for in the years before - also reflected the changing situation.

The first General Agreements contained various frameworks (prices, wages), defined social securities and tried to set out precisely who was to do what or abide by what. During the economic transformation and privatisation these specific definitions were important for the parties involved, yet later they lost their substantiation. Even so, the trade unions and many employers desired to sign some sort of a 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 meant that it has not been possible to conclude a General Agreement since 1995.

The deterioration of the economic situation and later the emergence of a new social-democratic government in 1998 meant a rejuvenation of interest in tripartite activity and the conclusion of some form of general agreement. The social partners all agree that the general agreement has a fundamental significance. The document should be a general long-term agreement that expresses the partners' willingness to negotiate and define the main tasks and rules for sharing information. It can be merely a political document, a gentlemen's agreement between the parties, without any commitments. A proposal has emerged whereby this generally formulated declaration would be signed for the entire term of the government with protocols added every year. In spite of this common interest no agreement has yet been signed. A more general Social Pact is now being discussed.

5.3. Actors in the social dialogue

When the Council for Economic and Social Agreement was set up in 1990, it contained 7 government representatives, 7 representatives of the trade unions and 7 representatives of employers in what was called delegations. Despite the different form of delegations in line with the changing statutes and conception of tripartite ties, the Council has always consisted of three partners and the same institutional representatives of employers and employees. A government representative, as a rule the Minister of Finance or the Minister of Labour and Social Affairs, heads the Council. At the beginning, the government was represented by the ministers of agriculture, industry and trade; economy; healthcare; education, youth and sports; labour and social affairs; and finance. At present (2001) the government is represented by the Minister of Labour and Social Affairs; the Minister of Finance; the deputy chairman of the government and the chairman of the Legislative Council of the government; the Minister of Agriculture; the Minister of Industry and Trade; the Deputy Minister of Transport and Communications; and the Deputy Minister of Healthcare.

The chairman of CESA is the Minister of Labour and Social Affairs and the deputy minister of the government.

Employees are represented by two central trade union bodies: the largest Czech and Moravian Confederation of Trade Unions (CMCTU) with 1.3 million members (1998) and the Confederation of Art and Culture (CAC) with 120,000 members (1998), representing what are called the successor trade unions[38]. Trade union organisations standing outside these umbrella organisations are not represented in tripartite negotiations. Yet there is a mounting pressure from some of them for this to change.[39] The trade unions have remained highly centralised in the Czech Republic, and this has proven to be an advantage during negotiations, partly due to their strong base of expert specialists[40]. A much-discussed issue has always 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.

The Co-ordination Committee of the Confederation of Employers and Business Associations of the Czech Republic and the Federation of Industry and Transport of the Czech Republic represent employers in tripartite negotiations. The Confederation is an umbrella organisation for many business associations set up for individual branches of industry or grouping together private businessmen. It also includes associations of businesses in agriculture and the co-operative sector. Membership in employer associations is voluntary, like membership in trade unions. In the Czech Republic, approximately 30% of all companies

---

[38] The successor central organisations – CMCTU and CAC – were set up in 1990 after the collapse of the former Revolutionary Trade Union Movement and took over its member base and assets.

[39] Primarily the Association of Independent Trade Unions, which affiliates a total of 220,000 members (1999). Other trade union associations – the Trade Union Association of Bohemia, Moravia and Silesia with approximately 60,000 members and the Christian Trade Union Coalition with roughly 10,000 members – do not seek to take part in tripartite negotiations.

[40] Membership in trade unions has been steadily declining since 1989 and has continued to do so until now. While in 1998 26% of the labour force were unionises, by 1999 this fell to 23%. The decrease in membership is mainly due to industrial restructuring and privatisation.

today are members of employer associations. Compared to the trade unions, employer associations are not mutually supportive and they have insufficient staff, funds or expertise.

There are no formal links between political parties and the social partners in the Czech Republic. Independence from political parties and the apolitical status is a guiding principle. This was declared right at the start by both employers and trade unions; in the new statutes of the Council this is incorporated in the criteria determining whether a group is representative or not. Relations between employers and the trade unions are today described by both parties as regular. If employers have a common interest with the trade unions (as was the case when they pushed for wage regulation to be scrapped), they are able to join forces and take the same stance in tripartite negotiations. Relations between the government and trade unions have not been so straightforward. After supporting a government policy and its economic programme in the first years the trade unions began to realise the risks involved in the government's social policy. They were also able to organise warning protests or strikes and came into conflict with the government. That was made manifest during tripartite negotiations and by the government's attitude to the negotiations.

5.4. The main issues discussed by CESA

The main problems that have been tackled in tripartite negotiations in the past years 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 contained 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 based on a collective (employee) or individual basis. As far as the last point is concerned, the government sought to assert the individualistic principle alone. There was no change until 1999 – employers now have a greater possibility (carrying tax relief) for contributing to supplementary pension insurance.

Since the start of economic and social transformation, *the amendment to the Labour Code* to reflect all the fundamental changes in labour relations has been an important and contentious issue. There was a disagreement on both the form of the new legislation on labour relations and its substance. Since the start of the transformation, amending the Labour Code was a very important topic for the social partners. A discussion on labour law related regulations has been held for 10 years. In the mid-1990's the question was whether the 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 just the trade unions that stood in the way of this move – employers were also against it to a large degree. In November 1994, the trade unions organised a demonstration in Prague against the government bill on the amendment, 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 leading anywhere, work on the new Labour Code was suspended.

The awaited accession to the European Union has brought about the need to harmonise the Czech labour law with that of the EU. A broad discussion of the social partners was directed and co-ordinated by the Ministry of Labour and Social Affairs in new political conditions and resulted in the amendment of the existing Labour Code. Twenty-eight guidelines of the EC related to the labour law have been implemented in the Czech Labour Code. The final draft of the amendment, to be put into effect by means of the Act No. 155/2000, is to come into force as of January 1, 2001.

Between 1991 and 1995, the main point of conflict in the area of wages was the *regulation of wages,* which was definitively scrapped in July 1995. The development of wages was limited by wage control, performed by the Government – with certain breaks – from the beginning of 1991 to the mid-1995. Wage control was introduced by the Government provision of 1991 as an anti-inflation measure, and ever since it has been a hotly disputed issue in the Czech tripartite agreement council (CESA). The wage control only involved state-owned companies; private enterprises, companies with foreign stake and small businesses were exempted. With the progress of privatisation and the growing share of foreign capital, the limit for wage control was shifted, and therefore the measure involved a smaller and smaller circle of companies. The measure affected all firms for whom wage increases had been limited under the threat of extra taxes.

A constant problem, which was the main obstacle preventing the signing of a General Agreement in 1995, for example, was the amount of the *minimum wage*, where the unions' demands clashed with those of the government. Wages in fully budget-funded and partially budget-funded firms and the non-existence of an institutionalised form of collective bargaining on a sectional level have also continued to be areas of conflict. At the moment, company level bargaining is most important in the private sector.

Economic and wage specialists, in their published comments, usually agreed that regulation did not fit in a market economy but because a consolidated market economy was still not in place, it was necessary to keep a rein on the growth of wages. It is true that the CESA was involved in negotiations regarding wages, and it was also a part of General Agreement (which was executed on a yearly basis between 1991 and 1994), but it was actually the government that decided on such issues. The trade unions had a very limited area of manoeuvre. The problem, therefore, was not whether the social partners and the

Government in the tripartite body would agree on regulation, but whether they would accept the regulation set by the government [Mansfeldová 1997: 136-139].

Unemployment, considering its low level, did not constitute a serious problem in the Czech Republic for a long time, and therefore it was not a hot issue in the tripartite council either. But in 1997 unemployment, which had been relatively low until then, started to increase and in December 1999 reached 9.4 percent. Attenuation programmes influencing some regions, reclassification of industry and low mobility makes unemployment an urgent problem in some regions (see Annex 3 in the Appendix). Therefore, unemployment became one of the issues that gained priority in CESA, and especially the ways to solve the problem of unemployment in extremely affected areas. This primarily concerned the employment schemes for northeastern Bohemia or the Ostrava region where the problem was assuming the form of structural unemployment. CESA was concerned with specific schemes to improve the situation, which were then submitted to the Government.

Closely related to the problem of unemployment is the *problem 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. 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 changed its attitude. Low minimum wages, which virtually equalled the government-guaranteed subsistence level or the unemployment benefits, had often a counter-incentive effect on job hunting and – as a consequence – created a heavy burden for the Treasury.

Another aspect of the problem of wages was *back payment*, which in 1999 became a rather frequent phenomenon. In 1999 there were still economic and social problems and problems at some big 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 back payment of wages became a very significant problem. According to the estimates of the ČMKOS Trade Union headquarters, 300,000 employees were affected – they either did not receive wages or only in part or with a delay. 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 period before Christmas involving increased expenses resulted in concerns about living and discontent within the population.

On 21 December, approximately one thousand demonstrators gathered (mainly from the companies that had failed to pay wages, such as Zetor Brno or ČKD) in front of the Parliament and showed their discontent with the government and the parliamentary methods on the issue of back payment of wages. The Chamber of Deputies passed a bill requesting the Government to release CZK 400 million for interest-free credit to be granted to people who did not receive wages. 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 case of insolvency. In addition, the government launched a loan scheme, which enabled district authorities to grant loans to people who are not being paid [Czech 2000:25].

Conclusion

The issue of accountability is a problem of each democracy and especially of countries building a democratic system and a market economy. Accountability is related to the delegation of power, the existence of classical democratic checks and balances, the potential abuse of power, and the existence of 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 legislation. The concept is related to the institutionalisation of democratic structures, the establishment of democratic values, the acquisition of experience, the professionalization of the elites and, last but not least, external political and economic influences.

It was symptomatic of the beginning of the economic and political transformation that the problems arising could be solved through democratic mechanisms, but these very mechanisms were still being developed. Under these circumstances, the strong influence of high profile figures was intense and sometimes outweighed the democratic mechanisms of decision-making and control. The form of the first steps 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 any important impact on the process or nature and 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 to better evaluate the bills submitted, and some of them perhaps did not even pay enough attention to the performance of their functions. The parliamentary committees performed some work, especially the Economic and Budget Committees; in the field of social policy it was in particular the Committee for Social Policy and Healthcare. Even in their activities it was possible to see the strong influence of well-known figures (*for example, the persona of the chairman).*

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

The conceptualisation of the legislature pertaining 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"; the abbreviation of the 60-day legislative process was a matter of a personal agreement between the proponent and the relevant official in the Parliament. 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 the proclamation of a state of legislative need and has strictly defined rules.

At the beginning of the 1990s, the Czech economic reform created a dividing line in society and in the party system, and the support or criticism of some procedure was closely linked to the support and criticism of the transition to democracy, respectively. The emphasis on a speedy course for reform and reliance on the effects of the almighty market led to the underestimation of ethical and sometimes even legal principles. As an example, we can look at the statement on the non-existence of dirty money or "privatisation with the lights out".

This attitude, along with underdeveloped democratic control mechanisms and their underestimation 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, economic 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 (practically, financing of political parties and the timed revelation of such practises), and this was not limited only to government coalition parties. Opportunities presented themselves during the small privatisation, but even more so during the large privatisation (e.g., the affair of the privatisation of Knižní velkoobchod, Poldi Kladno ironworks, foreign sponsors of political parties that were actually deceased etc.). We can regard this as the result of the government being insufficiently accountable to the Parliament.

The reform itself was a system of economic and political steps with a direct psychological impact on the population. A crucial development was the division in spring 1991 of the Civic Forum (Občanské forum) – an ideologically heterogeneous group of people – and the establishment of Občanská demokratická strana (ODS) – a party which was able to formulate a clear and convincing program and gain support for itself among the general electorate. In the 1992 elections, ODS, which concentrated a majority of the authors of the reform[41] after the collapse of the Civic Forum, offered an orientation toward the future, a promise of prosperity (even at the cost of sacrifices) and a promise of 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

[41] Others were members of ODA, for example, Minister of Privatisation Ježek and others.

while preserving social certainties. As long as their situation did not worsen dramatically they appreciated the successes of the reform, but people also expected the renewal of the ownership rights they lost as a result of nationalization; they wanted to feel that there was justice. This led to a scope of restitutions unseen even in neighbouring Hungary and Poland.

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

The Czech economic reform and privatisation did not depend on foreign experts, although the offer of consulting services was ample. Aid from foreign experts was a great contribution in areas where they could employ their professionalism – for example, they helped with the preparation of the Centre of Coupon Privatisation, the stock exchange, the evaluation of potential investors etc.

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

REFERENCES

Brokl, L., Mansfeldová, Z., 1998. Political Data Yearbook 1997:Czech Republic. European Journal of Political Research, Vol. 34, No.3-4, December, pp. 373-384.

Brokl L., Mansfeldová Z., 1998: Czech and Slovak Political and Parliamentary Elites. In: Post communist Elites and Democracy in Eastern Europe. John Higley, Jan Pakulski, Wlodzimierz Weselowski (eds.). N.Y.: Macmillan Press, pp. 131-140.

Brokl L., 2000: Text habilitační přednášky na Fakultě sociálních věd UK, únor 2000.

Brokl, L., Mansfeldová, Z. and Seidlová, A., 2001. Vztah poslanců českého parlamentu k voličům jako problém vertikální odpovědnosti. Sociologický časopis, 37 (2), forthcoming.

Czech Republic 2000. Regular report from the Commission on the Czech Republic's progress towards accession, 8 November 2000.

Fiala, Zbyněk, 2000. *Mertlík a Tůma o centrální bance*, in: Ekonom, týdeník Hospodářských novin, No. 50, 14.-20.12., p. 18.

Hanley, Eric, Matějů Petr, Vlachová Klára, Krejčí Jindřich, 1998: The Making of Post-Communist Elites in Eastern Europe. Institute of Sociology, Czech Academy of Sciences, Working papers of the research project "Social Trends" 4/1998

Heczko, Stanislav: Charakteristika zvolené strategie přechodu k tržní ekonomice v zrcadle alternativních návrhů, in: Česká ekonomika v 90. letech. Vědecký sborník VŠE, Praha 1997

Human Development Report. Czech Republic 1997. UNDP Project. Prague: SLON 1997.

Human Development Report. Czech Republic 1999. UNDP Project. Prague: Research Institute for Labour and Social Affairs, 1999.

Jičínský, Zdeněk, 1996: Politický fenomén OF a problémy jeho působení. In: V. Dvořáková, A. Gerloch (eds.), Krystalizace struktury politických stran v České republice po roce 1989. Praha: Česká společnost pro politické vědy.

Klaus, Václav, 1996: Mezi minulostí a budoucností. Filozofické a humanologické úvahy a eseje. Brno a Praha, Nadace Universitas Masarykiana, Georgetown a Svoboda.

Kotrba, J., 1995: Privatization Process in the Czech Republic: Players and Winners, in: Svejnar (ed.) The Czech Republic and Economic Transition in Eastern Europe. San Diego, CA: Academic Press.

Krause, Kevin Deegan, 2000: Accountability and Party Competition in Slovakia and the Czech Republic. Dissertation. Departement of Government, University of Notre Dame, Indiana, April 2000.

Mansfeldová, Z., 1997. Sociální partnerství v České republice," In: Reprezentace zájmů v politickém systému České republiky. (Social Partnership in the Czech Republic. In: Interest Representation in the Political System of the Czech Republic) Brokl L. (ed). Praha: SLON, pp. 99-150.

Maxfield, Sylvia, 1999: A Brief History of Central Bank Independence in Developing Countries, in: The Self-Restraining State: Power and Accountability in New Democracies, ed. By Andreas Schedler, Larry Diamond, and Marc F. Plattner, Lynne Rienner Publishers, pp. 285-292.

Novela zákona o České národní bance /Suplementary Bill/ 442/2000 Sb.

O'Donnell, 1998: Horizontal Accountability in New Democracies, Journal of Democracy, 9 (3).

Olson, D.M. and Norton, P., 1997: Party Formation and Party System Consolidation: Parties in New Democracies of Central and Eastern Europe in First Half-Decade. 5th World

Congress of Central and Eastern Europe. In: Olson, D.M.: Elections and Parliaments in Post-communist East Central Europe; International Political Science Review.

Ost, David, 1993: The Politics of interests in post-communist Eastern Europe. Theory and Society 22, pp. 453-486.

Parlamentní zpravodaj, Vol. 1 No. 1, Praha 1995

Parlamentní zpravodaj, Vol. 2 No. 3, Praha 1995

Parlamentní zpravodaj, Vol. 3 No. 4-5, Praha 1996

Parlamentní zpravodaj, Vol. 4 No. 12, Praha 1997

Parlamentní zpravodaj, Vol. 6 No. 3, Praha 2000

Potůček, Martin, 1999: Křížovatky české sociální reformy. Praha:SLON.

Rakušanová, Petra, 2001: Role a postavení výborů Poslanecké sněmovny Parlamentu ČR v období transformace, in: Politologický časopis, Vol. 8, No. 1, pp. 95-105.

Reytt Tomáš, 2000: Role centrálních bank v demokratických systémech (The Role of Central Banks in Democratic Systems), in: Politologická revue, Vol. VI, No. 2, pp. 3-28.

Seidlová, Adéla, 1999: Poslanci Parlamentu České republiky. Data & Fakta, Sociologický ústav Akademie věd České republiky, Praha.

Soltéz, I. ,1995: Controlling the Government by the Parliament. In: Attila Ágh and Sándor Kurtán (eds.), Democratization and Europeanization in Hungary: The First Parliament (1990-1994). Hungarian Centre for Democracy Studies, Budapest, s. 43-64.

Stark, David, 1992: Path Dependence and Privatization Strategies in East Central Europe. East European Politics and Societies, Volume 6, No. 1, Winter 1992, pp. 17-54.

Syllová, Jindřiška, Mansfeldová, Zdenka, Kolář, Petr, Rakušanová, Petra, 1998: Committees of the Parliament of the Czech Republic. Paper prepared for the International Conference *New and Established Parliaments*, University of North Carolina at Greensboro, NC, USA.

Šulc, Zdislav, 1998: Stručné dějiny ekonomických reforem v Československu (České republice) 1945-1995, Brno: Doplněk.

Večerník, Jiří, Matějů, Petr (eds.), 1999: Ten Years of Rebuilding Capitalism: Czech Society After 1989. Praha: Academia 1999.

Zajc, Drago, 2000: Report on the international conference of the Slovene Political Science Association „Vertikal and Horizontal Accountability in the New Democracies of the East-Central Europe, Portorož, 2.-3. June 2000.

Zpráva o lidském rozvoji. Česká republika 1998. United Nations Development Programme. Praha, Vysoká škola ekonomická, Výzkumné středisko pro integraci ČR do evropské ekonomiky, 1998

www.psp.cz

APPENDIXES

Appendix 1: Ministers of Finance 1989 - 2000

Level	Name	Date of inauguration into function	End of function
Federal	Ing. Stejskal Jan	11.10.1988	10.12.1989
Federal	Ing. Klaus Václav	10.12.1989	2.7.1992
republic	Ing. Špaček Karel	29.6.1990	2.7.1992
Republic	Ing. Kočárník Ivan	2.7.1992	31.12.1992*
Federal	Ing. Klak Jan	2.7.1992	31.12.1992
Czech Republic	Ing. Kočárník Ivan	1.1.1993**	3.6.1997
Czech Republic	Ing. Pilip Ivan	3.6.1997	16.7.1998
Czech Republic	Mgr. Svoboda Ivo	22.7.1998	20.7.1999
Czech Republic	Doc. Ing. Mertlík Pavel, CSc.	21.7.1999	12.4.2001
Czech Republic	Ing. Rusnok Jiří	21.4.2001	Still in function

*end of ČSFR

** 1.1.1993 was constituted the Czech Republic

Appendix 2: Occupational Origins of Economic and Political Elites in the Czech Republic, Hungary, and Poland.

	Economic Elite		*Political Elite*	
	CEO	*Vice CEO*	*State Admin.*	*Parliament*
CZECH REPUBLIC - occupation in 1988				
Director	19.3	8.0	1.9	0.0
Deputy director	54.2	57.7	17.3	16.5
Legislator	-	-	0.0	2.9
Administrator	2.1	0.7	19.2	16.5
Professional	19.1	28.1	48.1	53.4
Other Worker	2.7	3.3	7.7	6.8
Out of labor force	2.5	2.2	5.8	3.9
A	476	274	52	103
HUNGARY – occupation in 1988				
Director	36.3	7.3	1.3	5.1
Deputy director	38.9	78.2	3.8	3.8
Legislator	-	-	1.3	11.5
Administrator	6.9	9.1	52.5	14.1
Professional	15.0	3.6	40.0	59.0
Other worker	1.9	1.8	1.3	0.0
Out of labor force	0.9	0.0	0.0	6.4
A	432	55	80	78
POLAND – occupation in 1988				
Director	32.7	3.8	4.3	5.6
Deputy director	47.7	76.4	6.0	4.2
Legislator	-	-	0.0	2.8
Administrator	2.3	3.8	25.5	16.7
Professional	14.7	13.7	58.2	51.4
Other worker	2.0	1.9	3.3	9.7

Out of labor force	0.7	0.5	2.7	9.7
A	306	212	184	72

Notes: "CEO" refers to the managers of economic enterprises, i.e. firms involved in agricultural production, manufacturing, mining, construction, transport, utilities, tourism, trade, and finance. "Vice-CEO" refers to the deputy directors and department managers of economic enterprises. "Administrator" refers to officials in public administration, health services, education, and cultural institutions. "Professional" refers to both standard professionals such as engineers and university professors and associate professionals such as technicians and secondary-school teachers. "Other workers" refers to clerical, sales, service, agricultural, skilled manual and unskilled manual workers. "Out of labor force" includes such categories as attendance at school, military service, unemployment, and maternity leave.
Source: The Making of Post-Communist Elites in Eastern Europe [Hanley at all 1998: 30]

Appendix 3: Convergence of the position of a minister and a member of Parliament

Year	Government	Size of cabinet	No. of members in total*	Of which are currently:		Of which were formerly deputies**
				Deputies	Senators	
1991	Čalfa federal cabinet	16	18	6	x	1
1990	Czech government – Pithart	?	21	8	x	-
1992	Čalfa federal cabinet	16	16	6	x	1
1992	Stráský federal cabinet***	10	10	4	x	1
1992	Czech Klaus I. Cabinet	?				
1993	Czech Klaus I. Cabinet	19	20	12	x	1
1994	Czech Klaus I. Cabinet	19	23	6	x	10
1995	Czech Klaus I. Cabinet	19	20	5	x	11
1996	Czech Klaus I. Cabinet	19	19	5	x	10
1996	Czech Klaus II. Cabinet	16	16	14	x	-
1997	Czech Klaus II. Cabinet	16	21	15	-	-
1998	Tošovský cabinet	17	18	8	-	2
1998	Zeman cabinet	19	19	8	1	4
1999	Zeman cabinet	19	19	8	1	4
2000	Zeman cabinet	16	17	7	-	3

* in the event of some changes in the government, this number is higher than the size of the cabinet; if anyone was replaced in their position, two individuals have been counted.

** was a deputy before becoming a minister in this particular government
*** "the liquidation government" established after the July 1992 elections, the goal of which was to manage the state and divide the federation.
x the first Senate was elected in November 1996 and has functioned since 1997
Source: European Journal for Political Research; Database from the Project GA AV ČR No. S7028003 "Informační a dokumentační středisko o parlamentech střední Evropy (Information and Documentation Center on Central European Parliaments)".

Appendix 4: Particular spheres of the President's competency to be modified (widened or limited)

		Deputies	%	Senators	%
1	Amnesty, pardon, termination of criminal case	37	37 %	22	43.0 %
2	Bank council of CNB	21	21 %	11	21.5 %
3	Legislative powers	4	4 %	1	2.0 %
4	Personal appointment (e.g. of judges)	9	9 %	1	2.0 %
5	Appointment of Prime Minister and Government	5	5 %	7	13.7 %
6	Responsibility for own activities	1	1 %	1	2.0 %
7	Same as at present	2	2 %	2	3.9 %
8	Don't know	1	1 %	-	0.0 %
9	Relation to executive, revoke countersignature	2	2 %	3	5.9 %
10	Right to veto laws	5	5 %	1	2.0 %
11	Dissolution of Chamber of Deputies	1	1 %	1	2.0 %
12	As stated in last draft of Constitutional Law	1	1 %	-	0.0 %
13	Supreme command of armed forces	1	1 %	-	0.0 %
15	Merely nominal competence, representation	2	2 %	-	0.0 %
16	Investigative competence	1	1 %	-	0.0 %
17	Involvement in home politics	2	2 %	-	0.0 %
18	Foreign policy	3	3 %	-	0.0 %
19	Consultation with other constitutional institutions	2	2 %	1	2.0%
	Total	**100**	**100 %**	**51**	**100.0 %**

Source: Survey *Deputies and Senators of the Parliament of the Czech Republic in the 3rd election term (1998-2002)*, Institute of Sociology, Czech Academy of Sciences, Prague 2000.
Note: Some of the Deputies and Senators did answer this question although they had stated that they had agreed with the current scope of the President's competence.

Appendix 5: Number of members in the committees (1992 - 2000)

Name of the Committee	1992 - 1996	1996 - 1998	1998 – 2002
Mandate and Immunity Committee	15	12	11
Committee for Petition, Human Rights and Nationalities	13	19	17
Budget Committee	18	20	21
Committee for Economics	21	20	22
Constitution and Legal Committee	20	20	19
Committee for European Integration	*	*	17
Defence and Security Committee	20	20	19
Committee for Social Policy and Health Care	21	19	21
Committee for Science, Education, Culture, Youth and Sport	19	26	22
Committee for Public Administration, Regional Development. and Environment	23	26	21
Committee for Foreign Affairs	15	20	17
Agricultural Committee	18	20	19
Organizational Committee	?	27	19

Source: Chamber of Deputies of the Parliament of the Czech Republic
Note: Figures are given by the beginning of the term.
* The Committee did not exist in the given period.
? The figures are not known.

Appendix 6: Rating of prestige of committees (survey, in %)

Committees of Chamber of Deputies	1st term		2nd term	3rd term
	1993	1996	1998	2000
Constitution and Legal Committee	91.9	88.7	63.9	60.9
Budget Committee	61.0	89.4	84.1	89.4
Committee for Economy	60.3	41.5	42.7	49.7
Committee for Foreign Affairs	26.5	21.3	27.4	20.7
Defence and Security Committee	11.8	16.3	28.0	25.1
Committee for Social Policy and Health Care	8.1	12.0	22.3	15.1
Committee for Science, Education, Culture, Youth and Sport	5.1	7.0	4.5	2.8
Committee for Petition, Human Rights and Nationalities	3.7	2.8	0.6	1.7
Agricultural Committee	2.9	7.7	9.6	5.0
Committee for Public Administration, Regional Development. and Environment	2.2	1.4	7.6	18.4
Committee for European Integration	*	*	*	5.0
Mandate and Immunity Committee	1.5	4.2	2.5	3.4

Note: * The Committee did not exist in the given period.

Appendix 7: Occupation of deputies prior to their election to the Parliament (%).

	ČNR 1986	ČNR 1992	PSP 1996	PSP 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
Labor 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 6th election term (1990-1992)

Scope of problems:

- debate on the Government Policy Statement
- Government bill (thereinafter GB) of the 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 ca 1/4 national property of the Republic to municipalities
- transition to the unified system of classification, based on international standards and requirements of the International Monetary Fund

- evaluation of the Budget: decrease in companies' profits, sales tax as a dubious one, problems about revenues, while expenditures in keeping with the plan
- problems of 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 Economy 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 of 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
- check-up of approving the projects within "large privatization"; an insight into the work of the board which discusses and approves privatization projects
- 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, real estate tax, etc.
- 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, etc.

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

Scope of problems:

- draft budget of the National Property Fund
- draft act of the Independent Audit Office (IAO)
- scheme to promote economy of electric energy through introduction of compact fluorescent lamps
- 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, Ministra of State Control in time when it existed, Czech Statistical Office, IAO, Czech National Council, General Inland Revenue, President's Office, Chamber of Deputies of the Parliament, national debt)
- draft of procedure of 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

- utilization of management charges coming from Sazka (the national lottery company)
- draft of the procedure of debating the State Budget
- business lunch with members of the Bank Council of the Czech National Bank
- discussing the draft of nomination of the IAO members
- discussing the expected aspects of the surplus of the State Budget

Appendix 10: Budget and audit committee visitor's frequency 1990 – 1992

20 times and more	Ministry of Finance
	Ministry of Control
10 times and more	Czechoslovak State Bank
	Czech Statistical Office
5 times and more	Ministery of administration of national property and privatisation
	Federal Ministry of Finance
	Ministry of Labour and Social Affairs
	Ministry of Culture
	Ministry of Foreign Affairs
2 times and more	Ministry of Education, Youth and Sport
	Association of Towns and Cities
	Czech and Moravian Confederation of Trade Unions
	Ministry of Trade
	Ministry of Industry and Trade
	Ministry of Justice
	Ministry of Foreign Affairs
	Ministry of Environment
	Office of Government
once	Banka Skala
	CA a.s
	CITIBANK
	Eurobank
	Fund of Chidren and Youth
	Interbank
	Interbank
	Commercial Bank
	Ministry of Economics
	Postal Bank

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

Appendix 11: Budget and audit committee visitor's frequency 1992 - 1996

50 times and more	Ministry of Finance
	The Supreme Control Office
10 times and more	Ministry of Labour and Social Affairs
	Czech and Moravian Confederation of Trade Unions
	Ministry of Control
	Ministry of Industry and Trade
	Czech Statistical Office
5 times and more	Ministry of Economics
	Czechoslovak State Bank/Czech National bank
	Ministry of Agriculture
	Ministry of Justice
	The Office of the President
	Ministry of Administration of National Property and Privatisation
	Ministry of Health
	National Property Fund
2 times and more	Ministry of Interior
	Ministry of Environment
	Ministry of Culture
	Ministry of Trade
	Ministry of Education, Youth and Sport
	Ministry of Foreign Affairs
	Children and Youth Fund
	General Duty Office
	Chamber of Tax Advisors
	Ministry of Transportation
	Property Fund
	Association of Entrepreneurs
	General health Insurance Company
once	Association of Towns and Cities
	The Office of Government
	Federal Ministry of Finance
	Banka Skala
	CA a.s
	CITIBANK
	Eurobank
	Interbank
	Commercial Bank
	CSOB
	Postal Bank

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

Appendix 12: Voting on the State Budgets in the first election term 1992-96 (per cent)

	ČMSS (ČMUS)	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 - Parlamentní zpravodaj /Parliament Reports/, calculation by A. Seidlová

Appendix 13: Voting on the State Budgets in the second election term 1996-98 (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 - Parlamentní zpravodaj /Parliament Reports/, calculation by A. Seidlová

Appendix 14: 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

Source: Data - Parlamentní zpravodaj /Parliament Reports/, calculation by A. Seidlová

Appendix 15: Voting on the Government 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	100	0	6.0	89.0	100	0.0	83.0	0.0	0.0	75.0
KDS	1	0	89	80	88.0	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 – Parlamentní zpravodaj /Parliament Reports/, calculation by A. Seidlová

Appendix 16: 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 – Parlamentní zpravodaj /Parliament Reports/, calculation by A. Seidlová

Appendix 17: 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 – Parlamentní zpravodaj /Parliament Reports/, calculation by A. Seidlová

Appendix 18: 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 – Parlamentní zpravodaj /Parliament Reports/, calculation by A. Seidlová

Appendix 19: Voting on the Government Draft Act of the State Budget of 2000: amending proposals in the third reading

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 – Parlamentní zpravodaj /Parliament Reports/, calculation by A. Seidlová

Appendix 20: Committee for National Economy – problems in the 1990-1992 election term:

- debate on the Government policy statement
- Government bill (GB) of 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 Other Legal or Natural Persons
- GB of Protection of Economic Competition (antimonopoly law)
- 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 of 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 privatization, Ministry of Industry and Commerce, Ministry of Agriculture, Commission for Nuclear Energy, 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 the 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 Co-operatives
- delimitation of Federal Authorities (e.g. Federal Measurement and Standards Office or Federal Inventions Office)– transfer of their powers to those of the Czech Republic

Appendix 21: Committee for National Economy [3]– Committee for Economics 1992 – 1996

Scope of problems:

- delimitation of Federal Authorities (e.g. 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, Management of Material Possessions
- preparation of 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 to provide guarantee for credits of small and medium businesses at commercial banks)
- problems of the law of forests
- information of achievement of an agreement between the VW company and the Czech Republic
- situation in the Aero Holding Company
- problems of privatization and restructuring of railways
- discussing the situation of the tender to select a strategic contact for the SPT Telecom Company
- information about support of small and medium businesses
- information about negotiation between foreign oil companies and the Unipetrol Company
- recent condition of brewing industry

[3] Having transformed the Czech National Council to the Chamber of Deputies of the Parliament of the Czech Republic on 1st January 1993, the Committee omitted the word “national” in its name.

Annex 1: Results of election to the Czech National Council and Chamber of Deputies of the Czech Parliament in % and Mandate

Party	Czech National Council				Chamber of Deputies		Chamber of Deputies	
	1990		1992		1996		1998	
	%	M	%	M	%	M	%	M
OF 1/	49,52	127	-	-	-	-	-	-
Coalition ODS and KDS 2/	-	-	29,73	76	29,62	68	27,74	63
US 6/	-	-	-	-	-	-	8,60	19
KDU-ČSL 3/	8,42	19	6,28	15	8,08	18	9,00	20
ODA	-	-	5,93	14	6,36	13	-	-
HSD-SMS	10,03	22	5,87	14	-	-	-	-
LSU 4/	-	-	6,52	16	-	-	-	-
ČSSD 5/	-	-	6,53	16	26,44	61	32,31	74
KSČ evtl. KSČM	13,24	32	-	-	10,33	22	11,03	24
LB	-	-	14,05	35	-	-	-	-
SPR – RSČ	-	-	5,98	14	8,01	18	(only 3,90)	-
Others	18,81	-	19,11	-	11,16	-	11,22	-
Total	100,0	200	100,0	200	100,00	200	100,00	200
Turn out	96,8		85,08		76,41		74,03	
Electorate	-		6 473 250		7 990 770		8 116 836	
% of valid votes	-		98,44		99,39		99,58	
Effective number of parliamentary parties	1,89		4,8		4,15		3,71	

Source: Czech Statistical Office, Prague, 1991, 1992, 1996, 1998.

Notes:

1/ 1991 the Civic Forum devided into the Civic Democratic Party (ODS) and Civic Movement (OH)

2/ before the 1996 election the Christian democratic Party (KDS) merged with ODS

3/ in 1990 election run the party as Christian Democratic Union/Christian Democratic Movement

4/ LSU was an union consisted of Liberal National Socialist Party, Agrarian party and Green party.

5/ Czechoslovak Social Democratic Party changed in 1993 into Czech Social Democratic Party

6/ The Freedom Union (US) was established in January 1998 after splitting of Civic Democratic Party (ODS)

Annex 2 – Composition of the Senate after Elections

	1996		1998		2000	
Party	Seats	%	Seats	%	Seats	%
ODS	32	39,5	28	34,6	22	27,16
ČSSD	25	30,9	23	28,4	15	18,52
KDU-ČSL	13	16,1	9	11,1	6	7,41
ODA	7	8,6	3	3,7	3	3,70
KSČM	2	2,5	4	4,9	3	3,70
DEU	1	1,2	-	-	-	-
Four-coalition	-	-	13	16,1	30	37,04
Independent	1	1,2	1	1,2	2	2,47
Total	81	100%	81	100%	81	100%

Source: Czech Statistical Office
*Member of four-coalition consisting of KDU-ČSL, US, ODA and DEU.

Annex 3: Selected macro-economic indicators in Czech Republic

Indicator	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
GDP at constant prices, (%) change over the previous year*	-14,1	-6,4	-0,9	2,6	5,9	4,8	-1,0	-2,2	-0,2	N/I
Inflation rate, % change over the previous year	56,6	11,1	20,8	10,0	9,1	8,8	8,5	10,7	2,1	3,9
Unemployment rate (in %)	2,6	3,1	3,5	3,8	2,9	3,5	5,2	7,5	9,4	8,8

Source: Czech Republic 2000. Regular report from the Commission on the Czech Republic's progress towards Accession, 8 November 2000; www.mpsv.cz.

- different sources have different data

Annex 4: Abreviations of party names

Abbreviation	Name of the party in English	Name of the party in Czech
ČMSS	Bohemian and Moravian Party of the Centre	Českomoravská strana středu
ČSSD	Czech Social Democratic Party	Česká strana sociálně demokratická
DE	Democratic Union	Demokratická unie
OF	Civic Forum	Občanské hnutí
HSD-SMS	Self-governing Democracy Movement-Association for Moravia and Silesia	Hnutí za samosprávnou demokracii - sdružení pro Moravu a Slezsko
HZDS	Movement for a Democratic Slovakia	Hnutie za demokratické Slovensko
KDS	Christian Democratic Party	Křesťansko demokratická strana
KSČ	Communist Party of Czechoslovakia	Komunistická strana Československa
KSČM	Communist Party of Bohemia and Moravia	Komunistická strana Čech a Morav
KDU – ČSL	Christian Democratic Union/ Czechoslovak Peoples Party	Křesťansko demokratická unie/Československá strana lidová
LB	Left Block	Levý blok
LSNS	Liberal National Socialist Party	Liberální strana národně sociální
LSU	Liberal Social Union (a grouping consisted of three collective members: Czechoslovak Socialist Party, Green Party and Agrarian Party)	Liberálně sociální unie
ODS	Civic Democratic Party	Občanská demokratická strana
ODA	Civic Democratic Alliance	Občanská demokratická aliance
OH	Free Democrats	Občanské hnutí
SPR – RSČ	Association for the Republic – Republican Party of Czechoslovakia	Sdružení pro republiku – Republikánská strana Československa
US	Freedom Union	Unie Svobody

Annex 5: Other abbreviations

Abbreviation	The full name	Abbreviation in Czech	The Czech name
CESA	The Council for Economic and Social Accord	RHSD	Rada hospodářské a sociální dohody
PSP	Chamber of Deputies	PSP	Poslanecká sněmovna Parlamentu ČR
CMCTU	Czech and Moravian Confederation of Trade Unions	ČMKOS	Česko-moravská konfederace odborových svazů
CAC	Confederation of Art and Culture	KUK	Konfederace umění a kultury
IAO	Independent Audit Office	NKÚ	Nezavisly kontrolní úřad
CNB	Czech National Bank	ČNB	Česká národní banka