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**DISSERTATION**

**Petr Pavlínek**

**The Graduate School**

**University of Kentucky**

**1995**



TRANSITION AND THE ENVIRONMENT IN THE CZECH  
REPUBLIC: DEMOCRATIZATION, ECONOMIC  
RESTRUCTURING AND ENVIRONMENTAL MANAGEMENT IN  
THE MOST DISTRICT AFTER THE COLLAPSE OF STATE  
SOCIALISM

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DISSERTATION

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A dissertation submitted in partial fulfillment of the requirements for  
the degree of Doctor Philosophy at the University of Kentucky

By

Petr Pavlínek

Lexington, Kentucky

Director: Dr. John Pickles, Professor of Geography

Lexington, Kentucky

1995

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TRANSITION AND THE ENVIRONMENT IN THE CZECH REPUBLIC:  
DEMOCRATIZATION, ECONOMIC RESTRUCTURING AND  
ENVIRONMENTAL MANAGEMENT IN THE MOST DISTRICT AFTER THE  
COLLAPSE OF STATE SOCIALISM

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*July 18, 1995*

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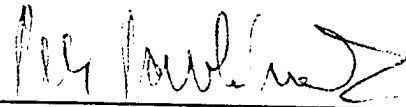
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## ABSTRACT OF DISSERTATION

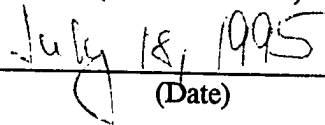
### TRANSITION AND THE ENVIRONMENT IN THE CZECH REPUBLIC: DEMOCRATIZATION, ECONOMIC RESTRUCTURING AND ENVIRONMENTAL MANAGEMENT IN THE MOST DISTRICT AFTER THE COLLAPSE OF STATE SOCIALISM

The transition from state socialism to capitalism, which began in Central and Eastern Europe in the late 1980s and the early 1990s, is comprised of complex political, economic, social and cultural changes. Extreme environmental degradation was one of the reasons why state socialism collapsed in Central and Eastern Europe. This dissertation employs a geographical perspective to investigate the nature of this transition from state socialism to capitalism and its implications for the quality of the environment, using the extended case study of the Most District located in the Czech Republic. I focus on four areas of investigation: economic transition from the centrally planned to a market economy in coal mining and the petrochemical industry; political transition from the one party system to a democratic society and its implications for the local government system; effects of economic and political transitions on the quality of the environment and local environmental management; and popular attitudes of Most District citizens

toward democratization, economic change and the environment. I stress the importance of integration of geographic scale in this analysis of the transition and the need to go beyond the international and national scale to understand the complexity of ongoing changes in Central and Eastern Europe. I employ four distinct research methodologies to study the transition: in depth interviews of key informants at the local, regional and national scales; two social surveys of the Most District population; content analysis of newspapers and written documents; and collection of statistical information. In contrast to some neo-liberal and neo-Marxists accounts of the transition in Central and Eastern Europe, my analysis suggests that it is a complex and contested change which is uneven and spatially differentiated, and is typified by the mixture of old and new, rather than by a clean break between the past and present. Environmental statistics recorded after 1989 seem to be following the trend of environmental improvement which began in the mid-1980s under state socialism and it seems to be the byproduct of decreases in production rather than the result of better environmental policies and improved environmental management.



(Author's Name)



(Date)

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## LIST OF ABBREVIATIONS

CEP	Centrally Planned Economy
CMEA	Council for Mutual Economic Assistance
DFI	Direct Foreign Investment
EU	European Union
ESCBR	Economic and Social Council of the Basin Region
GDP	Gross National Product
HN	<i>Hospodářské noviny</i> , Czech daily economic newspaper
IMF	International Monetary Fund
ing.	Czech title for M.Sc. (Techn.) or M.Sc. (Econ.)
IOC	International Oil Consortium
LN	<i>Lidové noviny</i> , Czech daily newspaper
MCC	Most Coal Company
MUDr.	Czech title for Medical Doctor
NATO	North Atlantic Treaty Organization
NBBCM	North Bohemian Brown Coal Mines
NGO	Non-Governmental Organization
NPF	National Property Fund
OECD	Organization for Economic Co-Operation and Development
SEF	State Environmental Fund

## CHAPTER ONE

### INTRODUCTION

The collapse of state socialism in Central and Eastern Europe in the late 1980s and early 1990s was followed by the beginning of a complex transition. The ostensible goal of this transition is to create a democratic society and economic system based on market principles. The realization of this change, however, has proven to be much more difficult and it will take much longer than most analysts and people anticipated. The efforts to dismantle central planning and introduce market forces have led to sharp economic decline and in some cases to economic chaos. Political transition from one party rule toward a parliamentary democracy resulted in political instability which contributed to the rapid disintegration of Yugoslavia, Soviet Union and Czechoslovakia. The transition is changing the everyday life of millions of people and entire communities, regions and countries.

This dissertation seeks to contribute to the geographical understanding of the complex economic, political, social and other changes that are under way in Central and Eastern Europe at the national, regional and local scale. It will investigate the importance of geographical variability and geographical scale on the processes associated with the transition.

#### 1.1. Theoretical Considerations

It is the contention of this dissertation that, to date processes of transition have been insufficiently theorized and conceptualized. This dissertation focuses on four issues relating to the transition in Central and Eastern Europe by way of trying to redress this lacuna. *First*, it demonstrates that transition is a complex political, economic, social and cultural change. Current discussions, both economic and political, on the transition in Central and Eastern Europe usually fail to study the transition in its complexity. They focus on the economic issues either without taking into account broader social and political processes (see, for example, Hunya 1994; Corbo, Coricelli and Bossak 1991; Richter 1992; Claudon and Gutner 1992; Islam and Mandelbaum 1993; Blanchard, Froot

and Sachs 1994a, 1994b) or they focus on the politics and society but fail to adequately integrate the analysis of politics with the economy (e.g. Friedheim 1993, Huntington 1991). If both politics and economics are considered they usually do not incorporate the analysis of politics and economics with the broader social, cultural and administrative change especially at the local and regional scale (e.g. Przeworski 1991, Poznanski 1992, Offe 1991, see also Kubik 1994).

*Second*, this dissertation stresses the importance of geographical scale and geographical variability of the transition drawing on the tradition of scale studies in geography and, in particular, on the political economy of scale (Taylor 1981, 1982, 1989) and production of scale (Smith 1988, 1990, Smith and Dennis 1987). Theories of transition generally do not recognize the question of geographic scale and predominantly concentrate on Central and Eastern Europe as a whole or the national level and do not pay sufficient attention to the changes and processes taking place on other scales, especially the local level, and the relations between these scales (e.g. Przeworski 1991).

The local scale is experiencing a number of important changes during the transition. The collapse of the centrally planned system has decentralized and changed the character of the decision making process and redefined the role of the local state in managing local social, political and economic affairs. The process of democratization is changing the local political culture. Economic transition, privatization, marketization and demonopolization are changing the behavior of local industrial enterprises and the entire range of economic activity in the regions and localities. The local population is altering its lifestyles confronting new problems and situations. For example, unemployment officially did not exist in the state socialist countries for forty years but now has become a serious problem in many regions of Central and Eastern Europe, the transition has caused a decline in living standards and rapid polarization of the society, many people are facing economic and social insecurity, commercialization of the society is spreading fast, and local democracy is altering the local political culture (see Tables 1.1 and 1.2). The ongoing transition has left a growing number of people disillusioned

**Table 1.1 Annual Change in GDP in selected countries of Central and Eastern Europe (percent change in comparison to the previous year).**

	1989	1990	1991	1992	1993	1994	1995
Bulgaria	-0.3	-17.5	-25.7	-7.7	-4.0	-2.0	-1.0
Czech R.	+1.5	+0.8	-14.2	-7.1	-0.3	+2.7	+3.0
Hungary	-0.2	-3.3	-11.9	-4.5	-1.0	+2.0	+1.0
Poland	+0.5	-11.6	-7.6	+1.5	+4.0	+4.0	+4.0
Romania	-5.6	-7.4	-13.7	-15.0	+1.0	-2.0	0.0
Slovakia	+1.5	-3.8	-14.5	-7.0	-4.1	+4.8	+1.0

**Note:** 1994 and 1995 = predicted change, except the 1994 data for the Czech Republic and Slovakia. In assessing these figures, we should be aware of a possible statistical illusion of the initial decline reflecting the distortions and pervasive overestimation of performance of the CPEs as suggested by Portes (1992).

**Source:** Combined from Slay 1993; Lidové noviny (henceforth LN) May 16, 1994 and May 12, 1993; Hospodářské noviny (henceforth HN) August 5, 1994, OMRI Daily Digest March 2 and March 17, 1995.

**Table 1.2 Growth of consumer prices and unemployment in selected countries of Central and Eastern Europe in 1992 and 1993 (in percentage).**

	Consumer Prices Annual Change %		Unemployment %	
	1992	1993	1992	1993
Bulgaria	85	70	16	16
Czech R.	11	20	3	4
Hungary	23	23	12	12
Poland	43	35	14	16
Romania	210	260	8	10
Slovakia	10	25	10	15

**Source:** HN May 23, 1994, p.11.

because they did not expect the change to come at such a high social cost.<sup>1</sup>

All these changes are the concrete expressions of processes taking place at different geographical scales. New national policies and decisions made at the national level are changing the national systems of political, economic and social regulation. The national policies are often strongly influenced by international forces, including international financial organizations, such as the International Monetary Fund (IMF) and World Bank, supernational organizations, such as the European Union and North Atlantic Treaty Organization (NATO) and large countries, such as the United States, Germany and Russia. The pressure from the local level for a greater autonomy and self-governance combined with the efforts of the central state to decentralize *some* of its activities are changing the role of central and local states in the regulation of social, economic and political life at the local scale. It is the contention of this dissertation that we need to go beyond the study of processes taking place at the national scale to regional and local scale in order to investigate and understand the nature of this transition.

*Third*, avoidance of complexity also involves the generalization of the transition without taking into account concrete processes occurring in concrete places influenced by their history and geography. This issue is closely related to the question of geographically *uneven development* elaborated in the next point. The transition takes place not only in geographically and historically different conditions of the individual countries of Central and Eastern Europe, but also in various regional and local conditions which can strongly influence its regional and local outcomes. There is no universal path from state socialism to capitalism but rather a number of divergent national *and* regional pathways (Smith 1995a, 1995b). Smith (1995a, 1995b), for example, identified the emergence of three distinct forms of post state socialist regional economies in Slovakia: globalized regional economies, deindustrialized regional economies and mercantilist regional economies. It is therefore important to study the transition in concrete places using detailed case studies in order to understand how the processes associated with the

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<sup>1</sup>The real wage fell by 42% in Bulgaria in 1991, by 27% in Poland in 1990, by 17% in Romania in 1991 and by 23% in 1992, and by 26% in Czechoslovakia in 1991 (Rutland 1995, p. 22).

transition *actually operate* in different local and regional conditions. This dissertation examines transition in the Most District, the Czech Republic, and several communities of the Most Basin and how the concrete processes of transition in this particular region and communities result from the interaction among local, regional, national and international forces (Map 1).

*Fourth*, the processes associated with the transition operate unevenly over space. Different industrial sectors are affected differently by the transition depending on their competitiveness, influx of foreign and emerging domestic capital, the degree of decline in the consumption of their products by both other industries and population, changes in the international trade (collapse of the Council for Mutual Economic Assistance (CMEA) and trade within Central and Eastern Europe and its reorientation to the Western markets), the pace of privatization, governmental policies toward different sectors, and also their organizational structure and size (large combinats in heavy industry versus small plants in light industry, branch plants in peripheral regions versus central plants in metropolitan regions). Spatial distribution of specific industrial sectors is uneven. The degree of diversification of industries is also very uneven in Central and Eastern Europe (less diversified and highly concentrated production in large combinats in regions industrialized during the socialist industrialization versus more diversified and rather small scale production in regions industrialized during the earlier stages of industrialization). Furthermore, the branch plant economies of most recently industrialized peripheral regions are often negatively affected by a sharp decline in industrial production in comparison to metropolitan industrial areas where the industrial decline is outweighed by growth in other economic activities such as the trade and service sector (see Smith 1995a, 1995b). Therefore, different regions may experience different challenges associated with the transition, such as a different degree of decline in their production and resulting unemployment levels and social problems, different pace of privatization and economic restructuring or different degree of environmental devastation associated with the previous development model.

Similarly, the democratization processes proceed unevenly in space and time, and at different geographic scales. Democratization differs between the cities and countryside, towns and small villages, and between different regions and countries. This

Map 1. Central and Eastern Europe



process is also influenced by concrete conditions in different places, as for example, tradition, education and qualification structures or political preferences. In the Czech Republic, for example, democratization has been slower in rural than in urban areas. Changes in small municipalities located in more isolated rural areas have been slower than in larger municipalities and those located close to urban areas or larger cities (Heřmanová, Illner and Vajdová 1992, Elander and Gustafsson 1993). At the national level, democratization can lead to different forms of political system and party competition (see Evans and Whitefield 1993).

Furthermore, the processes associated with the transition proceed unevenly not only in terms of space and time (different pace of transition in different countries and regions), but also in terms of different fractions of capital. For example, finance capital is being restructured much faster than productive capital. In its extreme form this can lead to the emergence of merchant capitalism where the economic transition is largely limited to the realm of finance capital while productive capital remains unchanged (Burawoy and Krotov 1993, see Chapter Three, section 3.2.2. of this dissertation). Social relations of production are changing much faster in privately owned enterprises than in state owned enterprises. In some cases, the state socialist social relations of production strengthened in state owned enterprises after the collapse of state socialism (Clarke et al. 1994, see Chapter Three, section 3.2.3. of this dissertation).

As a result of these processes of uneven development, the economic, social and political disparities grow among the individual countries or groups of countries in Central and Eastern Europe as they follow differential development paths from state socialism. So far the transition from state socialism has been much faster in Central European countries (the Czech Republic, Hungary, Poland, Slovakia) than in East European countries (Belarus, Bulgaria, Romania, Ukraine).<sup>2</sup> Disparities are also widening among the regions and among the cities and countryside.<sup>3</sup> Social polarization and class divisions are also deepening quickly. This development reverses the effects of state

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<sup>2</sup>See Pavlínek 1994 on the post state socialist uneven development between the Czech Republic and Slovakia.

<sup>3</sup>See Smith 1995a, 1995b on the post state socialist regional fragmentation and diversification in Slovakia.



socialism insofar as it was able to lessen and eventually eliminate regional, social and class inequalities in order to build an equalitarian society.<sup>4</sup>

## 1.2. State Socialist Development Model and its Collapse

I believe that the collapse of state socialism was the culmination of the crisis of a state socialist '*development model*' which resulted in a '*crisis of hegemony*' (Lipietz 1992a) in state socialist countries of Central and Eastern Europe. Hegemony refers to its Gramscian meaning as the way in which the ruling class (bourgeoisie in Gramsci's writings) establishes and maintains its rule (Gramsci 1971). In our case, I use hegemony to describe the rule of the Communist Party as a ruling strata in the state socialist countries of Central and Eastern Europe.

A development model consists of a particular economic and political organization adopted by a society *or* imposed on it in a particular long-term time period (Lipietz 1992a, 1992b). A development model is composed of four components (Lipietz 1992a, 1992b, 1987, Leborgne and Lipietz 1991, Dunford 1990, Benko and Dunford 1991): (1) a 'regime of accumulation' which describes the long term development in conditions of production and conditions of social use of its output; (2) a 'mode of regulation' which characterizes institutional and other mechanisms used to regulate the behavior of individual agents in accordance with the general principles of the regime of accumulation; (3) a 'labor process model' which describes general principles of work organization and its development under a specific development model; and (4) a 'hegemonic bloc' which involves a long term imposition of particular power dominance and relations in the sphere of politics, ideology, culture and behavior that secures continuation and stability of a particular development model. The acceptance of a particular development model by different social groups and classes is the basis of a '*grand compromise*' which is

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<sup>4</sup>With some notably exceptions, such as the economic and social equalization between the Czech Republic and Slovakia in the former Czechoslovakia, state socialism failed to address successfully the problems of uneven economic development. A major reason was that in order to develop the underdeveloped regions, it was necessary to increase production of basic commodities, such as coal, electricity and steel, in the established industrial regions essential for the industrialization of underdeveloped areas (see Fuchs and Demko 1979, Pavlínek 1994). However, state socialism was more successful in reducing social inequalities through redistribution of income and provision of basic social services regardless of location. Important differences existed among different countries and their respective regions (see Atkinson and Micklewright 1992).

associated with the stabilization of this model of development over a certain long time period during which the rationale of this model itself is not challenged (Lipietz 1992a, 1992b).

A 'major crisis' (Lipietz 1992a, 1987) or 'structural crisis' (Dunford 1990) of a development model indicates its overall exhaustion.<sup>5</sup> It is characterized not only by economic slowdown and crisis, but also by political and social rejection of a development model. A major crisis of a development model can lead to a '*crisis of hegemony*' which is the crisis of grand compromise and inability of leading social forces and social groups to offer a new development model acceptable to the rest of the society (Lipietz 1992a).

The state socialist development model can be characterized by (1) the *predominantly extensive* regime of accumulation;<sup>6</sup> (2) the bureaucratic mode of regulation based on central planning;<sup>7</sup> (3) the labor process model based on the "*bureaucratic despotism*" (Burawoy 1985) and "*authoritarian paternalism*" (Clarke et al. 1994)<sup>8</sup>; and (4) by the hegemonic bloc which was based on the *Communist Party hegemony* over political, social and cultural life in order to stabilize and protect the state socialist development model.

Structural crisis of the state socialist development model culminated in the 1980s in the crisis of hegemony when the state socialist development model and the state socialist 'compromise' were no longer acceptable to the majority of society. The Communist Party elites were unable to sustain the existing model of development or to

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<sup>5</sup>As opposed to "minor crises" which are considered to be part of the normal development of a mode of regulation. They indicate the necessity to adjust the inadequacies of the mode of regulation to existing needs of the regime of accumulation and are resolved within the existing development model (Lipietz 1987, Dunford 1990). Altvater (1993, p. 49) also distinguishes the "crisis of civilization" as a "crisis of natural foundations of human life" which goes beyond both minor and major crises and threatens both the environmental system and the "core elements of human socialization" which are not challenged by minor and major crises.

<sup>6</sup>See Aglietta (1979, p. 71) on the definition of the *predominantly extensive* regime of accumulation. The *predominantly extensive* regime of accumulation was typical for the 'classical' state socialist system. Since the 1960s, there were attempts in the transition to intensive patterns of accumulation (see Burawoy 1985 pp. 164-165).

<sup>7</sup>See Kornai (1992, pp. 110-130) on planning and direct bureaucratic control in the 'classical' state socialist system.

<sup>8</sup>See Burawoy (1985 pp. 156-208) on the labor process model and the regime of bureaucratic despotism under state socialism, and Clarke et al. (1994, pp. 180-183) on authoritarian paternalism. See also Chapter Three, section 3.2.3. of this dissertation. Kornai (1992, pp. 203-227) also provides analysis of the classical state socialist labor process model.

offer a new one acceptable to the society as a whole. This crisis of hegemony of state socialism led to its collapse in 1989. The collapse of state socialism led to the beginning of the transition with the aim to establish a new development model based on the gradual introduction of a market economy and a democratic political system in the early 1990s. The question whether the transition from state socialism will result in the emergence of a new development model in Central and Eastern Europe is still open as well as is the nature of this new development model.

I believe that social and economic processes associated with each development model produce a distinct environment and spatial form (Lefebvre 1991, 1979, Lipietz 1992c). By environment I mean material conditions of human existence or what Lipietz (1992c, p. 102) calls "the space of humanity". At the regional scale, this production of space and the environment is typified by the formation of *structured coherences* based on "a particular technological mix - understood not simply as hardware but also as organizational forms - and a dominant set of social relations" (Harvey, 1985, p. 140). Therefore, I will argue that the state socialist development model produced its own environment and spatial form. If the collapse of the state socialist development model gradually leads to the emergence of a new development model, we should witness gradual restructuring of the state socialistic spatial organization and the environment into new forms typified by restructuring of state socialist structured coherences.

The central question of this dissertation is therefore as follows:

***What is the nature of the transition in Central and Eastern Europe and what are its implications for the quality of the environment in the region?***

In order to answer this central question this study will specifically focus on the relationship between the transition and environment using a case study of the Most District located in the Czech Republic, one of the most environmentally degraded areas in Europe (Maps 1-3). This district typifies the old state socialist development model with its large and previously centrally planned chemical and coal mining enterprises that are degrading the natural and social environment in the area. It also illustrates the

previous hegemonic bloc, based on the Communist Party hegemony, which dominated local political, social and cultural life and led to almost total subordination of local interests to national goals. Many villages and the city of Most were torn down in order to make way for coal mining without taking local interests into consideration.

This dissertation will investigate first, the nature of pre-World War Two and state socialist structured coherence in the Most region; second, whether the organization of production and production strategies in the chemical and coal mining industries have changed after 1989 in the Most District and in what direction (i.e. regime of accumulation); third, whether structural forms, institutional arrangements and mechanisms of regulation have changed in the Most District after the collapse of state socialism (i.e. mode of regulation); fourth, the local popular attitudes toward the new 'hegemonic project' (Dunford 1990); and fifth, the impact of these changes on environmental management in the Most District. Social surveys, conducted in summer 1992 and 1993, showed that the quality of the environment was perceived by residents to be by far the most important problem faced by the district and thus environmental improvement is the primary goal of local governments.

### 1.3. Transition and the Environment

State socialism and its development model resulted in severe environmental degradation concentrated in specific areas of high industrial and urban concentrations, such as northern Bohemia and northern Moravia in the Czech Republic, Upper Silesia and Kraków in Poland or Upper Nitra Valley in Slovakia (see, for example, Pavlínek and Pickles 1994, Carter and Turnock 1993, World Resources 1992, CQ Researcher 1991). Environmental movements played fundamental roles in the 1989 demise of state socialism in countries such as Bulgaria, former Czechoslovakia, Hungary and Poland (Pickles and the Bourgas Group 1993, Marshall 1991, Bowman and Hunter 1992, Kabala 1993). In former Czechoslovakia, 83% of the citizens considered finding a solution to the environmental crisis to be the most important goal facing the first post state socialist government in early 1990 (Moldan et al. 1990). In the Most District, more than 90% of the 1992 and 1993 survey participants listed environmental degradation among the most important problems facing their communities and more than 60% thought that poor

quality of the environment was the single most important problem facing their communities (1992 and 1993 Social Surveys conducted by the author). Periodic opinion polls conducted in the Czech Republic show that more than 90% of citizens consistently rank quality of the environment among very pressing or rather pressing problems the society has to face (Table 1.3). These facts indicate that the citizens of countries such as the Czech Republic and especially in regions such as the Most District will *also* measure the potential success or failure of the transition from state socialism by its implications for the quality of the environment.

This dissertation therefore investigates the relationship between the transition from state socialism to capitalism and the environment in Central and Eastern Europe. In order to determine the impact of transition on the environment I undertake a detailed study of the Most District. The case study deals with concrete conditions, actors and processes in the area and how their combination with regional and national forces produces specific outcomes in terms of environmental quality.

The specific focus on the environment will allow us to integrate major issues outlined above. *First*, following Lefebvre (1991) and Lipietz (1992c) I believe that the environment and its quality in a particular country, region, and locality are produced by the existing development model whose nature is the result of a particular economic, political and social formation. Therefore, in order to study the environment it is necessary to consider all these interrelated components of a particular development model and how they combine to produce its environment.

*Second*, the focus on the environment as the "space of humanity" (Lipietz 1992c, p. 102) will allow us to investigate the relationship between space and social processes under the conditions of state socialism and its supposed transition to capitalism.

*Third*, the focus on the environment and environmental management during the transition will allow us to integrate and address the question of importance of geographic scale in understanding the processes of transition. I will argue, for example, that democratization proceeds unevenly at different geographical scales and that there is a struggle between the local and central scale over decentralization and re-centralization of the central state powers. I will also consider the struggle over the control of local industries among multinational capital, Czech capital, the central state and local

**Table 1.3** Urgency of problems during the transition from state socialism in the Czech Republic (percentage of respondents who considered a particular problem to be very or rather urgent).

	1992			1993		1994
	Febr	June	Oct	March	Oct	April
Crime	97	94	96	98	98	99
Living Standard	92	90	88	92	91	94
Environment	92	89	92	94	90	92
Economic Reform	96	94	97	93	90	90
Health Care	-	93	93	95	94	89
Unemployment	93	90	83	82	80	87
Agriculture	88	87	86	81	84	84

Source: Brchaňová and Hrušková 1994, p. 3.

management. Finally, I will investigate the role of scale in perceptions of the transition and environment.

*Fourth*, the focus on the environment at the local scale allows us to integrate political, economic, social and cultural factors in order to develop a complex picture of unfolding transition. Local communities have to cope with legacies of the previous economic and political system. In some areas severe environmental degradation is one of the most pressing problems that needs to be addressed. The origins and nature of environmental degradation were associated with the previous state socialist system of command economy and hegemonic political structure; under this development model, the local state was unable to cope with the problem of pollution because local interests were almost completely subordinated to the national and sectoral goals of plan fulfillment at all cost. That is, the centrally planned economy secreted its own spatiality and use of nature (Lefebvre 1991). The local state and local industrial enterprises were subordinated to the Communist Party hegemony. Local development was often strongly influenced by industrial paternalism which could grow to domination over local social life

and space (Illner 1992a, Domański 1992, Morawski 1993). The local state usually depended on polluting enterprises for the provision of social services like housing, medical care, or recreation facilities for its inhabitants and it had to tolerate pollution rather than face a cut in subsidies into the local budget or a cut in service provision (Illner 1992a).

This situation has been rapidly changing since 1989. Local democracy has been introduced, the local state has been regaining some powers to deal with local problems, and the relations between the local state and large enterprises have altered. It is becoming obvious that any improvement in the often catastrophic environmental situation that typifies some regions will depend on the political and economic outcomes of the transition, and on the development path a country chooses to follow. One of the goals of this dissertation is to investigate the character of these changes, especially in relation to the environmental problems in the Most District.

#### 1.4. Dissertation theses

This dissertation is based on six theses:

(1) The concept of transition pursued in Central and Eastern Europe is based on the Western neoliberal model of thought. As a result, there is a possibility that the development model emerging in Central and Eastern Europe, and specifically in the Czech Republic, is a type of '*liberal-productivism*'. In the late 1970s and 1980s Western proponents of liberal productivism advocated unconstrained technological development, free market, limited role of the state in a society and increased individualism as a way to achieve a new development model (Lipietz 1992a). A similar logic is often used by the governments in Central and Eastern Europe in order to build a new post state socialist development model.<sup>9</sup>

(2) Transition from state socialism to capitalism is not an unproblematic linear change as the liberal models of national transitions assume. The complex nature of this transition is manifested at the regional and local scale where there is no clean break

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<sup>9</sup>Mr. Václav Klaus, the Prime Minister of the Czech Republic, is probably the most obvious example of this approach.

between the state socialist past and post state socialist present. In reality, there is a complex mixture of old state socialist and post state socialist social relations which results from the struggle between old and new social practices.

(3) Transition from state socialism to capitalism is a very uneven process in terms of space and time. Its uneven nature is also manifested at different geographical scales, among different fractions of capital and different social groups. For example, different fractions of capital play different roles during the transition and the development of a new regime of accumulation. Finance capital has so far played a crucial role while productive capital has played a secondary role in this process.

(4) The transition has a contested nature. The central state uses all available democratic means to control the processes of economic, political, and social transition at the national, regional and local scale. This approach is resisted at the local scale where local state and local capital strive to seize more control over local resources and local change. As a result, there is a struggle between the national and local scale over the control of processes at the local scale.

(5) Social and economic processes associated with a new development model will gradually produce its own space, its own physical environment. Its implications for the quality of the environment are twofold:

1. In the short run, the quality of the physical environment benefits from the collapse of an old development model and from a possible transition toward liberal-productivism (decline in production, changing environmental legislation). These benefits, however, might be only temporary.
2. In the long run, if this new model of development is pursued with its initial course of liberal-productivism, it will limit the ability of the Central and Eastern European countries to solve their environmental problems. The major reason is that the world view of liberal productivism prioritizes production over the environment.

(6) The spatial form of this emerging development model will be different from the old one because each development model produces its own spatial configuration (Lipietz 1992c, Lefebvre 1991). In the case of Central and Eastern Europe, it seems particularly likely that the stress on efficiency will intensify uneven development between economically declining peripheral areas and growing or stagnating metropolitan and



urban areas.

The problem of environmental degradation and its management under the changing political, economic and social conditions thus raises a number of fundamental questions which address the nature of these changes during the transition: the question of the post state socialist local state and its dealing with the environmental degradation under the new conditions tackles the issues of political transition and democratization. The nature of social and political change is addressed in the questions about the character of the struggle over the environment in the affected communities. Are the local citizens aware of the severity of the environmental problems and how do they cope with them? What is the role of the state in the environmental clean-up during the transition? The question about the impact of restructuring and privatization of state owned enterprises on their behavior toward the local communities and the environment deals with the economic transition and the environment, with the issues of uneven transition among different fractions of capital, and with the problem of changing relations of production during the transition. The question whether the villages and cities experience the same problems and whether their residents perceive the environmental problems with the same degree of urgency in the same area also addresses the problem of uneven development during the transition.

This study will contribute to our understanding of the transition from state socialism to market economy and democratic society on the national, regional and local level. By focusing on environmental impacts and management it will demonstrate the impact of national change on local communities and simultaneously the struggle of local communities to improve their environment under new conditions. The study will also try to answer the question whether the new conditions during the economic and political transition make it possible to improve the environmental conditions inherited from the previous regime or whether and for what reasons the environmental destruction continues unabated.

### 1.5. Plan of the Work

The second chapter reviews the key elements of liberal economic transition from a centrally planned to market economy pursued in Central and Eastern Europe. This

chapter also critically reviews liberal approaches toward the transition in Central and Eastern Europe usually based on neoliberal and neoclassical economic models. It examines the possibility of transition toward a type of liberal-productivism in Central and Eastern Europe.

The third chapter of this dissertation provides a critical review of four distinct political economy approaches toward the transition in Central and Eastern Europe: transition from state to private capitalism thesis, transition to merchant capitalism thesis, restructuring of state socialism thesis, and regulationist approaches toward the transition in Central and Eastern Europe.

Chapter Four elaborates the importance of geographical scale and geographical variability in the transition. It provides a critique of existing approaches which predominantly focus on the national and international scale and often ignore the local scale. I want to stress the importance of all these three basic scales during the transition -- their inter-connectivity and their influence on the outcome of the transition.

Chapter Five elaborates the link between transition and the environment in the context of the Czech transition. I will examine the major reasons for extensive environmental degradation under state socialism and the relationship between transition and the environment in Central and Eastern Europe. I will also discuss commonly held assumptions in the West about the role of market forces in cleaning up Central and Eastern Europe.

In Chapter Six, I provide the historical analysis of the political economy of the Most District employing the concepts of structured coherence (Harvey 1985, p. 140) and production of space and the environment (Lefebvre 1991, Lipietz 1992b). The chapter illustrates the development of structured coherence and the production of space in the Most District during the two distinct historical periods: first, during the pre-World War Two capitalist period, and, second, during the post-Second World War state socialist period. The first section of this chapter also provides detailed analysis of geography and environment of the Most District with a particular focus on the Most Basin.

Chapters Seven and Eight examine privatization and industrial restructuring of coal mining and chemical industry in the Most District and the Czech Republic after the collapse of state socialism as two cases of differential transition. These two chapters

collapse of state socialism as two cases of differential transition. These two chapters demonstrate that economic transition proceeds differently in different industrial sectors and subsequently it has different outcomes and implications for the environment. The chapters provide an analysis of the changing regime of accumulation in the local conditions of the Most District and its impacts on the regional economy. I will demonstrate the unevenness of this change on the restructuring of coal mining and chemical industries, the two largest employers in the district. I will also illustrate the decisive role of state in the transitory mode of regulation and in initiating restructuring in the regime of accumulation on the example of restructuring of the Chemopetrol chemical company and the Most Coal Company (MCC) which is most obvious in the state designed and supervised privatization of these companies. These two chapters show how these companies are coping with the change to market conditions: their internal restructuring, their new policies toward local communities, how they are coping with the issues of environmental pollution in the changed economic and social environment, trade unions and their role during restructuring, and labor policies.

Chapter Nine addresses the question of democratization of society after the collapse of state socialism and its implications for local environmental management. It deals with local self-government, district state administration and social regulation in the Most District. It specifically focuses on the issues of community revitalization and environmental degradation. This chapter addresses the issues of political and fiscal decentralization, competency of local self-governments, geographic scale, industrial paternalism and changing power relations, civil society and restructuring of structured coherence at the local level. The discussion of the local government issues is based on interviews of seven mayors of cities and villages conducted in the Most District in the summer of 1993.

Chapter Ten focuses on popular attitudes toward transition and the environment in the Most District and specifically targets the issues identified in the previous chapters. The chapter is based on the analysis of two surveys conducted in the Most District in 1992 and 1993. The chapter investigates popular perceptions of the environment, public participation in the struggle over the environment and in local self-government, popular attitudes toward democratization and environmental management, and popular

of the Most District residents reflect a strong legacy of state socialism.

The concluding chapter summarizes my findings and presents recommendations for future research.

## CHAPTER TWO

### LIBERAL PRODUCTIVISM AND TRANSITION IN CENTRAL AND EASTERN EUROPE

There are two issues I will deal with in this chapter. First, we need to understand the elements and logic of the transition from state socialism to capitalism in Central and Eastern Europe in order to understand its spatial impacts and the role of geography in its outcomes. Second, a central question facing any investigation of regional restructuring in Central and Eastern Europe must be the appropriate theoretical categories and concepts needed to address the issue of transition from state socialism to capitalism, restructuring, and their geographical implications. Therefore, this chapter reviews the key elements of the transition and shows its impacts on the economy of the former Czechoslovakia and the Czech Republic. I try to answer a critical question: What is the nature of strategy adopted by the post state socialist elites in Central and Eastern Europe in order to transform these countries from state socialism to capitalism? In order to answer this question, I investigate Western liberalism and its role in the post state socialist transition in Central and Eastern Europe. I also argue that the transition strategies adopted by Central and East European liberals were consistent with the liberal-productivist paradigm dominant in the West in the late 1970s and 1980s. Finally, I briefly analyze the liberal character of the transition in the Czech Republic.

The study of command economies has generated a literature on regional policy and social and economic change quite different from that emerging under market mechanisms and capitalist forms of production. In the West, the 1980s witnessed a growing body of literature dealing with the rapid changes in patterns of capital accumulation and associated social and political changes occurring from the early 1970s onwards. This literature does not usually address the situation in former centrally planned economies (CPEs) or the transition from the CPE toward a market economy and if it does, it is often limited to the explanation of the processes operating at the national level and its macroeconomic characterization. The texts dealing with the economic aspects of the transition in Central and Eastern Europe usually offer no theory of the

transition from plan to market. The regionally differential impacts of these processes and their social or environmental implications at the community level are not yet well developed in the literature.

Nevertheless, the economic literature dealing with the transition process is relevant for our study in that it provides the necessary information about the national macroeconomic policies and economic changes introduced by the state. These policies and changes directly influence the economic behavior of the individual economic subjects in a particular area. In our case, an understanding of the economic transition in the Czech Republic will help us to understand the concrete economic behavior of the industrial enterprises in the Most District that has direct environmental implications for the cities and villages studied. Consequently, this chapter points to the issues relevant to our research and is intended to begin the process of assessing the applicability of theories of capitalist restructuring to the regional transformation of the Czech Republic and Central and Eastern Europe more generally.

In this regard we need to include in our literature review the Western literature dealing with Central and Eastern Europe as well as the Central and Eastern European literature coming from the region. The relevance for our study of the Western restructuring literature, such as that dealing with deindustrialization and regulation theory is twofold. First, it helps us to understand the general processes of restructuring in the industrially developed countries. It is already becoming apparent that some processes in Central and Eastern Europe will be similar to those in Western countries as, for example, the decline in the traditional industries, growing service sector, changing spatial divisions of labor and an emerging new regime of accumulation. Second, appropriate theoretical categories and concepts developed in the Western theoretical restructuring debates will help us to clarify the issues and provide an analytical framework that can structure our research questions or can be tested by them.

Concepts and ideas employed in this literature will help us to conceptualize changes that are taking place in Central and Eastern Europe and concretely in the Czech Republic and lead us to the integration of appropriate theoretical categories into our study. The Western restructuring literature also offers numerous methodological

approaches to the study of economic, political and social change.

### **2.1. The Elements of Liberal Economic Transition from the Centrally Planned to a Market Economy**

The last several years witnessed the publication of a growing body of literature dealing with the transition taking place in the formerly state socialist countries of Central and Eastern Europe. This literature can be divided into two large groups. In the first group, emphasis is placed on economic factors in the transition from the centrally planned economy toward a market economy. In the second group, the political transformation from one party system into a democratic society is addressed in terms of democratization, political change, and geopolitics (see, for example, Przeworski 1991, Offe 1991, Poznanski 1992, O'Loughlin and Wusten 1993, Friedheim 1993, Evans and Whitefield 1993, Elander and Gustafsson 1993).

There is a growing body of literature dealing with the economic aspects of the transition from the centrally planned to market economy (Corbo, Coricelli and Bossak 1991, Gelb and Gray 1991, Aghevli, Borensztein and van der Willigen 1992, Telma 1991, Kemme 1991, Campbell 1991, Blanchard et al. 1991, Claudon and Gutner 1992, Klaus 1992, Richter 1992, Clague and Rausser 1993, Ellman, Gaidar and Kolodko 1993, Keren and Ofer 1993, Köves 1992, Blanchard, Froot and Sachs 1994a, 1994b, Hunya 1994). These works represent very useful analyses of the initial economic conditions before the transition and legacies of state socialism, external difficulties, phasing of reform, its individual steps and the overall analysis of the reform process, usually from a macroeconomic point of view. These analyses usually fail, however, to provide any theoretical perspective on the process generally and specifically about the social, regional and environmental impacts of the transition. In some cases, the authors tend to discuss the transition strategy on the general level without paying enough attention to the geographical differences between individual countries in the level of their development, starting conditions and its impacts on the concrete transition strategies (e.g. Blanchard et al. 1991). In other instances, the economic, political, historical and geographical differences among the Central and East European countries are stressed and the necessity of adopting the different transition strategies reflecting the different conditions in every

individual country is highlighted (e.g. Allen 1992, Portes 1993, Marer 1993).

The 1980s witnessed a growing interest in restructuring among geographers. They tried to understand the rapid changes in the capital accumulation and associated social, political and cultural changes which occurred in the 1970s and 1980s in the developed capitalist countries. Four aspects of contemporary theories of the restructuring of capitalist economies seem particularly pertinent to this project: spatial divisions of labor (Massey 1979, 1984), deindustrialization thesis (Rodwin and Sazanami 1989a, 1989b, Lynd 1983, Perrucci et al. 1988, McKenzie 1987, Bluestone and Harisson 1982, Sawers and Tabb 1984), flexible accumulation theory (Harvey 1989, 1991, Piore and Sabel 1984, Sabel 1989) and the relationship between economic change and social regulation (regulation theory) (Aglietta 1979, Lipietz 1982, 1984, 1986, 1987, 1992a, 1992b, Altvater 1993, Dunford 1990).

The first important step in studying restructuring is to clarify what we understand by the term 'restructuring'. In our view, restructuring is not limited to a particular sector of a society (economy for example) or only to a particular type of society (capitalist for example) as some authors may suggest (e.g. Lovering 1989). Following Webber et al. (1992), Clark G.L. (1993), and Florida and Kenney (1992), in our study, we understand restructuring as a complex change involving not only the economic dimension, but also social, political and cultural spheres on different scales (global, national, regional, local).

Different authors identify very similar key economic elements of the transition from a centrally planned to a market economy and the difference is more in the interpretation and detail than in actual content (for comparison see Fischer and Gelb 1991, Milenkovitch 1991, Marer 1991, Gelb and Gray 1991, The Economist 1991, Aghevli, Borensztein and van der Willigen 1992). In this review, we will follow four economic elements of transformation identified by Gelb and Gray (1991) which are part of general liberal model policies:

1. Macroeconomic stabilization and control;
2. Price and market reform;
3. Private sector development, privatization, and enterprise restructuring;
4. Redefining the role of the state.

Although we will discuss these four economic elements of the transition from the



centrally planned to a market economy separately, they are all interrelated and inseparable in practice. These four elements of economic transition were pursued in all Central and Eastern European countries. We need to comprehend them in order to understand the governments' economic policies and strategies during the transition and their regional and environmental implications.

### *2.1.1. Macroeconomic stabilization and control*

Stabilization of the economy is a crucial element at the beginning of the transition and is necessary to create favorable conditions and macroeconomic environment for the actual economic change. The goal of macroeconomic stabilization is to prevent hyperinflation, eliminate monetary overhang, cut government subsidies and stabilize the external balance which usually requires currency devaluation (Gelb and Gray 1991, Fischer and Gelb 1991, Milenkovitch 1991, Åslund 1992, Bhaduri 1992, Coricelli and Rocha 1991).

The instruments used by the governments to achieve macroeconomic stabilization and control include fiscal tightening, tight credit policies, addressing existing problems, such as monetary overhang or bank losses, and expenditure-switching measures for external balance (Gelb and Gray 1991). The monetary overhang is usually eroded through rapid inflation at the beginning of price reform when prices are freed and inflation is increasing. Another instrument used to stabilize the economy by preventing hyperinflation is wage controls which put a cap on wages in public enterprises. This kind of direct control also includes the elimination of subsidies for individual firms and the setting of strict cash limits on them, and direct central bank control over the quantity of credit to discipline the firms (Fischer and Gelb 1991). Government subsidies on basic food, energy, housing and transportation are also eliminated or at least significantly reduced (Milenkovitch 1991). Currency devaluation can increase the amount of exports as well as imports. The stabilization period also includes approaches to eliminate an overhang of domestic and external debt (Gelb and Gray 1991).

The cost of such macroeconomic stabilization is very high. Despite its positive effects in terms of the disappearance of shortages and the drop in inflation, macroeconomic stabilization always results in a rapid decline in output and real wages,

decrease in consumption, drop in demand for agricultural goods, and growing unemployment (Milenkovich 1991). All these effects can be observed throughout Central and Eastern Europe with the decline in GDP (gross domestic product), industrial output, real wages and consumption reaching double digits (Tables 1.1 and 1.2).<sup>1</sup>

Rapidly declining living standards can be politically very dangerous as popular support for the economic reform evaporates. Therefore, it is also important to create a social safety net to protect people most adversely affected by the economic downturn (Fischer and Gelb 1991, Sachs 1992). In the former CPEs of Central and Eastern Europe, this means a complete reorganization of their social policies designed under the state socialist governments to deal with very different problems. A new social safety net must deal with such difficulties as unemployment and extreme poverty unknown in the former CPEs (see Večerník 1993, Kvapilová 1993, Szalai 1993).

### *2.1.2. Price and market reform*

Price and market reform involves three major areas: goods and services, labor and finance. The goal of price and market reform is the expansion of the market for goods that requires free entry for producers and distributors, freedom of buyers and sellers to negotiate market-clearing prices, and expanded access to the variety of goods available on international markets (Gelb and Gray 1991). In the Czech case, it has been assumed that the best way to introduce rational prices is to liberalize the majority of consumer and producer prices, devalue the currency and introduce internal convertibility, and open the economy to foreign trade and competition (Dyba and Svejnar 1994, OECD 1994). The crucial step in price and market reform is the liberalization of retail and wholesale prices, following the removal of government subsidies during the macroeconomic stabilization phase of the reform. It is also necessary to demonopolize transport, distribution and trade systems (Fischer and Gelb 1991).

The positive sign of price liberalization is an immediate improvement in the

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<sup>1</sup>Gross industrial output is declining faster than GDP. In the Czech Republic, gross industrial output grew by 1.3% in 1989 and declined by 3.4% in 1990, 19.7% in 1991, 10.6% in 1992 and by 5.3% in 1993 (UNIDO 1992, LN February 23, 1993 and August 31, 1993, HN June 10, 1994). See footnote No. 5 in Chapter One for the decline in real wages in Central and Eastern Europe.

variety of goods and services offered as small emerging private producers try to compete with the state monopolists. The negative sign is a further decline in the standard of living of the population because the growth of wages is controlled by the government in order to limit inflation. Therefore, price liberalization is not followed by an increase in wages and instead real wages fall (Dyba and Svejnar 1994).

International trade liberalization is an important element of price and market reform. It can be introduced quickly by establishing currency convertibility and opening the economy to foreign trade. The market for labor is also supposed to be freed from tight central control, which includes constraints on pay, generous benefit systems, prevention of layoffs, and incentives leading to the absence of financial discipline and inefficient allocation of labor. Instead, active labor market policies are instituted which are aimed to promote efficient labor mobility. These include education, training, job information and counseling services, small business assistance, government-provided unemployment benefits, and new mechanisms for collective bargaining (Gelb and Gray 1991).

Finally, price and market reform includes the reform of financial markets toward independent, market-oriented banks able to mobilize savings, evaluate risk, and allocate capital along efficiency criteria (Gelb and Gray 1991). The first step is to break up the monolithic banking structure and establish a two-tier banking system by separating the central and commercial banking functions (Westlake 1992). Restructuring of the bank system seems to be a very long and complicated process.<sup>2</sup> The financial reform also includes the establishment of stock and commodity markets along Western models (Gelb and Gray 1991).

### ***2.1.3. Private sector development, privatization, and enterprise restructuring***

Privatization of all economic sectors (i.e. industry, agriculture, services) and the development of the private sector in the economy is the central element of all liberal transition plans. According to the liberal view, a market economy cannot function

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<sup>2</sup>See Westlake (1992) and The Economist (1991) for a detailed discussion of the banking reform in Central and Eastern Europe.

properly without private ownership and the transition would fail without successful privatization and development of the private sector (e.g. Claudon and Gutner 1992, The Economist 1991).

Governments seeking to bring about this transition have attempted to prepare conditions for the development of private capital by establishing the private property rights and legalizing private ownership. New laws have been put in place to equalize tax treatment with state owned firms, remove restrictions on private firms' size and activities, free private procurement and distribution, and reduce bureaucratic requirements for establishing new firms (Gelb and Gray 1991). New small-scale private businesses are being supported and seem to be flourishing as many Central and East European countries have shown (Table 2.1).

These governmental policies support the development of new small-scale private enterprises, but they do not solve the problem of the state owned enterprises which need to be privatized.<sup>3</sup> A major discussion has emerged around the technique, speed and the time frame which should be used to privatize the state owned enterprises in the region.<sup>4</sup>

The proponents of slow privatization argue that the enterprises should first be restructured by the state and sold gradually afterwards as the conditions for the privatization improve - a more rational price system is in place, the new rules of economic behavior have begun to emerge and a real business class has had time to develop to exercise the ownership function (Fischer and Gelb 1991). This scenario would probably create real enterprise ownership in contrast to a corporate one, but the most obvious disadvantage of this approach is the extremely long period of time it would take to privatize a substantial proportion of the state owned economy. It would be also dangerous to leave the restructuring of the entire industry in the government's hands because a sudden change in the governmental policies or political orientation may hamper

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<sup>3</sup>Hungary had about 2,300 state-owned firms, Poland 7,500, Czechoslovakia 4,800, Bulgaria 5,000 and Romania 40,000 (The Economist 1991).

<sup>4</sup>See Frydman and Rapaczynski (1991) for a systematic approach to the problem of privatization in Central and Eastern Europe. According to their approach, a privatization plan must satisfy four requirements in order to have a chance for success: speed, social acceptability, effective control over the management of privatized enterprises, and assured access to foreign capital and expertise.

the entire process. Centralized control over restructuring would certainly be more vulnerable to political pressures, lobbying, pressures from the enterprises and even Table 2.1 Development of private sector in selected countries of Central and Eastern Europe.

	Total No. of private firms	Private sector as a % of GDP 1992	Number of joint ventures	Foreign investment 1989-1993
Bulgaria	170,000 <sup>1</sup>	20%	837 <sup>2</sup>	\$0.3 bil.
Czech R.	1.03 mil. <sup>6</sup>	19.5%	10,599 <sup>1</sup>	\$2.1 bil.
Hungary	619,264 <sup>3</sup>	40-42%	19,980 <sup>3</sup>	\$5.6 bil.
Poland	1.7 mil. <sup>4</sup>	45%	11,473 <sup>4</sup>	\$3.0 bil.
Romania	260,817 <sup>4</sup>	25%	25,484 <sup>2</sup>	\$0.7 bil.
Slovakia	300,695 <sup>7</sup>	21%	2,825 <sup>5</sup>	\$0.3 bil.

Notes: 1 = June 1993, 2 = May 1993, 3 = February 1993, 4 = March 1993, 5 = December 1992, 6 = 1.03 million registered private entrepreneurs and 15,126 private firms as of June 1993, 7 = registered small scale private entrepreneurs as of February 1993.

Source: Slay (1993a), HN August 9, 1994.

popular discontent to change policy if the process is socially painful. In this scenario, the state will be still totally responsible for the economy which is what majority of the Central and East European countries attempt to avoid.<sup>5</sup>

Advocates of fast privatization argue that the privatization must precede restructuring because restructuring will not be very efficient without the private ownership in place. The second argument is political. Fast privatization will create a class of owners that will be able to protect the transition. Without such a class, there is a danger that classes most adversely affected by the transformation together with the

<sup>5</sup>At the pace of 1991 privatization efforts (before the beginning of the large scale privatization in Czechoslovakia), the privatization of about half of the state-owned assets in Central and Eastern Europe would have taken more than 30 years (The Economist 1991, Wessel 1992).

political parties and interest groups opposing the transition may stop it before it is finished (Fischer and Gelb 1991). Supporters of this fast privatization scenario also argue that the countries of Central and Eastern Europe cannot afford inefficient state control over the economy.

However, implementation of fast privatization using conventional methods is impossible because the population in Central and Eastern Europe does not have enough money to buy the state owned companies. Therefore, different methods of mass privatization have been discussed, but only one has been put into practice so far - the voucher privatization in Czechoslovakia which continued in the Czech Republic.<sup>6</sup> Although Czech voucher privatization has been described as "the most advanced, and most successful" of all mass privatization programs in Central and Eastern Europe (Frydman and Rapaczynski 1993, p. 11), there are many questions which need to be answered about this method, such as whether it will enhance the productivity of enterprises or whether new owners will be able to exercise effective control over enterprises. Furthermore, it is quite difficult to predict its effects, particularly because a mass privatization on this scale has never been attempted before.

Voucher privatization started in the former Czechoslovakia in 1991. It was planned to proceed in two waves. The first wave was completed in December 1992.<sup>7</sup> The second wave was concluded in November 1994. In the Czech Republic, mass privatization reduced the share of the state sector in the production of GDP to about 20% (LN December 21, 1994). Conventional methods of selling enterprises were carried out simultaneously with voucher privatization: the so called small scale privatization of small

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<sup>6</sup>See The Economist (1991) for the comparison of the Czechoslovak and Polish mass privatization plans. Hungary prefers conventional privatization methods. Romania and Ukraine are preparing mass privatization following to some extent the Czechoslovak model. See also Frydman and Rapaczynski (1991) for more detailed and consistent description of the privatization models. Frydman and Rapaczynski (1993) and Slay (1993a) provide the evaluation of the privatization efforts in Central and Eastern Europe in the last three years.

<sup>7</sup>More than eight million people have registered for the first wave of privatization (out of 15.2 million citizens of Czechoslovakia). According to the initial results 92.8% of the 300 million shares in 1,491 enterprises were sold during five rounds of computerized auctions of the first privatization wave (Slay 1993a). In the Czech Republic, almost six million citizens have registered for the first wave of privatization. They could choose out of more than 212 million shares, that represented about one third of all assets from the first wave. In five rounds of the first privatization wave, 198 million shares were sold that represented 97% of all offered shares (Finanční noviny, April 7, 1993).

businesses and production units and restitution - the return to their original owners of enterprises nationalized after the communist takeover in 1948.<sup>8</sup>

The role of the foreign capital in the privatization is also important, although so far it plays much less significant role than was initially expected (Table 2.1). Foreign capital is only interested in the elite industrial enterprises which promise a rapid return on investment expenditures.<sup>9</sup> Foreign companies are reticent to invest in Central and Eastern Europe because of their concerns about political instability, bureaucracy, confusion over new laws and the question of ownership, shortage of capital among local firms and the corresponding risk of bankruptcy, an obsolete infrastructure, a need for worker retraining in new technologies, and inadequate managerial skills (*The Economist* 1991). Yet there are some attractive features of doing business in Central and Eastern Europe: relatively skilled but cheap labor,<sup>10</sup> a large West European market not far away, the region's own market, and the potential of the region as a gateway to a gigantic market in the republics of the former Soviet Union.

It is dangerous to make any generalizations about the region of Central and Eastern Europe as a whole because there are important differences today. Relative location of the individual countries and regions as well as level of their development, their infrastructure, wage levels, governmental policies towards foreign capital, political

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<sup>8</sup>Small scale privatization started in the early 1991 and was finished by the end of 1993. It privatized the state assets worth 30 billion crowns. (LN December 21, 1994). Some 35,000 units were sold to new owners (Slay 1993). In terms of restitution, more than 100,000 of small and medium-sized businesses have been returned to the pre-1955 owners in the Czech Republic. Up to six percent of large state enterprises nationalized between 1948 and 1949 were planned to be privatized under restitution agreements (Koromzay 1992). The private sector still employed only about 23% of the labor force in July 1993 and generated about 19.5% of GDP in the Czech Republic in 1992 (it accounted for 14.5% of industrial production, 46% of construction, 60% of retail trade and public catering and 36.4% road freight transportation in 1992) (Slay 1993). By the end of 1994, the private sector produced 55% of GDP in the Czech Republic.

<sup>9</sup>The Škoda-Volkswagen auto-maker joint venture in Czechoslovakia is a good example. Škoda is a well-known brand name and the company was able to sell some of its cars in Western Europe during the period of state socialism. There is a market for cars in both the former Czechoslovakia and in the other countries of Central and Eastern Europe (Schaes 1992). The factory is now operating at full capacity and its products have penetrated into new markets such as Asia and recently Australia.

<sup>10</sup>According to *The Economist* (1991), the wages are even lower in Central and Eastern Europe than in the newly industrialized countries and Mexico. The average hourly pay in manufacturing in Poland was half of that in Mexico and a quarter of hourly pay in Korea and Taiwan in 1990. *The Economist* argues that the wages will remain low for a decade or more.

stability, purchasing power of the population and many other factors will play an important role in decisions about the future allocation of foreign investment. Furthermore, the transition from state socialism to capitalism is typified by regional economic fragmentation with different regions taking different pathways in this change (Smith 1995a, 1995b).

Large scale restructuring of the industrial, agricultural and service sectors is in its very beginning and it will be a long term process. The question is which kind of industrial structure will be the outcome of restructuring and what role would these economies play in the European and global economic system.

#### ***2.1.4. Redefining the role of the state***

The state is radically changing its role in the Central and East European economies as it is now attempting to withdraw from its direct role in the economy and play a more indirect regulatory role. Yet it is the state that is developing and carrying all reform strategies and creating the necessary environment (legal, institutional, macroeconomic and so on) for the transformation, and it is the state that plays the most important role in carrying out the institutional reform, fiscal reform, creation of the legal framework, the social safety net and provision of social services (Gelb and Gray 1991).

Institutional reform includes the creation of a new model of government on central, regional and local levels; and changes in the administrative structure and the structure of economic management at the national level (reduction of the number and size of the ministries and creation of new central authority offices such as the ministry and offices for privatization).

Legal reforms involve the creation of a legal framework for market activities to protect property rights and regulate commercial relations (Gelb and Gray 1991, Fischer and Gelb 1991)<sup>11</sup>.

Fiscal reform requires changes in the spending priorities of the government; reorientation of public spending to supply social services, infrastructure, and other public

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<sup>11</sup>These include: property laws, contract laws and related procedures, company and foreign investment law, bankruptcy law, regulatory laws (to correct for market failures), labor law (Gelb and Gray 1991).



goods; and comprehensive tax reform adapting taxes to a market economy (Gelb and Gray 1991). New accounting and auditing systems are being developed to organize and monitor information (Fischer and Gelb 1991).

The social safety net and social services reform include the development of new unemployment insurance, social security, retraining services, welfare services to address poverty, reform of the funding and operation of virtually all social services (health care, education and so on) (Gelb and Gray 1991).

The role of the state in the transition in Central and Eastern Europe is thus crucial because the state designed the transition and is its driving force. The state creates new institutions, defines and legally establishes new rules, and enforces new behavior patterns in the economy.

## 2.2. Outcomes of Transition 1989-1994

From a macroeconomic point of view, Czechoslovakia enjoyed perhaps the best starting conditions for economic transition among the former CPEs of Central and East European countries: low foreign debt, smaller domestic imbalances than in most CPEs in the region, low inflation, and a small monetary overhang created by excess demand (Aghevli, Borensztein and van der Willigen 1992, Solimano 1991, Fischer and Gelb 1991). Another advantage is that the Czechoslovak labor force is relatively well educated, highly skilled, and characterized by a reasonable degree of adaptability and creative capacity (Cizkovsky and Ordnung 1990). Major disadvantages faced by Czechoslovakia included the nearly complete domination of production by the state,<sup>12</sup> virtual absence of any market mechanisms and the existence of the most orthodox centrally planned economy in Central and Eastern Europe (OECD 1991, Aghevli, Borensztein and van der Willigen 1992, Bruno 1994).

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<sup>12</sup>State-owned sector as share of value-added in mid-1980s accounted for 97% in Czechoslovakia, which was, together with the former Eastern Germany, the highest figure among the CPEs of Central and East European countries. Even the former Soviet Union showed a lower figure (96%). In comparison: Yugoslavia - 87%, Hungary 86%, Poland - 82%, France - 17%, Britain - 11%, United States - 1% (The Economist 1991). The public sector accounted for 97% of the total output in Czechoslovakia in 1986 (96.5% in former East Germany, 81.7% in Poland, 65.2% in Hungary) (Solimano 1991). The private sector of Czechoslovakia was the smallest in Central and Eastern Europe, accounting for less than 0.5% of non-farm output (Jones 1992).

After 1989, the Czechoslovak economy was highly centralized and, in many respects, still Stalinist, and the average size of Czechoslovak industrial conglomerates was larger than in neighboring countries (Telma 1991). Czechoslovakia did not experience any market oriented reforms during the 1980s, when such attempts were undertaken in some neighboring countries (notably in Poland and Hungary). The Czechoslovak government resisted any changes in its highly centralized economic policy and command economy which left Czechoslovakia virtually unprepared for any major economic change compared to other countries of Central and Eastern Europe (OECD 1991, Bruno 1994).

The legacies of several decades of command economy, which make the transition of CPEs extremely difficult, include (according to Marer 1991): a structure of production which is dominated by heavy industries; an obsolete and not sufficiently developed infrastructure; environmental pollution and environmental degradation; and trade excessively oriented toward uncompetitive markets.

Another major disadvantage Czechoslovakia had to deal with was the political instability and growth of nationalism that resulted in the break up of the country at the end of 1992. The political instability discouraged foreign investment in the last two years of the existence of Czechoslovakia<sup>13</sup> and adversely affected both the Czech and Slovak economies.<sup>14</sup> The external environment was unfavorable for economic reform not only in Czechoslovakia, but in all former CPEs of Central and East European countries. The dissolution of CMEA (the Council for Mutual Economic Assistance), the abolition of the transferable ruble and the shift to world prices represented a large

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<sup>13</sup>According to the former Federal Minister of Industry (before the 1992 elections), due to the threat of the break up of the country, 20% of foreign companies pulled out of negotiations to purchase Czechoslovak companies and 40% froze talks (Whitehouse 1992).

<sup>14</sup>About 25% of Slovakia's production went to the Czech markets and 12.5% of Czech production to the Slovak markets before the break-up of Czechoslovakia in 1992. The Czech Republic buys semi-finished products from Slovakia as well as synthetic fibers and oil products. The Czech economy gets Russian oil from pipelines which go through Slovakia. The Slovak Republic buys northern Bohemian coal, engineering products and consumer goods (Whitehouse 1992). It is estimated that a 10% drop in the trade between the Czech Republic and Slovakia translated into a 1% drop in GDP in the Czech Republic. The trade between the Czech Republic and Slovakia dropped by 30%-40% after the split which would represent a 3%-4% decline in the Czech Republic's GDP in 1993 as the result of the break-up. The impact on the Slovak economy was even larger as it was more dependent on the Czech markets (LN March 23 1993).

inflationary impulse, trade shock and contraction of export markets. Yet Czechoslovakia was highly dependent on trade within the CMEA, which traditionally accounted for more than 50% of the Czechoslovak exports and imports.<sup>15</sup>

### *2.2.1. Deindustrialization as a result of macroeconomic stabilization and transition to capitalism*

The impacts of macroeconomic stabilization operate unevenly in space. In the former Czechoslovakia, the regional distribution of industrial decline reflected existing regional industrial specializations. The hardest hit were regions based on heavy industries (iron, steel, heavy machinery, military production) and traditional light industries (textiles and garment industries). The large industrial enterprises built during the socialist industrialization are rigid and unable to adjust their production fast enough to completely changed economic conditions. This type of enterprise was built throughout Czechoslovakia but they are more concentrated in Slovakia than in the Czech Republic, because Slovakia underwent industrialization during the state socialist period (see Pavlínek 1994). Slovak industrial structure is less favorable because of its less diversified industrial base and greater dependence on heavy industries (iron and steel in eastern Slovakia) and military production (central Slovakia).<sup>16</sup> The combination of unfavorable sectoral and organizational structure of the Slovak industry resulted in larger industrial decline and unemployment in Slovakia than in the Czech republic.<sup>17</sup>

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<sup>15</sup>In 1987, the CMEA countries accounted for 62.3% of the Czechoslovakia's exports and 62.6% of its imports. At the same time, the advanced industrial countries accounted for only 23.1% of the Czechoslovakia's exports and 26.3% of its imports (Aghevli, Borensztein and van der Willigen 1992). Imports from the former Soviet Union declined from 36.2% in 1987 to 21.6% of total Czechoslovakia's imports in 1990 and were further decreasing. Exports to the former Soviet Union declined from 35.9% in 1987 to 25.2% of total Czechoslovakia's exports in 1990 (Aghevli, Borensztein and van der Willigen 1992). The former Soviet Union reported a 70% drop in its trade volumes with Eastern Europe in the first six months of 1991. The World Bank expected trade among the former CMEA partners for the 1991 to fall by 40% (Dugan 1991).

<sup>16</sup>80% of the Czechoslovak arms were produced in Slovakia (Whitehouse 1992).

<sup>17</sup>The differences in unemployment rate between the Czech Republic and Slovakia show different impacts of the same transition policy in different regions. The unemployment rate in the Czech Republic reached 4.1% in December 1991 while 10.4% in Slovakia (LN, January 21, 1992) and the gap widened in 1992 with unemployment climbing to 13.5% in Slovakia and declining to 2.7% in the Czech Republic in August 1992 (LN August 10 and 11, 1992).

Under these circumstances, one possible result of macroeconomic stabilization and overall transition from state socialism to capitalism in the regional context has been *deindustrialization*. Smith (1995a, 1995b) showed in Slovakia that early stages of transition to capitalism led to regional economic fragmentation of the Slovak space economy. The development of deindustrialized regional economies was the most widespread emerging regional structure in Slovakia in the early 1990s. Slovak deindustrialization was the most acute in the branch plant regions, peripheral regions and insufficiently diversified regional economies specialized on one type of industrial production. The same industrial sectors declined rapidly throughout Central and Eastern Europe, and these were the very sectors that had experienced the largest drop in output and employment in the industrially developed countries of Western Europe and North America during the 1970s and 1980s.<sup>18</sup>

### 2.2.2. *The outcomes of trade liberalization*

In Czechoslovakia, the liberalization of prices reinforced by the removal of consumer subsidies in January 1991 resulted in a rapid inflation but tight governmental fiscal and monetary policy helped stabilize prices and the entire economy.<sup>19</sup> Wage growth was very limited based on agreements reached among the government, employers, and trade unions. The so called General Agreement established a cap on wage increases during 1991 consistent with a decline in real wages of 10% compared with

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<sup>18</sup>Deindustrialization has been extensively studied in the United States and Western Europe (Rodwin and Sazanami 1989a, 1989b Lynd 1983, Perrucci et al. 1988, McKenzie 1987, Bluestone and Harisson 1982, Sawers and Tabb 1984). The deindustrialization thesis is based on the notion of the rapid movement of the industrial capacity from the traditional industrial regions into new locations with non-unionized and low-wage labor in the United States and other countries. This will, of course, be different in the Czech case where a possible deindustrialization will be caused by bankruptcies and closing of inefficient industrial enterprises rather than moving them. Bluestone and Harisson (1982) use the term the "hypermobility of capital" to describe the ease of capital movement from one location to another, permitted by the development of new technology, transportation and communication.

<sup>19</sup>Inflation reached 25.8% in January 1991 but it slowed down substantially in the following months (7% in February 1991, 4.7% in March, 2.0% in April, 1.9% in May, 1.8 in June, -0.1 in July, 0.0% in August, 0.3 in September, - 0.1 in October, 1.6 in November and 1.2 in December 1991). The inflation rate for 1991 was 53.6% (LN March 26, 1992). Inflation reached 11.1% in the Czech Republic in 1992 (The Banker 1992, OECD 1994). The rate of inflation jumped in January 1993 due to the introduction of new value added tax and inflation reached 20.8% in 1993 (LN May 16, 1994). The 1994 inflation rate stood at 10.0% in the Czech Republic (OMRI January 11, 1995).

December 1990 - following an earlier decline of about 10% in 1990 (Aghevli, Borensztein and van der Willigen 1992). This led to a 27% decline in real income per capital in the first half of 1991 (Koromzay 1992). Real income started to grow in the second half of 1991 and in 1992 but it has not reached the 1990 level yet. Real wages were about 20% lower in June 1993 than in December 1989.<sup>20</sup>

Geographic implications of price and market reform are most obvious in the ways that domestic and especially international trade flows are being completely changed. A basic tendency is decline in trade among the former members of the CMEA (eastern direction) and growth of trade with Western Europe and other developed countries (western direction).<sup>21</sup> The collapse of the market in Central and Eastern Europe and the former Soviet Union affects different regions differently. The regions specialized in CMEA trade and production of goods for the CMEA market suffered more than the regions more oriented toward the Western markets.<sup>22</sup> Change in the geographical directions of trade flows also implies a change in the geopolitical location which now favors places and regions closer to the Western European market than regions located closer to the former Soviet Union. This tendency may well be only temporary and depends on the economic development and fate of the reform in the Commonwealth of Independent States which is potentially a huge market for consumer products and still crucial source of raw materials and oil for Central and Eastern Europe.

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<sup>20</sup>Real income dropped by 24% in the Czech Republic in 1991 (it grew by 3% in the second half of 1991). It grew by 10.1% in 1992 but it was still 20% lower than in 1990 (HN February 7, 1994, LN February 23 1993). Real income further grew by 3.5% in 1993 and by 5.1% in the first six months of 1994 (LN November 8, 1994). It means that in July 1994, real income was still 11.4% below its 1990 level.

<sup>21</sup>Total trade of the Czech Republic with the former European members of the CMEA (including the former Soviet Union) declined from 57.4% in 1986 to 18.3% in 1993 (excluding trade with Slovakia). Share of the former Soviet Union in the Czech Republic's total trade declined from 39.4% in 1986 to 10.8% in 1993. The exports to the former Soviet Union declined from 36% in 1986 (43.4% in 1984) to only 7.5% of the Czech Republic's exports in 1993. By 1993, the countries of Central and Eastern Europe undergoing transition (excluding Slovakia) accounted only for 7.5% of the total Czech trade (6.1% of imports and 9.0% of all exports) At the same time, the share of market economies in the Czech Republic's total trade rose from 39.4% in 1986 to 79.8% (71.5% the advanced industrial countries) in 1993. (ČSÚ 1994c).

<sup>22</sup>The Czech Republic and Slovakia are a good example of this differential regional impacts of price and market reform. Slovakia suffered a deeper economic decline than the Czech Republic partially due to its larger dependence on the collapsing CMEA markets (see Pavlínek 1994).

### 2.3. Liberalism and Transition in Central and Eastern Europe

*The liberal interpretation [of the transition in Central and Eastern Europe] is not wrong. It just does not see the beam in its own eye. (Habermas 1990, p. 9.)*

Liberalism was the strongest guiding principle in the early stages of transition from state socialism to capitalism in Central and Eastern Europe. Liberal models of transition toward a market economy in Central and Eastern Europe were able to offer an ostensibly consistent and complex blueprint for a new political and social regulation in every sphere of social and individual life due to their spaceless and timeless character (Altvater 1993). Neoclassical political economy clearly formulated the first transition steps aimed at macroeconomic stabilization and the introduction of free market competition through domestic price liberalization and opening domestic markets to foreign competition. This strategy was largely based on the belief that a mere introduction of free market in the formerly state socialist countries would automatically result in their rapid transition to capitalism. The proponents of liberal transition in Central and Eastern Europe adopted the same world view which has dominated Western capitalist societies since the late 1970s and was behind the emergence of a new development model of liberal productivism in the 1980s (see Lipietz 1992a).

I will argue that the liberal approach to transition in Central and Eastern Europe is reductionist in that it relies excessively on market forces as the most important dynamic of the transition and underestimates the role of social, cultural and political factors in the transition from state socialism. Negative economic and social consequences of the free market might result in growing social and political opposition to liberal transition as a road to a new development model as we have recently witnessed in several countries of Central and Eastern Europe such as Poland, Slovakia and Bulgaria. I will further argue that the liberal transition strategies are applied universally across Central and Eastern Europe ignoring the role of geography in their outcomes. They also fail to integrate the question of geographic scale into their considerations. As a result, liberal transition strategies inevitably intensify the problem of uneven development at the international, national and regional scale in Central and Eastern Europe.

In this section, I first discuss the influence of Western liberalism and its interpretation of the collapse of state socialism on the transition strategies in Central and Eastern Europe. Second, I examine the domestic liberalism in Central and Eastern Europe and its strategy for the transition from state socialism to capitalism. I look at the possible consequences of liberal transition in Central and Eastern Europe and I argue that one of the possible national pathways from state socialism in Central and Eastern Europe is in the direction of liberal-productivism. Third, I briefly investigate the liberal character of the Czech transition strategy.

### *2.3.1. Western liberalism and transition*

*Nearly all in Eastern Europe agree with Fukuyama's thesis on the "end of history". (Staniszkis 1991, p. 127)*

Francis Fukuyama's interpretation of the collapse of state socialism in Central and Eastern Europe as the "end of history" is probably the most well known Western liberal account of changes in Central and Eastern Europe (Fukuyama 1989, 1992). Based on Hegelian philosophy, Fukuyama argues that the fall of state socialism and the end of Cold War are the evidence of the "ultimate triumph of Western liberal democracy" and the "total exhaustion of viable systematic alternative to Western Liberalism" (1989, p. 3) and as such it constitutes the "end point of mankind's ideological evolution" (1989, p. 4).

I do not want to get into an extensive critique of Fukuyama's interpretation of history, which has been carried out elsewhere.<sup>23</sup> Let us only note that the last five years were not a period of unproblematic transition to liberal capitalism in Central and Eastern Europe as Fukuyama's thesis would anticipate. The process of "economic modernization" in Central and Eastern Europe did not lead to an increasing homogenization in the region (cf. Fukuyama 1992, p. xiv), but rather to the opposite.

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<sup>23</sup>In geography, a detailed critique of Fukuyama's thesis was provided by Peet (1993), Mayer (1993), Agnew (1993) and Dalby (1993). Outside geography, see, for example, Rustin (1992), Miliband (1992), Halliday (1992) and McCarney (1993).

There has been little economic modernization so far and when it has occurred it has only contributed toward uneven development. Also, liberal democracy is failing in a number of countries, such as Russia and other post-Soviet republics or Romania, where the nationalist appeal seems to be much more successful than the Fukuyama's ultimate ideal of liberal democracy. In recent democratic elections, the voters in countries such as Poland, Hungary and Slovakia, have cast doubts on liberal courses of transition blaming them for deep economic crisis and hardship imposed on these countries after the collapse of state socialism. This indicates that the collapse of state socialism does not necessarily mean an ultimate victory of liberal democracy in Central and Eastern Europe and that each country might pursue a distinct pathway from state socialism based on its economic, political, social and cultural conditions.

The transition in Central and Eastern Europe has been designed and launched under the supervision of international financial institutions dominated by the liberal-productivist paradigm (see Lipietz 1992a, p. 30). The strong foreign support, namely of the United States and Western European countries, and international financial organizations, such as the World Bank, International Monetary Fund (henceforth IMF) and Organization for Economic Cooperation and Development (henceforth OECD), played important roles in the decisions to pursue the radical liberal "shock therapy" in many countries of Central and Eastern Europe.<sup>24</sup> This strategy promised the fastest and most consistent systemic transformation which would most effectively negate the previous state socialist system. The international financial organizations expected difficulties associated with the transition and a possibility that these difficulties could stop or even reverse the transition course.<sup>25</sup> Therefore, they preferred fast and simultaneous changes

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<sup>24</sup>Decisions to pursue radical liberal transition strategy resulted from intense struggle among different groups of new post state socialist elites. In the case of the former Czechoslovakia, there was a long struggle between the proponents of fast liberal transition led by the Finance Minister Mr. Klaus and the proponents of slower gradual transition led by the Deputy Prime Minister of the first post state socialist government Mr. Komárek. There was also a group in between these two extreme positions represented by many well known Czech and Slovak economists (see Adam 1993, pp. 639-641).

<sup>25</sup>For example, the World Bank did not expect that the 1989 level of output per capita in Central and Eastern Europe could be reached before the end of the 1990s, it predicted the intensification of uneven development between 'north' (former Czechoslovakia, Hungary, Poland) and 'south' (Bulgaria, Romania, former Yugoslavia) and other serious economic and political difficulties associated with the transition such as high inflation and political instability (Gelb and Gray 1991, Fischer and Gelb 1991).



associated with shock treatment which would make a return to the old system almost impossible (Adam 1993).

The IMF and World Bank developed the principles of policies and recommendations for the countries of Central and Eastern Europe based on their standard structural adjustment policies which often did not reflect the specific conditions of the individual countries in Central and Eastern Europe.<sup>26</sup> They applied their general strategy of structural adjustment to the national economies of Central and East European countries without adequately considering and understanding specific conditions of the individual countries and state socialist economies as a whole.<sup>27</sup> As a result of specific economic and social conditions of the individual countries and regions, this universal approach inevitably leads to different results in different countries and thus exaggerates the problem of uneven development.

Moreover, the liberal transition strategies failed to approach the transition in Central and Eastern Europe in its complexity. These strategies focus on the macroeconomic issues associated with the introduction of market economy and fail to adequately address not only social, political and cultural transition, but also the entire field of microeconomic problems (e.g. Hunya 1994, Åslund 1992, Blanchard et al. 1991).<sup>28</sup>

The IMF and World Bank approaches also reflect the failure to integrate the question of geographic scale into their analysis of the situation in Central and Eastern Europe. The liberal transition strategies focus on the *national* economic performance and macroeconomic indicators without adequately considering the implications for *regional* economies. Different impacts of the national transition strategy on the economies of the

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<sup>26</sup>See Bjork (1995) on the use of the IMF conditionality in the case of Poland.

<sup>27</sup>Levcik (1992) argues that many Western experts working in Central and Eastern Europe gained their experience in developing countries but have little direct experience with the state socialist CPEs and therefore do not understand the situation in Central and Eastern Europe.

<sup>28</sup>This fact was criticized by Hrnčif (1992) and Adam (1993) in the case of former Czechoslovakia who argued that the adoption of the IMF structural adjustment strategy was a mistake because it overemphasized the macroeconomic restrictive policies and largely ignored microeconomic, institutional, structural and social issues. This strategy resulted in unnecessarily deep economic decline, high social cost and contributed to the break up of Czechoslovakia.

Czech Republic and Slovakia and the inability of the Czechoslovak government to recognize this problem, including its political ramifications, significantly contributed to the break up of the country in 1992 (see Pavlínek 1994).

The limits of Western liberal approaches toward transition in Central and Eastern Europe were also revealed by Jeffrey Sachs, a liberal economist from Harvard University, who was directly involved in preparations for "big bangs" in Poland and Russia as an advisor to the governments. Sachs repeatedly argued that a successful economic transformation from state socialism to capitalism had three stages: (1) institutional change, (2) renewal of economic growth, and (3) the beginning of dynamic growth (Sachs 1994, LN October 13, 1994a). This approach implies that there exists a universal development path that all countries (and regions) of Central and Eastern Europe need to follow and it ignores specific conditions of the individual transition countries. Such a 'model' of transition in Central and Eastern Europe suffers from the same reductionism and simplicity as the traditional models of regional development such as growth stage theories and modernization theories. It is now apparent that there are many divergent paths from state socialism and these divergent pathways cannot be possibly captured in universal stages of transition.

Liberal approaches rely on the introduction of market mechanisms to solve the economic problems in Central and Eastern Europe. Liberal economists believe that a market economy is able to allocate factors of production efficiently and bring Central and Eastern Europe back on a path of economic growth and prosperity. In this "free market mania" (Bowman and Hunter 1992, p. 929) the mere introduction of a market economy is expected to alleviate even such problems as severe environmental degradation in Central and Eastern Europe as many of the worst polluters, which are also the most inefficient, will become uncompetitive and close down (Liroff 1990, The Economist 1990a, 1990b). However, the history of uneven development, global and national environmental crises, debt crisis and other problems associated with the unconstrained market oriented development pose questions for its future sustainability and point toward its limited rationality (Lipietz 1992a, Altvater 1993, Bauman 1992, Havel 1992).

### 2.3.2. *Liberalism in Central and Eastern Europe: Transition toward liberal productivism?*

*True liberalism has as its main task the promoting of ideas, not the organizing of social reforms. (Klaus and Ježek 1991, p. 37)*

The intellectual sources of domestic liberalism were quite limited in Central and Eastern Europe before 1989 for several reasons (see Klaus and Ježek 1991 on Czechoslovakia, Kovács on Hungary 1991).<sup>29</sup> In spite of this initial disadvantage, the liberals were able to put their transition strategy in place with strong international political support in countries such as Poland, former Czechoslovakia and Russia.

The liberal approach toward the transition is based on a distinct view of the state socialist economic system. The main argument is that this system was not centrally planned but that it was rather a highly distorted inefficient *market* economy. The distortions resulted from many different forms of governmental intervention into the economy (Klaus and Ježek 1991, p. 34).<sup>30</sup> This means that what needs to be done in order to reestablish a 'genuine' market is to eliminate distortions introduced by the government into the economy. Therefore, the liberal short term strategy of 'shock therapy' or 'big bang' is designed to eliminate market distortions in the shortest possible time and to let the 'invisible hand' of market gradually substitute for the governmental regulation of enterprises. It includes massive and rapid privatization, domestic price liberalization, limiting governmental interventions to a minimum, and opening the economy to outside competition (Klaus 1992, see also section 2.2. of this chapter). Liberals categorically reject any Third Way between capitalism and state socialism (Klaus 1991a).

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<sup>29</sup>See special issue of *East European Politics and Societies*, Vol. 5, No. 1, Winter 1991 devoted to liberalism in Central and Eastern Europe for its development in other countries in the region. Scruton (1988a, 1988b) associates the intellectual sources of Central and East European liberals with the emergence of the "New Right" in the region and shows that the actual content of the New Right in Central and Eastern Europe is very close to that of the New Right in the West.

<sup>30</sup>This view is very similar to the IMF view (see Hrnčič 1992). Klaus and Ježek adopted this view from Milton Friedman who developed monetarist economic theory (see Klaus and Ježek 1991, p. 34).

The transition approach adopted by liberals in Central and Eastern Europe is consistent with the world view characterized as liberal-productivism (Lipietz 1992a). The liberal-productivist world view became dominant in the developed capitalist countries in the late 1970s and 1980s. Its proponents argued that the economic crisis of the 1970s resulted from the excessive governmental intervention in the economy which imposed constraints (social, environmental etc.) on free market development. Therefore, the removal of these constraints through deregulation, free trade and technological change should, according to the advocates of liberal-productivism, restore economic growth (see Lipietz 1992a, pp. 30-47). The proponents of liberal transition in Central and Eastern Europe used the same arguments to justify their strategy of 'shock therapy'.

What are the major problems associated with liberal-productivist development model? Lipietz (1992a, pp. 30-56) identifies five major problems of liberal-productivism in the developed capitalist countries. First, it leads to intense *social polarization* between the rich and poor due to declining social provisions of the state to the poor and weakening constraints upon the rich. Second, it leads to *economic instability* and the recurrence of crises of overproduction due to the increasing reliance on market regulation and state deregulation. Third, it leads to intensification of international *uneven development* as a result of its reliance on free trade and weakening of international regulatory mechanisms. Fourth, liberal-productivist reliance on new technologies leads to '*neo-Taylorist*' *labor process models* which eliminate the involvement of unskilled workers in production and thus decrease labor productivity and efficiency of new technologies. Finally, liberal-productivism escalates *ecological crisis* by weakening governmental regulations and encouraging exports at all cost.

I have argued that liberal transition strategy in Central and Eastern Europe was based on the liberal-productivist world view. Can we therefore observe similar symptoms of liberal-productivism in Central and Eastern Europe? Research conducted in the early stages of the transition showed that the transition from state socialism to capitalism leads to rapidly increasing income, social and class inequalities (Machonin 1994, Matějů 1993, Perlez 1994, HN January 24 and March 11, 1994). In the Czech Republic, for example, neither unemployment nor private entrepreneurs officially existed before 1989. By 1993, a class of middle and large scale entrepreneurs has been

emerging (Table 2.2) as well as a class of unemployed and poor people.<sup>31</sup> The emergence of rich entrepreneurial class on the one side and the class of people who are unemployed and living beyond the poverty level on the other side illustrates the process of social polarization in Central and Eastern Europe. Continuing privatization, deregulation and liberalization seems to be deepening these class divisions throughout Central and Eastern Europe.

**Table 2.2** The expected development of class structure based on ownership in the Czech Republic (in percentage).

Class category	1993	2005
Middle and large-scale entrepreneurs	0.5	2.5
Small entrepreneurs	9.7	13.5
Members of co-operatives	6.6	5.0
Employees in the private sector	23.2	55.5
Employees in the state sector	60.0	23.5

Source: Machonin 1994, p. 76.

The countries of Central and Eastern Europe are economically unstable due to the magnitude of the transition under way. Economic instability resulted from the collapse of state socialist centrally planned economy and attempts to introduce free market. Its typical symptoms include high inflation rates, unstable currencies and rapid economic decline (see Tables 1.1 and 1.2).<sup>32</sup> Liberal transition from state socialism to capitalism intensifies uneven development at the international scale between Central and Eastern

<sup>31</sup>Unemployment levels oscillated between 3.0 and 3.5% in the Czech Republic in 1994, by far the lowest level among the post state socialist countries (see Table 2). This might suggest that social polarization takes place more slowly in the Czech Republic than in the rest of Central and Eastern Europe. In 1993, about 3% of Czech households (around 100 thousand) earned less than official minimum income level (2.9% in March and 2.4% in September 1993). The most affected are young families with small children, single parent families and retirees (HN January 24, 1994).

<sup>32</sup>In this regard, the situation in Russia is probably most extreme (see The Economist 1994a).

Europe as a whole and Western Europe as the gap between these two regions widened following the post-1989 economic decline in Central and Eastern Europe. Uneven development also intensified at the national scale among the post state socialist countries of Central and Eastern Europe and at the sub-national (regional) scale reflecting different degrees of economic decline after 1989 in different countries and regions of Central and Eastern Europe (Tables 1.1 and 1.2) (Sojka 1994, Pavlínek 1994, Smith 1995a, 1995b).<sup>33</sup>

Another question is whether the liberal transition in Central and Eastern Europe escalates ecological crisis. On the one side, the decrease in industrial production after 1989 significantly reduced environmental pollution. On the other side, there is some evidence available that the fall in production is much larger than the drop in pollution levels and energy consumption, which would suggest an increase in pollution per unit of output.<sup>34</sup> Air pollution is expected to increase, however with the anticipated economic recovery in Central and Eastern Europe and growing private car ownership (Juhász and Ragnó 1993). Presently there are significant differences among the Central and Eastern European countries in the ways they approach environmental policies and reform of environmental legislation (Pavlínek and Pickles 1994, GAO 1994, Bowman and Hunter

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<sup>33</sup>Some analyses point toward growing economic differences among three groups of the former state socialist countries: (1) Central European countries (the Czech Republic, Hungary, Poland, Slovakia, Slovenia), which proceeded relatively furthest in their economic transition and expect revival of economic growth; (2) the Balkan countries (Albania, Bulgaria, Croatia, Romania) and the Baltic states (Estonia, Latvia, Lithuania) with slower pace of economic transition and larger political instability with still continuing economic decline but the emerging signs of economic recovery; and (3) the post-Soviet states of Eastern Europe (Belarus, Moldavia, Russia, Ukraine) where the macroeconomic stabilization has not been finished yet (LN October 3, 1994b, HN July 14, 1994). Furthermore, the economic differences are increasing among the individual countries within these groups (HN March 29, 1994). Large decline in GDP associated with the post state socialist transition widened the economic gap between the countries of Central and Eastern Europe as a whole and Western Europe.

<sup>34</sup>According to the data provided by the Czech Ministry of the Environment, the emissions of particulate matters declined by 25.6%, sulfur dioxide by 23.0%, nitrogen oxides by 24.1% and hydrocarbons by 18.1% while the emissions of carbon monoxide increased by 10.1% between 1989 and 1992 (Ministry of the Environment 1994). At the same period, the gross industrial output fell by 32.4% (by 40.3% in the enterprises employing more than 25 workers which are the largest polluters) (ČSÚ 1994c). See chapter Five, section 5.2.2. of this dissertation.

1992).<sup>35</sup> Data from the Czech Republic also indicates that the export of natural resources increased significantly after 1989 and the government was accused of promoting exports at the expense of environmental devastation (Moldan 1994).<sup>36</sup>

In short, we can observe similar symptoms of liberal-productivism across Central and Eastern Europe as in the developed capitalist countries such as growing social polarization, economic instability, uneven development and continuing environmental crisis. The question remains, however, *whether* and what types of liberal-productivism could eventually develop across the region of Central and Eastern Europe because, first, the economic, social and cultural conditions differ significantly between Central and Eastern Europe and the developed capitalist countries and also among the individual countries of Central and Eastern Europe and, second, the recent elections in Poland, Hungary and Slovakia resulted in the defeat of liberal political parties pushing for fast transition strategies. More importantly, I will argue that liberal-productivism is only one possible national pathway from state socialism. Furthermore, the concept of national development model ignores the question of geographic scale and the complexity of post state socialist fragmentation including uneven development taking place at the regional and local scale which results in different regional pathways from state socialism.<sup>37</sup>

The Czech Republic aspires to become a champion of liberal-productivism in Central and Eastern Europe due to the vigor with which the Czech government pursues some liberal policies, such as privatization, and the relatively higher level of economic

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<sup>35</sup>In Central Europe, the former Czechoslovakia and later the Czech Republic and Slovakia moved more quickly than Hungary and Poland in setting up new environmental legislation and developing new policies of environmental management and protection (Pavlínek and Pickles 1994). However, the Czech government formed after the 1992 elections and led by Mr. Klaus did not continue environmental policies initiated by the post-1989 governments and assumed typically liberal approaches toward the environment. The government did not develop its own environmental policy and increasingly relied on free market as an instrument of environmental regulation (Vavroušek 1994). It used the temporarily improved pollution statistics to justify policies that favor the solution of economic problems first and put the environmental problems aside.

<sup>36</sup>It includes the increased export of such natural resources as brown coal, for example, whose opencast mining has devastating consequences on the environment. Although the production of brown coal decreased after 1989, its export from the Czech Republic increased from 1.95 million tons in 1988 to 4.5 million tons in 1993 and was expected to reach 6 million tons in 1994. The export of cement increased twenty five times and crushed stones thirty times between 1989 and 1992. Similar trends were observed with other non-renewable natural resources such as black coal, gravel, and glass sand (HN December 29, 1994, LN January 22, 1994).

<sup>37</sup>See Smith (1995a, 1995b) on post state socialist regional fragmentation and diversification in Slovakia.

development, when compared to the rest of Central and Eastern Europe. Let us therefore look at the Czech transition more closely.

### 2.3.3. *The Czech transition to liberal-productivism?*

*To privatize, deregulate and liberalize and yet to retain an appropriate degree of macroeconomic stability: such is the essential aim [of the transition]. (Klaus 1994a, p. 58)*

*The post-communist Czech economy looks good, and works fairly well. But the Klaus government's professed liberalism masks an attachment to interventionism and a reluctance to push reform to its limits. (The Economist 1994b, p. 23)*

The former Czechoslovakia adopted the liberal transition strategy of 'shock therapy' in September 1990. The decision came after the disputes between the liberal supporters of the fast transition strategy and the supporters of a more gradual liberal transition.<sup>38</sup> In fact, the "Scenario for Economic Reform" adopted by the Federal Assembly was a compromise based on five different programs prepared by independent institutions, some of them favoring gradual economic reform (Martin 1991). The Czechoslovak transition package is sometimes characterized as a "slightly moderate form of shock treatment" (Adam 1993, p. 629) or "minimum bang" (Köves 1992, p. 31) when compared to the Polish shock therapy.<sup>39</sup>

Although the Czechoslovak transition strategy of 1991 was based on liberal economic policies similar to Polish Balcerowicz's plan and was consistent with IMF approaches, many of the governmental policies have been more pragmatic and have not

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<sup>38</sup>Liberals supporting the fast transition strategy were led by the Finance Minister Mr. Václav Klaus who considers himself to be a conservative rather than only a liberal. The theoretical source of his conservatism comes from neo-classical economic theory and the work of Milton Friedman and Friedrich A. Hayek in particular (Znoj 1994).

<sup>39</sup>See Slay (1993b) on the details of Polish transition measures and Adam (1993) on the Czechoslovak transition package. Mr. Klaus himself rejects the idea that 'shock therapy' was applied in the former Czechoslovakia.



followed liberal economic theory.<sup>40</sup> Sojka (1994, p. 37) characterized the Czech transition strategy as a "mix of state corporatism, social market economy and quasi reactive (ad hoc) policies as a response to the social and political pressures".

The Czech liberals were well aware of dangers resulting from losing social support for their transition strategy. They argued before the transition began that a new social contract and social consensus were the necessary precondition for a successful transition (Klaus and Ježek 1991, Klaus 1991b). The new social compromise is therefore one of the essential elements of the Czech transition to capitalism. Its essence is that the Czech workers accept low wages in exchange for low unemployment and a low cost of living (The Economist 1994b).

The Czech liberals have also realized that the transition could not be successfully managed without large-scale intervention by the state. They argue that this "*delayed libertarianism*" (Kovács 1991, p. 69) is necessary in the initial stages of the transition in order to establish conditions for markets to function properly. This cautious governmental strategy is based on political considerations in the light of political failure of liberal economic transitions in Poland, Slovakia, Hungary and other countries of Central and Eastern Europe.

Although the Czech liberals are often criticized for not fully following liberal economic theory in their transition strategy from state socialism to capitalism (see the Economist 1994b, Kříž 1994), their strategy has already resulted in rapid liberalization of the Czech economy. The Czech economy, which five years ago was one of the most centralized and government controlled economies in the world with only 2% of assets in private hands, was ranked by the American Heritage Foundation as the twelfth most liberal economy in the world in December 1994 (Kříž 1994).<sup>41</sup>

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<sup>40</sup>Some policies of the Czech government, such as wage control, regulation of rents and energy prices, delaying bankruptcies of large enterprises and other measures, are hardly consistent with the spirit of economic liberalism. After 1991, each step of further liberalization has been very carefully prepared by the government and further steps of the transition are introduced gradually, not simultaneously. Similarly, the Czech scheme of mass privatization does not respect liberal economic theory which argues for spontaneous privatization (see Slay 1993b).

<sup>41</sup>Among the 101 countries ranked using the 'index of economic freedom' the Czech Republic surpassed not only all post state socialist countries (Estonia ranked 17, Slovakia 29, Hungary 31, Poland 62, Russia 73), but also some developed capitalist countries including France, Italy, Sweden and Spain.

It remains an open question whether there is a new model of development emerging in the Czech Republic and whether it is a type of liberal-productivism, although some problems of the liberal transition, such as increasing social polarization, economic volatility, intensification of uneven development and the persistence of an ecological crisis, point toward this direction. I will problematize the notion that there is a single national development model emerging in the Czech Republic because regional fragmentation and diversification can lead to different regional pathways from state socialism. I will also problematize the liberal notion of transition from state socialism to capitalism at the regional and local scale. The case study of the Most District will demonstrate that we are not witnessing an unproblematic linear transition from state socialism to capitalism but rather a gradual restructuring of state socialist structured coherences at regional and local scales.

In the next chapter, I turn to political economic perspectives on the collapse of state socialism and ongoing changes in Central and Eastern Europe in order to problematize the liberal approaches to these changes as a linear and unproblematic transition to liberal capitalism.

#### 2.4. Conclusion

I have argued that the liberal interpretations of the collapse of state socialism and its transition strategy are simplistic and reductionist in that they anticipate the existence of a linear universal pathway from state socialism to capitalism. This approach ignores the role of geography and different social, cultural and political forces in the transition outcomes not only in different countries, but also in different regions. I have also argued that the liberal transition strategies are reductionist because they excessively rely on the introduction of market forces as the most important dynamics of the transition and largely ignore social, political and cultural factors of this change. The liberal transition strategies also underestimate different impacts of market introduction in different national and regional settings.

One of the possible outcomes of liberal transition strategies implemented across Central and Eastern Europe is the development liberal-productivism as a new model of development with its social polarization, economic instability, uneven development, neo-

Taylorism, and continuation of ecological crisis. Its emergence in the individual countries of Central and Eastern Europe remains an open question not only due to different economic, political, social and cultural conditions in these countries, but also due to regional fragmentation and diversification which leads to the development of divergent regional pathways away from state socialism and intensification of uneven development.

## CHAPTER THREE

### POLITICAL ECONOMIC INTERPRETATIONS OF THE TRANSITION IN CENTRAL AND EASTERN EUROPE

*If socialism brought land expropriation, starvation, shock labor, forced mobilizations and the Gulag and, later, a more routinized shortage economy with its waste, its queues, its corruption and its own distinctive poverty, so capitalism has brought declining living standards that have left most scrambling for survival, inflation that has wiped out life-long savings, enterprise debt and closures that have begun to eliminate jobs and social services. (Burawoy and Krotov 1995, p. 116)*

The goal of this chapter is to extend the critical review of existing interpretations of the transition in Central and Eastern Europe. In this chapter, I focus on the political economic approaches to the transition in Central and Eastern Europe. I try to answer two critical questions: First, what is the nature of the transition from state socialism to capitalism? Second, which theoretical approaches specifically dealing with the current transition from state socialism to capitalism in Central and Eastern Europe offer appropriate conceptual categories and methodological apparatus to study this change?

I examine four political economic interpretations of the transition in Central and Eastern Europe: transition from state to private capitalism thesis; transition to merchant capitalism thesis; restructuring of state socialism thesis; and regulationist interpretations of the transition and state socialism. I argue that although the political economic approaches provide much richer analytical and conceptual analysis of the post state socialist transition than liberal approaches, they equally fail to integrate in their analysis the importance of geographic scale and geographic variability for understanding the transition. Western political economic approaches offer a distinct powerful interpretation of the transition in Central and Eastern Europe. Political economic approaches focus on the investigation of class structure and class relations and their changes during the transition. With the exception of 'the transition from state to private capitalism thesis', the political economic approaches problematize the notion of a smooth and linear transition from state socialism to capitalism. Political economists question not only the liberal arguments claiming that the transition from state socialism in Central and Eastern

Europe is leading to the development of a modern style liberal capitalism, but also the very idea that a transition toward capitalism is taking place in Central and Eastern Europe at all.

This chapter will first examine the arguments that the countries of Central and Eastern Europe are moving from state capitalism to private capitalism. Second, I will discuss the thesis that emerging capitalism in Central and Eastern Europe is not a modern type of capitalism but rather a type of merchant capitalism. Third, I will focus on Simon Clarke's argument that we are not witnessing the transition to capitalism but a restructuring of the existing system from below. Finally I will examine the regulationist perspectives on the restructuring of 'actually existing socialism'.

This chapter will demonstrate that political economic approaches toward transition in Central and Eastern Europe provide much richer conceptual, analytical and methodological tools and approaches for the study of transition than liberal approaches. A major drawback of the four political economic approaches presented here is their failure to integrate the question of geographic scale and geographic variability in their analysis of the transition in Central and Eastern Europe.

### 3.1. Transition from State to Private Capitalism Thesis

There has been a long debate between Marxists about the actual class structure in the former Soviet Union and Central and Eastern Europe. The basic disagreement is about to what extent the class structure in the former state socialist countries was different from that of the capitalist societies. The proponents of '*state socialism*' argue that although state socialist countries shared great similarities in some aspects of the productive process with the capitalist countries, such as the need for labor to create economic surplus, the social relations of production differed in the nature of ownership and control. While capitalism is typified by private ownership of means of production, private control of production process, private appropriation of surplus value and by market regulation, state socialism was characterized by collectivized ownership of means of production and centrally planned economic regulation, which included the production and appropriation of economic surplus (Davis and Scase 1985, pp. 90-91). The advocates of '*state capitalism*' contend that the different nature of ownership and control

*did not* abolish the capitalist forms of surplus value extraction, appropriation, and distribution in the former Soviet Union and countries of Central and Eastern Europe. In this interpretation, the different nature of ownership and control did not eliminate class exploitation of workers, it only altered the forms of exploitation and thus from this perspective the former Soviet Union and the countries of Central and Eastern Europe were state capitalist (Resnick and Wolff 1994, pp. 13-14).

The theory of state capitalism developed by Resnick and Wolff (1993, 1994) focuses on exploitation and the forms of production, appropriation and distribution of surplus value in the former Soviet Union and Central and Eastern Europe. In their view, what we see in Central and Eastern Europe is not the collapse of communism or state socialism and the transition to capitalism but the "oscillation" between two kinds of capitalism: from state capitalism to private capitalism (Resnick and Wolff 1993, p. 65). This conclusion is based on their thesis according to which workers in the nationalized state enterprises in Central and Eastern Europe produced surplus value not for private capitalists but for state capitalists represented by appointed state officials. Surplus value was not distributed by the market but by the means of central planning. Therefore, the capitalist way of labor exploitation was not eliminated in "Soviet-style state capitalism" it was only different to the extent that it took place in state owned enterprises rather than in private enterprises. The crisis of the mid-1970s and 1980s was due to the inability to produce sufficient surplus value and as such it was, according to Resnick and Wolff (1994), a crisis of the state kind of capitalism that existed in Central and Eastern Europe, not a crisis of socialism.

Although I agree with Resnick and Wolff's argument that state socialism did not eliminate workers' exploitation, I think that their focus on exploitation is too narrow to capture the complexity of changes underway in Central and Eastern Europe and the former Soviet Union. Moreover, their interpretation of transition in Central and Eastern Europe assumes a relatively unproblematic linear change between state and private capitalism which is viewed as one of many oscillations between these two forms of capitalism. As such, the transition does not involve any radical changes in the class structure, production of surplus value and in social relations of production in the countries of Central and Eastern Europe (see also Clarke 1993a). This view of transition

is somewhat similar to its liberal and neoliberal accounts as a relatively smooth change between two forms of market economy discussed in the previous section. It is also similar in its spaceless character. It sharply contrasts with different political economic interpretations of changes in Central and Eastern Europe which assert that the transition toward capitalism must involve the fundamental transformation of the social relations of production. I will examine these approaches in the next two sections.

### 3.2. Transition to Merchant Capitalism?

*If a transition toward a market economy is taking place at all, it is in the direction of merchant capitalism... (Burawoy and Krotov 1992, p. 18)*

Michael Burawoy<sup>1</sup> argues that the transition of command economies does not necessarily lead to the development of a modern style capitalism. In contrast to the state capitalism thesis, which focuses on the forms of production, appropriation and distribution of surplus value but largely ignores the actual labor process in state socialist societies, Burawoy's theoretical approach is based on the detailed study of the labor processes, relations of production and production politics in both capitalist and state socialist societies. While the capitalist labor process is characterized by hierarchy and control by capital, the socialist labor process is defined by the abolition of hierarchy and workers control (Burawoy 1985). While the ideal type of capitalism is defined by the anarchy in *relations of production* (the way of appropriation and distribution of goods and services) associated with the anarchy of market economy and planned organization of *relations in production* (the way of production of those goods and services), the ideal type of state socialism is the very opposite. It is characterized by planning of relations of production associated with centrally planned economy and the anarchy of relations in production which is the result of the uncertain availability of the supplies necessary for production (materials, technology and labor) typical for a shortage economy (Burawoy

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<sup>1</sup>Elam (1990) places Michael Burawoy into one group with the French Regulation School because he is interested in the same issues of regulation but on a smaller scale - at the firm level up to the national level.

and Krotov 1992).<sup>2</sup>

Western as well as Central and Eastern European views on the transition from state socialism to capitalism usually focus on political conditions of the transition and largely ignore the preexisting system of economic relations and its ability to reproduce itself and resist transformation. Political transition toward liberal democracy could be rather characterized as the "*withering away of the state*" which will result in its inability to transform the existing economic system (Burawoy and Krotov 1992, p. 21). The transition from state socialism toward capitalism leads toward anarchy in relations of production as the state is withering away and the system of central planning is being replaced by a primitive and unregulated market system. At the same time, anarchy in relations of production typified by supply shortages continues without any signs of its replacement by planned relations in production. The result is anarchy in both relations of production and relations in production and a system that is not moving toward any modern type of capitalism but rather to a form of *merchant capitalism* (Burawoy and Krotov 1992).

In Russia, for example, during this transition: monopolies, that developed under the command economy, are strengthened. Simultaneous with this development, there is an increase in lateral exchanges that is made possible by the collapse of the centrally planned system. The economy keeps its shortage character where money is of limited value and therefore a barter form of trade between enterprises is growing. Without the central plan, the managers struggle over the economic strategies in the individual enterprises and under this situation the workers exercise even greater control over production than they did under the old system (Burawoy and Krotov 1993).

These changes conserve or even deepen the distinctive features of the old order and lead to "the rise of merchant capital rather than modern capitalism" (Burawoy and Krotov 1993, pp. 65-66). That is, economic changes have so far been limited to the realm of financial capital; industrial capital (the production sector) remains unchanged and unaffected by the market conditions. Profit is maximized through the exchange

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<sup>2</sup>See Burawoy (1985) and Burawoy and Krotov (1992) for excellent characterization of ideal types of capitalism and state socialism.



mechanism, not through growth or improvements in production.

As a result of these changes, the collapse of the command economy in Russia leads to the transition into merchant capital instead of modern capitalism; merchant capital does not automatically destroy the existing systems of production, instead, it tends to conserve them; and merchant capital blocks the development of modern capitalism (Burawoy and Krotov 1993).

We can observe similar symptoms of transition in the Czech Republic. In the Czech Republic, the government has not restructured industrial production, leaving this task for future private owners who will allegedly do it more efficiently (Klaus 1992). Under this situation, managers in the state owned enterprises wait for privatization and as a result, no substantial changes in production take place. The behavior of large enterprises "locked into a preexisting system of economic relations" (Burawoy and Krotov 1992, p. 17) in the changing economic situation during the transition can be described as "*pre-privatization agony*" (Šulc 1993, p. 326). Its symptoms include: (1) passive approaches of the enterprises to their restructuring; (2) attempts to keep the old system of production practices and stereotypes until the privatization is launched; (3) efforts to achieve a maximum profit for the management and employees at all cost using the assets of an enterprise and increasing its debts (Šulc 1993).

Enterprises strive to maintain employment levels and increase wages irrespective of productivity levels or the market realization of their products. Doing that they maximize their inputs and minimize the outputs - the typical enterprise behavior under state socialist command planning. The surviving stereotypes from the centrally planned economy and inertia result in minimal changes in production (Šulc 1993). These findings are very similar to what Burawoy and Krotov (1993) found in Russia.

We have to be very careful in generalizing ideas or concepts developed in one country and applying them in a different country. Nevertheless, I think that there are some very valuable ideas developed by Burawoy and Krotov in Russia and by Šulc in the Czech Republic that probably have a more general validity for the transitional economies in Central and Eastern Europe. These include:

1. In the first stages of transition, the biggest changes take place in the area of

commerce. During the pre-privatization agony, *large state owned* enterprises resist transformation and reproduce state socialist economic relations which results in minimal production changes.

2. Profit is maximized through the exchange mechanism and production in the *state owned* enterprises is subordinated to trade (or merchant capital).

I do not think, however, that merchant capitalism will be the end result of the transition from state socialism to capitalism in the Czech Republic. Rather, I understand merchant capitalism as a *transitory period* in the transformation from state socialism to a new model of development. There are several reasons which lead me to this conclusion: the Czech mass voucher privatization put 80% of production into private ownership by the end of 1994 (LN October 12, 1994a) which increased pressure to change relations in production in order to maximize profits; in order to break large state monopolies the Czech government broke down the large companies into smaller units which were privatized separately; the pressure of outside competition particularly from Western Europe will force the Czech producers to increase efficiency in order to become competitive. This will be impossible if the anarchy in production is maintained. Furthermore, the supplies necessary for production (materials and technology) can now be easily secured abroad (in Western Europe) which will discipline the Czech producers if they want to remain competitive and contribute to the eventual elimination of anarchy in production.

The emergence of merchant capitalism points toward the uneven character of transition from state socialism to capitalism among different fractions of capital. Price and trade liberalization coupled with the withering away of the state created favorable conditions for a relatively rapid restructuring in banking sector while the restructuring in production sector did not materialize. The state socialist banking system was quickly replaced with a two-tier banking structure which separated the central banking functions

and commercial banking functions.<sup>3</sup> The number of banks rose quickly after the collapse of state socialism in Central and Eastern Europe. Although new banks and the banking sector as a whole face a number of serious problems, such as enterprise indebtedness, high exposure to bad debts and nonperforming loans, the banking sector is able to generate huge profits. At the same time, a high percentage of enterprises in industrial and agricultural sectors are on the verge of bankruptcy. The state enterprises as well as the private sector are struggling with a lack of capital as the banks are unwilling to lend money to the productive sectors of the economy due to high business risks involved.

### 3.3. Restructuring of the Old System from Below?

Simon Clarke provides a slightly different interpretation of the previous Soviet system and its transition toward capitalism from the analytical perspective of class relations and class struggle. In his view, the Soviet system was neither state capitalist nor socialist with a form of class rule, whose character still needs to be defined. The transition toward capitalism will be impossible without the transformation of the social relations of production which have not changed despite the disintegration of the political and ideological forms of the old system of class rule (Clarke 1993a). The central idea of Clarke's argument is that what we observe in Russia *is not* the transition toward any kind of capitalism based on the transformation of the social relations of production but a "restructuring of the soviet system from below, subordinating capital and the commodity to the reproduction of the existing social relations of production" (Clarke 1992, p. 5).

The Soviet system was not ruled by the law of value, and money did not play any regulatory role in the system of production. The regulation was provided by the centralized control of supplies. The control of ministries over the allocation of productive resources was the foundation for the surplus appropriation by the center. The system was based on the bargaining for resources between state enterprises and

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<sup>3</sup>See Kornai (1992, pp. 131-134) for the characterization of the banking system under classical state socialism, the Banker (1992) for the changes in Central and Eastern Europe after the collapse of state socialism, OECD (1991, pp. 100-115) for the situation in former Czechoslovakia, and Brom and Orenstein (1994) on the role of banks in the Czech transition.

ministries.<sup>4</sup> The fundamental contradiction of the Soviet system was that the production of surplus product and its appropriation were two distinct and conflicting processes (Clarke 1993a).

The social relations of production were not capitalist in their character as the proponents of state capitalism thesis would argue, but they qualitatively differed in a much higher degree of responsibility of workers for the management of production in the state owned enterprises. In this sense, the system of central planning and control did not extend to the workplace and was limited to the control of the volume of produced goods by the workers. The workers, however, exercised a very high degree of control over the way those goods were produced. In contrast to the contemporary social relations of production in the capitalist societies, the management of the Soviet type enterprises had very limited effective control of the labor process (Clarke et al. 1994).

The workers were unable to exercise their potential power derived from their control of the labor process because of the fragmentation and divisions of labor force in the enterprises. Management was able to neutralize this potential power and regulate labor using the system of "*authoritarian paternalism*" which systematically fostered divisions and fragmentation of the labor force (Clarke et al. 1994, p. 181). Once the external regulation and constraints imposed on the enterprises weakened and dissipated with the collapse of state socialism, authoritarian paternalism strengthened and became the most efficient way to maintain the authority of management in the enterprises. At the same time, it became the most powerful barrier to change in the social relations of production. Therefore, any change in the Soviet system of production largely depends on restructuring of existing social relations of production away from authoritarian paternalism toward the capitalist system of payment based on the labor input. This conclusion differs from a commonly held view which sees the way to transform the Soviet system in overcoming political, ideological and psychological legacy of the past (Clarke et al. 1994).

I think that Clarke's class analysis offers a rich analytical account of changes in

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<sup>4</sup>In this context the liberals talk about the "defensive" phase of central planning when big state monopolistic firms began to use their informational superiority and power to dictate plans to the ministries and central planners (see Klaus and Ježek 1991, p. 37).

the former Soviet Union. As in the case of Burawoy's thesis about the rise of merchant capitalism in Central and Eastern Europe, we need to be very cautious in transferring Clarke's conclusions to the situation in other Central and East European countries and especially in the Czech Republic. Although the former Czechoslovakia was ruled by the Communist Party for forty years, it was not an exact copy of the Soviet system. Each country of Central and Eastern Europe developed a different national social formation and a variant of state socialism (see, for example, Davis and Scase 1985, pp. 109-129). As a result, the enterprise system differed considerably among the countries of Central and Eastern Europe (see Frydman et al. 1993). The question is to what extent the social relations of production in the individual countries of Central and Eastern Europe were similar to those in the former Soviet Union and to what extent they differed based on a different level of development, historical experience, tradition, the role of the managers and workers in enterprise governance and other factors.

Despite these differences, I think that the validity of Clarke's conclusions is not limited only to the former Soviet Union, but has something to say about the situation in all Central and East European countries. At this moment, it is uncertain whether these countries will eventually restructure the social relations of production in the direction of modern capitalism. Furthermore, this process is very uneven as different enterprises choose different strategies to operate in a market environment. Privatization of enterprises does not necessarily mean that any restructuring of social relations of production and changes in internal management will follow (see Clarke et al. 1994). Therefore, further research is necessary to determine the situation in Central and East European countries and to test Clarke's conclusions in different conditions.

The liberal strategy of 'shock therapy' can change the macroeconomic environment outside the existing enterprises in a relatively short time period. As we can see, however, this change does not have to result in any immediate changes at the level of enterprises and in social relations of production in particular. Therefore, any transition from state socialism to capitalism must involve restructuring of social relations of production in the existing enterprises which is a long term process with unpredictable results in terms of nature of future relations of production. For Clarke (1992), fast liberal transition strategies do not constitute a decisive break with the past. The actual

restructuring of state socialism is a much more complex prolonged transformation than any liberal transition strategy anticipated.

From a geographical point of view, both Clarke and Burawoy fail to consider the implications of their findings in a regional context, especially the impact of changes (or no changes) in the individual enterprises on regional restructuring, regional economy and on local communities. Only Burawoy and Krotov (1992) mention the effects of merchant capital on intensification of localism and nationalism as it tends to fragment the former Soviet Union into local units which attempt to maximize their control over trade and resources. Unfortunately, they do not develop this idea further. We expect that the different strategies of restructuring of industrial enterprises associated with their privatization (see Clarke et al. 1994, Burawoy and Krotov 1993) and changing *external* relations of production have direct effects on local communities and local economic performance. Industrial enterprises played important roles in the life of local communities as industrial paternalism developed strongly under state socialism (Illner 1992a, Morawski 1993, Domański 1992). The relations between the enterprises and the local communities have been changing rapidly since the collapse of state socialism and we need to understand how this has been occurring in order to understand the local and regional implications of a potential transition from state socialism to a new development model.

### **3.4. Regulationist Approaches Toward Transition in Central and Eastern Europe**

Regulation theory stresses the role of state in the development and regulation of the capitalist economy and it offers new concepts and methodological approach that could be used to study the transition. Regulation theory originated in the early 1970s and is based on the work of French political economists. Its beginnings are associated with the work of Aglietta (1979) on the development of capitalism in the United States and the ideas of regulation were further developed, among others, especially by Lipietz (1982, 1984, 1986, 1987, 1992a, 1992b). Regulation theory attempts to answer the following question: how is it possible that capitalism can survive given its inherent contradictions? Regulation theory also provides an alternative view on the process of capitalist development.

Regulation theory or the regulation approach is not an established unified theoretical system, it is rather a continuing research program particularly concerned with political economy. Jessop (1990a), for example, recognizes seven regulationist schools. All of them share four common features: regulationists work with a scientific realist ontology and epistemology; they adopt the method of "articulation" in building theories of regulation; their work draws on general Marxist traditions of historical materialism; and they are particularly interested in the processes of change in the reproduction of the capitalist mode of production and social relations.

### 3.4.1. *Altvater's analysis of actually existing socialism*

Some authors have applied the concepts and approaches of the French Regulation School in order to interpret the history of state socialism, its crisis and transition toward a new model of development. This section will focus on the work of Elmar Altvater (1993) and other regulationist work on Central and Eastern Europe.

In *The Future of the Market*, Altvater (1993) provides a regulationist analysis of what he calls 'actually existing socialism' and reasons for its collapse in Central and Eastern Europe. In Altvater's view, the principal mistake of 'actually existing socialism' was that it followed the development path of the developed capitalist societies (see also O'Connor 1989). The *mode of social regulation* was changed in 'actually existing socialism' to a one party system and economic planning, but the *labor process model* and the *regime of accumulation* emulated those in the developed capitalist countries. The result of this combination was, according to Altvater, that the same productivist rationality emerged under 'actually existing socialism' as in developed capitalism, involving the transformation of people into passive agents, and no principal differences in the model of development pursued.

The mode of social regulation based on central planning and the Communist Party hegemony was rigid and inflexible compared with the mode of social regulation in market economies. One of the reasons which made initially successful growth of the state socialist economies possible was due to the fact that extensive accumulation does not require a great flexibility (Lipietz 1994). However, rigidity of state socialist regulation proved to be a major reason why the extensive regime of accumulation pursued during

the period of socialist industrialization (until the 1960s) failed to be restructured into an intensive regime of accumulation when the sources of extensive growth were exhausted (i.e. increasing production by employing more workers - female and peasant labor, building more factories, and exploiting more natural resources). This was different in the West where the modernization of the modes of social regulation was more successful after the disintegration of the Fordist development model in the late 1960s and early 1970s.

According to Altvater (1993, pp. 19-24), market economies enjoy two basic advantages over any planned economic system which help to overcome any great crisis: First, market economies follow the "primacy of economics" over politics in that economic success and failure are perceived to be purely individual responsibility based on behaving according to economic rules. As a result, no one is being held responsible for the general economic and social situation. Second, market economies coupled with a democratic system, including the existence of civil society, are flexible and capable of reform when faced with changing economic and social conditions. These two advantages helped market economies to achieve the *grand compromise* between working and capitalist classes through the institutionalization of parts of the workers movement into the state apparatus. It also helped accomplish and maintain stability through the ability of competing elite political groups to settle their differences and offer concessions to the opposition, what Gramsci called "*transformism*" (Altvater 1993, p. 21).<sup>5</sup>

The opposite situation developed in the state socialist countries. First, politics dominated the economy (see also Morawski 1993, p. 73) and economic agents had to behave according to the rules set by the central planning authorities. Second, it was impossible to reform the centrally planned economic system without undermining the very rationale of state socialism if the political system of regulation failed. One of the biggest problems with the state socialist system of regulation was that any economic crisis easily turned into the political crisis and therefore into the crisis of the entire system (Altvater 1993). Thus the actual collapse of state socialism was predominantly the result of the *legitimation crisis* of the government in countries, such as

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<sup>5</sup>The best example of Grand Compromise is the Fordist compromise (see Lipietz 1987, 1992a).



Czechoslovakia, where the economic situation was not sufficiently bad to cause popular discontent with the system. In fact, before 1989 the economic situation in Czechoslovakia could be described as stagnation at worst.

The collapse of state socialism did not remove the problems of legitimation in Central and Eastern Europe. Rather the opposite is true. Williams and Reuten (1993) argue that inadequate state legitimation coupled with poorly developed civil society are the crucial problems of the political transition from the one party system to a democratic system. The political consequences of this situation are the most obvious in the nationalistic fragmentation of Central and Eastern Europe after 1989. The economic effects include economic anarchy (Burawoy's anarchy in relations of production) associated with the collapse of central planning and the withering away of the state and seizing chances by opportunistic and often criminal elements. The economic anarchy and the rise of merchant capitalism become in turn the economic basis for intense nationalism and localism in Central and Eastern Europe (Burawoy and Krotov 1992).

Although Altvater (1993) provides so far the most comprehensive regulationist analysis of state socialism, he does not specifically address the issues of transition from state socialism to capitalism. His focus on the relationship between politics and economics fails to adequately integrate other social and cultural issues in his analysis of 'actually existing socialism'. One of the reasons for this shortcoming is that Altvater's analysis operates at the single geographical scale - the supernational scale including all former state socialist countries. As a result, he treats the former state socialist countries as a whole without paying adequate attention to significant differences in their national regimes of accumulation, modes of regulation, and social and cultural conditions, not to mention regional inequalities. Altvater's failure to consider the effect of geographic scale on his analysis results in only a general treatment of state socialism without paying enough attention to its specific outcomes at different regional and local settings. His approach provides a good general analytical framework for the study of state socialism and its transition which, however, needs to be further developed to integrate the question of geographic scale.

### 3.4.2. Additional regulationist approaches to state socialism

I have already mentioned that the model of development pursued in the state socialist countries of Central and Eastern Europe attempted to emulate the capitalist regime of accumulation and labor process model, while the mode of regulation was changed toward central planning. The extensive regime of accumulation based on the development of productive forces (Department 1 - production of means of production) and the introduction of Taylorism as the system of organization of production in the post-revolutionary Russia intentionally followed the development path of the developed capitalist countries. The introduction of central planning was supposed to deliver more organization and rationality into the entire society (Lipietz 1994) and thus replace often chaotic and unpredictable market regulation.

Not surprisingly, many regulationists view this development model as one of the alternatives to the capitalist development model. "*Stalinism*" (Lipietz 1992a, p. 5; 1992b, p. 311; Kaldor 1990) with its "*Iron Model*" of development (Lipietz 1994, p. 18) was considered to be an alternative to capitalist "*Fordism*" (Lipietz 1992a, p. 5, 1992b, p. 311), as the model of development of the "*Golden Age*" (Lipietz 1994, p. 6), or "*Atlanticism*" (Kaldor 1990). The remaining two alternatives to capitalist Fordism included Fascism with its state organization of social demand and social democracy with its compromise between workers and management (Lipietz 1992a, 1992b).

Lipietz (1994, p. 19) argues that Stalinism with its Iron Model of development was based on (1) a Taylorist industrial paradigm (labor process model) imported to Russia and Eastern Europe from the United States; (2) an extensive regime of accumulation based on import substitution and repressed mass consumption; and (3) a mode of regulation based on central planning. Lipietz (1994) fails, however, to deliver a comprehensive analysis of state socialism. The alleged parallels between Fordist and Stalinist labor process models are questionable. Burawoy (1985, pp. 180-183), for example, found some similarities between labor processes under state socialism and capitalism in the application of the system of piece-rate wages leading to the reproduction of relations in production and relations of exploitation. He also found fundamental differences between the two. These are centered around the role of "extra-economic forces" in the reproduction of relations in production and relations of exploitation. While

there is a direct state regulation of production in state socialism through the structures of the Communist Party and trade unions, the "extra-economic forces" do not directly enter the production process under capitalism.

Nevertheless, Lipietz (1994, p. 20) recognizes "great differences" between Stalinism and Fordism, even though both of them experience a similar "supply-side" crisis. These included the fact that Stalinism did not experience a demand-side crisis, it was typified by rigidity in comparison to Fordism, and management had little control over production.

Both Fordism and Stalinism were characterized by mass production and intensive use of energy (Kaldor 1990), but, while this mass production was matched by mass consumption of consumer goods in Fordism, the Fordist style mass consumption was absent in Stalinism (this was the most pronounced in the early stages of Stalinism). Altvater (1993, pp. 31-32) concludes that 'actually existing socialism' was basically the "half-Fordism" which successfully achieved the rationalization and planning of labor in industry but failed to secure mass production and consumption of consumer goods. The long term existence of shortages instead of mass consumption undermined the existing "half-Fordism" and greatly contributed to the legitimation crisis of state socialism.

Murray (1989, p. 41) even argues that state socialism was Fordist and talks about "Soviet Fordism" as an extreme form of Fordist production methods (Murray 1992, pp. 199 and 214-215). "Soviet Fordism" was first introduced in the Soviet Union with the construction of giant mass production factories using imported Western technology in the 1920s and 1930s. Murray (1992, p. 214) lists other 'Fordist' features of state socialism, including the existence of central planning as "scientific management applied to the whole economy" and the application of Taylorist production methods, and argues that "Soviet Fordism" suffered the same limits as "Western Fordism" (see Murray 1992, p. 215) .

I have to agree with Smith (1994a) who considers the attempts to equate state socialist development model with Fordism in the developed capitalist countries as wrong, because they fail to examine the nature of class relations of accumulation and regulation under state socialism and how it resulted in a different social organization from those in the developed capitalism.

Generally, regulationists provide only superficial analysis of state socialism (with

the exception of Altvater (1993)). For example, Lipietz (1992b, p. 309) considers state socialism to be a "form of authoritarian state capitalism" without any further theoretical elaboration of his claim. As a result, the regulationist approach toward state socialism and especially toward its current transition remains under-researched and underdeveloped.

Regulation theory is inherently spatial. In geography, it works with geographic scale and recognizes global, national, regional and local scale analyses (see Tickell and Peck 1992, Peck and Tickell 1992, 1995, Goodwin, Duncan and Halford 1993). It also acknowledges the importance of geographic variation within each scale of its analysis. This spatiality of regulation approaches stems from attempts to pay attention to concrete conditions when applying theoretical concepts. The classic economic and development theories (imperialism, dependency theory, modernization theory) were criticized by the regulationists for ignoring concrete conditions and insufficiently linking theory with empirical analysis (see, for example, Lipietz 1987, pp. 9-28). In the regulationist view, we have to put these theories into the geographical and historical context in order to use them correctly. In other words, we have to know concrete historical and geographical conditions of an area under the study, otherwise the theories or general laws we are trying to apply become dogmas and stereotypes. This theoretical and methodological approach stresses the importance of case studies in studying restructuring.

In terms of geographic scale, Altvater (1993) stresses the primacy of the global scale which should become a starting point of any analysis in order to reflect the global economic processes. Lipietz (1987) takes a different approach urging for the national scale to stay in the focus of any regulationist analysis. His approach stresses national specificities of accumulation and regulation processes. At the same time, both approaches ignore the local and regional scale, relations between the scales and local and regional implications of changing regimes of accumulation, modes of regulation and labor process models. As such, regulation theory has no conception of uneven development (Peck and Tickell 1992, 1995).

This underdevelopment of regulation theory at the regional and local scales and the overall failure to integrate geographic scale into regulationist analysis have been criticized by geographers (Tickell and Peck 1992, Peck and Tickell 1992, 1995, Goodwin, Duncan and Halford 1993, Norcliffe 1993). There have been some attempts

to apply regulation theory at subnational scale especially to investigate local politics and local government change (e.g. Chouinard 1990, Painter 1991) and local modes of production (e.g. Norcliffe 1993), and more recently there have been efforts in theoretical and conceptual integration of geographic scale in regulation theory (e.g. Goodwin, Duncan and Halford 1993, Peck and Tickell 1992, 1995).

The second major criticism of regulation theory relevant to our study is associated with the emphasis of regulation research on the concept of a regime of accumulation and the theoretical underdevelopment of the concept of mode of regulation, including the concepts of the state and local state (Tickell and Peck 1992, Peck and Tickell 1992, Goodwin, Duncan and Halford 1993, Jessop 1990b).<sup>6</sup>

The ways in which regulation theory deals with state socialism and the transition to capitalism has so far been quite superficial and underdeveloped in several ways. Our major concern is the failure of regulation theory to integrate the question of geographic scale into its analyses and the underdevelopment of its concept of the mode of regulation. Furthermore, there is no established methodology which would put a regulationist approach into empirical practice at other than the national scale and make it easier to use its abstract concepts in concrete research. I will deal with these issues in the next chapter.

### 3.5. Conclusion

Political economic perspectives, namely 'transition to merchant capitalism thesis' and 'restructuring of state socialism thesis' provide rich theoretical and conceptual accounts of the collapse and the transition of state socialism. The most important theoretical and conceptual implications of these approaches include their view of the transition from state socialism to capitalism as a complex, complicated, uneven and a long term process. In this sense, political economic approaches, with the exception of the 'transition from state to private capitalism thesis', reject liberal notions of this transition as a smooth, unproblematic and a relatively fast change which represents a

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<sup>6</sup>Tickell and Peck (1992, p. 201) talk in this context about theoretical subordination of mode of regulation to the accumulation system.

decisive break between the state socialist past and the post state socialist present.

Another important aspect of the political economic approaches is their attention paid to class struggle, which is ignored in the liberal interpretations of the transition. As we will see in the chapters dealing with the case study of the Most District, class struggle plays the important role in the transition from state socialism to capitalism.

From a methodological point of view, political economic perspectives usually pay much closer attention to concrete processes occurring in concrete conditions than most liberal approaches. Burawoy's and Clarke's accounts of the transition are based on detailed case studies and extended case method which result in deeper analyses and better understanding of social processes associated with *this change*.

Regulationist perspectives on state socialism and its transition to capitalism are underdeveloped and undertheorized. At the same time, the political economic perspectives fail to integrate the question of geographic scale and geographical variability in their analyses. The next chapter will therefore deal with this question in detail.

## CHAPTER FOUR

### UNEVEN DEVELOPMENT, GEOGRAPHICAL SCALE AND THE STUDY OF TRANSITION IN CENTRAL AND EASTERN EUROPE

The goal of this chapter is to introduce the notion of geographical and temporal variability and unevenness of the transition and the question of geographical scale. I argue that we need to integrate the study of uneven development, geographical variability and geographic scale in the analysis of the transition in Central and Eastern Europe in order to understand its complexity. More specifically, we need to go beyond the study of the transition at the national scale and include the study of transition at the regional and local scale and relations of these scales in order to comprehend complexity of the transition processes. I will argue that it is at the regional and local scale where the processes originating at different scales (global, international, national, regional, local) come together and manifest themselves in concrete outcomes.

First, I provide a critique of approaches toward the transition in Central and Eastern Europe which ignore its geographical variability and uneven development and I stress the importance of geographic scale in studying the transition. Second, I consider the role of international forces in shaping the transition in Central and Eastern Europe and in the Czech Republic more specifically. Third, I review the issues associated with the study of local scale and local state in Central and Eastern Europe. Finally, I propose to use the concepts of structured coherence combined with regulation theory and the production of space to study the regional political economy of the Most District.

#### 4.1. Uneven Development and the Transition in Central and Eastern Europe

*I see no reason why the future of Czechoslovakia, Hungary, or Romania should be different from that of Argentina, Brazil, or Chile. (Przeworski 1991, p. 190)*

*There are numerous reasons why Western Sovietologists are not well equipped to comprehend post-Communist systems. (Fleron and Hoffmann 1993a, p. 371)*

I have already mentioned that many studies focused on questions of the transition

in Central and Eastern Europe ignore the differences and uneven development among individual countries of Central and Eastern Europe and treat the region as a unified area with the same history, geography and level of development (e.g. Blanchard et al. 1991).<sup>1</sup> These usually economic accounts of the transition reflect the predominantly spaceless and timeless character of classical and neoclassical economic theory (see also Altvater 1993). The question of geographical scale, geographic variability and uneven development of the transition is often ignored even in particularly influential and highly regarded work providing a complex picture of the transition and attempting to put it into a broader international geographical and historical perspective (e.g. Przeworski 1991).

Such an approach toward Central and Eastern Europe also follows the traditions of Western Sovietology which typically ignored variations over space and time in the region. Its sweeping generalizations about the region based on the belief of homogenizing effects of Marxism Leninism and central planning overlooked the crucial variation that is critical to understand the unfolding transitions in Central and Eastern Europe (Burawoy 1992, Pavlínek, Pickles and Staddon 1994). 'Post-communist studies' often continue in the tradition of Sovietology and apply uncritically 'new' theoretical approaches and research methodologies developed on the study of the former Soviet Union to Central and Eastern Europe (see Fleron and Hoffmann 1993, p. 5). When 'post-communist studies' recognize variability and diversity of the transition in different countries of Central and Eastern Europe (Remington 1993, Bova 1993) it is perceived as an obstacle to sweeping generalizations. Bova (1993, p. 241) argues, for example, that we need to focus on common characteristics of the transition process in different countries in order to overcome the problem of its variability and in order to apply general concepts such as post-authoritarian transition to all post state socialist countries.

This kind of analysis treats Central and Eastern Europe as one unified region suffering from the same problems of transition. Doing this, it ignores often large differences and uneven development among the individual Central and East European countries in terms of their historical experience with democracy and market economy, the level of development and their chances to achieve a functioning democratic system

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<sup>1</sup>This argument was developed in Pavlínek, Pickles and Staddon (1994).



and market based economy. The differences between countries like Hungary and Romania or the Czech Republic and Bulgaria are too big to be overlooked (not taking into account the differences between the countries of the former Soviet Union and the rest of Central and Eastern Europe). Hundreds of years of different development in the Balkans and Central Europe have greatly influenced cultures in both regions. Pre state socialist capitalist period shaped the working habits, skills and attitudes toward democracy in many Central and East European countries. It is important to keep in mind that the history of this region did not begin with the communist takeover after the Second World War.

This points to the importance of detailed case studies in Central and Eastern Europe that can reveal the differences and similarities among the different areas in the region and the important role uneven development plays during the transition from state socialism to capitalism. Such case studies are necessary before any far reaching generalizations about Central and Eastern Europe can be made. There is already enough empirical evidence suggesting that not only different countries follow differential pathways from state socialism, but also that the transition leads to regional fragmentation and different regional pathways from state socialism within the individual countries of Central and Eastern Europe (Smith 1995a, 1995b). Such detailed case studies from Central and Eastern Europe identifying different national and regional pathways from state socialism not only point toward importance of uneven development during the transition, but they also challenge spaceless and timeless neoclassical economic approaches toward the transition and their notion of the smooth and linear transition from state socialism to capitalism. The case studies rather point toward the spatial and temporal unevenness of the transition, its uncertain outcomes and contested nature (e.g. Smith 1994b).

Comparisons of Central and Eastern Europe with other regions, such as, for example, Latin America, pose another difficulty because they are often based on sweeping generalizations and ignore variability within these regions (see, for example, Przeworski 1991). For example, in one of the most influential texts on transition Przeworski (1991, p. 190) argues that there is no reason to believe that the post state socialist countries of Central and Eastern Europe will follow a different development

pathway from that of Latin America except their location in Europe. For Przeworski (1991, p. 191), however, "geography, with whatever it implies, is just not enough to shape economic and political futures". This assertion ignores the existing economic, political, social and historical differences not only between Central and Eastern Europe and Latin America, but also among the individual countries of Central and Eastern Europe.

Although there are some lessons to be drawn particularly from China, Latin American and African countries that have faced similar economic problems to those of the centrally planned economies of Central and Eastern Europe (macroeconomic imbalances due to the combination of a weak private sector, political monopoly, and extensive policy induced distortions) (Fischer and Gelb 1991), the case of Central and Eastern Europe is unique because a direct transformation from the centrally planned economy to a market one has never been attempted before and also because of the scale of this transformation, its speed, and its political and historical context.

Comparisons between Central and Eastern Europe and other regions are often used in a mechanistic manner. For example, Przeworski (1991, p. 191) concludes his book with the strong assertion that "the East has become the South" without providing sufficient evidence to substantiate his claim. His claim is at the least very premature because it was made at the time when the reforms in Central and Eastern Europe were just at their beginning. Such an approach toward the study of the transition in Central and Eastern Europe seems to be a good example of "*pessimistic functionalism*" (Lipietz 1987, p. 4). Lipietz characterizes pessimistic functionalism as "presenting concrete history as the inevitable unfolding of a concept such as imperialism" (1987, p. 4). He argues that we must first carefully analyze historical and national diversity of every country before generalizing its role in the world economy and international division of labor. The destiny of any particular country in Central and Eastern Europe and its place in the international division of labor is not predetermined, but will depend predominantly on the concrete internal conditions and developments and their combination with external forces and pressures.

While Przeworski (1991, p. 191) argued that "the East has become the South" even before the transition began, Lipietz (1987, p. 24) claims that "no immanent destiny

condemns a particular nation to a particular place within the international division of labor". For Lipietz, the outcomes of national transitions are the product of uncertain processes, including internal class struggle, and are not predetermined. There are many different trajectories through which any country or region can go. Therefore, we may rather expect that the future of the individual countries of Central and Eastern Europe and their place in the international division of labor will differ from one country to another or at least from one group of countries (Central European for example) to another (Balkan countries, post-Soviet region and so on). At the same time, the transitions from state socialism to capitalism in the individual countries have some general features that are the same across the region of Central and Eastern Europe such as the collapse of the one party system and central planning, the general processes of democratization, marketization, economic decline associated with the 'transitory recession' and so on. As a result, the transitions from state socialism to capitalism are *both* the same everywhere and different at the same time. To date, most accounts of the transition focused on its general features and ignored its different manifestations in different countries, regions and localities across Central and Eastern Europe.

In this respect, we need to fully appreciate the geographical and temporal variability of the transition - different countries began the transition in different starting positions and different countries are in different stages of the transition.<sup>2</sup> Therefore, it is very difficult to provide any far reaching conceptual generalizations about the transition in Central and Eastern Europe without undertaking detailed case studies dealing with concrete conditions and processes taking place in individual countries, regions and localities of Central and Eastern Europe. In this respect, I will argue that Lipietz's approach to the study of development focusing at the national scale fails to adequately integrate the question of geographic scale because it ignores the processes taking place at the regional and local scale. I believe that we need to go beyond the national scale to the regional and local level to study the transition in its complexity.

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<sup>2</sup>Privatization of state enterprises could be used as one measure reflecting the different stages of transition in different countries. While the Czech Republic concluded its voucher privatization in 1994, which put about 80% of GDP production to private hands (LN December 21, 1994), Slovakia has not started the second wave of its voucher privatization and the countries, such as Bulgaria or Ukraine, have not begun their large scale privatization programs yet.

Economic studies dealing with the transition in individual countries usually overlook the variation at the regional and local levels and the fact that the transition operates unevenly in space. For example, the Czech economic literature dealing with the transition focuses on the national level strategies and governmental policies (macroeconomic policies, privatization and so on) (see Turek 1993, Klusoň 1993, Šulc 1993, Hájek et al. 1993, 1994). The differences in the performance of individual regions are not even mentioned when assessing the Czech economy (see Hájek et al. 1993, 1994 for instance), but they exist and are growing when measured by the unemployment rate for example.<sup>3</sup> Czech liberal economists consider uneven development to be a 'natural' part of capitalist development. The Czech Economic Minister argued in May 1994:

Market economy leads also to natural differentiation at the level of the individual regions - this reality cannot be restrained, because it is part of the overall development dynamics and one of the economic engines.<sup>4</sup>

The Czech government does not even collect any statistical data about uneven economic development after 1989 except the unemployment rate (HN June 24, 1994). This approach reflects not only liberal economic policies which typically ignore regional policies, but also the relatively slow regional fragmentation and differentiation of the Czech regional economies in comparison to Slovakia (see Smith 1995a, 1995b).

I see this ignorance of geographical variability of the transition and inability to integrate geographic scale in the analysis of the transition as the major failure of current transition theory. I believe that we can capture the complexity of the transition only if we study concrete processes in concrete places and regions using extended case method and if we integrate the question of geographic scale in our analysis. Such an approach will tell us not only about places and regions under study, but also about the general social processes associated with the transition as a whole.

The work of Michael Burawoy offers not only a rich theoretical, conceptual and

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<sup>3</sup>The unemployment rate in Prague was 0.2% in July 1994 whereas northern Moravia recorded 5.8% in the same period with the individual districts exceeding 6% unemployment rate (HN August 19, 1994a).

<sup>4</sup>HN May 11, 1994, p. 3.

analytical approach toward the study of transition in Central and Eastern Europe, but also a unique methodological approach based on the *extended case method* (Burawoy 1991a, 1991b). The extended case method examines how external or macro forces shape a particular case or micro situation. It looks at an individual case in its social context and how this social context resulted in a particular outcome of the case we observe. In this way, a detailed study of a single case may tell us about society and social processes as a whole. The extended case method studies social processes in time and space which helps it avoid simplification of the social situation. Such an approach deals effectively with the complex nature of social situations and processes without slipping to unnecessary simplifications, which other methodological approaches, such as grounded theory, do not escape. In Burawoy's words (1991a, p. 281): "In constituting a social situation as unique, the extended case method pays attention to its complexity, its depth, its thickness."

In this dissertation, I am using the extended case method to study the transition and its implications for the environment in the Czech Republic. The detailed study of the Most District will tell us about the past and present world in which it is embedded, i.e. it will tell us about the previous capitalist and state socialist system and about its post-1989 change. This way, it will help us understand and explain general features of the previous state socialist system as well as the nature of existing changes associated with the transition from state socialism to capitalism. It will also help us deal adequately with the question of complexity of the current transition identified in the first chapter as the major weakness of the existing approaches to the transition in Central and Eastern Europe.

#### **4.2. A political economy of geographic scale in Central and Eastern Europe**

The main argument regarding geographic scale discussed in the previous section is that most studies of the transition in Central and Eastern Europe focus on the region as a whole or on the national level and ignore subnational levels - regions and localities. By doing that, these studies not only overlook the variation on regional and local levels, but also the fact that the transition operates unevenly in space and time. Changes at the national or international level often have quite different resonances and result in quite

distinct effects in different parts of a country (Massey 1993). Furthermore, the impacts of processes which originate at the global and national scale are experienced locally. For example, as we will see in Chapter Eight, the changing strategies of capital accumulation in the chemical industry associated with the transition in the Czech Republic and attempts at reintegration into the global economy are experienced at the local scale in the Most District and its localities by shedding labor from chemical enterprises, changing relations of plants with local communities and by plant restructuring.

This section extends the discussion of geographic scale in the transition in Central and Eastern Europe. I will argue that the concrete processes of transition which operate at the regional and local scale result from the combination of forces operating at different scales - international, national, regional and local. The combination of these forces at the national, regional and local scale leads to nationally, regionally and locally specific transitions and pathways from state socialism.

#### *4.2.1. External forces and the transition in Central and Eastern Europe*

*The Group of 24 industrialized countries on 10 March [1995] warned Eastern Europe that if reforms do not continue, aid will cease. (OMRI Daily Digest, March 13, 1995)*

*In the current world-economy the crucial events that structure our lives occur at a global scale. (Taylor 1989, p. 38)*

Peter Taylor (1981, 1982, 1989) argues that the global scale is the scale at which people's lives and their environment are organized and exploited because the process of capitalist accumulation operates through the world market at the global scale and this global characteristic of accumulation is the basic driving force behind capitalism. Therefore for Taylor, this is the most important scale which incorporates other scales, defines their characteristics and ultimate explanations within the world system must be traced back to this scale. How can Taylor's approach inform our analysis of the transition to capitalism in Central and Eastern Europe? Taylor's analysis of scale suggests that if we want to understand the real driving forces behind the transition in Central and Eastern Europe we should not leave the global scale and supranational forces

from our analysis of the transition.

Political and economic influences are two the most important external forces which influence the transition in Central and Eastern Europe. In Chapter Three, I have discussed the role of external political forces represented by the international financial organizations, such as the World Bank and IMF, and foreign governments in the decisions to pursue liberal transition strategies in countries of Central and Eastern Europe. External economic forces are mainly represented by multinational capital, international trade and by political influences. Multinational capital moves to Central and Eastern Europe to make profits and extend its accumulation into the territories that to a large extent have been previously excluded from the reach of its operations. The goal of the multinational corporations is to expand markets for their goods in Central and Eastern Europe and to reap the benefits of cheap labor.<sup>5</sup> I have shown in Chapter Two that the economies of Central and Eastern Europe underwent stronger integration into the global economy after the collapse of the CMEA through the reorientation of their trade flows to the Western industrial countries.<sup>6</sup> As a result, Central and Eastern Europe can be increasingly influenced by changing strategies of capital accumulation that operate at the global scale.<sup>7</sup> Export competitiveness in certain types of products, such as resource-

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<sup>5</sup>The average monthly wages in the first quarter of 1993 (in US \$): Hungary \$267, Poland \$224, Czech Republic \$178, Slovakia \$169 (LN October 15, 1993). However, direct foreign investment (DFI) has so far been relatively small. The former state socialist countries accounted for only 2% of OECD DFI in 1992 (up from 0.2% in 1990). By 1992, the former state socialist countries of Central and Eastern Europe (including the former Soviet Union) attracted \$18.3 billion of DFI (Rutland 1995) (see Table 4 in Chapter Two for the distribution of DFI in Central and Eastern Europe).

<sup>6</sup>There was a significant reorientation of trade from within the former CMEA to the developed capitalist countries after 1989. The exports from the former CMEA countries to other former CMEA members declined from 35% of total exports in 1987 to 19% in 1993 and imports fell from 24% to 18%. The share of OECD countries on Central and East European exports rose from 42% to 62% and on imports from 43% to 67% between 1987 and 1993 (Rutland 1995) (see footnote number 21 in Chapter Two on the situation in the Czech Republic).

<sup>7</sup>Volkswagen's investment in the Czech car maker Škoda is a good example how global capital influences economic, social and cultural dimensions of the transition in Central and Eastern Europe. This takeover resulted in the introduction of Volkswagen's corporate policies and cultures to the Škoda plant, transfer of Western management (150 Western managers are employed in the Škoda plant), changes in social relations of production and in the factory regime. All these changes were designed to increase efficiency of production to the Western level and improve competitiveness of Škoda at the Western markets. Volkswagen's policies directly influence the prosperity of the Mladá Boleslav region where the Škoda plant is located because it is a major job provider (16,500 factory jobs in 1994 and additional 100,000 jobs in subcontracting companies and the service sector). The company has also influenced economic behavior of hundreds of its subcontractors located all over the Czech

based products and standard labor-intensive low-skill manufactures, reinforces economic specialization of Central and Eastern Europe in these areas and the role of Central and Eastern Europe in the international division of labor (Graziani 1993).

What are the major external factors influencing the course of the transition in the Czech Republic? Illner (1994) identifies five main international actors shaping the transition in the Czech Republic. These include (1) the individual countries of the European Union (EU) with the strongest influence from the unified Germany;<sup>8</sup> (2) the Visegrad countries of Central Europe (Poland, Hungary, Slovakia) with Slovakia's special influence as the part of former Czechoslovakia;<sup>9</sup> (3) Russia and Ukraine as the strongest successor states of the former Soviet Union;<sup>10</sup> (4) Western supranational organization with the EU and NATO playing the most influential role;<sup>11</sup> and (5) multinational companies.<sup>12</sup>

According to Illner (1994), these external forces interact and combine with national forces and developments in the individual countries of Central and Eastern

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Republic by its stress on quality and timing of deliveries and threats to subcontract outside the Czech Republic if its requirements are not met (Illner 1994, LN October 7 and 18, 1994, HN February 15, 1994).

<sup>8</sup>Both economic and political ties with the individual countries of the EU are important for the Czech transition. Economic growth in Western Europe translates to trade opportunities for the Czech companies and the growth of DFI from Western Europe. Germany alone accounted for 36% (\$1,263 million) of DFI in the Czech Republic between January 1990 and March 1995 and for 32% of total Czech Republic's trade in 1993 (excluding Slovakia) (HN May 17, 1995, ČSÚ 1994c). The political support of the individual EU members is needed for the eventual Czech membership in the EU. The same applies for the eventual NATO membership.

<sup>9</sup>These countries have relatively strong economic ties with the Czech Republic. Slovakia alone accounted for 19% of the total Czech Republic's trade in 1993 (ČSÚ 1994c). They are also geographically, culturally and historically close to the Czech Republic and are undergoing similar transition from state socialism to capitalism (Illner 1994).

<sup>10</sup>Although the economic and political ties between Russia and Central and Eastern Europe weakened after 1989, Russia is attempting to reclaim its geopolitical influence in Central and Eastern Europe. These efforts have recently been manifested by strong Russian objections to the potential membership of the Czech Republic, Hungary, Poland and Slovakia in NATO.

<sup>11</sup>The Czech Republic seeks membership in the EU and therefore the entire post-1989 Czech legislation is modeled according to the EU standards and the governmental economic policies are directed toward the fulfillment of the EU's Maastricht criteria in terms of inflation rate, budget deficit, government debt and exchange rate stability (see the Economist 1994b, Galinos 1994). EU's trade policies toward the countries of Central and Eastern Europe and the Czech Republic specifically have decisive economic implications because the EU is the largest trading partner of the Czech Republic (53% of total trade in 1993, excluding Slovakia) (ČSÚ 1994c).

<sup>12</sup>Between 1990 and April 1995, foreign companies invested \$3.5 billion in the Czech Republic in the form of DFI (HN May 17, 1995).



Europe to form country-specific paths from state socialism to capitalism. In the case of the Czech Republic, these country specific features which influence the nature of the transition in this country include (1) its geographical characteristics, such as its absolute and relative location *vis-à-vis* Western Europe and unstable regions of the Balkans and the former Soviet Union, its geopolitical position in Europe, its area and population size; and (2) its economic, political, social and cultural heritage, such as the history of capitalist industrialization, the specific features of the state socialist development model, including almost total nationalization of the means of production in contrast to the situation in Poland and Hungary, the history of democratic political system between 1918 and 1938, the abruptness of the political change and the absence of political elites after 1989, political culture and history of egalitarianism, and the Czech mentality with its skepticism.

Furthermore, I argue in this dissertation that we can use the extended case method (Burawoy 1991a, 1991b) to study how the external and national forces shape the processes at the regional and local scale. The study of the transition in the context of an individual region may tell us about the transition and social processes associated with this transition as whole. The extended case method also provides an opportunity to study the transition in Central and Eastern Europe in its complexity. External influences on the transition in the Czech Republic interact with domestic developments at the national, regional and local scale and are experienced locally. Local and regional changes are therefore the outcome of those interactions among forces and development at different geographic scales. In Chapters Seven to Ten, I will demonstrate how the transition in the Most District results from the combination of forces and processes operating at different scales and how they come together at the local and regional scale of the Most District to produce concrete outcomes which structure the everyday lives of the Most District residents. Extended case study of the Most District can therefore help us understand not only local outcomes of the transition processes, but also the transition as such.

### 4.3. Locality Debate and Local State

I have argued that we need to focus the study of transition at the local and regional scale in order to understand its complexity and its outcomes. Does geography offer pertinent theoretical categories and methodological apparatus to study local change? There are two theoretical and methodological approaches and debates in geography relevant to our study of transition in the Most District. These are the locality debate and theory of local state. The following two brief sections are designed to identify important theoretical, conceptual and methodological issues developed in the locality debate and local state literature which are relevant for our study of transition at the local scale in the Czech Republic.

#### 4.3.1. *Locality debate*

In geography, the attempts to understand the nature of restructuring and its impact on localities led to the growing interest in locality studies especially in the United Kingdom in the 1980s. What could traditional approaches offer to geographers for the study of restructuring at the local scale? Leitner and Sheppard (1989, pp. 57-60) identified several traditional approaches to modeling the geography of production in urban areas including (1) the micro-economic neoclassical approach (e.g. Alonso 1964), which developed in the school of New Urban Economics (e.g. Richardson 1977); (2) the location factor (e.g. Daniels 1975, Yeates and Garner 1980) and morphological approach (e.g. Berry et al. 1963); and (3) the Lowry model (e.g. Lowry 1964). Leitner and Sheppard (1989) argue that common weakness of these traditional approaches to the study of restructuring at the local scale is that they generally ignore underlying societal factors of local restructuring and do not explicitly seek to ground their explanation of restructuring in any deeper analysis of society and larger societal context.

The Changing Urban and Regional Systems (CURS) program has employed a comparative historical perspective to study the impact of international and national economic restructuring on seven localities in England (Leitner 1989). The CURS program has raised methodological and theoretical questions about the approaches to

study localities.<sup>13</sup> The debate it generated led to important methodological conclusions. Every locality/region does not exist as an isolated entity but it is a part of a broader system. Therefore, localities and regions are influenced by general processes of capital accumulation and social relations and should be studied as such.

In our case, we use a similar approach to study the Most District which connects the local change with the national change and with the changes in Central and Eastern Europe. The present nature of the Most District is the result of not only local conditions, local social formations and development, but, as we will see in Chapter Six, also of the pre-World War Two capitalist extensive accumulation, general processes of the state socialist model of development between 1948 and 1989 and the post-1989 transition. Another important conclusion relevant for this dissertation is that the empirical research at the local and regional scale should not be divorced from broader theoretical and conceptual concerns and should contribute to theoretical and conceptual understanding of the present transition.

#### 4.3.2. *Local state*

The efforts to develop a theory of the local state are predominantly associated with the development of political economic perspective to study the local state in the late 1970s and in 1980s (Cockburn 1977, Duncan and Goodwin 1982a, 1982b, 1987, Duncan, Goodwin and Halford 1988, Duncan 1989, Fincher 1987, 1989). For example, the theoretical approach developed by Simon Duncan and Mark Goodwin combines the ideas of uneven development, spatial divisions of labor, geographical variation, localities study, civil society and other concepts to study the local state in its complexity. Although this perspective has been developed for the capitalist local state, there are some important ideas that can be applied to the study of the local state during the transition in Central and Eastern Europe (restructuring and the local state, local political culture and behavior, local civil society, state apparatus etc.). Cockburn (1977) stresses the role of working

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<sup>13</sup>The program has been criticized especially for its empirical approach and its lack of attempts to draw out theoretical or historical conclusions (Smith 1987). Locality research has provoked a large discussion on the pages of *Antipode* and elsewhere (Duncan and Savage 1989, Cooke 1989, Cox and Mair 1989, Warde 1989, Savage and Duncan 1990). There is even no consensus as to what a locality is (Leitner 1989).

class and class struggle in local political change and the importance of local-central government relations for the nature of local political change. As we will see in Chapter Nine, local-central government relations, especially in the area of political and fiscal decentralization, are among the central issues shaping the character of the emerging post state socialist local state and local restructuring in the Czech Republic.

One of the problems associated with the application of a political economic perspective to the study of the local state during the transition from state socialism to capitalism is that current theories of the local state suffer from an unclear definition and conceptualization what the local state is. For example, Duncan and Goodwin develop a theory of the local state as "a set of capitalist social relations in subnational areas" (Fincher 1987, p. 497). Fincher (1989, p. 338) provides a straightforward descriptive definition of the local state as "the set of governmental institutions acting in a locality".

An alternative approach to the theory of the local state defines the local state as the set of "political social relations or practices that is spatially expressed at a scale less than the national, or in a conjuncture that has a less than national presence" (Fincher 1987, p. 499).

In the West, the reconstruction of local self-government in Central and Eastern Europe is recognized as a very important element of any successful transition from state socialism to a democratic market oriented society. As Chapter Nine will illustrate, however, the post-1989 development has shown that this is not an easy task. Generally, changes at the local level have proceeded at a slower pace than those at the national level (Elander and Gustafsson 1993, Jensen and Plum 1993, Clark T.N. 1993). In the Czech Republic, for example, the central state has been unable to solve the political disputes about the future form of territorial administration on the regional level since 1990. The issue of regional self-government became the source of high tensions not only between the different political parties but also between the central and local state. The central state wants to keep as many powers as possible allegedly in order to effectively regulate the transition, while the local state pushes for a wide reaching decentralization and self-government on local and regional levels. In the center of the dispute are the differences between the liberals and their opponents over the concept of *civil society* and its role in modern democratic system. The liberals have so far been successful in blocking the

development of civil society which can have far reaching repercussions for the process of democratization on the local level (see Pehe 1994).

#### **4.4. Structured Coherence and the Study of Regional Transformations in the Most District**

So far I have identified several important theoretical and conceptual issues and concerns that we need to include and address in our study of transition from state socialism to capitalism in the Czech Republic and Central and Eastern Europe as a whole, such as complexity of the transition, uneven development and geographic scale. Now the crucial question is how to integrate these issues into a coherent conceptual and methodological approach applicable to our study of the transition in the Most District. In this section, I analyze David Harvey's (1985) concept of '*structured coherence*' and I propose to apply it for the analysis of the past and present political economy of the Most region. The use of structured coherence will also allow me to integrate two important theoretical approaches into the analysis of transition and the environment in the Most District: regulation theory and the production of space.

##### **4.4.1. The concept of structured coherence**

David Harvey developed the concept of structured coherence in his 1985 book "*The Urbanization of Capital*". The concept of structured coherence is based on his analysis of the urban-regional labor market. The urban-regional market is defined as the geographic area in which "daily exchanges and substitutions of labor power are possible" (Harvey 1985, p. 128). The geographical extent of the urban-regional market depends upon the commuting range. Harvey (1985, p. 128) considers the urban-regional labor market to be "a unit of primary importance in the analysis of the accumulation of capital in space". One of the important characteristics of the urban-regional labor market is, according to Harvey (1985), that each of them is unique. Harvey (1985, p. 135) recognizes the spatial hierarchy of labor markets (international, national, regional and urban) but stresses the primary importance of the urban labor market as a fundamental unit of analysis within this spatial hierarchy and a fundamental arena of class struggle and labor force evolution.

The urban-regional labor market is also characterized by a particular technological mix and spatial configuration of fixed capital. Although capitalist development is typified by its technological and geographical dynamism which results from capitalist competition, each technological and locational change includes necessary costs which force capitalists to slow down these changes in order to secure amortization of fixed capital and reduce production costs. These tendencies result in periods of relative technological and locational stability which go against the logic of capitalist accumulation and therefore lead necessarily to crises which involve sudden breaks with past technological mixes and spatial configurations (Harvey 1985).

These processes tend to produce, according to Harvey (1985, p. 140), a "structured coherence" of an urban region.

At the heart of that coherence lies a particular technological mix - understood not simply as hardware but also as organization forms - and a dominant set of social relations. Together these define models of consumption as well as of the labor process. The coherence embraces the standard of living, the qualities and style of life, work satisfactions (or lack of thereof), social hierarchies (authority structures in the workplace, status systems of consumption), and a whole set of sociological and psychological attitudes toward working, living, entertaining, and the like.

Duncan, Goodwin and Halford (1988) further argue that the tendency to form structured coherence is reinforced by the development of regional and local cultures and by the formation of regional power blocks.

Harvey's notion of structured coherence interacts with the concept of '*spatial fix*' which describes the social attempts to control social and economic processes associated with the 'creative destruction' of capitalist development and to achieve a certain temporary geographical stability (Duncan, Goodwin and Halford 1988). These attempts are typically associated with the various forms of state intervention and economic as well as social regulation and the development of state institutions at different scales (Duncan, Goodwin and Halford 1988). This is also true for structured coherence because, as Harvey (1985, p. 143) argues, there is only a *tendency* to produce structured coherence and it could be achieved "only by accident" for a brief time period as it is constantly

undermined and disrupted by the forces of capitalist uneven development.<sup>14</sup> The efforts to stabilize structured coherence using some combination of local, regional and national forms of regulation result in the emergence of "local spaces of regulation" (Goodwin, Duncan, and Halford 1993). This leads us toward the incorporation of regulation theory and its concepts in the analysis of structured coherence and the development of a conceptual model of local and regional political economy.

#### ***4.4.2. Regulation theory and local/regional political economy***

Several authors (see Peck and Tickell 1992, 1995, Goodwin, Duncan and Halford 1993) attempted to establish connections between regulation theory and Harvey's concept of structured coherence as a way to address the failure of regulation theory to deal with development at the regional and local scale and with the issue of uneven development in general. For example, Peck and Tickell (1992, p. 352) argue:

If the form of accumulation system - mode of social regulation couplings is spatially variegated, then it is conceivable that a distinctive set of *regional* couplings exist. Regional accumulation systems, embedded within a wider spatial division of labor, presumably interact with regional and national regulatory structures in different ways, producing yet further unique regional effects. There are resonances here with Harvey's notion of 'structured coherence' at the scale of the urban region. (Emphasis in the original)

By integrating structured coherence into the regulationist framework, Peck and Tickell (1992, 1995) attempt to develop a conception of uneven development at subnational scales and regional political economy situated within a broader system of national and international structures of accumulation and regulation.

Along similar lines, Goodwin, Duncan and Halford (1993, p. 74) argue that including Harvey's concept of structured coherence introduces spatiality into regulationist framework.

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<sup>14</sup>This Harvey's notion of fortuity of structured coherence resonates with Lipietz's notion of regimes of accumulation and modes of regulation as chance discoveries (see Lipietz 1987, p. 15).

Now, instead of regimes [of accumulation] and modes [of regulation] rather abstractly floating around in some general sense we can picture them as an ensemble of relations and institutions that are anchored in particular places at particular times. . . Harvey is claiming not only that social relations and processes take spatial forms, but that within these forms some sort of coherence emerges which enables the daily reproduction and substitution of labor power. We can read such a coherence as the local objectification of an abstract mode of regulation, based on an ensemble of cultural, economic, social and political norms, as well as networks and institutions.

Goodwin, Duncan and Halford (1993) stress the central role of the local state in economic and social stabilization of structured coherence at the local scale (what they call "local spaces of regulation").

We can therefore understand structured coherence as being closely related to a regional regime of accumulation, regional mode of regulation and regional hegemonic structures including regional and local power blocs and regional and local cultures. These regional forms of accumulation, regulation and hegemonic structures are embedded within the national regime of accumulation, mode of regulation and hegemonic bloc.

In Chapter Six, I employ the concept of structured coherence to analyze historical political economy of the Most region. Structured coherence will allow me to introduce spatial and temporal dimensions into the concept of the development model and situate regional economy of the Most District within a broader framework of national transition and international system. The following chapters (7-10) analyze changes in the structured coherence of the Most region after the collapse of state socialism.

#### ***4.4.3. Structured coherence and the production of space***

Following Lefebvre (1991, 1979) and Lipietz (1992c) I have argued in Chapter One that social and economic processes associated with each development model produce a distinct spatial form and the environment. In geography, it is accepted that each development model and its accumulation strategy produce its own regional organization of economic activities (see, for example, Smith 1990, Smith and Dennis 1987, Scott and Storper 1992). Each transition between development models thus necessarily involves regional transformations including the restructuring and production of the new scale at



which regions are constituted as coherent and integrated economic units.

I will argue that particular economic and social processes associated with a particular structured coherence produce a distinct spatial organization of social and economic activities at the regional level which reflects the nature of these processes. Furthermore, I will contend that social and economic processes, operating at the level of the urban-regional labor market, which tend to form structured coherence also *tending* to produce its own social space, including the environment, at the same time. According to Lefebvre (1991, pp. 31 and 46), every mode of production together with its specific relations of production produces its own space and the transition from one mode of production to another necessarily involves the production of a *new space*. We might therefore argue that each restructuring and transition of structured coherence associated with changes in regional regime of accumulation and its regulation also entails the production of a new space.

Lefebvre (1991, p. 33) introduces three concepts (what he calls "conceptual triad") in order to conceptualize the way each society produces its own space. These include: (1) '*spatial practice*' "which embraces production and reproduction, and the particular locations and spatial sets characteristic of each social formation". Spatial practice involves everyday processes of production and reproduction which are inextricably bound up with one another. Spatial practice of a society secretes space of that society and produces space "slowly and surely as it masters and appropriates it" (Lefebvre 1991, p. 38). Spatial practice is crucial for the reproduction of social relations. (2) '*Representations of space*' reflect and are the result of relations of production and power relations in a society. For Lefebvre (1991, p. 38) this is:

conceptualized space, the space of scientists, urbanists, technocratic subdividers and social engineers, as of a certain type of artists with a scientific bent - all of whom identify what is lived and what is perceived with what is conceived.

Representations of space illustrate planned and purposeful spatial transformations by the state in order to maintain existing social relations. In this way, space becomes a political instrument for the state and it is the dominant space in any society (Lefebvre 1979,

1991). It suggests that state intervention plays a very important role in the production of space by a particular mode of production (Lefebvre 1991, p. 375). (3) '*Representational spaces*' is the dominated space, it is space which is passively experienced and lived by inhabitants (Lefebvre 1991, p. 39). It is related to symbolic and historic meaning of particular places and objects.

Spatial practice, representations of space and representational spaces are dialectically related and they "contribute in different ways to the production of space according to their qualities and attributes, according to the society or mode of production in question and according to the historical period" (Lefebvre 1991, p. 46). In Chapter Six, I will illustrate how social and economic processes of production and reproduction (spatial practice) together with planned constructions and destructions of cities and villages allowed by existing social relations of production and power relations in the Most region under state socialism (representations of space) were two of the most important factors in the production of space and the environment in the Most region. I will argue that the development of structured coherence in the Most region resulted in the production of specific spaces typified by the specific environment in the area and that ongoing restructuring of state socialist structured coherence in the Most region will gradually result in the production of new social space with its environment in the region.

#### 4.5. Conclusion

After presenting the critique of spaceless and timeless accounts of the transition in Central and Eastern Europe, this chapter elaborated the importance of uneven development and geographic scale in the study of transition. I argue that in order to understand the complexity of the transition from state socialism to capitalism in Central and Eastern Europe we need to include the study of the transition at the subnational scale - regional and local. The transition involves different processes operating at different geographic scales which combine together and their combination leads to nationally, regionally and locally specific pathways from state socialism.

Following Harvey (1985) I propose to study the transition by the way of focusing on structured coherence, which tends to form at the level of the urban region. The use of structured coherence for the study of development and transition in the Most District

will allow me to address the question of regional and local change and to integrate regulation theory into the analysis of transition at the regional and local scale. Furthermore, I will employ Lefebvre's idea of the production of space to investigate the relationship between space and social processes in the Most region and the environmental consequences of structured coherence which formed in the Most region before the Second World War and under state socialism.

Before we begin the case study of the political economy and transition of the Most region, we will turn our attention to the question of environmental degradation under state socialism and the role of environment and environmental struggle during the transition from state socialism to capitalism in *Central and Eastern Europe*.

## CHAPTER FIVE

### STATE SOCIALISM, TRANSITION TO CAPITALISM AND THE ENVIRONMENT

The aim of this chapter is to establish the link between the transition from state socialism to capitalism and the environment. After the discussion of major reasons for extreme environmental degradation under state socialism, I focus on the preliminary discussion of the relationship between environmental issues and transition in Central and Eastern Europe.

Severe environmental degradation and inability to address it adequately were two of the greatest failures of state socialism and its underlying productivism which contributed to its collapse in many countries. New post state socialist governments of Central and East European countries often regarded the issues of environmental improvement as their top priority tasks. In the Czech Republic, for example, the Prime Minister of the first freely elected post state socialist government, Petr Pithart, argued that his government put the efforts to take care of the environment at the very top of its agenda (Mladý Svět 1994). A poll taken in the Czech Republic in early 1990 revealed that improvement of the environmental situation in the country was the number one priority for 83 % of respondents (Moldan et al. 1990). Although the social and economic difficulties associated with the transition have often been assumed to have pushed questions of environmental degradation away from the center of popular concerns, 92 % of the citizens of the Czech Republic still regarded the quality of the environment as the most pressing or very pressing problem in October 1994 (LN October 21, 1994) (see also Table 1.3).<sup>1</sup> In the environmentally devastated regions, such as the Most district, the quality of the environment has consistently been regarded as the *single* most serious problem by the majority of residents despite all other difficulties resulting from the

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<sup>1</sup>98% of the respondents ranked crime as the most pressing or very pressing problem, corruption, unlawful appropriation of state assets and organized crime ranked next with 95% of the respondents listing them. Economic reform, social security, standard of living and the environment followed being pressing problems for 92% of the respondents.

transition.<sup>2</sup> This suggests that the potential success or failure of the transition from state socialism to capitalism will be also measured by its ability to improve the environmental conditions in the region and the Czech Republic as a whole. The question of environmental degradation and struggle over its improvement thus becomes one of the crucial tests of the unfolding transition in the Czech Republic. It also points to the contested nature of the transition.

In this chapter, *first* I link the origins of serious environmental degradation in Central and Eastern Europe to the state socialist development model and I investigate the factors that contributed to environmental degradation in Central and Eastern Europe, such as distorted pricing mechanisms, overconsumption of energy and energy waste, weakly enforced environmental standards and regulations, absence of any central environmental authority and the information monopoly of the Communist Party. *Second*, I briefly examine the links between the transition and the question of environmental clean-up in Central and Eastern Europe. I argue that the transition from state socialism to capitalism does not automatically result in environmental improvement. The post-1989 decline in pollution levels is rather the byproduct of the economic decline associated with the collapse of state socialism and the liberal transition to capitalism. I also argue that the internal struggle over the direction of environmental change in the individual countries of Central and Eastern Europe results in different approaches toward environmental reform. This claim supports my earlier arguments about the uneven nature of the transition and varied national pathways from state socialism as well as my argument about the contested nature of this transition. I stress the need to study the environmental effects of the transition in concrete regional and local conditions.

### 5.1. State Socialism and the Environment in Central and Eastern Europe

The origins of the current serious degree of environmental degradation in Central and Eastern Europe can be traced back to the period of capitalist industrialization which

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<sup>2</sup>My 1992 and 1993 surveys in the Most District revealed that more than 60% respondents regarded quality of the environment as the single most serious problem facing them personally and their communities. Almost 50% thought that quality of the environment was the most serious problem facing the Czech Republic. Other problems never surpassed the 17% mark. See Chapter Ten for details.

took place in this region after 1800.<sup>3</sup> Many regions, however, such as Slovakia, eastern parts of Poland and Hungary, Romania and Bulgaria, were not really industrialized until after World War Two with socialist industrialization. Socialist (or forced) industrialization also affected old industrialized regions such as Upper and Lower Silesia in Poland or the northern part of Bohemia and northern Moravia in today's Czech Republic.

Socialist industrialization of the late 1940s, 1950s and early 1960s concentrated on the development of heavy industrial sectors in all state socialist countries of Central and Eastern Europe. This development path followed the earlier model of Soviet industrialization and the belief, based on the capitalist experience, that heavy industry is the driving force of economic development. Heavy industries, such as mining, metallurgy, electricity production, heavy machinery and chemistry, received most of the investment while consumer goods industries and agriculture were neglected.<sup>4</sup> The goal of socialist planners was to industrialize the Central and East European economies at all cost and rapidly increase production in the shortest possible time period (Tables 5.1-5.3).

Because heavy industries, such as metallurgy and chemicals are very energy intensive, rapid industrial growth depended on the increased production of electricity. Unfortunately, low grade brown coal (lignite) is the only abundant energy source in many countries of Central and Eastern Europe and the countries, such as former Czechoslovakia, East Germany, Bulgaria and Poland, relied heavily on this energy source to satisfy their growing energy needs. Brown coal (lignite) has a high ash content, a sulfur content that varies from region to region but is generally higher than bituminous

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<sup>3</sup>In the Czech Lands, for example, the Industrial Revolution took place roughly between 1800 and the late 1860s (Purš 1960) and the coal mining industry played a critical role in the development of new industrial regions. The industrialization of Slovakia and much of Hungary as well as eastern parts of Poland took place later and was less intensive. For example the Hungarian economy emphasized agricultural production and the most important industry was flour milling during this period.

<sup>4</sup>A comprehensive analysis of socialist industrialization in Central and Eastern Europe is beyond the scope of this chapter. See, for example, Dawson (1987) on general features of socialist industrialization and Selucký (1972, 1991) on its application in the former Czechoslovakia. In Slovakia, for example, mining, iron and steel industry, energetics and chemical industry combined accounted for 64.5% of all investment between 1948 and 1967. Metallurgy alone accounted for 15.1% of all industrial investment. This was more than the investment into all branches of consumer goods industries and food processing combined (Barnovský 1975).

coal and its energy yield is only about half that of hard coal (World Resources 1992).<sup>5</sup> As a result, it is necessary to burn much more lignite to satisfy energy needs. With the exception of Hungary<sup>6</sup> and Romania this reliance on coal for electricity production did not change much until the end of the state socialist period despite the various efforts to find alternative energy resources (especially nuclear power) (Table 5.4).<sup>7</sup>

State socialist industrial development for the most part ignored environmental considerations in its period of extensive industrial growth and resulted in rapid

**Table 5.1** Index of Gross Production in Industrial Sectors of Hungary 1950-1986 (1950 = 100).

Hungary (1950=100)	1955	1960	1970	1980	1986
Mining	165	201	314	357	356
Energy industry	178	277	627	1,206	1,422
Metallurgy	199	273	463	638	654
Engineering	205	343	790	1,345	1,646
Building materials	194	297	525	830	850
Chemical industry	238	454	1,502	3,368	3,821
Light industry	185	261	442	647	690
Food processing	181	218	393	581	650

Source: Vukovich 1990, p. 20.

<sup>5</sup>This is the case of brown coal mined in the Most District. See Chapter Seven, Table 38.

<sup>6</sup>Hungary imports over 50% of its energy consumption due to its insufficient domestic energy sources. Since the 1960s, energy imports shifted from coal to hydrocarbons, especially Soviet (today Russian) oil, reflecting the modernization of Hungary's industrial base. Another factor which led to the decreased reliance on coal for electricity production was the introduction of nuclear power in the 1980s which accounted for more than 10% of Hungary's energy needs in 1986 (Vukovich 1990). Today, about 50% of Hungarian electricity comes from its single nuclear power plant. Czechoslovakia has also built nuclear power plants in order to decrease its reliance on coal, whereas Poland has not and its reliance on coal remains extremely high.

<sup>7</sup>Western Europe also originally relied on coal (but bituminous) for energy production but experienced a substantial shift toward both imported and domestic oil and natural gas as early as in the 1950s and 1960s. Some countries, such as France, opted for nuclear power. In the early 1990s coal accounted for only 14% of energy consumption in Western Europe compared with 80% for Poland and 62% for Czechoslovakia in 1989 (World Resources 1992).

**Table 5.2** Index of Gross Production in Industrial Sectors of Slovakia 1948-1988 (1948 = 100).

Slovakia (1948=100)	1955	1960	1970	1980	1988
Energy industry	418	659	1,782	3,394	4,043
Metallurgy	233	413	1,820	3,410	4,096
Engineering	434	1,011	2,567	6,460	10,539
Chemical industry	404	1,128	3,834	6,674	8,101
Textile industry	238	380	654	1,456	1,747
Food processing	258	387	618	1,019	1,183

Source: Statistická ročenka Československé socialistické republiky 1989.

**Table 5.3** Index of Gross Production in Industrial Sectors of the Czech Republic 1948-1988 (1948 = 100).

Czech Republic (1948=100)	1955	1960	1970	1980	1988
Energy industry	182	325	595	971	1,204
Metallurgy	230	372	524	744	778
Engineering	329	618	1,225	2,464	3,335
Chemical industry	277	522	1,255	2,342	2,952
Textile industry	165	225	322	472	554
Food processing	186	241	324	443	483

Source: Statistická ročenka Československé socialistické republiky 1989.

deterioration of the quality of the environment in all Central and East European countries (see, for example, Carter and Turnock 1993, Vukovich 1990, Carter 1985). By the 1970s, it was becoming clear that countries, such as Poland and the former Czechoslovakia, suffered worse environmental degradation than in most industrialized countries of Western Europe. The one party political system and centrally planned economy were simply unable to deal adequately with environmental degradation and



conditions continued to worsen throughout the 1970s and 1980s.

**Table 5.4 Commercial Energy Consumption in Central and Eastern Europe in 1989: Consumption by fuel type as a percent of total<sup>a</sup>.**

	Solid Fuels <sup>b</sup>	Liquid Fuels <sup>c</sup>	Gas <sup>d</sup>	Other fuels <sup>e</sup>
Albania	36	43	13	9
Bulgaria	51	28	18	3
Czechoslovakia	62	19	15	4
East Germany	75	15	8	1
Hungary	27	28	37	8
Poland	80	12	8	0
Romania	31	22	44	2
Yugoslavia	46	34	13	6

Notes: a) Consumption is defined as domestic production plus net imports, minus net stock increases, minus aircraft and marine bunkers. b) Solid fuels include bituminous coal, lignite, peat, and oil shale burned directly. c) Liquid fuels include crude petroleum and natural gas liquids. d) Gas includes natural gas and other petroleum gases. e) Other fuels include primary production from hydro, nuclear, and geothermal sources.

Source: World Resources 1992 p. 61.

### *5.1.1. Factors that contributed to environmental degradation in Central and Eastern Europe*

There are a number of factors that contributed to environmental degradation in Central and Eastern Europe in addition to the production of electricity based on low grade lignite and coal. Distorted pricing mechanisms set by the central planning authorities kept the prices for both natural resources and electricity low and the governments subsidized these low prices.<sup>8</sup> The low prices for coal and other natural

<sup>8</sup>In Poland, for example, the government paid for 83% of the cost of natural gas sold to industry, as well as 49% of the coal costs and 27% of the electricity costs (CQ Researcher 1991).

resources did not take into account the cost of environmental degradation and its improvement. They did not create any incentives for industries to become more energy efficient. The governments subsidized coal mining and its growing production costs but did not have enough money to deal with its environmental consequences. Cheap electricity and energy in general led to overconsumption and energy waste both by industries and individual consumers. As a result, the formerly centrally planned economies used much more energy for the production of each unit of national income than the Western industrialized countries. Today, according to some estimates, the East European economies require two to three times as much energy per unit of output as industrialized countries of Western Europe and North America (Kabala 1991a).<sup>9</sup> Consequently, energy inefficient production led to much higher production of pollution per unit of income than in the industrially developed countries (Table 5.5).

Income made by coal-based power plants was not used to make their production environmentally cleaner by, for example, buying environmental equipment such as desulfurization technology. Instead, the earnings were redistributed by the planning machinery and subsidized ineffective industrial production.<sup>10</sup> When the desulfurization equipment was installed, it was usually based on inefficient Soviet technology.<sup>11</sup>

The former state socialist countries of Central and Eastern Europe, such as Czechoslovakia, Hungary and Poland, developed legislative systems of environmental protection and pollution fees with standards and regulations often stricter than in Western Europe (see Table 5.7).<sup>12</sup> Unfortunately these standards and regulations were weakly

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<sup>9</sup>In the case of Hungary, the centrally planned economy used 30-40% more energy per unit of industrial output than the developed countries (Okolicsanyi 1992).

<sup>10</sup>This argument was made many times during the different interviews conducted in the Most District between 1992 and 1994.

<sup>11</sup>For example, Soviet technology was bought to desulfurize the power plant Tušimice in northern Bohemia in the Czech Republic in the 1980s. The construction and equipment cost about 2 billion crowns (today about \$70 million) but the entire unit has never been initiated because of enormous technological problems. All the invested money appears to have been wasted (interview with Mr. Pisinger, advisor of the Minister of the Environment, Teplice, August 4, 1993).

<sup>12</sup>Former Czechoslovakia had quite comprehensive but largely ineffective environmental legislation during the state socialist period. Major environmental laws enacted in the late 1960s and 1970s included the Air Purity Law (1967), Water Act (1977 - which revised the Water Conservation Law of 1955), Agricultural Land Protection Act (1976), and Revision to the Forestry Act (1977 - which revised the Forestry Act of 1960) (World Bank 1991, Andrews 1993). Furthermore, there were over 350 environmental regulations (Bowman and

enforced and fees were so low that it was easier and cheaper for the industrial polluters to pay penalties than to improve their environmental record. Pollution fees were included into the planned budget of the individual enterprises. Furthermore, the state granted hundreds of exemptions from its own regulations, making them even less effective (see, for example, World Resources 1992, Bolan 1992 on Poland, Carter 1985 on Czechoslovakia, Salay 1990 on Hungary).

The Central and East European countries usually lacked any central environmental authority. Many different ministries dealt with different aspects of environmental protection and regulation. This fragmentation also weakened governmental policies designed to protect the environment; different ministries had different views about environmental protection and represented different interest groups and lobbies. Consequently, no uniform and integrated system for the monitoring of pollution emerged in any of the Central and East European countries.<sup>13</sup>

The information monopoly of the Communist Party made it possible to conceal environmental statistics and most available information about the quality of the environment. Environmental data were secret and the general public did not have any access to environmental information.<sup>14</sup> People did not know about environmental conditions in their regions, with the exception of places, such as northern Bohemia in the Czech Republic and Silesia in Poland, where the extent of environmental devastation was very obvious. Lack of information led to a lack of interest among the general public about environmental issues. Individuals who openly expressed their dissatisfaction with environmental policies and who attempted to increase public environmental awareness

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Hunter 1992).

<sup>13</sup>This was the case in the former Czechoslovakia, for example, where environmental protection was very fragmented because there was no central office that would deal with environmental protection, management and enforcement of existing laws and regulations. Instead, different ministries, such as the Ministry of Forest and Water Management and Woodworking Industry, the Ministry of Agriculture and Nutrition, the Ministry of Health, the Ministry of Culture and the Ministry of Building and Development, were responsible for different areas of environmental protection and management. Some areas, such as water management, were not covered at all (World Bank 1991).

<sup>14</sup>In the former Czechoslovakia, for example, the reports documenting the quality of the environment in individual localities and the effects of pollution on human health were kept secret until 1988 (see Moldan et al. 1990, pp. 35-39).

**Table 5.5** Emissions of sulfur dioxide and nitrogen dioxide (in grams) per dollar GNP in selected countries in 1988 and 1989.

Country	Sulfur dioxide		Nitrogen dioxide
	1988	1989	1989
Poland	20	58.4	22.1
Bulgaria	21	49.4	7.2
Hungary	17	45.0	9.6
East Germany	31	32.7	4.4
Czechoslovakia	24	22.7	7.7
Romania	19	2.5	4.9
Soviet Union	5	3.5	1.6
United Kingdom	5	4.3	3.0
United States	4	3.0	3.8
Sweden	1	1.2	1.6
France	1	1.5	1.7
West Germany	1	1.2	2.4

**Note:** The big difference between the 1988 and 1989 data in the case of Hungary, Poland and Bulgaria reflects the economic decline in these countries that started earlier than in the former Czechoslovakia.

**Source:** 1988 data: CQ Researcher 1991, 1989 data: World Resources 1992.

were persecuted by the government.<sup>15</sup> As a result, the environmental movements that emerged in Hungary and the Czech Republic in the 1970s were weak and generally under the control of the government (World Resources 1992).<sup>16</sup>

By contrast, the state socialist governments of many Central and East European

<sup>15</sup>Interview with Dr. Jan Kára, a former employee of the Federal Committee for the Environment, Prague, August 18, 1993. See also Moldan et al. (1990) pp. 32-33.

<sup>16</sup>See Chapter Nine, section 9.1. of this dissertation on the non-governmental organizations in the Czech Republic under state socialism.

countries, such as Czechoslovakia, Hungary and Poland, were very well aware of the environmental problems in their respective countries and in particularly affected regions. The administrative-command economic and political system did not make it possible to deal with these problems effectively and all the attempts made by the state socialist governments to arrest environmental degradation floundered on the "greater need" to increase production.

State socialism proved to be incapable of a fundamental change in its exploitative and careless use of nature from the early stages of the socialist industrialization. The causes of environmental destruction were similar to those in the capitalist countries, because state socialism attempted to emulate the capitalist *extensive* regime of accumulation and its labor process model (see also O'Connor 1989 and Deléage 1989). In contrast to state socialism, however, capitalism showed itself to be more flexible and able to alleviate the worst cases of environmental devastation under the threat of its own destruction.<sup>17</sup>

## 5.2. Transition Toward Cleaner Environment?

*There was a chance for fundamental change in the East [in terms of the environment], a chance for a new beginning, but so far it has been squandered. (Hartwig Berger, spokesman of the Green Party in Berlin)<sup>18</sup>*

*The modern notion that development and environmental protection should go together has not reached here. (Lutchezar Toshev, the head of Bulgaria's Ecoglasnot)<sup>19</sup>*

Environmental movements played fundamental roles in the 1989 revolution in Czechoslovakia and in the demise of state socialism in Hungary, Poland and Bulgaria (Marshall 1991, Bowman and Hunter 1992, Kabala 1993, Pickles and the Bourgas Group

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<sup>17</sup>The development of capitalism in Japan, for example, and its approach toward the environment illustrate this flexibility (see Pempel 1982, McKean 1977, Murata 1980, Kelley, Stunkel and Wescott 1976, Upham 1987, Environment Agency 1989).

<sup>18</sup>Quoted in Simons (1994).

<sup>19</sup>Quoted in Simons (1994).

1993, Baumgarti 1993). The degree of environmental awareness was high among the people of Central and Eastern Europe and the governments were initially committed to the ideas of environmental clean-up after the collapse of state socialism. This "enthusiastic" period in both environmental politics and awareness ended in the former Czechoslovakia in mid-1991. Since then, environmental concerns have been losing their priority in both politics and popular perceptions. A more pragmatic approach toward environmental issues has replaced the post-revolutionary enthusiasm and economic concerns have regained priority (Jehlička and Kára 1993). This change resulted from the struggle between different perceptions of the importance of environmental improvement during the post state socialist transformation in the former Czechoslovakia.

### *5.2.1. Struggle over the role of environment in the transition*

Although the environment was understood as a priority of the first post state socialist governments of the former Czechoslovakia and the Czech Republic, there was an intense political struggle over how to deal with the environmental devastation inherited from state socialism and how to integrate the environmental concerns in the post state socialist transition. Two opposing strategies competed to become the governmental strategy for environmental improvement. *First*, there was an approach, closely related to the policies of various environmental movements, which was represented by the environmental enthusiasm and idealism of the governmental minister Mr. Vavroušek, the chairman of the Federal Committee for the Environment. This approach tended to prioritize environmental clean up over economic interests and sometimes even at the expense of the economy. *Second*, this approach competed with a more pragmatic liberal economic view of the environment, represented by Mr. Klaus, then the Finance Minister of Czechoslovakia, which stressed the priority of economic transition and the restoration of economic growth even at the expense of postponing the solution of environmental problems to the future. This liberal economic approach claimed that the successful economic transition to a market economy is a necessary precondition for any

environmental improvement.<sup>20</sup> The struggle between these two opposing approaches toward the environment was resolved in favor of the liberal economic view of the environment after the June 1992 parliamentary elections when Mr. Klaus became the Prime Minister of the Czech Republic and the Federal Committee for the Environment was closed in September 1992, even before the fate of Czechoslovakia was determined.<sup>21</sup>

This example of the struggle over the direction of environmental change and the role of the environment in the transition strategy in the former Czechoslovakia illustrates the contested nature of the transition in Central and Eastern Europe and the failure of environmentalists to put through more environmentally oriented strategies of the transition from state socialism to capitalism. Similar development can be observed in other countries of Central and Eastern Europe after 1989.<sup>22</sup> The economic and social problems associated with the transition, such as declining production and growing unemployment, now preoccupy the governments. A spokesman for the Polish government's environment ministry expressed the governmental mood in Central and Eastern Europe very clearly when he argued that "right now, the environment has no priority, because there are so many other needs" (Jensen 1990, p. 54). The United States General Accounting Office (GAO 1994, p. 26), which conducted interviews with the governmental officials in the Czech Republic, Hungary and Poland in 1993 and 1994, concluded that the new governments of these countries "have identified economic restructuring and the privatization of state-owned enterprises as two of their primary goals" and placed much less emphasis on the environmental issues. Public concerns have also shifted away from environmental issues to economic ones as falling real wages and

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<sup>20</sup>According to the opinion poll conducted in 1994, this approach toward the environment is supported only by 17% of the Czech population. Forty percent of the 800 respondents preferred the environment to economic prosperity, 35% thought that both economic prosperity and the environment were equally important for them, and 17% of the respondents preferred economic prosperity to the environment (LN September 9, 1994).

<sup>21</sup>Interview with Dr. Jan Kára, a former employee of the Federal Committee for the Environment, Prague, August 18, 1993.

<sup>22</sup>See, for example, Pickles and the Bourgas Group (1993) and Georgieva (1993) on the post-1989 environmental struggle in Bulgaria and Okolicsanyi (1992) on the situation in Hungary. Okolicsanyi argues (p. 69) that "improving the environment is clearly not a political priority" of the post state socialist Hungarian governments and that the governmental environmental policies have been ineffective. The environment has been and remains one of the important issues of the political struggle in Hungary.

growing job insecurity have emerged in Central and Eastern Europe (Juhasz and Ragno 1993, GAO 1994).

### 5.2.2. *Market panacea?*

There is a widespread belief in the West that the introduction of market forces alone will improve the quality of the environment as many of the worst polluters, which are also the most inefficient, will become uncompetitive and shut down (Liroff 1990, *The Economist* 1990a and 1990b). For example, according to economist Gordon Hughes from Edinburgh University "raising energy prices to average OECD levels should clean up most air pollution" in Central and Eastern Europe (*The Economist* 1992, p. 29). *The Economist* (1990a, p. 54) argued that "simply insisting on market pricing for raw materials will, in time, increase efficiency and cut pollution" and that "simply freeing the market will help clean Eastern Europe's dirt" (1990a, p. 56). The GAO (1994, p. 25) claimed that "in the private sector, industrial restructuring, along with the accompanying private investment in new production technologies, will *automatically* bring some environmental improvements" (emphasis added). According to this liberal economic approach, the environmental clean-up in Central and Eastern Europe could be easily achieved by promoting much more efficient use of energy, creating major new incentives for fuel switching, and encouraging mines to produce higher quality coal (World Resources 1992).

Similarly, there was a widespread belief among the anticommunist opposition *and* general public in the countries of Central and Eastern Europe, often based on fragmented and selective information, that the market economy and democratic political system of the Western European type could automatically cope with the environmental problems more successfully than the state socialist system. It was claimed, for example, that the competitive environment of the capitalist economy promoted economic efficiency that led to a significantly lower energy consumption per unit of national product than in inefficient centrally planned economies of Central and Eastern Europe. It was also argued that a state that did not run the economy could better enforce anti-pollution legislation and fine or even close polluting enterprises. Finally, it was believed that local democracy could significantly contribute to the protection and improvement of the quality



of local environmental conditions.<sup>23</sup> These three assumptions were accepted somewhat unproblematically in Central and Eastern Europe and led to the belief that the political change toward democracy and economic reform toward a capitalist market-based economy would automatically result in dramatic improvements in the quality of the environment.

The last five years have shown that the relationship between the transition in Central and Eastern Europe and environmental issues is not clear. In the chapters that follow, I will argue that the outcomes of the transition are geographically very uneven and have different effects on the environment. *First*, a sharp decline in industrial production associated with the collapse of state socialism and the implementation of liberal transition strategies resulted in the considerable decline in pollution released by the industrial enterprises. In the Czech Republic, for example, the large decrease in industrial production associated with liberal 'shock therapy' significantly reduced environmental pollution after 1989. According to the data provided by the Czech Ministry of the Environment (1994), the emissions of particulate matter declined by 26%, sulfur dioxide by 23%, nitrogen oxides by 24% and hydrocarbons by 18%, while the emissions of carbon monoxide increased by 10% between 1989 and 1992 (Table 5.6). In the same period, however, gross industrial output fell by more than 32% (by 40% in the enterprises employing more than 25 workers which are the largest polluters) (ČSÚ 1994c). The fall in production is thus much larger than the drop in pollution levels and energy consumption, which would suggest an increase in pollution per unit of output.

It will also be important to consider to what extent the overall drop in air pollution reflects the collapse of industrial production on the one side and the trend in air pollution reduction which began in the Czech Republic in the mid-1980s on the other side (Table 5.6). It seems, however, that the improved pollution statistics are mainly the byproduct of economic decline associated with the collapse of state socialism and liberal transition to capitalism rather than the result of governmental efforts to deal with the

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<sup>23</sup>Interviews with Mr. Paroha, Nadace Sever, August 13, 1993, Ústí nad Labem and Dr. Horáček, Ministry of the Environment of the Czech Republic, Department of Ecological Policy, Prague, August 18, 1993.

**Table 5.6** Development of total emission of air pollutants in the Czech Republic 1985-1992.

Year	Total Emissions in thousands of tons annually				
	Dust	SO <sub>2</sub>	NO <sub>x</sub>	CO	C <sub>x</sub> H <sub>y</sub>
1985	1,015	2,277	831	899	136
1986	988	2,177	826	740	140
1987	951	2,164	816	738	139
1988	840	2,066	858	737	139
1989	673	1,998	920	885	228
1990	631	1,876	742	888	225
1991	592	1,776	725	1,102	227
1992	501	1,538	698	1,045	205

Source: Ministry of the Environment 1994, p. 24.

environmental degradation.<sup>24</sup> It is also questionable whether this decrease in air pollution is sustainable because air pollution is anticipated to grow with the expected economic recovery in Central and Eastern Europe and increasing private car ownership (Juhasz and Ragno 1993).

*Second*, the transition can lead to improvement of the environmental quality *if* governments enact and enforce new environmental legislation compatible with Western European standards, and *if* economic restructuring results in the reduction of the energy intensive and most polluting heavy industrial sectors. Different countries approach environmental reform differently and with different speed, however, reflecting the urgency of environmental problems. In Central Europe, for example, the former Czechoslovakia, and later the Czech Republic and Slovakia, moved more quickly than Hungary and Poland in setting up new environmental legislation and developing new policies of environmental management and protection (Pavlínek and Pickles 1994, GAO

<sup>24</sup>Similar environmental effects of economic decline were observed in other countries of Central and Eastern Europe (see Okolicsanyi 1992 on Hungary, for example).

1994, Bowman and Hunter 1992) (Table 5.7).<sup>25</sup> In the Czech Republic, for example, 51 environmental laws and regulations were passed between 1990 and 1992 (Ministry of the Environment 1993a). In contrast to the Czech situation, Georgieva (1993, p. 73) argued that the first two post state socialist governments in Bulgaria "followed the past tradition of wishful thinking by developing an ambitious, completely unrealistic, and not related to legal and institutional changes strategy for environmental improvements". The large differences in how the individual Central and East European countries approach their environmental reforms reflect their country-specific pathways from state socialism and support my thesis about the highly geographically uneven nature of the transition.

This situation is also influenced by the uneven nature of environmental degradation. Different countries of Central and Eastern Europe and different regions suffer from different types and intensity of environmental degradation.<sup>26</sup> Also, different processes associated with the transition have differential impacts on the quality of the environment and different regions and places either benefit or suffer from the transition in terms of the quality of their environment. While, for example, some regions might benefit from a sharp decline in industrial production which is reflected in the decreased production of electricity in the brown coal thermal power plants and associated decrease in the levels of air pollution (e.g. old industrial regions, such as northern Moravia or northern Bohemia in the Czech Republic), other regions can suffer from a sharp increase in the volume of car transportation and related increases in the levels of air pollution (e.g. metropolitan areas such as Prague in the Czech Republic).<sup>27</sup>

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<sup>25</sup>Stronger initial determination of the Czechoslovak and later Czech government to improve the existing environmental situation resulted from a higher degree of environmental degradation, public awareness and overall political will in the former Czechoslovakia. There is continuing pressure on the Czech government from the NGOs and public to improve the quality of the environment especially in the environmentally devastated regions such as northern Bohemia. Economic downturn, coupled with political instability and fragmentation, have almost stopped environmental reform in Poland. A slower pace of environmental reform in Hungary could be explained by less urgent environmental problems than in former Czechoslovakia, apathy among the public and a lack of political will on the part of the Hungarian government to radically alter the existing environmental legislation (see Pavlínek and Pickles 1994, GAO 1994, Bowman and Hunter 1992).

<sup>26</sup>See, for example, Pavlínek and Pickles (1994) for the differences in the quality of the environment in the Visegrad countries of Central Europe or Carter and Turnock (1993) for country by country account of environmental problems in Central and Eastern Europe.

<sup>27</sup>There were 300 thousand cars registered in Prague in 1989. By 1994, the number of cars in Prague grew to 500 thousand. The intensity of car traffic grows 10% annually (LN November 15, 1994).

Similarly, the installation of scrubbers and desulfurization equipment in existing power plants can radically improve the existing air quality. But this is only possible when there is enough political will and financial means to pay for the equipment and its installation.

This geographical differentiation is even more pronounced at the local scale. The quality of the environment in one city can radically improve if it has an active local government which manages to raise necessary funds to finance the switch from brown coal to natural gas to heat houses and local enterprises.<sup>28</sup> A second city could be choked with the same levels of air pollution produced locally by burning brown coal because its local government does not actively seek ways to improve the existing situation.<sup>29</sup>

*Third*, there is a danger that the transition will not change the quality of the environment in Central and Eastern Europe or that it will worsen it if the countries of Central and Eastern Europe become suppliers of resources, energy and energy-intensive products, such as iron and steel, to the developed countries.<sup>30</sup> In this case, the location of highly polluting industries in Central and Eastern Europe could become its comparative advantage. Lower environmental standards can attract environmentally harmful production from the developed capitalist countries.

Unevenness of the transition and the country and regionally specific pathways from state socialism suggest that there will be no uniform environmental outcome of the transition from state socialism to capitalism in Central and Eastern Europe, but rather that outcomes of the transition will be nationally and regionally specific.

*Fourth*, as we have already discussed, the impact of the transition on the nature of production in state owned enterprises has been minimal so far (Burawoy and Krotov

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<sup>28</sup>This is the case of the city of DĚČÍN in northern Bohemia. See Chapter Nine, section 9.3.1. of this dissertation.

<sup>29</sup>This seems to be case of many small towns and villages. See Chapter Nine for details.

<sup>30</sup>There was a sharp increase in exports of natural resources from the Czech Republic after 1989 (see Chapter 3, section 3.1.2., footnote No. 49).

**Table 5.7** Selected Environmental Legislation in the Czech Republic, Hungary, and Poland.

Country	Enacted before 1989	Enacted 1989-1992: Revised	Enacted 1989-1992: New
Czech Republic	Forestry Act (1960) Air Purity Law (1967) Water Act (1973) Agricultural Land Protection Act (1976) Land Use Planning and Building Order (1976) Protection and Use of Natural Resources (Mining Law) (1988)	Clean Air Act (1991) Forest Protection Act (1991) Agricultural Land Protection Act (1992)	Environmental Protection Act (1991) Waste Management Act (1991) Environmental Fund Act (1992) Protection of Nature and the Landscape Act (1992) Environmental Impact Assessment Act (1992)
Hungary	Protection of Agricultural Land Act (1961) Water Management Act (1964) Act on the Protection of the Human Environment (1976) Decree on Solid and Hazardous Waste Management (1981)	Environmental Protection Act (pending approval)	
Poland	Nature Protection Act (1949) Geology Act (1960) Water Protection Against Pollution Act (1966) Environmental Protection Act (1966) Environmental Protection Act (1980) Waste Regulation Act (1980) Protection of Agriculture and Forests Act (1982) Land Use Planning Act (1984)	Air Pollution regulations (1990) Nature Protection Law (1991)	Law on Forested Areas (1991) State Inspectorate for Environmental Protection Act (1991)

Source: GAO 1994, p. 28.

1993, 1992, Burawoy and Hendley 1992, Šulc 1993). The divorce of the state from the economy in terms of its direct ownership and overall involvement in the economy has proceeded much more slowly than expected (Slay 1993a). Emerging local democracy

and civil society have uncovered the existence of different actors with different interests at the local level,<sup>31</sup> conflicts between central and local governments, fragmentation of local scale and growing regional tensions. Distrust and passivity are replacing popular expectations as the economic situation is dramatically getting worse and environmental conditions do not improve (Elander and Gustaffson 1993). As Chapters Seven to Ten will illustrate, the national and regional outcomes of the transition and its environmental consequences result from an intense struggle over the direction of change among political parties, central and local state, enterprises and communities, trade unions and capital, non-governmental organizations and the state, and citizens of environmentally devastated communities. Struggle over the environment thus illustrates the contested nature of the transition from state socialism to capitalism in Central and Eastern Europe. The rest of this dissertation will focus on a case study of the Most District in order to deal effectively with the complex nature of social processes and situations which produce space and the environment.

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<sup>31</sup>For example, a labor union activist in Northern Bohemia has recently written an open letter to the inhabitants of the region in which he has protested the halt of the mining activities in the open cast mine Chabařovice located in the Teplice District. Continuation of mining would require the demolition of the town of Chabařovice that has already been partially destroyed and today has only 2,500 inhabitants (almost 8,000 before World War Two). The post-1989 political changes saved the town when the local government elected in free elections launched the campaign to set a limit to mining that would not endanger the town. The case was decided by the Czech government in favor of the local demands against the interests of coal mining enterprises (LN December 10, 1993 and October 2, 1993). This particular case shows how local changes associated with political transition in Central and Eastern Europe allow local responses to environmental degradation unthinkable under the communist government. It also shows how local communities can significantly contribute to the protection of their local environment if they do not remain passive.

## CHAPTER SIX

### DEVELOPMENT OF STRUCTURED COHERENCE AND THE PRODUCTION OF SPACE IN THE MOST DISTRICT BEFORE 1989

This chapter aims to analyze the political economy of the Most region<sup>1</sup> from the Industrial Revolution in the last century to the end of state socialism in 1989. The main focus of my analysis is the state socialist period after the Second World War. My interpretation of historical political economy of the Most region draws on three theoretical concepts developed in Chapter Four (section 4.4) of this dissertation.

*First*, my view of the development and political economy of the Most region derives from the French regulation school and its concept of '*model of development*' composed of a regime of accumulation, mode of regulation, labor process model and hegemonic bloc (see Chapter One, section 1.1. of this dissertation). In the works of Lipietz (1984, 1987, 1992a, 1992b), however, the original concept was limited to the national or international level. Using the example of the Most District, I will show that a model of development can have a specific regional form which results from the combination and interaction of forces and processes operating at different scales.

*Second*, in order to introduce the spatial and temporal dimension into the concept of development model I employ the concept of '*structured coherence*' developed by David Harvey (1985, p. 140). This chapter will show how a specific structured coherence developed in the Most region before World War Two based on coal mining and how it was restructured during state socialism into a new form.

*Third*, I will illustrate how the pre-World War Two and state socialist models of development produced their own space and environment in the Most region. The concept of '*production of space*' is derived from the work of Henri Lefebvre (1991, pp. 31 and 46, 1979) who argues that every mode of production produces a distinct space. He also argues (1991, p. 55), however, that the former state socialist countries failed to produce

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<sup>1</sup>I use the term Most region to refer to the region located in the Most basin and its immediate vicinity, including the city of Litvínov, and centered on the city of Most. The Most District in its current boundaries was not established until 1960 and it had many different administrative forms before 1960 (see Švec and Kučerová 1993b).

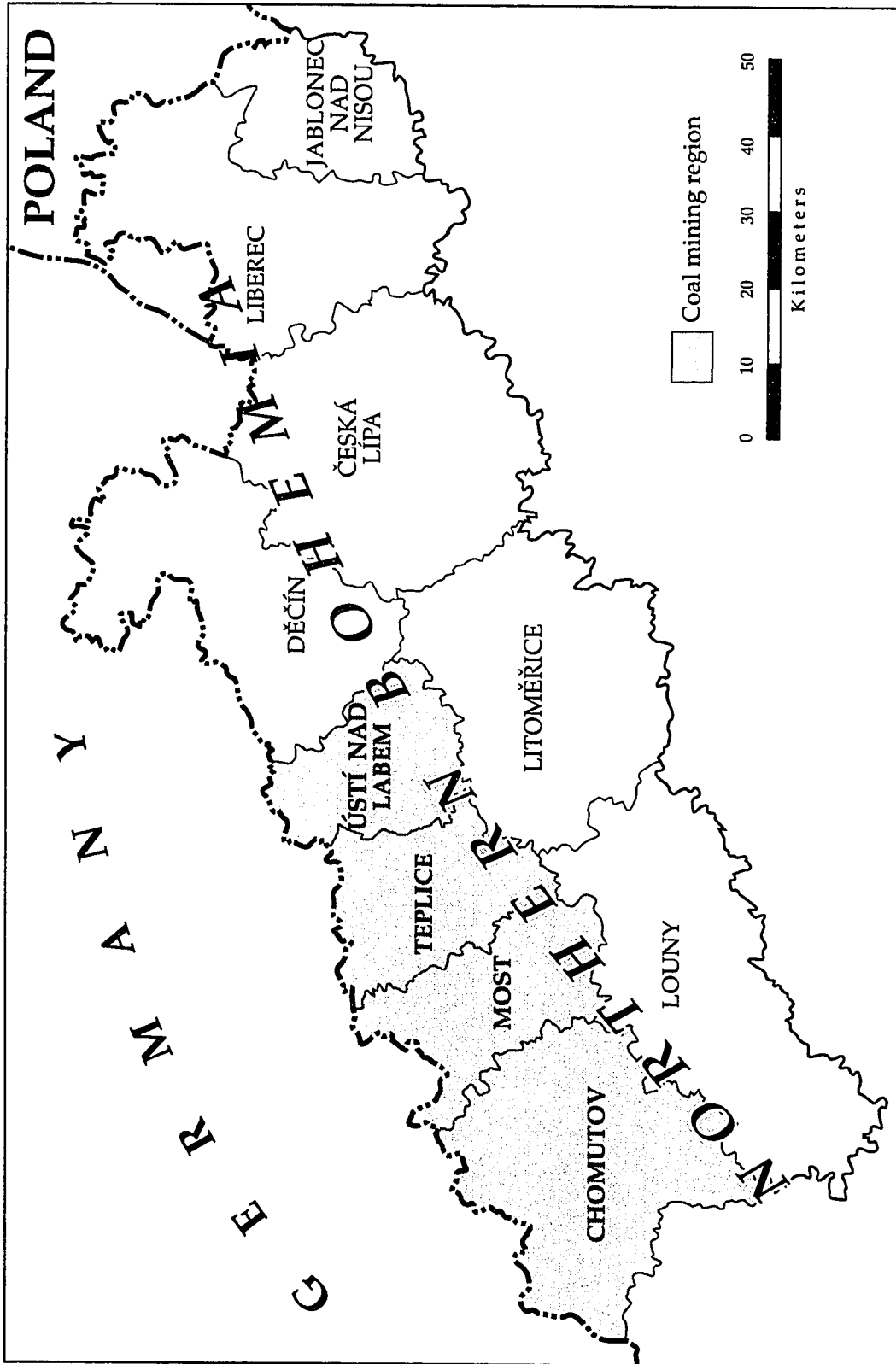
any specific space due to a 'failed transition' from capitalism. Although I agree with Lefebvre that state socialism failed to break away from the methods of capitalist regime of accumulation (see Chapter Three), I think that his argument that state socialism created no specific space is highly problematic. I will illustrate how state socialism produced its own space and environment using the example of the Most region.

This chapter is organized into seven sections. The first section introduces the Most District and provides its current picture. In the second section, I examine the pre-World War Two capitalist history of coal mining in the Most region which historically dominated the industrial structure of the area. I show how the development of coal mining during the Industrial Revolution led to a formation of specific structured coherence in the Most region during its capitalist period of development. In the third section, I examine the development of coal mining and class struggle under state socialism and their impact on gradual restructuring of structured coherence in the Most region after the Second World War. The fourth section briefly investigates the growth of chemical industry in the region which began in 1939. In the fifth section of this chapter, I explore the mode of social regulation in the Most District under state socialism analyzing labor politics, plan fetishism, Communist Party hegemony, industrial paternalism and civil society. I show how state socialism produced space and environment in the Most District in section six. Finally, I characterize the specific forms and geographies of structured coherence formed in the Most District under state socialism.

### **6.1. The District of Most**

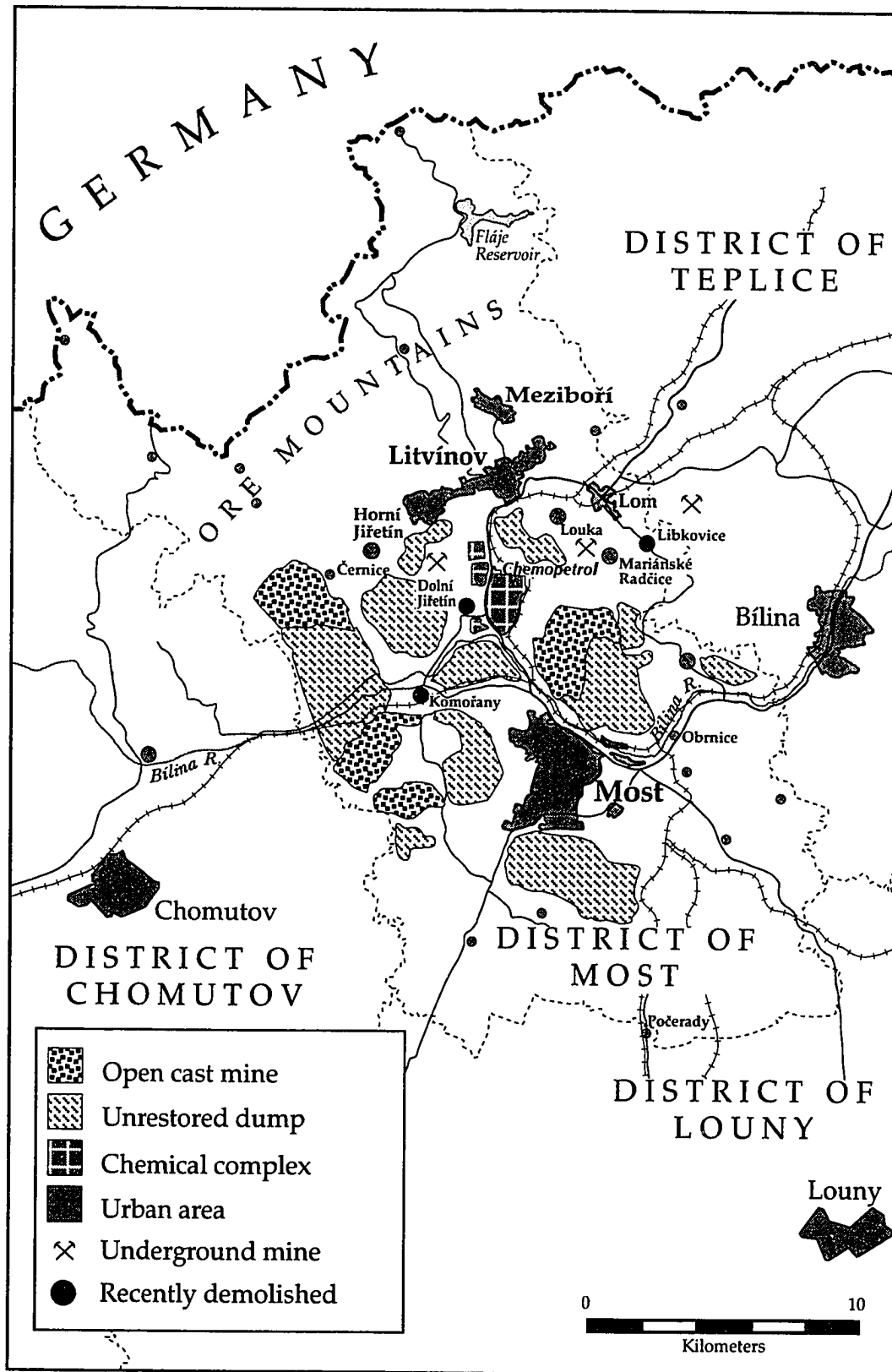
The District of Most is located in the region of Northern Bohemia on the Czech-German border in the Czech Republic (Maps 1-3). The Most District has been chosen for our case study for several reasons. Its industrial structure is based on large enterprises in the chemical industry and coal mining typical for the state socialist development model. The natural resources and the environment of the district were ruthlessly exploited in the past 50 years which resulted in extreme environmental degradation. In this sense, the Most District typifies the old state socialist regime and provides a good opportunity to study the unfolding transition and the impact of this





Map 2. Northern Bohemia, Czech Republic

Map 3. The District of Most



political, economic and social change on the environment in the Czech Republic generally and in the Most District specifically.

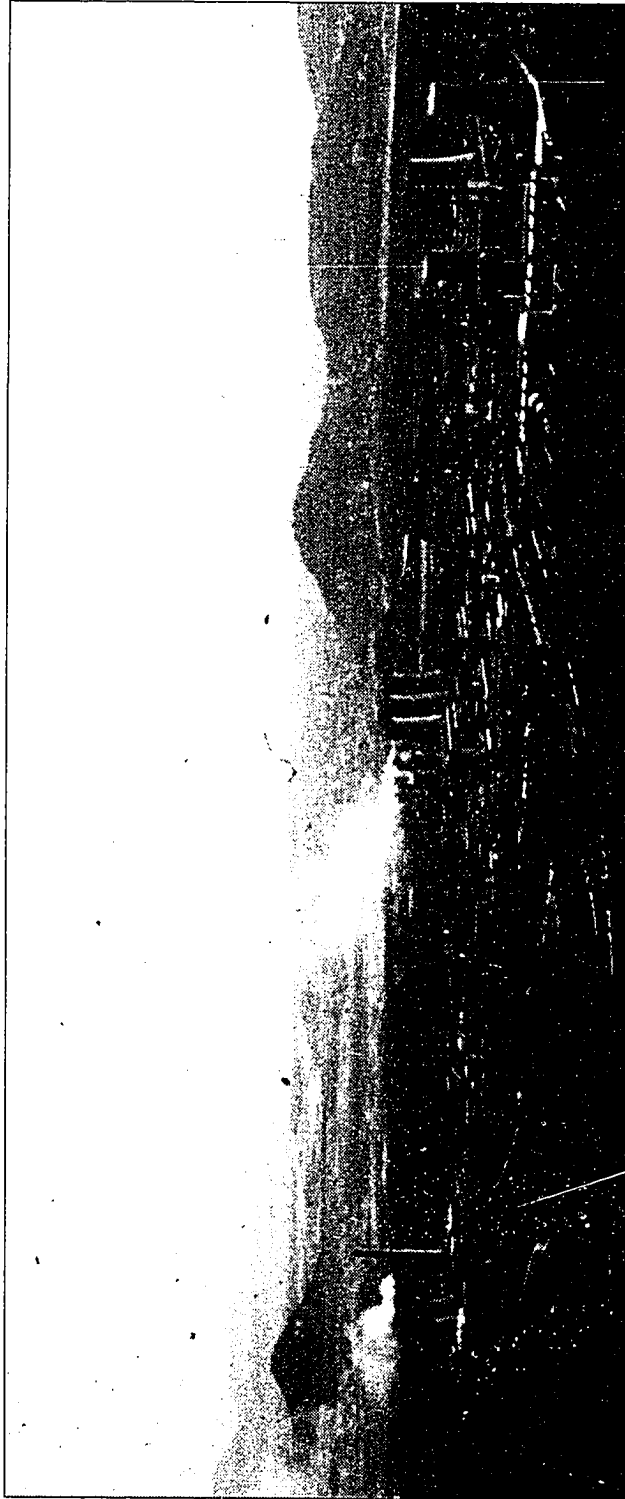
Although the total area of the district is quite small (467 square kilometers), it displays a high degree of geographic variation. We can recognize three geographically distinct units within the district. The northern part is occupied by the Ore Mountains (*Krušné hory*), the southern portion is filled with the bulge of the Žatec plateau (*Žatecká plošina*) (southwest) and the hills of the Czech Middle Mountains (*České středohoří*) (southeast). The central section of the district is occupied by the Most basin. The Most basin is endowed with large deposits of lignite and low grade brown coal.

These three distinct physical geographic units differ significantly in terms of their economy. The northern mountainous area has little economic value as its forests have been devastated by pollution and its recreational potential has declined considerably. The southern portion of the district and especially the Žatec plateau is an agriculturally valuable area and economic activity is concentrated on intensive agricultural production. The Most basin has an extremely high concentration of industrial activities and population resulting in an extremely high degree of environmental degradation (Photo 1). My case study specifically focuses on the Most basin and does not concentrate on the mountainous and southern agricultural areas of the district as these face different problems, such as the depopulation of the mountains and deconcentration and privatization of agriculture in the southern agricultural area.<sup>2</sup> Democratization has opened up the possibilities for different regions to seek remedies for their long-term problems and it is becoming obvious that even in small areas, such as the Most District, the local political scene may become fragmented as different local interest groups try to solve problems of specific concern to individual localities.

The coal deposits of the Most basin are part of the North Bohemian brown coal

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<sup>2</sup>Nonetheless, these different problems represent different effects of the transition and the previous state socialist development model under different conditions. The depopulation of the mountains results not only from their economic underdevelopment and environmental devastation associated with state socialism, but also from the post-1989 cuts in public transport which make it very difficult for the inhabitants of the mountains to commute to work in the Most basin on a daily basis. Deconcentration and privatization of agriculture in the southern agriculture area of the Most District are associated with the liberal transition strategies from state socialism to capitalism.



**Photo 1.** The picture of the Most basin taken from the slopes of the Ore Mountains. Chemopetrol is in the front and the open-cast coal mines are visible in the background (Most-Kopisty Mine on the left and the Cs. Armády Mine on the right). Photo taken in 1993 by the author.

basin which covers about 850 square kilometers and is located on the territory of five north Bohemian districts. Its coal deposits are 25 meters thick on the average with the largest deposits (up to 60 meters thick) located in the central part of the basin in the area of the Most basin and east of it. The seam is located from several meters underground at the outcrops to 400 meters underground at the center of the basin (SHD 1991, Štýs and Helešicová 1991).

In terms of population distribution and density, the Most District is unusual. The district has more than 120,000 inhabitants (120,289 in 1993) with a high population density of 257 people per square kilometer recorded in 1993. 58.8% of its population is concentrated in the city of Most alone. The degree of urbanization is high because 90% of the district's population live in the four cities and towns (Most, Litvínov, Lom, Meziboří), all of them concentrated in the Most basin, with the exception of Meziboří which is located on the slopes of the Ore Mountains just above the Most basin. The destruction of villages in the Most basin because of coal mining resulted in a sharp reduction in the number of communities from 59 in 1956 to only 26 in the entire district today (OSS 1992, 1994, ČSÚ 1993a). Since 1956, 33 villages or their parts have been torn down in the district and at least 30,000 inhabitants of these villages and a majority of 35,000 inhabitants of the old city of Most have had to leave their homes (Švec and Kučerová 1993b, OSS 1992) (see Table 6.7). The destruction of villages did not end with the collapse of state socialism. The demolition of the village of Libkovice, which in 1986 celebrated 800 years from its first written mention, was carried out after 1990.

The social and demographic conditions in the Most District are strongly influenced by the economic conditions. The population of the district can be briefly characterized by a low natural increase (0.14% annually in 1990, 0.23% in 1992 and 0.15% in 1993) and, following the 1989 revolution, as having higher rates of emigration than immigration (by 431 persons in 1990, 62 in 1992 and 211 in 1993) resulting in a population decline in 1990 and 1993 (by 261 and 62 persons respectively) (OSS 1992, 1993, 1994). The 1980s witnessed a declining natural population increase and population aging combined with immigration exceeding emigration and this resulted in an overall population growth by almost 3,000 people between 1981 and 1991. The reversal in the migration patterns from higher immigration in the 1980s to higher emigration in the early

1990s reflects the declining economic appeal of the district for migrants associated with the decrease in job opportunities in coal mining and the chemical industry. In terms of national structure, 88% of inhabitants are Czechs, 7.0% Slovaks, 1.7% Germans and less than 1% are Poles, Hungarians and Romanies (OSS 1992). According to the local authorities, however, only one third, maybe one fifth of all Romanies living in the district claimed the Romany nationality during the 1991 census. According to the Czech journal *Demografie*, there were 6,233 Romanies living in the Most District in 1988, which represented 5.14% of the district's population (quoted in Švec and Kučerová 1993b), and the local authorities reported 6,477 Romanies living in the district in 1991 (3,927 in 1980, 2,970 in 1970) or 5.39% of the population (Švec and Kučerová 1993b). This national structure, which is quite unusual in the Czech Republic, reflects the pattern of post World War Two development in the district.

Partly because of the vast physical and social upheavals in communities disturbed by coal mining, and partly because of the labor pool used by the mining and chemical industries, the population of the Most District exhibits a high degree of so called social pathology. The district recorded the second highest number of crimes per 1,000 inhabitants in the entire Czech Republic in 1991 (53.9). The crime rate grew to 55.6 in 1992 but declined to 46.6 in 1993 improving the Most's position among other districts (ČSÚ 1994a). The Most District has a higher suicide rate than the average (25 suicides per 100,000 inhabitants in 1992 and 23 in 1993) (ČSÚ 1993a, 1994a). The Most District is among the districts with the highest divorce rate in the Czech Republic (64.9 divorces per 1,000 marriages in 1993 compared to 52.3 for northern Bohemia as a whole) (OSS 1994). Švec and Kučerová (1993b) also stress growing levels of drug abuse, alcoholism and sexually transmitted diseases in the district and argue that the social pathology of the Most District results directly (at least in part) from the environmental and social devastation of the region caused by the excessive industrial concentration in the Most basin during the state socialist period. Some characteristics of the social pathology, such as for example high divorce and suicide rates, are also associated with the fact that the Most District has the least religious population in the Czech Republic. Only 20% of the citizens recorded a religious affiliation during the 1991 census (44% in the Czech Republic as a whole). Social behavior and the relationship toward the environment is

probably also influenced by the education structure of the Most District citizens. A high percentage of the population has only elementary education (38.1% in 1991, 51.1% in 1980) or vocational training (32.1% in 1991, 25.9 in 1980) and a low percentage of the population has a university degree (4.4% in 1991, 2.9% in 1980) (OSS 1992).

In 1980, the Most District recorded the lowest life expectancy rates in the Czech Republic - 64.18 years for men and 72.45 for women (the corresponding data for the Czech Republic as a whole were 67.13 years for men and 74.13 years for women). By 1990, the life expectancy slightly increased to 65.39 years for men (Czech Republic 68.1 in 1989) and 73.09 for women (Czech Republic 75.4 in 1989), that is the second lowest for men and third lowest for women in the Czech Republic out of 75 districts (OSS 1992). Cancer mortality in the Most district grew by 51.3% between 1970 and 1990 (by 13.3% in the Czech Republic) and while cancer mortality accounted for 19.5% of all deaths in the Most district in 1970 (20.6% in the Czech Republic), it accounted for 24.4% of all deaths in 1990 (21.9% in the Czech Republic) (Švec 1992). The Most District also recorded a statistically significant higher number of miscarriages, deformed human fetuses and new born children than the Czech Republic as a whole (Švec and Kučerová 1992).

The health of population in the neighboring districts of the North Bohemian Coal Basin is similarly affected. The incidence of disease, such as respiratory infection, skin disease, muscle and bone disorders and others, is significantly higher in this region than in the Czech Republic as a whole (World Bank 1991). Furthermore, it is possible that the full scale effects of the environmental devastation in the region on human health will become obvious only in the future when the generation of young people born during the 1970s and 1980s, the period of the worst pollution, will get older.

The industrial structure of the district is dominated by two sectors - chemicals (59.9% of the total industrial production in terms of the volume of production) and coal (31.6%). Power plants (3%), machinery (2.5%) and others (3%) account for the remaining 8.5% (Sociálně ekonomický ústav ČSAV 1992) (see also Table 6.3). This industrial concentration and sectoral dominance makes the district of Most an ideal place to study the impact of restructuring on the region and local community. In 1991, 50% of all economically active inhabitants of the district worked in the industrial sector. That

represents 4.4% decline since 1980 (OSS 1992). The decline in industrial employment and the growth of the service sector reflect the changes associated with the economic transition. Table 6.1 shows the sectoral structure of employment of the economically active population in 1991 and its change from 1980.

Coal mining activities employ less than 16,000 people, the chemical complex Chemopetrol at Záluží is the second largest employer in the District currently employing less than 10,000 workers.<sup>3</sup> The entire industrial production is concentrated into 11 large enterprises located on the district's territory. The volume of production per industrial enterprise in the Most District was by far the highest in the entire Czech Republic in 1992 and reached 3.38 billion of Czech crowns (ČSÚ 1993b). The concentration of production into giant industrial enterprises and extensive energy consumption was typical for the centrally planned economies and makes the Most District an ideal place to study the effects of economic transition on the industrial sector.

The impacts of coal mining, chemical industry and electricity production were concentrated in the Most basin and devastated the region. Areas destroyed by unrestored strip-mining cover 25% of total area of the Most District (35% of available arable land) and all this damage is concentrated in the Most basin, where 72.9% of land is occupied by human activities (coal mining, urban, industrial land use) (Švec and Kučerová 1993a, Häufler 1984, Janeček 1993) (Photo 2). All but one of the villages torn down in the Most District were located in the Most basin.

Air pollution together with opencast coal mining is considered by the Most District citizens and by local government officials to be the most serious environmental problem in the district (see Table 10.5). It results from the burning of locally mined low grade coal in steam power plants that produces sulfur oxides, carbon oxides, particulate matter and the whole range of organic and inorganic pollutants. The chemical plant

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<sup>3</sup>The Most Coal Company (MCC) employed 16,366 workers and Chemopetrol 9,549 workers in 1993 (LN November 11, 1994).





**Photo 2.** Most-Kopisty Mine in the Most basin in the foreground (the old city of Most was located on this site). Chemopetrol is located in the background. Note the Ore Mountains on the horizon (photo taken in 1993 by the author).

**Table 6.1** Sectoral structure of economically active population in the Most District in 1991.

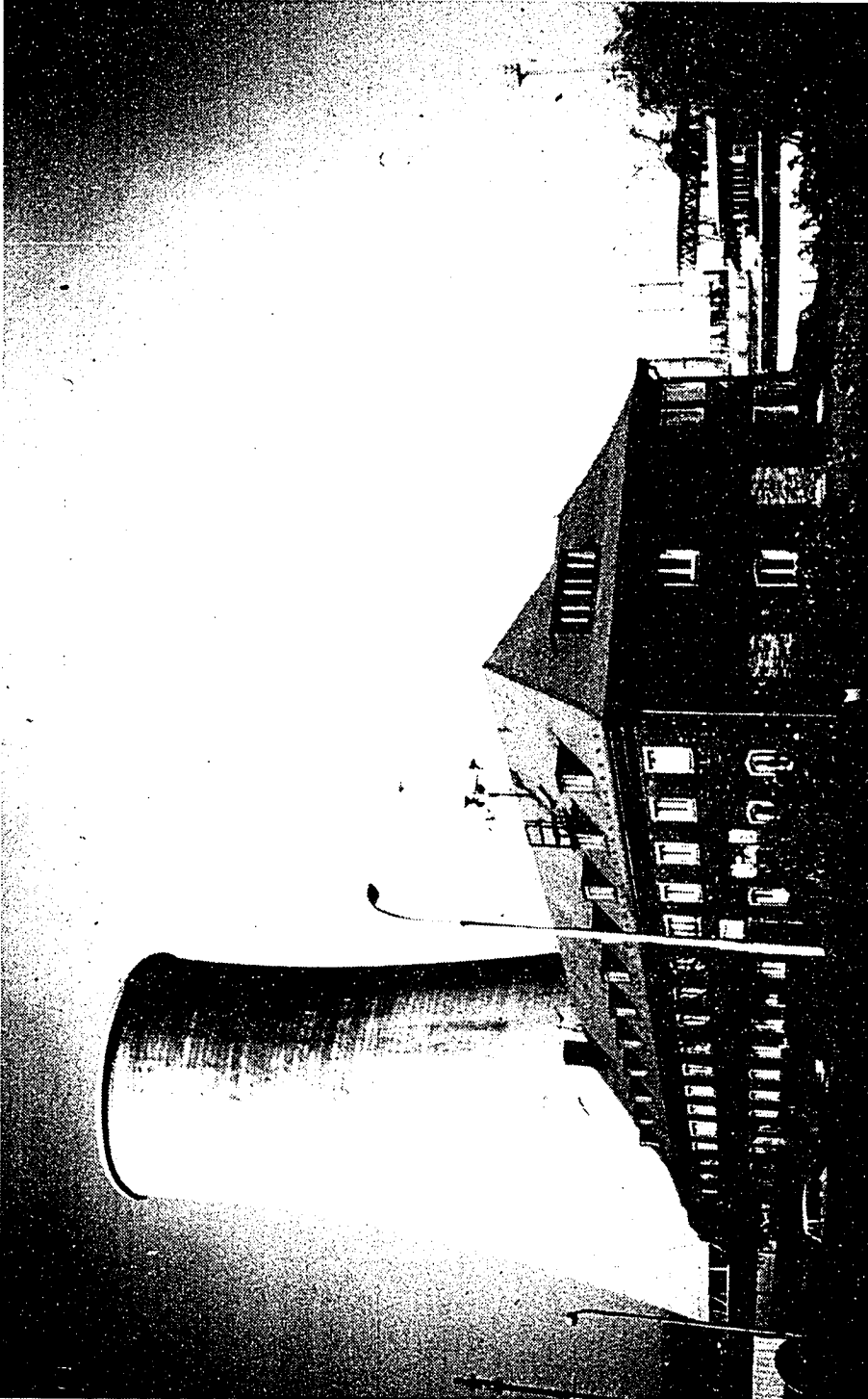
Sector	Men	Women	Total	Men %	Women %	Total %	
						1991	1980
Agriculture and Forestry	1,418	938	2,356	4.2	3.0	3.6	3.1
Industry	20,220	12,235	32,455	59.6	39.5	50.0	54.4
Construction	3,257	716	3,973	9.6	2.3	6.1	9.0
Transportation + Communication	2,368	1,766	4,134	7.0	5.7	6.4	6.6
Retail	1,064	4,433	5,497	3.1	14.3	8.5	7.6
Social services	1,320	6,536	7,857	3.9	21.1	12.1	9.9
Other	4,259	4,325	8,584	12.6	14.0	13.2	9.4
<b>Total</b>	<b>33,906</b>	<b>30,949</b>	<b>64,855</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Notes: Social services include education, culture, health care and social care. Data is based on 1991 and 1980 censuses.

Source: OSS 1992, p. 34.

Chemopetrol releases a number of dangerous fumes which intensify air pollution problems and its health effects in the Most basin (Photo 3).

Physiography of the district contributes to the environmental problems. Thermal inversions are frequent in the Most basin during the winter months with accompanying heavy concentrations of sulfur dioxide, nitrogen oxides and related particulate matter (see Table 6.13). The frequent occurrence of thermal inversions in the district results from the combination of physiographic factors and human activities. The natural vegetation cover has been removed in large areas which contributes to faster warming up of the ground during the summer months and its faster cooling down during the winter months (Photo 4). During the winter, the air on the ground level cools down very fast because of the frozen land that can lead to the inversion of the temperature gradient and the



**Photo 3.** Air pollution produced by the Chemopetrol chemical plant located in the Most basin (photo taken in 1992 by the author).



**Photo 4.** Large scale landscape devastation shown on this picture of Ās. Armády Mine. The Ore Mountains are in the background (photo taken in 1993 by the author).

development of a thermal inversion. Unrestored dumps, resulting from coal mining activities, rise 60 and more meters above the original terrain and block the horizontal air flows changing their direction and speed and leading to poor air circulation the basin and consequently to higher pollution concentrations (Janeček 1993, Švec and Kučerová 1993a).

Post-1989 developments have brought an important decrease in air pollution because of the declining electricity production and the installation of desulfurization equipment into existing power plants. Despite this improvement, the thermal inversions with extremely high concentrations of pollution continue to threaten human health in the district. For example, during the thermal inversion in March 1991, the 24 hour average concentrations of sulfur dioxide reached  $560 \mu\text{g}/\text{m}^3$  in the district (the maximum limit set by the Czech government is  $150 \mu\text{g}/\text{m}^3$ ) and the momentary concentrations (a half hour maximum) reached  $1,470 \mu\text{g}/\text{m}^3$  (the maximum limit set by the Czech government is  $500 \mu\text{g}/\text{m}^3$ ) (Švec and Kučerová 1993a).

Section 6.6. provides a more detailed analysis of the environmental situation in the Most District - pollution levels, the sources of pollution and its impacts on the population of the district. This will set a stage for the study of the local government action to improve the environmental conditions under the new local democracy and the environmental perceptions of the citizens living in the district.<sup>4</sup>

## 6.2. Coal Mining, Structured Coherence and the Production of Space in the Most Region Before 1945

The modern history of the Most region is very closely related to coal and coal mining. The town of Most acquired its city status before the year of 1247. It was an agricultural, handicraft and merchant center which prospered especially in the 16th

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<sup>4</sup>It is important to mention that the area of today's Most District has a very long and rich history. Based on archeological investigations, we know that this region belonged to the most populated areas of central Europe from the primeval times due to its favorable climate, fertile soils and abundance of minerals. The archeological findings show that the region has supported human communities for more than six hundred thousand years since the Stone Age. The oldest artifacts founded in the Czech Republic were located on the territory of the Most District only several kilometers away from the city of Most (the locality of Písečný vrch next to the village of Bečov) (Pokorná 1991, Stáhlík 1994).

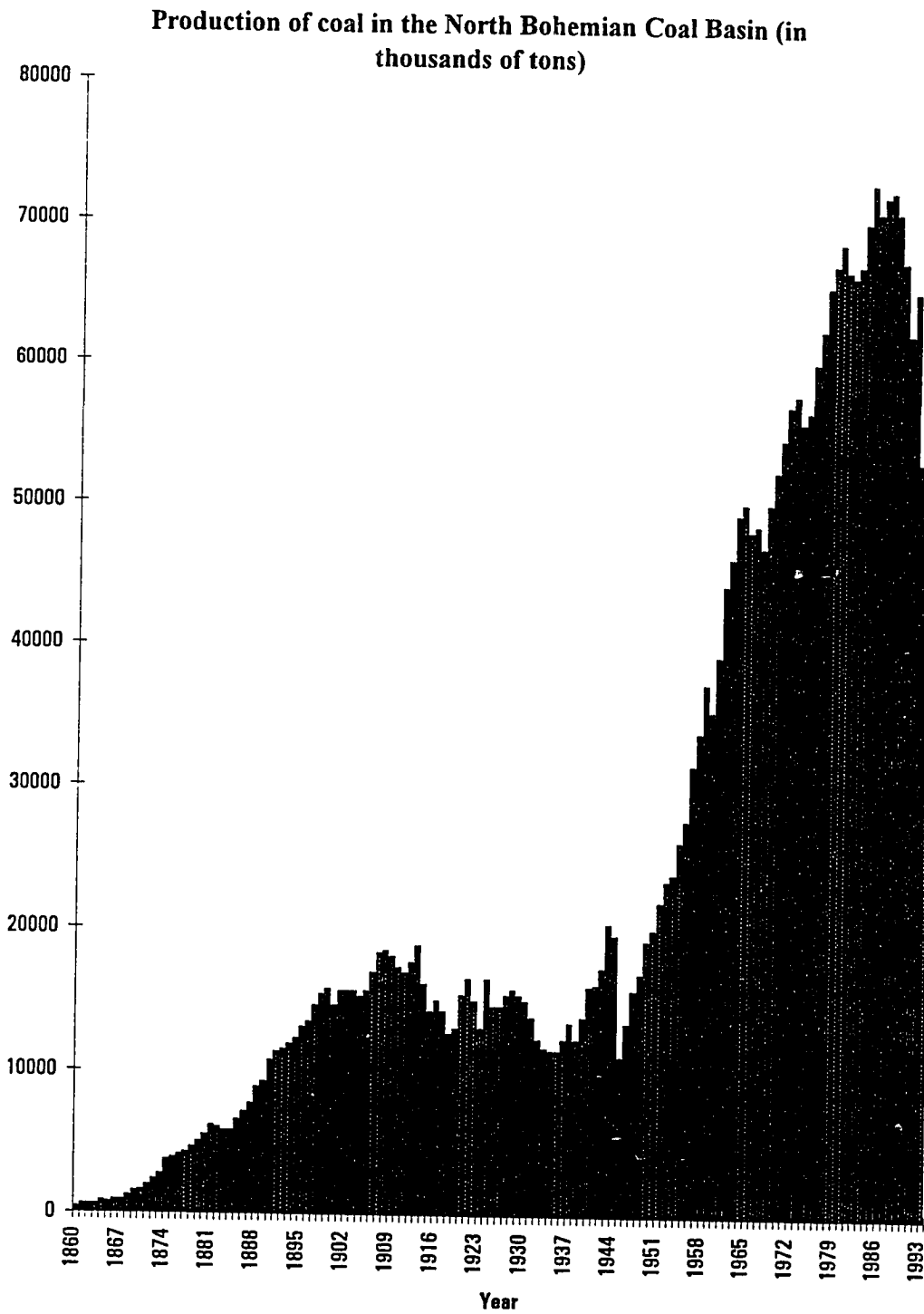
century by supplying food to fast growing ore mining communities in the nearby Ore Mountains. The first written record of coal in the Most region comes from the Duchcov town book in the year of 1403. In 1613, a Most burgher Jan Weidlich acquired a license from the emperor for coal mining around the city of Most. The first period in the systematic development of coal mining took place only after 1740 when coal was used in local breweries, distilleries, brick-yards and lime works. Coal was mined using primitive technology in shallow pits and on a small scale. After 1800, the advent of the Industrial Revolution resulted in the accelerating development of coal mining in the region and related changes in the local economy. After 1830, the increased use of steam power led growing numbers of industrial enterprises to locate in coal producing districts and their close vicinity. The coal mining industry thus played a critical role in the development of new industrial regions.<sup>5</sup> The first half of the 19th century was typified by the extensive development of coal mining in northern Bohemia. The number of coal mines operating in the north Bohemian coal basin increased from 150 in 1847 to one thousand in 1855 (Novotná, Fröhlich and Musil 1985). In this period, coal was usually mined in small shallow pits and until 1910, 75% of coal was mined using underground mining (Stáhlík 1994).

The second half of the 19th century was typified by the mechanization of coal mining, in order to increase production, and by the concentration of ownership. The main railway track from the city of Ústí nad Labem to the city of Chomutov through the city of Most, which was completed in 1870, removed two major obstacles to further expansion of coal mining - limited market and transportation difficulties - and provided an excellent opportunity to transport coal cheaply out of the region and thus to supply a much larger area not only in the Czech Lands but also abroad in German Saxony (Pokorná 1991, SHD 1991, Štýs and Helešicová 1992) (Figure 1).<sup>6</sup>

<sup>5</sup>In the Most region, however, some industry existed before the Industrial Revolution. One of the first manufactories for the production of wool textiles in the Czech Lands was founded in the village of Horná Litvínov in 1715.

<sup>6</sup>In 1819, only 30 thousand tons of brown coal was produced in Bohemia as a whole. By 1880, the production grew to 6.28 million tons (Štýs and Helešicová 1992). In Northern Bohemian coal mining region, the production of coal grew to 1.5 million tons around 1870 (Stáhlík 1994), 5.5 million tons in 1880 (Jindřichovská 1991) and up to about 17 million tons annually in 1910 (Stáhlík 1994). Coal production peaked in 1913 when 18.5 million tons were mined. In 1880, coal mining employed 11.5 thousand miners in northern

Figure 1:



Source: Jindrichovska 1991, Schreiber and Stava 1994.

The new transportation and better mining technology allowed further development of coal mining in the region in both deeper pits and gradually also in opencast mines at the end of the last century. The development of coal mining led to profound changes in the local economy and society. In the areas of concentrated coal mining, the originally agricultural communities were transformed into mining communities. This was the case in the town of Most and its surroundings in the Most basin. Small and ineffective pits went bankrupt and large capital was gradually taking over, forging concentration of mine ownership and the development of large scale coal mining. Coal mining companies replaced the individual mine-owners. At the same time, foreign finance capital (especially Austrian) began to finance the further development and technological modernization of coal mining in the area. This gradual transformation toward a distinctive regional regime of accumulation and regulation centered on coal mining resulted in the production of a *structured coherence* (see Chapter Four, section 4.4., pp. 82-87) in the Most region based on coal mining and changing social relations in the region.

The development of structured coherence of the Most region was characterized *first* by changes and internationalization of organization and ownership in coal mining. The first coal mining companies were founded in the 1870s and 1880s: the British company Britania in 1866; the Most Company for Coal Mining was founded in 1871 and was predominantly financed by Austrian capital; the North Bohemian Coal Company in 1871 backed by Anglo-Austrian capital, which was transformed in the joint stock company in 1890; the Most-Duchcov-Chomutov Coal Company in 1874, which went bankrupt soon, was taken over by the Austrian state and became one of the four largest coal mining companies in northern Bohemian mining district; and the Lom Coal Company founded in 1888. All coal mining companies established their headquarters in the city of Most (Pokorná 1991, Novotná, Fröhlich and Musil 1985).

The *second* feature of the Most region's structured coherence was the development of geographically defined labor market based on coal mining. The end of

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Bohemia and this number grew to 27 thousands by 1913 (Jindřichovská 1991). In the Most region alone, coal production grew to 14 million tons by 1913 (Štýs and Helešicová 1992) which represented about 75% of the north Bohemian coal production.



the 19th century witnessed, first, the reorientation of the local labor market in the Most region from agricultural activities to coal mining and its subsequent exhaustion by coal mining. The number of miners working in the mines of northern Bohemia increased rapidly from 4,136 in 1868 to 10,072 in 1874 and almost 30 thousand by the end of the century (Novotná, Fröhlich and Musil 1985). Second, the rapid development of coal mining and related industrial activities attracted labor from all over the Czech lands which resulted in the fast population growth of the town of Most. The town grew from 4,000 inhabitants in 1848 to 21,500 in 1890 and more than 26,000 before World War One and became the most important center of coal mining in the north Bohemian mining district (Pokorná 1991, ONV Most 1992) (see also Table 6.2.).

*Third*, the emerging structured coherence was characterized by a high degree of urbanization and concentration of working class in numerous town and village coal mining and industrial communities in a relatively limited geographical area of the Most region. The social relations of the Most region were based on polarization between the labor force mainly concentrated in coal mining and the mine owners. Miners became the most radical and progressive branch of working class in the Czech lands. High concentration of miners in the Most region generated specific conditions of class struggle and allowed radical enforcement of social and political goals. Since the 1890s, the city of Most has become the center of workers' movements and class struggle in the entire northern Bohemia.<sup>7</sup> The first massive coal mining strikes began in the 1870s but, as in the following decades, they were harshly oppressed by the authorities.<sup>8</sup>

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<sup>7</sup>The origins of labor movement in the Most region were associated with the textile workers. The first official labor organization was the Workers' Education Club of Textile Workers in Horní Litvínov founded in 1869. This organization was banned by the authorities in 1882. The first labor organizations of miners were founded in the town of Duchcov in 1875 and in the town of Komořany in 1878 (today part of the city of Most). The Trade Union Club of Most Miners and Steelworkers was founded in the city of Most in 1882 and was repeatedly broken up by the authorities and re-established by the miners. Several other trade union and education organizations were established in the 1890s, such as the Most Labor Club (1890), the Civic Education Organization in Most (1883), the Club of Miners and Steelworkers in Souš (1892), the Májoslav Education Club in Ervěnice (1889), the Omladina Education Clubs in Most, Louka, Kopisty, Lipětín and Souš, the Pokrok Women Labor Club in Most etc. The town of Lom became the center of anarchic movement of the north Bohemian miners which influenced class struggle in the region. After 1921, class struggle was influenced by the activities of the Communist Party (see Pokorná 1991, Novotná, Fröhlich and Musil 1985 for details).

<sup>8</sup>The first strike of miners aimed at wage increases took place in the Most Coal Company on December 18, 1872 and involved 200 workers. The strike was suppressed by the authorities. Additional strikes took place at the Anna Coal Mine in Souš in 1879 and in the entire Most region in 1882. The 1882 strike was suppressed

*Fourth*, the structured coherence of the Most region was characterized by the nationalist struggle between the growing Czech minority and German majority which intensified in the late 19th century. This national conflict escalated with a growing number of Czech workers moving to the Most region to work mainly in coal mining. The proportion of Czech population increased from 18% to over 40% in only 31 years between 1890 and 1921 (see Table 6.2). Nationalism divided Czech and German working class and was used by Czech capitalists to strengthen their positions in the Most region *vis-à-vis* stronger and established German capital which in turn used German workers to defend its superior position in coal mining.<sup>9</sup> This nationalist struggle culminated in 1918 when the Most region became part of Deutschböhmen (German border regions as a part of Austria) and newly established Czechoslovakia at the same time. The conflict was resolved by the military intervention of the Czechoslovak state in favor of Czechoslovakia.<sup>10</sup>

Class struggle in the Most region intensified in independent Czechoslovakia after the national problems were temporarily settled. The general strike on December 14, 1920 left 8 people dead and 22 seriously injured after they were shot by the police during the demonstration in the city of Most. The 1920s and 1930s were the period of an intense class struggle in the Most region with the city of Most functioning as the headquarters of all important workers' activities. In 1931, the police shot at a demonstration of unemployed workers in the town of Duchcov, in today's Teplice District, and killed four workers. Class struggle in this period culminated with the so called "Most Strike" in March and April 1932, which was prompted by the plans of mine owners to close unprofitable mines and rationalize coal mining, including reductions in

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by the authorities, dozens of miners were prosecuted and the authorities banned trade union organizations and educational organizations run by the workers. Periodic strikes took place throughout the entire pre-World War One period and continued after the establishment of independent Czechoslovakia in 1918 (see Pokorná 1991 and Novotná, Fröhlich and Musil 1985 for details of class struggle in the Most region in this period).

<sup>9</sup>The Czech bourgeoisie financially supported national emancipation efforts of the Czech working class aimed at granting equal rights to the Czech language with German. In exchange, they expected support from the Czech miners in its struggle with German capital. The German bourgeoisie pursued Germanization of Czech immigrant labor and sought support of the German working class. (Pokorná 1991, Novotná, Fröhlich and Musil 1985).

<sup>10</sup>The most serious resistance to the Czechoslovak army in the entire Deutschböhmen was organized by Germans in the city of Most (Novotná, Fröhlich and Musil 1985).

**Table 6.2** The population growth and national composition in the Most District (in current boundaries)

Year	Total population	Czechs from total		Germans from total	
		abs.	%	abs.	%
1861	20,867	n.a.	n.a.	n.a.	n.a.
1870	29,729	n.a.	n.a.	n.a.	n.a.
1880	39,509	n.a.	n.a.	n.a.	n.a.
1890	53,725	9,524	17.7	43,421	80.6
1921	102,280	40,644	40.8	59,964	59.2
1930	108,179	44,812	42.2	61,295	57.8
1939	90,929	24,979	27.5	64,979	72.1
1945 <sup>1</sup>	109,885	54,465	49.6	54,731	49.8
1950	89,881	n.a.	n.a.	n.a.	n.a.
1961	113,354	93,886	83.2	6,196	5.5
1970	117,189	100,513	85.8	3,999	3.4
1980	119,941	101,717	86.7	2,708	2.3
1991	120,212	105,833	88.0	2,503	1.8

Note: 1 = August 15, 1945.

Source: Švec and Kučerová 1993b, OSS 1992.

workforce and wages. The Most Strike became the largest labor-capital conflict in north Bohemian coal mining district between the World Wars, during which two miners were killed and several seriously injured (six in the city of Most) by the police (Novotná, Fröhlich and Musil 1985).<sup>11</sup>

<sup>11</sup>Explosion at the Kohinoor Mine on March 17, 1932 left eight miners dead. The explosion was caused by the negligence of mine managers who replaced all fire guards by young unexperienced graduates from the mining school in order to lower costs. The subsequent fire made the mining operations impossible and 1,250 miners were laid off. The Most Mining Company began to lay off miners on March 17, 1932 and on March 21, 1932, 383 miners were fired by the North Bohemian Coal Company which planned to close unprofitable mine Humboldt II at Dolní Jiřetín in the Most basin. Several mines began to strike on March 23 (Centrum,

In the middle of the 1930s, however, class struggle was taken over by the Czech-German national conflict again which resulted in German occupation of the Most region by Nazi Germany following the Munich Agreement of 1938. The occupation of the Most region in 1938 ended its capitalist period of economic development under peaceful conditions. Following the occupation and incorporation in German Reich, the Most region quickly became one of the important centers of German war economy. In a short period of time, Germans built a new chemical complex based on coal,<sup>12</sup> new large scale opencast mines, coal processing enterprises and power plants using forced labor from 60 labor camps located in the Most region (Pokorná 1991).

The pre-World War Two structured coherence of the Most region thus developed around a regional regime of accumulation based on coal mining that was deeply articulated with national labor markets, an emerging national politics, and international capital. As I have shown, it involved distinct patterns of organization and ownership in coal mining, a specific character of the local labor market with unusually high concentration of working class in the Most region and social relations distinguished by the polarization between miners and mine owners. Intense class struggle was frequently paralyzed by national divisions. The formation of this structured coherence in the Most region was very strongly influenced by wider economic and political processes operating at the national and supranational scales. The transition from a small to large scale coal mining was underwritten by foreign finance capital; World War One, the international economic crisis of the 1920s and the global depression in the early 1930s slowed down substantially the rapid growth of coal mining and its modernization in the Most region;<sup>13</sup>

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Kolumbus, Herkules, Quido I-III, Fortuna, Julius V) and in one week 94 north Bohemian mines stopped mining and 25 thousand miners were on strike. The Most strike ended on April 20, 1932 (Novotná, Fröhlich and Musil 1985).

<sup>12</sup>The development of the chemical industry in the Most region is discussed in section 6.4. of this chapter.

<sup>13</sup>Between 1910 and 1950, the amount of coal mined in northern Bohemia stagnated and oscillated between 17 and 20 million tons annually (Stáhlík 1994). Between the World Wars, the annual production of coal peaked in 1929 with 17.5 million tons which was one million tons short of the 1913 maximum. Germans extracted 20 million tons of coal in northern Bohemia in 1943. Also in this year, the opencast mines produced more coal than underground pits for the first time when 10.5 thousand tons (51.8%) of coal was mined in the opencast mines and 9.8 thousand tons (48.2%) in the underground pits. In 1913, only 4.3 thousand tons (23.2%) of coal was mined in the opencast mines while 14.2 thousand tons (76.8%) in the underground pits (Novotná, Fröhlich and Musil 1985) (Figure 1).

the regional conflict between Czechs and Germans reflected the frictions between the two nations; the regional and local class struggle was intertwined with the national class struggle in pre-World War Two Czechoslovakia and international labor movement.

The model of development pursued on the territory of the Czech Lands prior to World War Two was typified by predominantly extensive regime of accumulation, liberal economic policies, intense class struggle and liberal democracy.<sup>14</sup> As I have shown, in the case of the Most region the regional regime of accumulation and regulation and its resulting structured coherence were centered upon coal mining. The development path pursued in the region gradually produced its own space and environment called in Czech the "industrial landscape" (*průmyslová krajina*). Its basic features included rapid expansion of urban space based on coal capital, transition of peasant communities into coal mining communities, rapid changes in ethnic and social composition of population, and increasing alteration of the natural environment by coal mining.

[Since the late 1800s the city of] Most and the surrounding area became characterized by pit-head gears of deep pits connected by dense network of railways and colliery trains. Coal changed the face of the whole environment.<sup>15</sup>

In the city of Most alone, for example, the city center was rebuilt completely to reflect its new function as a capital of coal mining in northern Bohemia. New magnificent buildings were constructed to accommodate the concentration of coal mining companies headquarters and all other important mining offices (Photo 12). 'Coal barons' built large villas for themselves and their families while new working class districts were built quickly to accommodate growing numbers of miners and their families prompting the segregation of urban space: on the one side great administrative palaces and villas of mine owners, on the other side overcrowded residential districts of working class.

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<sup>14</sup>The extensive regime of accumulation is based on extensive ways of increasing production, such as the methods of lengthening the working day, intensifying labor through transformation of its organization and expanding the size of the labor force. Growth of productivity and mass consumption are limited (Brenner and Glick 1991, see also Aglietta 1979, p. 71).

<sup>15</sup>Pokorná 1991, p. 91.

The development of coal mining and its increasing scale generated growing environmental difficulties. The first complaints about the environmental problems caused by coal mining, such as the devastation of agricultural land and cave-ins, were recorded in the 1820s. Between 1895 and 1896, several large catastrophes caused by coal mining struck the city of Most when ground in some city neighborhoods sank by up to 19 meters.<sup>16</sup> These disasters were caused by very fine tertiary sand, the so called quicksand, that can move large distances underground into already extracted coal seams inducing ground depressions at places it moved from. For example, in July 19, 1895 the entire district of 40 houses was destroyed close to the former main railway station and 2,500 people lost their homes after 96 thousand cubic meters of quicksand, clay and water broke in a mine outside the city. In a similar accident, dozens of people died in the town of Duchcov in the 1890s (Pokorná 1991, Štýs and Helešicová 1992). Landscape devastation increased as the percentage of coal mined using opencast mining expanded from 25% in 1910 to 51.5% in 1945 (Stáhlík 1994, SHD 1991).

### 6.3. State Socialism and Coal Mining in the Most Region

Following the Second World War, the Most region underwent an important transformation. Its structured coherence, formed in the decades before the war, disintegrated. For example, after the German occupation, 20,000 Czechs left the region and more importantly, following the war, the majority of Germans were expelled or left so that the number of Germans living in the current administrative area of Most District dropped by almost 50 thousand between 1945 and 1961. Due to the forced expulsion of Germans, the total population on the territory of today's Most District declined from almost 110,000 in 1945 to 64,000 between 1945 and 1947 (Švec and Kučerová 1993b). Gradually, the Germans were replaced by Czech immigrants but the war and its aftermath completely destroyed the pre-World War Two social structure of the Most region. Thus the Czech-German national conflict, which we have identified as one of the elements of the pre-World War Two structured coherence of the Most region, was

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<sup>16</sup>These catastrophes took place in July, August and September 1895 and on December 5, 1896 (Pokorná 1991).

largely resolved by force and the contemporary national and social structure of the district is the legacy of the German expulsion after the Second World War and immigration of thousands of people from different parts of former Czechoslovakia in the following period.

Open class struggle, the second important element of the pre-World War Two structured coherence of the Most region, also changed its forms. The miners requested nationalization of coal mines at the conference of coal mining worker councils held in the city of Most on July 7, 1945. The Czechoslovak government nationalized coal mines on October 25, 1945 and the nationalization was overwhelmingly supported by the working class. The Communist Party enjoyed strong support among the working class of the Most region and received 57.8% of the vote during the 1946 parliamentary elections.<sup>17</sup> After the communist coup in February 1948, however, the labor unions gradually became completely subordinated to the Communist Party and degraded to its 'transmission belt' at the workplace. Any democratic elements, such as works councils or elected directors, disappeared from the workplace (Myant 1989) and the dictatorship of the Communist Party eliminated many elements of democracy from society.

### *6.3.1. Socialist competition and workers exploitation in coal mining*

According to the Communist Party interpretation, "the working class take-over in 1948 was the definite end of the long and dramatic history of class struggle and represented the final and victorious milestone on the revolutionary path of the north Bohemian proletariat" (ONV 1992, p. 141). The class struggle, however, continued in different forms because cooperation and consent are also a form of class struggle (Harvey 1985). The forms of labor exploitation also changed because the Communist Party had to coerce workers to produce and give up surplus product (Burawoy 1985). '*Socialist competition*' became one such coercion mechanism in coal mining, as well as in other sectors of the state socialist economy (including the chemical industry), forcing workers

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<sup>17</sup>Social democrats received 16.8% of the vote, National Socialists received 21.9% of the vote and the People's Party received 3.1% of the vote in the Most region (Novotná, Fröhlich and Musil 1985). The Communist Party received 38% of the vote in Czechoslovakia as a whole (Myant 1989).

to increase productivity and produce more.<sup>18</sup> The trade unions, now under the control of the Communist Party, played a very important role in the organization of socialist competition as a new form of workers' exploitation. Clarke and Fairbrother (1993a, p. 98) described the role of trade unions under state socialism as follows:

The unions were not enjoined to express the interests of the working class for the sake of the workers, but as the means of increasing productivity by raising workers' morale, stimulating their initiative, encouraging socialist competition, and goading a lethargic management.

Initially, socialist competition was organized in the individual coal mining districts. In North Bohemian Brown Coal Mines, the first round of socialist competition improved working morale, increased the coal production per worker and per shift, made better use of existing machinery and decreased the usage of explosives. The Most region miners initiated socialist competition between different coal mining districts in Czechoslovakia with the Most-Kladno competition in 1948, the competition with the Sokolov coal mining district began in 1949 and with the Ostrava district in 1953. At the same time, the individual mines from the different coal mining districts competed too (Pokorná 1991, Novotná, Fröhlich and Musil 1985).

Socialist competition began to change in 1949 because the previous ways of competition did not involve all workers and there were efforts on the part of the government to make everyone participate in order to further increase production. In January 1949, the shock-worker movement campaign was launched in the coal mines of northern Bohemia and Czechoslovakia as a whole. The movement was organized by the Communist Party and trade unions and the title 'shock-worker' was defined and approved at the trade union congress in December 1948. Shock-workers committed themselves to surpass a norm over at least a month and to use better methods of work organization

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<sup>18</sup>The earlier attempts to toughen existing norms using administrative tools were not very successful (see Myant 1989, pp. 37-38).



(Myant 1989).<sup>19</sup> By the middle of 1949, three thousand Stakhanovites competed at 47 different mines of northern Bohemia. As a result of socialist competition, the coal mining industry fulfilled the first year plan of the first five-year plan at 106% by November instead of December 1949 (Pokorná 1991 Novotná, Fröhlich and Musil 1985).

The ever existing opposition to the shock-workers movement (Myant 1989) reflected the character of class struggle under state socialism. The workers feared that cutting norms by a few celebrated individuals was intended to intensify the labor process or to cut the wages of workers who did not follow the examples of Stakhanovites. These new forms of worker exploitation were particularly resisted by the traditional core of the working class in sectors such as the glass industry (only 17% involvement of shock-workers), engineering (32%) and also in mining (about 50%), iron and steel, ceramics, construction and socialist agriculture (Myant 1989).<sup>20</sup> It indicates that there was significant resistance to socialist competition among the miners of northern Bohemia. The greater exploitation of workers was also made possible by the general transition from the hourly wage to the piece rate system in Czechoslovakia after the Second World War.<sup>21</sup> Thus state socialism provided job security with wage insecurity as opposed to capitalism which tends to provide wage security with employment insecurity (see Burawoy 1985, pp. 168-171).

The command economy was constantly looking for new ways to coerce labor to increase efficiency and produce more surplus product. Socialist competition was

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<sup>19</sup>Initially, the shock-worker movement was not very popular among workers. Therefore, the Communist Party and trade unions came up with a variety of incentives designed to attract workers to the movement. These incentives included priority in recreation facilities, apartment allocation to shock-workers and access to food in short supply, such as meat, chocolate, and coffee, in special shops which provided other goods at affordable prices otherwise unavailable in the state-run stores (Myant 1989).

<sup>20</sup>Myant (1989, p. 40) provides a story told by one of the members of the central committee and later the General Secretary of the Communist Party Slánský which typifies the increased exploitation of workers due to the shock-workers movement and socialist competition. According to this story, a Comrade Cibulková began to work on two machines simultaneously instead of only one. In only one week, her norm was raised by 50% and she earned exactly the same wage as when she worked only on one machine.

<sup>21</sup>The proportion of working time in the piece-rate system increased from 25% in 1946 to 73% in 1956 (Myant 1989). In the textile industry, for example, women had to continuously exceed the norms by working on more machines and increasing work intensity in order to earn a decent wage. However, their norms were regularly cut and at the end they had to work much more in order to earn the same wage (personal communication on different occasions with Mrs. Pavlínková who worked in the same textile factory for 35 years) (see also Burawoy 1985, pp. 156-208).

organized by the Communist Party and trade unions which were closely related and which directly entered the regulation of production. Another form of socialist competition was adopted from the Soviet Union after the eleventh Communist Party Congress in 1958 when the formation of 'socialist work-teams' began. By the end of 1958, 21 work-teams competed for the title 'the socialist work-team' in the North Bohemian Brown Coal District. By 1983, 320 work-teams with 6,497 miners competed for the title and 799 work-teams with 18,385 workers received the title.<sup>22</sup> New forms of socialist competition and work organization were introduced from the Soviet Union in the 1980s, such as the Saratov movement or Basov method. The best individuals were awarded the title "pioneer of socialist work" and "hero of socialist work" and received various high governmental honors, such as the Order of Klement Gottwald, Order of Republic, Order of Victorious February, Order of Work and others (Pokorná 1991, Novotná, Fröhlich and Musil 1985). These governmental orders and distinctions given to workers for their excellent work performance typify the state socialist labor process of 'bureaucratic despotism' and the role of state politics in the regulation of production (see Burawoy 1985, pp. 156-208). All these different ways of socialist competition were designed to coerce workers to exceed their own output and performance and their norms and by doing that to increase surplus product. The concept of socialist competition became a relatively efficient way through which many workers in the state socialist countries cooperated in their exploitation by the state and the Communist Party.

### ***6.3.2. Coal mining and restructuring of structured coherence in the Most region under state socialism***

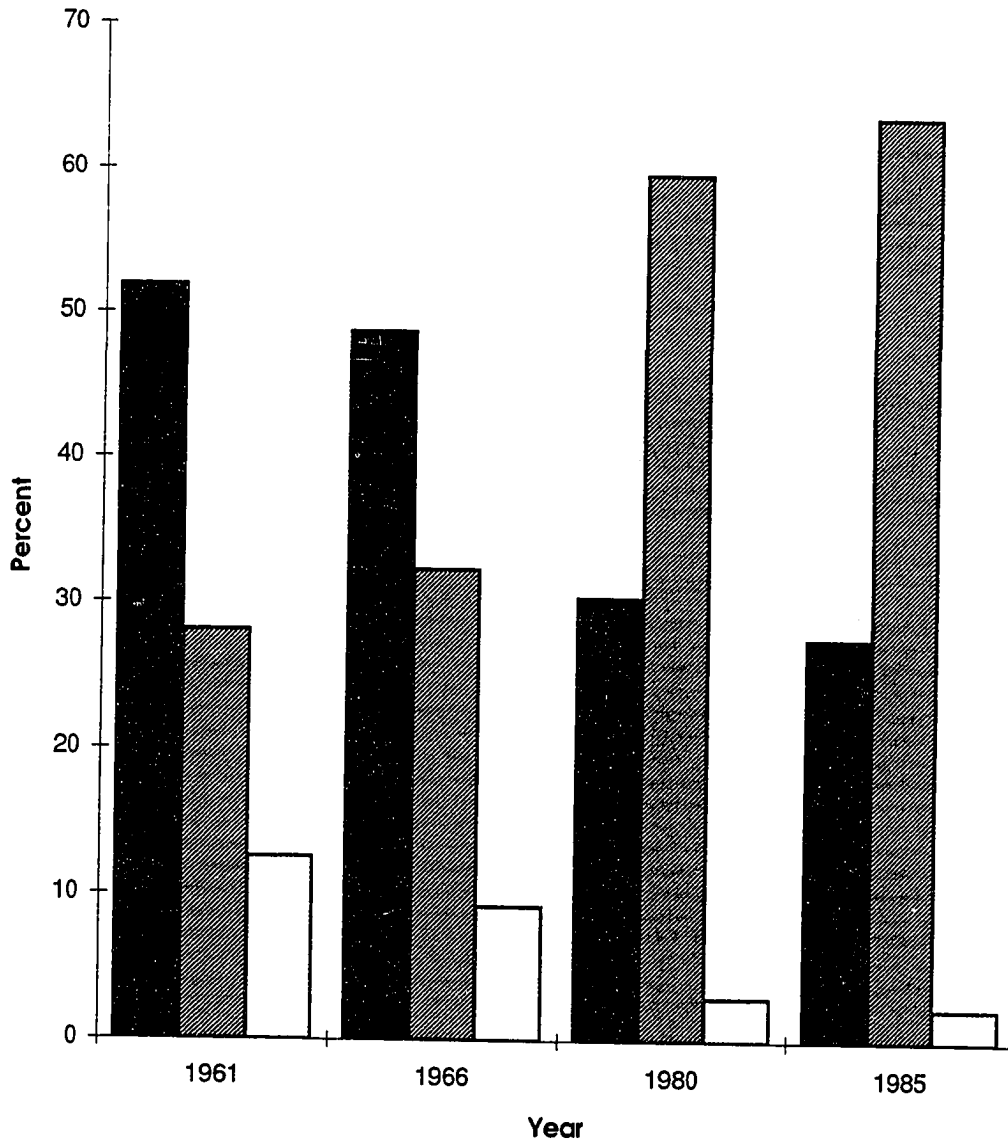
State socialism resulted in profound restructuring of the structured coherence in the Most region, even though its most important element remained unchanged: it was still centered on coal and coal mining. The most important change in the regional regime of accumulation was a growing role of the chemical industry originally based on coal. For

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<sup>22</sup>Three different levels of socialist work-team titles were awarded: bronze, silver and gold. A work-team could reach the bronze title first. Increased production and productivity was required for the silver title and even more for the gold one. In northern Bohemian coal mines, for example, 12,645 workers were the members of work-teams which received the bronze title, 4,865 the silver one, and only 711 workers were members of the gold socialist work-teams in 1983 (Pokorná 1991 Novotná, Fröhlich and Musil 1985).

Figure 2:

**Proportion of major industrial sectors in total production of the Most District**



■ Coal mining ■ Chemicals □ Energetics

Source: OOSSU 1968 and OOCUSU 1986.

example, in 1961 coal mining, electricity production from coal and the chemical industry combined accounted for 92.6% of gross industrial production of the Most District. Coal mining alone accounted for 51.9% of production in 1961 (OOSSÚ 1968). Heavy investment in the chemical industry gradually lowered the proportion of coal mining to only about 27% of industrial production of the Most District in the 1980s (Table 6.3, Figure 2). This does not mean that coal mining declined in the Most basin. Rather the opposite was true as the production of coal increased from 31.9 million tons in 1961 to 38.6 million tons in 1984 (OOSSÚ 1968, OOČSÚ 1986). In 1985, coal mining and the chemical industry combined accounted for 91.3% of industrial production in the Most District.

The rapid expansion of coal mining in the Most region after the Second World War resulted from the combination of national and international developments and was strongly influenced by wider political and economic processes taking place at the national and international scale. Coal played a crucial role in the postwar economic renewal in Czechoslovakia, but especially in the state socialist industrialization drive after February 1948 coup when the economy was taken over by the Communist Party and Soviet bureaucratic methods of centralized command planning were adopted. The first five year plan shifted priorities from consumer to investment goods, stressing the rapid development of heavy industry, which dramatically increased demand for coal. The pace of growth in this sector was further increased in 1951 when the Soviet Union forced Czechoslovakia to increase the growth of heavy industry from the 70% of the original plan to 135%. The Soviet Union demanded that industrial production, and indeed the entire industrial structure of Czechoslovakia, become subordinated to the demands of other members of the CMEA. Exports to the industrially developed capitalist countries were reduced and redirected to the underdeveloped countries of Eastern Europe and the Soviet Union. Hard currency earnings, needed to buy raw materials for manufacturing, declined rapidly. Exports to Eastern Europe and the Soviet Union were on credit or in exchange for products Czechoslovakia often did not need. Under this situation, Soviet planners advised Czechoslovakia to maximally exploit its natural resources, including coal (Myant 1989, Selucký 1991).

More and more coal was needed to produce more electricity and heat for newly

**Table 6.3** Proportion of major industrial sectors on total production of the Most District in the 1960s and 1980s (in percentage).

Industry	1961	1966	1980	1985
Coal mining	51.9	48.7	30.4	27.6
Chemicals	28.1	32.3	59.6	63.7
Energetics	12.6	9.2	3.0	2.3
Heavy industry	2.4	4.6	1.2	1.3
Building materials <sup>1</sup>	0.6	0.6	1.3	0.9
Consumer goods	3.9	3.9	3.9	3.6
Food processing <sup>2</sup>	0.5	0.5	0.6	0.6

Notes: 1 = Construction in 1961 and 1966, 2 = Agriculture and nutrition in 1961 and 1966.

Source: Compiled from OOSSÚ 1968 and OOČSÚ 1986.

built factories all over Czechoslovakia. The North Bohemian coal basin in particular was expected to satisfy this growing energy need because up to 70% of all Czechoslovak energy was produced from north Bohemian coal (Stáhlík 1994). The traditional underground methods of coal mining could not keep up with this demand and therefore, opencast large scale coal mining remained, according to the planners, the only option to satisfy it. Coal mining had to be fundamentally restructured. Restructuring resulted in the high level of mechanization, concentration of coal mining into large units, increased reliance on opencast mining and the introduction of new technology in both underground and opencast coal mining.<sup>23</sup> It also included changes in ownership from private to state

<sup>23</sup>Before World War Two, the mechanization of methods of clearing-away overburden was much faster than that of mining of coal itself where manual work prevailed. Mechanization of coal mining increased during the World War Two German occupation which included the mechanization of mining methods in several mines. The first large opencast mine in the Czech lands was opened in the Most region in the area of Horní Jiřetín in 1942 (the mine Quido). Germans introduced the first wheel excavator Lachhammer La 650, first large capacity bucket machine DS 800 and the first large capacity filler ZD 1200. The trend of introduction of large capacity machinery continued after the war. The new post-war machinery included large capacity wheel excavators K 1000, K 800, K 300 and KU 300; bucket excavators D 800, DO 400 and RK 400; and large capacity fillers, first rail fillers Z 1200, Z 1650 and later conveyer-belt fillers ZP 1500, ZP 2500, ZP 5500. Large capacity technological units composed of wheel excavator K 300, conveyer-belt filler ZP 1500 and conveyer-belt transport were introduced in 1959. The capacity of this unit was 1,500 cubic meters of dumped earth per hour.

hands and the new methods of bureaucratic management and central planning.

The production of coal was down to 11 million tons annually in northern Bohemia after the war. Coal was mined in 35 deep pits and 28 opencast mines. Since 1950, the coal mining industry increasingly relied on opencast mining concentrated into several huge mines. The number of deep pits had declined to 20 by 1965 (22.2% of coal production) and to 5 by 1990 (4.8% of coal production). By 1990, coal mining in the Northern Bohemian coal basin had concentrated into 8 huge opencast mines, 4 of them located in the Most District (the mine Čs. armády, Jan Šverma, Vršany and the mine Most-Kopisty) (see Map 4, Photos 2, 4 and 5). As a result, the annual production of coal increased rapidly in northern Bohemia from 20 million tons in 1950 to 40 million in 1960, 54.5 million in 1970, 60 million in 1975 to its peak of 72.8 million tons in 1984 (Stáhlík 1994, SHD 1991) (Figure 1). The North Bohemian coal district together with the nearby Sokolov district of western Bohemia produced more than 77 million tons of coal in 1990, right before the beginning of the transition. Brown coal was by far the cheapest source of energy in the former Czechoslovakia. In 1990, North Bohemian coal district accounted for 74.1% of brown coal mined in the entire Czechoslovakia and 57.2% of all solid fuels extracted (see Table 6.4). Together with the Sokolov district, it was the source of more than 90% of brown coal and more than 70% of solid fuel production in the former Czechoslovakia.

New giant technology had to be used in order to achieve such a high level of coal production and to strip the surface to reach the coal (Photos 5, 6 and 7).<sup>24</sup> In northern Bohemia, strip mined coal is located up to 200 meters under the ground. In 1990, it was necessary to clear away on the average 3.7 cubic meters of the overburden in order to mine one ton of coal in an opencast mine. The total annual amount of overburden cleared in the north Bohemian mining district reached 217 million cubic meters in 1990. Since the 1960s and 1970s, the conveyer belts (327 km in 1990) have been used to

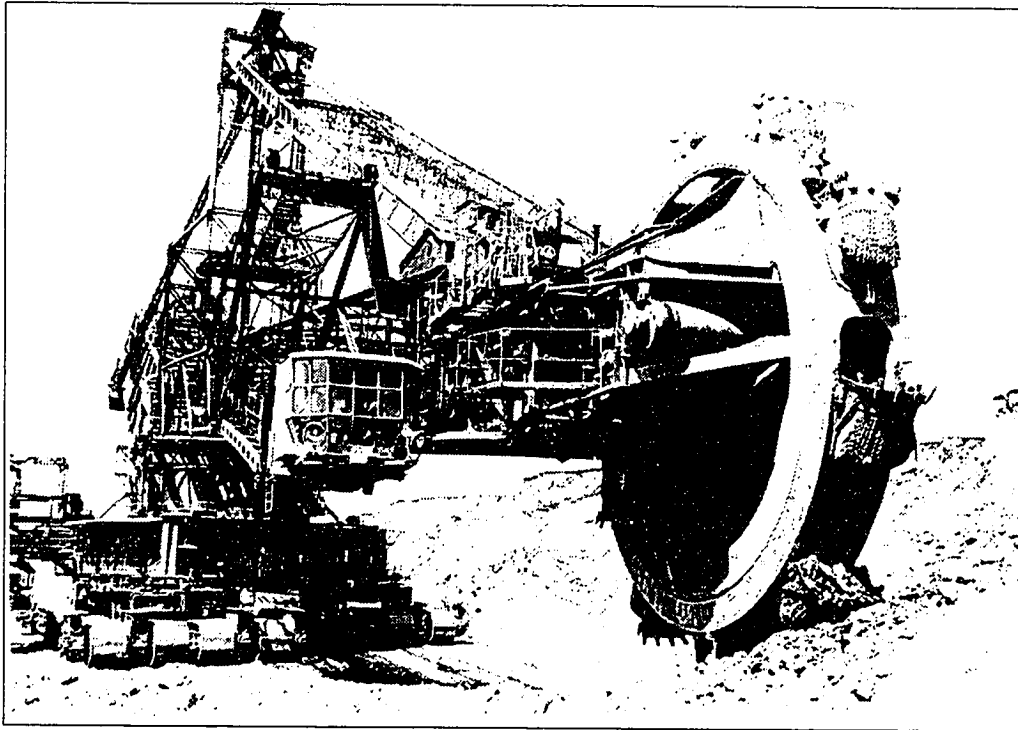
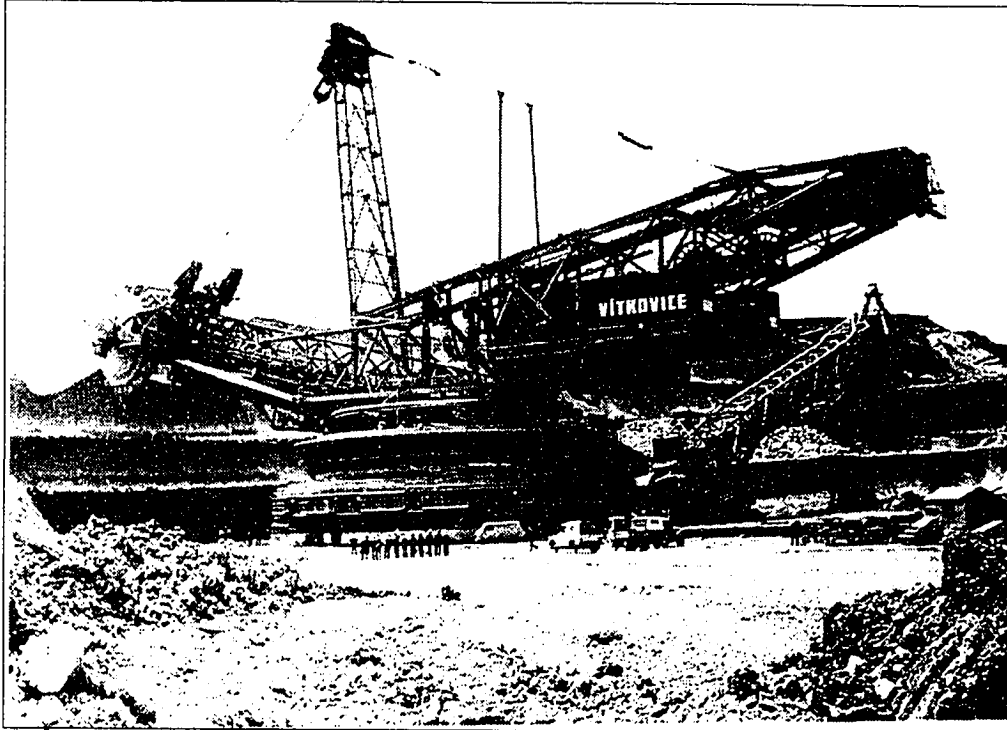
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The capacity of such technological units increased to 10,000 cubic meters of dumped earth per hour in the 1980s (Novotná, Fröhlich and Musil 1985).

<sup>24</sup>There were 69 excavators and 37 fillers in operation in the North Bohemian coal basin in the early 1990s. Giant excavators TC 3 have the capacity to excavate and dump up to 10,000 m<sup>3</sup> of dumped overburden an hour, TC 2 up to 5,000 m<sup>3</sup>, and TC 1 up to 2,500 m<sup>3</sup> (SHD 1991).



**Photo 5.** The picture of the Čs. Armády Mine showing the use of giant technology in opencast coal mining (photo taken in 1993 by the author).



**Photos 6 and 7.** Giant excavators used in opencast coal mining in the Most basin.  
Source: Štýs and Helešicová (1992, p. 37).



**Table 6.4** Production of coal in former Czechoslovakia in 1990 according to coal mining districts.

Mining district	Production in mil. tons	Production cost per 1 ton of coal in Kčs	Percent cost of north Bohemia
North Bohemia	60,703	169.5	100.0
Sokolov	16,466	104.0	61.3
South Moravia	1,841	270.2	159.4
Slovakia	4,766	447.0	263.7
Ostrava-Karviná	22,960	736.0	448.1
Kladno	2,347	759.5	448.1

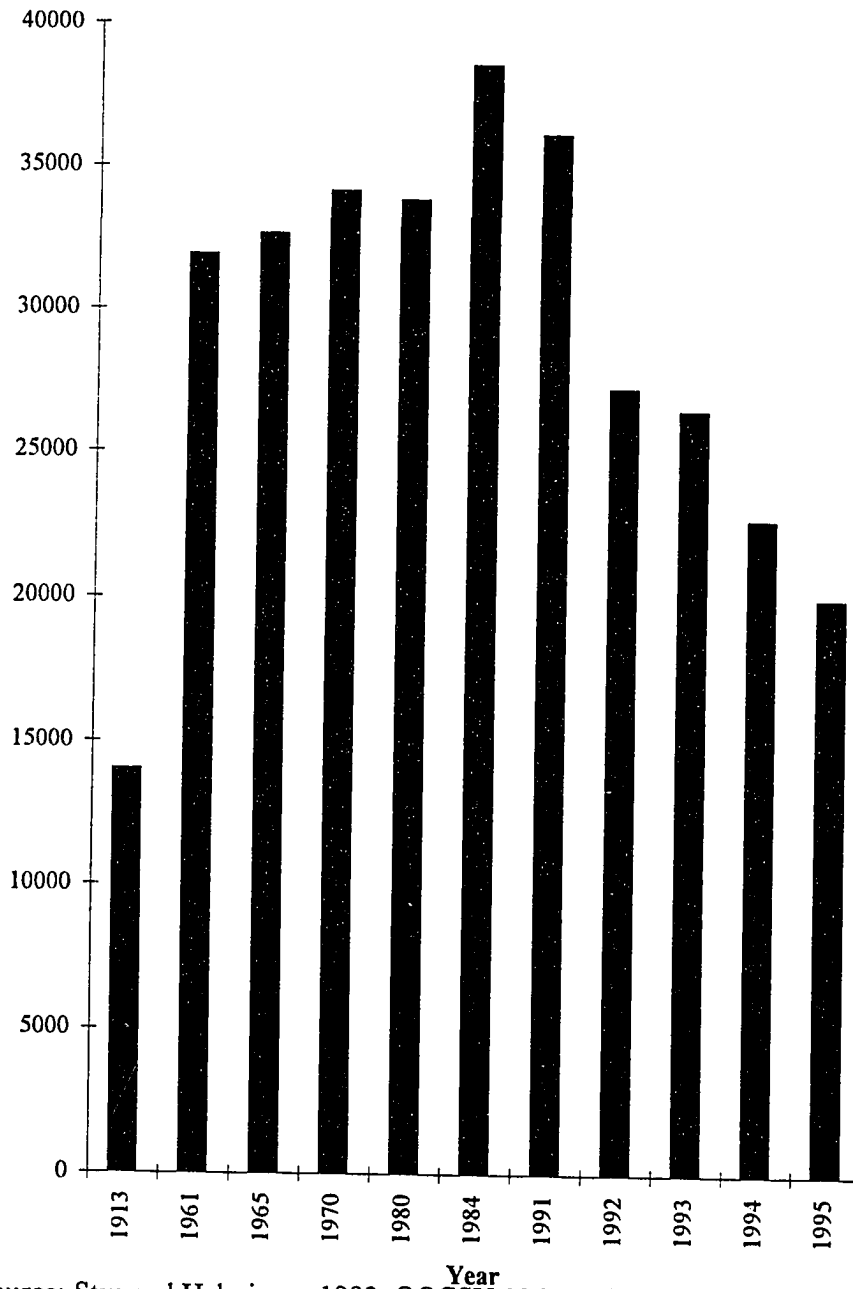
Note: Ostrava-Karviná and Kladno districts refer to hard coal. Kčs = Czechoslovak crown.

Source: SHD 1991.

transport most of coal and overburden (SHD 1991).

The Most region remained the center of coal mining after the war. In 1967, for example, the Most District produced 31.8 million tons of brown coal which represented 68% of the north Bohemian coal output and accounted for 47% of the entire Czechoslovak brown coal production. At the same time, 37% of electricity produced in northern Bohemia and 6% of Czechoslovak electricity was produced in the Most District (OOSSÚ 1968, OOČSÚ 1970). By 1985, it produced 37.4 million tons of coal (38.6 in 1984) which represented 56% of north Bohemian coal production (OOČSÚ 1986) (Figure 3). In 1993, the Most District supplied 26.5 million tons of coal which accounted for 50.3% of the north Bohemian coal production and 38.9% the brown coal production in the Czech Republic (Schreiber and Štáva 1994). Rapid development of coal mining in the Most basin after the Second World War and during the state socialist period resulted not only in the development of new large opencast mines (the mine Bohumír Šmeral for example), reconstruction and modernization of underground mines (such as the mines Kohinoor and Centrum), and building new mines (such as the mine Pluto II), but it also included the construction of new coal processing enterprises located at Komořany and

Figure 3:  
**Production of coal in the Most basin (in thousands of tons)**



Source: Stys and Helesicova 1992, OOCSSU 1968, Schreiber and Stava 1994, HN May 10, 1995.

Záluží (Herkules) and power plants (Ervěnice II in 1949 and Komořany in 1951).

The coal mining industry thus remained at the heart of the Most region's structured coherence after the entire post-World War Two period. There was, however, a very important change in the technological mix of the Most District represented by the rapid development of the chemical industry, originally based on coal. In the next section, I will briefly discuss the development of the chemical industry in the Most District before 1989 which will complete our discussion of the regional regime of accumulation in the Most region before 1989.

#### **6.4. The Development of the Chemical Industry in the Most Basin**

Compared to coal mining, the development of chemical industry in the Most basin is a relatively recent phenomenon because it began only in 1938. Germans started the site preparation for the construction of a chemical plant at Záluží located between the towns of Most and Litvínov in the Most basin in October 1938, only several days after the occupation of the Most region by Nazi Germany. In March 1939, the German construction company Mineralöl-Baugesellschaft was asked to prepare technical documentation and start construction of Hydrogenation Plant at Záluží. The construction works began on May 5, 1939 and a new joint stock company called Sudetenländische Treibstoffwerke located in the city of Most was founded in Berlin in October 1939. The number of construction workers building the new chemical plant grew rapidly. One month after the construction began it employed 1,800 people. The first prisoners of war arrived at the construction site in June 1940. The construction employed 14,000 people in the middle of 1941 and 32,600 in June 1942. The first turbine in the power plant was launched in June 1942 and the hydrogenation plant was completed in November 1942 when it began to produce motor fuels from the local brown coal. In 1944, the plant produced 40-50 thousand tons of motor fuels a month. The first bombing air raid conducted by 200 allied war planes targeted the plant on May 12, 1944. 1,500 bombs killed 557 workers and damaged the plant considerably. The following 20 air raids conducted during 1944 and 1945 dropped more than 6,600 bombs directly at the plant (another almost 12,000 bombs hit the vicinity of the plant) and destroyed 70% of the chemical complex before the war ended (Chemopetrol 1993, 1994, Pokorná 1991,

Šilhavý and Ort 1990).

Following the war, the original chemical plant was first reconstructed and later gradually rebuilt and considerably expanded. Based on the raw material base of the plant, we can recognize three periods in its post-World War Two development. In the first period, the entire production was based on chemical processing of brown coal. During the second period, the use of brown coal for chemical processing decreased and was eventually shut down. The second period was typified by the transformation of the plant to the processing of crude oil. The third period was solely based on the processing of crude oil and reorientation of the plant to petrochemical production.

Between 1945 and 1953, during the *first period* following the war, brown coal was the only raw material used in production. The post-war reconstruction of the plant broadened its production mix by adding the production of coke, coal gas, phenol and electricity. The production of methanol was introduced in 1950 and of ammonia in 1953.

In the *second period* (1954-1972), the chemical plant was gradually rebuilt from the use of coal to crude oil as its basic raw material for production. The regular crude oil processing began in 1956 with 100,000 tons of crude oil delivered by tanker trains. In 1964, synthetic ethanol was produced and later the production of ethylbenzene began. The Friendship pipeline which delivered the Soviet crude oil was extended to the plant in 1965. The second power plant T 700 inside the chemical complex was finished in 1966. Oxosynthesis began to operate in 1969, the hydrogen plant based on heavy oil gasification was launched in 1971 and the urea plant in 1972. In February 1972, the construction of New Petrochemical Plants Litvínov began and the chemical coal processing was shut down in September 1972.

The *third period* (1973-1989) was characterized by further expansion of the chemical complex by building and launching new petrochemical plants. First polypropylene was produced in 1975, polyethylene in 1976, ethylene production started in 1980, new refinery complex began production in 1981, and finally in 1988 the hydrocracker (feedstock preparation for pyrolysis) was launched (Chemopetrol 1993).<sup>25</sup>

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<sup>25</sup>The production capacity of these units is as follows: (1) The pyrolysis unit: 450 thousand tons of ethylene annually and other pyrolysis products, such as propylene, benzene, pyrolysis oil. So far this unit has been used maximally only at 85% of its projected capacity. (2) The polyethylene and polypropylene units: 110 thousand

**Table 6.5** The development of industrial employment structure according to the industrial sectors in the Most District.

Industry	1961	1966	1980	1985
Coal mining	23,431	22,505	17,892	18,939
Chemicals	10,362	11,902	11,642	11,593
Consumer goods	3,253	3,238	3,046	2,935
Energetics	1,488	1,467	1,132	1,109
Heavy industry	820	823	836	920
Building materials <sup>1</sup>	342	486	785	683
Food processing <sup>2</sup>	226	234	392	366
Total	39,922	40,655	35,725	36,545

Notes: 1 = Construction in 1961 and 1966, 2 = Agriculture and nutrition in 1961 and 1966.

Source: OOSSÚ 1968 and OOČSÚ 1986.

The chemical industry was the fastest growing sector of the regional economy during the state socialist period of development (Figure 4). It became the second largest employer in the Most District providing about 30% of industrial employment in the 1980s (Table 6.5). It is the largest producer in terms of gross industrial production and by far the most productive industrial sector of the Most District in terms of productivity per worker (Figure 2).<sup>26</sup>

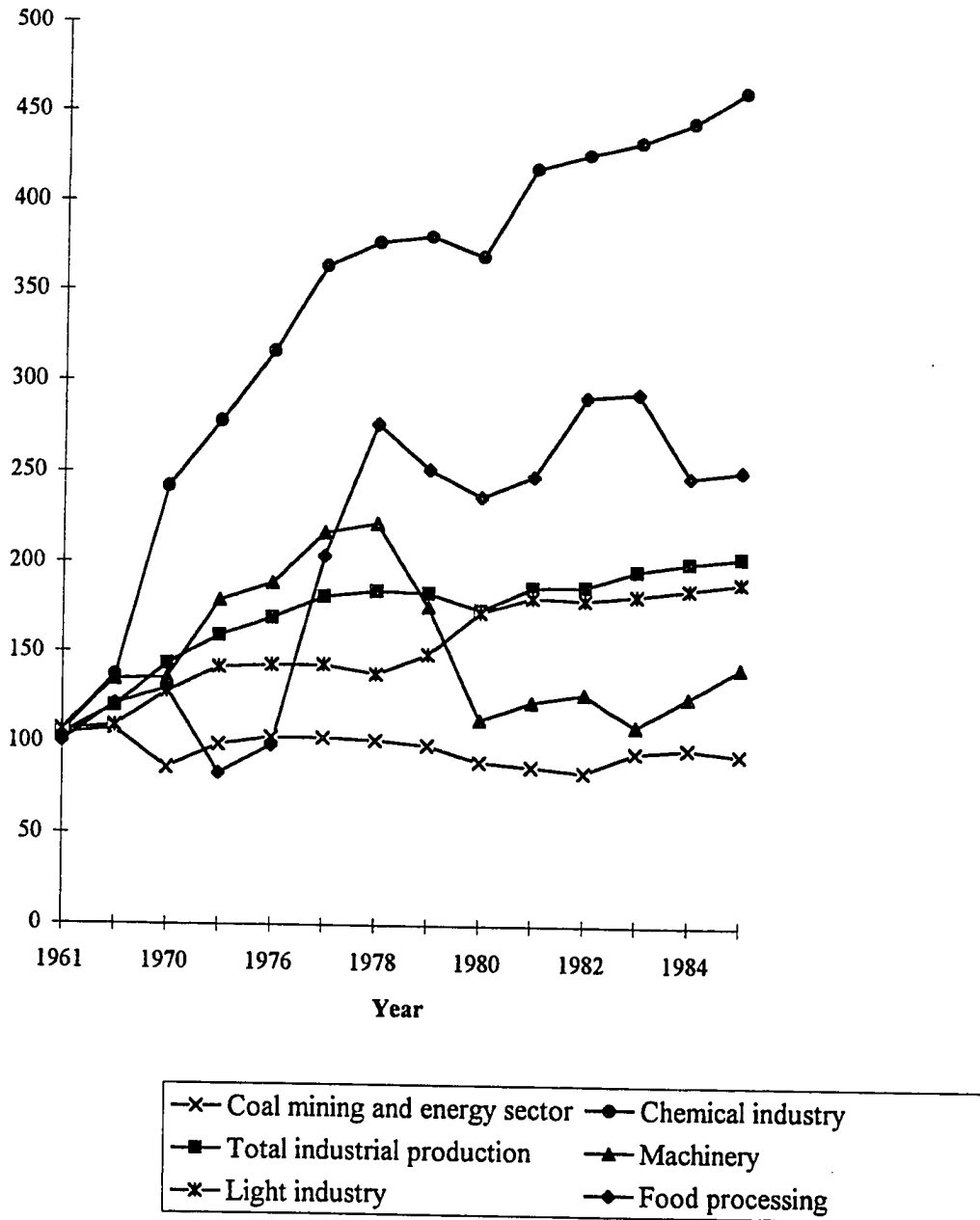
The development of the chemical industry in the Most District is an example of the exploitive type of extensive industrialization typical for the state socialist countries of Central and Eastern Europe. Initially, it was driven by the war interests of Nazi Germany. State socialism not only followed a similar ruthless productivism of extensive accumulation, but it also vastly expanded both the chemical industry and coal mining in

tons annually each. (3) The hydrocracer unit: 1.5 million tons of injection annually. Most of these production units were built using Western technology (Ministry of Industry 1990).

<sup>26</sup>In 1985, for example, productivity per worker based on gross production reached 870 thousand crowns in the chemical industry while only 231 thousand in coal mining, 322 in energy production, 217 in building materials, 214 in textiles etc. (OOČSÚ 1986).

Figure 4:

**Index of industrial production in the Most District (1960=100)**



Source: OOCSSU 1986.

the Most basin. This was only possible at the expense of an extreme exploitation of natural resources and resulting environmental devastation of the region and at the expense of other areas of life.

### **6.5. The Mode of Social Regulation in the Most District Under State Socialism**

This section will examine the regional mode of social regulation, which became the important component of the structured coherence formed in the Most District under state socialism. First, I will look at the ways in which the state subsidized local consumption in the Most District in order to attract and stabilize labor in the area. Second, I will discuss the role of planning in the regulation of coal mining production. Third, I will stress the role of Communist Party hegemony in the social and economic regulation under state socialism. The last two sections analyze industrial paternalism and the eradication of civil society in the Most District under state socialism.

The post-World War Two restructuring of coal mining involved, among other elements, the nationalization of coal mining and changes in its organization and management. Between May 9, 1945 and March 1, 1991, north Bohemian coal mining was institutionally reorganized 33 times (7 reorganizations in the 1940s, 9 in the 1950s, 7 in the 1960s, 3 in the 1970s, 3 in the 1980s and 2 in early 1990s) (Jindřichovská 1991). The high number of institutional and administrative reorganizations, especially in the 1940s, 1950s and 1960s, suggests not only that north Bohemian coal mining was constantly looking for ways to increase its efficiency through its better organization, but also that most of these changes failed to yield expected results. It also suggests that there were continual struggles at the national, regional and local level over the organization of the coal mining industry and over the direction of its development. For example, both the management and labor unions of the north Bohemian coal mines strongly objected to governmental proposals for structural reforms in 1967 which suggested the possibility of closure of unprofitable mines and using more oil and gas from the Soviet Union for the electricity production. Labor unions organized several short protest strikes, which were possible due to the democratization of society associated with the 1968 Prague Spring, while the management attempted to convince the government that the opencast brown coal mining was the best alternative for the future of electricity production in

Czechoslovakia (Myant 1989).

#### *6.5.1. Labor politics in the Most District under state socialism*

Constant reorganization of the labor process was the typical feature of the state socialist economy. It was usually designed to cope with existing shortages of basic supplies, such as materials, equipment, services and labor, and also with changing production requirements from central ministries (Burawoy 1985, pp. 162-163). Coal mining and the chemical industry in the Most region constantly suffered from labor shortages which were most serious immediately after the Second World War. Thousands of prisoners of war left the region and about 50 thousand Germans were expelled (see Table 6.2). Only several dozen workers remained in the chemical plant right after the war, down from tens of thousands during the war (Pokorná 1991). Under this situation, both coal mining and the chemical industry had to rely on part time workers who were hired from all over Czechoslovakia usually on four month contracts (Novotná, Fröhlich and Musil 1985). Despite all efforts of state socialist planners, labor shortages in the Most region persisted during the entire state socialist period, although in much less intense form than immediately after the Second World War. There were 10-13 thousand temporary workers employed in coal mining and the chemical industry in the late 1980s.<sup>27</sup>

The government used several ways to attract and stabilize labor in the Most District. Generally, state apartments were easier to get for young couples in the Most District and other coal basin districts of northern Bohemia than in the rest of the Czech lands. Miners and workers in the chemical industry enjoyed the highest salaries in the former Czechoslovakia. The government also provided other financial incentives, such as 'burial money' and constancy bonuses in coal mining. Due to high wages in coal mining and the chemical industry, the Most District enjoyed the highest average monthly wages not only in northern Bohemia, but in the entire country, although the differences

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<sup>27</sup>Interview with Mr. Trefný, the Most District Office, June 23, 1992.



were not very big.<sup>28</sup> As a result, specific consumption patterns gradually developed in the Most District. Consumer goods shortages were generally less severe and supply of southern fruits, for example, was much better in the Most District and other coal mining districts of northern Bohemia than in other parts of the country. As a result of higher wages and better supply, the local population enjoyed higher personal consumption of goods (by about 10%) than other regions of former Czechoslovakia.<sup>29</sup> At the same time, it appears that there was also higher collective consumption of goods provided by the government in the Most District and northern Bohemia as a whole in comparison to the rest of Czechoslovakia.<sup>30</sup>

### 6.5.2. *Plan fetishism under state socialism*<sup>31</sup>

Planning became the basic principle of coal mining regulation when it replaced market regulation after 1948.<sup>32</sup> The five year production plans and production quotas were set by the planning machinery - the State Planning Commission, the Ministry for Fuels and Energy and general headquarters - typical for command economies. The plans

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<sup>28</sup>In 1980, for example, the average monthly wage in the socialist sector of the economy was 2,637 Czechoslovak crowns (Kčs) in Czechoslovakia as a whole, 2,650 Kčs in the Czech Republic and 2,892 Kčs in the Most District. In the industrial sector, the average monthly wage was 3,156 Kčs in the Most District. The average wage reached 3,422 Kčs in coal mining and 3,114 Kčs in Chemopetrol in the Most District (30% and 18% above the Czechoslovak average) (OOČSÚ 1986). Furthermore, the government paid the so called stabilization allowance of about 2,000 Kčs annually to all inhabitants of North Bohemian coal basin in the 1980s. The local population refers to this allowance as 'burial money'.

<sup>29</sup>In 1980, retail turn-over per capita reached 14,151 Kčs per capita in Czechoslovakia as a whole, 14,451 Kčs in the Czech Republic, 14,790 Kčs in northern Bohemia and 15,599 Kčs in the Most District, which is 10.3% more than Czechoslovakia as a whole. The corresponding numbers for 1985 are as follows: 16,118 Kčs for Czechoslovakia as a whole, 16,453 Kčs for the Czech Republic, 16,809 Kčs for northern Bohemia, and 17,889 Kčs for the Most District, which represents 11.0% more than Czechoslovakia as whole (OOČSÚ 1986).

<sup>30</sup>The number of apartments built by the state, enterprises, collectives and individuals indicates higher collective consumption in the Most District and northern Bohemia than in the rest of the country. Between 1981 and 1985, there were 19 people per one newly built apartment in the Most District and northern Bohemia, but 27 in the Czech Republic (42% more) and 25 in Czechoslovakia as a whole (32% more). It was generally much easier to receive an apartment from the government in northern Bohemia than elsewhere in Czechoslovakia.

<sup>31</sup>I took the term 'plan fetishism' from Burawoy (1985, p. 160).

<sup>32</sup>The basic structure of coal mining organization under state socialism was as follows: coal mining was directed by the Federal Ministry for Fuels and Energy located in Prague which supervised the entire coal mining and energy sector in the former Czechoslovakia before 1989. The north Bohemian mining district was directed from the general headquarters located in the city of Most. The mining district was divided into a number of national enterprises which were further organized into individual mines and subsidiaries.

were based on the previous levels of production and bargaining between individual mines and their supervising bodies. According the managers of the Most Coal Company who worked in the coal mining management under state socialism, when the plan was approved it became a 'law' which was "impossible to change" officially at the level of individual mines by their directors or management. One of the managers expressed this very clearly:

Before [1989] we had a plan broken down to individual mines. For example, we had to mine 10 million tons [of coal] regardless anyone needed it or not. And the center was not willing to reduce the plan by one ton even if we were forced to take a loan from a bank to mine it and put it into a heap and leave it to disintegrate. . . . The director [of a coal mine] could not stand up against such nonsense decisions. It was impossible to change a plan of how much we were supposed to mine, even though we knew that no one needed that coal and no one wanted it. There was no defense.<sup>33</sup>

Why were the mines so weak *vis-à-vis* the Ministry? One of the most feasible explanations is that the government and its ministries viewed brown coal as the strategic resource of primary importance for the entire national economy. Therefore, the fulfillment of coal production plans was the necessary precondition for the plan fulfillment in other sectors of the national economy. The failure of brown coal mining industry to generate sufficient coal reserves for power plants resulted in serious economic difficulties in the winter of 1979-1980. Brown coal power plants were unable to produce enough electricity due to the lack of coal which prompted the government to implement a set of costly restrictive measures to limit electricity consumption by the industry and population. The importance of coal also increased due to the rising price of imported oil and its declining deliveries from the Soviet Union.<sup>34</sup>

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<sup>33</sup>Interview with ing. Richter, the manager of Most Coal Company on August 18, 1994. A different interview revealed that when coal mining enterprises could not fulfill the planned coal production they added earth to coal and mixed it to achieve a required target (interview with ing. Hladký, former manager of the general headquarters of the North Bohemian Coal Mining District, Most, July 21, 1992).

<sup>34</sup>While the oil deliveries via the Friendship pipeline declined by 12% between 1980 and 1985, the value of these deliveries increased by 161% (Myant 1989, p. 203).

### 6.5.3. Communist Party hegemony in the Most District under state socialism

In contrast to a commonly held perception in northern Bohemia of giant coal mines and other large enterprises acting somehow on their own in cities and regions, my research showed that these enterprises were tightly regulated and closely watched from the outside by the Communist Party and state apparatus.

Today [1994] we are partners [with state apparatus, regional, district and local administration], today no one can dictate us. Before [1989] these authorities held us accountable and it was very easy to do that through the district committees of the Communist Party because as a rule the chairmen of these authorities were [also] members of the board or at least of the assembly of the Communist Party district authority. And he [a chairman] called a director of a mine directly or the Party called him, made him toe the line and told him what they needed and he [a mine director] had to fulfill that wish somehow or look for ways how to do it... The Communist Party authorities played very important role. Their wishes [and] decisions made by the district board of the Communist Party were the same as a law. It often contradicted the law but it was the same as a law. A mine director did not have a way out.<sup>35</sup>

Mine directors were members of the Communist Party but they were subordinated to the district Party committees, reflecting the regional organizational structure of the Communist Party.

This system of state and Party control forced the mines to behave toward the public and the environment according to certain rules. As we will see in section 6.6.1. of this chapter, many villages were destroyed in order to make a way for coal mining. The state set up a procedure to evaluate the property which was going to be destroyed and the ways a mine had to pay for it. An owner of such a house was obliged to sell it to the state at the official price set by the state which was very low. A mine could not offer more money to, for example, offset the difference between the official price and

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<sup>35</sup>Interview with Ing. Richter, a manager of the Most Coal Company on August 18, 1994. According to the chair of the Department of the Environment in the city of Most, the state administration and the Communist Party dictated to coal mines what they had to do in the sphere of public life "from mowing grass to giving gifts and sponsoring various sport events. The enterprises had to spend 5-10% of their budgets on these things." (interview with Mr. Petr Pakosta, chair of the Department of the Environment, mayor's office, city of Most, July 28, 1993).

a price of a new house. This was regarded as the stealing of socialist property and a mine director was held responsible if this happened.<sup>36</sup>

In addition to the control of the mines and other enterprises by the Communist Party from outside, there was an internal control too. All directors and top management were the members of the Party's nomenklatura. They had to be the members of the Communist Party in order to get and keep their jobs. The Party had its enterprise structure established in each mine (Party cells and committees) which organized its members. Furthermore, the trade unions firmly under the control of the Party exercised extensive legal powers at the workplace (based on Act No. 37) and had considerable financial means because the enterprises were obliged to provide finances to the unions based on collective agreements. No one, not even a mine director, dared to violate a collective agreement.<sup>37</sup> Thus the trade unions functioned as the instrument of the Communist Party which kept both workers and management in line (Clarke and Fairbrother 1993a).

The power of the Party and the state was perpetuated and deepened by weak law enforcement and the fear of competent enterprise and state officials to challenge law violations. If there was someone willing and able to challenge decisions which violated the existing law in court, he/she could have been successful as the following example will illustrate. This conclusion, based on my research in the Most District, also contradicts a commonly held view that the law did not hold under state socialism. The problem was rather that it was not enforced when it was violated.

In the Most District, for example, the central state represented by the economic ministries planned to build three more large power plants in the 1970s (with 2,500 megawatts of total electricity output). One of them (Sedlec) was supposed to be located about 5 kilometers southwest of the city of Most and two (Všestudy I and II) were

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<sup>36</sup>Interview with Ing. Goldberger, the Most Coal Company, August 18, 1994. A different source of information has revealed that coal mining enterprises exerted strong pressure on citizens to sell their houses in the villages which were supposed to be torn down. If the people refused to sell their houses the mining company gradually lowered 'the official' estimate of the house value to the point that desperate house owners agreed to sell it. This procedure was against the law but it was easier for mining companies and the state to do it this way than ask the state to expropriate the houses (LN September 24, 1993).

<sup>37</sup>Interview with Mr. Tlapák, trade union activist, Most, July 7, 1993.

planned to be built on the border of the Most and Chomutov Districts, 12 kilometers southwest of the city of Most in such a location from which prevailing winds would have brought the smoke and pollution directly to the city of Most. The Sedlec power plant and Všešudy power plants were each supposed to release 160 to 179 thousands tons of sulfur dioxide into the air annually. The district hygienist requested that scrubbers and desulfurization equipment be installed in these power plants, but his requests were ignored. Therefore, he refused to approve the project and was supported by the regional hygienist for northern Bohemia. When construction began without approval from the district and regional hygienists in 1968, the regional hygienist asked the regional prosecutor's office to stop it. The dispute was finally decided by the general prosecution office at the national level in favor of the hygienists. The construction of power plants was stopped, these power plants have never been built and the deputy minister who ordered the construction to begin was dismissed.

The Party and state apparatus found an alternative solution. Two different power plants were planned for the Most District (Počerady I and II). The district hygienist did not approve the construction again for the same reasons. His requests for the installation of scrubbers and desulfurization equipment were ignored. In order to prevent the prosecution and to eliminate the powers of the Most District hygienist, *first*, the government of Czechoslovakia took away the decision making power of district and regional hygienists and concentrated it in the hands of the principal hygienist of the Czech Republic in Prague; and *second*, the Most District authority office made an agreement with the neighboring Louny District according to which the Most District transferred its territory on which the power plants were supposed to be built to the Louny District. The Louny District hygienist did not have any objections to the construction of power plants. The authority of the Most District hygienist was eliminated, the power plants were built in a planned location without scrubbers and desulfurization equipment and today they pollute the Most and Teplice Districts immensely, not the Louny District.<sup>38</sup>

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<sup>38</sup>Interview with MUDr. Švec the former Most District hygienist, Most, July 30, 1994.

#### *6.5.4. Industrial paternalism in the Most District under state socialism*

State socialist power relations resulted in the development of strong industrial paternalism in the Most District and coal mining districts of northern Bohemia. This type of domination over local social life and space by large industrial enterprises typified state socialism at the local scale (Illner 1992a, Pickles 1995, Domański 1992, Morawski 1993). The central state dominated the enterprises through the system of central planning and Communist Party hegemony and the enterprises dominated and controlled local communities (Pickles 1995).

In the Most region, coal mining enterprises and Chemopetrol provided social infrastructure and many social services for their employees. These services ranged from the provision of free snacks at the workplace to the building and provision of apartment buildings for the workers, and building and running of the 'houses of culture' and sport facilities outside the plants in the cities. The city of Most was actually dominated by coal mining and its general headquarters located in the city. After the demolition of the old city of Most in the 1970s, a large portion of social infrastructure built in the new city of Most was financed by coal mining (Photos 8 and 9).

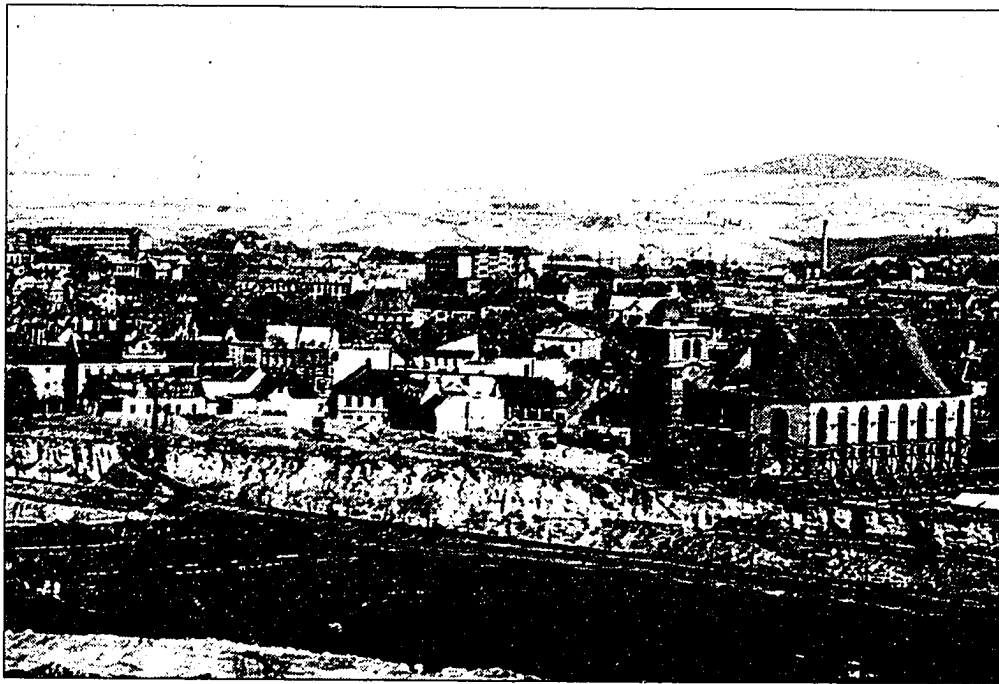
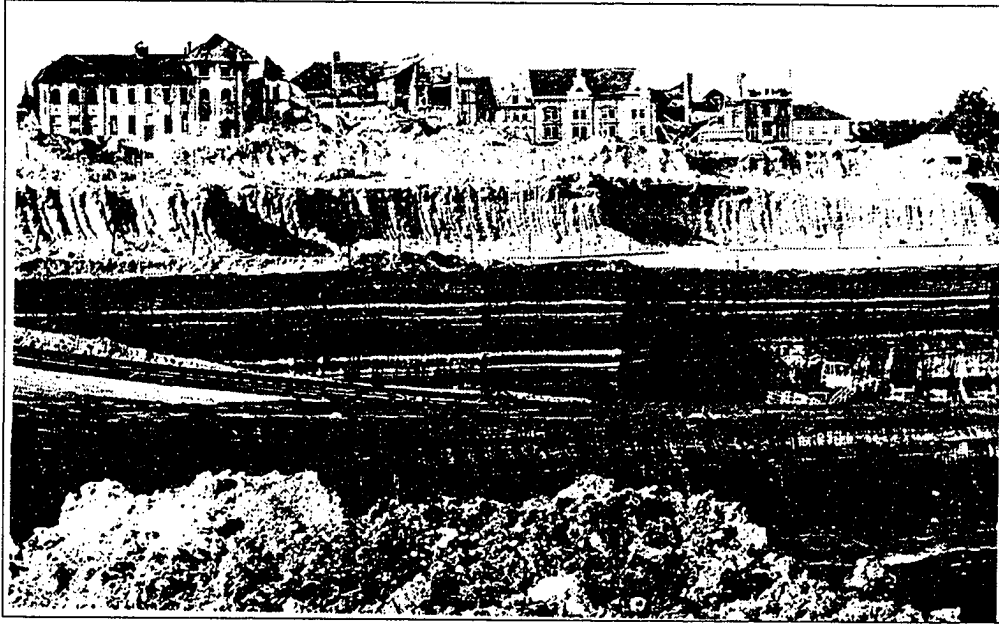
The mayor of the city of Litvínov characterized the pre-1989 relations between the city and Chemopetrol, located on its territory, as follows:

There was a clear paternalistic relationship between Chemopetrol and the city [of Litvínov] before 1989. Chemopetrol essentially assigned what would be or would not be done in the city. Chemopetrol built all kind of things here . . . Simply the city silently obliged itself not to stick its nose into the area of environmental problems caused by Chemopetrol. It was not a relationship of two partners. Even today it is not entirely the case but we [the city] are trying to push it to a normal state.<sup>39</sup>

Using Illner's classification (1992a), coal mining industry functioned as 'landlord' in relation to the city of Most. A similar 'landlord' relationship developed between Chemopetrol and the city of Litvínov. In reality, both coal mining and the chemical industry developed this relationship with the cities of Most and Litvínov but the influence

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<sup>39</sup>Interview with ing. Doležal, mayor of the city of Litvínov, August 11, 1993.



**Photos 8 and 9.** The demolition of the old city of Most. Source: Photo 8 (top): Štýs and Helešicová (1992, p. 56), Photo 9 (bottom): ONV (1992, p. 71).

of coal mining was much stronger in the city of Most, while the influence of Chemopetrol was much stronger in the city of Litvínov. The major reason for this situation was that Chemopetrol is located on the municipal territory of the city of Litvínov, while the bulk of coal mining activities, including its headquarters, takes place on the territory of the city of Most.

The enterprises engaged in these activities mainly because they wanted to attract and keep labor.<sup>40</sup> Labor shortages were a typical supply problem of the state socialist enterprises most acute in regions of extensive economic development, such as the Most District. In exchange for their services, the enterprises, such as Chemopetrol, expected that the city of Litvínov would not meddle with Chemopetrol's environmental pollution and other affairs.<sup>41</sup> This type of paternalistic relationship, however, was limited to large cities only, such as Most, Litvínov and to a lesser extent Meziboří in the case of the Most District. Small towns and villages have rarely received any money, services or other benefits from the large enterprises which were exploiting their labor force and destroying their environment.<sup>42</sup> In this case, both the coal mining and chemical enterprises functioned as 'parasites' (Illner 1992a) to small towns and villages in the Most basin, using their resources but not contributing to their development. The mayor of Mariánské Radčice, the village located in the Most basin and negatively influenced by both underground coal mining and nearby Chemopetrol, summarized their contribution to the development of the village during state socialism as follows:

The only contribution we received from the coal mining enterprises in the past was that they sent two members of [people's] militia and two wreaths for important [communist] anniversaries here. This was their entire contribution.<sup>43</sup>

In many cases, this type of parasitic and hegemonic relationship between coal mining and

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<sup>40</sup>Interview with Dr. Jan Vozáb, former chair of the Department of Environment in the mayor's office, city of Most, June 24, 1993.

<sup>41</sup>Interview with Ing. Doležal, mayor of the city of Litvínov, August 11, 1993.

<sup>42</sup>Information based on the interview with Mr. Krepčák, mayor of the town of Lom, Lom, August 5, 1993.

<sup>43</sup>Interview with Jiří Kicl, mayor of the village of Mariánské Radčice, August 3, 1993.



towns and villages located in the Most basin was also an 'antagonist' type of relation (Illner 1992a). The antagonist relations are typical by such a behavior of enterprises which threatens the interests of communities and causes damage and conflicts. In the case of 33 communities located in the Most basin, such antagonist relations with coal mining culminated with their liquidation (Table 6.7, Photos 10 and 11).

No one cared about our opinion [before 1989]. Coal mining enterprises simply said: "we will bury you, we will close it here and move you to the blocks of flats". This was how it worked here. Such was the routine practice with all liquidated villages here.<sup>44</sup>

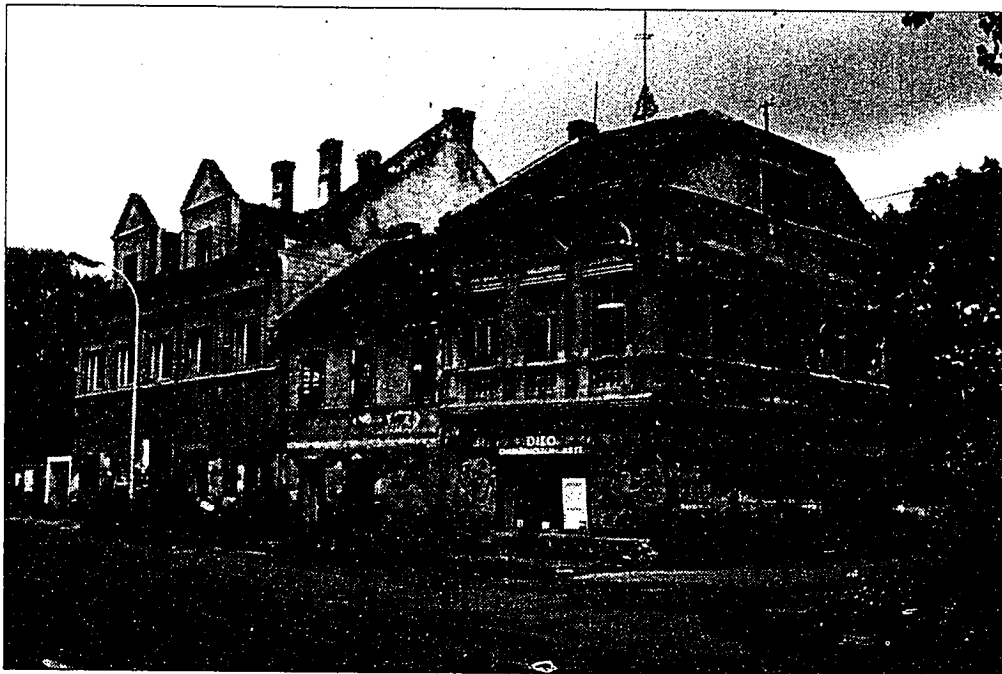
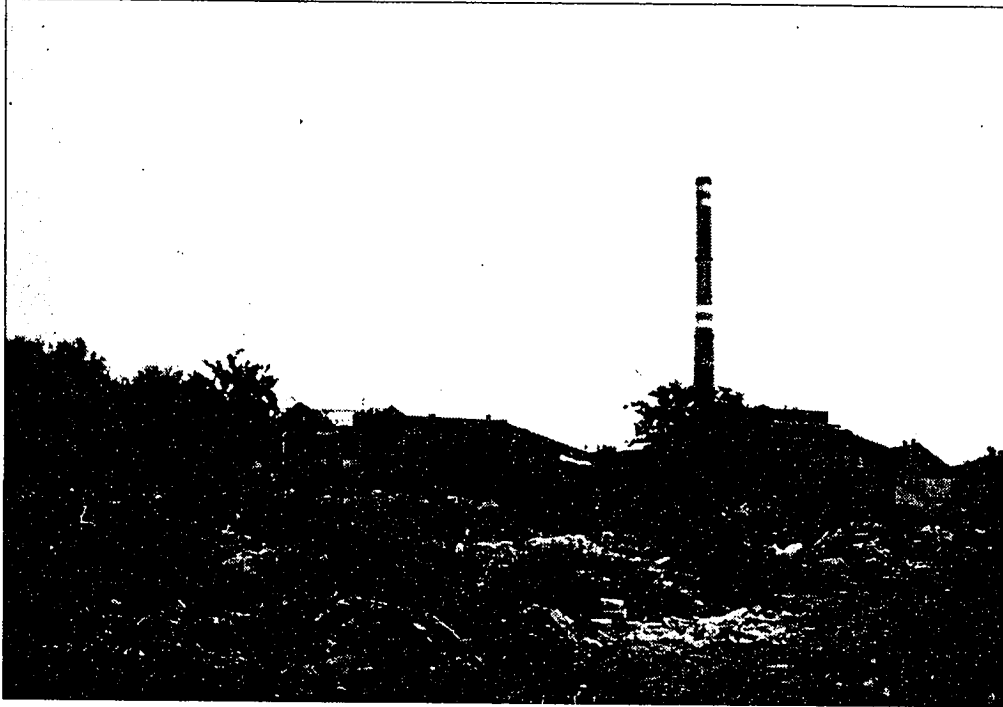
These accounts of the situation under state socialism reflect the power relations between large industrial enterprises and municipalities in the Most basin. The existence of such power relations was made possible by the Communist Party hegemony and the absence of democracy under state socialism, which led to the subordination of municipalities and their inability to defend their interests.

#### 6.5.5. *Eradication of civil society in the Most District under state socialism*

Hegemony of the Communist Party in economic, political and social life led into a virtual eradication of *civil society* on the local scale as "a genuinely pluralistic and actively self-organizing civil society which is independent of state power and capable of questioning and - from time to time - resisting its expansionist claims" (Keane 1988 p. 28). The absence of civil society in the Most District can partially explain why the citizens of the district and the entire region of northern Bohemia allowed such extreme environmental devastation to take place in their region.<sup>45</sup> In the absence of a

<sup>44</sup>Interview with the mayor of the village of Louka u Litvínova, August 10, 1993.

<sup>45</sup>The first protest against environmental pollution in northern Bohemia took place in the neighboring Chomutov District in 1987. It suggested that the formation of civil society was taking place in the late 1980s prompted by rapidly worsening environmental quality, especially due to increasing sulfur dioxide pollution and growing areas devastated by coal mining, and inability of central government to deal with it. In January and February 1987, about 300 people signed a letter sent to the Chairman of the District National Committee and to the Czech Prime Minister and Communist Party Central Committee member Ladislav Adamec. The people complained about the insufficient warning system to alert citizens about high levels of pollution during the temperature inversions. Although the entire letter has never been published and the protest was revealed by the media after several months, the Communist Party took it very seriously (see Pohl 1988 for more



**Photos 10 and 11.** The demolition of villages in the Most District. Photo 10 (top) shows part of the village of Komořany, photo 11 (bottom) shows part of the village of Libkovice (photos taken in 1993 by the author).

functioning civil society, coal mining was regulated only by the system of central planning and Communist Party hegemony. It was driven by the needs to supply coal and energy for the national economy which did not take into consideration any local interests voiced by some independent civic structures. The local government was almost totally subordinated to the Communist Party and central government and functioned as its transmission belt at the local scale. As such it could not defend any local interests. As a result, social regulation in the Most District was controlled from outside the district in most respects and the most decisive forces in this control, which ignored regional and local interests, were the Communist Party and central state constituted at the national scale.

I think, however, that the hegemony of the Communist Party and the absence of civil society cannot satisfactorily explain on their own why local citizens in the Most District did not resist the liquidation of their villages and towns and the total destruction of their environment by coal mining and chemical industries. *First*, I have already discussed how the population of the Most region and its social ties were disrupted by Nazi occupation in 1938 and especially by the expulsion of Germans from the region in 1945. The newcomers attracted by jobs, high wages and apartments usually moved to the region not permanently but often only to make money and move out. These people were typically low educated young single men. In contrast, people who were leaving the region in the 1980s included higher educated and married couples (Šilhavý and Ort 1990). Most newcomers never really developed a personal attachments to the land and countryside. *Second*, at the same time thousands of people from rural communities were moved out from their homes to the cities and their villages were torn down disrupting their attachment to the land.<sup>46</sup> As a result, many people in the Most region developed a *mechanistic mentality* toward natural resources which allows them to ignore the total

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information).

<sup>46</sup>Most of these people moved to the concrete apartment buildings in the cities of Most and Litvínov. As a result, these cities (especially Most) were growing fast while the population of other towns and villages was rapidly declining. Between 1970 and 1990, for example, the population of the Most metropolitan area grew by 22.0% (from 58.8 to 70.7 thousand) and the Litvínov metropolitan area by only 3.9% (from 33.0 to 34.3 thousand, the population of the city alone actually declined by 27.6% from 26.8 to 19.4 thousand). At the same time, the population of remaining towns and villages in the Most District declined by 47.3% (from 24.3 to 12.8 thousand (VÚVA 1991, p. 48).

devastation of the environment in which they live.<sup>47</sup> Their direct involvement at work with the very activities which destroy their environment and health contributes to the situation. The combination of these two factors results in an extreme apathy of the majority of local population to their environment.

Although the central government was well informed about the extent of environmental pollution and its impact on health of local population,<sup>48</sup> it took only limited steps to alleviate the worst consequences of extreme environmental degradation in the region and to regulate existing industries. It introduced free vitamin-enriched snacks and lunches at schools in the late 1970s and sent children to the so called 'schools in nature' away from the industrial area for about three weeks every year.<sup>49</sup> Also, 57 observation stations were established to monitor the level of air pollution by sulfur dioxide, 27 to measure air pollution by particulate matter, 22 by sulfur acid, and 10 to measure toxic metals in the region of northern Bohemia. During the period of temperature inversions and high levels of air pollution, the power plants were supposed to burn coal with lower sulfur content and lower the production of electricity (Pohl 1988).

We can see that although the social mode of regulation in the Most District under

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<sup>47</sup>The idea of 'mechanistic mentality' is based on the interview with David Lowrance who first used this term, Zelený Dům, Litvínov, August 10, 1993.

<sup>48</sup>The former district hygienist of the Most District submitted the basic analysis of the health situation in the district and its expected future development to the head of the District Communist Party organization and the head of the district national committee in 1965. Both of them told him that it was interesting material but it could not be made public. No one was really interested in this type of analysis. The district hygienist regularly submitted his findings and analyses to the district's health committee and since the 1970s to the heads of the district and regional Communist Party organizations and national committees. His analyses reached the national government only in the late 1970s when the environmental and health situation in the district and the entire region was becoming critical. At that time, the government introduced the so called "compensation measures" directed toward children and young people because they feared a potential civil unrest in the region. All analyses of environmental and health conditions in the Most District were made secret by the Minister of Interior and the Minister of Health Care and the district hygienist was threatened with prosecution and jail in case he made his analyses public (interview with MUDr. Švec, the former district hygienist, Most, July 30, 1993). Similarly, the district hygienist of the neighboring Teplice District had regularly informed the district Party committee about the health impacts of pollution on children and pregnant women for ten years before 1989. Each time he had been warned that he would be imprisoned if he made his analyses public (interview with ing. Pisinger, advisor of the Minister of Environment, Teplice, August 4, 1993).

<sup>49</sup>These steps were proposed by the hygienists of coal mining districts of northern Bohemia. According to the former Most District hygienist, these measures improved temporarily the health situation of children but did not stop the health damage to childrens by highly polluted environment (interview with MUDr. Švec, the former district hygienist, Most, July 30, 1993).

state socialism was largely determined at the national scale through the hegemony of the Communist Party and central state, it had a very specific regional and local components. It especially included distinct labor politics, local forms of industrial paternalism, nonexistent or severely constrained civil society and what I have identified as the mechanistic mentality of the local population and its apathy to the conditions in which they lived. This regional mode of social regulation constituted the important component of structured coherence produced in the Most District by state socialism.

#### **6.6. Production of Space and Environment in the Most District Under State Socialism**

The Most District is probably one of the best examples of how a particular model of development produces its own space and environment. State socialism and its development model were characterized by a mainly extensive regime of accumulation based on socialist industrialization, bureaucratic mode of regulation typified by central planning and the Communist Party hegemony, and a labor process model distinguished by anarchy of relations in production and workers control of production. In the Most District, this development model was typified mainly by coal mining and chemical industries and their 'gigantomania' - organization into huge enterprises employing thousands of workers, consuming enormous amounts of raw materials and energy and producing tremendous amounts of pollution. The Most District illustrates how space functioned as a means of production in the state socialist development model.<sup>50</sup>

##### **6.6.1. Large scale landscape devastation**

A simple comparison of present maps of the Most region with the situation before state socialism took over reveals a staggering difference: not only has the human geography of the region been changed in terms of industrial patterns and settlement systems, but the physical geography has also been changed due to landscape devastation and the production of new landscapes which, in turn have led to alterations of microclimates. This section investigates this change.

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<sup>50</sup>See Lefebvre (1979 and 1991) on this issue in capitalism.

In 1991, 117 square kilometers (km<sup>2</sup>) of the Most District were devastated by opencast coal mining which represented 25.1% of the area of the district (Švec and Kučerová 1993b).<sup>51</sup> Between 1952 and 1991, 21.4 km<sup>2</sup> of landscape devastated by coal mining had been recultivated (Štýs and Helešicová 1992, Švec and Kučerová 1993b). It means that 138.4 km<sup>2</sup> of the Most basin in the district had been directly involved in coal mining between 1952 and 1991 (29.7% of the district's territory). In addition to the landscape devastation caused by coal mining, Chemopetrol was taking up more and more space associated with its expansion under state socialism. Today, it occupies the area of 7.9 km<sup>2</sup> and its chemical dumps 4.1 km<sup>2</sup> (Chemopetrol 1994). Thus coal mining and the chemical industry consumed almost 150 km<sup>2</sup> of space in the Most District for production. We need to take into consideration that all this devastation is concentrated in the Most basin, which occupies only about one-third of the district, where it takes up most of the available space. The rest of the district, occupied by the Ore mountains and the southern agricultural area outside the Most basin, was not directly affected by coal mining (Table 6.6) (Maps 3 and 4, Photos 2,4, and 5, Figure 5).

As a result of this shaping of nature, the environment and landscape of the Most basin has been completely changed. On the one side, the surface was stripped sometimes 200 meters deep in large areas of opencast coal mines. On the other side, the external dumps of overburden have built up new hills which have grown up to 60 meters above the original terrain in the Most District (Švec and Kučerová 1993a).<sup>52</sup> I have already discussed how the opencast mines and external unrestored dumps influence the local climate by changing directions and speed of air flows and temperature regimes by stripping the natural vegetation cover from large areas. I have also shown how this

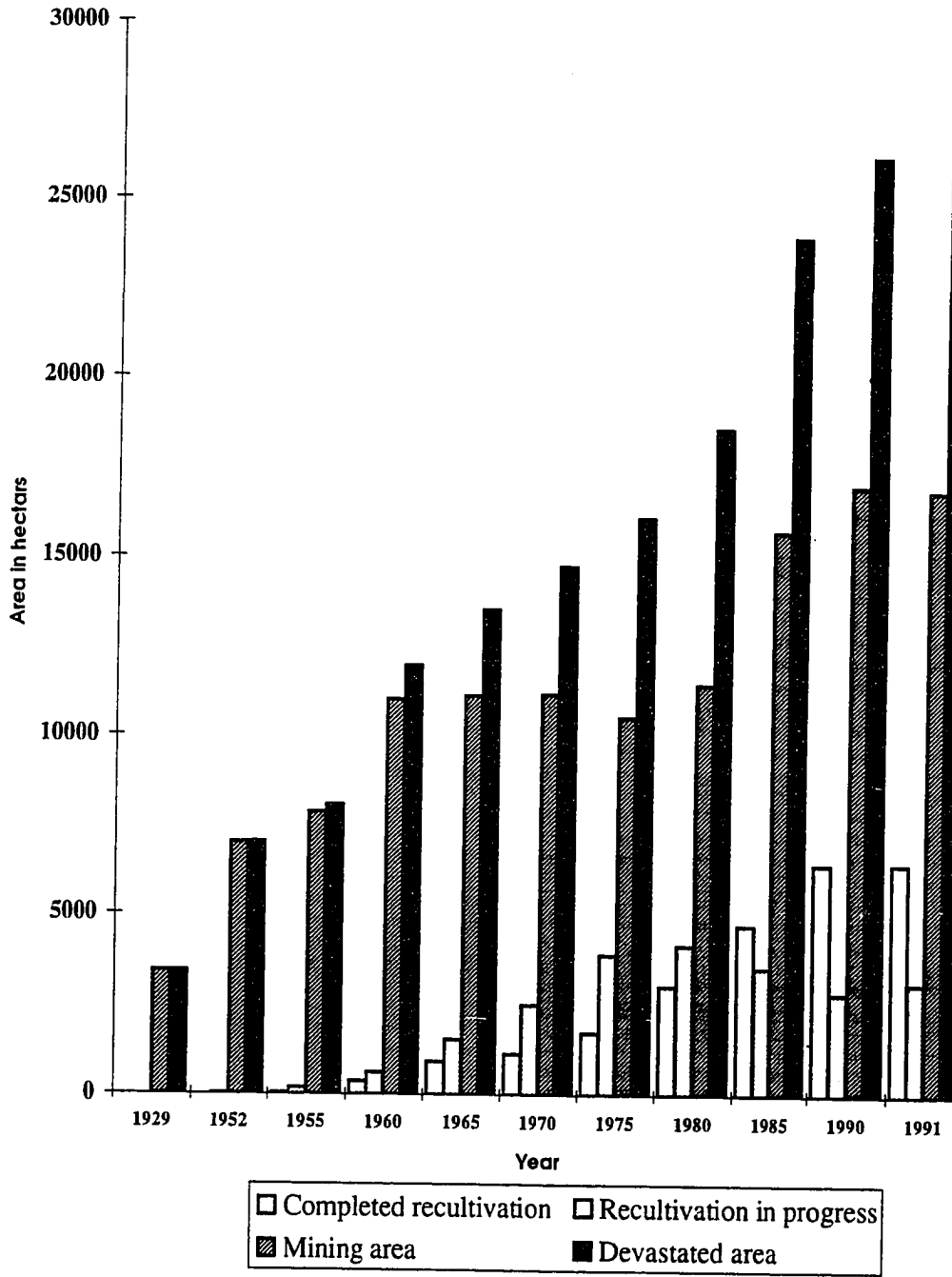
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<sup>51</sup>The growth of the area devastated by coal mining in northern Bohemia: in 1929 about 34 km<sup>2</sup>, in 1952 about 70 km<sup>2</sup>, in 1960 about 120 km<sup>2</sup>, in 1980 about 186 km<sup>2</sup> and in 1991 264 km<sup>2</sup> (Stáhlík 1994, Cibulka 1993) (Figure 5).

<sup>52</sup>The so called Radovesická dump located just outside the Most District on the territory of the Teplice District covers the area of 10 km<sup>2</sup>. It filled up a valley and it is 200 meters high. This dump buried four villages (Hetov, Dříněk, Radovesice and Lískovice) (Růžička 1992). It is expected to be filled by the year of 2007 and by that time it will be 250 meters high and contain more than one billion cubic meters of overburden (1,031,541,000 m<sup>3</sup>) (Štýs and Helešicová 1992).

Figure 5:

**Area devastated by coal mining in the North Bohemian Coal Basin**



Source: Stys and Helesicova 1992, Stahlik 1994.

**Table 6.6** Land use in the Most District and the Czech Republic in the early 1990s (in percentage of district's territory).

Territory	Agricu- ltural	Forest	Hydro- logical	Industrial and urban
Czech Republic	54.87	33.30	1.95	9.88
Most District	32.10	32.36	2.08	33.46
Northern part	10.08	83.04	1.52	5.36
Most basin	16.61	7.72	2.81	72.86
Southern part	69.24	4.28	1.96	24.52

Source: Janeček 1993.

contributes to the air pollution problems (see section 6.1.).<sup>53</sup> The hydrological system of the Most basin has also been devastated by coal mining and destruction of forests in the Ore Mountains due to air pollution. The course of the Bílina River has been changed many times and the river has been redirected into a pipeline in several areas of the district. The Dřínov water reservoir was discharged to make a way for the opencast mine Čs. armády in the 1980s. In this way a new physical geography of the Most basin has been produced by the state socialist development model.

The state socialist planners planned much greater devastation of northern Bohemia in the future. According to the so called 'large variant' of coal mining development, prepared by the company 'Mining Projects Teplice' for the Federal Ministry of Fuel and Energy and one other federal ministry, the entire North Bohemian basin was planned to be liquidated and all coal exploited. The liquidation was planned to involve the entire settlement system of the area, including the cities of Chomutov (70,000 inhabitants), Litvínov (34,000), Dubí (9,000), Krupka (9,000), and the large industrial enterprises, such as Chemopetrol, Chomutov Iron Works and others. This plan expected to excavate

<sup>53</sup>In the early 1960s, newly built dumps surrounded the locality of Komořany and created a closed basin in which the Komořany power plant and coal processing plant were located. The smoke from the power plant concentrated in this basin under certain climatic conditions causing acute smoke poisoning of the coal processing plant workers who had to be evacuated from the plant frequently (Švec and Kučerová 1993a).



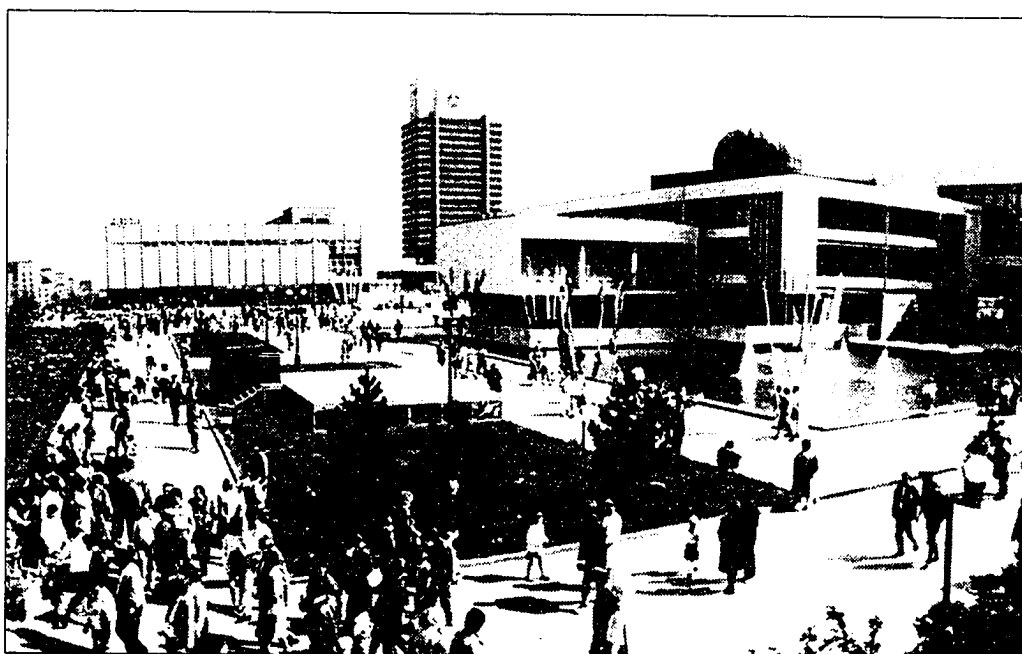
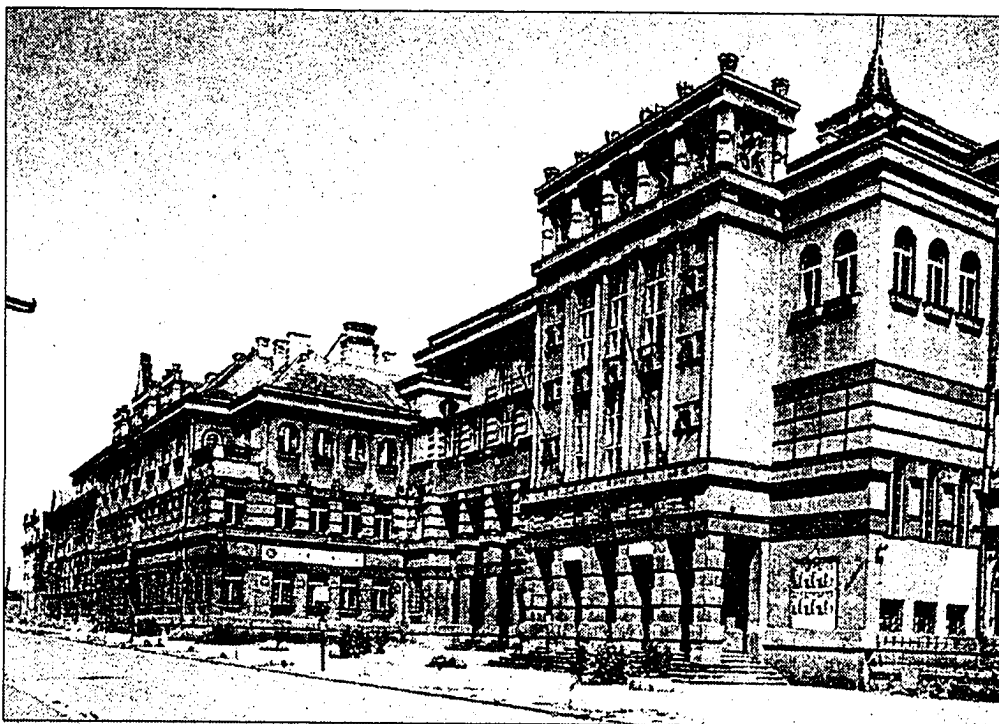
6.2 billion tons of brown coal in opencast mines up to 400 meters deep and devastate 500 km<sup>2</sup> of landscape in the next 100 years. Another 1,500 km<sup>2</sup> of mountains would have been devastated by pollution from the power plants and acid rain (Kubricht 1980). One of the articles about northern Bohemia published in 1980 simply argued that "the research has shown that the area around the cities of Most and Chomutov including these cities would become practically uninhabitable in a critical period around the year of 2000" (Štěpán 1980).

The landscape devastation by the state socialist development model was also extremely devastating for people living in numerous villages, small towns and the old city of Most. As I have already mentioned in section 6.1., after 1955, thirty-two villages and the district capital were torn down resulting in the liquidation of more than 15 thousand apartments and forcing thousands of people out of their homes (Table 6.7).

At the same time, state socialism produced its own new industrial and urban space (Photo 13). *First*, I have talked about coal mining and chemical industry but there are other industrial activities usually associated with the two which were also developed, such as the construction of power plants, the development of transportation infrastructure (new railway tracks and roads), machine works, mining construction company,<sup>54</sup> the construction of a new drinking water dam at Fláje and the industrial water reservoir at Dřínov. *Second*, the production of new urban space is illustrated by the large scale construction of new apartment buildings which began after the Second World War. A program of housing construction was designed to accommodate thousands of workers needed in new chemical industry and expanding coal mining. First, the housing complexes which Germans started to build during the war were finished. Later new city districts were built in Most using first bricks and later (since 1958) concrete as the building material. A new plant producing concrete panels for apartment building construction was built in Most to satisfy their rapidly growing demand (Pokorná 1991). The city of Litvínov was expanded in a similar way and a new town of Meziboří (over

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<sup>54</sup>The Ore Mountains Machine Works Komořany focused on supply of spare parts for coal mining technology, its repairs and reconstructions. The Mine Building Company Most had five specialized enterprises conducting all coal mining construction works, geological surveys, recultivation works etc. (ONV 1992).



**Photos 12 and 13.** Comparison of urban space produced by capitalism and state socialism in the city of Most. Photo 12 (top) shows magnificent buildings of the old city of Most. Photo 13 (bottom) shows state socialist architecture in the downtown of the new city of Most. Source: Photo 12: ONV (1992, p. 76), Photo 13: Štýs and Helešicová (1992, p. 63).

**Table 6.7 Villages and settlement units liquidated in the Most District between 1956 and 1994.**

Municipality	Date of liquidation	Number of apartments	Population	Reason
Ervěnice	1956-1959	830	2,491	coal mining
Dolní Litvínov-osada Růžodol	1957-1959	1,000	3,299	coal mining
Střimice	1957-1958	150	471	coal mining
Souš	1960-1970	700	2,726	coal mining
Čepirohy	1960-1970	100	306	coal mining
Fláje	1958-1959	90	280	water dam
Záluží	1959-1972	1,060	3,182	Chemopetrol
Slatinice	1965	70	174	coal mining
Pařidla	1969-1970	48 <sup>1</sup>	168	coal mining
Kamenná voda	1972	40	67	coal mining
Židovice	1972-1974	100	220	coal mining
Skyřice	1972-1973	115	134	building of city of Most
Stránce	1972	30	22	coal mining
Kopisty	1974-1979	1,740	2,728	coal mining
Konobrzhe	1976-1979	166 <sup>1</sup>	425	coal mining
Dřínov	1975-1976	430	956	coal mining
Velebudice	1975-1976	60	76	coal mining
Bylany	1978	30	68	coal mining
Vršany	1978	40	86	coal mining
Holešice	1978-1979	280	650	coal mining
Třebošice	1978-1980	550	882	coal mining
Hořany	1980	230	443	coal mining
Dolní Jiřetín I	1980-1981	1,100	1,881	coal mining Chemopetrol

Municipality	Date of liquidation	Number of apartments	Population	Reason
Dolní Jiřetín II	1981-1983	141 <sup>1</sup>	n.a.	coal mining
Starý Most	1965-1980	6,000	15,000-20,000 <sup>2</sup>	coal mining
Albrechtice	1981-1983	60	482	coal mining
Lom-Gutmana	1981	60	90	coal mining
Horní Jiřetín - part	1981-1982	35	n.a.	coal mining
Louka - part	1986	20	n.a.	coal mining
Mar. Radčice - part	1981-1982	14	n.a.	coal mining
Komořany	1985-still	364	981	industrial development
Jezeří	1988-still	50	210	coal mining
Libkovice	1990-still	474	986	coal mining

Notes: 1 = number of houses (number of apartments unavailable); 2 = the precise number of people actually moved is unknown, the city had 35,000 inhabitants when the government decided its liquidation (OSS 1992). Švec and Kučerová (1993b) put the number of people moved between 15,000 and 20,000.

Source: Švec and Kučerová (1993b).

5,000 inhabitants) was built on the slopes of the Ore Mountains in the 1950s.

The central government decided to sacrifice the city of Most in 1962 in order to exploit almost 100 million tons of high quality brown coal in a 30-40 meters rich seam located under the city (see Photos 8 and 9). The governmental resolution number 180/1964 specified the ways in which the city of Most was demolished and a new city built at a different place. To my knowledge, this governmental decision was not seriously challenged.<sup>55</sup> The demolition of the old city of Most was celebrated as a

<sup>55</sup>UNESCO and some local residents objected to the demolition of the dean's church built in the late gothic style and considered to be the important historic and architectonic monument. In 1975, the church was moved 841.6 meters from its original location and was re-opened to the public in 1988 (Pokorná 1991).

triumph of state socialism and modernity until the collapse of state socialism in Czechoslovakia in 1989.

The old historical face of the city of Most has disappeared, as well as renaissance, baroque, art nouveau and cubist features, ostentatious buildings of mining companies and poor houses of miners. . . . New Most has plenty of space for new and further construction, for roses and green areas, department stores and public buildings, it has modern and wide streets. New Most is a broad-mindedly designed city with extensive housing projects built in modern style, some public buildings display extraordinary architectonic creativity and merit, sport facilities show perfect architecture, functionality and are artistic dominants of the city. There are no renaissance or baroque buildings built on the remnants of gothic or roman foundations in new Most. New Most represents one complex urban plan of this historical epoch, it is a socialist city from its foundations, representation of our present.<sup>56</sup>

Today, the demolition of the old city of Most is considered to have been a mistake and great cultural and historical loss not worth 100 million tons of brown coal. The master plan of North Bohemian coal basin provides a contrasting view of the city today. Its destruction and building of the new city of Most at a different location interrupted Most's historical continuity. The construction works focused on the building of hundreds of concrete apartment buildings (*paneláky*) (10,000 apartments between 1981 and 1990) concentrated in monofunctional housing zones without any job opportunities for their inhabitants. The domination of city's labor market by coal mining and Chemopetrol prevented the development of other economic sectors in the city (Photo 14).

The construction of the city also included the attempt to segregate the Romanies into a separate neighborhood 'Chánov' in the 1970s. Thousands of Romanies were encouraged by the state socialist authorities to move to northern Bohemia from the Slovak villages in the 1950s in order to alleviate severe labor shortages (Carolina 1992). This rapid transition from rural to urban/industrial setting resulted in serious social problems, such as crime and alcoholism, among the Romanies. Therefore, the city of Most moved most of the Romanies to the Chánov neighborhood which only escalated the

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<sup>56</sup>ONV 1992, p. 68.

problems. In the 1980s, this neighborhood was demolished by its inhabitants (VÚVA 1991) (Photo 15).

If we are looking for an identity of the city of Most it is found in its alienation to human standards . . . The city of Most is a warning example of city degradation and degradation of urban environment.<sup>57</sup>

The mayor of the city declared in October 1994: "The construction of a socialist city was a big mistake. Today we do not know how to humanize it here" (LN October 31, 1994).

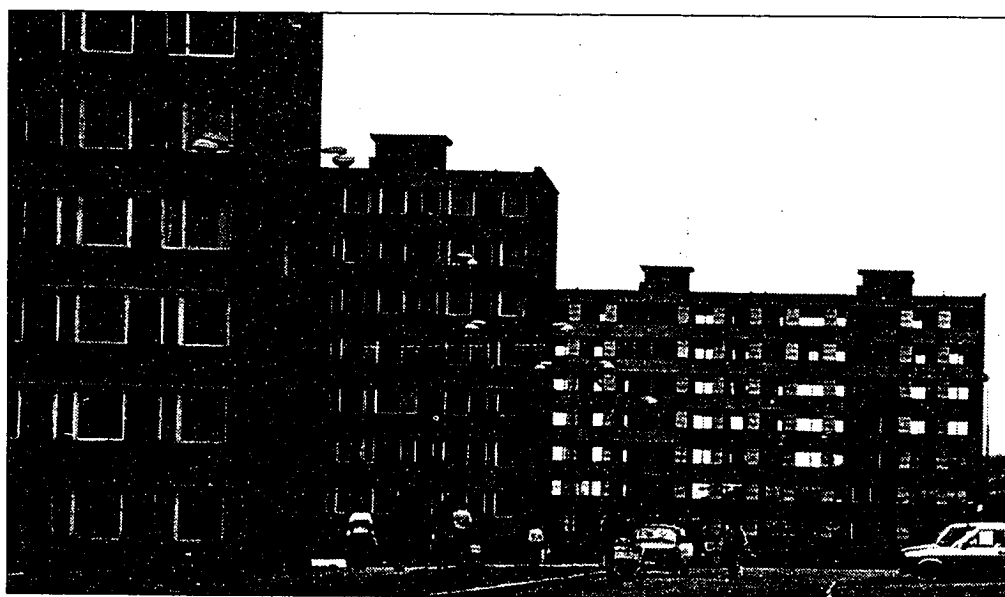
### *6.6.2. Environmental degradation in the Most District under state socialism*

The nature of space produced by the state socialist development model is also illustrated by the quality of the environment in the Most District which continuously deteriorated in many respects in the post-World War Two period. The levels of air pollution by sulfur dioxide peaked in the late 1970s and the early 1980s while the deposition of particulate matter culminated in the early 1960 and has declined considerably since (Tables 6.8, 6.9, 6.10 and 6.11, Figures 6 and 7).<sup>58</sup> The levels of flying ash deposition exceeded the highest average annual permissible level of 150 tons per square kilometer (t/km<sup>2</sup>) many times in many locations of the district. For example, in the village of Komořany polluted by the Komořany power plant, the levels of flying ash deposition reached incredible 5,644 t/km<sup>2</sup> annually (in front of the elementary school) and 4,811 t/km<sup>2</sup> (at the bus stop) in 1954. At Ervěnice, the levels of ash deposition oscillated around 2,000 t/km<sup>2</sup> annually. In 1957, it reached 1,026 t/km<sup>2</sup> annually at Záluží, 1,385 t/km<sup>2</sup> at Litvínov etc. In the city of Most, the hygienic station measured 11,450 t/km<sup>2</sup> of solid deposition around the local furnace in February 1965

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<sup>57</sup>VÚVA 1991, pp. 26 and 27.

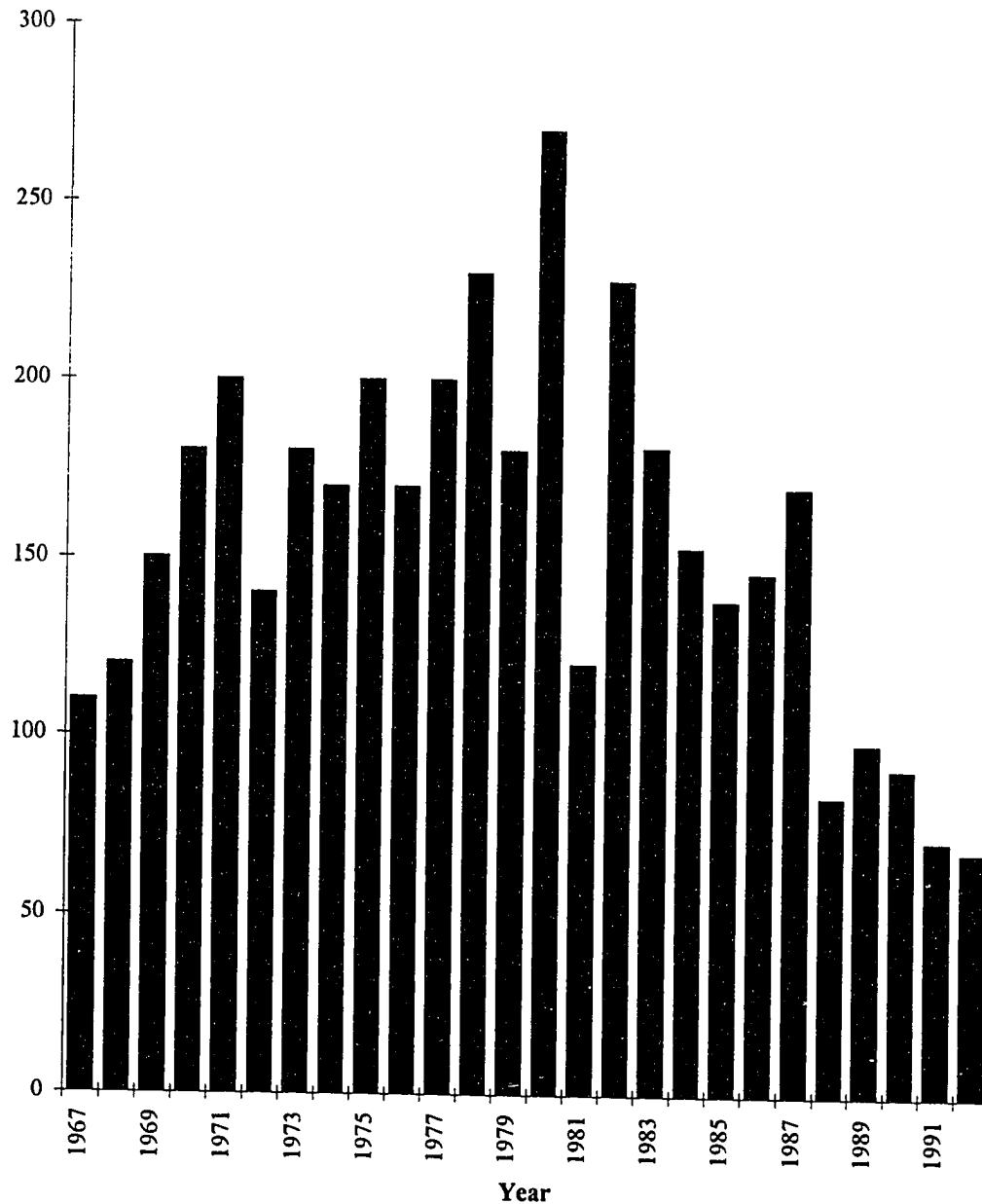
<sup>58</sup>There were five large power plants located on the territory of the Most District in 1960 (Chemopetrol T200 with the annual consumption of 1,600,000 tons of coal, Chemopetrol T700 1,200,000 tons of coal, Komořany 2,100,000 tons of coal, Ervěnice I 360,000 tons of coal and Ervěnice II with the annual consumption of 1,100,000 tons of coal). Other important sources of air pollution included the Ironworks of First May in Most (49,000 tons of coal), Benar Litvínov (12,500 tons), North Bohemian ceramic plant (37,400 tons), Rico Most (12,500 tons), railway depots Most and Louka (119,300 tons), apartment furnaces (37,500 tons) and furnaces of mining enterprises (101,800 tons of coal consumption annually) (Švec and Kučerová 1993a).



**Photos 14 and 15.** Concrete apartment buildings built for the inhabitants of the city of Most under state socialism. Photo 15 (bottom) shows the Chánov neighborhood with the destroyed apartment building in the background (photos taken in 1993 by the author).

Figure 6:

**Average annual levels of sulfur dioxide pollution measured by automatic equipment at the Most District hygienic station (in micrograms per cubic meter)**

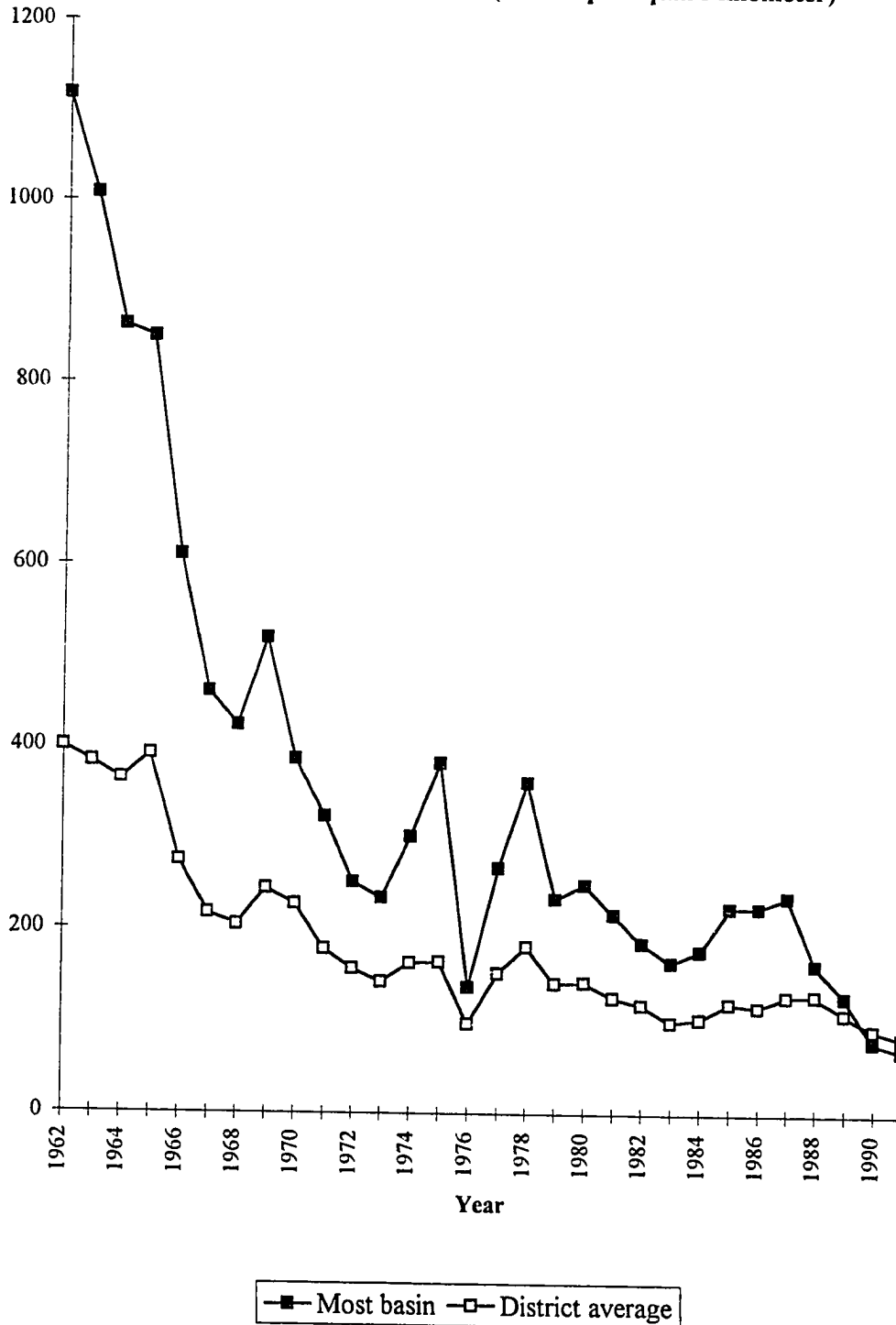


Source: Svec and Kucerova 1993a.



Figure 7:

**Average annual levels of flying ash deposition in the Most Basin and the Most District as a whole (in tons per square kilometer)**



Source: Svec and Kucerova 1993a.

**Table 6.8** Average annual levels of sulfur dioxide pollution measured by automatic equipment at the Most District hygienic station (in  $\mu\text{g}/\text{m}^3$ ).

Year	Annual SO <sub>2</sub> concentration	Year	Annual SO <sub>2</sub> concentration	Year	Annual SO <sub>2</sub> concentration
1967	110	1976	170	1985	138
1968	120	1977	200	1986	146
1969	150	1978	230	1987	170
1970	180	1979	180	1988	83
1971	200	1980	270	1989	98
1972	140	1981	120	1990	81
1973	180	1982	228	1991	71
1974	170	1983	181	1992	68
1975	200	1984	153		

Source: Švec and Kučerová 1993a.

(Švec and Kučerová 1993a).

The common strategy to improve this situation was to build higher smokestacks to better disperse pollution over a larger territory. For example, the 40 meter high smokestacks of the Komořany power plant were replaced by a 180 meter smokestack in 1966 which substantially reduced ash deposition in the area. The old Ervěnice power plants with smokestacks lower than 100 meters had been liquidated by 1980. Similarly, local furnaces were shut down in Most and Litvínov after these cities began to be supplied by heat from the Komořany heating plant in 1965. All these measures reduced the ash deposition especially in the central area of the district (Švec and Kučerová 1993a).

Tables 6.8 and 6.9 indicate that the annual maximum limit of the average sulfur dioxide (SO<sub>2</sub>) concentration of 40 micrograms per cubic meter ( $\mu\text{g}/\text{m}^3$ ) was usually exceeded several times each year in the Most District during the 1970s and 1980s. The

**Table 6.9** Average annual levels of sulfur dioxide pollution measured by the 'summary method' in the Most District (in  $\mu\text{g}/\text{m}^3$ ).

Year	City of Most	Mountain region	Central region	Litvínov area	Southern region	District average
1970	210	160	200	150	130	170
1971	250	190	210	200	150	200
1972	220	200	180	190	150	190
1973	260	210	210	190	180	220
1974	190	160	160	160	130	160
1975	260	250	220	240	190	230
1976	280	250	240	240	230	250
1977	270	260	250	240	210	250
1978	240	240	150	200	140	190
1979	260	210	190	190	160	200
1980	90	70	80	70	60	70
1981	160	130	130	120	120	130
1982	190	230	160	170	140	180
1983	260	300	210	250	180	240
1984	330	390	350	320	230	320
1985	290	280	250	250	220	260
1986	300	350	430	300	180	290

**Note:** The 'summary method' was canceled in 1987 and replaced by the 'absorption method' and measurement by the automatic equipment.

**Source:** Švec and Kučerová 1993a.

**Table 6.10** Average annual levels of flying ash deposition at the specific industrial sites of the Most District between 1958 and 1978 (in tons per square kilometer).

Year	Komořany	Záluží	Kopisty
1958	2,482	644	498
1959	2,383	434	492
1960	1,157	604	430
1961	1,232	681	422
1962	3,981	557	362
1963	4,030	669	449
1964	3,299	460	525
1965	3,837	608	461
1966	2,231	509	431
1967	1,035	396	433
1968	1,195	373	365
1969	1,681	699	345
1970	708	391	327
1971	575	264	167
1972	375	340	308
1973	335	221	224
1974	389	496	171
1975	428	409	232
1976	310	338	132
1977	499	390	161
1978	290	407	167

**Notes:** Komořany is the site of former power plant built in the early 1950s which was rebuilt to a heating plant in 1965 which lowered its output and coal burnt by one third. Záluží is surrounded by the Chemopetrol company. Kopisty is located close to the open cast coal mine (former coal mine Kopisty).

**Source:** Švec and Kučerová 1993a.

**Table 6.11** Average annual levels of flying ash depositions in the Most District (in tons per square kilometer).

Year	City of Most	Mountain region	Central region	Litvínov area	Southern region	District average
1962	385	54	1,117	207	238	400
1963	450	87	1,008	218	152	383
1964	475	112	863	266	152	365
1965	599	78	850	307	128	392
1966	312	76	610	250	125	275
1967	220	69	460	221	113	217
1968	207	81	423	211	99	204
1969	253	95	519	214	141	244
1970	250	90	386	237	173	227
1971	188	72	323	164	142	178
1972	186	85	251	150	115	157
1973	177	55	234	126	120	142
1974	176	67	301	145	126	163
1975	124	55	382	135	125	164
1976	112	49	137	89	99	97
1977	133	78	267	154	130	152
1978	123	78	361	206	139	181
1979	131	71	233	139	129	141
1980	121	66	249	148	128	142
1981	109	70	216	126	108	126
1982	105	63	185	129	110	118
1983	95	47	164	100	88	99
1984	92	64	177	99	81	103
1985	100	77	224	118	81	120
1986	83	67	224	119	85	116

Year	City of Most	Mountain region	Central region	Litvínov area	Southern region	District average
1987	98	70	236	114	124	128
1988	87	116	162	128	151	129
1989	74	73	128	101	130	109
1990	65	68	79	86	150	92
1991	68	58	69	79	150	83

Source: Švec and Kučerová 1993a.

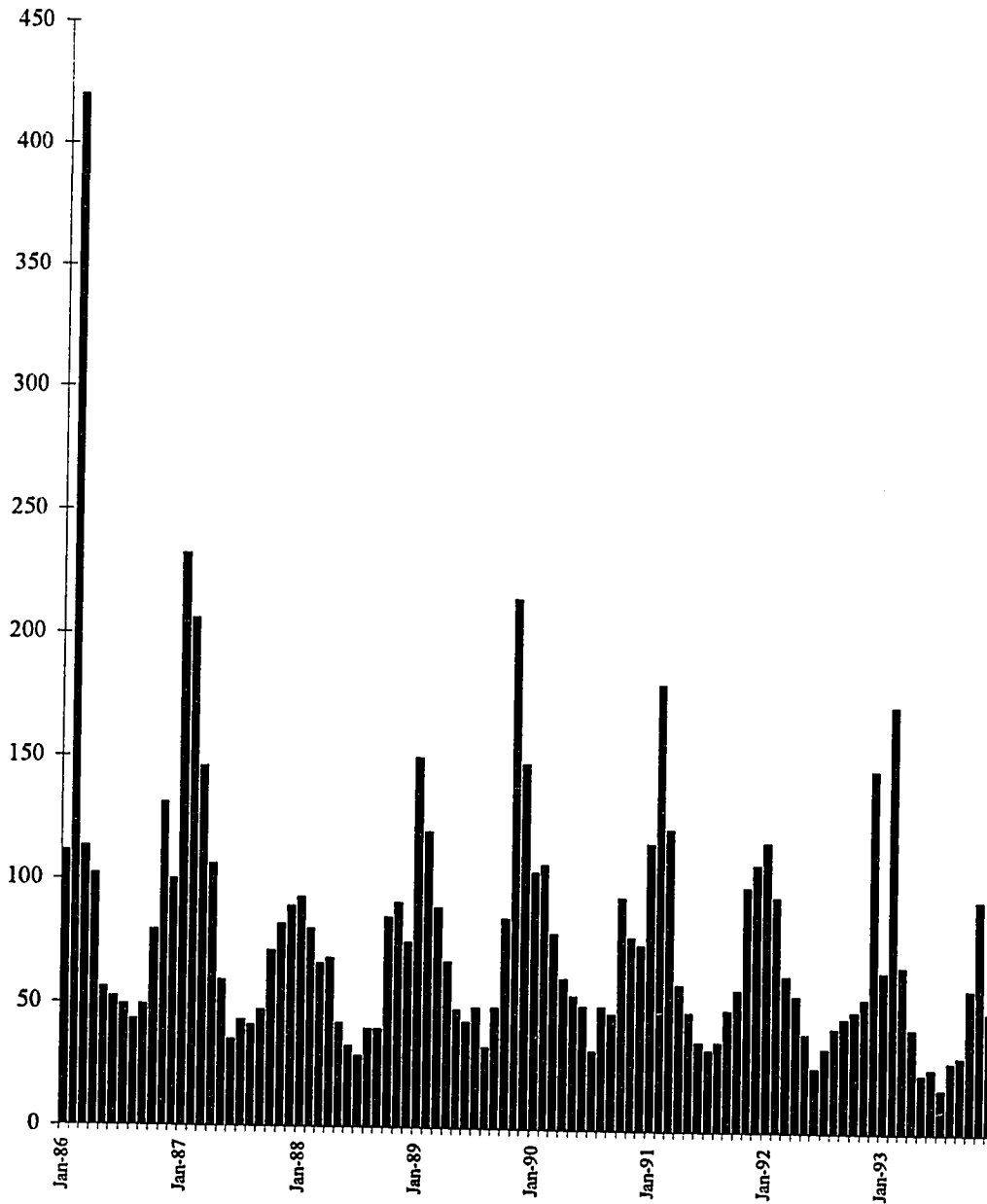
highest SO<sub>2</sub> concentrations are reached in winter months during the temperature inversions (Table 6.13, Figure 8).<sup>59</sup> Table 6.13 indicates that in 1982 there were 55 days during which the highest permissible 24 hour SO<sub>2</sub> concentrations of 150 µg/m<sup>3</sup> were exceeded. The longest temperature inversion was recorded in January 1982. It lasted for 19 days and the average sulfur dioxide concentration surpassed 400 µg/m<sup>3</sup> in northern Bohemia for the period of ten days (Moldan et. al. 1990, p. 57). Table 6.14 provides a comparison of the SO<sub>2</sub> pollution in the Most District with the neighboring districts and illustrates the worsening of air pollution in the 1970s and 1980s (Photos 16 and 17).

Air pollution by nitrogen oxides (NO<sub>x</sub>) is another environmental threat in the Most District as Table 6.15 indicates. According to the former district hygienist, hydrocarbons, such as benzene, and other chemical substances released by the chemical industry, which are not measured, pose a greater health hazard than SO<sub>2</sub> and NO<sub>x</sub> in damaging blood formation and causing lung cancer. Poor quality of the environment contributes by about one third to health problems and lower life expectancy in the Most District discussed in the section 3.1. The other two thirds include social factors and

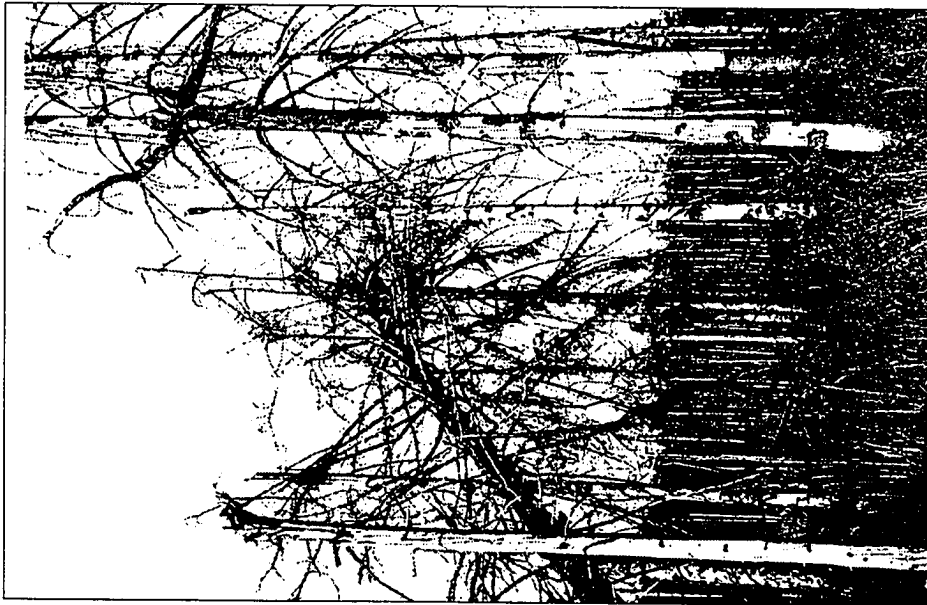
<sup>59</sup>November, December, January and February are the critical months for the development of temperature inversions in the Most District (Švec and Kučerová 1993a). For example, on January 14, 1982 the 24 hour average concentrations of sulfur dioxide reached 2,977 µg/m<sup>3</sup> in the city of Litvínov (Kurfürst et al. 1989).

Figure 8:

**Average monthly sulfur dioxide concentrations in the Most District 1986-1993 (in micrograms per cubic meter)**



Source: Janecek 1994.



**Photos 16 and 17.** The impact of air pollution on the forests of the Ore Mountains. Photo 16 (left) shows the dead forest. Photo 17 (right) shows the young trees planted in the 1980s dying due to the pollution. Source: Photo 16: Štýs and Helešicová (1992, p. 21), Photo 17 taken in 1993 by the author.



**Table 6.12** Large sources of air pollution (power plants) in the Most District and its vicinity in 1987 and their rank in the Czech Republic (annual emissions in thousands of tons)

Source of emissions	Emissions						Distance from Most in km	Built in
	SO <sub>2</sub>	Rank <sup>1</sup>	NO <sub>x</sub>	Rank	Solid	Rank		
Pruněrov II	202	1	55	2	11	14-16	25-29	1981-1982
Počerady	123	2	64	1	19	13	12	1970-1971
Tušimice II	98	5	48	4	9	18	25-29	1974-1975
Chemopetrol T200 + T700	93	7	29	6	17	9	5-6	1942-1966
Pruněrov I	94	6	26	9	25	3	25-29	1967-1968
Tušimice I	102	4	33	5	11	14-16	25-29	1963-1964
Ledvice	37	13	24	10	15	11-12	11	1966-1969
Komořany	69	10	15	12	43	1	5	1959
Chomutov Iron Works	63	11	n.a.	n.a.	n.a.	n.a.	15	n.a.

**Notes:** 1 = rank among the largest sources of pollution in the Czech Republic. In 1992, four largest sources of solid emissions in the Czech Republic were located on the territory of the Most District (Chemopetrol Litvínov (ranked No. 1 in the Czech Republic) and Komořany (2)) or in its immediate vicinity (Ledvice (3) and Počerady (4)). Two largest sources of SO<sub>2</sub> emission (Pruněrov II (1) and Počerady (2)) plus four more in top eleven (Pruněrov I (6), Chemopetrol Litvínov (7), Ledvice (9), Komořany (11)) and two largest source of NO<sub>x</sub> emissions (Počerady (1) and Pruněrov II (2)) plus three more in top eleven (Chemopetrol Litvínov (4), Ledvice (9) and Pruněrov (11)).

**Source:** compiled from Švec and Kučerová 1993a and Ministry of the Environment 1994.

**Table 6.13** Number of foggy winter days in the Most District in the 1980s.

Year	Number of foggy days annually	Number of days during which the 24 hour SO <sub>2</sub> concentrations exceeded 150 $\mu\text{g}/\text{m}^3$
1980	55	15
1981	59	0
1982	84	55
1983	52	0
1984	55	0
1985	70	0
1986	59	0
1989	22	15
1990	8	4
1991	18	18

**Note:** 150  $\mu\text{g}/\text{m}^3$  is the maximum average 24 hour concentration of sulfur dioxide.

**Source:** compiled from Švec and Kučerová 1993a.

**Table 6.14** Change in average annual sulfur dioxide concentrations in selected districts of northern Bohemia (in  $\mu\text{g}/\text{m}^3$ ).

Location	1970	1975	1980	1985
Chomutov district	53	71	94	126
Most district	57	80	102	132
Teplice district	51	77	93	110

**Note:** The annual standard is 40  $\mu\text{g}/\text{m}^3$ .

**Source:** World Bank 1991.

**Table 6.15** Air pollution by nitrogen oxides in the cities of Most and Litvínov in the 1980s (in  $\mu\text{g}/\text{m}^3$ ).

Year	Most	Litvínov
1981	130	146
1982	211	319
1983	135	146
1984	54	50
1985	50	40
1986	56	62
1987	78	147
1988	60	33
1989	44	44
1990	39	56
1991	28	41

**Note:** No limit has been set for the average annual maximum of  $\text{NO}_x$ . The 24 hour and 30 minute maximum average limit is  $100 \mu\text{g}/\text{m}^3$ .

**Source:** Švec and Kučerová 1993a.

unhealthy way of life.<sup>60</sup> Today, environmental degradation is being blamed for lower life expectancy and higher morbidity rates in the general population particularly in lower age groups, such as infants, preschool and school age children in northern Bohemia

<sup>60</sup>Interview with MUDr. Švec, the former Most District hygienist, Most, July 30, 1993. However, the relationship between mortality and the quality of the environment in former Czechoslovakia is not very clear because as Rychtařková (1991) pointed out, mortality is more dependent on social background than on natural factors. Although the districts with high mortality rates more or less correspond with the environmentally degraded areas, these districts also have many different social characteristics in comparison to the rest of the country, such as ethnic and social structures, and levels of education (Rychtařková 1991, Rychtařková and Džurová 1987) (Table 29). One problem associated with the measurement of mortality in relation to the environmental quality is that it would be more appropriate to measure morbidity than mortality. We would achieve more meaningful data if we examine hospital days or health center visits in relation to pollution because most of the illnesses associated with pollution, such as asthma, are rarely fatal. Unfortunately, good quality data on morbidity is lacking and regional comparisons are not possible (Rychtařková 1991). Insufficient data, often of questionable quality, combined with the multiplicity of factors influencing human health make it impossible to estimate the health effects of pollution (World Bank 1991).

(World Bank 1991, Wedmore 1994). Tables 6.16-6.21 document the health and mortality statistics of the Most District in comparison to other mining districts of northern Bohemia and the Czech Republic as a whole. Other reported health problems from northern Bohemia included 2.2 times higher incidence of viral liver infections compared to the Czech Republic as a whole, 3.6 times higher incidence of parasitic diseases, and 1.2 times higher incidence of mental disorders in the early 1980s (World Bank 1991). The mining districts recorded reduced hematological and immune function in children and delayed bone maturation in children and strong correlations between air pollution and lung cancer, all cancer and total mortality, but these correlations require further investigation (Environment for Europe 1993).

The productivist rationality of state socialism was willing to virtually sacrifice the coal mining region of northern Bohemia and its population for the needs of the entire society.<sup>61</sup> Northern Bohemia and the Most District in particular are prime examples how state socialism produced its own space and its own environment. Production of

**Table 6.16** Comparison of life expectancy at birth in the Most District, the districts of northern Bohemia and the Czech Republic in 1989.

Area	Male	Female
Czech Republic	67.1	74.1
Chomutov District	65.2	72.1
Most District	64.2	72.4
Teplice District	65.0	72.1
Ústí nad Labem District	65.8	73.2

Source: Carter 1993b.

<sup>61</sup>Coal mining and its ruthless destructive production methods were favored by the state partially because it was one of few profitable industrial sectors crucial for the state treasury which allowed state socialist regimes to survive (interview with ing. Pisinger, Teplice, August 4, 1993). Coal mining enterprises in the Most region turned between two and three billion crowns annually over to the state treasury (interview with Mr. Tlapák, Most, July 7, 1993).

**Table 6.17** Infant mortality per thousand newborns in selected districts in the North Bohemian brown coal basin compared to the Czech Republic.

Area	1979	1980
Czech Republic	15.8	16.8
Brown coal basin average	17.6	20.1
Chomutov District	18.7	20.7
Most District	17.2	17.7
Teplice District	17.3	19.2
Ústí nad Labem District	17.1	20.1

Source: World Bank 1991.

**Table 6.18** Incidence of diseases observed in the population of northern Bohemia compared to the Czech Republic in the early 1980s.

Disease	Northern Bohemia (% of population affected)	Czech Republic (% of population affected)
Respiratory infection	4.1	2.5
Digestive system disease	1.3	0.4
Skin disease	4.6	1.7
Muscle and bone disorders	12.7	8.6

Source: World Bank 1991.

**Table 6.19** Incidence of diseases observed in the preschool, school and adolescent population of the coal mining districts of northern Bohemia in 1990 (Czech Republic = 100).

Disease	Preschool children	School children	Adolescents
Lung diseases	122	120	130
Allergies	146	151	170
Endocrine diseases	129	132	140
Mental diseases	165	169	167
Skin diseases	149	139	110
Respiratory diseases	234	249	140

Source: Richter, Franěk and Ferenčík 1992.

**Table 6.20** Incidence of diseases per 100,000 inhabitants in the Czech Republic, northern Bohemia and coal mining districts of northern Bohemia in 1990 (Czech Republic = 100%).

Disease	Czech Republic		Northern Bohemia		Coal mining districts	
	Number	%	Number	%	Number	%
Infectious	2,005	100	3,509	175	4,971	248
Mental	1,094	100	1,444	132	1,396	128
Skin	2,805	100	3,474	124	3,348	120
Motion apparatus	11,685	100	13,640	116	13,077	112
Tumor	n.a.	100	n.a.	110	n.a.	130

Source: Richter, Franěk and Ferenčík 1992.

**Table 6.21** Infectious diseases in the coal mining districts of northern Bohemia (Czech Republic = 100).

Disease	Percent
Scarlatina	149 %
Hepatitis A	144 %
Dermatophytosis	720 %
Taeniasis	220 %

Source: Richter, Franěk and Ferenčík 1992.

space and environment by state socialism became important features of structured coherence formed under state socialism in the Most District.

### 6.7. Structured Coherence in the Most District Under State Socialism

Based on our discussion of the regional regime of accumulation, mode of social regulation and production of space and environment in the Most District under state socialism we can characterize the structured coherence which formed in the district in this period.

*First*, structured coherence of the Most District was centered on coal mining and increasingly also the chemical industry originally based on coal. I have shown that these two economic sectors totally dominated the regional economy and labor market of the Most District under state socialism. *Second*, social relations in the district and the social mode of regulation were dominated by the hegemony of the Communist Party and central state orchestrated from *outside* the district. This hegemony changed the nature of class struggle, degraded labor unions into the transmission belt of the Party, removed democracy from society, virtually eradicated civil society and dominated the regional regime of accumulation through the centrally planned system. It was also typified by industrial paternalism of large coal mining enterprises and Chemopetrol applied to the cities of Most and Litvínov and other local communities.

*Third*, structured coherence of the Most District was characterized by unstable

population with a very high population turnover,<sup>62</sup> social pathology and a 'mechanistic mentality' of the local population. Also, it was typified by specific consumption patterns based on the highest average monthly salaries in the former Czechoslovakia and other financial incentives, such as stabilization allowance ('burial money') provided by the government and constancy bonuses in coal mining. The government provided these incentives for the inhabitants of the Most District in order to make them stay in the region.

*Fourth*, structured coherence formed in the Most District was typified by the production of a distinct space and environment by the state socialist development model. First, the old space of Most basin was destroyed by opencast coal mining resulting in the large scale landscape devastation and destruction of 33 villages and the city of Most. Second, the new 'state socialist' space was produced and it was typified by urban space in the new city of Most and other cities in the region and by recultivation of coal mines and external mining dumps. Third, the combination of coal mining, chemical industry and production of electricity resulted in an extreme level of environmental degradation in the district.

These four basic features of structured coherence formed in the Most District under state socialism indicate that the existing situation was the result of a mixture of external and internal factors which combined together to produce a specific structured coherence of the Most District. In the next chapters, I will argue that the changes of 1989 and the following period of transition will lead to another restructuring of structured coherence in the Most District which will be based on economic, political and social changes associated with the attempts in liberal transition from state socialism to capitalism in the former Czechoslovakia and later in the Czech Republic.

## 6.8. Conclusion

In this chapter, I have illustrated, using the example of the Most region, how development models form specific structured coherence on the regional and local level.

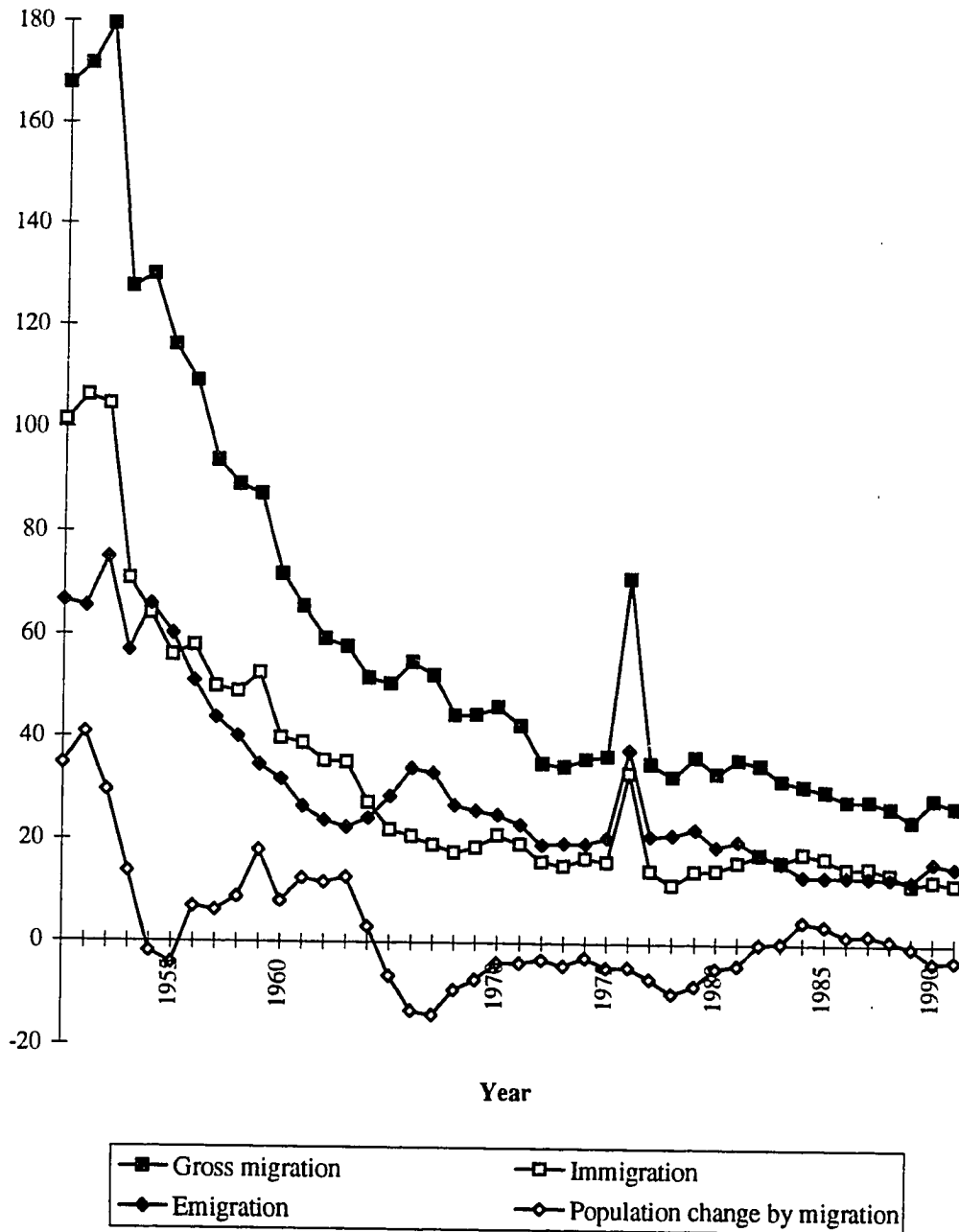
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<sup>62</sup>Gross migration rate (the total sum of all the people who enter and leave an area per 1,000 inhabitants) culminated in the Most District in the early 1950s when it reached 179.4 in 1953, 171.6 in 1952 and 167.8 in 1950 (Švec and Kučerová 1993b, see Figure 9).



Figure 9:

**Migration in the Most District (per thousand inhabitants)**



Source: Svec and Kucerova 1993b.

Each structured coherence is a spatial and temporal manifestation of the interactions among processes operating at different geographical scales. I have also shown how state socialism and its development model first destroyed the existing capitalist space and subsequently produced its own state socialist space and its own environment.

Both capitalist and state socialist regimes of accumulation were based on the extensive development of coal mining and later also the chemical industry in the Most region. This particular regional regime of accumulation became the core around which structured coherences with their specific social relations formed during the capitalist and state socialist periods of development in the region.

The structured coherence of the Most region formed before World War Two was typified by (1) the organization of coal mining into several large coal mining companies financed and owned by foreign capital; (2) the development of geographically defined labor markets based on coal mining; (3) intense class struggle; and (4) the national struggle between the Czechs and Germans. I have shown how this regional model of development gradually produced its own industrial and urban space.

Changes in coal mining ownership, organization and technology, as well as in overall mode of social regulation restructured the structured coherence of the Most region during the state socialist period after the Second World War. It was characterized by (1) the production mix dominated by coal mining and the chemical industry; (2) the social relations commanded by the Communist Party hegemony and central state; (3) the specific patterns of consumption and lifestyle of the inhabitants; and by (4) the production of space and environment in the region.

The following chapters of this dissertation will investigate changes in the structured coherence of the Most region initiated by the collapse of state socialism and supposed transition to capitalism in former Czechoslovakia and its implications for the environment in the area. First, I will analyze privatization and restructuring of coal mining and the chemical industry which dominate regional economy. Second, I will investigate the effects of democratization on changes in local government, local regulation and local environmental management. Finally, I will analyze popular attitudes to the transition and environment in the Most District.

## CHAPTER SEVEN

### PRIVATIZATION AND RESTRUCTURING OF COAL MINING IN THE MOST DISTRICT AFTER THE COLLAPSE OF STATE SOCIALISM

This chapter and the next investigate changes in coal mining and the chemical industry in the Most District after the collapse of state socialism. We have seen in the previous chapter that these two industrial sectors constituted the heart of the regional regime of accumulation and one of the critical elements of the state socialist structured coherence in the Most region because they accounted for more than 90% of industrial production and more than 80% of industrial employment in the 1980s. The goal of these two chapters is to examine the implications of the collapse of state socialism and the transition to capitalism for these two industries and consequently for the regional economy and structured coherence of the Most region.

These two chapters deal with several important transition questions. First, I will demonstrate that privatization and restructuring of coal mining and the chemical industry represent two cases of *differential* transition. Foreign and domestic capital, labor unions, state and the local communities played different roles during the initial stages of privatization and restructuring in these two industries which result in differential outcomes of the transition from state socialism to capitalism for coal mining and the chemical industry in the Most District. While the collapse of state socialism leads to the gradual closing down of coal mining, it might result in modernization and strengthening of the chemical industry with the infusion of foreign capital. These differential outcomes of the transition will have distinct implications for the geography and environment of the region. The differential transitions in coal mining and the chemical industry illustrate uneven nature of the transition from state socialism to capitalism.

Second, privatization and restructuring of coal mining and the chemical industry demonstrate the *contested nature* of the transition from state socialism to capitalism and the struggle over its outcomes. One of the results of the collapse of state socialism is the re-emergence of open class struggle over the direction of change in the Czech Republic, individual sectors of the economy and in individual regions. The post state socialist

changes in both coal mining and the chemical industry challenge the liberal notion of simple and linear transition from state socialism to capitalism in Central and Eastern Europe.

Third, I will argue that the role of the *central state* in privatization and the restructuring of coal mining and the chemical industry has so far been critical in the Czech Republic because the central state has initiated and controlled privatization of both sectors. The central state has designed the strategy of economic transition from the centrally planned to a market economy (discussed in Chapter Two of this dissertation) which profoundly affected the performance of both coal mining and the chemical industry in the Most region. Therefore, the central state has so far also been the most important dynamic of social change in the Most District.

This chapter is organized in five sections. The first section analyzes the restructuring of the coal mining industry in the Czech Republic after the collapse of state socialism. It illustrates the contested nature of the transition on the struggle between national forces, represented by the central state, and local forces, represented by the trade unions and mine management, over control and the restructuring strategy of coal mining industry. In the second section, I investigate restructuring of coal mining in the Most District including its pre-privatization agony, organizational restructuring in the Most Coal Company and its privatization. I also analyze the impacts of these changes on the production and employment in coal mining in the Most District. In the third section of this chapter, I briefly look at the strategies of the Most Coal Company to deal with marketization of brown coal mining and emerging competition. The fourth section investigates the struggle over the environment and its impacts on coal mining in the Most District after the collapse of state socialism and the transition to capitalism. I discuss the effects of governmental ecological limits of coal mining for the future of coal mining in the Most District and the changing struggle between local communities and coal mining enterprises. The last section of this chapter explores the changing forms of class struggle in coal mining after the collapse of state socialism and its role in industrial and regional restructuring in the Most District.

Much information presented in this chapter, Chapter Nine and to a smaller degree in Chapter Eight is based on in depth interviews of key informants conducted in the Most

District, other places of northern Bohemia and Prague between 1992 and 1994.<sup>1</sup>

### 7.1. Restructuring of Coal Mining Industry in the Czech Republic After the Collapse of State Socialism

This section analyzes the struggle over the restructuring strategy of coal mining industry between state, mine directors and management, and labor in the Czech Republic after the collapse of state socialism.<sup>2</sup> It illustrates the contested nature of the transition

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<sup>1</sup>A combination of open-ended interviews and key informant technique has been employed to conduct the interviews (Berg 1989, Schoenberger 1991, Tremblay 1957, Herod 1993). First, I identified key informants and contacted them in order to arrange an interview. When they agreed, I prepared an interview protocol with open ended questions. The 1993 and 1994 interviews were taped, the 1992 interviews were not. My key informants generally agreed to be taped except one case (the hygienist of the Most District). During an interview, I asked not only prepared questions, but also questions about issues that came up during our discussion. Therefore, the length of a particular interview depended on the willingness of my key informants to talk and share their knowledge. In general, the interviews lasted between 45 minutes and two hours. As a result of this technique, every interview with the mayors in the Most District, for example, is slightly different because it was shaped during the actual interview, although the prepared questions were the same. Appendix 1 contains the complete list of key informants interviewed. All interviews were conducted in Czech with the exception of the interview with David Lowrance. All quotations used in this dissertation were translated from Czech by the author.

<sup>2</sup>Generally, we can identify four major players in industrial restructuring: capital, labor, the state and technology. Their roles vary nationally and regionally depending on national models of development and their regional configurations. The role of *capital* in restructuring is often perceived as central in the developed capitalist countries but its role in industrial restructuring in the individual countries varies depending on national modes of regulation (see, for example, Kolko (1988) on capital restructuring strategies generally and Bluestone and Harrison (1982) on the situation in the United States). The cost of *labor* and its militancy can play a decisive role in the course of industrial restructuring. On the one side, high labor militancy and high labor cost can prevent 'in situ' restructuring and lead to the closure of a plant. On the other side, the cooperation with management and concessions of workers, in terms of their economic and social flexibility, can prevent the plant closure and allow 'in situ' restructuring (Clark G.L. 1993). The *state* can play different roles in the process of industrial restructuring. It can be quite passive, as in the case of the United States, providing a free space to capital to pursue its own restructuring strategies. It can also play a very active role in restructuring, either positive or negative, promoting or inhibiting it. The state plays an active role in industrial restructuring in the NICs of East Asia (Missen 1992) as it did in the case of their rapid industrialization in the recent decades. The state can, for example, design policies and regulations supporting development of particular industrial branches competitive on the world market. At the same time, it can withdraw its subsidies to non-competitive industries in order to speed up their restructuring. A similar situation took place in Western Europe where the governments withdrew their subsidies to traditional industries in the 1980s leading them into serious recession and subsequent restructuring (Kolko 1988). Finally, the role of *technology* in the restructuring process is underscored by the fact that the technological transformation is closely linked with other processes of social, economic, and spatial change (Schoenberger 1989, Gertler 1992). New technology such as systemic computer-integrated manufacturing increases the flexibility of production (Malecki 1991), which improves competitiveness. A great deal of production flexibility results from automation (so called flexible automation) that reduces working capital, machinery, and labor costs (Kolko 1988). Technology is considered to be one of the most important factors supporting the rapid internationalization and globalization of economic activity (Dicken 1992).

from state socialism to capitalism and the role of the state, mine management and labor in this process. It also illustrates that industrial and regional restructuring in the Most District is not independent but is closely related to the processes operating at the larger scales - national and international. The driving forces behind restructuring originate in and are constrained by events, both economic and political, at a larger scale than the particular local or regional area (Webber et al. 1992).

### ***7.1.1. Governmental restructuring strategy of coal mining***

Following the collapse of state socialism in 1989 and the approval of governmental transition strategy from the centrally planned to a market economy by the Federal Assembly in September 1990, it was generally expected by the coal mining community that coal mining would be privatized and restructured. Although the economic transition began on January 1, 1991, the price of coal was not freed, however, and there was no concrete plan to privatize coal mining and no state 'coal policy' was in place. At the same time, the analyses of Czech and Slovak coal mining, prepared by Czech, Slovak and Western coal specialists, showed that it would be impossible to sustain very high coal consumption as had been the case under the state socialist development model (Stružka 1992, Gheyselinck 1992, Kopečný 1992, Pěgřímek 1992, Formánek 1992, Cibulka 1993). The emerging problem of a long-term decline in demand for coal and its corresponding overproduction opened up the issue of mine closures. It was also becoming obvious that future coal mining would have to take environmental concerns into consideration and that newly proposed ecological legislation including the 'ecological limits of mining' and clean air legislation would seriously influence coal mining (Stružka 1992).

For all of these and other reasons, the transformation of coal mining from the state owned and centrally planned to some form of private ownership and market regulation was understood as a very complicated task, a task compounded by the fact that it was expected that tens of thousands of high paid jobs in coal mining would be lost which could create serious social problems in coal mining regions. The role of the state in the entire process was unclear. While the state wanted to withdraw from its direct role in coal mining as soon as possible, the coal mining enterprises expected a strong

state role in restructuring and financial guarantees from the state.<sup>3</sup>

In October 1991, the Minister for Economic Policy and Development, Mr. Karel Dyba, established the department for restructuring and privatization of coal mining at the ministry. A Belgian T.O.J. Gheyselinck, a former chairman of Belgian National Coal Company, was appointed to become the chair of the new department, directly responsible for the privatization of Czechoslovak coal mining industry (Formánek 1992).

Gheyselinck (1992) based his plan of restructuring and privatization of coal mining industry in the Czech Republic on three key components of governmental reform strategy: liberalization of prices, the end of state subsidies for industrial operations and investment, and privatization of industry. Gheyselinck (1992) argued that in order to follow the governmental transition strategy in the coal mining industry it was necessary to abolish its old organizational and institutional structure inherited from the state socialist centrally planned economy and create a new structure based on commercial coal companies and competitive environment. It was also necessary to set up new rules that would govern relations of commercial coal companies with the state. The new organizational structure was supposed to be set up *before* privatization of coal mining could take place (Gheyselinck 1992).

Gheyselinck's restructuring strategy aimed to achieve three goals: first, to create commercial coal mining companies with at least a medium-term perspective, with a similar structure and the same relations to the state; second, to minimize changes of existing situation with regard to social, psychological and political aspects of restructuring; and third, to minimize the state expenditures in the medium-term perspective (Ministry for Economic Policy and Development 1992).

Gheyselinck's plan classified existing coal mining enterprises into three groups:

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<sup>3</sup>The different approaches toward coal mining restructuring were revealed, for example, when Mr. František Mikeš a representative of the Moravian and Silesian Miners' Union called on the state, as the sole owner of Ostrava-Karviná Mines, to take responsibility for the company's future. The Ministry of Industry official replied that "the market will decide" and that "the time for planning has ended" (Hawker 1993). The state, for example, planned to pass all financial responsibilities on existing coal mining enterprises including the expenditures for health impaired miners from the previous period and the process of closing down the mines by the end of 1992. The coal mining enterprises argued that it would be impossible to finance those expenditures only from the money they would receive for coal because the previous system did not create any financial reserves for such occasions (Formánek 1992).

(1) currently unprofitable; (2) currently viable but endangered by the growth of wages in the medium-term perspective and (3) long-term competitive (Gheyselinck 1992, Ministry for Economic Policy and Development 1992). Based on this classification, Gheyselinck proposed to create five new coal mining companies, three of them based on brown coal and located in northwestern Bohemia.<sup>4</sup> He also argued that before the new coal companies could be privatized it was necessary to end the redistribution of revenues produced in coal enterprises by the state and replace it by direct financial relations between the state and new commercial coal companies, and to free coal prices. Unprofitable enterprises were supposed to remain in state hands and be liquidated by the state or be included into larger profitable units (Gheyselinck 1992, Ministry for Economic Policy and Development 1992). The Czech government opted for the second option because it minimized the state expenditures and the government argued that commercial companies could close unprofitable mines more efficiently than the state if they were financially stimulated by the state. In the case of brown coal mining, the government did not follow Gheyselinck's (1992) recommendation that the proposed commercial coal companies would not be responsible for the expenses associated with the previous regime. Such expenses included, for example, the cost of recultivating landscape devastated by the opencast coal mining during the state socialist period, because the state socialist state took the profits away from the coal mining enterprises without creating sufficient financial reserves necessary to recultivate devastated landscape. Brown coal mining was, according to the government, capable of generating sufficient revenues to cover such expenses.<sup>5</sup>

### *7.1.2. Criticism of governmental strategy*

The strategy of coal mining restructuring prepared by Mr. Gheyselinck was discussed and allegedly 'approved' by coal mining enterprises with the exception of

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<sup>4</sup>(1) Ostrava-Karviná Mines (black coal); (2) Czech-Moravian Mines (ČSM Kladno, Libušín and Heřmanice Mine) (black coal); (3) Most Coal Company (Ležáky Mines, Hlubina Mines, Komořany Mines and Processing plants) (brown coal); (4) North Bohemian Mines (Nástup Mines and Bílina Mines) (brown coal); (5) Sokolov Coal Company (Vřesová Fuel Combinat and Pohraniční stráž Březová Mine) (brown coal) (Gheyselinck 1992, Ministry for economic policy and development 1992).

<sup>5</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.



Ostrava-Karviná Mines which wanted to create only one commercial coal company in the Ostrava-Karviná coal region instead of planned two (Gheyselinck 1992, Lesková and Matýsek 1992).<sup>6</sup> The interview carried out in the city of Most with the trade union representative for northern Bohemia Mr. Tlapák revealed, however, that the top management in coal mining generally disliked Gheyselinck's plan but they feared losing their jobs and therefore did not openly express their opinions about the plan and did not challenge it in any way. The behavior of top coal mining management reflected the legacy of state socialist central planning when the commands from the center had to be implemented without serious questioning in the enterprises. As a result, mine directors and top management were unable and unwilling to openly challenge the governmental proposal, even though they did not support it. Consequently, there was no competing proposal for how to restructure and privatize coal mining and the government discussed only Gheyselinck's proposal.<sup>7</sup>

The main criticisms of the governmental restructuring strategy of coal mining based on Gheyselinck's proposal can be summarized in several points. *First*, according to the coal mining trade unions and management, the creation of competing coal mining companies in a single coal mining district, such as Northern Bohemian Brown Coal Basin or Ostrava-Karviná Coal District in northern Moravia, was not the best long-term economic strategy:

We all knew it and the trade unions concretely had a study done [evaluating] which variant would be the best. One joint stock company would be the best for this region [of northern Bohemia] from the economic point of view. Not two, because one would have a single management, it would be possible to shift workers within the framework of a single company, it would have much more financial resources to create new jobs. But because the directors [of the mines] did not know whether they would keep their jobs or not [under the version of a single

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<sup>6</sup>The government argued that competition of two commercial coal companies in the Ostrava-Karviná coal district would force mines to rationalize production, improve its operations and reduce number of workers on the surface (Lesková and Matýsek 1992).

<sup>7</sup>Interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993.

company] they eventually accepted the version of two joint stock companies.<sup>8</sup>

Similarly, the managers of the Most Coal Company (henceforth MCC) argued that the Gheyselínck's strategy was based on a "naive idea" of creating a certain number of commercial coal companies which would compete with each other. At the same time, these companies would include both profitable and unprofitable mines so that profitable mines would finance and supervise the closure of unprofitable mines. As a result of this strategy, the ability of a coal mining company as a whole to compete not only with other domestic coal companies, but also with imported coal, natural gas and nuclear power will be very negatively affected and might even lead to its bankruptcy.<sup>9</sup>

*Second*, the transfer of *past* state obligations associated with coal mining, such as re-cultivations and other environmental damage, to newly created brown coal commercial companies will dramatically influence their future profitability.<sup>10</sup> It means that coal companies are obliged to finance from their current profits the closure of exploited mines and re-cultivations of damaged landscape that took place in the last fifty years. The managers argue that because the state redistributed profits made in coal mining and did not create any financial reserves for re-cultivation in the last forty years it should take some responsibility for it today. As a result of governmental policy, the financial obligations of newly created coal companies are larger than their total capital.<sup>11</sup>

*Third*, the government did not seriously consider any other alternatives than Gheyselínck's plan either from the coal mining unions or from the management.

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<sup>8</sup>Interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993.

<sup>9</sup>Interviews with ing. Goldberger and ing. Richter, managers of the Most Coal Company, Most, August 18, 1994. Both the managers of the MCC and the general director of Ostrava-Karviná Mine argued that this governmental strategy was based on the insufficient information of Mr. Gheyselínck and the government about the existing situation in coal mining (Lesková and Matýsek 1992).

<sup>10</sup>For example, Růžička (1994) argues that in the Sokolov mining district a rapid drop in sales of brown coal from the Sokolov Coal Company after 1991 makes it impossible to generate sufficient revenues for future re-cultivations of landscape devastated by coal mining under state socialism.

<sup>11</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

They [the government] absolutely did not allow any different opinion and different proposal [of coal mining restructuring]. So they did not seriously consider our [trade unions'] proposals and pushed through Gheyselink's concept.<sup>12</sup>

Well, there were comments [about the governmental restructuring plan] but no one took them into consideration. The Ministry of Privatization had its policy firmly in place. So when you submitted a comment such as, for example, that the mine closure would be too costly [for new coal companies], they said that these are the rules and it [restructuring] would be done according to those rules.<sup>13</sup>

The government was continuously postponing the approval of a final version of coal mining restructuring strategy. It shifted the entire agenda from the Ministry of Economic Policy and Development to the Ministry of Industry in 1992. After this change, the unions began to negotiate with the government again about its restructuring strategy. This time with the Minister Mr. Dlouhý. The negotiations resulted in some small changes in the original governmental plan of restructuring. The mine directors had a chance to comment on those changes but the original restructuring strategy remained basically unchanged.<sup>14</sup>

Before the commercial coal mining companies were established, all coal mining enterprises had to prepare and submit their privatization projects to the government (Lesková and Matýsek 1992). Commercial coal mining companies in the form of state joint stock companies were created according to the original Gheyselink's plan with a considerable delay at the end of 1993. The state owned 100% of their shares through the National Property Fund (henceforth NPF) and they were slated for the second wave of voucher privatization which took place in 1994.

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<sup>12</sup>Interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993.

<sup>13</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

<sup>14</sup>Interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993.

### *7.1.3. Changing forms of class struggle in coal mining after the collapse of state socialism*

Although the labor unions were largely discredited among the workers after more than forty years of only a symbolic existence as a 'transmission belt' of the Communist Party, the coal mining unions were the only unions that have so far stood up against the governmental restructuring policy.<sup>15</sup> Initially, neither the government nor the coal mining management took labor unions seriously and did not expect them to participate during the discussions about the transition strategy of coal mining in the Czech Republic. Coal mining trade unions, however, and especially the unions from northern Moravia, the region most affected by proposed restructuring and privatization strategy, developed increasing pressure on the government to take their concerns about the proposed restructuring strategy of coal mining into consideration. North Moravian mine unions refused the restructuring strategy designed by Mr. Gheyselinck and claimed that it was not the strategy for restructuring but rather a "gradual liquidation of mines" (LN November 4, 1992).<sup>16</sup> They argued that the government was not concerned with the region's mining crisis and its social program was ineffective (Hawker 1993). Coal miners presented several demands to the Czech government regarding the restructuring strategy, protection of the Czech coal market from outside competition, price liberalization of coal and social demands.<sup>17</sup> Coal miners from northern Moravia were

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<sup>15</sup>According to an opinion poll conducted in the Czech Republic in May 1994, 20% of the respondents 'definitely do not trust' and 44% "rather do not trust" trade unions. Only 3.5% of respondents "entirely trust" and 32% "rather trust" the unions (HN June 2, 1994a). These popular views reflect the state socialist legacy when workers did not see trade unions as representing their interests, but rather the interests of the Communist Party, management and the state (see Clarke and Fairbrother 1993a). There have been large positive changes in the public perception of trade unions in the Czech Republic since 1992. About 40% of working population are members of trade unions (Vlachová 1994). In coal mining, the level of labor organization is much higher as 80% of miners are organized in trade unions (Interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993).

<sup>16</sup>In northern Moravia, the center of bituminous coal mining, 55,431 coal mining jobs out of 108,613 (51%) were lost between 1989 and 1993 and the work force is expected to drop to 20,000 jobs by 1996 (Schreiber and Štáva 1994, Hawker 1993). A Ministry of Industry and Trade official said in 1993 that "all the mines in the Ostrava area will eventually have to be shut down" (Hawker 1993).

<sup>17</sup>The unions objected to the merger of profitable and unprofitable mines in the newly created companies, and the obligations of new coal companies to finance the clean-up and recultivations inherited from the previous state socialist period (LN November 5, 1992). Liberalization of coal prices was originally planned for January 1, 1993 (Lesková and Matýsek 1992).

supported by coal miners from northern Bohemia (LN October 29, 1992). The dispute between the government and trade unions over the coal mining restructuring strategy escalated into an open conflict in the fall of 1992. The Czech government negotiated with the unions and made some concessions only after the demonstration of about five thousand coal miners in Prague on November 11, 1992 which, however, did not drastically change the original governmental restructuring strategy.<sup>18</sup> This demonstration was the first serious conflict between labor and the government after 1989 and the evidence of changing nature of class struggle toward open class struggle in the Czech Republic after the collapse of state socialism and the Communist Party hegemony.

The changing forms of class struggle in the Czech Republic also reflect the changing forms of exploitation. Socialist competition, which was used by the centrally planned system to coerce workers to increase productivity and give up surplus product, broke down after the collapse of state socialism. At this point, I am unable to determine what are the effects, if any, of the end of socialist competition on labor process and factory regimes. On the one side, the fall in labor productivity in the Czech Republic after 1989 might be associated with the break-down of the state socialist system of exploitation. On the other side, the research on Russia suggests that the transition from state socialism to capitalism is conserving the distinct features of the old system including the social relations of production (Clarke et al. 1994, Burawoy and Krotov 1993). We might also expect that management will be looking for new ways to increase their control over the labor process. Further research on work regimes and labor process during the transition from state socialism to capitalism is necessary to deal with these issues.

## 7.2. Restructuring of Coal Mining in the Most District

This section investigates privatization and restructuring of coal mining in the Most District after the collapse of state socialism. It illustrates that the changes were relatively slow to come to coal mining after the break-down of central planning and that the coal

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<sup>18</sup>The government allocated 2.8 billion Czech crowns for the restructuring of black coal mining in 1993, it named 14 mines slated for closure between 1993 and 1996, it also promised to deregulate coal prices for industry in 1993 and set the limit for the import of cheaper coal from Poland (1.4 million tons) and Ukraine (1.8 million tons) (LN November 7, 12, December 9 and 10, 1992).

mining enterprises first entered pre-privatization agony which conserved state socialist practices and social relations of production within the enterprises.

### *7.2.1. Pre-privatization agony in coal mining in the Most District*

The North Bohemian Brown Coal Mines (henceforth NBBCM) state company, which included all mines in the North Bohemian coal basin, was abolished following the rapid disintegration of central planning in the Czech Republic after 1989. Instead, six independent coal mining enterprises were established, three of them located in the Most District.<sup>19</sup> According to the Gheyselinck's plan, these three enterprises were put together to form one commercial company. Based on this decision, they were asked to prepare and submit a single privatization project.<sup>20</sup> Three remaining coal mining enterprises formed the second commercial company in the North Bohemian coal basin.<sup>21</sup>

As a result of organizational fragmentation, there was no common coal mining strategy in the basin after 1989.<sup>22</sup> The enterprises were quite passively waiting for their organizational restructuring and subsequent privatization without any substantial changes in their internal organization and production strategies. The former employer of the General Headquarters of the NBBCM argued almost three years after the collapse of state socialism in Czechoslovakia that:

Nothing has changed here since November [1989] . . . only the managers are fighting for setting themselves up . . . the changes in organization of coal mining in northern Bohemia were done by the former communist secret police agents.<sup>23</sup>

I have described such enterprise behavior as 'pre-privatization agony' in Chapter Three.

<sup>19</sup>The Komofany Mines and Processing Plants, Ležáky Mines Most and Hlubina Mines Litvínov.

<sup>20</sup>Interview with ing. Goldberger, VUPEK Most, Most, July 22, 1992.

<sup>21</sup>The North Bohemian Mines composed of the Nástup Mines Tušimice located in the Chomutov District and the Bílina Mines located in the Teplice District. The Chabařovice Mine as a part of the Fuel Combinat Užín was slated for closure due to ecological reasons by 1996 based on the governmental decision from 1991 (No. 331/1991) (Pěgřimek 1992).

<sup>22</sup>Interview with ing. Goldberger, VUPEK Most, Most, July 22, 1992.

<sup>23</sup>Interview with ing. Hladký, VÚHU Most, Most, July 21, 1992.

In such a situation, the enterprises were not interested in or unable to make any major investment or restructuring decisions (OECD 1994). The trade union representative described the situation in July 1993 as follows:

The directors of coal mining enterprises are the directors of the state companies before privatization. They have one problem now: how to survive. They worry about their jobs. As a matter of fact, they have no reasons to pursue any changes because they do not know whether they will be in their positions in six months. After privatization, there will be a general meeting of shareholders and the entire management could be changed. So they do not want to make their lives more difficult now.<sup>24</sup>

This situation also raises an important question of the role of former state socialist elites and the Communist Party nomenklatura in the processes of the post state socialist transition.

My research has also shown that privatization of state owned enterprises does not necessarily have to lead to changes in production and its overall rationalization, which is similar to the finding of Burawoy and Krotov (1993) in Russia. As the head of the North Bohemian Economic Union argued in 1993:

We have expected that new [enterprise] owners would develop a pressure to improve management and begin enterprise restructuring after the privatization of state owned enterprises. Simply, we have expected that everything would start moving but so far I have not observed it.<sup>25</sup>

It also suggests that the changes in the external economic environment (collapse of central planning and introduction of the market) are much faster than the changes in the internal structure of the enterprises and especially in the social relations of production. Clarke et al. (1994) argue that such change in the internal structure of enterprises

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<sup>24</sup>Interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993.

<sup>25</sup>Interview with ing. Křivský, head of the North Bohemian Economic Union, Ústí nad Labem, August 13, 1993.

requires restructuring of both management and labor force, including working and production practices, which is very difficult to achieve. It is also a potential source of conflict between workers and management, within the labor force and within management. This situation points toward unevenness, complexity and contested nature of the transition from state socialism to capitalism in Central and Eastern Europe.

The managers of coal mining enterprises expected that enterprise restructuring would have to take place. They estimated that about one third of workers in coal mining were unnecessary and would lose their jobs.<sup>26</sup> They also expected that the output of coal would decline substantially.<sup>27</sup>

### *7.2.2. Establishment and privatization of the Most Coal Company*

The MCC was finally established by the NPF on November 1, 1993, eleven months after it was planned.<sup>28</sup> Its establishment was based on the governmental decision No. 691 from 1992 which approved the restructuring and privatization strategy of the Czech coal mining industry and on the approved privatization project of the MCC. The NPF originally owned 100% of the MCC shares but its ownership declined to 34% after the second wave of voucher privatization which took place in 1994 and in which 42% of the shares were offered for sale to investment privatization funds and individual investors.<sup>29</sup> On November 1, 1993, 9% of the shares were given away free of charge to the cities and villages directly influenced by company's coal mining in order to "enable cities and villages to influence the activities of the MCC including protection

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<sup>26</sup>The employment in the enterprises which formed the MCC declined by 3,328 (16.9%) between 1989 and 1993 before the company was formed and the privatization began (from 19,701 in 1989 to 16,373 in 1993) (Privatization project 1992 p. 11, Schreiber and Štáva 1994). This decline was faster than the Privatization Project anticipated because it expected 17,167 employees in 1993 (Privatization project 1992, p. 86).

<sup>27</sup>Interview with ing. Goldberger, VUPEK Most, Most, July 22, 1992.

<sup>28</sup>The delay was caused by administrative problems during the transfer of property from the state to the MCC, because some properties lacked a proper documentation (interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994).

<sup>29</sup>The basic capital transferred into the MCC had the nominal value of 9,986 million Czechoslovak crowns on April 30, 1992 (Privatization project 1992, p. 69).



**Table 7.1.** Privatization of the Most Coal Company (the distribution of shares in percentage)

Voucher privatization	42 %
National Property Fund	34 %
Cities and villages	9 %
Mining Health Insurance Company	8 %
Restitution Fund	3 %
Employees	3 %
Endowment Fund	1 %
Total	100 %

Source: Privatization project 1992.

of landscape and living and social environment" (Privatization project 1992, p. 76).<sup>30</sup> The Mining Health Insurance Company received approximately 8% of the shares, 3% were allocated to the Restitution Fund, 3% were sold to the employees of the MCC, and 1% was invested in the Endowment Fund founded by the state (Table 7.1).<sup>31</sup> It is possible that the future structure of the ownership of the MCC will change because the company does not know what the state represented by the NPF plans to do with its 34% of shares, whether it is going to sell it on the stock exchange market or whether it is going to keep it.<sup>32</sup> As opposed to the petrochemical industry and privatization of Chemopetrol (see Chapter Eight), the privatization of the MCC did not involve the direct sale of its shares on the market and therefore no foreign capital participated in the privatization of either the MCC or other privatized coal mining companies in the Czech

<sup>30</sup>This was much less than the earlier preliminary proposal of privatization of shares anticipated. According to this document, the future MCC planned to give away 32% of its shares free of charge to the cities and villages affected by its activities. The city of Most was supposed to receive 20% of company's shares, Litvínov 6%, Horní Jiřetín 2%, Lom 1% and other villages 3% (Enterprise plan 1992, p. 47)

<sup>31</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994, Privatization project 1993, pp. 75-78.

<sup>32</sup>Interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994.

Republic.<sup>33</sup>

### 7.2.3. Changes in the organizational structure of the Most Coal Company

The MCC was organized into the three tier system: plant, division, and the company headquarters. There were three divisions identical with the former state enterprises. They had the same managerial staff and used the same management strategies.<sup>34</sup> The only change was the creation of the MCC headquarters which supervised the divisions and basically replaced the former General Headquarters of the NBBCM from the period of central planning. The company headquarters, however, were designed as "numerically small but professionally highly qualified" (Enterprise plan 1992). When the MCC was finally founded on November 1, 1993 its organizational structure of the divisions was as follows (according to the Privatization project 1992, pp. 1-2) (see Map 4):<sup>35</sup>

1. Mines and Coal Processing Plants Komořany Division
  - division headquarters;
  - Komořany coal processing plant, Komořany;
  - Herkules coal processing plant, Záluží;
  - Opencast mine plant Obránců míru, Komořany;
  - Opencast mine plant Čs. armády, Ervěnice;
  - Opencast mine plant Jan Šverma, Holešice;

<sup>33</sup>There is a question to what extent the voucher privatization of the MCC and other commercial coal mining companies was honest especially to individual shareholders. There was not enough information published about the economic situation of the company. In particular, the company's future obligations to finance all recultivations, including the past environmental damage, were unknown to the public during the privatization. Similarly, the existence of ecological limits of mining and their impacts on the future economic performance of the MCC were not publicized. However, the MCC was listed among the most profitable enterprises slated for the second wave of voucher privatization (see, for example, LN July 26, 1994) which might have deceived the public bidding for the shares of the MCC as a future highly profitable company. This point was brought up during the interviews with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993 and with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

<sup>34</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

<sup>35</sup>It was suggested that the future structure of the divisions would be organized in such a way that all activities associated with opencast coal mining would be concentrated in the first division, all activities associated with deep coal mining in the second division, all activities associated with coal processing and its sale in the third division. This structure would provide the necessary preconditions for a transition to a horizontal management structure for the company (Enterprise plan 1992, pp. 10 and 11).

- Mining technical operations plant, Komořany.
2. Ležáky Mines Most Division
    - division headquarters;
    - Opencast mine plant Ležáky, Most-Kopisty (mine Most-Kopisty);
    - Opencast mine plant Hrabák, Čepirohy (mine Vršany).
  3. Hlubina Mines Litvínov Division
    - division headquarters;
    - Deep mine plant Kohinoor, Mariánské Radčice;
    - Deep mine plant Centrum, Dolní Jiřetín;
    - Deep mine plant Alexander, Hrdlovka;
    - Deep mine plant Jan Žižka, Chomutov;
    - Closed deep mine plant Julius III, Kopisty.

The MCC has been established as a joint stock company directed by the board of directors named by the NPF, and following its privatization, elected by the general assembly of shareholders. The general assembly of shareholders elects a director of the company from its members and names a general director as a head of the board of directors (Enterprise plan 1992).<sup>36</sup>

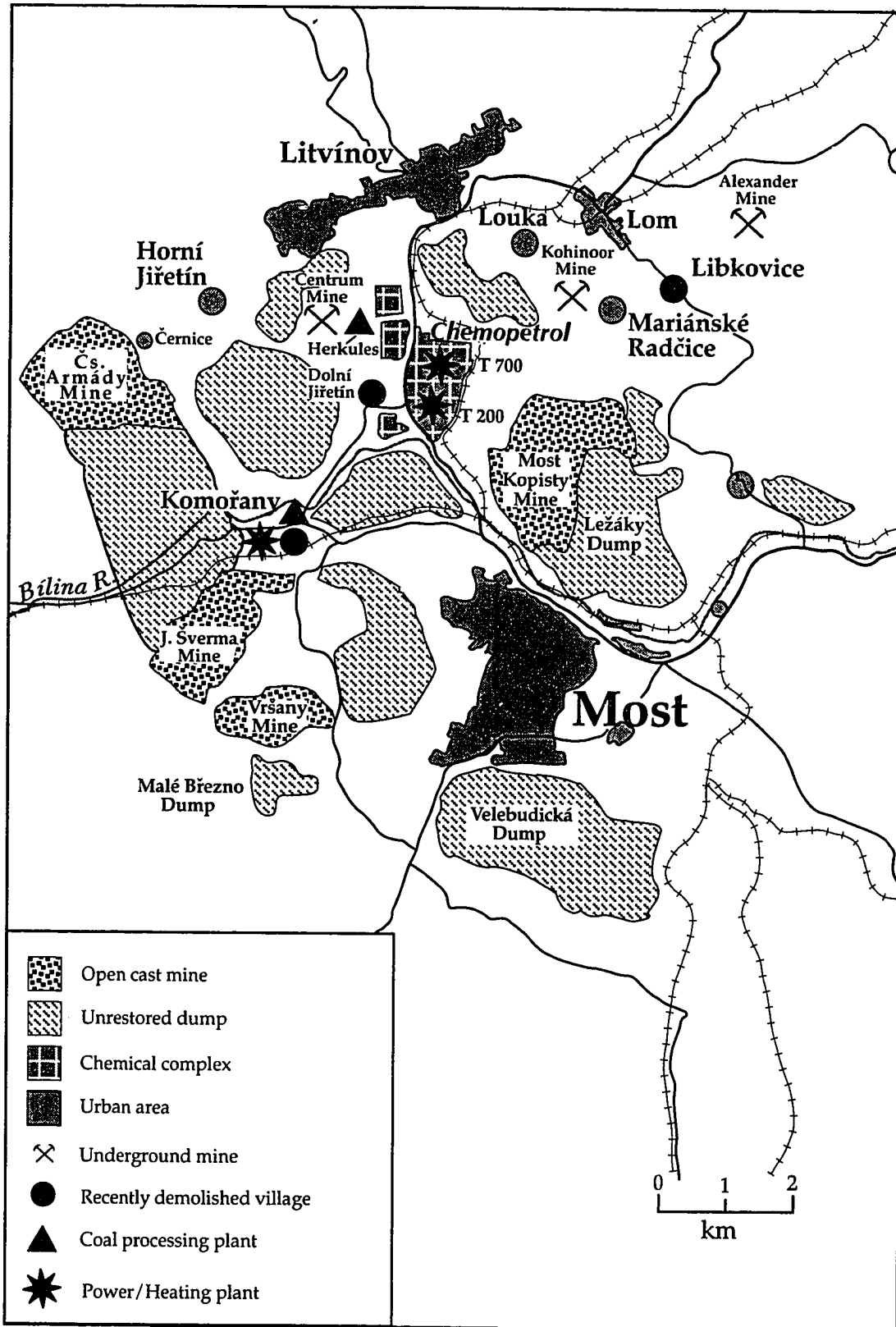
On April 1, 1994, four months after the establishment of the company, the three tier managerial structure of the MCC was replaced by the two-tier organization when the divisions and their headquarters were abolished. According to the general director and chair of the MCC board of directors, the major reason for the change was the need to lower the operating cost of the company in order to stay competitive on the market "oversaturated by fuel and energy" (HN February 23 1994, p. 7). Therefore, the plants with their headquarters are now directly supervised and managed by the headquarters of the MCC. Two deep mine plants located outside the Most District were closed between 1993 and 1994. The deep mine plant Jan Žižka, Chomutov was closed in 1993 and the deep mine plant Alexander, Hrdlovka was closed in 1994.<sup>37</sup>

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<sup>36</sup>The board of directors is composed of a mining (technical) director, business director, financial director and human resources director (Enterprise plan 1992, interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994).

<sup>37</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

Map 4. Coal mining in the Most basin



#### 7.2.4. Changes in production and employment of the Most Coal Company

What were the effects of the new organizational structure on the production of coal? We have seen in Chapter Six that frequent institutional and administrative reorganizations of coal mining were typical for the state socialist period but usually failed to deliver fully the needed results.

The new post state socialist organizational structure of coal mining did not result in any radical reduction of the coal company's employment or reorganization of production, which indicates that restructuring and rationalization of coal production lags behind organizational changes and changes in ownership. Table 7.2 shows that although employment in the enterprises which formed the MCC declined in the last 10 years and especially after 1990, its production declined much faster, which indicates that the actual productivity of coal mining in the Most District was declining.<sup>38</sup> Surprisingly, perhaps, coal mining enterprises remain profitable even with an excessive workforce.<sup>39</sup>

Slower decline in employment compared to output can be explained, *first*, by the fact that the state as the owner of the MCC did not develop real pressure on the company to rationalize its management. It is also doubtful, however, whether its future ownership structure, which will also include a large number of small individual share holders and investment privatization funds, will be able to develop such a pressure.<sup>40</sup> *Second*, the state was not really interested in a rapid decline in employment because it would have necessarily led to higher unemployment rates and potential social conflicts. *Third*, and related to the second, the state re-imposed wage control on non-financial enterprises with 25 or more employees in July 1993 which curbed the growth in wages and allowed the

<sup>38</sup>Between 1989 and 1991 the employment of miners and other manual workers declined by 8.8% (from 17,342 to 15,833), while the administrative white collar employment declined by 6.5% (from 2,359 to 2,206) in the enterprises which later formed the MCC (Privatization project, p. 11).

<sup>39</sup>Interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993. The MCC created 2.1 billion crowns of profit before taxes in 1992 and 1.5 billion crowns in 1993. In 1994, the MCC generated 0.5 billion crowns of profit (LN May 10, 1995). This rapid decline in profitability is mainly due to the need to finance the Fund of Reserves for future recultivations and to deal with past environmental damage (LN July 26, 1994, interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994).

<sup>40</sup>According to the rules of voucher privatization, a single investment privatization fund could not buy more than 20% of shares of a particular company offered for sale. Therefore, the investment privatization funds must work together in order to have some influence in the privatized companies.

**Table 7.2.** Decline in the coal production and coal mining employment in the Most District.

Year	Coal production			Employment		
	thousands of tons	1984=100	1991=100		1984=100	1991=100
1984	38,562	100.0	-	18,988	100.0	-
1991	36,147	93.7	100.0	18,039	95.0	100.0
1993	26,471	68.6	73.2	16,373	86.2	90.8
1994	22,700	58.9	62.8	15,100	79.5	83.7
1995	20,000	51.9	55.3	13,500	71.1	74.8
1998	18,100	46.9	50.1	n.a.	n.a.	n.a.
1999	16,300	42.3	45.1	10,400	54.8	57.7
2005	15,400	39.9	42.6	n.a.	n.a.	n.a.

**Notes:** The 1995-2005 data reflects expected situation (LN December 22, 1994, HN May 10, 1995). Originally, the MCC anticipated to produce 25.3 million tons of coal in 1994 (LN December 14, 1994). In August 1994, the MCC expected its 1994 coal production to reach 23.4 million tons (HN August 8, 1994) and it planned to mine 21.7 million tons of coal in 1995 (HN May 10, 1995). The MCC employed 14,500 workers in May 1995 and expected to reduce its employment to about 13,500 by the end of 1994 (HN May 10, 1995).

**Source:** Data compiled from OOČSÚ 1986, Privatization project 1992, Schreiber and Štáva 1994, LN December 22, 1994 and HN May 10, 1995.

state owned enterprises to keep unnecessary workers.<sup>41</sup> One of the company managers admitted that the MCC employed unnecessary workers.<sup>42</sup> Managers of the MCC summarized the state employment policy as follows:

The government obviously pursues a clever [employment] policy, even though it does not help restructuring and improving efficiency of the national economy. It is important to consider whether to pursue fast changes and face social conflicts or to go more slowly and keep social

<sup>41</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

<sup>42</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

peace.<sup>43</sup> Economically, the governmental [employment] policy is irrational but it is rational politically.<sup>44</sup>

Generally, the MCC does not lay off workers in order to reduce the company's employment but it does not replace retired workers and workers who leave.

The major reasons for rapid decline in MCC coal production after 1989 but especially after 1991 were, *first*, a drop in the electricity production associated with the rapidly declining industrial production in the Czech Republic following the start of the economic transition in January 1991;<sup>45</sup> *second*, the post-1989 environmental legislation led some industrial enterprises to convert their heating systems from coal to natural gas and other different energy sources; and *third*, the MCC coal production has also dropped due to emerging competition from other two brown coal companies in the Czech Republic.<sup>46</sup>

### 7.3. The Most Coal Company and Marketization of Brown Coal Mining

The future of coal mining and consequently its environmental consequences in the Most District will depend, among other things, on the abilities of the MCC to sell the brown coal it produces. What does the collapse of state socialism and emerging capitalist competition mean for the future of brown coal and coal mining in the Most District? This section illustrates the declining importance of brown coal as a source of heat and electricity in the Czech Republic and the strategies of the MCC to overcome this trend.

The MCC must compete with both domestic and foreign competitors. Its domestic competitors include not only other coal companies, but also other sources of heat and energy, such as natural gas and nuclear power. In this respect, the future of

<sup>43</sup>Interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994.

<sup>44</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

<sup>45</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994. Industrial production of the Czech Republic declined by 22.3% in 1991, 7.1% in 1992 and 5.3% in 1993 (HN June 10, 1994). It was expected to grow by 3% in 1994 (LN December 29, 1994). Production of electricity and heat declined by 2.8% in 1991 and 3.4% in 1992 (ČSÚ 1993b). The production of electricity declined by 3.6% in 1991 but grew by 1% in 1992 and by 3.1% in 1993. The production of electricity in non-nuclear power plants of the Czech Republic declined by 3.2% in 1991, 2.8% in 1992 and by 1.7% in 1993 (ČSÚ 1994b).

<sup>46</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

coal mining in the Most District will also depend on the government's energy policy.

The brown coal and lignite market has several specific features. First, there is no international brown coal market. A major reason is the very low heating value of brown coal which makes it unprofitable to transport large distances. Therefore, the only efficient use is to burn it in power plants located in or close to the mining districts. Second, most coal power plants abroad are designed for the use of black coal. As a result, competition is only possible among the different mines in the same brown coal mining region or among brown coal and different heating and energy producing fuels (Gheyselinck 1992).

North Bohemian brown coal faces potential competition from cheap Polish and Ukrainian coal because the brown coal power plants could be potentially rebuilt for the use of black coal.<sup>47</sup> In northern Bohemia, entire communities and towns are switching from the use of brown coal to natural gas for heating purposes in attempts to cut down air pollution.<sup>48</sup> The government supports such efforts financially.<sup>49</sup> This gradual conversion can substantially reduce the market for MCC brown coal because individual consumers accounted for about 30% of company's sales in the early 1990s (Table 7.3). Natural gas, however, does not represent a serious competitive threat for brown coal in the area of electricity production. In this area, nuclear energy has become the most important competitor for brown coal.

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<sup>47</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

<sup>48</sup>The households accounted for 21.4% of natural gas consumption in the Czech Republic in 1990 but their share grew to 27.7% by 1993. Natural gas accounts for about 15% of primary energy production in the Czech Republic (7 billion m<sup>3</sup> of natural gas annually) which substitutes for burning between 22 and 25 million tons of brown coal that would produce 400 thousand tons of particulate matter and 450 thousand tons of sulfur dioxide. The biggest disadvantage of natural gas in comparison to (brown) coal is almost total dependence of the Czech Republic on its import from Russia (98.5%) (LN October 3, 1994b).

<sup>49</sup>Since 1991, each household undergoing fuel conversion in northern Bohemia is eligible to receive 15,000 crowns from the government to offset the cost of conversion from brown coal to natural gas (Interview with RNDr. Vonková, chair of the Department of Environment, Mayor's office, city of Děčín, Děčín, July 27, 1993). The central government also provides money to municipalities for the construction of necessary infrastructure for conversion. It pays for 70% of conversion costs. In 1994, the parliament allocated 6.1 billion crowns to be used by 1997 for the conversions from coal to gas or electricity in the most polluted regions of the Czech Republic which is supposed to reduce the annual sulfur dioxide emissions by 190 thousand tons and the emissions of particulate matter by 160 thousand tons (HN July 11, 1994). At the same time, the government subsidizes the cost of natural gas for the household consumption. The subsidies should be gradually removed between 1996 and 1998 (HN July 7, 1994a).



Managers of the MCC complained that brown coal has lost state socialist privileges after 1989, such as governmental subsidies for unprofitable mines and virtually unconstrained opencast coal mining, and has become responsible for all its production costs, including environmental devastation and even the costs of dealing with past environmental destruction. They feel, however, that the nuclear energy sector still enjoys preferential treatment from the state in many respects. For example, the production cost of electricity produced in nuclear power plants does not include the cost of a permanent storage facility for used nuclear fuel, neither does it contain comprehensive insurance for a possible nuclear disaster since there is no 'nuclear law' which would prescribe it. Also, the energy sector as a whole underwent a much less radical organizational restructuring in comparison to coal mining after 1989.<sup>50</sup> The Czech Energy Works company was not fragmented by the government into a number of competing companies but it remained a single large company with a monopoly in energy production. It is the largest industrial company in the Czech Republic.<sup>51</sup> A manager of the MCC argued:

The energy sector did not undergo the same changes as the coal mining industry during the economic transition. The Czech Energy Works stayed together. It is a huge corporation which had a very different economic power in comparison to coal mines even before the changes but especially after the transformation and restructuring of coal mining. And it has different ability to influence the decision making of the Czech government and parliament. It is a huge colossus which essentially kept its organization. Some top managers were replaced but the company is headed by strong personalities for whom it is no problem to put through certain approaches to, for example, the nuclear law. And this plays a big role too.<sup>52</sup>

There are several ways in which the MCC wants to compete on the energy

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<sup>50</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

<sup>51</sup>The Czech Energy Works company recorded the largest turn-over in the Czech industry in 1993 and 1992 (50,829 and 50,089 million Czech crowns respectively) and also the largest profits (16,750 million in 1993 and 26,526 million in 1992) (LN July 26, 1994). The company has also the largest assets valued at 82,583 million Czech crowns in 1994 (HN August 17, 1994).

<sup>52</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

Table 7.3 Structure of the MCC coal sales.

	1989		1990		1991	
	mil. tons	%	mil. tons	%	mil. tons	%
Power plants	13.2	37.2	12.5	38.4	12.1	39.5
Industry	10.6	29.8	9.8	30.1	9.0	29.2
Retail sector	10.9	30.5	9.5	29.3	8.6	28.1
Export	0.9	2.5	0.7	2.2	1.0	3.2
Total	35.6	100.0	32.5	100.0	30.7	100.0

Source: Privatization project 1992, p. 9.

market. *First*, it plans to focus on the production of high quality sorted brown coal with higher heating value and lower sulfur content. This was a major reason why the company closed the deep Mine Jan Žižka in 1993 without exploiting all its coal deposits which had a high sulfur content (HN December 21, 1993) (Table 7.4).

*Second*, the MCC competes with its price of coal. While inflation is running around 10% annually in the Czech Republic the coal prices grow by only 2-3% on the average. The maximum price increase in some types of coal was 7% which does not keep up with inflation.<sup>53</sup> *Third*, the MCC plans horizontal deconcentration of some production services, such as the provision of spare parts for coal mining technology, its repairs and reconstructions, which are today part of the company. The company managers believe that it would rationalize and improve efficiency of production.<sup>54</sup> *Finally*, in the Fall 1994, the board of directors of the MCC decided to close several high cost production mines in order to make the MCC more competitive.<sup>55</sup>

<sup>53</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

<sup>54</sup>Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994.

<sup>55</sup>The mines planned to be closed by the MCC include the Ležáky Mine and the least profitable sections of the Koh-i-noor Mine in 1995, and the Centrum Mine and the Alexander Mine in 1996 (LN December 22, 1994, HN May 10, 1995).

Table 7.4 Quality of coal produced by the MCC (average values)

Sorted coal	Heating value MJ/kg	Water %	Ashes % content in dry substance	Sulfur % content in dry substance
Komořany processing plant	16.58	30.53	15.01	2.00
Herkules processing plant	16.95	29.01	15.00	1.60
Deep Mine Alexander	19.65	23.19	12.00	1.10
Deep Mine J. Žižka	13.00	30.95	29.85	3.00
<b>Coal for power plants:</b>				
Komořany processing plant	11.43	27.30	39.43	1.68
Herkules processing plant	13.74	28.22	29.16	1.62
Mine Vršany	9.40	29.43	44.82	1.88
Deep Mine Alexander	17.70	24.50	17.80	1.50
Deep Mine J. Žižka	12.20	31.00	34.00	3.00

Notes: MJ/kg = megajoules per one kilogram. The deep mine J. Žižka has been already closed.

Source: Privatization Project 1992, p. 7.

Despite these efforts the MCC expects to be forced to steadily lower its coal production for several reasons including the continuing conversion of entire communities from brown coal to natural gas as a heating source, increased use of electricity for direct heating, ecological legislation, local and regional efforts to limit coal mining, and the low cost of brown coal. The sale of brown coal in the Czech Republic will be especially affected by the launching of the Temelín nuclear power plant in the late 1990s and the Clean Air Act which will come into effect in 1998 (LN December 22, 1994). By the end of the century, the company plans to cut its coal production by 55% from its 1990 level.

#### 7.4. Struggle Over the Environment and Coal Mining in the Most District

Struggle over the environment has become one of the most important factors

which influence restructuring and the future development of coal mining in northern Bohemia and in the Most District in particular after the collapse of state socialism. It illustrates the contested nature of the transition from state socialism and the existence of many actors struggling over the future of coal mining and its forms, including local population, local governments, central government, district authorities and coal mining companies. This section also illustrates the importance of democratization at the local scale for local environmental struggle. Finally, it also points toward the importance of environmental issues in local mobilization against further expansion of coal mining and in industrial and regional restructuring in the Most District and northern Bohemia as a whole.

#### *7.4.1. Governmental ecological limits of coal mining and its impacts on the MCC*

Following the political changes in 1989, the Czech government passed a number of resolutions dealing with the environmental problems in northern Bohemia which limit the further development of opencast coal mining in the region.<sup>56</sup> 'Ecological mining limits' are the territorial boundaries drawn around the communities endangered by coal mining beyond which mining is prohibited. They were imposed by the government in 1991 in order to protect north Bohemian communities from further demolitions due to coal mining. The governmental action was based on the post-1989 popular resistance of citizens and local governments in several towns and villages slated for demolition to make a way for opencast coal mining and their struggle with the mines.<sup>57</sup> Out of three

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<sup>56</sup>(1) The resolution No. 287 passed on November 2, 1990 - the set of measures to restore the environment in northern Bohemia; (2) the resolution No. 166 passed on May 5, 1991 - the review report about the implementation of tasks from the resolution No. 287 and the proposal of its actualization; (3) the resolution No. 331 passed on September 11, 1991 about the further development of the Chabařovice opencast mine; and (4) the resolution No. 44 passed on October 10, 1991 about the report dealing with territorial limits of coal mining and energetics in the North Bohemian Brown Coal Basin (Pěgřímek 1992).

<sup>57</sup>For example, the local government of the town of Chabařovice (located outside the Most District) elected in the 1990 free local elections was elected to save the town (Bystrov 1990). In the case of the village of Horní Jiřetín, the civic resistance against the plans of coal mining enterprises to raze the village culminated with the organization of a meeting in April 1991 which was attended by the Minister of Environment and his deputy, first deputy of the Minister for Economic Policy, official from the Ministry of Culture, and several members of the parliament. At this meeting, the inhabitants of the village and the local government voiced their concerns over plans to raze their village and determination to fight such plans (interview with Mr. Miroslav Štýbr, the mayor of Horní Jiřetín, August 3, 1993).

new coal mining companies formed in the region, the MCC is probably the most affected by these resolutions. The governmental resolutions will make it impossible to mine about 4.3 billion tons of exploitable coal deposits in northern Bohemia, which represents 70.5 % of 6.1 billion tons of exploitable coal deposits located in the north Bohemian coal district (Table 7.5) (Pěgřímek 1992).

There are two opencast mines which are the most affected by the governmental 'ecological limits' of mining in northern Bohemia. *First*, the Chabařovice Mine in the Teplice District which was slated for closure by 1996 and therefore it was not included in any commercial coal mining company and was not privatized.<sup>58</sup> The Chabařovice Mine produces coal with the lowest sulfur content in northern Bohemia (0.4-0.6%), the coal seam is 15 meters rich with only 15 meters of the overburden. The mine was supposed to operate until the year of 2015. Its further operation, however, was only possible through the liquidation of the town of Chabařovice (2,500 inhabitants now but almost 8,000 before World War Two) and two other villages (Roudníky and Hrbovice) under which 100 million tons of high-quality brown coal are located.<sup>59</sup> The town and

**Table 7.5** The impact of governmental resolutions on coal mining in northern Bohemia.

Governmental resolution	Affected coal deposits
No. 287/1990 and 166/1991	2,790 million tons
No. 331/1991	90 million tons
No. 444/1991	1,420 million tons
Total frozen coal deposits	4,300 million tons

Source: Pěgřímek 1992.

<sup>58</sup>The closure of the Mine Chabařovice has been recently rescheduled to the year of 1999 (Interview with ing. Goldberger, manager of the Most Coal Company, Most, August 18, 1994).

<sup>59</sup>The village of Hrbovice and the eastern suburbs of Chabařovice were demolished and the razing went on until the spring 1990. Five villages were torn down and destroyed by the Chabařovice Mine before 1989. These included Tuchomyšl, Lochočice, Vyklice, Otovice and Žichlice. Seven other villages in the Chabařovice area were razed in the 1950s and 1960s due to coal mining (Varvažov, Dělouš, Německý Újezd, Užín, Roudné, Pankrác, Kamenice) (Bystrov 1993).

Table 7.6 Coal deposits of the Most Coal Company (in million tons)

Location	Coal deposits of the MCC	
	Geological	Exploitable
Mine22 Čs. Armády	287.1	234.0
Mine J. Šverma	570.3	473.0
Mine Most-Kopisty (Ležáky)	104.3	30.3
Mine Vršany (Hrabák)	193.0	78.2
Deep Mine Kohinoor	655.1	15.9
Deep Mine Centrum	239.7	11.1
Closed deep mines	1,384.4	10.7
Prospective Mine Bylany	274.9	166.9
Total	3,708.8	1,019.4

Source: Privatization project 1992, p. 4.

villages were saved because of the efforts of new local governments elected after 1989 and popular opposition, despite strong resistance of the Chabařovice Mine and the proposals by the investment PlanEcon Capital Group, the mining concern Atlantic Partners, and Waste Management International to raze Chabařovice and build a new town elsewhere (see Bystrov 1993, Bensman 1992a, 1992b).<sup>60</sup>

*Second*, the Čs. Armády Mine, the second largest opencast mine of the MCC is even more affected (Table 7.6). The government's 'ecological limits' will freeze mining of 1.5 billion tons of the best quality brown coal in the central portion of the North Bohemian Brown Coal Basin with the average heating value of 15.5 MJ/kg and sulfur content 1.0%. The ecological limits include the Čs. Armády Mine which will have to be closed by the year of 2010, forty years earlier than originally projected. The miners

<sup>60</sup>The consortium proposed to raze the town, clean up the toxic waste dump located nearby, and build a new house for each resident in a new location. They also offered to pay three to four times market rate for the houses to be demolished and to pay the town royalty for mining of \$1 million a year. All these proposals were rejected by the town residents and its local government (Bensman 1992a).

perceive this governmental decision to be "fatal" (Pěgřímek 1992, p. 153).

The government imposed the ecological mining limits for the Čs. Armády Mine in order to protect the village of Horní Jiřetín and especially its part called Černice (see Map 4).<sup>61</sup> The earlier closure of the mine will seriously influence the production of coal by the MCC. If the Čs. Armády Mine is closed by the year of 2010 as currently planned, the MCC coal production will decline from its current level of about 23.4 million tons to 10-11 million tons annually. The managers of the MCC also complained that the imposed ecological limits of mining would undermine the competitiveness of the company compared to the North Bohemian Mines which were affected by the ecological limits to a much lesser extent.<sup>62</sup> This situation could change only if the ecological limits were not respected, but a manager of the MCC argued in August 1994 that "the MCC respects the ecological limits as a taboo decided by the government".<sup>63</sup> At the same time, he revealed his opinions about the entire situation around the government's ecological limits of mining:

I would say that it is a question of contemporary hysteria which was launched around the opencast coal mining in the Czech Republic. This hysteria, which began [after 1989] and which continues today, even considerably influenced the decision making of the [central] government. That problem [of opencast coal mining] was not solved technically but it got politicized. And of course with all the consequences so that a number of decisions made is in my view political without any technical-economic foundations.<sup>64</sup>

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<sup>61</sup>Černice had 248 inhabitants in 1990 (624 in 1930 and 505 in 1961) and 76 houses in 1990 (104 in 1950). Horní Jiřetín as a whole had 1,860 inhabitants in 1990 (9,076 in 1930 and 7,346 in 1950) and 504 houses in 1990 (1,005 in 1970) (OOČSÚ 1991). The village of Dolní Jiřetín, a part of Horní Jiřetín was razed between 1980 and 1983. Similarly, the village of Jezeří which used to be part of Horní Jiřetín was demolished after 1988 (see Table 24 in Chapter Six).

<sup>62</sup>If the Čs. Armády Mine is forced to stop mining due to the ecological limits before it exploits its coal deposits, it will have to fill 80% of the mine of one billion cubic meters with earth and only the rest can be flooded with water. This would mean to relocate large excavators from mines to mining dumps and fillers from dumps to the mine and fill the mine with earth for twenty years. It would take another ten years to fill the rest of the mine with water. This operation would cost 25 to 30 billion crowns (in 1992 prices) (Economic plan 1992, p. 7).

<sup>63</sup>Interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994.

<sup>64</sup>Interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994.

Thus the managers of the MCC feel that the economic interests and future profitability of their company are endangered by the post-1989 democratization which allowed local communities to stand up against ruthless devastation caused by coal mining. According to the managers of the MCC, the relationship between the coal mine enterprises and the local governments (including rural and urban municipalities and the District Office) has profoundly changed following 1989. It is interesting that both coal mines and local governments felt 'controlled' by each other during the state socialist period. These mutual feelings of control resulted from the Communist Party hegemony exercised in both the coal mines and local governments.<sup>65</sup> After 1989, the relations between the coal mining enterprises and the local governments were built on the basis of law. In 1993, the MCC paid about 100 million crowns to the Most Basin municipalities for the occupation of their territories and exploitation of coal deposits on the municipal territory.<sup>66</sup> One of the managers of the MCC summarized the relationship of his company and the municipalities as follows:

I can say that we have built a new relationship with municipalities [after 1989]. I want to say that it is not bad [relationship]. We do not throw our arms round each other necks but these are mutually very respectable relations and we also talk about many unpleasant issues. . . We do not have any conflict relations with the existing villages. The only conflict relation was with the village of Horní Jiřetín but I would not like to dramatize it. We have agreed that when we had something to talk about we would meet in peace at the round table negotiations and we would discuss the entire problem. We would attempt to find a mutual solution without using power and strong words from any side. We try to stick to this approach and I have to say that the other side does the same.<sup>67</sup>

If this is the case, it would represent a dramatic change in the approach of coal mining enterprises to the local communities after the collapse of state socialism. I have illustrated in Chapter Six that the state socialist power relations between coal mining

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<sup>65</sup>See chapter 6, section 6.5.3. of this dissertation on the pre-1989 Communist Party hegemony in the Most District.

<sup>66</sup>Interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994.

<sup>67</sup>Interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994.



enterprises and local communities were based on the total subordination of local interests to coal mining interests which resulted in the demolition of 32 villages and the city of Most because of coal mining and related activities. Did the coal mining enterprises really dramatically change their approach to local communities? The next section will illustrate that the mayors of the municipalities located in the Most basin do not always share this opinion.

#### *7.4.2. Struggle between local communities and coal mining enterprises in the Most District after 1989*

Although the managers of the MCC argued that they respected the governmental limits of coal mining, the interview with the mayor of Horní Jiřetín has revealed the existence of the struggle between the MCC and the village, rather than the acceptance of ecological mining limits by the MCC.

Coal mines do everything they can to control the situation here. . . their behavior did not change. The same people are sitting at their headquarters as before [1989] and they put through the megalomania of coal mining all the time.<sup>68</sup>

The mayor argued that although the government imposed the ecological limits for coal mining and decided that the village of Horní Jiřetín, including the area of Černice would not be razed, the question of their existence was still open because the governmental resolutions No. 166 and 444/1991 were not fulfilled. In 1991, the Czech Mining Authority was charged with the responsibility of changing the mining territory and reducing exploitable coal deposits in the area. But this was still not done by August 1993, when the mayor of Horní Jiřetín complained that the government did not fulfill its resolutions:<sup>69</sup>

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<sup>68</sup>Interview with Mr. Miroslav Štýbr, mayor of the village Horní Jiřetín, August 13, 1993. However, when I asked ing. Pisinger, advisor of the minister of environment, about the situation around Horní Jiřetín and mayor's claims that the coal mines did not change their ruthless behavior at all, he replied: "This is not true, we have already pushed them [the mines] too far" (interview with ing. Pisinger, advisor of the minister of environment, Teplice, August 4, 1993).

<sup>69</sup>Interview with Mr. Miroslav Štýbr, mayor of the village Horní Jiřetín, August 13, 1993.

The government and the individual ministers occasionally travel somewhere. Before, they traveled to [the town of] Chabařovice, now they travel to [the village of] Libkovice. [The town of] Chabařovice fights to save the rest of the town, [the village of] Libkovice has been almost demolished but it is still a big issue. However, no one is interested in the situation [in places] where people still live and where it [housing] is still untouched.<sup>70</sup>

As a result, the life in the village is still paralyzed. For example, if anyone wants to rebuild his or her own house or conduct similar construction activities, s/he has to sign a piece of paper acknowledging that s/he will demolish the building at his or her own expenses in the event that the village is liquidated due to coal mining.<sup>71</sup>

In Chapter Six, I used Illner's (1992a) classification to describe the paternalistic relationships between the coal and chemical enterprises on the one side and cities, small towns and villages on the other side. I argued that the relations between the enterprises and larger cities were a type of 'landlord' relationship, while the relations between the enterprises and small towns and villages were a type of 'parasite' and 'antagonist' relations. Are these relationships changing after the collapse of state socialism and during the transition to capitalism? The interviews with the mayors of cities and villages in the Most basin suggest that they are changing but that the change is uneven. It seems that the enterprise-city relations are changing from enterprises as 'landlords' to enterprises as 'partners' or 'neighbors' relations. According to Illner (1992a), enterprises as 'partners' relations are typified by shared responsibility of enterprises and communities for the future development of communities, and enterprises as 'neighbors' relations develop when enterprises ignore the problems of communities and are not interested to participate in community development.

The chair of the Department of the Environment in the city of Most called the relationship of the city and the coal mining enterprises "confrontational". He argued that there had not been much cooperation because the coal mining enterprises did not know what was going to happen with them in the near future and behaved accordingly. Coal

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<sup>70</sup>Interview with Mr. Miroslav Štýbr, mayor of the village Horní Jiřetín, August 13, 1993.

<sup>71</sup>Interview with Mr. Miroslav Štýbr, mayor of the village Horní Jiřetín, August 13, 1993.

mining enterprises preferred the 'neighbor' relations rather than 'partner' relations which would allow them to ignore problems of the city of Most. The city of Most is interested in 'partner' relations, not in 'neighbor' type of relations with the coal mining enterprises.<sup>72</sup>

According to the managers of the MCC, the coal mining enterprises are interested in the 'partner' type of relations with the communities negatively influenced by the coal mining activities. They attempt to financially compensate cities, villages and the Most District Office for their environmentally harmful activities in order to improve mutual relations and to secure the local support for their coal mining activities. According to the law, the MCC can donate up to 2% of its taxable profit for specific activities and deduct it from its taxes. In 1992, for example, the company donated 38.2 million crowns and 19.7 million crowns in 1993 to local governments in the Most District designated for concrete investments stipulated by the law.<sup>73</sup> Most of the money is donated to the Most District Office and the city of Most.<sup>74</sup> This support, however, can quickly evaporate because the profits of the MCC are declining very rapidly.<sup>75</sup> In 1994, the MCC planned to donate only 10 million crowns.<sup>76</sup>

The interviews with the mayors of villages directly influenced by coal mining in the Most basin suggest that the change in the parasite and antagonist relations between the coal mining enterprises and the villages typical for state socialism is rather slow.

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<sup>72</sup>The situation differed from one enterprise to another. For example, the Department of the Environment cooperated with the Ležáky Mine while his relationship with the Komorany Mines and Processing Plants was rather one of conflict (interview with Mr. Petr Pakosta, chair of the Department of the Environment, mayor's office, city of Most, July 28, 1993).

<sup>73</sup>Interview with ing. Lorenzová, Department of Environmental Protection, Mine Ležáky Most, July 28, 1993. The MCC allocates its donations to health care, physical training and education, ecological investments, and non-governmental organizations such as the regional development agency (interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994).

<sup>74</sup>In 1992, the District Office received 23 million crowns, Most municipal government 7.3 million, city of Meziboří 880 thousand, village of Havraň 670 thousand, Braňany 150 thousand etc. In 1993, the city of Most received 7.3 million, the District Office 1.5 million and the coal companies spent additional 10 million on environmental measures designed to decrease impact of coal mining on cities and villages (interview with ing. Lorenzová, Department of Environmental Protection, Mine Ležáky Most, July 28, 1993).

<sup>75</sup>In 1995 the MCC will be able to donate less than 10 million crowns because its 1994 profits declined to 500 million crowns in 1994 (HN May 10, 1995, see also footnote No. 39 in this chapter).

<sup>76</sup>Interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994.

The MCC is forced by national regulations, such as the ecological coal mining limits, to gradually abandon its antagonist approaches toward villages leading to their demolition, although this type of relation continues in several cases (the villages of Horní Jiřetín and Libkovice). In contrast to the cities, where there are mutual attempts to establish the 'partner' type relations with coal mining enterprises, the relations between the coal mining enterprises and villages are moving toward a type of 'neighbor' relations or remain parasitical.

The interviewed mayors of the villages located in the Most basin were critical about the behavior of coal mining enterprises toward their communities. Although the coal mining enterprises have their activities located on the municipal territory (opencast mining in Horní Jiřetín, underground mining and coal mining dumps in Mariánské Radčice and Lom, coal mining dump in Louka) which adversely influence the environment in the villages, they do not compensate the villages in any way. The mayors argued that the situation has not changed much from the state socialist period. In Chapter Six, I quoted the mayor of Mariánské Radčice who argued that the only contribution his village received from the coal mining enterprises under state socialism were two wreaths and two members of people's militia sent for important communist anniversaries to the village. "What has changed since is only that wreaths are not laid and members of militia are not sent here."<sup>77</sup> The mayor of Horní Jiřetín asked coal mining enterprises and Chemopetrol for financial help when the village needed money to repair its medical facility but he was refused.

Well, neither Chemopetrol nor coal mines gave us a penny. They give [money] to [the cities of] Most and Litvínov. They do not care about us at all now. They only know us when they are legally obliged to receive our statements or approvals concerning some of their activities on our territory. This is the only time they notice we exist but otherwise they do not. We are nothing for them.<sup>78</sup>

The interviews with the mayors of small communities negatively influenced by

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<sup>77</sup>Interview with Jiří Kicl, mayor of the village of Mariánské Radčice, August 3, 1993.

<sup>78</sup>Interview with Miroslav Štýbr, mayor of the village of Horní Jiřetín, August 3, 1993.

coal mining activities revealed, however, that although the coal mining enterprises were reluctant to financially compensate these communities or contribute to their development, the mutual relations have changed after the collapse of state socialism. This change took place in perceived and actual domination of local communities by coal mining. The interviewed mayors, with the exception of the mayor of Horní Jiřetín, did not feel that they were subordinated to the coal mining interests any more, as had been the situation before 1989.

In the past the coal mines behaved as those in power, because they commanded it here, the industry ruled here. We were subordinated. The relationship between the village and coal mines has changed a little bit, the Hlubina Mines and the Kohinoor Mine improved their approach toward our village. I would say that the relations are more equal now. Today we negotiate as equal partners when there is some meeting between the village officials and coal mines. It is different from the past when the National Committee was always inferior.<sup>79</sup>

Tensions between communities and large industrial enterprises indicate the changing nature of their power and the attempts of both sides to benefit from this change. Both the communities and the MCC feel that they are not subordinated to each other and can make independent decisions regarding their mutual relations. The MCC seeks local support for coal mining while the cities, such as Most, understand the economic importance of coal mining in the area and seek financial support from the MCC for their development. The changes in the behavior of coal mining enterprises differ depending on whether they are dealing with the cities or small villages. While there are mutual interests to develop a 'partner' type of relations between the cities and coal mining enterprises which would benefit both, the enterprises tend to ignore the needs of small communities, even though they use their resources. Following Illner (1992a), I have described this type of relations as 'neighbor' and 'parasite' relations.

These accounts of change in the relations between the coal mining enterprises and villages in the Most District suggest that there is no clean break between the state

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<sup>79</sup>Interview with Jiří Kicl, mayor of the village of Mariánské Radčice, August 3, 1993.

socialist past and the post state socialist present as the liberal models of transition from state socialism to capitalism imply. Rather, there is only a gradual restructuring of the state socialist relations and struggle between old and new social practices which result in a complex mixture of old state socialist and new post state socialist relations.

The situation which developed around the imposition of the ecological mining limits has revealed the existence of many actors struggling over the future of coal mining and its form in the future: local population, local governments, coal mining companies, central state and also district authorities. It has also shown that, *first*, the ecological mining limits would not have been imposed by the central government if the local citizens and local governments did not fight for them, *second*, the mining companies are slow to change their approach toward local communities, and *third*, the environmental issues play a very important role in industrial and regional restructuring in the Most District and the North Bohemian Brown Coal Region as a whole.

#### **7.5. Class Struggle, Coal Mining and Regional Restructuring in the Most District**

Open class struggle, which re-emerged after the collapse of state socialism in the former Czechoslovakia, influenced the government's transition strategy for coal mining. What was its role in the restructuring of coal mining in the Most District? This section investigates the changing role of labor unions and class struggle in the restructuring of coal mining and in regional restructuring in the Most District after the collapse of state socialism. The role of trade unions in industrial restructuring of the MCC and northern Bohemia as a whole was influenced by their gradual transformation from the structure subordinated to the Communist Party to an independent organization defending miners' interests. The interviews conducted in the Most District revealed two different views of coal mining labor unions and their role in the restructuring of coal mining industry. One view was provided by the management, the second one by the unions themselves.

##### ***7.5.1. Managerial view of coal mining trade unions in the Most District***

In 1992, when asked about the role of the unions in coal mining restructuring, the key informants usually downplayed the trade unions' significance in the process. For example, Mr. Kašpar from the Ministry for Economic Policy and Competition argued

in July 1992 that "the trade unions eat out of coal mining enterprises' hand" and that "there are no substantial disputes between the unions and the enterprises because the miners have never made so much money".<sup>80</sup> He also argued that the unions could not interfere with and take part in the preparation of privatization projects by future commercial coal mining companies but that the privatization projects are negotiated with them.

Similarly, Mr. Hladký a former employee of the general headquarter of the North Bohemian Brown Coal Mines argued that:

The unions have no chance to seriously influence restructuring here [in the Most region] because they function the same way as they did before [1989] and lack a necessary qualifications to influence restructuring now. As a matter of fact, an employer can do whatever he wishes [without being challenged by the unions].<sup>81</sup>

The director of the district employment office in Most contended that the trade unions' influence on industrial and regional restructuring in the district was negligible due to their fragmentation.<sup>82</sup>

The interviews with the managers of the MCC conducted in the summer of 1994 confirmed that the trade unions had only a limited influence on the restructuring of the company. Their role in the coal mining enterprises in the region has changed substantially after 1989, however, from the instrument of the Communist Party used to discipline both workers and management to an independent organization attempting to defend workers interests.

As a matter of fact, the role of the unions has changed substantially [after 1989]. They had a very different role [before 1989] as an extended lever of the Communist Party. They had always the upper hand and the right to question the management. They were supposed and had a chance to meddle with everything and be interested in everything. Today, the union

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<sup>80</sup>Interview with ing. Kašpar, Ministry for Economic Policy and Competition, Prague, July 17, 1992.

<sup>81</sup>Interview with ing. Hladký, VUHU Most, Most, July 21, 1992.

<sup>82</sup>Interview with Dr. Šmejcová, director of the district employment office, Most, July 2, 1992.

work is done on a completely different basis. It is true that the unions do not meddle with economic issues today. They are primarily concerned with wages and social policy.<sup>83</sup>

According to the managers of the MCC, today, the relationship between the management of the company and the trade unions is based on collective agreements which are very similar to those in Western Europe. The union activity limited itself to work safety, social conditions of production, and wages. This description of the trade union activity in coal mining in the Most District suggests that the coal mining unions are a type of what Clarke and Fairbrother (1993b) call the "economistic" organization. These 'economistic' neo-liberal labor organizations strive to develop a Western style of trade union focused on collective bargaining covering wages, employment and working conditions. Strikes are understood as the extreme form of class struggle used only when collective bargaining is unsuccessful (Clarke and Fairbrother 1993b).<sup>84</sup>

The MCC did not face any crises or dramatic situations during its bargaining with the trade unions. The differences have been solved with compromises and strike action was therefore unnecessary. One of the additional reasons why there have not been any major open struggles between miners and the MCC company so far is that there have not been any serious social problems in the Most District. There have been no massive dismissals of miners, the wages are still relatively high and above the national average,<sup>85</sup> and the miners in northern Bohemia are relatively patient, waiting for promised improvements in their standard of living.<sup>86</sup> The situation in the Most District and the entire North Bohemian Brown Coal Basin significantly differs from the situation in the Ostrava-Karviná Coal District where the trade unions are very radical. This results from the facts that miners of the Ostrava-Karviná District have "a different

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<sup>83</sup>Interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994.

<sup>84</sup>The alternative form of labor organizations during the transition to capitalism in Russia are the "syndicalist" organizations which stress workers' self-management as their basic mobilizing principle and consider strike to be the principal form of workers' action (Clarke and Fairbrother 1993b).

<sup>85</sup>The average wage in the MCC was around 8 thousand crowns a month in August 1994 while the national average was approximately 6.5 thousand crowns a month (interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994).

<sup>86</sup>Interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994.



mentality" because coal is only mined underground, the mining was reduced much faster there than in northern Bohemia after 1989, and the health problems of miners and associated social security system was a much bigger issue.<sup>87</sup>

This managerial perception of the weak and fragmented trade unions reflects the struggles within trade unions over new institutional and organizational forms which could represent workers interests during the transition to capitalism (see also Clarke and Fairbrother 1993a).

### *7.5.2. Coal mining trade unions and the Economic and Social Council of the Basin Region*

The interview with the coal mining trade union representative for the North Bohemian Brown Coal Basin conducted in the summer of 1993 revealed that the Czech trade unions were divided over a number of issues and were looking for new forms of organization which could articulate workers' interests. One of the major organizational problems is that the trade unions refused central organization of union activities after the collapse of state socialism and the disintegration of state socialist centralized trade unions. As a result, the unions are troubled by internal divisions over a number of issues and are unable to act as a united social force.<sup>88</sup> Clarke and Fairbrother (1993b) observed a similar situation in the Russian trade unions.

The interview with the coal mining trade union representative also revealed that the north Bohemian coal mining unions were playing a much more important role in the unfolding industrial and regional restructuring in the region than the managers of the MCC suggested, far beyond the individual coal mining companies.<sup>89</sup> The coal mining trade unions initiated the establishment of the Economic and Social Council of the Basin

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<sup>87</sup>Interview with ing. Richter, manager of the Most Coal Company, Most, August 18, 1994.

<sup>88</sup>The Czech-Moravian Chamber of Labor Unions associates 42 sectoral union organizations (interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993).

<sup>89</sup>North Bohemian miners are represented by the independent trade unions which is the member of the Union of Miners, Geologists and Oilmen. It is also the member of the regional organization Svaz Podkrušnohoří which includes 14 trade union organizations from the North Bohemian Brown Coal Basin (interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993).

Region (henceforth ESCBR) which includes the trade unions, local self-government, state administration and the production sector.<sup>90</sup> The most important goals of this organization, which coordinates the activities of its members, are the revitalization of the region, industrial restructuring and the improvement of the quality of the environment.<sup>91</sup>

The ESCBR is now a recognized coordination partner for the Czech government and cooperates with several governmental ministries, such as the Ministry of Environment, Ministry of Work and Social Affairs and the Ministry of Health Care. The former Prime Minister Pithart named the deputy ministers from the five ministries the members of the ESCBR in order to keep contacts between the central government and the regional level in northern Bohemia. In 1993, for example, the ESCBR prepared the "Program of Environmental Revitalization in Northern Bohemia" which was distributed among the parliament members. The ESCBR was also preparing the strategy for industrial restructuring in the coal mining region which would arrest any further landscape devastation without serious social impacts. According to the deputy-chairman of the ESCBR, the members of the ESCBR think that it is very important if the initiative for revitalization comes from the region alone. It is also important if there is a single feasible strategy agreed upon by all important actors in the region which could be submitted to the Czech parliament for its consideration and support. Overall, trade unions play a significant role in the region. They are considered to be an equal partner with other actors and they are respected by them.<sup>92</sup>

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<sup>90</sup>The members of the ESCBR are elected representatives of the individual participants. The local self-government is represented by the mayors of the cities, towns and villages located in the basin (the Chamber of Municipalities). The production sector is represented by the North Bohemian Economic Union which organizes 60 industrial enterprises in the region (the Chamber of Industries), and the state administration is represented by the heads of the district authority offices and the heads of the district employment offices (the Chamber of State Administration). Trade unions are represented by their elected representatives (the Chamber of Trade Unions and NGOs). The ESCBR was established in 1991 after the visit of the Czech President Václav Havel in the region and the negotiations with the Prime Minister Pithart (interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993).

<sup>91</sup>Interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993.

<sup>92</sup>Interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993.

Trade unions chose to pursue their demands through the ESCBR instead of doing it individually which indicates their 'economistic' character. The ESCBR provided them with a mechanism to communicate with the Czech government and the parliament. The first goals of the ESCBR were to put through some emergency measures for northern Bohemia for the current period until the year of 1997 when the environmental situation is expected to improve.<sup>93</sup> For example, the ESCBR demanded lower taxes for private entrepreneurs in order to support the development of the private sector in the region, desulfurization of brown coal power plants, subsidized housing for poor people, and a state subsidy of 15 thousands crowns for conversion of individual households from coal to natural gas or electricity heating. The government has eventually realized all of these demands in some form even though they originally thought that these demands were "unrealistic" in 1991.<sup>94</sup>

The existence of the ESCBR also allows the trade unions to communicate effectively with the local self-government and to a lesser extent with the state administration at the district level. Furthermore, the unions participated in the establishment of the "Most Region Foundation" which plans to support the development of small and medium scale private entrepreneurship in the Most region and together with the German trade unions of Saxony established the interregional union council "Saxony", the first of this kind in the former state socialist countries of Central and Eastern Europe.<sup>95</sup>

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<sup>93</sup>The Clean Air Act (Law No. 309/91) will come into effect in 1998 imposing strict governmental emission limits compatible with Western European standards on the amount of pollution released from the brown coal steam power plants and other industrial sources of pollution. By that time, the Czech Energy Works company plans to install desulfurization equipments and scrubbers in all of its operating power plants in northern Bohemia (31 units with the total output of 5,370 megawatts - MW) and to close the remaining ones (the total output of 2,289 MW). So far the company has closed 11 units with the total output of 1,225 MW. Desulfurization equipment has been installed into the first two units of the Počerady power plant and launched in October and November 1994. The program of desulfurization of brown coal power plants should result in the decline of their SO<sub>2</sub> emissions from 722 thousand tons in 1993 to 80 thousand tons in 1999 (LN December 8, 1994; Ministry of Environment 1993b).

<sup>94</sup>Interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993.

<sup>95</sup>The Interregional Union Council Saxony plans to deal with the problems of the so called Black Triangle, the extremely polluted and environmentally devastated territory on the border of the Czech Republic, Germany and Poland. The Polish trade unions represented by the Solidarity trade union organization also participate in the Council's activities. The Council plans to attract financial help from the European Union to undertake concrete programs for the improvement of economic, environmental and social conditions in the region

A major obstacle to the trade unions' activity in the Most district is the fact that the trade unions of the Chemopetrol chemical company do not participate in the work of the trade unions in the North Bohemian Coal Basin (Svaz Podkrušnohoří) and subsequently in the ESCBR. They formed an independent union organization as a part of the Union of Chemical Workers.<sup>96</sup>

We can summarize the role of the trade unions in the industrial and regional restructuring in the Most District and the entire North Bohemian Brown Coal Basin as follows. *First*, the coal mining unions were relatively quickly able to transform themselves from the 'transmission belt of the Communist Party' to an independent organization attempting to defend the interests of the workers. They are plagued by organizational and institutional problems, however, which result in their internal divisions. These problems are at least in part the reflection of the state socialist past. The division between the coal mining and chemical industry unions in the Most District illustrates this problem at the local scale. *Second*, the role of trade unions in the internal organizational restructuring of coal mining enterprises was rather limited because of their 'economistic' character which limits the unions' activity to the area of collective bargaining over wages, employment and working conditions without challenging general issues of enterprise privatization and restructuring. *Third*, the unions play a very important and active role in the regional restructuring of the entire North Bohemian Brown Coal Basin including the Most District through their active participation in the Economic and Social Council of the Basin Region. Their strategy is based on close cooperation with other important actors in the region aimed at the development of a common approach toward regional restructuring and its presentation to the Czech government and the Czech parliament. *Fourth*, the unions pursue interregional and international cooperation in order to alleviate some economic, environmental and social problems associated with transition and restructuring in similarly environmentally

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(interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993).

<sup>96</sup>Interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region, Most, July 7, 1993.

devastated regions of Germany and Poland.

### 7.6. Conclusion

My analysis of restructuring of coal mining in the Most District after the collapse of state socialism illustrates the complexity and contested nature of the transition from state socialism to capitalism in the Czech Republic. In addition, changes in ownership and organization of coal mining in the Most District only gradually change coal mining activities and the relations of coal mining enterprises with the remaining surrounding communities negatively influenced by coal mining. In this respect, what we witness in the Most District coal mining industry is not a clean break with the state socialist past and a linear and smooth transition to capitalism, but rather a gradual restructuring of the state socialist ways of regional accumulation in coal mining and related social relations. This finding is similar to the Smith's (1994) conclusion about the restructuring of armaments industry in Slovakia and Clarke's conclusions about the transition in Russia (Clarke 1992, Clarke 1993a, Clarke et al. 1994).

I have demonstrated that although the central state was the decisive actor in preparation of the restructuring strategy of coal mining, its final version resulted from the struggle between the central state, labor and coal mining management. Furthermore, the future of coal mining and the character of structured coherence in the Most District will result from the local struggles between the MCC and its individual enterprises with local communities and labor, because the MCC can continue coal mining at its currently already reduced levels only at the expense of demolition of additional communities in the region. It will also be influenced by the contested national strategies of accumulation and regulation and their impacts on the coal mining industry in the Most region.

Restructuring of the coal mining industry and changes in the national mode of regulation have direct implications for the quality of the environment in the Most District. The environment is becoming an important factor limiting further development of coal mining. It seems to benefit not only from the drop in industrial and energy production, but also from new ecological legislation enacted after the collapse of state socialism, including the ecological limits of coal mining imposed by the central state in the Most District. The future of the environment and communities endangered by coal

mining will depend, however, on the abilities of local communities to defend these policies at the local level.

## CHAPTER EIGHT

### PRIVATIZATION AND RESTRUCTURING OF THE CHEMICAL INDUSTRY IN THE MOST DISTRICT AFTER THE COLLAPSE OF STATE SOCIALISM

This chapter analyzes changes in the chemical industry in the Most District after the collapse of state socialism and during the transition to capitalism. Together with coal mining, the chemical industry is the most important industrial sector and alone accounted for almost 64% of total industrial production and provided 33% of industrial jobs in the Most District in 1985 (OOČSÚ 1985, Tables 6.3 and 6.5). In Chapter Six, I have argued that the chemical industry, together with coal mining, was at the heart of structured coherence which formed in the Most District under state socialism. Post state socialist changes in the chemical industry, associated with its privatization and restructuring, will be therefore one of the most important factors which will influence the character and viability of the Most District's economy.

I have argued in the previous chapter that the post state socialist restructuring of the chemical industry and coal mining in the Most District represented two cases of differential transition. In this chapter, I will illustrate the fundamental differences between the restructuring of coal mining and the chemical industry in the Most District, namely the different role of foreign and domestic capital, trade unions and the different speed of privatization. These differences between the chemical and coal mining industries exemplify the uneven nature of transition from state socialism to capitalism and different pathways each sector can follow.

Restructuring of the chemical industry also illustrates the contested nature of the transition from state socialism to capitalism. While the restructuring of coal mining is characterized by the struggle among the central state, coal mining companies, labor and local communities, the restructuring of the chemical industry is typified by the struggle among the central state, foreign capital and domestic capital. Labor and local communities seem to play a secondary role in the restructuring of the chemical industry in the Most District.

As in the case of the coal mining industry, the central state attempts to play the

most important role in the privatization of the chemical industry. However, in contrast to coal mining, its decision making and privatization strategy of the two Czech oil refineries and the petrochemical industry are strongly influenced by international capital. In this respect, the privatization of Chemopetrol located in the Most District illustrates the impact of international capital on the national transition policies and regional restructuring in the Most District.

This chapter also raises some important questions about foreign direct investment (henceforth FDI) and its role during the transition in Central and Eastern Europe. It questions the common view of FDI as being "crucial to the successful transition toward a capitalist economy" and as "one of the main macroeconomic mechanisms stabilizing the volatile process of economic transition and the associated political process" (Michalak 1993, pp. 1576 and 1577). Using the example of the petrochemical industry, I demonstrate the complexity and controversies of FDI in Central and Eastern Europe and its rather de-stabilizing political and economic effects.

Most of the information about the struggle over the Chemopetrol's privatization presented in this chapter is based on secondary sources of information, mainly on the analysis of newspaper articles. One of the reasons for this approach is that I was able to interview only one manager of Chemopetrol in 1993. All other attempts to interview managers of Chemopetrol or officials responsible for Chemopetrol's privatization at the Ministry of Industry failed in 1992, 1993 and 1994 which illustrates very well the importance of foreign capital in the industry.<sup>1</sup> Similarly, the lack of information does not allow me to discuss class struggle in the chemical industry.<sup>2</sup> As a result, this chapter is unable to provide the same quality of political economic analysis of restructuring in the chemical industry as did the previous chapter in the case of coal

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<sup>1</sup>People who refused to be interviewed usually argued that the privatization of Chemopetrol was a sensitive topic and that they would talk to me after the privatization is completed.

<sup>2</sup>As opposed to the coal mining industry, there were no open class conflicts in the chemical industry after 1989. An interview with Mr. Tlapák, the chairman of the North Bohemian Coal Basin trade unions (Svaz Podkrušnohoří) and the deputy-chairman of the Economic and Social Council of the Basin Region conducted in Most on July 7, 1993 suggested that the Chemopetrol's trade union organization was a type of the 'economistic' neo-liberal organization (Clarke and Fairbrother 1993b) which did not cooperate with other labor organizations in the Most region and did not participate in their activities. I was unable to interview any trade union leaders from Chemopetrol.



mining in the Most District. Instead, this chapter focuses on three important issues: the struggle over privatization of the petrochemical industry which illustrates the role of foreign capital in the transition in Central and Eastern Europe; restructuring of Chemopetrol located in the Most District and its environmental implications; and the changing relations between Chemopetrol and local communities.

This chapter has eight sections. In the first section, I briefly discuss changes in the Czech chemical industry after 1989. Sections two, three and four examine the struggle over privatization of the petrochemical industry between the central state, foreign capital, domestic capital and the plants. In section five, I look at the restructuring of Chemopetrol and in section six at the implications of changing economic conditions for the production and employment in Chemopetrol. In section seven, I investigate the environmental outcomes of political and economic changes in the case of Chemopetrol. In the eighth section of this chapter, I explore changing relations between Chemopetrol and surrounding communities.

### 8.1. Changes in the Czech Chemical Industry After 1989

Following 1989, the Czech chemical industry faced a number of important challenges, such as a serious monetary crisis, an urgent need to reduce its enormous pollution, a total dependence on oil deliveries from the former Soviet Union, a lower level of technological development in comparison to Western Europe, its irrational structure distorted under state socialism, and a serious recession which began in 1990 (Mitchell 1993).<sup>3</sup> Privatization and restructuring of the Czech chemical industry was an even more controversial and complicated process than was the case of the coal mining industry. The controversy developed around the participation of foreign capital in the privatization of the two Czech chemical companies and their oil refineries, one located in the Chemopetrol Litvínov company in the Most District and the second in the Kaučuk

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<sup>3</sup>The chemical industry was the fastest growing industrial sector of Czechoslovakia in the 1970s with the 7.6% average annual rate of growth in gross value of chemical output after adjusting for inflation. In the 1980s the chemical output grew by only 1.3% annually on the average, which was slower than in the most other industrial sectors (Mitchell 1993). The output of petroleum refineries declined by 1.6% between 1986 and 1990 (UNIDO 1992). The output of chemical industry declined by 6.8% in 1990, 23.1% in 1991, 9.3% in 1992 and by 6.2% in 1993 (ČSÚ 1994b).

company located in the town of Kralupy nad Vltavou in central Bohemia.

The governmental privatization strategy for the chemical industry was similar to the privatization of coal mining. First, the state owned companies were asked to prepare their privatization projects to be approved by the government. Second, these companies were transferred into the joint stock companies still owned by the state through the National Property Fund (henceforth NPF) which controlled 100% of the shares. Third, the joint stock companies restructured their internal organization in order to prepare conditions for domestic or foreign investment. Finally, the joint stock companies were privatized through the combination of privatization methods i.e. the voucher privatization, direct sale to domestic or foreign companies, sale of shares to the workers, and distribution of shares to local communities and funds founded by the government. Of the 76 Czech chemical plants, 36 were privatized in the first wave of voucher privatization in 1992. The remaining companies or their parts were privatized in the second wave of voucher privatization in 1994 (UNIDO 1992, LN October 6, 1994).

In contrast to the coal mining industry, the Czech chemical industry attracted the interest of Western capital which wanted to participate in its privatization for several reasons. The Czechoslovak chemical industry was the most diverse and sophisticated among the former state socialist countries; it is located close to the West European markets; it underwent similar historic and economic development as the chemical industries in countries such as Germany and Austria; it has the "highest qualified and best disciplined" work forces in Central and Eastern Europe, well trained chemical engineers, and good research institutes; and it was able to commercialize its basic research and sell its chemical processes abroad even under state socialism (Mitchell 1993). As a result, several Czech chemical companies formed joint ventures with Western investors.<sup>4</sup>

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<sup>4</sup>For example, the Deza Works of Valašské Meziříčí formed a joint venture with Cabot Corp. of the United States to produce carbon black worth at least \$90 million; the Vítkovice Steel Works formed a joint venture with AGA of Sweden in the area of industrial gases worth about \$40 million; and the US Procter & Gamble bought the Rakona Industrial Fats Enterprise for about \$20 million (Mitchell 1993).

## 8.2. Governmental Strategy of the Privatization of the Petrochemical Industry and the Participation of Western Capital

The contested nature of the privatization of the Czech petrochemical industry illustrates the complexities and contradictions of privatization and FDI in Central and Eastern Europe. In this and the next section, I will demonstrate the struggle over the privatization of the Czech petrochemical industry, including Chemopetrol, among the Czech government, foreign capital, domestic capital and the privatized companies. It is struggle over the future control of one of the most profitable sectors of the Czech economy and as such, it attracted investment interests of not only several multinational chemical companies, but also of emerging Czech capital. This section also illustrates the attempts of the Czech government to assure the future existence and development of the privatized firms and to make sure that FDI in the Czech refineries is not just an attempt by foreign competitor to take over the Czech refineries and control the Czech gasoline market.

Privatization of the Czech refineries and petrochemical industry thus typifies the contested nature of the transition from state socialism to capitalism and uncertainty of its outcomes because the final agreement about the FDI in the refineries has not been yet reached, more than two years after the struggle over its privatization began. It also raises the questions about foreign control over the best performing companies in Central and Eastern Europe, because foreign capital only targets enterprises which offer the best investment prospects (Rutland 1995), and whether FDI does not promote a colonial-style relationship between West and Central and Eastern Europe typified by outside manipulation and control (Murphy 1992).

In April 1993, the Czech government approved a comprehensive privatization and restructuring plan for the petrochemical industry.<sup>5</sup> According to this plan, the industry

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<sup>5</sup>The plan involved the state companies Chemopetrol Litvínov, Kaučuk Kralupy nad Vltavou, Koramo Kolín, Paramo Pardubice, the petroleum company Benzina which controlled distribution of gasoline and its flow, the Petrotrans company which stored and transported crude oil, and the Mero IKL company which built the Ingolstadt pipeline. The Benzina, Petrotrans and Mero IKL company later formed a joint company the Czech pipelines (HN April 28, 1993 and May 31, 1993). The property value of privatized petrochemical companies and their refineries was priced at 21.2 billion crowns. According to the plan, the state would keep property valued at 8.7 billion crowns through its NPF, property of 5.5 billion crowns was allocated for the second wave of voucher privatization, and the property of about 3.9 billion crowns was planned to be sold

would split into distribution and supply sectors. Following the creation of joint stock companies from the state petrochemical companies and their subsequent restructuring, domestic and foreign capital would be allowed to invest in these companies which, according to the government and the enterprises, is necessary for the modernization of production and improving companies' competitiveness on domestic and foreign markets. The state would control the companies during their privatization and restructuring which would prevent conflicts of interest among the individual companies. The government planned to keep about one third of the companies' shares in the NPF and have veto powers over the most important investment and strategic decisions. State control would be gradually lifted after the industry and the Czech economy as a whole are stabilized, the sources of oil are diversified and the necessary legislation is approved. The two Czech refineries would form a joint stock company called the Czech Refineries jointly controlled by the chemical companies of Chemopetrol and Kaučuk (HN April 28, 1993, McNally 1993).<sup>6</sup>

Two weeks after the Czech government approved its privatization strategy for the petrochemical industry, a consortium formed by three Western oil companies consisting of the Italian company Agip, the French company Total and the Canadian company Conoco proposed an investment project for the Czech petrochemical refining industry worth over \$2.4 billion over a ten-year period.<sup>7</sup> At the same time, the British-Dutch oil company Shell was proposing a joint venture with the Kaučuk Kralupy Company.<sup>8</sup> According to the governmental decision, the consortium could buy up to 49% of the

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directly (HN May 31, 1993).

<sup>6</sup>A major reason for the merger of refineries in one company was a concern that foreign capital would invest in only one of them and subsequently force the liquidation of the second one through competition. The merger should also allow the Czech refineries to better compete with foreign oil firms (HN May 17, 1993).

<sup>7</sup>The proposal involved \$1.6 billion investment in the Chemopetrol Litvínov Company and \$800 million investment in the Kaučuk Kralupy Company. Further investment was proposed in the pipelines, including the pipeline from Ingolstadt, Germany, to the Czech Republic, and into the development of an oil distribution network. The proposal represented the second largest Western investment offer in the Czech Republic (after the Škoda-Volkswagen joint venture in the car industry) (HN May 17, 1993).

<sup>8</sup>The Shell company offered \$25 million to buy 25% of shares of the Kaučuk company and it also proposed to invest up to \$500 million in the Kaučuk refinery (HN May 25, 1993 and July 14, 1993). Originally, the consortium Agip-Total-Conoco planned to invest only in the Chemopetrol company but it changed its plan in order to prevent the Shell company to invest in the Kaučuk refinery (HN August 11, 1993).

Czech Refineries while the state would control a majority of shares and the foreign companies would be permitted to invest in the refineries in three to five years, but the investment would have to go into both refineries simultaneously (HN May 17, 1993). The Czech government asked the Agip-Total-Conoco consortium and the Shell company to form a new consortium that would include all four firms interested in investing in the Czech refineries (HN July 14, 1993).<sup>9</sup> In August 1993, a consortium of Japanese firms offered a loan of about \$1 billion to the Czech refineries to finance their modernization and to improve their competitiveness. In contrast to a joint venture with the Western oil firms, the loan would not bring necessary Western experience and know-how (HN August 11, 1993).

The Chemopetrol and Kaučuk companies, however, cast doubts on the governmental decision to separate their refineries and merge them in a joint stock company and offer its shares to foreign investors. The managers of both companies argued that the refineries should not be separated from the rest of the petrochemical production and privatized alone. This approach would deprive the petrochemical industry of the financial resources necessary for its modernization because the refineries are the most profitable sector of the companies.<sup>10</sup> They also feared that the Western companies might replace Czech petrochemical products with the import of their own goods which would gradually lead to the liquidation of the Czech petrochemical production (HN October 6, 1993).

The negotiations about Western participation in the privatization of the Czech refineries among the Agip-Total-Conoco consortium, the Shell company, and the Czech Ministry of Industry and Commerce continued during the Fall 1993 and Spring 1994, while the Czech government was unable to reach a final decision which the Western companies would accept. The delays were also caused by growing pressure from the Czech joint stock company Chemapol Group on the government to avoid any Western

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<sup>9</sup>The ministerial commission which studied the competing proposals of Western companies thought that the common approach of all interested foreign parties would be the best privatization alternative. It also suggested that the government should accept the offer of the Agip-Total-Conoco consortium in case the Shell company would not be interested in joining the consortium (HN July 14, 1993).

<sup>10</sup>The refineries produce 80% of turnover in the Kaučuk company and 60% in the Chemopetrol company while employing only 15-20% of their workers (Chempress 1993, Vacek 1994).

participation in the privatization of the Czech refineries.<sup>11</sup> The Chemapol Group has a monopoly on the import of oil from the Commonwealth of Independent States to the Czech Republic. The company feared that it would lose its monopoly if the Western investment was realized.<sup>12</sup> Based on Kaučuk's privatization project the Chemapol Group bought 25% of Kaučuk's shares for 1.2 billion crowns and planned to acquire 33% of its shares (HN February 10, 1994b and December 9, 1993).<sup>13</sup>

On January 1, 1994, Chemopetrol and Kaučuk were transferred into the joint stock companies owned by the NPF. In the meantime, the Western oil companies Agip, Total, Conoco and Shell agreed to form a new International Oil Consortium (henceforth IOC) and submitted a new proposal to the Czech government concerning its participation in the privatization of the Czech refineries on April 1, 1994. The proposal was based on the original governmental decision to form the Czech Refineries from the Chemopetrol's and Kaučuk's refineries. The IOC argued that the merger was necessary

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<sup>11</sup>The joint stock company Chemapol Group Prague is a trading organization focusing on the import and export of chemical goods. Imports constitute about 80% of company's turnover and about 80% of imports is represented by Russian oil. The original company was founded in 1967 (HN December 9, 1993).

<sup>12</sup>The chair of the board of directors of the Chemapol Group Mr. Junek denied the validity of this argument in February 1994 (HN February 23, 1994b). He also argued that the domestic capital, represented by the Chemapol Group, is technically, technologically and financially sufficient for the privatization of the petrochemical industry including the oil refineries (HN March 15, 1994).

<sup>13</sup>Chemapol's strategy to avoid any foreign investment in the Czech refineries and to acquire shares of Chemopetrol and Kaučuk for itself was to delay any deal with Western companies until after the second wave of voucher privatization. In the meantime, the Chemapol Group founded three privatization investment funds owned through its Expandia company which became the second most successful privatization company of the second wave of voucher privatization in the Czech Republic. These privatization investment funds collected vouchers of the Czech citizens (300,000 citizens invested their vouchers before February 10, 1994 to the Expandia privatization investment funds) and bid them for the shares of Chemopetrol and Kaučuk during the second wave of voucher privatization on behalf of the voucher holders. By doing this the Chemapol Group could acquire and control shares of the Chemopetrol and Kaučuk companies because the voucher holders would receive the shares of Expandia privatization investment funds, not the shares of Chemopetrol or Kaučuk. However, according to the chair of the board of directors of the Chemapol Group, this strategy could secure only up to 5% of shares of the Kaučuk company (LN May 28, 1994). The Chemapol Group also planned to buy 60% shares of the Koramo Kolín company and it bought the shares of several chemical companies which depend on petrochemical resources to lesser or greater extent (in 1993 the company invested 300 million crowns in the Chemical Works Sokolov and acquired 20% of its shares, 500 million crowns in the Spolana Neratovice company and it bought 25% of shares of the Lachema Brno company). 36% of Chemopetrol's shares and 26.5% of Kaučuk's shares were privatized in the second wave of voucher privatization while 15% and 25% of their respective shares were designed for direct sale to Czech or foreign capital (HN February 10, 1994, October 13 and December 9, 1993, June 6, 1994).

for both refineries in order to survive foreign competition.<sup>14</sup> The IOC prepared an investment strategy which required the \$500 million investment in the refineries in five years which was supposed to be invested by all future shareholders of the Czech Refineries joint stock company. The IOC offered to make the first investment.<sup>15</sup> The IOC also proposed that if it was allowed to participate on the privatization, it would sell the Czech made gasoline in its gas stations in the neighboring countries (Hungary and Poland) and it offered \$10 million as a contribution for the construction of the pipeline from Ingolstadt to the Czech Republic.<sup>16</sup> The members of the IOC urged the Czech government to make a prompt decision about their latest proposal (HN April 7, 1994).<sup>17</sup>

The hesitation of the Czech government to make a prompt decision about the sale of 49% of the Czech refineries to a foreign buyer might be partially attributed to some negative experiences with FDI in the Czech Republic. For example, in 1992, the planned joint venture between the American Dow Chemical Company and the Sokolov Works Company did not take place after Dow Chemical lowered its offer for 53% of the Sokolov Works shares from \$96 million to \$23 million and its year-long negotiations

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<sup>14</sup>The most important foreign competitors include the Slovak refinery Slovnaft Bratislava, Austrian Schwechat, and German Leuna, Ingolstadt, and Schwedt. All of them have unused production capacities and are located close to the Czech market. The import of foreign gasoline to the Czech Republic is growing (from over 1 million tons in 1993 to about 3.3 million tons in 1994). The IOC argued that the reason for this increase was the low flexibility of Czech producers and insufficient investment in the technological modernization of production (the total consumption of gasoline in the Czech Republic is about 7 million tons annually). As a result, Czech gasoline was about 1,500 to 2,000 crowns (\$50-70) per ton more expensive than the German made gasoline and about 300 crowns (\$10) per ton more expensive than the Slovak made gasoline (HN April 7, 1994, Lékó 1994a).

<sup>15</sup>The IOC offered \$108 million for 49% of shares of the Czech Refineries. Later it raised its offer to \$180 million. It also first committed itself to invest \$400 million more in both refineries in five years. The investment was later increased to \$520 million. In return, the IOC asked the Czech government to provide guarantees for the construction of the pipeline from Ingolstadt to Kralupy through Litvínov and for the supply of Russian oil before the pipeline is in operation. The biggest disadvantage of the IOC offer was that it did not include the entire companies of Chemopetrol and Kaučuk but only their refineries (Vacek 1994).

<sup>16</sup>Later, the IOC offered to pay for one-third of the pipeline, \$150 million (LN May 23, 1994). The IOC refused to participate in the privatization of the entire petrochemical complexes of the Chemopetrol and Kaučuk companies. It promised, however, to help with marketing of petrochemical products and guarantee the supply of resources for petrochemical production (HN April 7, 1994).

<sup>17</sup>According to the Czech Minister of Industry and Trade Mr. Vladimír Dlouhý, the IOC made a fundamental mistake in that it took too much time to clearly formulate and present its proposal to the Czech government which gave time to its competitors to prepare a competing proposal. He also argued that the government could not accept a low price of the refineries originally offered by the IOC or its vague promises and legally unclear proposals. Until the last minute the IOC was unable to present a clear idea how its agreement with the Czech government should look like (HN June 9, 1994).

with the Czech government collapsed (Baker 1992, Mitchell 1993).

The joint venture of the Czech car maker Škoda with German Volkswagen established in April 1991 also contributed to the cautious approach of the Czech government to FDI. According to the 1991 agreement between Volkswagen and the Czech government, Volkswagen guaranteed an investment of 9 billion German marks (about \$6.5 billion) in the Škoda factory by the year of 2000. In December 1993, Volkswagen lowered its investment plans in Škoda to 3.7 billion marks and announced that it would not build the planned engine factory in the Škoda enterprise and lowered projected production of Škoda cars. The Czech government was unable to convince Volkswagen to guarantee its promised investment in the Czech Republic (LN October 12, 1994b, HN February 10, 1994a). The Volkswagen-Škoda joint venture raised important economic, political and social issues about FDI in the Czech Republic. Under these circumstances, it is not surprising that the Czech government is reluctant to relinquish its control over the Czech refineries and petrochemical industry to a foreign buyer without sufficient guarantees about their future development.

### 8.3. Czech Capital and the Privatization of the Petrochemical Industry

One of the possible ways to avoid foreign control of the Czech refineries and petrochemical industry would be to privatize Chemopetrol and Kaučuk using domestic private capital. This section will present the proposal of the so called 'Czech way' of privatization of the Czech refineries and petrochemical industry and why it failed. It illustrates the important role of politics in the decisions about seemingly economic issues, such as privatization, and the influence of multinational capital on the political decisions of the Czech government.

Czech capital led by the Chemapol Group, also including Chemopetrol and Kaučuk, and in cooperation with the Czech Ministry of Industry and Trade prepared a competing proposal, called the 'Czech way', for the privatization of the Czech petrochemical and refinery industry which excluded any foreign participation. The Chemapol Group, Chemopetrol and Kaučuk proposed to form a consortium which would gradually accept more petrochemical companies, such as the Czech Pipelines (*České produktovody*), the International Pipelines, Koramo company, Paramo company and



others (Vacek 1994).<sup>18</sup> It was argued that the major advantages of the 'Czech way' were that it would leave profits from the production of gasoline to Czech capital and it would also support further development of the petrochemical industry in the Czech Republic.<sup>19</sup> Its disadvantages included the lack of Czech capital for modernization and restructuring of the refineries and doubts whether it would be able to compete with foreign competition (HN April 25, 1994).<sup>20</sup> It was also questioned whether it would be advantageous for the Czech chemical and petrochemical industry to become dominated by 'merchant capital' because the Chemapol Group is a trading company (HN March 15, 1994).

The managers of both the Chemopetrol and Kaučuk chemical companies objected to the IOC proposal because it involved only profitable refineries and ignored currently unprofitable petrochemical production. The director of the Kaučuk Kralupy company argued, for example, that the separation of its refinery from the rest of the company would, among other things, make it impossible to improve the poor environmental record of the company because of the lack of financial resources.<sup>21</sup> He also claimed that the IOC did not provide any guarantees that it intended to keep the Czech refineries in operation after the year of 2005 (Finanční noviny, April 15, 1994b). Both companies also argued that the raw material linkages between the refineries and petrochemical production made it very difficult to separate them and that the separation of refineries

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<sup>18</sup>Although the Czech consortium argued that it would gradually look for \$1 billion to finance the necessary investment in refineries and petrochemical industry, its proposal relied on the loan from the Japanese Eximbank (Lékó 1994b). However, the Japanese bank requested governmental guarantees for its loan which the Czech government was not ready to provide (HN April 25, 1994).

<sup>19</sup>According to the Czech Minister of Industry and Trade, a real possibility that the IOC would not reinvest its profits made in the Czech Republic in the country but invest them abroad was one of the biggest disadvantages of the IOC proposal (HN June 9, 1994).

<sup>20</sup>The chair of the board directors of the Chemapol Group argued that it was no problem to find \$1 billion to finance the modernization of refineries and the petrochemical industry and that the Czech consortium would not ask for governmental guarantees for its loans. He also claimed that most of the investment resources would come from profits of the Czech consortium in the next five years (LN May 28, 1994).

<sup>21</sup>The Czech Minister of Environment argued the opposite in July 1994. He claimed that the 'Czech way' did not provide necessary guarantees for the improvement of the environmental record of the Czech refineries and the petrochemical industry. For this reason the 'Czech way' was "unacceptable" for the Czech Ministry of Environment (HN July 22, 1994).

could paralyze the companies as a whole.<sup>22</sup>

On May 17, 1994, the Czech government decided not to separate the refineries from the petrochemical industry which represented a virtual rejection of the IOC offer and approval of the 'Czech way' (LN May 18, 1994).<sup>23</sup> Although the government essentially reversed its decision from April 1993, it argued that the 'Czech way' did not prevent foreign capital from participating in privatization of the Czech petrochemical industry (HN June 9 and April 25, 1994).

Following the government decision, the controversy over privatization of the Czech refineries increased and became highly politicized. The IOC threatened the Czech government with a price war when one of its officials said that "the IOC members can practically demonstrate to the [Czech] government what a free market is" (LN May 19, 1994). The IOC also claimed that the decision of the Czech government was politically motivated (Lékó 1994b).<sup>24</sup> The chairman of the NPF said that "the decision about the privatization of the Czech refineries using the so called Czech way is an extremely dangerous step, it is an act of hostility to [our] allies".<sup>25</sup>

There were several new arguments used against the 'Czech way' after it was tentatively approved by the government. *First*, its opponents argued that it relied on the protection of the Czech market, trade barriers and control of imports which would be unacceptable for the European Union. *Second*, the threat of a price war from the IOC was taken seriously and opponents of the 'Czech way' expected the Czech refineries to lose and be closed. *Third*, the chairman of the NPF argued that the 'Czech way' provided a classical state socialist solution: profitable refineries would be included in the

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<sup>22</sup>Interview with Ing. Cír, chair of the Department of Environment at the Chemopetrol company, Chemopetrol, August 12, 1993.

<sup>23</sup>The decision was not unanimous and the Prime Minister Klaus characterized it as 'ambiguous' (LN May 18, 1994). Four economic ministers were against the 'Czech way' and preferred the IOC offer. These included the Minister of Industry and Trade, the Minister of Privatization, the chairman of the NPF, and the Minister of Transportation (Lékó 1994b, HN June 9, 1994). The Minister of Industry and Trade was asked to submit a complete proposal of the 'Czech way' to the government in one month (LN May 18, 1994).

<sup>24</sup>The government denied such accusations. For example, the Minister of Industry and Trade stressed that "the decision making of the government was not under the sway of strategic and political aspects, the parameters of decision making were strictly economical" (HN June 9, 1994).

<sup>25</sup>LN May 21, 1994, p. 1.

unprofitable petrochemical industry and subsidize it through the redistribution of profits.<sup>26</sup> *Fourth*, it has been argued that the 'Czech way' opened a way for capital participation of the Russian oil firms in the privatization of the Czech refineries which would preserve dependency of the Czech Republic on Russian oil (LN May 20 and 21, 1994, Lékó 1994b).<sup>27</sup> *Fifth*, the trade unions of the chemical industry opposed the 'Czech way' for several reasons.<sup>28</sup> *Sixth*, the multinational company Amoco Chemical announced at the end of July 1994 that it withdrew from the formation of a joint venture with Chemopetrol because of the refusal of the IOC proposal. Amoco felt that the planned investment and modernization of Chemopetrol, proposed by Czech capital, would be insufficient to guarantee the adequate production of polypropylene in Chemopetrol (Lékó 1994c). *Finally*, the Czech Minister of Interior announced and provided evidence that there was a former long term agent of the state socialist secret police among the top management of the Chemapol Group which damaged Chemapol's credibility among some governmental ministers and the public (LN July 19 and September 29, 1994a).

One of the reasons the 'Czech way' of privatization eventually failed was that there was a conflict between the Chemapol Group representing 'merchant' capital and Chemopetrol and Kaučuk representing productive capital. Chemopetrol and Kaučuk attempted to deprive the Chemapol Group of its dominant position in privatization by pushing for the creation of a holding company of producers instead of a holding company of producers and a trading company (HN July 4, 1994a). This conflict between the

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<sup>26</sup>This is the same policy the government pursued in the restructuring of brown coal mining and which was opposed by the coal mining companies.

<sup>27</sup>The Czech Minister of Industry and Trade openly maintained that any participation of Russian capital on the privatization and restructuring of Czech refineries and petrochemical industry had to be avoided (HN June 6, 1994).

<sup>28</sup>The unions argued that while the IOC presented their proposal to them, the Czech consortium did not. The IOC proposal allegedly guaranteed that the employment level in the refineries would not decline, wages would grow, and there would be enough money to abate ecological problems. The unions also claimed that the IOC investment would attract more foreign investment in the petrochemical industry and other chemical production. The Czech refineries would be unable to compete and they have already lost 30% of the Czech gasoline market to foreign competition. If the refineries did not find \$850-\$900 million quickly they would be closed in two or three years. The unions also claimed that the 'Czech way' was "also the way of postponing the problems and will allow the present leadership to remain in charge" (LN June 2, 1994, HN June 2, 1994b). In contrast to the unions, the Czech Minister of Industry and Trade argued that the separation of profitable refineries from unprofitable petrochemical industry proposed by the IOC could lead to a considerable decline in petrochemical production which could lead to closures of petrochemical plants (HN June 9, 1994).

Czech productive and merchant capital weakened the overall position of Czech capital *vis-à-vis* multinational capital.

The failure of Czech capital to be allowed to participate in the privatization of the petrochemical industry in the Czech Republic indicates two important issues in the Central and East European transition. First, because of its weakness, emerging domestic capital cannot effectively compete with strong multinational companies in Central and Eastern Europe over the privatization of the best performing and most lucrative companies, such as the Czech refineries. Second, political considerations can play a very important role in the privatization decisions made by the governments of Central and Eastern Europe and, as this case illustrates, these decisions often take the interests of multinational capital into account.

#### **8.4. Final Governmental Decision About the Privatization of the Petrochemical Industry**

On July 13, 1994, the government refused the privatization plan for the Czech refineries based on the 'Czech way' prepared by the Ministry of Industry and Trade and the Ministry of Privatization and asked for a new proposal to be presented in one month. The refused plan proposed to create a holding company from the refineries owned by the NPF. The NPF would have held a majority of shares in this holding company for at least five years. Its share would gradually decline to 34% after the construction of the pipeline from Ingolstadt to the Czech Republic is completed (LN July 14, 1994, HN July 15, 1994, Kayal 1994). At the same time, the government suggested that it would consider the IOC proposal again and Czech diplomats negotiated with the top managers of the IOC. One month later, despite strong pressure from the IOC, the Czech government was unable to reach any decision about how they would privatize the petrochemical industry and postponed it for another month.<sup>29</sup> The IOC extended its

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<sup>29</sup>Before the special meeting of the Czech government in August, the IOC warned that it would take its offer back and leave the Czech Republic if the government postponed its decision about the privatization of the refineries again (LN August 9, 1994). After the meeting, the prime minister Václav Klaus argued that there was no reason for an immediate decision under the pressure of politicization of the problem and media campaign. He also presented the basic theses about the privatization of the Czech refineries the economic ministers agreed upon: (1) the refineries should stay on the territory of the Czech Republic for strategic and

offer until September 30, 1994 (LN September 20, 1994).

Finally, on September 28, 1994 the Czech government decided to accept the IOC offer and permit foreign capital to participate in privatization of the Czech refineries and petrochemical industry.<sup>30</sup> The government justified its decision to allow foreign capital to invest in one of the most profitable Czech industries by the fact that the share of imported motor fuels sold on the domestic market increased rapidly since 1993. The only way the Czech refineries could survive foreign competition, according to the Czech government, was through their rapid restructuring and modernization which would be only possible with the participation of foreign capital (LN September 14, 1994a and September 29, 1994b). In its decision, the government ignored the opinion of the Chemopetrol and Kaučuk companies both of which objected to separation of their refineries and subsequent foreign capital investment (LN September 16, 1994).<sup>31</sup> The final conditions of the IOC investment still need to be negotiated and an agreement between the Czech government and the IOC was planned to be signed by the end of February 1995 (LN December 9, 1994).<sup>32</sup> In March 1995, however, the Ministry of Industry and Trade announced that the talks between the IOC and the Czech government

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security reasons and should use at least two different sources of crude oil; (2) the possibility of foreign investment in the petrochemical industry is still open; (3) it is necessary to clarify whether the refineries should be privatized together with the rest of the petrochemical production or should be separated and what are the risks of their separation; and (4) it is important to consider whether it would be feasible first to privatize the refineries to a Czech owner who would later choose its capital partner. Klaus maintained that the government never cast doubts upon a possibility of foreign investment in the Czech refineries and that there did not exist a dichotomy between the 'Czech way' and foreign investment. He also excluded a possibility of a preferential treatment for either domestic or foreign capital (HN August 12, 1994 and LN August 12, 1994).

<sup>30</sup>The government decided to merge the capital of the Chemopetrol and Kaučuk companies. The refineries would be separated and create a refinery company. The IOC would buy 49% of shares of the refinery company for \$180 million. The government would keep 51% of shares for at least 2 years. The IOC and the government would together invest up to \$1 billion in the modernization of refineries according the percentage share of their ownership. The IOC was asked to invest \$520 million in the refineries (LN September 29, 1994b, HN September 30, 1994b). The government considered four different models of the petrochemical industry privatization (LN September 20, 1994). Out of 17 cabinet members 13 voted for the IOC offer and 4, including the Prime Minister Klaus, were against it (LN October 1, 1994).

<sup>31</sup>For example, the top management of Kaučuk argued that the company did not need any help from the IOC because the Czech petrochemical industry was not in a difficult situation as the IOC claimed. The company argued that both its petrochemical production and refinery were profitable (LN September 23, 1994).

<sup>32</sup>The government decided to form the Unipetrol holding company which would be composed of four independent business units: the Czech Refineries Company which would be created from the Chemopetrol's and Kaučuk's refineries, the rest of Kaučuk, Chemopetrol without its refinery, and the Benzina company. The IOC plans to buy 49% of the Czech Refineries (HN December 9, 1994; LN December 23, 1994).

were unsuccessful due to the disputes over the value of the Chemopetrol and Kaučuk refineries and could collapse within a month (CET ON-LINE March 1, 1995). The Czech government set a new deadline for the completion of a final agreement on June 30, 1995 and said it would not be extended (CET ON-LINE March 29, 1995).

A long and often controversial process of decision making about the privatization of the petrochemical industry on the part of the Czech government reflected four fundamental questions directly related to the transition from state socialism to capitalism. *First*, the question of settlement of the state socialist past under new conditions was opened by the allegations of links between the top management of the Chemapol Group and the former state socialist secret police. It indicates the ability of the former state socialist elites to transfer their political power to the economic sphere under new conditions (see also Burawoy and Krotov 1993, Clarke 1992). Both the government and the public feel uneasy about this situation and the rejection of the 'Czech way' of privatization of the petrochemical industry was influenced by these feelings. *Second*, the transfer of political power into economic power of the former state socialist elites raises the question whether privatization is not a transfer of state property to the former communist 'nomenklatura'. *Third*, the case of privatization of the petrochemical industry raised the question whether the Czech economy needs foreign capital for its future development and transition to capitalism. And *fourth*, the governmental approach toward the privatization of the petrochemical industry also opened up issues of whether the government is interested in breaking up the existing monopolies formed under state socialism.<sup>33</sup>

The privatization controversy reflected an intense struggle between domestic and foreign capital. Foreign capital kept its interest in the Czech refineries because its investment would allow it to capture a large share of the growing Czech market with oil products (Vacek 1994). Czech capital was unsuccessful due to its financial weakness in comparison to multinational capital. Another factor which reduced the chances of the Czech capital to win its bid for the 'Czech way' was a struggle between domestic

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<sup>33</sup>These questions were first formulated in a slightly different form by the Czech Minister of Privatization Mr. Jiří Skalický (LN September 14, 1994b).

financial and productive capital over the control of privatization process if the "Czech way" was realized. The Czech government played the decisive role in the process, even though it had to decide the matter under strong pressure from both foreign and domestic capital. The most obvious sign of its determining role was that its final decision ignored the opinion of the privatized companies.

The long negotiations and political controversy which developed around the privatization of the petrochemical industry and FDI contributed to political destabilization rather than stabilization in the Czech Republic because different parties and individual politicians supported distinct ways of privatization of the petrochemical industry resulting in political controversies. Similarly, as the next section will demonstrate, uncertainties about the future form of ownership and organization of the petrochemical industry had rather de-stabilizing than stabilizing effects on the plants. The situation that developed around FDI in the petrochemical industry thus challenges the view of FDI as a stabilizing economic and political factor in Central and Eastern Europe.

### **8.5. Restructuring of Chemopetrol**

Privatization of the petrochemical industry illustrates how the global forces, represented by multinational capital, and the national forces, represented by the Czech government and Czech capital, combined to influence the future of the petrochemical companies. It also demonstrates how the processes which originate at the international and national scale are experienced locally. In the case of Chemopetrol, each privatization plan and its different variants would have had different implications for the company's future, including its employment, and ramifications for the regional economy of the Most District. For example, the IOC proposal included the separation of the oil refinery from the rest of the Chemopetrol company. The separation could eventually lead to the closure of unprofitable petrochemical production. About 80% of Chemopetrol's workers are employed outside the refinery. The 'Czech way' proposed to keep the refinery together with the rest of the company which would allow to subsidize its unprofitable sectors with profits generated by the refinery. Both strategies had different implications for the company as a whole, its employment and regional economy

of the Most District. The eventual merger of Chemopetrol with Kaučuk and its form has also serious implications for the Chemopetrol's future plans.

The long struggle over the privatization of Chemopetrol at the national level slowed down its restructuring from the state owned and centrally planned to a private enterprise. The top management of Chemopetrol argued that its privatization could not be separated from restructuring of the entire petrochemical industry and that restructuring of Chemopetrol should precede or be at least parallel with its privatization including any outside investment (*Severočeský deník* August 16, 1994). The managers of Chemopetrol and Kaučuk urged the national government to make "a prompt, clear and ultimate decision" about the privatization of the petrochemical industry because each delay in the government's decision delayed, according to the managers, restructuring of the companies which prevented them from becoming more competitive (*MF Dnes* August 16, 1994).

After the disintegration of the centrally planned system and the beginning of economic transition toward a market economy in 1991, Chemopetrol faced several new challenges which required the company to make appropriate adjustments both in terms of short-run responses and by preparing a long-term strategy to guide its future operations. *First*, Chemopetrol was influenced by the declining supply of crude oil from the former Soviet Union which affected its economic performance and forced it to look for alternative sources of crude oil.<sup>34</sup> *Second*, the sale of some Chemopetrol's products such as heavy oil products (heating oils, asphalts), motor fuels (diesel oil) or petrochemical products (ethylene, synthetic ethanol, benzene etc.) was rapidly declining in 1991 due to inability of many consumers to pay, resulting from the financial crisis and

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<sup>34</sup>The supply of crude oil from the former Soviet Union to the former Czechoslovakia through the pipeline Družba was steadily declining during 1991 and it stopped completely at the end of 1991 when no crude oil was delivered to Czechoslovakia between December 28 and December 30. As a result, Chemopetrol processed 20 thousand tons of crude oil less than it expected and greatly depleted its strategic reserves in 1991 (*Výstavba* 1992). The pipeline Adria, an alternative source of crude oil, was cut off due to the war in former Yugoslavia. Chemopetrol, together with Kaučuk and the Ministry of Industry of the Czech Republic, conducted fast technical and financial preparations for the construction of the pipeline from Ingolstadt to Kaučuk and Chemopetrol. These efforts were hampered by the lack of resolution by the Czech government about the entire project and its different variants (*Holada* 1992). Crude oil deliveries from Russia to the Czech Republic were interrupted again for four days in early January 1995 (January 9-12). Deliveries were cut because of a dispute over pipeline transit fees between Russia and Ukraine (*OMRI* January 11 and 13, 1995).



growing inter-enterprise arrears in the Czech Republic.<sup>35</sup> At the same time, the exports were also declining.<sup>36</sup> As a result, Chemopetrol was plunged into secondary indebtedness and an overall poor financial situation, and temporarily was unable to pay for supplies of raw materials. Chemopetrol's profits did not reach the projected level of 3.35 billion crowns in 1991 but only about 2.0 billion (Holada 1992).

*Third*, Chemopetrol began preparations for its privatization. The company asked several Western consulting firms including Ernst&Young, CSFB and KBC to conduct basic analysis and make recommendations for its restructuring and privatization. Chemopetrol's management initiated discussions with the ministries and domestic and foreign business partners.<sup>37</sup> The first development study of Chemopetrol was submitted to the Ministry of Industry in December 1991 (Holada 1992, Kornalík 1993a). The internal structure of the company, organization of production and its management did not change in 1991 and 1990 and basically remained the same as in the period of central planning, which reflects a similar pre-privatization agony in Chemopetrol to that encountered by the Most Coal Company.

The privatization project was prepared by the 'change management team' and was based on projects conducted by the Western consulting firms.<sup>38</sup> The 'change management team' also prepared the restructuring program for Chemopetrol under the guidance of the Ernst&Young company. The restructuring program was based on Ernst&Young's analysis of the company from December 1991 and on the privatization

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<sup>35</sup>Inter-enterprise debts skyrocketed in the former Czechoslovakia in 1991 (OECD 1991). The inter-enterprise arrears amounted about 220 billion crowns or around 20% of GDP of former Czechoslovakia by the end of 1992. At the same time, arrears to the banks totaled additional 80 billion crowns (OECD 1994).

<sup>36</sup>A major reason for declining exports of Chemopetrol was a declining market price of petrochemical goods while the price of crude oil was relatively high (Holada 1992).

<sup>37</sup>These "discussions" suggest very active efforts of the management to influence the privatization and restructuring of Chemopetrol. It also suggests the struggle between the national government and local forces over control and future ownership of Chemopetrol. Unfortunately, I do not have sufficient information to support these suggestions and the further research is necessary to determine the extent and role of these struggles in the privatization and restructuring of Chemopetrol.

<sup>38</sup>The privatization project of Chemopetrol was submitted to the Czech Ministry of Privatization on May 6, 1992. Its first version projected the creation of a joint stock company with 51% of shares owned by the state and 40% of shares privatized in the second wave of voucher privatization (HN June 1, 1993). The privatization project had to be reworked several times, based on changing governmental opinions about its privatization strategy of the Czech petrochemical industry, before it was approved by the Ministry of Industry and Trade on September 2, 1993 (Chemopetrol: Annual Report 1994).

project prepared by Chemopetrol. The most important restructuring goals included marketization of the company, its privatization and foreign capital investment in the company (Kornalík 1993a). The management of Chemopetrol believed that the company had to quickly adapt to rapidly changing economic, social and political conditions in the Czech Republic in order to survive in a long run.

Above all [Chemopetrol] has to change its behavior and functioning both in relation to the outside environment, that is customers, surrounding region and state, and inside the company.<sup>39</sup>

Therefore, the program argued that the restructuring of Chemopetrol should increase its flexibility by changes in its organizational structure and management. Greater flexibility of the company would allow it to react to the market changes and customer needs. The new organizational structure of the company should also prepare conditions for its privatization and possible foreign investment (Kornalík 1993a).

Proposed changes in the structure of the company involved strategies commonly employed by many Western companies during industrial restructuring in the developed capitalist countries in the 1970s and 1980s, such as horizontal decentralization, capital mergers and outside investment in order to improve competitiveness. The proposed restructuring strategy included a gradual reorganization of Chemopetrol from the state owned and centrally planned company into a decentralized joint stock holding type company with several independent business units owned by Chemopetrol. Chemopetrol's production activities should focus on the crude oil refining and petrochemical production with a gradual decentralization and privatization of auxiliary operations and services into independent private business units. At the lower level, the strategy proposed creation of economically independent 'profit centers' in the individual business units. Restructuring should simplify overall organizational structure of the company, change its hierarchical management structure into a horizontal organization and reduce the number of

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<sup>39</sup>Kornalík 1993a, p. 3.

management levels (Kornalík 1993a, 1993b, 1993c).<sup>40</sup>

Based on this strategy, Chemopetrol was reorganized into six production and six service divisions (business units) on January 1, 1993.<sup>41</sup> During 1993, 16 non-key activities employing 488 workers were decentralized from the company. Two divisions were separated from Chemopetrol (Chemservis and the Research Institute of Macromolecular Chemistry) reducing the number of division to ten (Chemopetrol: Annual Report 1994).<sup>42</sup> On January 1, 1994, Chemopetrol was transformed from the state company to a joint stock company 100% owned by the NPF.<sup>43</sup> The company, however, participated in the second wave of voucher privatization which took place in 1994 and during which 36% of Chemopetrol's shares were sold to the investment privatization funds and the individual investors (Table 8.1).<sup>44</sup>

Restructuring of Chemopetrol proved to be a very difficult task. The company failed to implement the original comprehensive restructuring projects prepared by the foreign consulting firms. Therefore, it asked another consulting firm (IMPAC) to prepare a modified restructuring project which would target only key problems of the company. Chemopetrol successfully implemented this modified restructuring strategy (HN December 9, 1994). According to the managers of Chemopetrol, the most important problems hampering restructuring efforts include: (1) the work attitude, thinking and behavior of employees which is only very slowly changing from the old state socialist attitudes toward a more 'economic thinking' in all areas; (2) high

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<sup>40</sup>There were up to seven distinct managerial levels in some areas of production in Chemopetrol during the period of central planning and in the early 1990s before its restructuring began (Kornalík 1993c).

<sup>41</sup>The six production divisions were organized as follows: (1) refineries, (2) petrochemicals, (3) energetics, (4) agro, (5) water and wastes, (6) phenols. The service divisions include (1) Chemservis, (2) Cheminvest, (3) personal and social services, (4) technical services and property custody, (5) research and development center, (6) the Research Institute of Macromolecular Chemistry located in the city of Brno (Chemopetrol: Annual Report 1994).

<sup>42</sup>On July 1 1994, Chemservis with 1,500 workers was transformed into an independent legal corporation owned by Chemopetrol. The director of privatization in Chemopetrol argued that this organization restructuring represented the most profound transformation of the plant in its entire history (HN July 4, 1994b).

<sup>43</sup>The basic assets of the Chemopetrol company were valued at almost 10.5 billion crowns (10,478,892,000) (Chemopetrol: Annual Report 1994).

<sup>44</sup>The NPF keeps temporarily 39% of shares. These shares are planned to be offered to foreign capital (Chemopetrol: Annual Report 1994).

**Table 8.1 Privatization of Chemopetrol (the distribution of shares in percentage)**

National Property Fund	39%
Voucher privatization	36%
Direct sale to domestic banks	15%
Mandatory funds and Social Security Fund	6%
Cities and villages	4%
Total	100%

**Source:** Chemopetrol: Annual Report (1994).

production costs; (3) minimal rationalization of production activities; and (4) the absence of a business system in the company (Nepejchal 1994). These problems suggest that the actual restructuring of Chemopetrol is a much more complicated and complex process than the company and its restructuring plans anticipated.<sup>45</sup>

### **8.6. Economic Performance of Chemopetrol During Its Restructuring**

Economic performance of Chemopetrol further worsened in 1993 due to a new value added tax introduced in January 1993, reduction of Chemopetrol's market after the break up of Czechoslovakia, continuing inter-enterprise arrears and financial crisis, deep recession of the petrochemical production, and continuing stagnation of the Czech economy which resulted in lower demand for oil products (HN December 9, 1994, Chemopetrol: Annual Report 1994).<sup>46</sup> The profits declined from 2.3 billion crowns in

<sup>45</sup>At this moment, I am unable to fully assess the role of company's managers during decentralization and privatization of Chemopetrol and the changing nature of social relations within the enterprise.

<sup>46</sup>In 1993, Chemopetrol was plunged into secondary indebtedness which means that outstanding debts of its consumers made Chemopetrol unable to pay for its supplies. While the consumers owed to Chemopetrol 1.2 billion crowns in overdue payments in late 1992, the figure increased to 4.8 billion crowns by June 1993 and the total claims of the company reached 7 billion crowns (HN June 1, 1993, Chemopetrol: Annual Report 1994). Chemopetrol was also affected by the imported heating oil subsequently sold illegally as diesel oil. Heating oil (priced at 6 crowns per liter) which is the same as diesel oil (priced at 16 crowns per liter) is much cheaper due to lower custom duties, value added tax and consumer tax. While the import of heating oil increased 200 times in 1993 causing tax evasion of 10 billion crowns in 1993 and 1994, the production of diesel oil in the two Czech refineries dropped by 65% in the last three years (LN October 29, 1994). In 1993, the Chemopetrol company lost 200 million crowns in profits due to heating oil irregularities which represented 20%

**Table 8.2** Comparison of economic performance of Chemopetrol in 1992 and 1993.

	Unit	1992	1993	Index 93/92 %
Processed crude oil	mil. tons	3.76	3.53	93.7
Production of goods	bil. Kč	24.28	22.43	92.4
Total sales	bil. Kč	24.03	22.15	92.2
Domestic sales	bil. Kč	18.14	15.88	87.5
Total exports	bil. Kč	5.89	6.27	106.5
Total profits	bil. Kč	2.25	1.07	48.3

Note: Kč = Czech crown in 1993, Czechoslovak crown in 1992. Inflation reached 11% in 1992 and 20% in 1993.

Source: Chemopetrol: Annual Report (1994), p. 11 and LN July 26, 1994.

1992 to 1.1 billion in 1993 and were expected to remain at the same level in 1994 (LN November 3, 1994 and July 26, 1994, HN December 9, 1994) (Table 8.2). Chemopetrol was rapidly losing its dominant position in the domestic motor fuel market (Chempress 1994).

In 1994, the economic and financial situation of the company improved. Chemopetrol succeeded in lowering its outstanding claims to 1.5 billion crowns by November 1994 and the company generated 1.35 billion crowns in profits before taxes in the first 10 months of 1994. The proportion of Chemopetrol's sales that were exports grew from 26.6% in the first half of 1993 to 34.7% in the first half of 1994 (Chempress 1994). Chemopetrol also continued to reduce the number of workers it employed from 10.8 thousands in 1990 to less than seven thousand at the end of 1994 (HN December 9, 1994) (Table 8.3). The reduction in employment was achieved mainly through horizontal deconcentration of the company i.e. separation and privatization of some of its activities such as non-production services, the company also reduced the number of

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of its total profits and its production of diesel oil declined by 50% between 1989 and 1993 (LN December 7, 1994).

Table 8.3 Development of employment in Chemopetrol.

Year	Employment	1989=100
1961	10,362	94.2
1966	11,902	108.2
1980	11,655	106.0
1985	11,584	105.3
1989	11,000	100.0
1990	10,813	98.3
1991	10,492	95.4
1992	9,978	90.7
1993	9,549	86.8
1994 <sup>1</sup>	8,492	76.6
1994 <sup>2</sup>	7,000	63.6
1997 <sup>3</sup>	5,000	45.5

Notes: 1 = June 30, 1994 (ÚPP 1994); 2 = December 1994 (HN December 9, 1994); 3 = plan (ÚPM 1994a).

Source: Chemopetrol: Annual Report (1994), OOČSÚ 1986, OOSSÚ 1968, ÚPM 1994a, HN December 9, 1994.

newly employed workers, some employees left the company for other jobs or retired. In 1993, Chemopetrol found new jobs for 682 of its 'unnecessary' workers (Chemopetrol: Annual Report 1994). By 1997, the company plans to employ between five to six thousand workers (HN July 9, 1993).<sup>47</sup>

What are the implications of this rapid decline in employment by Chemopetrol for the regional labor market of the Most District? Coal mining and the chemical industry

<sup>47</sup> According to the interview conducted with Ing. Brabec at the Most District Employment Office on August 17, 1994, the Chemopetrol company planned to lay off several thousands of its workers in a short period of time. This approach was refused by the Most District Employment Office and according to the meeting between Chemopetrol and the Most District Employment Office, which took place on July 15, 1994, the Chemopetrol company would gradually lay off between 1,000 and 1,500 workers annually until it reaches the level of 5,000 workers.

Table 8.4 The share of Romanies among unemployed in the Most District in 1993.

Month	Number	Percent of all unemployed
January	563	31.1
February	499	24.8
March	621	27.6
April	639	32.0
May	644	30.2
June	632	29.3
July	614	30.9
August	590	29.2
September	597	26.4
October	608	26.2
November	639	26.5
December	667	26.8

Source: ÚPM 1994b.

combined shed seven thousand mostly high paid jobs in the last four years and plan to lay off additional seven thousand workers in the next five years. This will represent a loss of about 43% of all industrial jobs or about 22% of all jobs present in the Most District in 1991 (see Table 6.14). The loss of industrial jobs has not so far caused major unemployment and social problems in the Most District as a whole.<sup>48</sup> Almost one-third

<sup>48</sup>Unemployment rates in the Most District only slowly increased from 3.29% in January 1992 to 4.59% in July 1994. Unemployment rate was expected to reach 5% by the end of 1994 (ÚPM 1994a). Comparative unemployment rates in July 1994 were as follows: northern Bohemia 4.1%, Czech Republic 3.2%. The Most District recorded 21st highest unemployment rate among 76 district in the Czech Republic (Ministry of Labor and Social Affairs 1994). One of the reason why unemployment rates remained so low in the Most District despite the heavy job losses in coal mining and chemical industry was that there were between 10 to 13 thousand temporary workers from outside the Most District employed in the district to solve chronic labor shortages of the state-owned enterprises before 1989. Departure of many of these workers after 1989 was not reflected in the district's unemployment rates (interview with ing. Trefný, the Most District Authority Office, Most, June 23, 1992).

of all unemployed, however, are Romanians who constitute only about 5% of the total population of the Most District (Table 8.4). Romanians usually occupy the lowest skill level manual jobs in both coal mining and the chemical industry. Many of these jobs were eliminated after 1989. This situation illustrates uneven impact of the transition on different social and national groups in the Most District and contributes to growing social problems in the Most District.

### 8.7. Environmental Consequences of Chemopetrol's Restructuring

What are the implications of privatization, restructuring and economic crisis of Chemopetrol for the quality of the environment in the Most District and how do these changes influence the relations between the company and the surrounding communities? This section and the next address these two questions. This section illustrates that, as in the case of coal mining, the decline in production, associated with the collapse of state socialism and liberal transition strategy, together with the new environmental legislation, result in the reduction of pollution levels.

Chemopetrol has inherited a poor environmental record from the period of state socialism. The company produces excessive pollution of air and water. The chair of the Department of Environmental Protection in Chemopetrol blamed the previous state socialist system for company's environmental problems:

Generally we [Chemopetrol] have problems with all categories of the environment. The reason is, as everyone knows, that in the previous period the main goal was to fulfill the plan and everything else had to be subordinated to that goal.<sup>49</sup>

The largest sources of air pollution are two Chemopetrol's power plants which produce electricity and heat for the company from the local low quality brown coal. One was built in 1939 (the so-called T 200) and the second in the middle of the 1960s (the so-called T 700). Therefore, both power plants are outdated, lack any desulfurization

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<sup>49</sup>Interview with Ing. Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, Chemopetrol, August 12, 1993.



equipment and have outdated and inefficient scrubbers. The emissions of hydrocarbons and other organic pollutants from the refinery and petrochemical production are considered to be the second most serious source of air pollution from the company. Chemopetrol also has to deal with the problems of toxic waste pollution.<sup>50</sup> Waste water cleaning facilities were built under state socialism and Chemopetrol complies with all the requirements of the Water Act.<sup>51</sup>

Following the collapse of state socialism and central planning, the management of Chemopetrol realized that it had to change its attitude toward the environmental pollution generated by the company. One of the strategic goals of Chemopetrol's restructuring is to achieve 'ecological acceptability'.

Chemopetrol is aware of its responsibility in the area of environment and ecological responsibility is becoming integral part of company's culture and its overall entrepreneurial activity.<sup>52</sup>

Chemopetrol was forced to change its attitude toward the environment for several reasons associated with the changes in the social mode of regulation in the Czech Republic after 1989. *First*, the company has to comply with the new national environmental legislation enacted after 1989 or pay large fees.<sup>53</sup> *Second*, there is considerable pressure on the company to improve its environmental record from new environmental authorities, such as the Regional Environmental Inspectorate, and from offices of the state administration, such as the district authorities. *Third*, the local governments gained larger powers after

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<sup>50</sup>There are seven oil lakes located on the company territory. These lakes began to be liquidated using Italian technology after 1989. By the end of 1993 120,000 m<sup>3</sup> of waste had been processed (Chemopetrol: Annual Report 1994). In 1993, Chemopetrol also conducted a large scale hydrogeological survey of the company and its vicinity to assess the degree of soil and water contamination because toxic waste used to be dumped in the waste sites (interview with Ing. Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, Chemopetrol, August 12, 1993).

<sup>51</sup>Interview with Ing. Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, Chemopetrol, August 12, 1993.

<sup>52</sup>Kornalík 1993c.

<sup>53</sup>Chemopetrol is charged about 50 million crowns annually for not complying with the existing environmental laws enacted after 1989. The company has to comply with the Clean Air Act by 1998. The fees are increased annually to force companies to comply with the law (Interview with Ing. Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, Chemopetrol, August 12, 1993).

1989 and used them to pressure Chemopetrol to reduce its pollution.<sup>54</sup> *Fourth*, there are new non-governmental organizations fighting for cleaner air, such as the Green House Litvínov, which call on Chemopetrol to improve its environmental record.<sup>55</sup> Public pressure on Chemopetrol to reduce its pollution was especially intense after 1989, but it gradually subsided.

Suddenly, there is a tremendous interest in the environment people live in here. Even though it is being mitigated by social problems now. It was much more intense after the revolution and I have to say that we [Chemopetrol] were very concerned because we had to explain some [environmental] problems very patiently. The previous regime did not expect such a situation and usually solved the problems with direct commands.<sup>56</sup>

Chemopetrol prepared its 'Ecological Program' according to which the company needs to invest seven billion crowns before 1998 in order to comply with the Clean Air Act.<sup>57</sup> Ecological investments by the company have been steadily growing since 1991. At the same time, the sulfur dioxide and solid emissions have declined considerably (Table 8.5). Chemopetrol, however, does not have sufficient financial resources to pay for the planned ecological investments and will have to partially rely on loans to pay for

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<sup>54</sup>Chemopetrol could be fined by the Regional Environmental Inspection, District Authority Office and local governments for excessive pollution usually caused by some technological accidents or problems. Most of the fines are imposed by the Regional Environmental Inspection and this money does not stay in the region to finance other environmental activities, for example, but it is sent to the national Environmental Fund and used elsewhere in the Czech Republic. The annual fines are in the range of several hundred thousands crowns annually. In 1990, they reached about 3 million crowns (Interview with Ing. Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, Chemopetrol, August 12, 1993).

<sup>55</sup>Interview with Ing. Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, Chemopetrol, August 12, 1993. See the next chapter (section 9.5.) on the non-governmental environmental organizations in the Most District.

<sup>56</sup>Interview with Ing. Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, Chemopetrol, August 12, 1993.

<sup>57</sup>Interview with Ing. Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, Chemopetrol, August 12, 1993. According to *Hospodářské noviny*, Chemopetrol allocated only 3.5 billion crowns for ecological investments before 1998 (HN December 7, 1993). The power plant T 200 is slated for closure by 1997. The reconstruction of the power plant T 700, which includes its desulfurization, began in 1993 and will cost 1.8 billion crowns (Chemopetrol: Annual Report 1994, HN December 7, 1993).

Table 8.5 Chemopetrol's ecological investment and emissions of pollutants after 1989.

Year	Ecological investment (mil. Kč)	SO <sub>2</sub> emissions (thousand tons)	Solid emissions (thousand tons)
1990	123	n.a.	n.a.
1991	217	65	42
1992	313	56	26
1993	605 <sup>1</sup>	50	22
1994	900 <sup>2</sup>	n.a.	n.a.

Notes: 1 = The distribution of 1993 ecological investment: air pollution 74%, waste management 16%, protection of water and soil 5%, protection of working environment 5% (Chemopetrol: Annual Report 1994).  
2 = plan (HN July 7, 1994b).

Source: Chemopetrol: Annual Report (1994), p. 21; HN July 7, 1994b, Interview with Ing. Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, Chemopetrol, August 12, 1993.<sup>58</sup>

them.<sup>59</sup> Chemopetrol is forced to make large ecological investments in a difficult financial situation. The chair of the Department of Environmental Protection of the company expressed his critique of the governmental ecological policy influencing Chemopetrol as follows:

There is unrealistic ecological policy [in the Czech Republic]. We are

<sup>58</sup>In addition, Chemopetrol reduced hydrocarbon emissions by the maintenance and taking the measurements of refinery's diffusion sources. This operation reduced the emissions by 85% (930 tons) from these particular sources in 1993. The project has been designed by the U.S. World Environment Center and continued in the petrochemical section of the company in 1994. Additional 580 tons of hydrocarbon emissions were reduced in the tanks with the installed floating roof in 1993 (Chemopetrol: Annual Report 1994). In 1994, Chemopetrol also participated in the construction of new ecologically safe solid industrial and toxic waste dump built by the Centrodopady company founded by Chemopetrol, the Most Coal Company, and the cities of Most and Litvínov (HN December 7, 1994, Chemopetrol: Annual Report 1994).

<sup>59</sup>In 1994, Chemopetrol planned to invest about 1.5 billion crowns including about 900 million crowns in ecological investments. About 50% of this amount had to be borrowed (HN July 7, 1994b). In December 1994, Germany and the Czech Republic signed an agreement according to which Germany would provide almost 26 million German marks (about 440 million crowns) for the modernization, desulfurization and the installation of efficient scrubbers in Chemopetrol's T 700 power plant, which is almost the exact amount Chemopetrol needed (LN December 20, 1994).

supposed to reach the [pollution] levels of the Western countries in five to seven years while it took them twenty to thirty years to reach this state. I do not think that the country's economy should be ruined at the expense of ecology. It is simply impossible. We cannot cause large scale unemployment and close factories only because of ecological measures. If we do that we will not need these ecological measures any more. . . The Ministry of Environment makes bureaucratic decisions, it copies environmental legislation from the most developed countries such as former West Germany without any real economic evaluation how to realize this legislation in the conditions of transition toward a market economy here.<sup>60</sup>

The plants would prefer to solve their economic difficulties and undergo restructuring first and deal with their environmental problems later. The case of Chemopetrol illustrates, however, that the plants are being gradually forced to comply with the new environmental legislation enacted and enforced after the collapse of state socialism despite their resistance and to incorporate the improvement of their poor environmental record into their restructuring strategies.<sup>61</sup>

#### **8.8. Struggle Between Local Communities and Chemopetrol in the Most District After 1989**

I have argued in Chapter Six that there was a paternalistic relationship between Chemopetrol and surrounding communities during the state socialist period. I have used Illner's classification (1992a) to characterize these relations as a 'landlord' type of relations in the case of the city of Litvínov and Chemopetrol, and as a 'parasite' type of relations between Chemopetrol and small surrounding communities. In the 'landlord' type of relations, an enterprise dominated a municipal government, embraced total responsibility for dealing with municipal problems and functioned as a provider of social

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<sup>60</sup>Interview with Ing. Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, Chemopetrol, August 12, 1993.

<sup>61</sup>For example, the modernization of Chemopetrol's power and heating plant T 700, currently its largest source of air pollution, which includes its desulfurization and installation new scrubbers should be completed before 1998. The T-700 heating plant is planned to reduce its solid emissions by 99% (to 25 mg/m<sup>3</sup>) and sulfur dioxide emission by 90% (to 400 mg/m<sup>3</sup>) which will exceed the governmental requirements and will comply with the German pollution norms, the strictest norms in Europe (interview with Ing. Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, Chemopetrol, August 12, 1993).

services. In contrast, in the 'parasite' types of relations, the plants did not contribute to community development in any way but used community resources, such as labor and the environment (Illner 1992a).

I have shown in Chapter Seven how these paternalistic relations are changing between the coal mining enterprises and local communities after the collapse of state socialism. The goal of this section is to investigate whether similar changes take place in relations between Chemopetrol and local communities in the Most District.

### *8.8.1. Relations between Chemopetrol and surrounding small communities*

I have conducted interviews with the mayors of four small communities located in the vicinity of Chemopetrol and directly influenced by its pollution. The villages of Horní Jiřetín, Louka u Litvínova and Mariánské Radčice are located between two and three kilometers and the town of Lom about three and half kilometers away from Chemopetrol (see Map 4 in Chapter Seven). The interviews indicate that there has usually been little change in the 'parasitic' relations between Chemopetrol and the communities. The mayor of the village of Louka summarized the relations of his village with Chemopetrol as follows:

We have nothing from Chemopetrol, only that stench and fly-ash deposits.<sup>62</sup>

Other interviewed mayors of small communities were equally critical about the behavior of Chemopetrol toward their villages. All of them asked Chemopetrol to pay some compensation for its air pollution but were refused with the argument that Chemopetrol was not located on their municipal territory (Lom) or they did not receive any answer from Chemopetrol (Louka).<sup>63</sup> The situation is different in the case of Horní

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<sup>62</sup>Interview with the mayor of the village of Louka u Litvínova, August 10, 1993.

<sup>63</sup>The chair of the Department of Environmental Protection in Chemopetrol argued that he did not know about any requests for compensation from the villages located around the Chemopetrol company (interview with ing. Cír, chair of the Department of Environmental Protection in Chemopetrol, August 12, 1993). The mayor of the city of Meziboří claimed that the city of Lom, for example, did not energetically pursue its request for sponsorship from Chemopetrol and therefore the town did not get any money from the company (interview with Andreas Stefan, mayor of Meziboří, August 10 and 11, 1993).

Jiřetín, however, because Chemopetrol is partially located on its territory. There Chemopetrol offered 0.1 % of its shares to the village, but only after it was urged to do so by the citizens of Horní Jiřetín employed by Chemopetrol, while it offered 1 % each to the cities of Litvínov, Most and Meziboří.<sup>64</sup> The mayor of Horní Jiřetín asked Chemopetrol for financial help when the village needed money to repair its medical facility but he was refused. The interviews suggested that if there was any change at all in the relations between small communities and Chemopetrol, it was in the direction of the 'neighbor' type relations, which are typical for the situation when a large plant ignores problems of surrounding communities.

### *8.8.2. Relations between Chemopetrol and surrounding cities*

As in the case of coal mining, the situation is different in the case of larger cities. While the villages and small towns were generally ignored by Chemopetrol during and after state socialism, the plant developed the 'landlord' type of paternalistic relations with the cities of Litvínov, Most and to a lesser extent Meziboří (see Chapter Six, section 6.5.4. and Map 3). In particular, these relations were strong between Chemopetrol and the city of Litvínov. The collapse of state socialism, democratization of society and economic restructuring made it possible to gradually change the power relations between the cities and Chemopetrol in the direction of the 'partner' type of relations. Both the cities and Chemopetrol are looking for ways to redefine their mutual relations in the new environment based on an emerging market economy and democracy. The plants were not interested and financially unable to sustain their paternalistic relations associated with the previous regime after the beginning of economic transition and economic crisis. At the same time, the cities attempted to build new relations with large enterprises based on partnership rather than subordination to enterprise needs. As a result, both the cities and Chemopetrol appreciate the opportunity to develop new relations built on a more equal footing rather than the patterns of domination and subordination felt by both sides in the previous state socialist period. Both sides acknowledge that their relations are far from

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<sup>64</sup> According to the mayor of Lom, the Chemopetrol company also offered its shares to the town of Lom worth about 12 million crowns free of charge but he was not sure whether his town would actually receive those shares (interview with Mr. Krepčík, mayor of the town of Lom, Lom, August 5, 1993).

being ideal but they agree that they have made significant progress since 1989.

The mayor of the city of Litvínov assessed the current relations between the city and Chemopetrol as follows:

The relationship is not bad. Chemopetrol crucially influences the life of the city. On one side it is not only the largest polluter, but on the other side it is also the largest employer and largest financial contributor to different municipal activities.<sup>65</sup>

The mayor of Litvínov also argued that the city and Chemopetrol "clarified" their relations after 1989. According to him, Chemopetrol recognized that it was not giving charitable gifts to the city but that it had its interests in a well functioning city and therefore it needed to financially support some of its activities. Chemopetrol presents its ecological program to surrounding cities and informs them about potential environmental risks. In the area of environmental management, however, the efforts to normalize the relations between the cities and industrial enterprises are hampered by nonexistent powers of cities to deal with large polluters.<sup>66</sup> The city of Litvínov is unable to penalize Chemopetrol for its environmental pollution and it even does not know what the company releases to the air.<sup>67</sup> The mayor of Litvínov argued that the city should have the authority to penalize Chemopetrol for its pollution.

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<sup>65</sup>Interview with ing. Doležal, mayor of the city of Litvínov, August 11, 1993. For example, Chemopetrol contributed 15 million crowns for the reconstruction of a building designed to become an ecological high school in the city of Litvínov. It also contributed to the construction and installation of the long distance heating for the city of Litvínov. Chemopetrol supports Litvínov's well known ice hockey club and other sport clubs as well as the most important cultural center "Citadela" in the city etc.

<sup>66</sup>This situation is a source of friction between urban municipalities on one side and the Most District Office together with the Regional Environmental Inspection on the other side (interview with ing. Bořek Valvoda, mayor of the city of Most, July 7 and 13, 1993). See the next chapter.

<sup>67</sup>Chair of the Department of Environmental Protection in Chemopetrol claimed that the mayors and other municipal officials were not telling the truth because they could penalize Chemopetrol for its pollution. He also argued that municipal authorities did not use their authority in this area because they were not well qualified to do so. He referred to the authority of municipalities to monitor discharge of dark smoke on their territories. This authority is, however, based on a crude method. The former chair of the Department of the Environment in the city of Most maintained that the method did not provide any evidence about the discharge of dark smoke and that he did not know about a single case in which this method worked to penalize polluters (interviews with ing. Jaroslav Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, August 12, 1993 and Dr. Jan Vozáb, former chair of the Department of the Environment, mayor's office, city of Most, June 24, 1993).

The situation is different in the case of the cities of Most and Meziboří because Chemopetrol is not located on their respective territories. However, the company recognizes the city of Most as a district capital and the company's neighbor, and therefore the company contributed financially to some of its municipal activities.<sup>68</sup> There are no direct relations between these cities and Chemopetrol in the area of environmental management because Chemopetrol is under the jurisdiction of the Regional Environmental Inspection and the District Office. The cities do not have any powers over Chemopetrol.<sup>69</sup> When asked about these relations the former chair of the Department of the Environment in the city of Most replied:

The city [of Most] does not have any authority and therefore there is nothing to talk about. There is no authority [over Chemopetrol] in the area of air pollution. The city can comment on Chemopetrol's waste management plans but it does not approve it. It is approved by the District Office. Water management is not in the competency of municipalities either. On the one hand Chemopetrol is not located on the city territory, on the other hand it is the large source of pollution regulated by the [Environmental] Inspectorate. No city is a partner for Chemopetrol and it is the same with coal mining enterprises.<sup>70</sup>

In contrast, the mayor of the city of Meziboří was very satisfied with the relations of his office and Chemopetrol. The city signed a sponsorship agreement with Chemopetrol in April 1993 according to which Chemopetrol agreed to contribute 1.8 million crowns to the city budget in 1993. Since 1991, Chemopetrol has financially supported the city of Meziboří every year. The city spends most of this money on elementary education (overhauls of schools, purchases of computers etc.). In 1993, the city of Meziboří was in an exceptionally good financial situation as a result of the mayor's aggressive pursuit of outside financial resources. He stressed that it was not the result of the District Office activity but of his own work.

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<sup>68</sup>Interview with ing. Jaroslav Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, August 12, 1993.

<sup>69</sup>Interview with ing. Bořek Valvoda, mayor of the city of Most, July 7 and July 13, 1993.

<sup>70</sup>Interview with Dr. Jan Vozáb, former chair of the Department of the Environment, mayor's office, city of Most, June 24, 1993.



I visited enterprise directors in the first phase after the 1990 elections. I told them: "Look, many of your employees live in our city. We do not have any financial support from you and we would appreciate if you can help us". I was successful in most instances.<sup>71</sup>

The city of Meziboří was among the first cities in northern Bohemia to receive governmental environmental grants for fuel conversion of local heating furnaces. The example of the city of Meziboří suggests that active local self-governments are able to secure more funds for development and modernization of their cities than passive ones. This activity could become one of the decisive factors in securing financial resources in the period of financial scarcity and hesitance on the part of industrial enterprises to support local budgets.

The chair of the Department of Environmental Protection of Chemopetrol suggested that the relations of his company with the neighboring cities and villages were good but far from being ideal. Chemopetrol realized that it needed to work with the public because the public was now more powerful and could influence the very existence of Chemopetrol as a company. He complained that even though the relations between the company and the public had improved after 1989, the public did not appreciate the important role of Chemopetrol in the regional economy of the Most region and focused too much on Chemopetrol's poor environmental record. He also claimed that there was insufficient communication between the company and neighboring communities in which Chemopetrol, based on its financial situation, would be able to openly say what it can do for the communities and when. According to him, municipal governments only tolerated the existence of Chemopetrol as an important employer and regarded Chemopetrol as a "milch cow".<sup>72</sup>

Analysis of the relations and struggle between Chemopetrol and the surrounding communities suggests that the issue of relations between the cities and industrial enterprises cannot be separated from the overall context of transition from state socialism

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<sup>71</sup>Interview with Andreas Stefan, mayor of Meziboří, August 10 and 11, 1993.

<sup>72</sup>Interview with ing. Jaroslav Cír, chair of the Department of Environmental Protection in Chemopetrol Litvínov, August 12, 1993.

to capitalism in the Czech Republic. The changes in these relations are closely related to the post-1989 democratization and decentralization, economic transition and plant restructuring, and governmental environmental policies. This also suggests that the change is uneven. There are significant differences between smaller communities and larger cities, and between active and passive local governments in the Most District. While Chemopetrol seeks partnership relations with the cities of the Most District, it generally ignores the needs of small communities suffering with pollution released by the plant unless those communities have particularly active and entrepreneurial managers. The issues of the post-1989 democratization, decentralization, local government change and the local environmental management in the Most District are analyzed in the next chapter.

### 8.9. Conclusion

Analysis of privatization and industrial restructuring of the chemical industry and coal mining in the Most District demonstrated that these are two cases of differential transition. The study of these two cases of differential transition leads us to several important conclusions about the nature of economic transition from state socialism to capitalism in the Czech Republic. *First*, transition is associated with profound changes in the ownership of industrial enterprises from state owned to a combination of private and state ownership. Although the privatization strategies are based on the same principles in different industrial sectors and individual enterprises, they can vary considerably in terms of participation of foreign and domestic capital as our case studies of coal mining and the petrochemical industry demonstrated.

*Second*, economic transition leads to significant *organizational* restructuring of industrial production and individual industrial enterprises. State owned enterprises are transformed into joint stock companies before they are privatized. The regulatory system of central planning and direct state control is replaced by the regulation based on market and competition. Large organizational monopolistic industrial units are broken up into a number of independent and competing commercial companies.

*Third*, following the 'pre-privatization agony' of minimal or no organizational, managerial and production changes in the early 1990s, industrial plants and companies

are forced to restructure their operations in order to survive in increasingly competitive environments, without state subsidies and market protection. They use similar strategies as the companies in the developed capitalist countries, such as closure of unprofitable or expensive production (coal mining), horizontal deconcentration and separation of auxiliary and service activities. These strategies, combined with the decline in production due to the loss of the CMEA markets, lead to the rapid reduction in industrial employment. In the case of the Most District, it is expected that 14 thousand mostly high paid jobs will be lost in less than a decade after the collapse of state socialism. We can also expect that these changes will gradually lead to changes in the social relations of production. Capital restructuring and foreign investment will lead to technical modernization of production as the case of the petrochemical industry suggests.

*Fourth*, growing competition and a new national mode of regulation, including new ecological legislation, lead to sharp declines in the production in some industrial sectors such as coal mining. Coal mining in the Most District is expected to drop its production by 55% in less than ten years after the beginning of economic transition.

*Fifth*, changes in the national mode of regulation and industrial restructuring have very important environmental consequences. The environment is becoming an important factor limiting further development of coal mining and the chemical industry. It seems to benefit not only from the drop in industrial and energy production, but also from new ecological legislation enacted after the collapse of state socialism.

*Sixth*, privatization and industrial restructuring involve an intense struggle between the state, domestic capital, foreign capital, plant management and labor. It illustrates the contested nature of the transition from state socialism and its uncertain outcomes which will result from these struggles. In this respect, both privatization and restructuring of coal mining and the petrochemical industry challenge the liberal notion of a smooth and linear transition from state socialism to capitalism. Although the state is the driving force of the restructuring process, it is under intense pressure from capital, both foreign and increasingly domestic (in the case of the chemical industry), plant managers and labor to accommodate their often conflicting interests. Other factors, such as political and social considerations, influence governmental decision making. The case of Chemopetrol also illustrates the role of FDI in privatization and restructuring in Central

and Eastern Europe. Long negotiations between the Czech government and potential foreign investors slowed down Chemopetrol's restructuring and de-stabilized its economic situation.

Industrial restructuring is the result of forces and processes operating at different geographical scales (international, national and subnational - regional and local). In the case of the Most District, the driving forces behind industrial and regional restructuring originated at the national level. The future extent of coal mining in particular, however, will result from the local struggle between the citizens of the communities endangered by coal mining and the MCC, because the MCC can continue coal mining at its currently already reduced levels only at the expense of demolition of additional communities in the region.

*Seventh*, democratization and economic restructuring change power relations between large industrial enterprises and neighboring communities. These relations are becoming more equal as the old state socialist industrial paternalism based on the Communist Party hegemony is being replaced by new relations based mainly on economic principles. In the Most District, villages and cities benefitted differently from this change. Villages were saved from being razed due to coal mining but are generally ignored by both Chemopetrol and the MCC, while cities were able to benefit financially. The next chapter further examines local governments and their environmental management in the Most District.

## CHAPTER NINE

### LOCAL GOVERNMENT AND ENVIRONMENTAL MANAGEMENT IN THE CONTEXT OF POST STATE SOCIALIST REGIONAL RESTRUCTURING IN THE MOST DISTRICT

The collapse of the state socialist one party political system and its replacement with a multiparty parliamentary democracy was the first step in the political transition from state socialism to capitalism in former Czechoslovakia following the 1989 'Velvet Revolution'. Initial democratization efforts at the local level involved abolition of the old state socialist system of 'National Committees', which had been totally subordinated to the central state and the Communist Party, and the gradual development of self-government based on free local elections.

The reintroduction of local self-government in the former state socialist countries of Central and Eastern Europe is viewed not only as one of the most important steps toward democratization of the post state socialist societies, but also as one of the decisive factors of the overall success of the transition from state socialism to capitalism (Elander and Gustafsson 1993). First, the development of local and regional self-administration is viewed as one of the four main elements of transition from hegemonic regimes toward democratic systems (Dahl 1971). Second, it is considered to be crucial process for stabilization of the post state socialist societies. Third, it is regarded as critical for the legitimacy of the democratic system and the ability to perform a number of welfare functions in modern capitalist societies. Fourth, the development of local self-government is understood as a potentially significant link between state and civil society (Elander and Gustafsson 1993).

Using the example of the Most District, this chapter deals with the democratization of society in the Czech Republic after the collapse of state socialism (the corner-stone of the political transition) and its implications for the environmental management at the local level. It investigates local self-government and state administration in the Most District in the period of the post-1989 transition. I will focus on the attempts of new local self-governments, district state administration and non-

governmental organizations (henceforth NGOs) to deal with the problems of revitalization and severe environmental degradation. This is one of the most difficult challenges the local governments (both local self-governments and district state administrations) have to face because they need to design new local environmental management policies which were either lacking under state socialism or, where they existed, were controlled by the central state.

The central question I examine in this chapter is whether the collapse of state socialism and transition to capitalism might alter political, economic and social conditions in Central and Eastern Europe in such ways that would support the improvement in the quality of the environment in the region. In order to answer this question, I deal with three secondary questions about the changes taking place in Central and Eastern Europe: (1) Is the democratization of society at all levels leading toward new forms of social regulation? (2) Is industrial restructuring leading toward new forms of accumulation and environmentally more friendly production? And (3) is more efficient governmental environmental policy being established? As we will see, the pace of these changes is spatially uneven at regional and local levels, and the degree of environmental improvement and its sustainability is also spatially differentiated.

The first section of this chapter summarizes the state socialist local government system and its reform in the post state socialist period. In the second section, I analyze local self-government in three villages and one small town of the Most District. This section includes an analysis of the post state socialist revitalization strategies, local finance, and municipal legislative powers. The third section deals with the analysis of local self-government in the urban municipalities of the Most District with a specific focus on environmental management. The fourth section looks at the regional environmental management conducted by the state administration at the Most District Office. In the fifth section, I consider the role of environmental non-governmental organizations in the regional and local environmental management in the Most District. This analysis will indicate whether civil society is emerging in the Most District, its strength and its possible contribution to local environmental management. In the last section, based on my research in the Most District, I will summarize major conceptual

issues associated with the local government change in the Czech Republic after the collapse of state socialism.

### 9.1. Local Government Reform in the Czech Republic

The development of a genuine local self-government was one of the principal goals of democratization in the Czech Republic after 1989. It included the *decentralization* and *deregulation* of the state socialist administration and *delegation* of central government functions to local self-government.<sup>1</sup> The state socialist system of public administration was built as a unified system of 'National Committees' based on the Federal Constitution of 1960 and a Federal Act of 1967.<sup>2</sup> On paper 'National Committees' were established as state bodies of a self-governing nature representing state power and administration at local, district and regional levels (Vidláková 1993b). The 'National Committees' were supposed to

meet the general social needs and the needs of their territorial units, in the first place the needs of municipal development, and to harmonize the interests of society as a whole with local, group, and individual interests.<sup>3</sup>

In reality, the harmonization of the interests of society with local interests was understood as a total subordination of local interests to the interests of the state:

The National Committee will respect the principle of superiority of

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<sup>1</sup>'Decentralization' refers to the transfer of decision-making and implementation authority to local government accountable only to its own voters (the so called independent domain in the Czech Republic). 'Deconcentration' is associated with the dispersion of responsibilities within the central government structure from the center to the regional state administration structure (the transfer of powers from the ministries to the District Offices). 'Delegation' means that certain functions are transferred from the central to local government which is accountable to it for their performance (the so called transferred domain in the Czech Republic: the municipalities perform delegated functions of the state administration and are subordinated to the District Offices in this area) (Bird and Wallich 1994, Hanšpach, Kostelecký and Vajdová 1993).

<sup>2</sup>For the overview of the state socialist system of public administration and local government in former Czechoslovakia see, for example, Vidláková (1993b), Kára (1992), Hendrych (1993) and Dosiál and Kára (1992).

<sup>3</sup>Federal Act of 1967. Cited in Vidláková (1993b), p. 67.

interests of all people of Czechoslovakia over particular or local interests.<sup>4</sup>

As a result, the 'National Committees' were unable to exercise almost any of their self-governing functions at the local level. They rather functioned as state authorities subordinated to the local Communist Party organizations and this role was actually dictated by the law:

National Committees are bodies representing socialist state power and state administration in regions, districts and municipalities. Under the guidance of the Communist Party of Czechoslovakia, they work for confirmation of the socialist system.<sup>5</sup>

As such, the 'National Committees' were central to the state socialist mode of social regulation at the local, district and regional levels. Therefore, local government reform became one of the top priorities of the first post-1989 government aimed not only at democratization of society at all scales, but also at the dissolution of the state socialist power system.<sup>6</sup> New acts on municipalities and municipal elections were prepared and passed in less than one year following the collapse of state socialism.<sup>7</sup> The system of 'National Committees' was abolished,<sup>8</sup> and the local self-government was designed as a self-governing unit separated from central state administration. At the district level, the former 'National Committees' were transformed into state administration offices<sup>9</sup> and the regional 'National Committees' were abolished without any replacement. The first

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<sup>4</sup>The 1960 Constitution of Czechoslovak Socialist Republic, Head 7, Article 93, Paragraph 2. Cited in Kára (1992), p. 164.

<sup>5</sup>National Committee Act, Head 1, Article 1, Paragraph 1. Cited in Dostál and Kára (1992), p. 24.

<sup>6</sup>The first post-1989 act dealing with the local government was the so called 'Cooptation Act' by which the most discredited local and regional governors were removed from the 'National Committees' in early 1990 (Kára 1992).

<sup>7</sup>The Act on Municipalities No. 367/1990 passed by the Czech National Council on September 4, 1990 and the Local Elections and Referendum Act No. 298/1990. See Hanšpach, Kostelecký and Vajdová (1993) for a detailed explanation of the new local government system in the Czech Republic.

<sup>8</sup>The governmental resolution No. 163/1990 approved on June 6, 1990 (Zářecký 1994).

<sup>9</sup>Based on the District Office Act passed by the Czech National Council on October 9, 1990.



free democratic local elections in more than fifty years took place in the former Czechoslovakia on November 22, 1990.<sup>10</sup> The initial stage of local government reform was completed in 1993 after the municipal property was restored in 1992 and a new system of local finances was introduced in early 1993 (Illner and Hanšpach 1994). The second post-1989 local elections took place in November 1994.<sup>11</sup> Administrative reform, however, has not been completed, because the government has been unwilling to establish self-governing regional units.

The processes associated with democratization and administrative reform are geographically uneven. In terms of *geographical scale*, changes at the local scale have been slower than changes at the national scale in the Czech Republic. Changes in rural areas have been slower than changes in urban areas (Elander and Gustafsson 1993, Heřmanová, Illner and Vajdová 1992). At the local scale, the processes associated with democratization proceeded differently and with various intensity in distinct types of municipalities. Generally, these processes have been faster in larger municipalities and those located close to large cities or urban areas. In contrast, smaller municipalities and especially those located in rural and more isolated areas tended to be more conservative and resistant to the changes (Heřmanová, Illner and Vajdová 1992).

## 9.2. Democratization and Local Self-Government in Small Municipalities of the Most Basin

The collapse of state socialism and the subsequent democratization of society and economic transition dramatically changed the future outlook for many of the remaining villages in the Most Basin. This change resulted from a number of different factors. *First*, as a result of democratization at the national level, the Czech government changed its position toward coal mining and set up ecological mining limits in order to stop

<sup>10</sup>74.8% of eligible voters participated in the 1990 local elections in the Czech Republic (LN November 21, 1994b). The Civic Forum won the local elections with 35.6% of the vote followed by the Communist Party (17.2%) and the People's Party (11.5%). Independent candidates won 10.6% of the vote (Illner and Hanšpach 1994).

<sup>11</sup>63.8% of eligible voters participated in the 1994 local elections, 11% less than in 1990 (LN November 21, 1994b). The Civic Democratic Party gained 28.7% of the votes, the Communist Party 13.4% of the votes and the Social Democratic Party won 8.1% of the votes. Independent candidates received only 7.5% of the votes (LN November 23, 1994).

demolition of additional villages in northern Bohemia which the state socialist planners planned to sacrifice to coal mining sooner or later (see Chapter Seven, section 7.4.1.). *Second*, coal mining enterprises altered their future development plans based not only on the governmental resolutions, but also on rapid economic decline and the related drop in energy consumption and the declining importance of coal in the Czech economy. This decline of coal importance is associated with the transition from the state socialist intensive model of development (especially for energy and coal) to a more diversified system of energy production and consumption (see Chapter Seven, sections 7.2. and 7.3.). *Third*, as a result of democratization at the local level, new local self-governments and citizens of the villages were able to stand up against coal mining enterprises and their plans to raze additional villages (see Chapter Seven, section 7.4.2.).<sup>12</sup>

Local self-governments elected in the 1990 local elections in the Most Basin faced a number of important challenges. These included not only the need to set up a new democratic system of local self-government, which was a common task for all newly elected local governments in the Czech Republic, but also the need to deal with some very specific problems associated with the structured coherence that typified the previous state socialist regime in the Most region. Villages and small towns of the Most Basin which survived the state socialist period without being razed faced a difficult task of revitalization after a long period of neglect and the ever present danger of a possible demolition.

The biggest problem we have to face here is the fact that this village was planned to be demolished. Therefore, the state housing department did

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<sup>12</sup>Unfortunately, this change came too late for the village of Libkovice in the Most Basin which was razed after 1989 (see Photo 11, p. 161). The decision about the demolition of the village of Libkovice was made in 1987 in order to let the Hlubina Mines mine coal located under the village. The Hlubina Mines bought most of the houses in Libkovice and began their liquidation in 1990. In 1991, based on the suggestion from the Green House Litvínov NGO, ten mayors of the Most Basin issued an appeal calling to stop the demolition of Libkovice and to save the village. Unfortunately, this appeal did not find any further support among the environmental NGOs and the demolition of Libkovice continued. One year later, the Greenpeace and the Rainbow Movement began to fight to save the village when most of it was already demolished and its inhabitants moved out. By the end of 1993, more than 250 of houses were razed and less than 20 remained (interviews with Jiří Kieč the mayor of the village of Mariánské Radčice, August 3, 1993; Andreas Stefan, mayor of the city of Mezibof August 10 and 11, 1993; and Pavel Novák, director of the Green House Litvínov, Most, July 28, 1993; Carolina 1994).

not spend one crown here for at least ten years. I can say that all investment activity stopped and this village terribly suffered because no one took care of anything, no one repaired houses and all roofs are leaky here, the infrastructure is breaking down and nothing is working well.<sup>13</sup>

The biggest problem of this town is its liquidation. The last year we were able to stop it when the [Czech] government decided that this town would not be razed. . . We faced the danger of being demolished for forty years. This town used to have 13 thousand inhabitants but there were only 3,200 inhabitants left when I took over the office [in 1990]. This is the result. Young people were leaving to get better housing because 50% of all houses were completely devastated here. The doors and windows of empty devastated houses were barricaded with metal plates for several decades.<sup>14</sup>

Moreover, some villages, such as Horní Jiřetín, have still to fight for their survival and the village of Libkovice was razed when its inhabitants, various NGOs and local governments of neighboring villages lost the battle to save the village after 1989 (see footnote 12, this chapter, and Chapter Six).

Three largest cities of the Most District, the city of Most, Litvínov and Meziboří struggle to improve the environment while coping with the problems associated with the transition to capitalism in the Czech Republic such as economic restructuring and growing crime.<sup>15</sup> These problems are common to most municipalities in the Czech Republic.<sup>16</sup> The problems of revitalization and neglect are not as urgent in the cities as they are in the villages. Thus the cities of the Most Basin confront slightly different

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<sup>13</sup>Interview with the mayor of the village of Louka u Litvínova, August 10, 1993.

<sup>14</sup>Interview with Mr. Krepčík, the mayor of the town of Lom, Lom, August 5, 1993.

<sup>15</sup>The information is based on the interviews of the mayors of cities of Most, Litvínov and Meziboří conducted in July and August 1993.

<sup>16</sup>According the 1992 Local Democracy and Innovation survey, protection of the environment topped the list of high priority problems confronting municipalities in the Czech Republic as they were perceived by councillors. 89.4% of councillors listed environmental protection as very important or rather important problem. Public safety placed second with 87.0%, (environmentally relevant) public utilities third with 82.8% etc. (Illner and Hanšpach 1994, p. 105). Public safety was regarded as very important problem by 62% of councillors while environmental protection by 58% (Vajdová 1992). The survey samples were more or less representative of urban municipalities and included only a sub-sample of rural communities (Illner and Hanšpach 1994).

problems than the villages during the transition to capitalism. None of the mayors interviewed from three villages in the Most Basin named quality of the environment among the biggest problems facing their particular village while all city mayors with the exception of the small town of Lom pointed toward the environmental problems as the biggest issues they had to deal with. Under this situation, the cities and villages of the Most basin might seek different remedies for their biggest problems. As we will see in the following sections, while the villages are preoccupied with their revitalization and financial difficulties, the cities are more anxious to deal with the environmental devastation. This finding indicates the uneven nature of the transition from state socialism to capitalism between larger cities and smaller villages and that they might follow different pathways from state socialism. Based on this finding I will deal with the issues of urban and rural municipalities separately in order to investigate their different and common challenges during the transition from state socialism and to determine whether they follow different pathways from state socialism.

### *9.2.1. Local self-government revitalization strategies and environmental management in the small municipalities of the Most Basin*

Although the three villages (Mariánské Radčice, Louka, Horní Jiřetín) and one small town (Lom) of the Most Basin, in which I conducted the interviews with their mayors, share many similarities, their mayors often provided contrasting perspectives on the current situation in their respective villages and the local government system in the Czech Republic (see Map 4).<sup>17</sup> The issue of interpretation of the post-1989 development in the individual municipalities is very complex and the accounts of changes can be very different depending on several factors, such as the size of municipality - whether it is urban or rural, its location, history, uneven development, political affiliation of its mayor etc. We need to keep this complexity in mind when interpreting interviews with the mayors in the Most District. The different perspectives on patterns of post-1989

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<sup>17</sup>All three villages and the town of Lom were originally coal mining communities. Today, the industrial employment structure is divided between coal mining and chemical industry. The importance of agriculture is minimal because it virtually does not exist in these communities. Population size in 1991: Horní Jiřetín 1,861; Lom 3,214, Louka u Litvínova 648; Mariánské Radčice 324 (OSS 1992).

development reflected complexity of issues and changes taking place at the local scale. They resulted from the different political orientations of the mayors, their different experience with the emerging system of post state socialist regulation, and the different histories and current situations in each community, as well as other issues.<sup>18</sup>

All four communities were planned to be liquidated due to various coal mining activities. The village of Louka u Litvínova was planned to be buried by the Růžodolská coal mining dump,<sup>19</sup> the village of Mariánské Radčice was planned to be razed due to the underground coal mining of the Kohinoor mine around the year of 2005,<sup>20</sup> the town of Lom was planned to be gradually liquidated for the same reason,<sup>21</sup> and the village of Horní Jiřetín, particularly its part Černice, is still in danger of being demolished to make a way for the Čs. Armády opencast mine.<sup>22</sup> After the collapse of state socialism, all four communities were eager to launch revitalization programs which would overcome a long period of stagnation and the gradual deterioration of their infrastructure. A major obstacle in these efforts was the lack of financial resources to pay for project documentation and implementation.<sup>23</sup> The Czech government financially supports 'communal ecological investment' aimed at the improvement of local environmental conditions in northern Bohemia.<sup>24</sup> The most important projects include the construction of infrastructure which allows communities to switch from brown coal to natural gas or

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<sup>18</sup>The mayor of Mariánské Radčice was a member of the Communist Party who used to be the mayor of the village for eight years under state socialism. This partially explains his strongly anti-governmental and anti-transition rhetoric. The remaining three mayors were elected as the members of the Civic Forum which united the anticommunist opposition during the 1989 revolution. The mayor of Horní Jiřetín was disillusioned by his inability to win guarantees which would permanently save his village in the post-1989 period. The mayors of Louka and Lom did not openly criticize governmental policies and changes after 1989.

<sup>19</sup>Interview with the mayor of the village of Louka u Litvínova, August 10, 1993.

<sup>20</sup>Interview with Jiří Kicl, mayor of the village of Mariánské Radčice, August 3, 1993.

<sup>21</sup>Interview with Mr. Krepčík, mayor of the town of Lom, Lom, August 5, 1993.

<sup>22</sup>Interview with Miroslav Štýbr, mayor of the village of Horní Jiřetín, August 3, 1993.

<sup>23</sup>Some municipalities, such as Louka u Litvínova or Lom, attempted to come up with an entrepreneurial local policy which was, however, limited to the sale of previously state owned housing stock transferred to municipal ownership after 1989.

<sup>24</sup>See Chapter Seven, footnote number 49.

electricity for household heating.<sup>25</sup>

<sup>25</sup>The mayor of Louka launched the privatization of the previously state owned houses in his village in order to raise necessary finances for the repairs and reconstruction of housing stock, the building of new sewage system, introduction of natural gas for household heating in the village, and a new drinking water system. At the same time, he submitted a request to the State Environmental Fund (henceforth SEF) for a financial help. The SEF can finance up to 70% of the construction activities contributing toward improvement of the quality of the environment in northern Bohemia, 50% in the form of a grant and 50% in the form of a loan (interview with the mayor of the village of Louka u Litvínova, August 10, 1993). The village of Mariánské Radčice launched the construction of the infrastructure which would allow households to switch from brown coal to electricity as a source of heat. At the same time, the village began to build a water purification station. The village was able to start these construction projects only because it transferred six million crowns from the budget of the village of Libkovice which fell under the jurisdiction of Mariánské Radčice after its inhabitants moved out and Libkovice was demolished by the Hlubina Mine. The village failed to receive any money from the government and from a special governmental grant of almost 80 million crowns allocated to the Most District Office for local environmental investments in 1993. A different interview has revealed that the mayor of Mariánské Radčice did not apply the SEF for any environmental grant. One possible explanation is that the entire process of applying is quite complicated and mayors do not know how to secure governmental funding (interview with ing. Pisinger, advisor of the Minister of Environment, Teplice, August 4, 1993). This was the case of Mariánské Radčice because the mayor mentioned during his interview that he was preparing his SEF grant application for the last six months and finally had to ask the District Office to help him. Another obstacle of getting governmental grants for ecological investment was that in 1990 the government was willing to support only ecological investments which had all working plans ready. In 1991, the governmental support went only to the ecological construction projects in progress. Therefore, the villages which were not ready to start constructions in 1990 found it very difficult to receive any governmental money to start them in 1991 (interview with Mr. Krepčík, mayor of the town of Lom, Lom, August 5, 1993). The mayor of Mariánské Radčice argued that he was not even informed about the governmental grant and that the money was distributed by the District assembly of municipal representatives which favored the cities but largely ignored the needs of villages. The money was actually distributed by the District assembly working group. The institution of District assembly of municipal representatives was established by the District Office Act in 1990. Its membership is based upon the population size of municipalities. In the case of the Most District, it means that the members of the district assembly delegated by the city of Most alone have well over 50% votes and can ignore all other municipalities when making any important decisions such as the allocation of the governmental environmental grants. In contrast, small villages are not large enough to have their own delegate in the district assembly. Therefore, several villages are usually represented by a joint delegate. As a result, small communities cannot influence any decisions made by the district assembly dominated by large cities and often have no information about its work. The system of District assembly was harshly criticized by all mayors interviewed in small villages in the Most Basin in 1993. The director of the Czech Institute of Sociology characterized the institution of district assembly as ill defined and expected its abolition (interview with Dr. Illner, director of the Institute of Sociology, Czech Academy of Sciences, Prague, August 19, 1993). The town of Lom began conversion from coal to natural gas in 1990 which is supposed to decrease its air pollution from local sources by 70%. The town began reconstruction of its devastated housing stock and planned to build new sewage and drinking water systems. The main obstacle in its revitalization efforts was a lack money. The town raised some money by selling several houses but it would need at least five times larger budget than it had to begin work on all problems (interview with Mr. Krepčík, mayor of the town of Lom, Lom, August 5, 1993). Revitalization of Horní Jiřetín was hindered by its uncertain future due to a still existing possibility that the village will be razed (see Chapter Seven, section 7.4.). The village needed to build a sewage system and undertake conversion from coal to natural gas or electricity for heating purposes. The village did not have working plans and other proper documentation ready to launch its revitalization program due to its uncertain future. For this reason, it could not receive any governmental funding and it did not have other financial means to start any construction activities. The mayor of Horní Jiřetín argued that inability of the local self-government to launch revitalization of the village due to external constraints could seriously undermine its legitimacy in the eyes of its constituency (interview with Miroslav Štýbr, mayor of the village of Horní Jiřetín, August 3, 1993).

### Environmental powers and competency

The ability of local self-governments to influence quality of the environment on their territory is limited to the area of communal ecology and local sources of pollution because municipalities still have almost no powers over large polluters even if they are located on their territory. A case in point is the Chemopetrol company in the Most Basin (Tables 9.1 and 9.2). The Clean Air Act No. 309/1991 lists large polluters over which municipalities have no jurisdiction and which can be fined only by Regional Environmental Inspections. The money collected on environmental fines from large polluters goes to the State Environmental Fund which redistributes it, but which does not necessarily end up in the area where it was collected. The mayors interviewed naturally found this situation unsatisfactory, and argued that the money collected on environmental fines and penalties in the Most District should be invested in the environmental improvement in the district.

**Table 9.1** Legal abilities of different authorities to issue permits in the area of environmental management.

Authority	Air	Water	Waste
Municipality	None	None	None
District Office	None	Discharge limits for all sources	Approve waste management plans
Environmental Inspection	Emission limits, large and medium size polluters	None	None

**Source:** Regional Plan of Environmental Priorities 1994, p. 7-5.

In terms of air pollution, municipalities can only enforce environmental regulations for small pollution sources (thermal output less than 0.2 MW) and monitor

discharge of 'dark' smoke.<sup>26</sup> Municipalities can also order inspection of emitted pollutants from mobile sources and impose penalties on large and medium pollution sources for exceeding the emission limit for the dark color of smoke.<sup>27</sup> The small villages, such as Horní Jiřetín or Mariánské Radčice, would have to ask a municipal government with the delegated powers (such as Litvínov) or the Most District Office to fine large polluters. None of the interviewed mayors in small villages of the Most Basin ever used these powers. Municipal boards and mayors of Horní Jiřetín, Louka and Mariánské Radčice never fined anyone for environmental offenses on their territory.<sup>28</sup> Only the town of Lom used its powers to impose penalties mostly for dumping on illegal dumping sites.<sup>29</sup>

It is questionable to what extent the small villages can efficiently manage the environment in their territories on their own even if they have the authority to do so. One of the major problems is also the lack of qualified personnel educated in the area of environmental management and administration employed by the local village self-governments.<sup>30</sup> Several key informants interviewed in the Most District argued

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<sup>26</sup>The darkness of smoke indicates the amount of soot in the smoke. In principle, white or light color smoke indicates a small amount of soot and well adjusted furnaces. Darker smoke indicates that more soot is being released which suggests that furnaces are not well adjusted and inappropriate fuel is being used (interview with Dr. Jan Vozáb, former chair of the Department of the Environment, mayor's office, city of Most, June 24, 1993).

<sup>27</sup>Based on the Act on State Administration of Air Protection and Air Pollution Charges No. 389/1991 Sb. Cited in Regional Plan of Environmental Priorities (1994) p. 4-18.

<sup>28</sup>The mayor of Louka argued that a major problem was that he had to prove any environmental offenses before he could penalize an offender. He said that he simply did not have time to do that by himself. The municipal board did not fine anyone because there were no serious environmental offenses in the village so far. Nevertheless, the mayor invited the District Hygienic Station to measure noise levels produced by one newly established private workshop in the village and was ready to fine it or close it down based on the results. The municipal government also complained about excessive noise produced by one of the mines. The mine promised to fix the problem. The municipal government and namely the mayor took actions after the residents of the village complained about these issues (interview with the mayor of the village of Louka u Litvínova, August 10, 1993).

<sup>29</sup>Based on the Act on State Administration of Waste Management No. 311/91 Sb. Interview with Mr. Krepčik, mayor of the town of Lom, Lom, August 5, 1993.

<sup>30</sup>This was the major reason why the Litvínov city council founded the high school of environmental management in 1991 which was designed to prepare qualified administrative workers in the area of environmental management for local state administration, local self-governments and also industrial enterprises. This is the only high school of this type in the Czech Republic. The first 20 students began to study in September 1992 and they should graduate in May 1996 (interview with Ing. Doležal, mayor of the city of Litvínov, August 11, 1993).



**Table 9.2** Administrative bodies with legal enforcement authority in the area of environmental management and their enforcement instruments in the Czech Republic.

Enforcement authority	Enforcement instruments		
	Air	Water	Waste
Municipality	Darkness in the color of smoke	None	Inspections, penalties on dumping sites, producers not submitting a waste management program
District Office	Inspection, compliance with smoke regulations	Inspection, penalties all polluters	Inspection, penalties all polluters
Environmental Inspection	Inspection, penalties all polluters	Inspection, penalties all polluters	Inspection, penalties all polluters
River Basin Authority	None	Inspection of monitoring systems, sampling procedures	None

Source: Regional Plan of Environmental Priorities 1994, p. 7-8.

that small villages were unable to deal effectively with the complexity of environmental issues without the help of the Most District Office.<sup>31</sup>

### **9.2.2. Local finance in the small municipalities of the Most Basin**

Fiscal decentralization and the development of financial autonomy at the local level are often understood as being crucial for the development of self-government in the post state socialist countries of Central and Eastern Europe (Bird and Wallich 1994, Blažek 1994). The dependence of local budgets on allocation of resources from the

<sup>31</sup> Interviews with Dr. Jan Vozáb, former chair of the Department of the Environment, mayor's office, city of Most, June 24, 1993; ing. Janečková, Department of Environment at the Most District Office, July 7, 1993; ing. Cír, the chair of the Department of Environmental Protection in the Chemopetrol company, August 12, 1993; and David Lowrance, Green House Litvínov, August 10, 1993.

central state limits the development of local autonomy and democratization at the local scale. This issue is recognized by both the municipalities and central state in the Czech Republic, and consequently, it became one of the most important areas of the conflict between the central state and local self-government. The local state wants to become financially more independent of the central state subsidies, while the central state attempts to keep a certain level of control over development at the local scale. It reflects the struggle over decentralization and centralization between local self-governments and central state and the attempts to find a balance between the two in the Czech Republic.<sup>32</sup>

In the early stages of transition to capitalism, small municipalities in the Most Basin depended almost totally on the governmental grants to launch their revitalization strategies which, therefore, had to be largely limited to the types of ecological investment the government was willing to support (Table 9.3). The special governmental grants were distributed through District Offices which caused a lot of controversy between small villages and the Most District Office and limited local autonomy over financial decision making. The mayors interviewed in small municipalities argued that the Most District Office favored the cities and allocated most money from the governmental special grants to them.<sup>33</sup>

Several local taxes and fees collected by local governments (so called own income) did not play a significant role in the local budgets. The situation began to change after the Czech government launched the local budget reform in 1993 which gradually led toward greater financial autonomy of municipalities and District Offices in the Czech Republic (Table 9.4).<sup>34</sup> It is questionable, however, whether small municipalities in the Most Basin will be able to collect enough money both from taxes and the government to finance their overall revitalization, including the repairs of housing stock and infrastructure, in the near future especially when the central

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<sup>32</sup>See Bird and Wallich (1994) on local finance during the transition in Central and Eastern Europe.

<sup>33</sup>See Blažek (1994) on the local government financing in the Czech Republic between 1989 and 1992.

<sup>34</sup>Since 1993, the municipalities and district offices have received collected personal taxes (50% municipalities, 50% district offices), business taxes and property taxes (LN October 25, 1994). However, municipalities cannot set any local taxes or influence the rate of taxation. Taxes are set centrally and municipalities can receive a certain percentage of collected taxes (interview with Dr. Illner, director of the Institute of Sociology, Czech Academy of Sciences, Prague, August 19, 1993).

**Table 9.3** Income structure of municipalities in the Czech Republic in 1991.

General government grant	45.8%
Special government grants	14.8%
Own incomes	18.4%
Other incomes	21.0%

Source: Blažek 1994, p. 86.

**Table 9.4** Share of own income in local budgets and municipal income from taxes in the Czech Republic.

	1991	1992	1993	1994	1995
Own income (%)	18.4	14.7	57.6	n.a.	75.0 <sup>1</sup>
Tax income (billion Kč)	n.a.	7.7	27.1	38.4 <sup>1</sup>	42.8 <sup>1</sup>

Note: 1 = plan. Kč = Czechoslovak crown in 1991-92 and Czech crown in 1993-95. Local budgets are composed of the budgets of municipalities and budgets of District Offices.

Source: LN October 25, 1994, Blažek (1994).

government attempts to curb the growth of local government incomes.<sup>35</sup>

One of the possible ways to overcome the lack of capital for revitalization at the local level is the participation of foreign capital. For example, US investors and financial institutions provided a \$100 million commercial loan guaranteed by the US government for the development of municipal infrastructure in the Czech Republic in

<sup>35</sup>The Czech Finance Ministry reduced the municipal share of entrepreneurial taxes by 10% (from 100% to 90%) starting in 1995 and redirected these money from the municipal to the state budget. Instead, it planned to increase governmental subsidies for education and welfare institutions. This should lead to greater governmental control over financing public needs (MF Dnes August 31, 1994). The Finance Ministry argued that municipal income from entrepreneurial taxes grew too fast because it increased by 33% in 1994 (LN September 1, 1994). This step will reduce municipal financial autonomy. Similarly, the Czech Parliament abolished local sale taxes on alcohol and tobacco products in February 1994, which also reduced municipal income (HN February 22, 1994). In December 1993, the Czech Parliament exempted municipalities from municipal property taxes which was criticized by the Finance Ministry. However, municipal property taxes are a very small item in the municipal budgets (HN December 6, 1993).

1994 (HN May 17 and August 18, 1994). The question is whether small villages, such as Louka, Mariánské Radčice and Horní Jiřetín, can afford to take a loan and be able to pay it back. Another question is whether small municipalities can get the loan if they have no way of paying it back. The mayor of Horní Jiřetín, for example, argued that if his village took a loan it would never be able to pay it back.<sup>36</sup> In fact, interviews suggest that only large cities can take loans for their development and pay them back.

Some mayors argued that the state should not take away and redistribute capital produced in their villages but it should leave it to them to use it for their revitalization and further development. They thought that this would be a feasible way to overcome the lack of capital at the local level. For example, the mayor of Mariánské Radčice argued:

The Kohinoor mine pays taxes to the state for mining on our municipal territory. We get only 50% of these taxes and the second half goes to Prague. Why couldn't stay it here? The entire 100%? The mine works here on our territory, it plunders beneath us. Why the village should not receive 100% of these taxes instead of only 50%?<sup>37</sup>

The North Bohemian Union of Cities and Villages prepared several petitions asking the Czech government to stop the redistribution of revenues generated in northern Bohemia, such as environmental penalties or coal mining taxes.<sup>38</sup> The Union asked to use this money for the revitalization of northern Bohemia. The Union also negotiated with several ministers about their requests. Negotiations with the central state and petitions are usually organized by the mayors of urban municipalities, such as the cities of Most or Litvínov.<sup>39</sup>

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<sup>36</sup>Interview with Miroslav Štýbr, mayor of the village of Horní Jiřetín, August 3, 1993.

<sup>37</sup>Interview with Jiří Kicl, mayor of the village of Mariánské Radčice, August 3, 1993.

<sup>38</sup>The Union of Cities and Villages is an independent organization which provides not only advice and help to individual municipal governments, but also coordinates some external activities of municipalities, such as bargaining with central government. The ability of municipalities to organize themselves independently is one of the important changes compared to the state socialist period when this type of organizations was not allowed by the state.

<sup>39</sup>Interview with the mayor of the village of Louka u Litvínova, August 10, 1993.

Several mayors (Louka, Mariánské Radčice) complained about the profit taxes on private entrepreneurs which were collected according to the permanent residency of an entrepreneur and not the location of a business. Therefore, private entrepreneurs running their businesses on municipal territory but permanently residing in a different village or town do not pay any taxes to a municipality on which territory their business is located. All interviewed mayors in the villages complained about the system of tax collection in their villages conducted by the district financial office. Collected taxes are distributed back to the municipal governments with a six month delay. The mayors argued that municipalities should administer the collection of taxes allocated to municipalities by the government to support their financial autonomy.

The lack of capital and limited financial autonomy are thus two of the most important obstacles to faster revitalization of the three villages and one small town under investigation in the Most Basin. The lack of capital at the local level reflects the economic crisis and subsequent stagnation at the national level. Municipalities are still overwhelmingly financially dependent on the central state and the previous state socialist centralized local finance system continues to operate to a certain extent under the new conditions (see also Bird and Wallich 1994, Jensen and Plum 1993). The limited fiscal autonomy of villages reflects the limits of local government reform and democratization at the local scale in the Czech Republic after the collapse of state socialism. The struggle between municipalities and the central state over the extent of fiscal decentralization and greater financial autonomy of the local scale illustrates the contested nature of the transition from state socialism in the Czech Republic.

### ***9.2.3. Municipal powers of the villages in the Most Basin***

The struggle over fiscal decentralization of financial resources from the central to the local scale and the reduction in redistribution of financial resources generated at the local scale by the central state administration is closely related to the struggle over political decentralization in the Czech Republic. Political decentralization is considered by local government experts to be a very important part of democratization and local government reform in the formerly state socialism countries of Central and Eastern Europe (Bird and Wallich 1994, Hanšpach, Kostelecký and Vajdová 1994, Jensen and

Plum 1993). What is the extent and nature of political decentralization in the Czech Republic after the collapse of state socialism? In this section, I will attempt to answer this question using the example of the small municipalities in the Most District.

The assessment of municipal powers by mayors of municipal self-governments is a valuable indicator of the degree of local autonomy and democratization. When asked about the powers local self-governments acquired after 1989 some mayors thought that they had sufficient powers to deal with the problems of their municipalities (the town of Lom) but they also felt that the current central government was trying to curtail some of these powers:<sup>40</sup>

We have the powers based on the Act [on Municipalities] but in reality everybody does what he or she wishes here. They circumvent our [municipal] powers and furthermore they try to limit them by various governmental or legal amendments.<sup>41</sup>

I would say that the Local Government Act gave some powers to municipalities which, in reality, were quite extensive. Several amendments were issued, however, that curtailed these municipal powers.<sup>42</sup>

The mayor of Louka argued that he did not have enough powers to deal with housing problems or to curb the soaring crime in his village. The opinions of the mayors of villages in the Most Basin reflected a growing fear on the part of local self-governments that the state wanted to restrain powers they achieved after 1989. The chairman of the Czech Union of Cities and Villages argued in August 1994:

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<sup>40</sup>For example, according to the Act on Municipalities article 36 (paragraph m) enacted in 1990, municipal councils were given powers to decide about the measures to be taken in the area of environmental protection on their territory. This paragraph was removed when the Act on Municipalities was amended in 1992. Similarly, article 15 which gave power to municipalities to refuse localization approval for environmentally harmful activities on their territories was removed from the Local Government Act in 1992.

<sup>41</sup>Interview with Miroslav Štýbr, mayor of the village of Horní Jiřetín, August 3, 1993.

<sup>42</sup>Interview with Jiří Kicl, mayor of the village of Mariánské Radčice, August 3, 1993. Mr. Kicl argued that he had about the same powers in 1993 as he had before 1989 and in some areas he had smaller powers in 1993 than he had before 1989.

I have a feeling that there is a growing tendency to restrain self-government in the Czech Republic. The [Czech] government and the Parliament approach self-government as it should not be so much self-governed, as it would be a naughty child. . . There is a growing tendency to view a state official as better, fairer and less bribable than an elected representative and therefore he [state official] should be allowed to supervise self-government.<sup>43</sup>

These answers indicate that the new system of local self-government is not yet firmly in place in the Czech Republic and, more importantly, that the transition from the centralized state controlled local administration to de-centralized local self-government is not a linear change, but rather a complicated process which is far from completed. The future form of local self-government and its degree of financial and political autonomy is still unclear and will result from the struggle over the extent and form of political and fiscal decentralization between central and local governments and political parties.<sup>44</sup> One of the most important factors which will influence local self-government is the ongoing struggle between the central and local state and among different political parties over the establishment and future form of regional self-government which still needs to be defined. This issue is in the center of the political struggle in the Czech Republic because the strongest political party led by the Prime Minister Klaus (the Civic Democratic Party) blocks the efforts of other political parties and the Czech president

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<sup>43</sup>HN August 16, 1994, p. 3. In October 1994, mayors of the thirteen largest Czech cities issued a collective statement in which they argued that the central state did not trust the strength and abilities of local self-government for the entire post-1989 period. As a major reason for this situation, the mayors blamed the central government and parliament for their failure to recognize local self-government as an equal partner to the central state (LN October 13, 1994b).

<sup>44</sup>For example, the ruling Civic Democratic Party proposed profound restructuring of local self-governments in May 1994 which included the reduction of number of municipal council members by one third to one half and their subsequent merger with municipal board in one local self-government body (Martínková 1994). This proposal illustrates the struggle over political decentralization and re-centralization in the Czech Republic. It would allow greater centralization of political power in municipalities and it would also increase the power of the strongest political parties because they receive the votes of unsuccessful candidates during the municipal elections. The proposal was not accepted by the Czech Parliament. Instead, according to the Amendment of the Act on Municipalities No. 367/1990, paragraph 28, enacted on June 22, 1994 the municipal council has 5-55 councillors, depending on the population size of municipality, directly elected by the citizens. The municipal board has 5-11 members elected by the municipal council from its membership. The municipal board is not elected in municipalities with the municipal council of less than 15 councillors (HN July 1, 1994) Before June 1994, the municipal council had 7-70 councillors and the municipal board had 5-13 members (Hanšpach, Kostelecký and Vajdová 1993).

Mr. Havel to establish regional self-governments in the Czech Republic, even though these were mandated by the Czech Constitution approved in 1992. This situation reflects the struggle over decentralization and centralization in the Czech Republic after the collapse of state socialism.

The struggle over political and fiscal decentralization is also illustrated by the changing nature of relations between local self-governments and District Offices. District Offices are part of the local government system representing central state administration in the Czech Republic (Blažek 1994). Based on the 1990 District Office Act, the District Offices control legal decisions made by local self-governments in their administrative procedures. District Offices also supervise the implementation of the so called delegated functions transferred by the state to local self-governments.<sup>45</sup>

The most important change since the period before 1989 has been the abolition of vertical subordination of local self-governments to District Offices. According to interviews conducted in three villages and one town of the Most Basin, the mayors of Louka, Horní Jiřetín and Lom no longer felt subordinated to the Most District Office. The mayor of Mariánské Radčice argued, however, that the District Office still attempted to dictate and control his office.<sup>46</sup>

The situation in the small municipalities of the Most Basin in the summer of 1993 reflected some general challenges the small municipalities had to face in the Czech Republic. *First*, the attempts of local self-government in economic revitalization and local environmental improvement were slowed by the lack of capital and dependency on central government grants. This indicates that political decentralization was not

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<sup>45</sup>State powers which can be delegated to municipal self-governments include various responsibilities in the areas of transportation, housing, administration, culture, education, agriculture, energy production and national defense. In the area of transportation, for example, a local government can regulate traffic on the municipal territory. In the area of education, a local government can decide about admissions of students to elementary schools, postponement of or exemption from mandatory elementary education and other issues. All delegated functions were defined under state socialism (The Act on Municipalities 1990, pp. 14-16). Small municipalities typically administer only register of births, marriages and deaths as a delegated function.

<sup>46</sup>Interview with Jiří Kicl, mayor of the village of Mariánské Radčice, August 3, 1993. Local officials are often critical about the District Offices because they frequently think that the District Offices have too many powers and that many competencies which should be decentralized to the local level are still concentrated at the district level (interview with Dr. Illner, director of the Institute of Sociology, Czech Academy of Sciences, Prague, August 19, 1993).



accompanied by the same degree of fiscal decentralization in the Czech Republic. At the same time, it reflects the overall financial weakness of municipalities in the Czech Republic due to the rapid post-1989 economic decline and strict financial discipline imposed by the central state as a part of its transition strategy.

*Second*, the situation in small municipalities reflected the centralization-decentralization struggle between the central state and local self-government. After the 1992 parliamentary elections, democratization at the local scale was slowed by the efforts of the central state to centralize some powers given to municipalities after 1989. The limited decentralization of powers in the area of environmental management and insufficient cooperation between the local self-government and district administration severely limited the abilities of local self-governments to deal with local environmental problems.

*Third*, small municipalities of the Most Basin also reflected the changing relations between municipalities and large industrial enterprises in the Czech Republic. I have dealt with these issues in Chapters Seven and Eight. On the one hand, the changing nature of these relations reflects not only new political conditions in which the enterprises were forced to comply with old and new legislation, but also the economic difficulties associated with their privatization and restructuring. On the other hand, it points toward the limits of political decentralization because the municipalities do not have sufficient powers to deal with some problems, including environmental problems, caused by the enterprises located on their territory or just barely outside their territory.

### **9.3. Local Self-Government and Environmental Management in Urban Municipalities of the Most District**

The situation in urban municipalities of the Most District reflected general difficulties of local self-administration and limited democratization at the local scale in the Czech Republic, such as insufficient decentralization and struggle over the establishment of regional self-government. Urban municipalities also reflected the conflict between the central state and local self-governments over the degree of political and fiscal decentralization. Insufficient political and fiscal decentralization and consequent lack of powers and financial resources limited the abilities of municipalities

to effectively deal with their municipal problems.

Urban municipalities of the Most District often deal with the same problems as small municipalities, such as financial weakness, environmental degradation, insufficient municipal powers and changing relations with large industrial enterprises, but frequently with a different intensity. Urban municipalities also face the problem of insufficient political and fiscal decentralization but some of them are much better than small municipalities in finding ways to overcome these obstacles. Generally, the bigger size of urban local governments and their offices allows better division of labor and work organization, and the setting up of specialized departments for specific issues with which the cities are coping. Urban municipalities are able to employ better professionals in administration and specialized areas, such as environmental management, and as a result, they suffer much less from lack of competency. Urban municipalities are much stronger partners for large industrial enterprises and District Offices, and are better able to communicate with the governmental ministries if necessary.

My research also showed that the situation among individual urban municipalities differed considerably in terms of their abilities to secure revenues for revitalization, environmental management, relations with larger industrial enterprises and other issues. We will see that innovative and aggressive municipal governments, such as the government of the city of Meziboří, do better than more passive ones in the existing local government system.

Urban municipalities of the Most District include the cities of Most, Litvínov and Meziboří (see Map 3, p. 113).<sup>47</sup> These three cities accounted for 87.3% of the Most District population in 1991 (OSS 1992). Their municipal governments felt that they faced several different challenges in comparison to small municipalities after the collapse of state socialism and in the transition toward capitalism. The most important difference was that the cities did not face any imminent danger of being razed due to coal mining

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<sup>47</sup>I have included the town of Lom among small municipalities because it shares similar problems (see section 9.2 of this chapter). The population size in 1991: Most 70,670; Litvínov 29,096; Meziboří 5,158 (OSS 1992).

before 1989.<sup>48</sup> Therefore, the cities did not face the pressure of revitalization so urgently after the collapse of state socialism in comparison to small municipalities.<sup>49</sup> Instead, all three city mayors argued that the biggest problems their cities had to face were the poor quality of the environment, air pollution in particular, and the issues associated with the transition to capitalism, such as economic restructuring (Most, Meziboří) or rising crime (Litvínov).

### *9.3.1. Environmental management in the cities of the Most District*

#### General difficulties

Environmental management in the cities of the Most District was affected by general problems of local self-government in the Czech Republic in the early stages of the transition from state socialism to capitalism. In particular: *First*, incomplete decentralization of powers from central to local state left urban municipalities with only minimal powers to combat causes of severe environmental degradation. *Second*, the problem of competency of urban municipalities was also serious but not necessarily universal. Newly established environmental departments in the municipal government offices lacked qualified environmentalists and administrators which undermined their ability to deal with environmental issues and their position within municipal administration. *Third*, many municipalities lacked commitment to seriously tackle environmental problems on their territory.

These three factors almost paralyzed local environmental management in the Most District. Inability of local self-governments to tackle the problems of environmental degradation can seriously undermine the legitimacy of local self-government: in the cities of the Most District, according to the 1993 survey, a large portion of local citizens thought that local governments were better able to understand and deal effectively with

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<sup>48</sup>The so called 'large variant' of coal mining in northern Bohemia planned the devastation of the city of Litvínov after the year 2020. The cities of Most and Meziboří would not be affected (Kubricht 1980). The old city of Most was demolished in the late 1960s and 1970s (see Chapter Six, section 6.6.).

<sup>49</sup>The mayor of Meziboří argued, however, that the apartment buildings constructed 40 years ago were not taken care of and the sewage system was on the brink of breaking down (Interview with Andreas Stefan, mayor of Meziboří, August 10 and 11, 1993).

problems of industrial pollution than was the central government in Prague.<sup>50</sup> This means that a large portion of local citizens expected the local governments to take steps leading toward the improvements in the quality of the environment. The failure of local governments to take these steps poses a serious threat to their legitimacy in the eyes of their constituencies.

### The cities of Most and Litvínov

Before 1989, the municipal governments (national committees) virtually did not engage in the local environmental management. Some environmental management activities, such as the measurement of air pollution and water management, were carried out by the district national committees and district hygienic stations.<sup>51</sup> The cities of Most and Litvínov established Departments of Environment in 1991. The mayor's office in the city of Meziboří is too small to have its own Department of Environment.

The work of new municipal Departments of the Environment was very difficult right from the beginning. In particular, they lacked powers necessary to address the environmental problems on their territories (Tables 9.1 and 9.1).<sup>52</sup> As in the case of small municipalities, the cities of Most and Litvínov also lacked qualified persons in the area of environmental management and public administration.<sup>53</sup> In the city of Most, the

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<sup>50</sup>According to the local survey conducted by the author in the Most District in the summer of 1993, 63.8% respondents strongly agreed or agreed with the following statement: "The local council and district office are better able to understand and deal effectively with problems of industrial pollution than are the members of the central government in Prague." Only 17.9% disagreed or strongly disagreed. Number of respondents was 202.

<sup>51</sup>Interview with Dr. Jan Vozáb, former chair of the Department of the Environment, mayor's office, city of Most, June 24, 1993.

<sup>52</sup>The municipal powers in the area of environmental management include: regulation and control of small sources of air pollution, management of air pollution emergencies through the system of municipal decrees, preparation and enforcement of municipal decrees covering local issues, review and approval of private enterprises' management plans. Municipalities do not have the authority to regulate household sources of air pollution. However, the Department of the Environment of the city of Most was unable to issue any municipal environmental decrees because it would have contradicted other existing municipal regulations. Furthermore, the Most's municipal government did not judge improvement of the quality of the environment in the city to be its highest priority (interview with Dr. Jan Vozáb, former chair of the Department of the Environment, mayor's office, city of Most, June 24, 1993).

<sup>53</sup>Interview with Dr. Jan Vozáb, former chair of the Department of the Environment, mayor's office, city of Most, June 24, 1993. The chair of the Department of the Environment in the city of Děčín argued, however, that if a city was really interested in the issues of environmental management it could employ and pay well

chair of the Department of the Environment did not have sufficient support of the city council to carry out his work. As a result, the newly established Department of the Environment lacked any direct powers to deal with the polluters located on the territory of the city of Most, not to mention the most important polluters, such as the Chemopetrol company, power plants and coal mines located outside the city. Instead of developing long term strategies to improve the quality of the environment in the city, the Department of the Environment in the city of Most was asked by the municipal government to deal with urban technical services, such as street cleaning, municipal waste management and the management of municipal greenery.<sup>54</sup>

A similar situation existed in the city of Litvínov, although both the mayors of Litvínov and Most argued that their cities wanted to deal with environmental problems as their highest priority. The mayor of Litvínov complained that the Department of the Environment lacked necessary powers and qualified workers to deal with the environmental issues in the city.<sup>55</sup>

#### Ways forward? The case of the city of Děčín and municipal cooperation

An interview conducted in the city of Děčín of northern Bohemia (outside the Most District) revealed that a municipal government could quite effectively manage environment on its territory within the limited scope of its powers.<sup>56</sup> Děčín's municipal government launched an aggressive campaign to reduce air pollution in the city through the conversion of household and local furnaces from brown coal to natural gas.<sup>57</sup> In

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qualified workers (interview with Dr. Jarmila Vonková, chair of the Department of the Environment, Mayor's office, city of Děčín, July 27, 1993).

<sup>54</sup>Interviews with Dr. Jan Vozáb, former chair of the Department of the Environment, mayor's office, city of Most, June 24, 1993 and Mr. Pakosta, chair of the Department of the Environment, mayor's office, city of Most, July 28, 1993.

<sup>55</sup>Interview with Ing. Doležal, mayor of the city of Litvínov, August 11, 1993.

<sup>56</sup>The city of Děčín deals with slightly different problems compared with the city of Most. Děčín is located in a basin and local sources account for about 50% of air pollution (interview with Dr. Jarmila Vonková, chair of the Department of the Environment, Mayor's office, city of Děčín, July 27, 1993). In contrast, the city of Most has only few local sources of pollution because its heating system is based on the long distance heating from the Komofany heating plant.

<sup>57</sup>In 1991, about 600 household furnaces were converted from brown coal to natural gas, additional 930 were converted in 1992 and the first half of 1993 (interview with Dr. Jarmila Vonková, chair of the Department of the Environment, Mayor's office, city of Děčín, July 27, 1993).

1992, the city enacted a decree prohibiting combustion of fuel with a sulfur content greater than 1% within the city limits.<sup>58</sup> Other environmental measures the city implemented included the establishment of smog warnings and emergency controls, and metering of energy usage and control of heating by individual buildings, apartments and households. Děčín's municipal government employed qualified workers in the area of environmental management and it pursued improvement of the quality of the environment in the city as its top priority.<sup>59</sup>

Among the most important municipal responses to the problems of local environmental management were the efforts of cities located in the North Bohemian Coal Basin to cooperate in their attempts to set up a more effective system of local environmental management within the limited scope of their legal powers. For example, the chair of the Most's Department of the Environment organized several meetings of chairs of environmental departments from cities of northern Bohemia and other involved parties, such as District Offices, to discuss various problems of local environmental management.<sup>60</sup> As a consequence of these meetings, the cities now cooperate on the development of public decrees dealing with specific environmental problems relating to the territory of the city.<sup>61</sup> The cities have no authority to deal with regional

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<sup>58</sup>All factories but one complied with the decree. The factory which refused to comply was fined by the city and appealed to the Děčín District Office which suspended the decree arguing that fuel content regulation was in the jurisdiction of the Ministry of the Environment and its Regional Environmental Inspection, not municipalities. Chair of the Department of Environment in the city of Děčín argued that according to the Act on Municipalities, a municipality could issue public decrees (article 36, paragraph h) and there was no law which would have prohibited the city of Děčín to issue its decree regulating fuel content on its territory. The sulfur emissions from heavy heating oils declined three times in the city of Děčín after the decree was enacted (interview with Dr. Jarmila Vonková, chair of the Department of the Environment, Mayor's office, city of Děčín, July 27, 1993).

<sup>59</sup>The commitment of Děčín's municipal government to the environmental protection was based on the success of the Green Party in the 1990 municipal elections in the city of Děčín (interview with Dr. Jarmila Vonková, chair of the Department of the Environment, Mayor's office, city of Děčín, July 27, 1993; Andrews et al. (1994)).

<sup>60</sup>For example, the chair of Most's Department of the Environment organized a meeting dealing with the principles of newly prepared Mining Act on July 14, 1993. He invited not only delegates of local self-government, but also District Offices, various ministries and central offices, and representatives of coal mining companies (Meeting attended by the author, Most Research Field Notes, July 14, 1993).

<sup>61</sup>If one city is forced to deal with some environmental problem and develops a public decree or other measures to manage this problem it usually shares its experience with other cities. The reason is that the local environmental management administered by local self-governments is something new and there were no public decrees, measures and strategies showing how to deal with specific local environmental problems (interview

environmental problems. Consequently, they try to develop pressure on the District Offices and indirectly on the governmental ministries to deal with these problems and to communicate with the central government.<sup>62</sup>

On the one hand, the situation in Děčín and Most suggests that a municipal government committed to improve local quality of the environment can find ways for a radical change within the existing system of regulation. On the other hand, it reflects unwillingness on the part of the state administration and central government to decentralize local environmental management to self-governing municipalities at the local level, even though the existing system of centralized environmental regulation and control is unable to monitor and regulate the large number of polluters. This situation illustrates the limits of post-1989 decentralization and democratization in the Czech Republic. The chair of the Department of the Environment in the city of Děčín argued that there were 45 large sources of air pollution in the city of Děčín alone. The Regional Environmental Inspection, located in the city of Ústí nad Labem, which is authorized to monitor these polluters, had to monitor 350 large sources and 2,500 medium sized sources of air pollution in 10 districts with the staff of only 6 inspectors (Regional Plan of Environmental Priorities 1994). Furthermore, the Inspection was unable to complete its major task which involved setting the emission limits for large and medium pollution sources in northern Bohemia between 1991 and 1993. As a result, it is virtually impossible for the Regional Environmental Inspection to control large polluters in the city of Děčín but the city itself does not have the legal authority to do it. The only thing a city can do is to suggest violations of existing environmental regulation to the Environmental Inspection which can eventually take a legal action against polluters.<sup>63</sup>

Underdeveloped environmental legislation is one of the biggest obstacles for the development of local environmental management in the Czech Republic. Chairs of the

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with Dr. Jarmila Vonková, chair of the Department of the Environment, Mayor's office, city of Děčín, July 27, 1993).

<sup>62</sup>Interviews with Dr. Jan Vozáb, former chair of the Department of the Environment, mayor's office, city of Most, June 24, 1993 and Dr. Jarmila Vonková, chair of the Department of the Environment, Mayor's office, city of Děčín, July 27, 1993.

<sup>63</sup>Interview with Dr. Jarmila Vonková, chair of the Department of the Environment, Mayor's office, city of Děčín, July 27, 1993.

Departments of the Environment praised the governmental efforts to develop new environmental legislation in a short period of time after 1989 but they also complained that the post state socialist environmental legislation was prepared in a 'slapdash' manner and needed serious revaluation which would give municipalities the authority to better manage local environment.<sup>64</sup>

The examples of local environmental management in the city of Most as well as in the city of Děčín illustrate the shortcomings of the local environmental management system in the Czech Republic and the limits of democratization and decentralization after 1989.<sup>65</sup> Local government officials feel that there is an urgent need to further decentralize environmental management to the local level because the shortcomings of the current system pose serious limits to further improvement of local environmental conditions in heavily polluted regions such as northern Bohemia. The Ministry of the Environment and its Regional Environmental Inspections are unable to control and regulate efficiently hundreds of polluters in northern Bohemia. Furthermore, the current system can undermine the legitimacy of local self-governments because the citizens of cities and villages expect them to deal with the environmental problems, as the next chapter will illustrate, and generally do not know about the limited powers municipalities have in the area of environmental management.<sup>66</sup>

#### **9.4. The Most District Office and Regional Environmental Management**

##### ***9.4.1. Post state socialist deconcentration of powers***

District Offices are an important part of the local government system, representing central state administration at the local level in the Czech Republic. Heads

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<sup>64</sup>Interviews with Mr. Petr Pakosta, chair of the Department of the Environment, mayor's office, city of Most, July 28, 1993 and Dr. Jarmila Vonková, chair of the Department of the Environment, Mayor's office, city of Děčín, July 27, 1993.

<sup>65</sup>The Ministry of Environment prepared the amendment of the Air Protection Act No. 309/1991 in 1992. The Ministry asked the central ministries and some District Offices for comments but did not ask municipal governments to comment on the amendment (interview with Dr. Jarmila Vonková, chair of the Department of the Environment, Mayor's office, city of Děčín, July 27, 1993). Not to mention that in a truly democratic society municipalities should be allowed to participate in one way or another on the development of legislation which has direct implications for their everyday life.

<sup>66</sup>Interview with Dr. Jarmila Vonková, chair of the Department of the Environment, Mayor's office, city of Děčín, July 27, 1993; 1992 and 1993 survey results.



of District Offices are not elected, but are appointed by the Minister of the Interior. The individual departments are subordinated to the various governmental ministries. The environmental departments, for example, are subordinated to the Ministry of Environment which provides guidelines for their work in the area of environmental management. Majority of regular district employees who used to work at the District Offices before 1989 continued to work there after 1989. As a result, there was no sudden change in the work of the District Offices after 1989 but rather a gradual and uneven restructuring of state socialist practices and power relations which resulted in a mixture of state socialist and post state socialist practices and approaches. District Offices thus illustrate well the mixture of the state socialist past and the post state socialist present.

District Offices play an important role in the decentralization struggle in the Czech Republic. The central state recognized the need to deconcentrate the powers from the center to the districts, the only regional governmental structure existing in the Czech Republic and the lowest level of the state administration, but the question was which powers should be deconcentrated and to what extent. District Offices are eager to acquire as many regional management authorities as possible in order to administer the districts effectively. In contrast, the central state is careful not to lose its direct control over its administered transition at local and regional levels.

As a result of this conflict, deconcentration of powers after 1989 was uneven and in some fields very limited. For example, new environmental legislation enacted after 1989 delegated some important powers to the district level, especially in the area of waste management and water protection, but much less in the area of air protection (see Tables 9.1 and 9.2). The District Offices thus face the same problem of insufficient powers to regulate air pollution as do the municipalities, a fact of great concern to the employees of the Department of Environment in the Most District Office since air pollution was considered by them to be by far the most important environmental threat in the District.<sup>67</sup>

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<sup>67</sup>The District Offices approve waste management programs of municipalities and private companies and prepare a waste management programs for the entire district. In the area of water protection, the District Offices set the discharge limits for individual municipal and industrial pollution sources and in the area of air

#### 9.4.2. *Environmental management in the Most District Office*

This section briefly deals with the question: What is the role of the District Office in the environmental management of the Most District and how has it changed after 1989? The situation in the Most District raises some important questions about the nature of the transition and about its relationship to the state socialist past.

There was no environmental department in the Most District National Committee before 1989. Some environmental management was conducted by the Department of Agriculture, Water and Forestry but the entire system of environmental management was heavily centralized leaving only limited powers at the district level. After 1989, District Offices acquired more powers as responsibilities were devolved from the former Regional National Committees, which were abolished, to the District Offices. The Department of Environment was established in early 1991 and it was staffed by 16 people in 1993.<sup>68</sup> The Ministry of the Environment provides guidelines and recommendations for the work of the department which is otherwise subordinated to the Ministry of Interior.

In the area of air pollution, the Most District Office prepared the smog warning and regulation system according to which it regulates the sources of air pollution during the winter temperature inversions. During the temperature inversions, however, the large polluters (power plants, heating plants, specific technological processes exceeding thermal output of 5 megawatts) are regulated centrally by the Ministry of the Environment through the Institute of Hydrometeorology, located in the city of Ústí nad Labem. The District Office regulates medium size polluters (thermal output 0.2-5 megawatts) but it cannot regulate large polluters which is the authority of the Environmental Inspection. The Inspection can suspend or restrict operations of large and medium sized polluters in cases of violation of its emission limits and other obligations. In the area of project documentation, the District Offices approve working plans for small polluters. The

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protection, they collect air pollution charges from medium sized sources. The limits for air emissions for large and medium sized sources of pollution are set by the Regional Environmental Inspection. The District Offices also control environmental management of municipalities (Regional Plan of Environmental Priorities (1994); interview with ing. Traxmandl, chair of the Department of Environment at the Most District Office, June 30, 1993; interview with ing. Janečková, Department of Environment at the Most District Office, July 7, 1993).

<sup>68</sup>Six of them had a university degree, 10 had a high school diploma (interview with ing. Traxmandl, chair of the Department of Environment at the Most District Office, June 30, 1993).

project documentation of large polluters is approved by the Inspection.<sup>69</sup> This means that the Most District Office has no power over the most important sources of air pollution on its territory including Chemopetrol, the Komořany heating plant and the Počerady power plant located on the border with the District of Louny. It was under these circumstances the Most District Office environmental program was prepared, which focused on the elimination of local pollution sources through their conversions from brown coal to natural gas or electricity (eventually wood). The local pollution substantially contributes to overall air pollution especially during the temperature inversions and its eradication will improve the quality of air mainly during the heating season.<sup>70</sup>

The lack of regulatory powers of the District Offices over air pollution led to the ongoing struggle between the District Offices and the Ministry of the Environment over the division of powers and decentralization of regulatory powers over air pollution from the Regional Environmental Inspections to the district offices. In 1993 for example, the chairs of environmental departments of north Bohemian mining districts asked the Ministry of the Environment to change the Clean Air Act so that some authorities in the area of air protection, such as the ability to regulate and penalize medium and large size polluters, would be decentralized and transferred from the Regional Environmental Inspection to the District Offices. They argued that the Regional Environmental Inspection was unable to regulate polluters properly due to their large number in the region. The districts prepared the proposal of amendment to the Clean Air Act and submitted it to the Ministry. The Ministry promised to help the districts to gain some of the powers over air pollution regulation and control for which they asked.<sup>71</sup>

The lack of authority of the Most District Office over the large sources of

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<sup>69</sup>Interview with ing. Janečková, Department of Environment, the Most District Office, July 7, 1993.

<sup>70</sup>Interview with ing. Janečková, Department of Environment, the Most District Office, July 7, 1993.

<sup>71</sup>Interview with ing. Traxmandl, chair of the Department of Environment at the Most District Office, June 30, 1993. The 1991 Clean Air Act was amended in 1992 (Act No. 218/1992) and again in late 1994 (Act No. 158/1994). I was unable to receive its 1994 copy. The act gave new powers to municipalities: to set urban zones with limited operations of pollution sources, to issue public decrees specifying type of fuel which could be used in small sources, to control, fine and eventually close small sources of pollution (LN December 5, 1994).

pollution located on its territory, however, is not the only problem in the area of environmental management. The question is whether the Most District Office will be willing to use its powers over the large polluters if it gains the authority to do it. One employee of the Most District Department of Environment argued that a stronger district authority over air pollution would necessarily conflict with the economic situation of all industrial enterprises.

The economy is primary and the environment is secondary. This is the philosophy of the Most District Office. If something happens in Chemopetrol it is hushed up in whatever way. It happened to me many times that there were accidents which could have been penalized but at the end it was somehow hushed up here in the Most District Office. It could have had negative implications for some concrete employees of Chemopetrol or for the company as a whole. I am not saying that this a common situation in all enterprises here but I believe that the cities of Most and Litvínov excuse some of these large industrial enterprise with which they have strong relations. We still do not defend people's rights against the will of Chemopetrol here.<sup>72</sup>

These comments suggest that since 1989 the Most District Office has not radically changed its approach to large industrial enterprises located on its territory and that some of the pre-1989 power relations were surviving in the district in the summer of 1993. It also suggests that there was no clean break with the past after 1989, but rather there was a gradual restructuring of the relations between the cities, Most District Office and large industrial enterprises. One possible explanation is the fact that the Most District Office employed many former officials from the Most District National Committee whose experience and training were tied to the previous system.

There are former comrades [former active Communist Party members] employed in the Most District Office. And they, of course, view the current situation very differently in comparison to us [local self-government] because they are influenced by their past. There are only few excited people who serve the public there.<sup>73</sup>

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<sup>72</sup>Interview with ing. Janečková, Department of Environment, the Most District Office, July 7, 1993.

<sup>73</sup>Interview with Andreas Stefan, mayor of Meziboří, August 10 and 11, 1993.

The situation in the Most District thus supports my argument about the contested nature of the transition from state socialism to capitalism in the Czech Republic and numerous struggles over its outcomes. It also supports my argument that there is no clean break between the state socialist past and the post state socialist present. The current situation is rather a complex mixture of state socialist and post state socialist social relations demonstrated not only by former *apparatchiks* working in the District Offices and other governmental authorities, but also by surviving social practices and power relations among District Offices, large industrial enterprises and municipalities.

### **9.5. Non-Governmental Environmental Organizations in the Most District**

Non-governmental organizations (NGOs) are one of the crucial elements of civil society which in turn could provide conditions for an active social engagement of citizens in a democratic society (Pehe 1994). Generally, NGOs play important roles in local environmental management (Regional Plan of Environmental Priorities 1994). The development of independent NGOs is one of the indicators of democratization, emerging civil society and public participation in the countries of Central and Eastern Europe. In this section, I will investigate the role of new environmental NGOs in the Most District and in northern Bohemia.

Elander and Gustafsson (1993, p. 298) view local self-governments as potential links between the central state and civil society because they constitute an extension of central government and administration and, at the same time, they are the voice of specific concerns at the periphery. Is there such a relation in the Most District? My research often gives conflicting signals about the relationship of central state administration, local self-governments and environmental NGOs. Furthermore, in the case of the Most District, the link between civil society represented by several NGOs, local self-governments and state administration is very weak and uneven.

In the Czech Republic, NGOs did exist under state socialism. Their autonomy was very limited, however, because of the Communist Party hegemony over social life. At the local level, there used to be a number of interest groups, such as amateur gardeners, fishermen, huntsmen and firemen, that were under the influence of the Communist Party, but were relatively autonomous and represented one of the pillars of

local social structure in rural areas. The relative autonomy of these groups resulted from their largely apolitical character at the local scale that meant that they did not represent any threat or challenge to the Communist Party hegemony. Nevertheless, these interest groups were nationally organized and the national organizations were the members of the National Front dominated by the Communist Party. These interest organizations depoliticized themselves after 1989 and at the local scale continued to be the most important elements of the local social life in the villages and small towns forming groups such as local gardeners or amateur firemen. Their role in local politics is rather weak and differs from place to place. Some of the explicitly political interest groups, such as the Socialist Union of Youth or the Union of Friends of the Soviet Union, were dissolved after 1989, while new groups including several environmental NGOs began to operate.<sup>74</sup>

Some environmental NGOs existed in the Czech Republic before 1989 among which only the Czech Union for Nature Protection, the Brontosaurus movement and the Ecological Forum were officially recognized. All of them were under the control of the Communist Party through the National Front (the Czech Union for Nature Protection was officially accepted only in June 1989), the Socialist Union of Youth (the Brontosaurus movement) or the Czechoslovak Academy of Sciences (the Ecological Forum). There was a growing number of non-official illegal environmental NGOs emerging in the 1980s, however, which the government refused to recognize, such as the Ecological Society, Prague Mothers, Children of the Earth or Friends of Natural Nutrition. The members of these interest groups and especially the authors of critical views or unofficial publications were harassed and prosecuted by the government (Moldan 1990).<sup>75</sup>

Following 1989, several environmental NGOs emerged in northern Bohemia, including Ecoforum (Ecological Forum of the Coal Basin Area) and the Green House Litvínov. Children of the Earth, the national environmental NGO, set up its branch offices in the cities of Chomutov and Děčín located in the basin region of northern Bohemia. Additionally, there were five to ten small volunteer based environmental

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<sup>74</sup>Interview with Dr. Illner, director of the Institute of Sociology, Czech Academy of Sciences, Prague, August 19, 1993. Heřmanová, Illner and Vajdová (1992).

<sup>75</sup>See Moldan (1990, pp. 32-33) for the example of governmental prosecution and imprisonment of two young members of the ecological movement in 1985.

education oriented groups working in the region. These groups are less developed and less experienced than the national environmental NGOs, such as Children of the Earth, or regional environmental NGOs, such as Ecoforum and the Green House Litvínov.<sup>76</sup> Other NGOs, such as the Economic and Social Council of the Basin Region, are not specifically environmental but the improvement of the quality of the environment is one of their major goals.<sup>77</sup> In the next two sections, I will focus on Ecoforum as a regional environmental NGO, which located its secretariat in the city of Litvínov, and the Green House Litvínov as a local environmental NGO in order to demonstrate their role in environmental management in northern Bohemia and the Most District.

### *9.5.1. Ecological Forum of the Coal Basin Area (Ecoforum)<sup>78</sup>*

Ecoforum was founded in November 1989 after the beginning of the 'Velvet Revolution.'<sup>79</sup> It illustrates the importance of environmental issues in the collapse of state socialism. Its history also points to the problem of ephemerality of the environmental NGOs in the post state socialist Czech Republic.

Ecoforum organized a group of environmental activists from all basin districts of northern Bohemia and a group of independent experts which included technologists, medical doctors, natural scientists, lawyers and others. This group prepared the report about the quality of the environment of the basin region and suggested first steps toward the improvement of the environment. The independent experts worked with the newly established Ministry of the Environment on a number of different issues related to the environment in northern Bohemia. For example, together they prepared the first governmental resolution about the environment in northern Bohemia which outlined the

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<sup>76</sup>Interview with David Lowrance, the Green House Litvínov, August 10, 1993.

<sup>77</sup>See Chapter 7, section 7.5.2. on the Economic and Social Council of the Basin Region. Other regional NGOs founded in northern Bohemia include the Union of Towns and Villages, the Northern Bohemia Economic Association, Euro Region "Elbe" and Euro Region "Ore Mountains" (Regional Plan of Environmental Priorities 1994).

<sup>78</sup>This section is based on the interview with Ing. Pisinger, advisor of the Minister of Environment, Teplice, August 4, 1993.

<sup>79</sup>A large anti-governmental demonstration demanding improvement in the quality of the environment under the slogan "give us clean air" was crushed by the police in the city of Teplice on November 11, 1989, one week before the beginning of the 'Velvet Revolution'.

steps toward its improvement. The highest priority was given to the abatement of air pollution and improvement of human health.

Between 1990 and 1993, the government approved several resolutions designed to deal with the environmental crisis in northern Bohemia. The early resolutions were largely based on the work of Ecoforum. Based on the Ecoforum recommendations, the Prime Minister of the Czech Republic established a special office for environmental affairs in northern Bohemia located in the city of Teplice. The office is led by the former secretary of Ecoforum and its goal is to design and coordinate governmental environmental policies for northern Bohemia.

The role of Ecoforum as an environmental NGO and its influence rapidly decreased in northern Bohemia after 1992. The reason was that Ecoforum was a product of the 1989 revolution and was based on experts rather than grass roots movements. Most of its members began to work within the governmental structures and as a result, Ecoforum gradually disintegrated as an NGO. By 1993, Ecoforum had lost most of the influence it had after 1989 both in northern Bohemia and central state and its importance as an environmental NGO declined dramatically.

#### *9.5.2. Green House Litvínov (Zelený dům) NGO*

The Green House Litvínov was founded in April of 1991 by some former members of the Brontosaurus movement as a research oriented environmental NGO with the mission to support the development of environmental NGOs and become their regional center in the basin region of northern Bohemia.<sup>80</sup> The original goal was to develop an environmental NGO which would eventually function in the same ways the NGOs do in the West, as watchdogs to government activity.

The Green House focuses on four activities: (1) the financial and informational support of regional environmental NGOs and regional environmental activities; (2) design and realization of various demonstration projects in the area of energy savings and alternative energy resources, such as small scale hydroenergy plants, wind energy

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<sup>80</sup>The Brontosaurus movement was one of the oldest grass roots ecological awareness, conservation and educational group which existed before 1989.



projects, and re-equipping of buildings with energy conserving and efficiency increasing equipment; (3) environmental education oriented toward the elementary schools in the area in order to increase environmental awareness, including the publication of the journal *Ekovýchova* (Ecoeducation); and (4) ecological design based on cooperation with the elementary school of arts in the city of Chomutov.<sup>81</sup>

During the 1993 interviews, the Green House workers provided a very critical picture of the local self-government in the Most District. In particular, they questioned the ability of local state to deal with environmental degradation and changing economic and social conditions in the Most District discussed in the previous chapters. One of the Green House members argued in the summer of 1993:

My opinion of the local government office here is that they are awful. They do not do anything. I think they are just filled with ineffective people who want to sit in their office and push paper around and drink coffee all day. That's it. I think there is a very few, very small number of effective capable people who are willing to work in the area of environment here. I think that this is the result of a lack of qualified people generally who are either willing or capable to work with the environment. I think these people are not environmentalists at all. They are just people who through some matter happened to start working in environmental office and I do not think they have commitment, I do not think they have qualifications. I do not think they do anything.<sup>82</sup>

The members of the Green House NGO criticized the central government's "complete lack of commitment" in the area of environment and its unwillingness to threaten industrial interests in northern Bohemia. It was also criticized for a lack of support and interest in the development of environmental NGOs in northern Bohemia. They also blamed local self-governments and the Most District Office for being incompetent, unable and unwilling to enforce existing governmental regulations.<sup>83</sup>

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<sup>81</sup>Interviews with ing. Pavel Novák, director of the Green House Litvínov, Most, July 28, 1993 and with David Lowrance, the Green House Litvínov, August 10, 1993. The Green House receives its base funding from the Swedish Secretary for Acid Rain. Other funding is based on grants for individual projects.

<sup>82</sup>Interview with David Lowrance, Green House Litvínov, August 10, 1993.

<sup>83</sup>Interview with David Lowrance, Green House Litvínov, August 10, 1993.

According to the Green House workers, one of the biggest obstacles for the Green House is its ineffectiveness in influencing an apathetic public to become actively engaged in environmental struggle.<sup>84</sup> The participation and interest of the local public in the Green House activities is minimal which indicates that there is a large difference between an environmental awareness and an active awareness which creates an impulse to do something. The results of the 1993 social survey conducted in the Most District also indicate that there is a minimal support for active environmental struggle among the Most District residents (Table 10.11). The Green House tries to improve its public image through concrete projects which will demonstrate their efforts in the region.

The weakness of local civil society can be seen in the attempts of environmental NGOs to save the village of Libkovice, which was planned to be demolished by the Hlubina Mines. The campaign was run mainly from the outside of the Most District by Greenpeace and later by the Rainbow Movement but also by the Green House and the Friends of Libkovice Club. Local people were not supportive of the efforts to save the village, even though the NGOs argued that it would help save other villages such as Horní Jiřetín. Young activists commuted from the different parts of the Czech Republic to protest the demolition, but almost no one protested from the Most District.<sup>85</sup>

One of the reasons of the weak civil society is that the Communist Party hegemony tried to extinguish it for more than forty years (Keane 1988). In Chapter Six, I have demonstrated that state socialist structured coherence of the Most District was typified by the Communist Party hegemony which led to the virtual eradication of civil society at the local scale. Citizens of the Most District generally supported the Communist Party and many of them were indifferent to environmental devastation. After 1989, links between environmental NGOs and local governments were very weak, suggesting that local self-government does not function as a potentially 'crucial link' between the central state and civil society (Elander and Gustafsson 1993) in the Most

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<sup>84</sup>Interview with David Lowrance, Green House Litvínov, August 10, 1993.

<sup>85</sup>Interview with David Lowrance, Green House Litvínov, August 10, 1993.

District in the early stages of transition from state socialism to capitalism.<sup>86</sup>

Interviews with two members of the Green House Litvínov NGO emphasized the importance of competency and commitment of local governments for local management of the environment. They also stressed the significance of the development of civil society in the Czech Republic for the improvement in local environmental management. Overall, the interviews questioned the abilities of municipal governments of the Most District and the Most District Office to manage environment on their territory.<sup>87</sup> These interviews raised a number of important issues about the local government in the Most District and local environmental management during the post state socialist transition. Do they really reflect what is actually happening in local and regional government? The rest of this chapter will deal with these issues in detail.

#### 9.6. Summary of Conceptual Issues Associated with Local Government Change

Our analysis of challenges of revitalization and environmental improvement at the local scale in the Most District thus points toward several important conceptual issues associated with democratization and local government change in the Czech Republic after the collapse of state socialism. These include political and fiscal decentralization, competency of local self-governments, the importance of geographic scale, industrial paternalism, the development of civil society, and changes in structured coherence at the local and regional scale. I briefly discuss each of these in the following section.

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<sup>86</sup>At the district level, the Department of Environment was willing to provide information to NGOs but strictly dissociated itself from the attempts of the environmental NGOs to save the village of Libkovice gradually demolished by the Hlubina Mines. The mayors of Litvínov and Meziboří argued that they had good relations with the Green House Litvínov. The Green House and the city of Litvínov together prepared the opening of ecological high school in the city of Litvínov. The mayors of cities of Most and Lom said that they did not communicate with any environmental NGOs at all, although there were links between the environmental NGOs and the Department of Environment in the city of Most whose chair was founding member of the Green House and the member of Ecoforum. The situation in the villages of the Most Basin was similarly unclear. The attitude of the interviewed mayors toward environmental NGOs ranged from a moral support (Mariánské Radčice) to open hostility (Horní Jiřetín).

<sup>87</sup>Interviews with ing. Pavel Novák, director of the Green House Litvínov, Most, July 28, 1993 and with David Lowrance, the Green House Litvínov, August 10, 1993.

### 9.6.1. Political and fiscal decentralization

In the transition from state socialism to capitalism in Central and Eastern Europe, the importance of decentralization of the previous system of social and economic regulation is generally recognized (Kubik 1994, Bird and Wallich 1994, Jensen and Plum 1993, Hendrych 1993). Political decentralization involves the transfer of powers from the national to regional and local levels, and from the state administration to local and regional self-governments. Fiscal decentralization consists mainly of the transfer of financial resources from the central to local level and a decline in the redistribution of financial resources generated at the local level by the central state administration. My research indicates that these two processes are not parallel but rather proceed unevenly with political decentralization taking place much faster than fiscal decentralization (see also Illner 1992b). More importantly, both processes are not linear but their pace and form result from the struggle between the central state, with its tendencies of centralization in order to retain its powers and control over the transition in the Czech Republic, and the local state pushing -- sometimes effectively sometimes not -- for further political and fiscal decentralization in order to achieve greater autonomy. In 1994, the central state limited growing fiscal municipal autonomy and took away some municipal powers granted after 1989. This suggests that the transition from state socialism to capitalism is not associated only with decentralization but rather that there are two simultaneous processes taking place: decentralization *and* re-centralization.

The central-local government conflict and the changing power relations between central and local state thus become one of the important dynamics of the transition from state socialism to capitalism in the Czech Republic. The issue of fiscal decentralization is closely related with the economic transition from the centrally planned economy toward a market economy and the role of the central state in this process. Heavily centralized local budgets, totally dependent on central government subsidies and grants, followed the logic of central planning and typified the state socialist system of local government. Disintegration of central planning and the introduction of a market economy leads to the transfer of some financial activities from the central to the local level and the decreasing role of central state in the local financial affairs. The situation in the Most District also indicates that the degree of autonomy of local self-governments

is closely associated with their ability to manage local affairs such as environmental improvement and revitalization.

### ***9.6.2. Competency of local self-governments***

Democratization and deconcentration of powers to the local level raise the question of competency of local self-governments and whether and to what extent they can carry out specific functions and forms of activity in order to deal with the problems they have to face. This problem is particularly important for small municipalities. My research indicates that in the area of environmental management municipalities often lack expertise, personnel, financial resources and authorities to deal efficiently with the environmental problems in the decentralized system and emerging market economy. My research also shows that many of these problems are closely related with the surviving state socialist practices, approaches and stereotypes in local government. Local governments, especially in larger municipalities, can radically alter their approach toward local environmental management even within the existing limited scope of legal powers and competencies and influence the behavior of polluters on their territory. Such a radical change is, however, rare and did not take place in the Most District.

### ***9.6.3. Geographic scale***

The issue of competency is closely related to the question of geographic scale and its importance in understanding the processes of democratization and structural and functional changes of local governments in the period of transition from state socialism to capitalism. The question of geographic scale is not generally recognized in non-geographical democratization literature (see, for example, Przeworski 1991) but recently there has been at least one notable exception (see Kubik 1994 who argues for the study of the transition at the local and regional scale). My research points toward four issues:

(1) Generally, there is insufficient cooperation between local self-government and regional and national state administration to deal with the problems such as severe environmental degradation. Poor quality of the environment is strongly recognized at the local level, but it also has important regional and national dimensions. Its solution, therefore, requires a combined effort at local, regional and national levels.

(2) There has only been a limited degree of democratization at local and regional levels because of the absence of regional self-government in the Czech Republic.<sup>88</sup> Enormous scale differences between elected municipalities at the local scale and the parliament at the national scale make any communication between these two scales extremely difficult.

(3) The post-1989 political and administrative fragmentation at the local scale makes many municipalities financially and administratively weak due to their small size and their lack of ability in self-government.<sup>89</sup> In the Most District, the incompetency of some municipal governments to deal with the local problems can seriously undermine their legitimacy in the eyes of their own constituencies and undermine the democratization process at the local level.

And (4) there has been an uneven process of democratization at different geographical scales. The national scale underwent fastest and most profound democratization through the disintegration of state socialist power and hegemony of the Communist Party and the development of the democratic parliamentary system. Democratization at the local scale was slower and more difficult due to the reluctance of the central state to decentralize and deconcentrate some of its powers to the local and district levels. Another reason was the ability of the former state socialist elite to convert their political power into economic advantage. There is also still significant support for the old regime and its post state socialist advocates in the areas such as the Most District.<sup>90</sup>

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<sup>88</sup>The new Czech Constitution adopted in the fall of 1992 rules that a new regional self-administration should be introduced in the Czech Republic. However, the issue of subdividing the Czech Republic became highly politicized in 1993 and 1994 and the political parties were unable to reach any consensus on how many self-administered regions should be created, when they should be established and what should be their legal powers (see, for example, Obrman and Mates (1994) and Zářecký (1994) on this issue).

<sup>89</sup>See Illner (1992b), Dostál and Kára (1992) on the issue of political and administrative fragmentation at the local scale after 1989. There are more than 6,200 municipalities in the Czech Republic (Hanšpach, Kostelecký and Vajdová 1993).

<sup>90</sup>The Communist Party won local elections in the city of Most in November 1994. It also captured the highest percentage of votes in more than one-third of municipalities in the Most District (LN November 21, 1994a).

#### ***9.6.4. Industrial paternalism and changing power relations***

Democratization at the local scale results in changing power relations among actors in local politics and the economy. It involves restructuring of old state socialist paternalistic relations between municipalities and large industrial enterprises to the new type of relations based on a market economy and democratic government. Large industrial enterprises and surrounding communities are looking for new ways of mutually useful coexistence. My research has revealed sharp differences in the character of these relations between larger cities and smaller municipalities. Generally, the cities have been able to gradually restructure their relations with larger industrial enterprises more successfully than small municipalities in terms of compensation for environmental pollution and contributions to local budgets. Small municipalities are generally ignored by large industrial enterprises.

#### ***9.6.5 Civil society***

Democratization at the local level is also associated with the emergence of civil society at the local level and its role in the transition from the one-party and central state hegemony over local affairs to a situation in which citizens and their organizations independent of state power are able to question and resist central state policies. The emergence of NGOs could be seen as one of the crucial steps in democratization at the local scale. In the area of environmental management, the role of environmental NGOs in local mobilization, environmental education and independent information could be viewed as one of the basic conditions for the improvement of the environment at the local scale. As we could see, this seems to have been the case only to a limited extent in the Most District.

#### ***9.6.6. Structured coherence at the local level***

Finally, there is a question about the ways in which democratization is occurring at the local level, how forms of accumulation and local regulation restructure the state socialist structured coherence at the local level and what is the role of local state in this change. Is the post state socialist transition leading toward the emergence of a specific structured coherence at the local scale which would replace its state socialist form? Our

analysis of the Most District suggests that what we can observe is not the emergence of a new structured coherence in the Most District. Rather, state socialist structured coherence undergoes gradual restructuring which is typified by the mixture of old state socialist and new post state socialist social relations and practices - that is, transitional, hybrid forms typify the period of transition.

### 9.7. Conclusion

Based on our analysis of local government and its environmental management in the Most District we can discern several general features of democratization in the Czech Republic in the first years of its transition to capitalism. *First*, the post state socialist democratization is far from being over at local and regional scales and it is in the center of the political struggle in the Czech Republic. Struggles over democratization and, namely, over political and fiscal decentralization, such as political struggles among different political parties and struggle between local self-governments and central state, typify the contested nature of the transition from state socialism to capitalism. In this sense, the situation in the Most District challenges the view of transition from state socialism as a smooth, unproblematic and linear change (e.g. Fukuyama 1989, 1992, Resnick and Wolff 1994).

*Second*, democratization is very uneven. The degree and speed of democratization differs at different geographic scales and between urban and rural areas. The fastest and most profound democratization took place at the national scale and in urban areas. Democratization at the local scale, in terms of the development of local autonomy and self-government, was slower and less profound because of the central state efforts to control the process. It was also slower in rural and peripheral areas. The extent of democratization will result from the ongoing struggle between the central and local states. In the absence of self-governing regions, democratization at the regional scale was largely non-existent. This conclusion suggests that if we want to assess democratization in the post state socialist countries of Central and Eastern Europe we must look beyond the national scale at regional and local scales.

*Third*, both political and fiscal decentralization were at the heart of the conflict between the central and local state. Local self-governments demand decentralization of



more powers and financial resources to the local level. The central state attempts to keep a certain level of control over the processes at the local and regional scales and even centralized some powers given to municipalities after 1989 in its efforts to achieve a 'desirable extent of decentralization' (Vidláková 1993b). Two simultaneous processes of decentralization and re-centralization seem to be taking place rather than a single process of decentralization. Political and fiscal decentralization took place at a different pace and fiscal decentralization lagged behind. As a result, municipalities are still relatively dependent on the central state for their finances which severely limits municipal autonomy and the *decoupling* (Kubik 1994) of national and local politics. It also means that the previous state socialist centralized system of local finance continues to operate to a certain extent (see Bird and Wallich 1994).

Similarly, there is a struggle over deconcentration of central state functions from the center to District Offices. As a result, local governments and local regulation play only a limited role in newly emerging mode of regulation in the Czech Republic which is still dominated by regulation taking place at the national scale. The central state fears that fast decentralization of powers to the local and regional levels could de-stabilize the emerging regime of accumulation through, for example, pressure by local communities on large polluters to radically reduce their pollution at the expense of their economic performance.

*Fourth*, the overall system of local self-government is immature and lacks the experience in order to become more efficient. Many municipal governments are still learning how to govern and approach local problems in the environment of democratic politics and market conditions. They often do not know how to secure resources or how to operate efficiently within the scope of powers they possess. They often lack commitment and competency to deal with challenges, such as environmental degradation and environmental management at the local level.

*Fifth*, as we have seen in the previous chapters, democratization and economic restructuring change power relations between large industrial enterprises and neighboring communities. These relations are becoming more equal as the old state socialist industrial paternalism based on the Communist Party hegemony is now being replaced by new relations based mainly on economic principles. In the Most District, villages and

cities benefitted differently from this change. Villages were saved from being razed due to coal mining while cities were able to benefit financially.

*Sixth*, the example of the Most District indicates that civil society is only slowly emerging at the local scale in the post state socialist Czech Republic. The links between civil society mainly represented by NGOs and local self-governments are weak.

*Seventh*, all the factors listed above, except number five, negatively influence local environmental management. Although the collapse of state socialism and democratization of society opened new possibilities for the improving quality of the environment at the local scale, municipalities lack authority, financial resources, competency and commitment to improve quality of the environment on their territory. Their environmental activities usually depend on funding from the central state and follow central rather than local environmental management policies. This situation can limit the degree of environmental improvement communities can achieve and can undermine their legitimacy in the eyes of their constituencies during the transition from state socialism to capitalism as was witnessed in the November 1994 local elections in which Communists received the highest number of votes in more than one-third of municipalities in the Most District, including the city of Most. Popular responses to the transition and restructuring in the Most District is the topic of the next chapter.

## CHAPTER TEN

### POPULAR ATTITUDES TO THE TRANSITION AND ENVIRONMENT IN THE MOST DISTRICT

Previous chapters identified several important issues associated with the transition from state socialism to capitalism and regional restructuring in the Most District. These included economic issues, such as privatization and industrial restructuring; political issues, such as decentralization, local government reform and the emergence of civil society; and environmental issues, such as environmental management and environmental revitalization. We have distinguished important questions associated with these issues, such as the role of central and local states in these processes, competency and efficacy of local governments in managing local affairs, the role of geographical scale, and the role of domestic and foreign capital in industrial restructuring. This chapter investigates popular attitudes toward transition and the environment in the Most District with a specific focus on the issues identified in the previous chapters.

This chapter is based on the results of two social surveys conducted in the Most District in 1992 and 1993. The first survey conducted in summer 1992 was a part of my pilot study and included 67 respondents. The second survey was run in summer 1993 and involved 203 respondents (see Appendices 2 and 3 for the copies of the 1992 and 1993 questionnaires).<sup>1</sup>

In this chapter, I *first* consider the popular perceptions of the environment and whether they support my thesis about the existence of a specific structured coherence in the Most District under state socialism typified by the production of space and the environment.<sup>2</sup> *Second*, I look at public participation in environmental issues and in the

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<sup>1</sup>I used a random method of sampling to select survey respondents. Although the goal of the surveys was not to secure a statistically representative sample of local population, comparison of the respondents socio-demographic data suggests that both survey achieved a high level of correspondence with the general population of the Most District. Majority of survey respondents were the citizens of the cities of Most and Litvínov (85% in 1992 and 87% in 1993). Contrary to our expectations, the popular attitudes toward transition and the environment in the Most District did not show statistically significant variations according to the gender of respondents. Despite this finding, the results of the 1993 social survey are organized according to the gender lines to show existing gender variation.

<sup>2</sup>I have developed these issues in Chapter Six of this dissertation.

work of municipal governments in the Most District. This will allow me to evaluate the second characteristic of the Most District's structured coherence identified in Chapter Six where I have argued that most of the Most District citizens were indifferent to their environment and that the population of the district was not very attached to the area. *Third*, I investigate popular attitudes toward democratization and environmental management in the Most District. I focus on the most important issues identified in Chapter Nine including political decentralization, efficacy and legitimacy of local government, popular attitudes toward the role of government in the area of environmental management, and the role of geographic scale in environmental perceptions and management. *Finally*, I consider popular attitudes toward economic transition in the Most District and compare these with attitudes toward the role of government in economic and social issues.

I will argue that, although there is extremely high awareness of the catastrophic environmental situation among the citizens of the Most District, most of them are not actively involved in any environmental struggle which could help improve the quality of the environment. I will also argue that this extremely low level of public participation in environmental issues and local self-government can be largely attributed to patterns of social behavior of the local population associated with the state socialist structured coherence and the eradication of civil society by the Communist Party hegemony. These patterns of social behavior are embedded in the local political culture and have not changed much since the collapse of state socialism.

### **10.1. Perception of the Environment**

In Chapter Six, I have identified a specific structured coherence formed in the Most District under state socialism. I have argued that it was centered on coal mining and the chemical industry, and it was typified by the Communist Party hegemony, population with specific consumption patterns, unattached to the place and also by the production of a distinct space and environment by the state socialist development model which resulted in extreme environmental degradation in the Most region. Do popular attitudes about the environment in the Most region support my thesis about the production of space and the environment in the region? As Table 10.1 indicates, more

**Table 10.1** Most important problems facing the people of communities in the Most District (respondents could list up to five).

Problem	Percentage of respondents who listed this problem	
	1993	1992
Quality of the environment	90.6	92.5
Crime	52.7	49.3
Romanies	51.2	46.3
Growing living expenses	31.0	10.4
Housing	23.6	26.9
Quality of services	19.7	13.4
Unemployment	19.2	10.4
Health care	14.8	4.5
Tidiness of the city	9.4	3.0
Public transportation and communications	8.9	0.0
Education	6.9	0.0
Health problems	5.9	7.4

Source: Social Surveys 1992 and 1993, N = 67 in 1992, N = 203 in 1993.

than 90% of the respondents recognized quality of the environment among the most important problems facing people in their communities. Furthermore, more than 60% thought that quality of the environment was the single most important problem facing them personally and their communities (Tables 10.2 and 10.3).

These answers indicate that citizens of the Most region recognized that they were living in a very distinct environment. In summer 1992, 94% of them thought that they lived in a more polluted environment than in many other parts of the country. Compared to other parts of the Czech Republic, the citizens of the Most District continuously rank environmental devastation as the most urgent problem of the Czech Republic as a whole (Table 10.4).

**Table 10.2** Which of the problems people have to face here is the most serious to you personally?

Problem	Percentage of respondents	
	1993	1992
Quality of the environment	62.6	60.9
Crime	9.2	14.1
Romanies	4.6	4.7
Growing living expenses	6.6	4.7
Housing	3.1	1.6
Quality of services	2.1	3.1
Unemployment	2.1	1.6
Health care	2.1	0.0
Incompetency of local authorities	1.0	0.0
Education	1.0	0.0
Health problems	1.0	0.0
Social policy	1.0	0.0
Interpersonal relations	1.0	0.0

**Source:** Social Surveys 1992 and 1993, N = 64 in 1992, N = 195 in 1993

The citizens of the Most District also recognized that this environment was produced by the previous development model, because they blamed economic activities specifically developed under state socialism for the situation. These activities included opencast coal mining, brown coal power plants and chemical industries, greatly expanded under state socialism (Tables 10.5 and 10.6).

**Table 10.3** Which of the problems people have to face here is the most serious to your community?

Problem	Percentage of respondents	
	1993	1992
Quality of the environment	62.1	65.0
Crime	11.6	6.7
Romanies	13.7	16.7
Growing living expenses	1.6	0.0
Housing	1.6	1.7
Quality of services	1.6	1.7
Tidiness of the city	2.1	0.0
Incompetency of local authorities	1.1	0.0
Incompetency of central government	1.1	0.0
Bureaucracy	1.0	0.0

Source: Social Surveys 1992 and 1993, N = 60 in 1992, N = 190 in 1993.

## 10.2. Public Participation in the Most District

### 10.2.1. Public non-participation in struggle over the environment

In Chapter Six, I argued that structured coherence of the Most District was further characterized by a population with a very high turnover which resulted from a weak attachment of the citizens to the area. The 1992 survey showed that this was still the case: 43% of the respondents would leave the Most region if they could get a job and apartment somewhere else, while only 34% would stay (22% did not know). Almost 85% of the respondents would not recommend their town as a place to move to, mostly due to the poor quality of the environment (68.7% of the answers).

Furthermore, I have characterized the inhabitants of the Most District as apathetic to their environment and conditions in which they lived. How could this be the case when more than 90% of the respondents recognized the quality of the environment among the five most urgent problems their communities had to face? I have suggested

**Table 10.4** Comparison of the most urgent problems of the Czech Republic as perceived by the citizens of the Czech Republic, northern Bohemia and the Most District (in percentage, differences less than 10% are not statistically significant).

Area	Environment	Economy	Crime	Unemployment
Czech R. 1991 <sup>1</sup>	14	23	14	8
N. Bohemia 1991 <sup>2</sup>	30	20	16	5
N. Bohemia 1993 <sup>3</sup>	41	10	19	1
Most D. 1993 <sup>4</sup>	38	11	26	1
Most D. 1992 <sup>5</sup>	48	9	7	-
Most D. 1993 <sup>6</sup>	49	6	16	-

**Sources:**

- 1 = Regional Plan of Environmental Priorities 1994.
- 2 = Regional Plan of Environmental Priorities 1994, N = 177.
- 3 = Regional Plan of Environmental Priorities 1994, N = 703.
- 4 = Regional Plan of Environmental Priorities 1994, N = 112.
- 5 = Social Survey in the Most District 1992, N = 58.
- 6 = Social Survey in the Most District 1993, N = 181.

that one of the reasons was a virtual eradication of civil society in the Most District by the Communist Party hegemony. As a result, people are still unable and unwilling to organize themselves and take any action to protect their environment. In 1992, 75% of the respondents in the Most District were unable to list *any* rights they had as citizens to protect them from pollution based on the new Constitution and General Environmental Law (Table 10.7).<sup>3</sup> Other possible explanations are that a non-involved population of the Most District is a transitional phenomena which is a product of the operations of the new system or both: state socialist and post state socialist systems.

<sup>3</sup>According to Article 35 of the Constitutional Act No. 23/1991 Sb. (the List of Basic Rights and Freedoms), everyone has a right to favorable environment and to accurate and full information on the state of the environment and natural resources (Kuřvart 1994, Stec 1993). These rights are further developed in Article 14 of the General Environmental Law adopted in December 1991 (Stec 1993).



**Table 10.5** The three most important environmental problems this town faces.

Problem	No. of responses	Percent
Open cast coal mining and unrestored coal mining dumps	29	43.3%
Overall air pollution	25	37.3%
Chemical industry	24	35.5%
Brown coal power plants	22	32.8%
Landscape devastation	10	14.9%
Particulate matter (dust)	10	14.9%
Temperature inversions and associated high levels of air pollution	8	11.9%
Destroyed vegetation and nature	5	7.5%
Excessive industrial concentration	4	6.0%
Health problems due to pollution	4	6.0%

**Note:** Percentage values indicate percentage of all respondents who listed this particular problem. Each respondent could list up to three problems.

**Source:** Social Survey 1992, N = 67.

The surveys attempted to determine what citizens of the Most District would be willing to do in order to improve quality of their environment. In 1992, one-third of the respondents were willing to sacrifice more than 5% of their income to pay for a 50% improvement in air quality in their region, while only 9% of the respondents would not agree to pay anything (Table 10.8). In this context, it is important to mention that real wages declined by 24% in Czechoslovakia in 1991 (LN February 23, 1993).

In 1993, 47% of the respondents would not oppose higher taxes in order to clean up industrial pollution, while 33% of the respondents would oppose such taxes (Table 10.9). More importantly, almost 60% of the respondents would agree with the stagnation of their standard of living if more money was invested in the environment (Table 10.10). These results indicate that there was considerable support for a strong governmental

**Table 10.6** The three most important pollution problems affecting me and my family.

<b>Problem</b>	<b>No. of responses</b>	<b>Percent</b>
Overall air pollution	29	43.3%
Destroyed vegetation and landscape devastation	17	25.4%
Chemical industry	16	23.9%
Particulate matter (dust)	13	19.4%
Brown coal power plants	11	16.4%
Temperature inversions and associated high levels of air pollution	11	16.4%
Health problems due to pollution	9	13.4%
Open cast coal mining and unrestored coal mining dumps	9	13.4%
Water pollution	8	11.9%

**Source:** Social Survey 1992, N = 67.

environmental clean-up even at the expense of the stagnation or decline in standard of living among the Most District residents.

My research also showed that while a vast majority of respondents recognized the severity of environmental devastation in the Most region and a majority was willing to support financially the clean up, there was minimal support for an active environmental struggle (Table 10.11). This indicates first, as I argued in Chapter Nine, that there is a difference between awareness of the poor environmental situation in the Most District and an active awareness which would push citizens to take action in order to improve the situation. Second, it suggests that the local population does not believe that active environmental struggle could be an effective way to improve quality of the environment. Third, it partially explains why the environmental NGOs found little local support in their struggle to save the village of Libkovice in the early 1990s.

**Table 10.7** Under the new environmental law citizens have certain rights to protect them from pollution. Can you tell me what any of these rights are?

	No. of respondents	Percentage
Yes	17	25.4%
No/No answer	50	74.6%
Right to live and work in clean environment	10	14.9%
Right to be healthy and protect the health	4	6.0%
Right to have environment protected against pollution	2	3.0%
Right to express my opinion about the problem	2	3.0%
Right to breath clean air and drink clean water	2	3.0%
Right to eat non-contaminated food	1	1.5%
Right to access information about the quality of the environment	1	1.5%
Right to regulate excessive pollution	1	1.5%
Right to enforce pollution limits	1	1.5%

Source: Social Survey 1992, N = 67.

The citizens of the Most District support less radical ways of struggle over the improvement of the quality of the environment, such as campaign in the media (85% agreed), environmental education (90% agreed), promoting people who understand the importance of the environmental protection into the crucial offices in the state administration (91% agreed), and activities to improve environmental quality, as for example working in the forest or protecting natural resources (75% agreed). There was much less support for political struggle over the environment in the Most District. Only 27% of the respondents thought that a vote for the Green Party in the elections was a good way to struggle for the improvement of the quality of the environment, while 45%

**Table 10.8:** How much would you be willing to pay per month for a 50% improvement in air quality in this region?

Amount	No. of respondents	Percent
0 Kčs	6	9.1%
50 Kčs	3	4.6%
100 Kčs	16	24.2%
150 Kčs	7	10.6%
200 Kčs	12	18.2%
more	22	33.3%
<b>Total</b>	<b>66</b>	<b>100.0</b>

**Note:** Kčs = Czechoslovak crown. The average monthly income was 5,652 Kčs in the Most District in 1992 (ČSÚ 1992).

**Source:** Social Survey 1992.

**Table 10.9** If it was proposed that taxes had to be raised to pay specifically for cleaning up industrial pollution, I would oppose the plan.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
<b>Total</b>	28 13.8%	39 19.2%	39 19.2%	52 25.6%	45 22.2%	203 100%
<b>Men</b>	13 14.4%	18 20.0%	16 17.8%	18 20.0%	25 27.8%	90 100%
<b>Women</b>	15 13.3%	21 18.6%	23 20.3%	34 30.1%	20 17.7%	113 100%

**Source:** 1993 Social Survey.

**Table 10.10** I will accept the stagnation of my standard of living if more money is invested into the environment.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
<b>Total</b>	26 12.9%	92 45.8%	47 23.4%	28 13.9%	8 4.0%	201 100%
<b>Men</b>	10 11.1%	39 43.3%	18 20.0%	18 20.0%	5 5.6%	90 100%
<b>Women</b>	16 14.4%	53 47.8%	29 26.1%	10 9.0%	3 2.7%	111 100%

Source: Social Survey 1993.

**Table 10.11** Do you agree or disagree with active struggle such as occupation of construction sites or highway blockades in order to improve the quality of the environment?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
<b>Total</b>	9 4.6%	13 6.7%	31 16.0%	80 41.2%	61 31.5%	194 100%
<b>Men</b>	4 4.4%	4 4.4%	11 12.3%	39 43.3%	32 35.6%	90 100%
<b>Women</b>	5 4.8%	9 8.7%	20 19.2%	41 39.4%	29 27.9%	104 100%

Source: Social Survey 1993.

of them thought that a vote for a different party than the Green Party would benefit the environment. Overall, citizens of the Most District preferred long term and passive strategies to improve the environment which did not require their participation. They expected the government and its authorities to assume responsibility for environmental protection and improvement.

More than 75% of the 1993 respondents (77.2%) agreed that it was crucial for

good and democratic government that citizens participated in special interest groups on important issues such as environmental pollution. Our 1993 and 1992 social surveys also revealed, however, that *none* out of total 270 respondents took part in any environmental NGO or citizen group interested in the environmental issues.<sup>4</sup> This indicates that although more than 90% of the respondents recognized the severity of environmental problems in the Most District and for more than 60% of them the environmental pollution was the single most important problem facing their communities and themselves, none of them was actively involved in any environmental struggle. More than 50% of the 1993 respondents (53.2%) were unable to name any environmental NGOs actively involved in environmental issues in the Czech Republic as a whole. These results combined with the results of my interviews support my argument that there is a very weak civil society in the Most District and that the citizens generally do not organize themselves in independent environmental NGOs and do not participate in any activities aimed at the improving the quality of the environment in the district. A vast majority of the Most residents simply expect the government to take charge of environmental revitalization. These feelings of governmental responsibility for environmental issues on the one side and individual and collective impotence in the struggle over the environment on the other side seem to be deeply embedded in social behavior of the Most District citizens. They are closely associated with the structured coherence formed in the Most District under state socialism and its two consequences identified in Chapter Six: a virtual eradication of civil society by the Communist Party hegemony and the 'mechanistic mentality' of local population toward the environment. In this sense, the restructuring of the state socialist structured coherence has hardly begun in the Most District.

This lack of public participation in the struggle over the environment creates a situation in which both the local and especially the central state are not forced to focus their attention on environmental devastation in northern Bohemia and can still consider

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<sup>4</sup>A different survey carried out by the AISA organization in northern Bohemia in January 1993 revealed that only 1% of the respondents (2 out of 120) from the Most District took part in any non-governmental environmental initiative in the time of the survey, 88% never participated and 8% of the respondents did not participate regularly in environmental NGO activities (Regional Plan of Environmental Priorities 1994).

**Table 10.12** How often do you attend public meetings of the Local Council or its subcommittees?

	Total		Men		Women	
Most of the time	3	1.5%	3	3.4%	0	0.0%
Some of the time	12	6.0%	4	4.5%	8	7.1%
Rarely	37	18.4%	16	18.0%	21	18.8%
Never	149	74.1%	66	74.1%	83	74.1%
Total	210	100%	89	100%	112	100%

**Source:** Social Survey 1993.

it to be a secondary problem. Public indifference to active environmental struggle as a legacy of state socialist structured coherence thus continues to influence the nature of post state socialist politics in important ways.

#### **10.2.2. Public participation in local self-government**

The weakness of local civil society in the Most District is also indicated by very low public participation in local self-government activities. Table 10.12 reveals that almost 75% of the Most District citizens *never* attend public meetings of the local council and only 1.5% do so often. These results were confirmed by the interviews with mayors conducted in the Most District in 1993. The mayors of the municipalities complained that their voters were not generally interested in local politics and local issues unless these very directly influenced their lives. As a result, they rarely attended the public meetings of the local council.

Over 15% of the 1993 respondents were unable to name the mayor of their municipality and 38% did not know which party won in their electoral district in the 1992 parliamentary elections. Furthermore, 82% of the respondents did not know the member of the Czech Parliament for their constituency.

The lack of interest and participation of local citizens in the work of their municipal governments results in poor communication between the municipal

governments and voters and limits cooperation for dealing with local problems, including environmental management.

### **10.3. Popular Attitudes Toward Democratization and Environmental Management**

Both the 1992 and 1993 surveys investigated attitudes of the Most District residents toward the issues of democratization and environmental management during the post state socialist transition. In this section, I will focus on several key issues associated with democratization and environmental management identified in Chapter Nine. These include popular attitudes toward political decentralization, efficacy and legitimacy of local government, attitudes toward the role of national government in the environmental clean-up in the region, and the role of geographic scale.

#### ***10.3.1. Political decentralization***

I have identified decentralization of powers and decision making from the national to local level as one of the most important processes associated with democratization in the Czech Republic. Do the citizens of the Most District support this process or do they rather favor centralized governmental system?

At the national scale, the 1993 respondents were split over the question of whether the concentration of political power in the national government is best for managing Czech Republic affairs (40% agreed, 38% disagreed). A majority of respondents (65%) supported a pluralistic democratic system with the existence of more than two or three political parties, because they did not think that the existence of more than two or three political parties could negatively influence effective, democratic government (22% disagreed). This suggests that a majority of the people supported political deconcentration at the national level and the development of a Western European style of pluralistic democracy.

The 1993 respondents generally supported decentralization and deconcentration of political and decision making powers from national to local and regional levels. They thought that local governments represented their interests much better than the national government and therefore should be allowed to decide all issues that influenced the quality of their lives (Tables 10.13 and 10.14). In the area of environmental



management, respondents preferred local to national management because they thought that local governments (including local self-government and the District Office) could better understand local environmental problems (Tables 10.15-10.16). Further questions revealed, however, that the respondents expected the national government, not the local one, to deal with the problems of environmental devastation in their area.

**Table 10.13** All issues that influence the quality of citizens' lives should be decided at the town or district level.

	<b>Strongly agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>Total</b>
<b>Total</b>	77 38.1%	87 43.1%	20 9.9%	14 6.9%	4 2.0%	202 100%
<b>Men</b>	35 39.3%	36 40.5%	9 10.1%	7 7.9%	2 2.2%	89 100%
<b>Women</b>	42 37.2%	51 45.1%	11 9.7%	7 6.2%	2 1.8%	113 100%

Source: Social Survey 1993.

**Table 10.14** The town council better represents the interests of the people than does the national government in Prague.

	<b>Strongly agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>Total</b>
<b>Total</b>	44 21.8%	74 36.6%	48 23.8%	22 10.9%	14 6.9%	202 100%
<b>Men</b>	21 23.3%	33 36.7%	17 18.9%	10 11.1%	9 10.0%	90 100%
<b>Women</b>	23 20.5%	41 36.6%	31 27.7%	12 10.7%	5 4.5%	112 100%

Source: Social Survey 1993.

**Table 10.15** Problems of industrial pollution cannot be properly understood or managed by the town or district councils.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
<b>Total</b>	31 15.3%	36 17.7%	26 12.8%	56 27.6%	54 26.6%	203 100%
<b>Men</b>	15 16.7%	18 20.0%	7 7.8%	21 23.3%	29 32.2%	90 100%
<b>Women</b>	16 14.2%	18 15.9%	19 16.8%	35 31.0%	25 22.1%	113 100%

Source: Social Survey 1993.

**Table 10.16** The local council and district office are better able to understand and deal effectively with problems of industrial pollution than are the members of the central government in Prague.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
<b>Total</b>	55 27.2%	74 36.6%	37 18.3%	29 14.4%	7 3.5%	202 100%
<b>Men</b>	31 34.8%	28 31.5%	15 16.9%	10 11.2%	5 5.6%	89 100%
<b>Women</b>	24 21.2%	46 40.7%	22 19.5%	19 16.8%	2 1.8%	113 100%

Source: Social Survey 1993.

### **10.3.2. Efficacy and legitimacy of local government**

I have argued in Chapter Nine that the local government system was not very efficient in dealing with local problems in the Most District. The main reasons for its inefficiency were the lack of experience and competency, insufficient powers and financial resources, and often also the lack of commitment to deal with local problems such as environmental pollution. I have also argued that this inefficiency of local

government could seriously undermine its legitimacy in the eyes of its constituency. Do my conclusions correspond with the popular attitudes of the Most District citizens? Several questions of the 1993 and 1992 surveys conducted in the Most District were designed to gather information about the popular perceptions of governmental efficacy.

Although the 1993 respondents supported decentralization of powers and decision making from central to local and district levels, and they thought that local governments could better understand and deal with local problems, such as industrial pollution (Tables 10.14-10.16), only 15% of them trusted local government compared to 40% who trusted the national government. Overall, there was a high degree of dissatisfaction with all levels of government in the Most District: almost half of the respondents did not trust any level of the government in 1993 (Table 10.17).

**Table 10.17** In which of the following levels of government do you have the most trust?

	Total		Men		Women	
National government	78	38.9%	36	40.0%	43	38.0%
Regional government	6	3.0%	4	4.4%	2	1.8%
Local government	30	14.8%	16	17.8%	14	12.4%
None of the above	88	43.3%	34	37.8%	54	47.4%
Total	203	100%	90	100%	113	100%

Source: Social Survey 1993.

This discrepancy between the popular support for decentralization and deconcentration of powers to local and district levels and a high degree of dissatisfaction with local government may reflect two different issues. Either the local residents of the Most District are aware of the lack of powers of local governments to deal adequately with local problems or they think that the current local governments are not competent and committed to tackle the local issues such as environmental devastation.

The 1992 and 1993 surveys revealed that both factors contributed to the lack of trust in local government. Only 8% of the 1993 respondents thought that a majority of

those elected to local government were capable of governing well, while almost 40% (39.4%) believed that only a minority of elected local officials could govern well. One third of the respondents (35%) thought that most of the decisions made by elected local government officials were satisfactory or correct as opposed to two-thirds (65%) who believed that only some of those decisions (less than half) were satisfactory or correct. Furthermore, almost half of the 1993 respondents (44%) believed that local government officials did not care much about what their voters thought about pollution problems in their district. In 1992, only 10% of the respondents agreed that the local council had tried very hard to force enterprises to reduce air pollution, while 60% disagreed. Thus many citizens of the Most District had serious doubts about competency of local governments to govern well and about their commitment to deal with the most pressing problems their constituency had to face such as environmental degradation.

At the same time, a majority of the 1992 (90%) and 1993 (83%) respondents thought that the local government should have had more power to control private enterprises within its jurisdiction and almost 80% of the 1992 respondents thought that the local government did not have the power to put pressure on polluting enterprises to improve their record of environmental pollution.

### ***10.3.3. Popular attitudes toward the role of the government in the area of environmental management***

Although the respondents favored decentralization and deconcentration of central state powers to the local scale and they did not think that the national government could well understand local environmental problems (Tables 10.13-10.17), they expected the national government to be best able to deal with the environmental problems of their district and northern Bohemia as a whole. In contrast, the citizens of the Most District and other basin districts of northern Bohemia felt that the local government institutions would be least capable of contributing to the solution of environmental degradation (Table 10.18).

In summer 1992, more than 60% of the respondents observed little change in the ability of the central government as well as local self-governments to deal with problems of environmental pollution since 1989 (Table 10.19). This small change means that both

central and local governments are generally perceived to be ineffective in solving environmental problems of northern Bohemia and the Most District in particular. It is interesting that the residents of the Most District still strongly believe in the central role of the Czech government and its institutions in environmental management, even after their experience of its inefficiency under state socialism and the little change that has occurred after its collapse (see also Pavlínek, Pickles and Staddon 1994). One would rather expect that the citizens would turn their attention more toward non-governmental structures, including local self-governments and NGOs, in order to improve the environmental situation.

**Table 10.18** Which institutions from among the following do you feel will be able to most contribute to solving the environmental problems of northern Bohemia?

	Most District		Basin Districts	
	%	N	%	N
Czech government	59%	63	60%	425
State Environmental Inspection	15%	18	15%	107
District authorities	9%	11	10%	68
Municipalities	14%	17	8%	57
Foreign and international institutions	10%	12	7%	48
<b>Total</b>	<b>100%</b>	<b>120</b>	<b>100%</b>	<b>705</b>

**Notes:** Basin Districts included the Districts of Chomutov, Most, Teplice, Ústí nad Labem, Louny and Děčín.  
N = Number of respondents.

**Source:** Regional Plan of Environmental Priorities 1994. Survey conducted in January 1993.

A possible explanation of this continuous belief by a majority of citizens that the central state is best able to solve the environmental crisis is a missing alternative to the central state due, in part, to a very weak civil society. Poorly developed civil society in Central and Eastern Europe is often viewed as one of the major problems of transition

from state socialism to capitalism (Williams and Reuten 1993, Elander and Gustafsson 1993). Inability of the post state socialist central state to fulfill popular expectations of improvement in the quality of the environment in the regions, such as the Most District, can seriously undermine its legitimacy. Williams and Reuten (1993) argue that poorly developed civil society and inadequate state legitimation create a situation in which populist forces are likely to be successful to fill this gap. It is not surprising therefore that the populist and extremist Republican Party of Czechoslovakia received almost two and half times more votes in the Most District than in the Czech Republic as a whole during the 1992 parliamentary elections (15% of the vote in the Most District compared to 6% in the Czech Republic). The support of the populist Communist Party was also significantly higher (20% of the vote) than in the rest of the Czech Republic (15% of the vote) (Rozvoj, June 10, 1992).

**Table 10.19** The ability of central government and local self-governments to deal with problems of environmental pollution in this area is:

	Central government		Local self-government	
Rapidly improving	1	1.5%	0	0.0%
Slowly improving	9	13.4%	16	23.9%
Little has changed	41	61.2%	41	61.2%
Slowly getting worse	4	6.0%	5	7.4%
Rapidly getting worse	9	13.4%	3	4.5%
Don't know	3	4.5%	2	3.0%
Total	67	100%	67	100%

Source: Social Survey 1992.

Almost 80% of the 1993 respondents thought that quality of the environment should have been among the top three priority tasks for the national government. About the same percentage believed that environmental protection should have been among the

top three priorities for local self-government (Table 10.20), even though respondents did not expect local governments to be very efficient in their environmental management (Table 10.18).

**Table 10.20** What should be the top three priority tasks for the national and local self-government?

Top priority	Percent of respondents	
	National government	Local government
Quality of the environment	79.1 <sup>1</sup>	78.4
Health care	41.9	17.4
Crime	33.0	44.7
Economic growth, transition and privatization	25.1	2.6
Social policies	23.0	8.4
Education	20.9	14.7
Standard of living and growing living expenses	13.6	3.2
Romanies	9.9	29.5
Unemployment	7.3	4.2
Housing	5.8	32.1
Foreign policy	5.8	0.0
Total number of responses	531	513
Total number of respondents	191	190

**Note:** 79.1% means that 79.1% of respondents listed quality of the environment among the top three priorities of the Czech national government.

**Source:** Social Survey 1993.

One of the problems local self-governments have to face is that many local citizens are not used to seeking help to solve a problem in the community at the local

**Table 10.21** Faced with several hypothetical scenarios, please indicate which SINGLE office from the list below would be most likely to render effective assistance (Results listed in descending order and listed only up to the mayor's office in order to show its ranking).

<b>Scenario A: You discover toxic materials close to your residence.</b>						
	<b>Total</b>		<b>Men</b>		<b>Women</b>	
Department of Environment at the District Office	120	60.4%	51	58.0%	69	62.2%
Mayor's Office	34	17.1%	17	19.3%	17	15.3%
<b>Scenario B: Airborne pollution causes your children's eyes to sting.</b>						
Department of Environment at the District Office	68	34.5%	28	32.2%	40	36.4%
An environmental group like Ecoforum	32	16.3%	13	15.0%	19	17.3%
I would deal with it myself	23	11.7%	10	11.5%	13	11.8%
Mayor's Office	18	9.1%	10	11.5%	8	7.3%
<b>Scenario C: if the government announced that it would allow citizens to choose one organization to be in charge of community environmental protection, which one organization or office would you choose to take this responsibility?</b>						
An environmental group like Ecoforum	69	35.2%	26	29.9%	43	39.5%
Department of Environment at the District Office	43	21.9%	21	24.1%	22	20.2%
An international organization such as the US EPA	24	12.3%	12	13.8%	12	11.0%
Government ministries in Prague	14	7.2%	5	5.8%	9	8.3%
Mayor's Office	12	6.1%	6	6.9%	6	5.5%

**Source:** Social Survey 1993.

level and they do not think that their municipal government can help. The 1992 survey showed that 80% of respondents never sought help from a local self-government or former local national committee. When faced with a hypothetical environmental situation



the respondents would often seek help from the district state administration or environmental NGOs rather than from their municipal government. Similarly, when the 1993 respondents were faced with three hypothetical scenarios simulating an environmental problem and asked to indicate an office which would be most likely to render effective assistance, they never ranked municipal government above the Department of Environment at the District Office (Table 10.21). This suggests that, in the area of environmental regulation, the citizens of the Most District usually do not see their municipal government as a legitimate governing structure which can help them solve their problems. It also confirms our finding that there is overall little trust in local self-government in the Most District (Table 10.17).

#### ***10.3.4. Geographic scale***

The 1992 and 1993 surveys conducted in the Most District revealed that there were different perceptions of the transition and needs to deal with problems such as environmental devastation at the national and local scale (see also Pavlínek, Pickles and Staddon 1994). While the citizens of the Most District continuously ranked environmental devastation as the biggest problem they had to face (see Tables 10.1-10.4), the Czech government formed after the 1992 parliamentary elections focused on the economic transition and development of capitalism in the Czech Republic and much less on improvement in the quality of the environment. The improvement in the quality of the environment in the Czech Republic became a secondary issue for the government which could, according to the government, be achieved by the mere introduction of the market economy. Prime Minister of the Czech Republic, Mr. Václav Klaus argued in February 1993:

**The crucial way to improvement [of the quality of the environment in northern Bohemia] is the market economy alone with a rational price structure which will make wasting with the energy resources and pollution of the environment expensive and financially unbearable. Moreover, the purpose of the economic reform is to restore the prosperity of the country which will on one side pollute the environment in a reasonable way and on the other side create resources which will allow to remedy the damage**

from the past.<sup>5</sup>

Mr. Klaus further revealed his view on the solution of environmental devastation in the Czech Republic in December 1993 when he replied to the open letter of a group of environmentalists who criticized the governmental attitude toward the environment. In his reply Mr. Klaus maintained that:

Ecology is first and foremost an economic problem. Environmental policy is based on country's resources and economy is the limiting factor if we like it or not. Environmental policy, as understood and implemented by this government, is pragmatic and not fundamentalist. It is not separated from the overall context of societal transformation. It is not based on some concepts separated from reality, such as the concept of 'sustainable development', but it is focused on the protection and improvement of the environment based on our means. We can neither exceed these means nor change the overall direction of the transition process somewhere to [the sphere of] planning practices.<sup>6</sup>

Mr. Klaus also argued that "there is no explicit and irreversible pollution trend which would require artificial arrest of the industrial process" and that "we should not be sure that the state knows anything better than the market" (LN February 14, 1994). A market system based on private ownership and deregulated price system is, according to Mr. Klaus, "a fundamentally economic system which preserves the nature and as such it does not have a real alternative" (Klaus 1994b). Mr. Klaus advocates an environmental policy which is based on "individual decision making optimally supplemented by the state decisions" (Klaus 1994b).

The views of the Czech Prime Minister, which largely reflect the approach of the Czech government to the solution of environmental problems, differ sharply from popular expectations at the local scale. Citizens of the Most District expect the national government to take responsibility and a leading role in environmental revitalization (Table 10.18). Almost 92% of the 1993 respondents agreed that *more* state involvement

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<sup>5</sup>LN February 26, 1993.

<sup>6</sup>HN December 10, 1993.

**Table 10.22** More state involvement and control is necessary to improve the quality of the environment.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
<b>Total</b>	126 62.4%	59 29.2%	6 3.0%	9 4.4%	2 1.0%	202 100%
<b>Men</b>	47 52.8%	31 34.8%	3 3.4%	8 9.0%	0 0.0%	89 100%
<b>Women</b>	79 69.9%	28 24.8%	3 2.6%	1 0.9%	2 1.8%	113 100%

Source: 1993 Social Survey.

**Table 10.23** The approach of the governments toward the environment has not changed after the fall of communism and it has resulted in the disenchantment of the public.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
<b>Total</b>	51 25.3%	70 34.7%	32 15.8%	38 18.8%	11 5.4%	202 100%
<b>Men</b>	23 25.5%	28 31.1%	14 15.6%	17 18.9%	8 8.9%	90 100%
<b>Women</b>	28 25.0%	42 37.5%	18 16.1%	21 18.7%	3 2.7%	112 100%

Source: 1993 Social Survey.

and control was necessary to improve the quality of the environment while only 5.4% disagreed (Table 10.22). Furthermore, the 1993 survey showed a growing disenchantment of the Most District residents with the governmental approach toward the solution of environmental devastation. The fact that 60% of the 1993 respondents thought that the approach of the government toward the environment has *not* changed after the collapse of state socialism is very alarming (Table 10.23). The different views at national and local scales about the approach toward the environment and the failure

of the central state to introduce more efficient environmental policies might further undermine legitimation of the national government in regions such as Most District and northern Bohemia as a whole.

#### **10.4. Popular Attitudes to Economic Transition in the Most District**

In Chapters Seven and Eight, I have argued that the regional economy of the Most District was undergoing important changes associated with the transition from state socialism to capitalism in the Czech Republic. I have also argued that the Czech government considered the economic transition as its top priority task and treated other important issues, including environmental devastation, as secondary. How did the Most District residents perceive economic transition in their district?

Respondents of our 1992 and 1993 surveys conducted in the Most District did not consider economic transition from the centrally planned to a market economy to be among the top three problems facing them personally and their communities (Tables 10.1-10.4). There are at least two possible explanations for these results. First, the urgency of environmental problems overshadowed economic concerns in the Most District when compared to the rest of the Czech Republic (Table 10.4). Second, economic transition, including privatization and restructuring of the two largest industrial employers in the Most District (the chemical and coal mining industries), had hardly begun in the summers of 1992 and 1993 when the surveys were conducted. The survey results rather reflect the 'pre-privatization agony' in both the chemical and coal mining industries with its minimal organizational, managerial and production changes (see Chapters Seven and Eight).

As a result, unemployment levels remained low and instead the increasing cost of living, associated with the post-1990 inflation and decline in real wages in the Czech Republic, was the largest economic concern in the Most District. Nevertheless, more than 80% of the 1993 respondents (82%) agreed that new economic and social problems associated with the transition from state socialism to capitalism, such as unemployment and decline in production, were the most important reasons why public environmental awareness declined after its post-1989 revolution peak.

Overall, respondents supported a strong governmental role in economic and social

regulation. For example, more than 60% of the 1993 respondents and 77% of the 1992 respondents thought that the government had the right to regulate private enterprises (Table 10.24). Over one-third of the 1993 respondents (35%) held that many industries can only be properly managed by government (42% disagreed) (Table 10.25). These answers suggest that there is no universal support for privatization and deregulation of state owned enterprises in the Most District. Furthermore, more than 80% of the 1993 respondents (81%) believed that the government should be responsible for ensuring that all citizens achieve certain basic living standards.

There is strong support for local control of industrial enterprises in the Most District. As I have shown in section 10.3.2., more than 80% of the 1993 respondents (83%) and 90% of the 1992 respondents thought that the local council should have had more power to control private enterprises in its jurisdiction while less than 10% of the respondents disagreed in 1993 and less than 8% in 1992. Almost 80% of the 1992 respondents (79%) claimed that the local council did not have enough power over polluting enterprises in order to force them to improve their record of environmental pollution. These results somewhat contradict the substantial support for governmental control over industrial enterprises expressed in Tables 10.14 and 10.15. One possible explanation is that some respondents still do not recognize the differences between local self-government and central state administration.

**Table 10.24** Government has no right to control private enterprise.

	<b>Strongly agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>Total</b>
<b>Total</b>	14 7.0%	32 15.8%	32 15.8%	66 32.8%	58 28.7%	202 100%
<b>Men</b>	8 8.9%	13 14.4%	14 15.6%	27 30.0%	28 31.1%	90 100%
<b>Women</b>	6 5.3%	19 17.0%	18 16.1%	39 34.8%	30 26.8%	112 100%

Source: 1993 Social Survey.

**Table 10.25** Many industries can only be properly managed by government.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
<b>Total</b>	18 8.9%	52 25.6%	47 23.1%	67 33.0%	19 9.4%	203 100%
<b>Men</b>	10 11.1%	26 28.9%	14 15.6%	29 32.2%	11 12.2%	90 100%
<b>Women</b>	8 7.1%	26 23.0%	33 29.2%	38 33.6%	8 7.1%	113 100%

Source: 1993 Social Survey.

Our survey results also indicate that former Communist Party officials are very active during privatization of state enterprises and use it as an opportunity to transform themselves into a 'nomenklatura capitalist' class (Clarke 1993b). Almost one-third of the 1993 respondents knew of or had heard about a former Party official who used his/her position to benefit from the privatization of state enterprises (Table 10.26).

**Table 10.26** Do you know or have you heard of an example of a former Communist Party official who has used his/her position to benefit from the privatization of state enterprises?

	Total		Men		Women	
Yes	58	29.4%	31	35.6%	27	24.5%
No	48	24.4%	20	23.0%	28	25.5%
Don't know/no answer	91	46.2%	36	41.4%	55	50.0%
<b>Total</b>	197	100%	87	100%	110	100%

Source: 1993 Social Survey.

In 1992, 55% of the respondents were optimistic about the prospects for improvement in economic conditions in the Most District in the next two years, although

only 15% of them recognized that the general economic outlook for the Most District was improving after the collapse of state socialism in the former Czechoslovakia. In contrast, 43% of the respondents believed that the general economic outlook was getting worse in their area mainly due to the industrial structure inherited from state socialism.<sup>7</sup> The last two years showed that this optimism was unfounded and that economic difficulties still lay ahead for the Most District.

### 10.5. Conclusion

The 1992 and 1993 survey results support my thesis that the structured coherence formed in the Most District during state socialism was among others also characterized by distinct space and environment (see Chapter Six). The extreme degree of environmental degradation is the most obvious sign of the specific nature of space in the Most District. Most of the respondents recognized this specificity of space and the environment in which they lived.

The survey results also support my argument that the Most District population is largely unwilling to support or participate in active environmental struggle, even though the citizens are very concerned about the quality of the environment. One of the feasible explanations for this situation is the virtual eradication of civil society by the Communist Party hegemony. Although the citizens of the district recognize the severity of environmental problems and their negative influence on their everyday life, they are still largely unable to organize themselves and actively fight for environmental improvement. Most of them prefer more passive ways to achieve environmental clean up, such as their willingness to sacrifice part of their wages or support environmental education. The majority of the Most District population does not, however, support the active environmental struggle advocated by the emerging environmental NGOs. These people rather expect the central state to take the responsibility for the environmental revitalization of their area.

Many residents of the Most District seem to be confused about the role of local governments in environmental management. On the one side, they strongly support

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<sup>7</sup>See Pavlínek, Pickles and Staddon (1994) on these issues.

decentralization and deconcentration of political powers from the central to local and regional levels. On the other side, they do not think that local government is capable of efficient local environmental management and expect the central state to take charge of the environmental clean up. However, most of the respondents were highly critical about the government's environmental policies in the Most District and did not think that the situation has changed since the collapse of state socialism.

One of the possible explanations for the continuation of trust in centralized environmental management, even though it is not efficient, and mistrust in local management system organized by the locally elected authorities, is the existence of a very weak civil society in the Most District. As a result, the citizens do not often view the local government system as a viable alternative to the central state. The existing situation in the Most District might result in a serious legitimation crisis for both central and local governments, and if this were to occur it could benefit populist and anti-democratic forces. It also indicates that many citizens have difficulties in clearly recognizing a distinction between the central government and its administration on the one side and local self-government on the other side.

Understanding of the role geographic scale plays in democratization and environmental management in the Most District is very important for understanding these processes. Our analysis shows that there are different perceptions of environmental problems and policies at national and local scales in the Czech Republic. While the government prefers to focus on economic issues over the environmental ones, many citizens of the Most District think the opposite. Inability of the national government to reconcile this conflict might further undermine its legitimacy in the Most District.

Overall, popular attitudes reflect a strong legacy of state socialism in the Most District. This is most obviously expressed in the continuing popular belief in a strong paternalistic central state which functions as a provider and care taker. At the same time, there is little support for individual action, there is a weak civil society, almost non-existent participation in environmental NGOs and generally little trust in local self-government. In this sense, social and cultural restructuring in the Most District lags behind the processes taking place at the national scale and also behind economic restructuring in the Most District. This suggests that the disintegration of state socialist



structured coherence will be a long process in the Most District. It also points toward the uneven nature of transition from state socialism to capitalism in terms of geographic scale and in different areas of social life.

## CHAPTER ELEVEN

### CONCLUSIONS

The previous chapters illustrated the complexity of economic, political and social changes taking place in the Most District during the early stages of the transition from state socialism to capitalism. They also demonstrated how the complex nature of these changes influences the environment and environmental management in the region. In this concluding chapter, I will summarize my findings about the transition in the Most District, address the theses presented in Chapter One and present recommendations for future research on the transition in Central and Eastern Europe.

#### 11.1. Case Study Approach Toward the Transition

I began this dissertation with a critique of current approaches toward the study of the transition in Central and Eastern Europe. My critique focused on four interrelated issues: *First*, current discussions on the transition in Central and Eastern Europe fail to study it in its complexity; *second*, they generally do not recognize the question of geographic scale because they usually focus on the national scale or Central and Eastern Europe as a whole and pay little attention to the changes taking place at sub-national levels - the regional and local scale; *third*, they fail to study how concrete processes associated with the transition operate in concrete places influenced by their history and geography; and *fourth*, they often do not consider the uneven nature of the transition from state socialism to capitalism in Central and Eastern Europe. Did my study of the transition in the Most District and in the Czech Republic more generally address these issues?

Using the concept of structured coherence (Harvey 1985) and the extended case method (Burawoy 1991a, 1991b), my analysis of the Most District placed the study of the transition from state socialism into a concrete economic, political, social, cultural, historical and geographical context. By doing that, I could consider the complex nature of economic, political and geographical changes taking place after the collapse of state

socialism, such as privatization and restructuring of state-owned enterprises, democratization, local government change and local environmental management, and which are manifested in the relatively small geographical area of the Most District.

My approach directly addressed the question of geographical scale through the study of the transition in regional and local conditions of the Most District and how the processes taking place at the local and regional scale, such as privatization, restructuring and democratization, are related to the changes at the national and international scale. The study of the Most District demonstrated that local processes associated with the transition from state socialism to capitalism, such as privatization of industrial enterprises and their restructuring or democratization and political change at the local scale, are closely related to the changes at the national scale and are often strongly influenced by international forces, which is the case of the role of foreign capital in privatization and restructuring of Chemopetrol. At the same time, the case of the Most District shows that there are often big differences between the transition at the national scale of the Czech Republic and at the local and regional scale of the Most District. For example, while the rhetoric and policies of the national government often represent radical departures from state socialism, the local governments in the Most District operate in the system of surviving state socialist economic and social relations, including the legacy of state socialist legislation. Thus the legacy of state socialism is much stronger at the local than national scale. In the case of the Most District, the legacy of state socialism is represented by, for example, the extreme degree of environmental devastation caused by coal mining and the chemical industries greatly expanded under state socialism, strong popular support for the Communist Party, weak communities *vis-à-vis* strong coal mining and chemical enterprises, lack of financial resources for revitalization, weak civil society and passivity of the local population in the face of continuing environmental destruction. The strong legacy of state socialism in the Most District is not only represented by the extent of environmental devastation and the typical state socialist architecture, for example, but also by the refusal of many potential respondents to participate in my surveys because of their fear that the information could be abused. Many citizens of the Most District still do not feel to be free from state socialism and its Communist Party hegemony despite profound democratization at the national scale.

The study of the transition in the Most District demonstrated uneven nature of this transition. For example, I showed that privatization and restructuring of coal mining and the chemical industry represented two cases of differential transition. Similarly, there are substantial differences between the problems which the cities and villages of the Most District have to face and how their self-governments deal with them.

In terms of methodology, my study of the Most District employed several distinct approaches: in depth interviews of key informants at the local, regional and national scales; two social surveys of the Most District population designed to map popular attitudes toward the economic transition, democratization and environment at the local scale; content analysis of newspapers and written documents, and collection of statistical information about the past and present economic, environmental and social situation in the Most District. My methodological approach toward the study of the transition in Central and Eastern Europe, thus demonstrated that the extended case study method is one possible way to address the issues of complexity and unevenness of the changes and the role of geographical scale in the processes of the transition.

My approach toward the study of the regional political economy of the Most District and its changes after the collapse of state socialism integrated three theoretical and conceptual approaches: Harvey's (1985) concept of structured coherence based on a particular production and organization mix and set of social relations which define consumption patterns and labor process model (see Chapter Four, section 4.4. and Chapter Six), the concept of development model based on French regulation school and composed of a regime of accumulation, mode of regulation, labor process model and hegemonic bloc (see Chapter One, section 1.1.) and Lefebvre's (1991, 1979) concept of production of space and the environment (see Chapter Four, section 4.4.3.).

In Chapter Six, using the example of the Most region, I demonstrated that a development model can have a specific regional form. I identified two distinct structured coherences which formed in the Most region: the pre-World War Two capitalist structured coherence and the post-World War Two state socialist structured coherence. Both of them were based on the extensive development of coal mining in the Most region. The pre-World War Two capitalist structured coherence of the Most region was typified by the gradual concentration of coal mining in several large coal mining

companies often financed and owned by foreign capital. Rapid development of the coal mining industry resulted in the formation of geographically defined labor market in the Most region and in intense class struggle between capital, represented by the mine owners, and labor, represented by coal miners. Structured coherence of the Most region was also typified by intense national struggle between the Czechs and Germans.

In Chapter Six, I also illustrated how the post-World War Two changes in coal mining ownership, organization and technology and overall mode of social regulation, associated with the state socialist centrally planned economy, Communist Party hegemony and state socialist social relations, gradually rebuilt the structured coherence of the Most region. Although the regional economy and labor market of the Most region were still dominated by the coal mining industry, the state socialist period witnessed rapid development of the chemical industry originally based on coal. Under state socialism, social relations and class struggle were dominated by the Communist Party hegemony and central state which resulted in the virtual eradication of civil society, removal of democracy from the society and degradation of labor unions into the transmission belt of the Communist Party. State socialist structured coherence of the Most region was also typified by specific consumption patterns based on the highest average wages in the former Czechoslovakia and other financial incentives provided by the state in order to attract labor in the Most District. The lifestyle of the Most District's citizens was also typified by a very high population turnover, social pathology and a 'mechanistic mentality' (see Chapter Six for details). The specific nature of the regional regime of accumulation based on the extensive development of coal mining and the chemical industry led to the production of a distinct space and an environment typified by the large scale landscape devastation and by extensive air and water pollution. The new state socialist space was also symbolized by the production of new urban spaces in the city of Most and other cities of the region. The Most District illustrates how the production of space is typified by the formation of structured coherences at the regional scale.

This combination of structured coherence, regulation theory and production of space allowed me to address the complex nature of the state socialist political economy and transition from state socialism in the regional conditions of the Most District. Furthermore, it allowed me to deal with the failure of regulation theory to consider

geographic scale and the development at the regional and local scale situated within national and international political economy (see Peck and Tickell 1992, 1995, Goodwin, Duncan and Halford 1993, Chapter 4, section 4.4.2. of this dissertation).

The production of space by the state socialist development model and its regional variant in the Most District challenges Lefebvre's argument (1991, p. 55) that the former state socialist countries did not produce any specific space because they were unable to detach themselves from the capitalist ways of production and accumulation. I believe that the Most District is a prime example of production of space by the particular set of economic and social processes associated with the state socialist development model and by the particular structured coherence originally formed during the capitalist period of development and restructured under state socialism.

My conceptual and methodological approach thus represents one possible way to study the transition from state socialism to capitalism in Central and Eastern Europe from the geographical perspective. It illustrates an attempt to extend Western approaches toward the study of societies and their space under the conditions of state socialism and its transition to capitalism in Central and Eastern Europe.

## **11.2. Major Findings**

In Chapter One, I presented six theses about the transition in Central and Eastern Europe. In this section, I will discuss to what extent my study of the Most District confirmed these theses.

### ***11.2.1. Transition to liberal productivism?***

In Chapter Two, I argued that there was a possibility that the transition in Central and Eastern Europe was in the direction of liberal productivism. A liberal productivist world view considers the free market and private property to be the most important dynamic of economic and social development. Its major instruments include deregulation, free trade and technological change. According to the critics of liberal productivism, the symptoms of liberal productivism include intense social polarization, economic instability, uneven development, 'neo-Taylorist' labor process models and escalation of ecological crisis (see Chapter Two, section 2.3.2.). Do my findings from

the Most District and the Czech Republic support the thesis about the possible development of liberal productivism in the Czech Republic?

If we limit our analysis of the transition in the Czech Republic to the national scale and focus on the liberal rhetoric of the Czech Prime Minister Mr. Václav Klaus and other members of the national government, we might get a strong impression that the new development model emerging in the Czech Republic is a type of liberal productivism. This notion of liberal productivism is further supported by rapid privatization, deregulation and marketization of the Czech economy leading toward increasing polarization of the Czech society, economic instability and uneven development.

My analysis of the Most District shows, however, that what we witness in the Most District is not a *transition* to liberal productivism, but rather the restructuring of state socialist economic and social relations under the conditions of emerging market economy (see also Clarke 1992, Smith 1994). The Czech government does rely on economic liberalization, deregulation and market introduction to restore economic growth as we could see in the cases of coal mining and the chemical industries in the Most District. Both industries were privatized and deregulated, although the privatization of Chemopetrol has not been completed due to the struggle over foreign investment, the prices of coal and chemical products were freed. These policies are consistent with liberal productivism and resulted in a 45% drop of coal production and a 25% decline in coal employment in the Most District between 1991 and 1995 and in a 36% decrease in Chemopetrol's employment.

My research also showed, however, that at the local level, industrial enterprises are often still operating in the system of state socialist economic and social relations during their 'pre-privatization agony'. As a result of uneven pace of privatization and its different forms, illustrated by differential transitions in coal mining and the chemical industry, the economic and social relations in which enterprises operate are the mixture of market and state socialist relations and do not represent a radical departure from state socialism as the Czech government proclaims.

### *11.2.2. No escape from state socialism?*

The second thesis of this dissertation argued against the view of the transition as an unproblematic linear change which represents a clean break with the state socialist past. My analysis of the transition in the Most District demonstrated that there are strong interactions between the past and present not only in the system of economic relations, but in the entire system of social life. Economic change was slow to come to the Most District. Three years after the collapse of state socialism, many people, including the coal mining managers, argued that nothing or little had changed in coal mining and the chemical industry and in the overall life of the district. The respondents of the 1992 and 1993 surveys generally did not observe any decisive break with the state socialist system of social and economic relations. Some reformed state socialist institutions, such as the Most District Office, still use state socialist ways to deal with some problems, such was the case of environmental pollution accidents by Chemopetrol which were hushed up in the Most District Office instead of penalizing the company (see Chapter Nine, section 9.4.2.).

The role of the state socialist past in the present social life of the Most District was most strongly expressed by local citizens in their attitudes toward economic change, democratization and environmental issues (see Chapter Ten). The surveys revealed, for example, that there was no universal support for privatization and deregulation of state owned enterprises in 1992 and 1993. A majority of surveyed citizens (81%) still believed that it was government's responsibility to ensure basic living standards for everyone. Many of them thought (one third) that only the central government could properly manage some industrial sectors. State socialist passivity and weak civil society are still strongly influencing popular attitudes and behavior of the Most District's residents. Despite the recognition of severity of environmental problems in the Most District, most of the citizens do not participate in any type of environmental struggle and there is minimal support for environmental NGOs and active environmental struggle. Instead, the Most District residents expect the central government and its administration to take responsibility over the environmental clean-up.

The state socialist past is also reflected in the lack of interest and participation of the Most District citizens in the work of their municipal governments. Many citizens of



the Most District have serious doubts about the competency of their local governments to govern well and to deal with serious environmental degradation and other important problems and the overall trust in the central government is much higher than in the local self-government. The fact that the Communist Party managed to win the 1994 local elections in the city of Most, which represents 59% of the district's population, and in more than one-third of the additional municipalities of the district also demonstrates that there is no clean break with the state socialist past in the Most District. My research rather indicates that the disintegration of state socialist structured coherence has hardly begun in the Most District and that it will be a long term process.

The situation in the Most District thus seriously questions some Western neo-liberal and neo-Marxist theses about the transition from state socialism to capitalism.

### *11.2.3. Uneven nature of the transition*

The third thesis of this dissertation argued that the transition from state socialism to capitalism in Central and Eastern Europe is an uneven process in terms of space, time and social groups. Do my findings about the transition in the Most District support this claim?

As I have mentioned in the first section of this conclusion, my research illustrated that privatization and restructuring of the chemical industry and coal mining in the Most District represent two cases of differential transition which are based on distinct governmental strategies, contrasting roles of domestic and foreign capital, differences in class struggle and struggle between these industries and local communities (see Chapters Seven and Eight). While the privatization and restructuring of the coal mining industry was strongly influenced by class struggle, the struggle between labor and the government did not play significant role in privatization and restructuring of the chemical industry. While the privatization of the chemical industry is strongly influenced by foreign capital, it did not play important role in the privatization of coal mining. The future of coal mining in the Most District depends on the outcomes of the struggle between the local communities and the Most Coal Company over the extent of coal mining and demolition of additional villages. The chemical industry does not face these type of problems. These distinctions resulted in different speeds of privatization in the chemical industry

and coal mining and in individual outcomes of the transition for these two sectors: coal mining is being gradually closed down, while the chemical industry might prosper after the expected infusion of foreign capital.

Similarly, political transition from the state socialist one party regime to a democratic system is an uneven process. In terms of geographic scale, the case of the Most District illustrates the limited extent of democratization at local and regional scales compared to the national scale, especially in the areas of political and fiscal decentralization. Democratization at the local scale has been slowed by the reluctance of the central state to decentralize and deconcentrate many of its powers to the local and district levels and to establish a regional self-administration. Former and current members of the Communist Party were often able to keep their positions in local and regional administration and to some extent continue their state socialist practices. In many cases, they were able to convert their political power into economic advantage during the privatization of state-owned property.

My research in the Most District uncovered important differences between cities and villages in the type of problems they have to deal with and in the ways they try to overcome the state socialist heritage, which suggested a possibility that they can follow different transition pathways. Small communities are generally financially and administratively much weaker than larger cities and this limits their self-governing abilities. They often lack financial resources to launch revitalization programs and environmental clean-up after more than forty years of neglect and waiting for their demolition due to coal mining. Municipalities still have almost no powers over large polluters located on their territory. As a result, small communities and cities are in different positions to restructure state socialist power relations with large coal mining and chemical enterprises which in the past were generally typified by industrial paternalism. While the cities have been able to gradually change their relations with large enterprises from their subordinate position to a more equal partnership, which results in compensations for environmental pollution and contributions to local budgets the cities receive from the enterprises, the villages are still generally ignored by the enterprises and the state socialist power relations between them and large enterprises are changing only slowly.

#### ***11.2.4. Contested nature of the transition***

The case study of the Most District and the Czech Republic in general confirmed my thesis about the contested nature of the transition from state socialism to capitalism in Central and Eastern Europe. The situation in the Czech Republic and in the Most District illustrates that what we are witnessing in Central and Eastern Europe is not an unproblematic, linear transition from state socialism to liberal capitalism (Fukuyama 1989, 1992) or from state to private capitalism (Resnick and Wolff 1994). Instead, this transition is typified by numerous struggles over the direction of change and over its outcomes at international, national, regional and local scales.

My analysis of the post-1989 development in the Most District uncovered numerous struggles over economic and political restructuring. In the case of the coal mining industry, the central state, labor, coal mining management and local communities struggled over the strategies of privatization and restructuring and continue to struggle over the future extent of coal mining in the Most District, northern Bohemia and the Czech Republic as a whole.

Coal mining is also a prime example of changing forms of class struggle in the Czech Republic after the collapse of state socialism. The state socialist class struggle, dominated by the Communist Party hegemony and central state, was typified by cooperation and consent on the one side, especially in the early stages of state socialism, and by passive opposition to the state socialist forms of workers' exploitation on the other side. The collapse of state socialism led to the re-emergence of open class struggle in the Czech Republic, typified by the conflict between the central state and coal mining trade unions over the restructuring and privatization strategy of coal mining. This conflict took place mainly at the national scale.

At the local scale, the contested nature of coal mining restructuring is illustrated by the struggle between coal mining enterprises and local communities over the future extent of coal mining, because in the future, coal mining can continue only at the expense of demolition of additional villages and settlement units. The case of coal mining in the Most District also illustrates that the end of state socialism does not automatically translate to the end of state socialist power relations between the coal mining enterprises and the local communities. Instead, the communities had to develop strong pressure on

the central government in order to achieve the change in the coal mining regulations, represented by the governmental ecological limits of coal mining. Furthermore, there is an ongoing struggle between the communities and the Most Coal Company over the enforcement of these coal mining limits which is part of the power struggle over the nature of power relations between the communities and the Most Coal Company after the collapse of state socialism.

This struggle over the future of coal mining and the remaining small communities in the Most basin reflects changing forms of industrial paternalism during the transition from state socialism. Under state socialism, the power relations between villages and coal mining enterprises were typified by strong coal mines, supported by the central state and its planning machinery, and by weak villages unable to defend their interests and often their very existence. These type of power relations resulted in virtual subordination and control of villages by coal mines which were in turn subordinated to and controlled by the Communist Party hegemony and the state planning machinery. My research revealed that this type of industrial paternalism is changing after the collapse of state socialism but the change is uneven and differs between cities and small communities. While the cities are quite successful in developing a more equal type of relations based on cooperation and partnership with coal mining companies, small communities and their needs still tend to be ignored by coal mining enterprises (see Chapter Seven). The situation is similar in the case of the chemical industry and its relations with the neighboring communities.

The case study of the petrochemical industry illustrates the impact of foreign capital on the national transition policies and its role in the struggle over privatization and restructuring in the Czech Republic. This struggle is typified by the conflict among the central state, foreign capital, domestic capital, plant management and labor. The ongoing negotiations between the Czech government and the International Oil Consortium, composed of the Italian company Agip, the French company Total, the Canadian company Conoco and the British-Dutch company Shell, illustrate the controversies of foreign direct investment in the former state socialist economies of Central and Eastern Europe. The Czech government is reluctant to give up its control over the two Czech oil refineries, which represent one of the most profitable industrial sectors, without the

guarantees that they would be further developed and become more competitive which would prevent their potential closure. Privatization of Chemopetrol also typifies the struggle between domestic and foreign capital in Central and Eastern Europe. The case of Chemopetrol also shows that domestic capital is still unable to compete with strong multinational companies because it is financially weak. It is also negatively influenced by the struggle between financial and productive capital over the control of privatization and by its links to the former state socialist elites. Privatization of Chemopetrol also demonstrates the decisive role of the central government in privatization of key industrial sectors in the Czech Republic.

The contested nature of the transition is also illustrated by the struggle over democratization at the local scale. In the case of the Czech Republic, the major conflict developed between the central and local state over political and fiscal decentralization. Local self-governments argue that the post state socialist decentralization is incomplete and ask for decentralization of more powers and financial resources from the central state to the local level. The central state is reluctant to give up its certain level of control over the processes at the local and regional scales. Re-centralization of some powers given to municipalities after 1989 suggests that instead of a single process of decentralization, two simultaneous processes of decentralization and re-centralization seem to be taking place in the Czech Republic. This struggle over political and fiscal decentralization has negative impacts on the efforts of the Most District's communities to deal with the problems of extreme environmental devastation and the needs of community revitalization. Small communities in particular lack powers to pursue a more efficient local environmental management and they also do not have enough money to launch their overall revitalization. As a result, local governments are not very efficient in dealing with the most important local problems in the Most District associated with the state socialist development model and overall devastation in the area.

The last example illustrating the contested nature of this transition is the struggle over the direction of environmental change and the role of the environment in the transition strategy in the former Czechoslovakia and later in the Czech Republic. This struggle is predominantly taking place at the national level among different ministries, political parties and members of the government. In particular, it is the struggle between

the liberal view of the environment and environmental policies, which prioritizes economic development over environmental concerns, and a more environmentally oriented view of the development, which tends to prioritize environmental clean up over economic interests. In the case of the Czech Republic, the liberal view is supported by the Prime Minister Klaus and other members of the government responsible for economic development, while the environmentally oriented view of the post state socialist recovery is supported by the Ministry of the Environment and the Minister Benda. The liberal view of the environment has a much stronger support in the Czech government which translates to low priority being given to the environment in current governmental policies.

#### *11.2.5. Environmental implications of the transition*

One of the central questions of this dissertation was the impact of the transition from state socialism to capitalism on the quality of the environment in Central and Eastern Europe. I argued that, in the short run, the environment benefitted from the collapse of state socialism, especially from the decline in production and new environmental legislation. In the long run, however, liberal transition strategies will limit the ability of the Central and Eastern European countries to solve their environmental problems, namely due to its emphasis on economic growth at the expense of other areas of social life, including environmental conditions. Did my findings from the Most District and the Czech Republic support this thesis?

The environmental data show a considerable decrease in air pollution after 1989 which began in the mid-1980s (see Chapter Five, Table 12 and Chapter Six, Tables 21-24 and 28). However, this decrease in air pollution levels seems to be the byproduct of decreases in production rather than the result of better environmental policies and improved environmental management. It also seems to be following the trend of environmental improvement which began in the mid-1980s under state socialism. In the Most District, air pollution began to decline in the early 1980s. Between 1980 and 1992, the average annual level of sulfur dioxide pollution decreased by 75% and the average annual level of flying ash deposition decreased by 42%. In the city of Most, the average annual level of nitrogen oxides pollution fell by 78% between 1981 and 1991.

After 1989, air pollution seems to be declining much more slowly than coal and chemical production. Thus even in the case of environmental pollution we do not see any radical break between the polluted state socialist past and the improving situation after the collapse of state socialism.

My research on the Czech Republic suggests that the central government is preoccupied with economic concerns and the environment has become a secondary issue, which was also the case of the state socialist governments. The market economy is considered to be the best way to improve the environmental quality in the Czech Republic (see Chapter Ten, section 10.3.4.). Environmental management conducted by state administration is still centralized in the area of air pollution. As a result, it is inefficient because Regional Environmental Inspections are unable to regulate hundreds of polluters in their jurisdiction. At the same time, the local governments in the cities and village lack powers and competencies to regulate polluters on their territories. As a result, what we witness in the Most District and the Czech Republic as a whole is a mixture of state socialist and liberal post state socialist approaches to the environment. At the national level, the government's rhetoric and policies points toward liberal productivism. At the regional and local level, state socialist approaches toward the environment often prevail over the attempts to introduce local and regional environmental management based on market economy and political democracy due to insufficient political and fiscal decentralization (see Chapter Nine, section 9.4.2.). Under these conditions, it is unclear whether the improved pollution levels could be sustained during economic recovery which has already begun in the Czech Republic.

#### ***11.2.6. The spatial form of emerging development model***

The last thesis presented in Chapter One argued that the spatial form of an emerging post state socialist development model would be different from the old state socialist development model and it would likely intensify uneven development between economically declining and growing or stagnating areas. Although spatial re-configuration is a long term process which only started in the Czech Republic after the beginning of economic transition in 1991, we can already observe its effects in the Most District. The governmental ecological limits of coal mining radically altered the

development plans of the coal mining industry and its use of space. According to these limits, the village of Černice will not be demolished and the further territorial claims of the Čs. Armády mine will be limited. Similarly, the village of Louka will not be buried by the Radovesická dump and the town of Lom is no longer endangered by the underground mining of the Hlubina Mines. The production of coal declined by 45% in the Most District between 1991 and 1995 due to several reasons including the increased use of electricity for direct heating, the conversions of heating systems of the entire communities from brown coal to natural gas, ecological mining limits and other ecological legislation, such as the Clean Air Act, low cost of brown coal, the governmental subsidies of electricity and natural gas for the public, and the local and regional efforts to limit the extent of coal mining. For these reasons, the Most Coal Company decided to close several mines including its deep mines Jan Žižka, Alexander, Centrum and parts of the Kohinoor Mine and the opencast Mine Most-Kopisty (Ležáky). This decline in coal mining and its spatial effects resulted from the collapse of state socialism and it illustrates the spatial effects of the transition from state socialism to capitalism.

The collapse of state socialism intensifies uneven development. In the case of the Most District, the cities benefit more from the post-1989 political and economic changes than the small communities because they are better able to secure various governmental subsidies and financial contributions from the Most Coal Company and Chemopetrol. Economic transition also deepens differences between the industrial area of the Most basin and the underdeveloped area of the Ore Mountains affected by destruction of forests due to air pollution, depopulation and cuts in public transport.

#### *11.2.7. Nature of the transition*

What is then the nature of the transition in Central and Eastern Europe and what are its implications for the quality of the environment in the region?

The case study of the Most District and the Czech Republic revealed some general features and tendencies of the transition from state socialism to capitalism in Central and Eastern Europe. It is a complex and contested change which is uneven and spatially differentiated. It is typified by the mixture of old and new. Individuals, communities



and the entire regions are still locked in the preexisting system of state socialist social and economic relations, unable to suddenly break away from state socialism, even if they want to. As a result, the state socialist social practices and attitudes are mixed with the post state socialist present to create a hybrid which represents neither state socialism nor capitalism.

Such a hybrid is best exemplified at the local scale where many people and local politicians are confused about the transition. This confusion was strongly expressed by the Most District residents in their attitudes to local and central governments and their roles in environmental management. Many citizens of the Most District not only have difficulties in recognizing a clear distinction between the central government and its administration on the one side and local self-government on the other side, but they often give conflicting signals about the roles of these governing structures in their district. The state socialist legacy is strongly expressed in their belief in a powerful central state which should take care over the environment, revitalization and other issues in their district. The citizens of the Most District support democratization at the local scale but, at the same time, they do not trust local governments to be capable of governing well. They also do not support active struggle over the environment. In this sense, transition from state socialism is not over as some politicians in Prague argue (see the Economist 1994). My research revealed that in the case of the Most District, the disintegration of the state socialist structured coherence has hardly begun and it will be a long term contested process, rather than a sudden brake from state socialism as many liberal accounts of the transition in Central and Eastern Europe assume.

The study of the Most District also questions some Western liberal and neo-Marxist accounts of the transition as a linear unproblematic change from one system to another (from state socialism to liberal capitalism or from state to private capitalism). Our study illustrates that such accounts of the changes in Central and Eastern Europe are based on an uncritical view which does not take into consideration the complexity of social, economic, political and cultural change taking place in concrete historical and geographical conditions at the local and regional levels.

### 11.3. Recommendations for Future Research

The study of the Most District and the Czech Republic illustrates that almost six years, which have elapsed since the collapse of state socialism, is a very short time to give us any definitive answers about the nature of this transition and its implications for the environment. The Most District demonstrates that the change in economic, political and social conditions of everyday life occurs much more slowly at the local scale than does the change of the regime and democratization at the national scale. As a result, the transition in the Most District is only in its beginning. This suggests that the study of the transition in Central and Eastern Europe represents a long term research commitment. Several years from now, we should be able to provide better answers about the nature of this transition and its impacts on the environment in the region.

My research points toward several important directions for the future research on the transition in the Czech Republic generally and in the Most District more specifically. In the area of industrial restructuring, my research was unable to determine the impact of the collapse of state socialism on labor process and factory regimes. It remains important to study the changes in the state socialist labor process model including general principles of work organization and its changes under the transition to a market economy to determine what effects if any the collapse of state socialism has on labor process. This research should be able to answer questions about the effects of the end of socialist competition on the labor process and whether the changes in the labor process model and overall changes in the social relations of production support a possible emergence of liberal productivism as a new development model in the parts of Central and Eastern Europe, including the Czech Republic. The study of the labor process model should suggest what type of capitalism is actually emerging in the Czech Republic.

More research is necessary in the area of class struggle. My research on coal mining revealed the important role of class struggle during its restructuring and privatization in the Czech Republic. More research needs to be done on class struggle at the local level in the individual companies and mines to determine the role of labor in the ongoing restructuring of coal mining. In the case of the chemical industry, I was unable to provide sufficient information about the role of labor during its privatization and restructuring because it was extremely difficult to collect primary information and

the secondary information was insufficient to do so.

Similarly, it would be very useful to collect primary information about the privatization and restructuring of the petrochemical industry and the role of foreign capital in these processes. My analysis was largely based on secondary information because it was impossible to collect primary information during the negotiations between the Czech government and foreign capital. One possible strategy would be to wait for the end of these negotiations and interview key informants from both Chemopetrol and the Ministry of Industry and Trade after the privatization and restructuring are approved. Primary information about the role of the individual actors, such as the government and its ministries, plants and labor, during privatization and restructuring of the petrochemical industry should help us better understand concrete conditions and processes associated with privatization and restructuring of the chemical industry as it did in the case of the coal mining industry. This type of information should help provide much better political economic analysis of restructuring in the chemical industry and the role of foreign capital, the Czech government, plant management and labor in these processes than this dissertation could do.

My research did not fully address the question of a newly emerging 'hegemonic bloc' in the Czech Republic and its regional forms in the Most District. Further research is necessary to determine the role of former state socialist elites and the Communist Party nomenklatura in the post state socialist power relations and in the processes of economic restructuring, privatization and democratization at the local and regional scale.

The last area in which I recommend more research in the Czech Republic is the study of uneven development during the transition. My research in the Most District revealed important differences between cities and villages and between the chemical and coal mining industries. It also suggested that the position of the Most District among the districts of the Czech Republic is changing in terms of average wage, for example. It would be useful to conduct a comparative regional analysis of the transition in order to determine the position of the Most District among other districts in terms of regional impacts of economic, political and social changes associated with the transition from state socialism.

The transition from state socialism to capitalism in Central and Eastern Europe

is only in its beginnings. My research showed that, in contrast to some liberal or neo-Marxist expectations, it is going to be a long term and contested process, especially at the local and regional scale. It also showed that we need to go beyond the national and international scale to study this transition in order to understand how this transition is different and similar at the same time in different countries, regions and localities. I believe that geographers can greatly contribute to understanding of social, economic, political and cultural processes associated with this transition at the different geographic scales. It will be intriguing to see what the future holds for the areas devastated by state socialism, such as the Most District, and for the region of Central and Eastern Europe as a whole and whether emerging capitalism can secure better future for this part of the world.

## APPENDIX 1

a) People interviewed in Czechoslovakia in summer 1992.

<b>Name</b>	<b>Institution</b>
Petr Pakosta	Mayor's office, the city of Most, Department of the Environment.
Mr. Janček	Mayor's office, the city of Most, Department of Regional Planning.
Ing. Milan Konečný	Head of the Most's District Office.
Ing. Turnerová	Head of the Most District Statistical Office.
Dr. Smejcalová	Head of the Most District Employment Office.
Dr. Chýlková	The Most District Employment office.
Ing. Trefný	Mayor's office, the city of Most, Department of City Planning.
Ing. Pavel Rucký	The Research Institute of Brown Coal, the city of Most.
Ing. Erich Goldberger	The research institute of fuel-energetics complex (VUPEK), the city of Most.
Ing. Kašpar	The Ministry for Economic Policy and Development, Department of Energetics, Prague.
Ing. Hladký	The Research Institute of Brown Coal, the city of Most.
Ing. Pavel Pešek	Vice Director of the Institute of Social and Economic Sciences, Ústí nad Labem.
Ing. Miloš Podrazil	Ministry of Industry, Department of the Chemical Industry, Prague.
Ing. Josef Sřýtr	Ministry for Economic Policy and Development, Department of Regional Policy and Development, Prague.
Dr. Jan Kára	Federal Committee for the Environment and the Institute of Geography, Czechoslovak Academy of Sciences, Prague.
Dr. Petr Uzel	Ministry for Policy and Development, Department of Regional Policy and Development, Prague.

- Ing. Ladislav Vít Director of the Centrum Mine, Záluží u Litvínova.
- Dr. Petr Vozáb Former head of the Department of the Environment, Mayor's office, the city of Most.
- Ing. Drápal Director of the Regional Statistical Office for northern Bohemia.
- Ing. Pavel Beránek TERPLAN, The Institute for Land Use Planning.

b) Key informants formally interviewed in summer 1993 (taped interviews):

1. Local level

Name	Institution
Ing. Valvoda	Mayor of the city of Most.
Ing. Doležal	Mayor of the city of Litvínov.
Mr. Stefan Andreas	Mayor of the city of Meziboří.
Mr. Krepčík F.	Mayor of the city of Lom.
Mr. Stýbr Miroslav	Mayor of Horní Jiřetín.
Mr. Kicl Jiří	Mayor of Mariánské Radčice.
Mr. Kaberle	Mayor of Louka.
Mr. Pakosta Petr	Head of the Department of environment, the city of Most, member of the Ekoforum NGO.
Dr. Vozáb Jan	Former Head of the Department of environment, the city of Most.
Ing. Novák Jiří	Head of the Green House NGO, Litvínov.
David Lowrance	The Green House NGO, Litvínov.
Ing. Lorenzová	Coal mine Ležáky, department environmental protection, Most.
Ing. Cír Jaroslav	Chemopetrol Litvínov, the head of the department of environmental protection.
MUDr. Švec F.	Former head of the hygienic service in the Most District.
Mr. Tlapák	Head of the coal mining unions in the Most District.

- Ing. Traxmandl      Head of the department for the environmental protection at the district authority office Most.
- Ing. Janečková      The department for the environmental protection at the district authority office Most. Air pollution.
- MUDr. Kožešník      Head of the hygienic service in the Most District (untaped interview)
- 2. Regional level**
- Dr. Vonková J.      Head of the department for the environment, the city of Děčín city office.
- Ing. Pisinger J.      Regional office of the Ministry for the environment in the city of Teplice.
- Ing. Křivský Z.      Executive director of the North Bohemia Economic Association Usti nad Labem.
- Dr. Paroha      Foundation North, Usti nad Labem.
- 3. National level**
- Dr. Kára Jan      Charles University, Department of Geography, formerly: Federal Committee for the Environment, Prague.
- Dr. Horáček      Chair of the department of ecological policy at the Ministry of the Environment, Prague.
- Dr. Prančl      Ministry for Economic Policy and Development, Department of Regional Policy and Development, Prague.
- Dr. Ježek Jan      Member of the Czech parliament elected in northern Bohemia, Prague.
- Dr. Illner      Head of the Institute of Sociology, Czech Academy of Sciences, Prague.
- Ing. Kašpar      Ministry of Industry, Department of Energetics, Prague.
- c) Key informants formally interviewed in summer 1994 (taped interviews):
- Ing. Erich  
Goldberger      Manager of the Most Coal Company.
- Ing. Antonín  
Richter      Manager of the Most Coal Company.

## APPENDIX 2

Department of Geography  
University of Kentucky  
Lexington, USA

### SURVEY QUESTIONNAIRE - MOST DISTRICT 1992 (English translation)

This survey is being run by researchers from the University of Kentucky. It is part of a research project in the Most region to understand the changes taking place in the local community and the attitudes people have to these changes.

We would like to ask you a series of questions about this community and your attitudes towards some of the changes that have occurred in recent years. There are quite a lot of questions, but your answers will be very helpful. Please answer the questions as accurately as possible.

All your answers will remain completely confidential.

Location of interview (town) \_\_\_\_\_ [1]  
Location in town \_\_\_\_\_ [2]  
Male \_\_\_\_\_ Female \_\_\_\_\_ [3]  
Age \_\_\_\_\_ [4]

#### A. CONTEXT

1. In which town do you live? \_\_\_\_\_ [5]
2. How long have you lived here? \_\_\_\_\_ [7]
3. (a) Were you born here?    \_\_\_ Yes    \_\_\_ No [8]  
(b) If not, why did you move here? \_\_\_\_\_  
\_\_\_\_\_ [9]



4. In your view, what are the most important problems facing the people of this community right now (up to five)?

- |      |       |      |
|------|-------|------|
| i.   | _____ | [10] |
| ii.  | _____ | [11] |
| iii. | _____ | [12] |
| iv.  | _____ | [13] |
| v.   | _____ | [14] |

5. Which of these is the most serious

- |                    |       |      |
|--------------------|-------|------|
| to you personally? | _____ | [15] |
| to your community? | _____ | [16] |
| to Czechoslovakia? | _____ | [17] |

## B. ECONOMY

### Changes in economic conditions since 1989

1. Which of the following best describes the way your life has changed between 1989 and now?

(a) Overall in this town people's lives have been:

- |                       |       |      |
|-----------------------|-------|------|
| Rapidly improving     | --1-- |      |
| Slowly improving      | --2-- |      |
| Little has changed    | --3-- |      |
| Slowly getting worse  | --4-- |      |
| Rapidly getting worse | --5-- |      |
| Don't know            | --6-- | [18] |

(b) The economic living standards of most people in the town have been:

- |                       |       |      |
|-----------------------|-------|------|
| Rapidly improving     | --1-- |      |
| Slowly improving      | --2-- |      |
| Little has changed    | --3-- |      |
| Slowly getting worse  | --4-- |      |
| Rapidly getting worse | --5-- |      |
| Don't know            | --6-- | [19] |

(c) The availability of jobs in this area has been:

Rapidly improving	--1--	
Slowly improving	--2--	
Little has changed	--3--	
Slowly getting worse	--4--	
Rapidly getting worse	--5--	
Don't know	--6--	[20]

(d) Wages for those with jobs have been:

Rapidly improving	--1--	
Slowly improving	--2--	
Little has changed	--3--	
Slowly getting worse	--4--	
Rapidly getting worse	--5--	
Don't know	--6--	[21]

(e) Availability of housing for young married couples has been:

Rapidly improving	--1--	
Slowly improving	--2--	
Little has changed	--3--	
Slowly getting worse	--4--	
Rapidly getting worse	--5--	
Don't know	--6--	[22]

(f) The general economic outlook for this area has been:

Rapidly improving	--1--	
Slowly improving	--2--	
Little has changed	--3--	
Slowly getting worse	--4--	
Rapidly getting worse	--5--	
Don't know	--6--	[23]

(g) The general economic outlook for Czechoslovakia has been:

Rapidly improving	--1--	
Slowly improving	--2--	
Little has changed	--3--	
Slowly getting worse	--4--	
Rapidly getting worse	--5--	
Don't know	--6--	[24]

Attitudes towards the local economy

1. How optimistic are you that economic conditions in the local area will improve in the next two years?

- Very optimistic --1--  
 Mildly optimistic --2--  
 No opinion --3--  
 Mildly pessimistic --4--  
 Very pessimistic --5--

[25]

2. In your view, will unemployment increase or decrease or stay the same in the next two years?

\_\_\_ Increase      \_\_\_ Decrease      \_\_\_ Stay the same

[26]

3. (a) Would you recommend this town as a place to move to?

\_\_\_ Yes                      \_\_\_ No

[27]

(b) Why?

[28]

4. If you could get a job and apartment somewhere else, would you stay or leave this town?

Stay \_\_\_                      Leave \_\_\_                      Don't know \_\_\_

[29]

5. If you would leave, what single factor would be most likely to make you stay?

\_\_\_\_\_

[30]

6. If other people in the town had the choice do you think they would:

Stay \_\_\_                      Leave \_\_\_                      Don't know \_\_\_

[31]

**C. ENVIRONMENT****Environmental Pollution**

1. There has been a lot of discussion about pollution in this area in recent years. In your view, what are the three most important environmental problems this town faces?

i. \_\_\_\_\_ [32]

ii. \_\_\_\_\_ [33]

iii. \_\_\_\_\_ [34]

2. For each of these problems indicate how serious each problem is:

(i) Extremely serious \_\_\_\_\_ Not really serious [35]

(ii) Extremely serious \_\_\_\_\_ Not really serious [36]

(iii) Extremely serious \_\_\_\_\_ Not really serious [37]

3. What are the three most important pollution problems that affect you and your family?

(i) \_\_\_\_\_ [38]

(ii) \_\_\_\_\_ [39]

(iii) \_\_\_\_\_ [40]

4. For each of these problems indicate how serious each problem is:

(i) Extremely serious \_\_\_\_\_ Not really serious [41]

(ii) Extremely serious \_\_\_\_\_ Not really serious [42]

(iii) Extremely serious \_\_\_\_\_ Not really serious [43]

5. In what year did you first begin to recognize that these might be problems?

\_\_\_\_\_ [44]

6. Did any particular event or events cause you to become aware of these problems?  
 \_\_\_ Yes \_\_\_ No [45]

If yes, what were they?

[46]

[47]

[48]

7. Which source or sources of information most helped you become aware of these problems?

[49]

[50]

[51]

8. Do you think that pollution in this region is less serious, more serious, or no better and no worse than many other parts of Czechoslovakia?

Less serious

More serious

About the same

Don't know

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[52]

9. Are you aware of any environmental or health problems caused by industrial enterprises in this area?

Yes \_\_\_ No \_\_\_

If yes, what are they?

[53]

[54]

[55]

If yes, what are the enterprises or types of enterprises that cause these problems?

[56]

[57]

10. Are you aware of any environmental or health problems caused by agricultural activities in this area?

Yes \_\_\_ No \_\_\_

If yes, what are the problems?

[58]

[59]

[60]

If yes, what activities cause these problems?

[61]

[62]

Changes in environmental conditions since 1989

1. Please indicate one of the following options for each question.

(a) The quality of people's health in this area since 1989 is:

- |                       |       |
|-----------------------|-------|
| Rapidly improving     | --1-- |
| Slowly improving      | --2-- |
| Little changed        | --3-- |
| Slowly getting worse  | --4-- |
| Rapidly getting worse | --5-- |
| Don't know            | --6-- |

[63]

(b) The general quality of the environment over the past 10 years in this area has been:

- |                       |       |
|-----------------------|-------|
| Rapidly improving     | --1-- |
| Slowly improving      | --2-- |
| Little changed        | --3-- |
| Slowly getting worse  | --4-- |
| Rapidly getting worse | --5-- |
| Don't know            | --6-- |

[64]

(c) The quality of the environment in this area since 1989 has been:

- |                       |       |
|-----------------------|-------|
| Rapidly improving     | --1-- |
| Slowly improving      | --2-- |
| Little changed        | --3-- |
| Slowly getting worse  | --4-- |
| Rapidly getting worse | --5-- |
| Don't know            | --6-- |

[65]

(d) The quality of air in this area is:

- |                       |       |
|-----------------------|-------|
| Rapidly improving     | --1-- |
| Slowly improving      | --2-- |
| Little changed        | --3-- |
| Slowly getting worse  | --4-- |
| Rapidly getting worse | --5-- |
| Don't know            | --6-- |

[66]

(e) The quality of drinking water in this area is:

Rapidly improving	--1--
Slowly improving	--2--
Little changed	--3--
Slowly getting worse	--4--
Rapidly getting worse	--5--
Don't know	--6--

[67]

(f) The quality of the environment generally in this area is:

Rapidly improving	--1--
Slowly improving	--2--
Little changed	--3--
Slowly getting worse	--4--
Rapidly getting worse	--5--
Don't know	--6--

[68]

(g) Since 1989 pollution problems caused by Chemopetrol are:

Rapidly improving	--1--
Slowly improving	--2--
Little changed	--3--
Slowly getting worse	--4--
Rapidly getting worse	--5--
Don't know	--6--

[69]

(h) The ability of the central government to deal with problems of environmental pollution in this area is:

Rapidly improving	--1--
Slowly improving	--2--
Little changed	--3--
Slowly getting worse	--4--
Rapidly getting worse	--5--
Don't know	--6--

[70]

(i) Since 1989 the ability of the local council to deal with problems such as air or water pollution seems to be:

Rapidly improving	--1--
Slowly improving	--2--
Little changed	--3--
Slowly getting worse	--4--
Rapidly getting worse	--5--
Don't know	--6--

[71]

(j) Since 1989 the ability of people in the community to address these problems themselves is:

Rapidly improving	--1--	
Slowly improving	--2--	
Little changed	--3--	
Slowly getting worse	--4--	
Rapidly getting worse	--5--	
Don't know	--6--	[72]

### Environmental Awareness

1. For each of the following issues (political, economic, international, and environmental) please indicate the information source(s) you rely upon most today and those you relied upon before 1989. If you did not get any information on these issues please say so.

#### (a) POLITICAL ISSUES

<u>Today</u>		<u>Before 1989</u>	
___	word of mouth	___	[73][81]
___	newspapers	___	[74][82]
___	radio	___	[75][83]
___	television	___	[76][84]
___	community bulletins	___	[77][85]
___	government publications	___	[78][86]
___	non-government organizations	___	[79][87]
___	samizdat	___	[80][88]

#### (b) ECONOMIC ISSUES

<u>Today</u>		<u>Before 1989</u>	
___	word of mouth	___	[89][97]
___	newspapers	___	[90][98]
___	radio	___	[91][99]
___	television	___	[92][00]
___	community bulletins	___	[93][01]
___	government publications	___	[94][02]
___	non-government organizations	___	[95][03]
___	samizdat	___	[96][04]



## (c) INTERNATIONAL ISSUES

<u>Today</u>		<u>Before 1989</u>	
___	word of mouth	___	[05][13]
___	newspapers	___	[06][14]
___	radio	___	[07][15]
___	television	___	[08][16]
___	community bulletins	___	[09][17]
___	government publications	___	[10][18]
___	non-government organizations	___	[11][19]
___	samizdat	___	[12][20]

## (d) ENVIRONMENTAL ISSUES

<u>Today</u>		<u>Before 1989</u>	
___	word of mouth	___	[21][29]
___	newspapers	___	[22][30]
___	radio	___	[23][31]
___	television	___	[24][32]
___	community bulletins	___	[25][33]
___	government publications	___	[26][34]
___	non-government organizations	___	[27][35]
___	samizdat	___	[28][36]

2. Have you ever bought an environmental newspaper or environmental magazine?  
 Yes \_\_\_\_\_ No \_\_\_\_\_ [137]

3. Would you say that your knowledge of environmental issues was:  
 --1-- excellent  
 --2-- quite good  
 --3-- fair  
 --4-- poor  
 --5-- extremely limited [138]

4. With which of the following are you familiar?

## a. The new environmental law:

- 1-- Not known
- 2-- Have heard of it but do not know much about it
- 3-- Know a little about it
- 4-- Know a lot about it [139]

## b. The Brontosaurus movement:

- 1-- Not known
- 2-- Have heard of it but do not know much about it
- 3-- Know a little about it
- 4-- Know a lot about it [140]

5. Under the new environmental law citizens have certain rights to protect them from pollution. Can you tell me what any of these rights are?

[145]

[146]

[147]

6. How much would you be willing to pay per month for a 50% improvement in air quality in this region?

0 Kcs\_\_ 50 Kcs\_\_ 100 Kcs\_\_ 150 Kcs\_\_ 200 Kcs\_\_ more\_\_ [148]

7. How much would you demand in compensation if you were asked to agree to a 50% worsening in air quality in this region?

0 Kcs\_\_ 50 Kcs\_\_ 100 Kcs\_\_ 150 Kcs\_\_ 200 Kcs\_\_ more\_\_ [149]

### General attitudes

1. For each of the following statements, indicate the degree to which you agree or disagree:

Disagree very strongly	--1--
Disagree somewhat	--2--
I don't have an opinion on this	--3--
Agree somewhat	--4--
Agree very strongly	--5--

\_\_\_ a. This is a safe and healthy place for children. [150]

\_\_\_ b. Water supplies in Most region are of very high quality. [152]

\_\_\_ c. The best way to reduce air and water pollution is to remove as many restrictions as possible on industry. [153]

\_\_\_ d. The government has no right to control private enterprise. [154]

\_\_\_ e. All polluting enterprises in the region should be closed down. [155]

\_\_\_ f. The economic benefit of polluting enterprises is more important than the need for clean air. [156]

- \_\_\_ g. I would support the use of public funds to pay for environmental clean up. [157]
- \_\_\_ h. The local council should have more power to control private enterprises within its jurisdiction. [158]
- \_\_\_ i. The environmental movement has never been very strong in this area. [159]
- \_\_\_ k. Chemopetrol has been very responsive to local concerns about air and water pollution. [160]
- \_\_\_ l. The local council should do everything it can to close down the polluting plants in Zaluzi. [161]
- \_\_\_ m. The local council does not have the power to put pressure on Chemopetrol to improve its record of environmental pollution. [162]
- \_\_\_ n. The local council has tried very hard to force Chemopetrol to reduce air pollution. [163]

#### D. SOCIO-DEMOGRAPHIC INFORMATION

1. What is your occupation? \_\_\_\_\_ [164]
2. Are you a member of any trade union?  
 \_\_\_ Yes \_\_\_ No Which? \_\_\_\_\_ [165]  
 [166]
3. In which town do you work? \_\_\_\_\_ [167]
4. Since 1989 has any member of your immediate family lost a job?  
 \_\_\_ Yes \_\_\_ No [168]
5. Is any member of your immediate family currently unemployed?  
 \_\_\_ Yes \_\_\_ No [169]
- If yes, for how long have they been unemployed?  
 \_\_\_\_\_ [170]  
 \_\_\_\_\_ [171]  
 \_\_\_\_\_ [172]
6. In which five year period between 1970 and 1990 did your family experience

their highest level of economic well-being?

\_\_\_\_\_ -- \_\_\_\_\_ [173]

7. Since 1989 has your family income:

Gone up \_\_\_\_\_ Stayed the same \_\_\_\_\_ Gone down \_\_\_\_\_ [174]

8. Are you now spending a larger proportion of your family income on the following items than you did in 1989, about the same proportion, or a smaller proportion of your income?

	Larger	Same	Smaller	
Housing	_____	_____	_____	[175]
Food	_____	_____	_____	[176]
Clothing	_____	_____	_____	[177]
Transport	_____	_____	_____	[178]
Education	_____	_____	_____	[179]
Entertainment /recreation	_____	_____	_____	[180]

9. Roughly what percentage of your income comes from informal sources, such as a garden, making and selling things, exchanging services or goods with others, etc.?

0-9 % _____	50-59 % _____	
10-19 % _____	60-69 % _____	
20-29 % _____	70-79 % _____	
30-39 % _____	80-89 % _____	
40-49 % _____	90-100 % _____	[193]

10. Are you or your family currently expecting land to be restored to you?

Yes \_\_\_\_\_ No \_\_\_\_\_ [194]

11. Are you or your family currently expecting commercial property to be restored to you?

Yes \_\_\_\_\_ No \_\_\_\_\_ [195]

12. Do you work in a business or cooperative which will be restored to the 1949 owners?

Yes \_\_\_\_\_ No \_\_\_\_\_ [196]

**E. LOCAL GOVERNMENT**

1. Have you ever sought help from a government authority to solve a problem in the community?

Yes \_\_\_\_\_ No \_\_\_\_\_ [197]

If yes, describe the authority and the procedure.

What was the result? [198]

[200]

2. If you were to try to solve a problem in the community today, has there been any change since 1989 in who you would contact for help?

Yes \_\_\_\_\_ No \_\_\_\_\_ Don't Know \_\_\_\_\_ [201]

If yes, what is the change?

[202]

3. If the central government announced that it would allow local citizens to choose one organization to be in charge of community environmental protection, which one organization would you choose to take on this responsibility?

- 1-- Mayor's office
  - 2-- Office of Social Welfare and Pensions
  - 3-- Offices of the District Environmental Commission
  - 4-- Offices of a political party
  - 5-- Offices of an environmental organization like Brontosaurus or Nika
  - 6-- Government offices in Most. Which? \_\_\_\_\_
  - 7-- Government Ministries in Prague. Which? \_\_\_\_\_
  - 8-- Other (Specify) \_\_\_\_\_
  - 9-- I would oppose any single organization having this responsibility
- [203]

4. Which organizations would you or your friends contact in the following circumstances:

(a) A private company announced that it planned to open a large solid waste dump in your area.

- 1-- Mayor's office
  - 2-- Office of Social Welfare and Pensions
  - 3-- Offices of the District Environmental Commission
  - 4-- Offices of a political party
  - 5-- Offices of an environmental organization like Brontosaurus or Nika
  - 6-- Government offices in Most. Which? \_\_\_\_\_
  - 7-- Government Ministries in Prague. Which? \_\_\_\_\_
  - 8-- Other (Specify) \_\_\_\_\_
  - 9-- I would oppose any single organization having this responsibility
- [204]

How optimistic would you be that your problem would be successfully resolved?

- Very optimistic --1--
  - Mildly optimistic --2--
  - No opinion --3--
  - Mildly pessimistic --4--
  - Very pessimistic --5--
- [205]

(b) The region of Most announced that it would no longer monitor air pollution from enterprises above a certain size.

- 1-- Mayor's office
  - 2-- Office of Social Welfare and Pensions
  - 3-- Offices of the District Environmental Commission
  - 4-- Offices of a political party
  - 5-- Offices of an environmental organization like Brontosaurus or Nika
  - 6-- Government offices in Most. Which? \_\_\_\_\_
  - 7-- Government Ministries in Prague. Which? \_\_\_\_\_
  - 8-- Other (Specify) \_\_\_\_\_
  - 9-- You would deal with it yourself
  - 10-- This would not be a problem. I would contact no-one.
- [206]

How optimistic would you be that your problem would be successfully resolved?

- Very optimistic --1--
  - Mildly optimistic --2--
  - No opinion --3--
  - Mildly pessimistic --4--
  - Very pessimistic --5--
- [207]

(c) Chemical gases released from a nearby plant periodically cause your children to cough and have difficulty breathing.

- 1-- Mayor's office
- 2-- Office of Social Welfare and Pensions
- 3-- Offices of the District Environmental Commission
- 4-- Offices of a political party
- 5-- Offices of an environmental organization like Brontosaurus or Nika
- 6-- Government offices in Most. Which? \_\_\_\_\_
- 7-- Government Ministries in Prague. Which? \_\_\_\_\_
- 8-- Other (Specify) \_\_\_\_\_
- 9-- You would deal with it yourself
- 10-- This would not be a problem. I would contact no-one.

[208]

How optimistic would you be that your problem would be successfully resolved?

- Very optimistic --1--
- Mildly optimistic --2--
- No opinion --3--
- Mildly pessimistic --4--
- Very pessimistic --5--

[209]

(d) The farm next to your house was spraying chemicals on its crops which caused you to experience skin irritation and shortness of breath.

- 1-- Mayor's office
- 2-- Office of Social Welfare and Pensions
- 3-- Offices of the District Environmental Commission
- 4-- Offices of a political party
- 5-- Offices of an environmental organization like Brontosaurus or Nika
- 6-- Government offices in Most. Which? \_\_\_\_\_
- 7-- Government Ministries in Prague. Which? \_\_\_\_\_
- 8-- Other (Specify) \_\_\_\_\_
- 9-- You would deal with it yourself
- 10-- This would not be a problem. I would contact no-one.

[210]

How optimistic would you be that your problem would be successfully resolved?

- Very optimistic --1--
- Mildly optimistic --2--
- No opinion --3--
- Mildly pessimistic --4--
- Very pessimistic --5--

[211]

5. With the recent changes in the economic and political situation, do you believe that seeking remedies to environmental problems in the community will be:

Harder \_\_\_ Easier \_\_\_ No different \_\_\_ Don't know \_\_\_ [212]

6. To which social or community organizations do you belong?

\_\_\_\_\_ [213]

\_\_\_\_\_ [214]

\_\_\_\_\_ [215]

\_\_\_\_\_ [216]

7. If elections for the local council were to be held tomorrow, which party would you support?

\_\_\_\_\_ [217]

8. Which party or parties if any did you support in June 1992 elections for the national Parliament?

\_\_\_\_\_ [218]

This is the end of the questionnaire. We would like to thank you very much at this point for agreeing to help us with this work.



### APPENDIX 3

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#### SURVEY OF LOCAL GOVERNANCE AND ENVIRONMENTAL ISSUES IN THE MOST DISTRICT - 1993 (English translation)

One of the major objectives of this survey is to gather data about environmental pollution and its relationship to changing government structures. If you agree to participate in this survey, you will be asked to respond to a series of questions and statements about local and national government structures. This information will be used by the researchers in their analysis of the changing situation in the Czech Republic.

##### 1. Basic Data

Date of Interview \_\_\_\_\_ [1]  
Location of Interview (town) \_\_\_\_\_ [2]  
Male \_\_\_\_\_ Female \_\_\_\_\_ [3]  
Age \_\_\_\_\_ [4]  
  
In which town do you live? \_\_\_\_\_ [5]  
How many years have you lived there? \_\_\_\_\_ [7]

1. In your view, what are the most important problems facing the people of this community right now (up to five)?

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_
- iv. \_\_\_\_\_
- v. \_\_\_\_\_

2. Which of these is the most serious  
to you personally? \_\_\_\_\_  
to your community? \_\_\_\_\_  
to the Czech Republic? \_\_\_\_\_

**Instructions:** many of the questions in this survey ask that you indicate your level of agreement or disagreement on a scale with possible responses ranging from “Strongly Agree” to “Strongly Disagree”. Please read each statement or question, think about it, and then circle the response which best fits your views about each question or statement.

SA = “Strongly Agree”

A = Agree

N = Neither Agree or Disagree

D = Disagree

SD =Strongly Disagree

**Example:**

0.0 My town is a fun and exciting place in which to live SA A N D SD

**2. On the division of powers:** In this section of the survey we would like to learn about the division of powers between different government authorities in the Czech Republic . Please circle the response which best fits your views about each question or statement.

- 2.1 The concentration of political power in the national government is undoubtedly best for managing the Czech Republic’s affairs. SA A N D SD[9]
- 2.2 All issues that influence the quality of citizens’ lives should be decided at the town or district level. SA A N D SD[10]
- 2.3 Problems of industrial pollution cannot be properly understood or managed by the town or district councils. SA A N D SD[11]
- 2.4 The town council better represents the interests of the people than does the national government in Prague. SA A N D SD[12]

- 2.5 The civil service (the bureaucracy) already has too much power and is largely unaccountable to the electorate. SA A N D SD [13]
- 2.6 In dealing with cases of environmental pollution, the Mayor's foremost responsibility is to act, not to waste time in consultations with citizens. SA A N D SD [14]
- 2.7 The local civil service (the bureaucracy) is better able to understand and deal effectively with problems of industrial pollution than are the elected members of government. SA A N D SD [15]
- 2.8 The existence of more than two or three political parties in the Czech Republic gets in the way of effective and democratic government. SA A N D SD [16]
- 2.9 Citizens should not oppose the decisions of those they elect to political office. SA A N D SD [17]

**3. Efficacy of New Political Structures:** In this section we would like to learn about respondents' evaluation of the effectiveness of different governmental bodies.

3.1 In which of the following levels of government do you have the most trust? (Circle one)

1. National Government
2. Regional Government
3. Local Government
4. None of the Above

[18]

3.2 In your opinion, what proportion of those elected to local government are capable of governing well? (Circle one)

1. All of Them
2. A Majority
3. About Half
4. A minority
5. None of Them

## 6. Don't Know

[19]

3.3 Faced with several hypothetical scenarios, please indicate which SINGLE office from the list below would be most likely to render effective assistance. Please write the number corresponding to the organization or office you choose in the spaces provided beside each of the scenarios.

1. Mayor's Office
2. Social Welfare and Pensions
3. Regional Environmental Inspectorate
4. Offices of a political party
5. An environmental group like Ecoglastnost
6. Government Offices in Most
7. Government Ministries in Prague
8. An international organization such as the US Environmental Protection Agency
9. The President of the Czech Republic's office
10. My elected representative to the National Assembly
11. Other
12. I would oppose any single organization having this responsibility
13. No one, this would not be a problem
14. I would deal with it myself

Scenario A: you discover toxic materials on land newly restored to you. \_\_\_\_\_ [20]

Scenario B: airborne pollution causes your children's eyes to sting. \_\_\_\_\_ [21]

Scenario D: if the government announced that it would allow citizens to choose one organization to be in charge of community environmental protection, which one organization or office would you choose to take this responsibility. \_\_\_\_\_ [23]

3.3 What proportion of the decisions made by elected local government officials are satisfactory or correct in your view? [24]

1. All of them
2. Most of them (more than half)
3. Some of them (less than half)
4. None

**4. Limits to Government: legitimacy/illegitimacy:** In this section we want to learn about what you consider to be the "limits" to legitimate government action.

4.1 Government has no right to control private enterprise.

SA A N D SD [25]

- 4.2 The local council should have more power to control private enterprises in its jurisdiction. SA A N D SD [26]
- 4.3 It is important that local and central governments provide support for those citizens who are unable to make ends meet on their own. SA A N D SD [27]
- 4.4 If it was proposed that taxes had to be raised to pay specifically for cleaning up industrial pollution, I would not oppose the plan. SA A N D SD [28]
- 4.5 Many industries can only be properly managed by government. SA A N D SD [29]
- 5. Government and Other Collective Actors:** In this section we wish to learn about your views on non governmental organizations, citizens, and their relations to formal government structures.
- 5.1 In developing policies to solve pollution problems local government officials should work closely with local community, church and environmental groups. SA A N D SD [30]
- 5.2 I don't think local government officials care much about what people like me think about pollution problems in my district. SA A N D SD [31]
- 5.3 Once a Local Council is elected, it will be most effective if citizens leave it alone to carry out its work. SA A N D SD [32]
- 5.4 If elected officials fail to deal with important problems like industrial pollution, the only recourse for citizens is to vote them out of office at the next election. SA A N D SD [33]
- 5.5 It is crucial for good and democratic government that citizens participate in special interest groups on important issues such as environmental pollution. SA A N D SD [34]

5.6 Please list any groups of which you are aware which are actively involved in solving environmental problems.

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5.7 Please list any non-governmental organizations of which you are a member (e.g. social clubs, Church groups, parents' organizations, etc). Use the other side of the page if necessary.

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6. **Social and Civil Rights:** In this section we would like to learn your views on the rights of citizens and groups in the Czech society.

6.1 Government should be responsible for ensuring that all citizens achieve certain basic living standards.

SA A N D SD [35]

6.2 It is more important that government protect the individual's right to do as s/he pleases than it is that government should concern itself with the collective rights of particular groups (e.g. pensioners).

SA A N D SD [36]

6.3 The problems of ethnic groups do not belong in the political arena.

SA A N D SD [37]

6.4 From the following list, please select and rank the FIVE most important tasks of government for you and your community.

- |                                       |                     |      |
|---------------------------------------|---------------------|------|
| 1. Medical Care                       | First Choice _____  | [38] |
| 2. Primary Education                  | Second Choice _____ | [39] |
| 3. Land Reform                        | Third Choice _____  | [40] |
| 4. Roads and Sewers                   | Fourth Choice _____ | [41] |
| 5. Housing                            | Fifth Choice _____  | [42] |
| 6. Wage support programs              |                     |      |
| 7. Privatization of State Enterprises |                     |      |
| 8. Environmental Protection           |                     |      |
| 9. Liberalization of Banking          |                     |      |
| 10. Childcare                         |                     |      |

6.5 If you were informed that the government had to close down some services and programs, which of the following would YOU propose to eliminate? (You may choose up to five)

- |                                       |                     |      |
|---------------------------------------|---------------------|------|
| 1. Medical Care                       | First Choice _____  | [43] |
| 2. Primary Education                  | Second Choice _____ | [44] |
| 3. Land Reform                        | Third Choice _____  | [45] |
| 4. Roads and Sewers                   | Fourth Choice _____ | [46] |
| 5. Housing                            | Fifth Choice _____  | [47] |
| 6. Wage support programs              |                     |      |
| 7. Privatization of State Enterprises |                     |      |
| 8. Environmental Protection           |                     |      |
| 9. Liberalization of Banking          |                     |      |
| 10. Childcare                         |                     |      |

6.6 Are there any other programs of Government, not in the above list, which you think should be eliminated?

1. Yes    2. No

If YES, please specify \_\_\_\_\_

6.7 Are there any programs which you think Government should start immediately?

1. Yes    2. No

If YES, please specify \_\_\_\_\_

**7. Political Knowledge and Participation:** In this section we would like to learn more about the Czech politics and the political activities of citizens.

7.1 Which political party (or parties) form(s) the current national government of the Czech Republic?

\_\_\_\_\_ Don't Know \_\_\_\_\_ [48]

7.2 How often do you attend public meetings of the Local Council or its subcommittees?

- |                          |       |      |
|--------------------------|-------|------|
| 1. Most of the Time      | _____ |      |
| 2. Some of the Time      | _____ |      |
| 3. Now and Then (rarely) | _____ |      |
| 4. Hardly at All         | _____ | [54] |

7.3 Could you tell us the names of the following political figures:

a) the Mayor of the Town Council \_\_\_\_\_ Don't Know \_\_\_\_\_ [55]

b) the President of the Czech Republic \_\_\_\_\_ Don't Know \_\_\_\_\_ [56]

c) the Minister of the Environment \_\_\_\_\_ Don't Know \_\_\_\_\_ [57]

7.4 a) Which political party won in your electoral district in the June 1992 elections?

\_\_\_\_\_ Don't Know \_\_\_\_\_ [58]

b) Who is the member of the National Assembly for your constituency?

\_\_\_\_\_ Don't Know \_\_\_\_\_ [59]

7.5 Do you know of an example of a former government or party official who has used his/her position to benefit from the privatization of state enterprises?

Yes \_\_\_ No \_\_\_ Don't Know \_\_\_\_\_ [60]

If YES, please elaborate \_\_\_\_\_



7.6 What should be the top three priority tasks for the NATIONAL government?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

7.8 What should be the top three priority tasks for LOCAL government?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

**8. Socio-economic Status:** This section asks you to provide information which will help us understand the responses of all survey respondents.

8.1 Are you currently employed? Yes \_\_\_ No \_\_\_ [61]

If so how many jobs do you presently hold? \_\_\_\_\_ [62]

If not, for how long have you been unemployed (months)?  
\_\_\_\_\_ [63]

8.2 Are any other members of your household unemployed?  
Yes \_\_\_ No \_\_\_ [64]

If so, how many \_\_\_\_\_

8.3 Are you a member of any trade union?  
1. Yes 2. No [65]

If Yes, which one? \_\_\_\_\_ [66]

8.4 Have you had, or are you or your family currently expecting land to be restored to you? [67]

Yes \_\_\_ No \_\_\_ Don't Know \_\_\_\_\_

8.5 a) Have you or any member of your family had commercial property to be restored to you? [68]

Yes \_\_\_ No \_\_\_ Don't Know \_\_\_

b) Are you or any member of your family currently expecting commercial property to be restored to you? [69]

Yes \_\_\_ No \_\_\_ Don't Know \_\_\_

8.6 In order to assess well being, we would like to get an estimate of your average monthly income from all sources. Please circle the category into which your average monthly income falls.

koruny/month		koruny/month	
less than 3000	_____	5000 - 5499	_____
3000 - 3499	_____	5500 - 5999	_____
3500 - 3999	_____	6000 - 6499	_____
4000 - 4499	_____	6500 - 6999	_____
4500 - 4999	_____	7000 or more	_____

[70]

8.7 Indicate your highest level of educational attainment. (Circle one)

1. Primary
  2. Secondary
  3. Postsecondary
- [71]

8.8 Do you own your own home? 1. Yes 2. No [72]

8.9 Do you own and operate regularly a motor vehicle? 1. Yes 2. No [73]

8.10 Please list below any health problems you or any member of your family have had which you believe to have been the result of environmental pollution. (use other side of page if necessary)

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## 9. Environment

9.1 Do you agree or disagree with the following relatively quick possibilities how to achieve a certain improvement of the environment?

- a) More state involvement and control is necessary to improve the quality of the environment. SA A N D SD
- b) Products harmful to the environment should be taxed more heavily. SA A N D SD
- c) Polluting enterprises should be closed down regardless the lost of jobs. SA A N D SD

9.2 According to the recent polls, the public environmental awareness has declined. Do you agree or disagree with the reasons of this decline stated below?

- a) The environmental problems ceased to be important for the people who used them as an anticommunist platform before 1989. SA A N D SD
- b) The media are less interested in the environmental problems. SA A N D SD
- c) Disputes inside the environmental movement. SA A N D SD
- d) New economic and social problems have emerged. SA A N D SD
- e) People have new opportunities (private entrepreneurship, travel abroad) and they are not interested in the environment any more. SA A N D SD
- f) The public has concentrated on the problems associated with the break up of Czechoslovakia. SA A N D SD
- g) Attention has shifted from local environmental problems to global ones but they are not so acute right now. SA A N D SD

h) The approach of the governments toward the environment has not changed after the fall of communism and it has resulted in the disenchantment of the public.

SA A N D SD

i) People are now more interested in politics than the environment.

SA A N D SD

9.3 Which of the following environmental problems should be addressed right now? (Please choose five and rank them according to their importance.)

- 1) excessive noise
- 2) landscape protection
- 3) air pollution
- 4) quality of drinking water
- 5) contaminated food
- 6) radioactive contamination resulting from the nuclear power plants operation
- 7) pollution of rivers
- 8) global warming (greenhouse effect)
- 9) ozone layer depletion
- 10) loss of biodiversity
- 11) population growth on the global scale
- 12) acid rain
- 13) tropical deforestation
- 14) desertification
- 15) depletion of global resources of coal, oil and natural gas.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

9.4 What is your attitude towards nuclear energy?

1. absolutely positive
2. rather positive
3. neither positive nor negative
4. rather negative
5. absolutely negative

9.5 Environmental pollution and nature destruction are the necessary cost for the growth of production and growing living standards.

SA A N D SD

- 9.6 I will accept the stagnation of my standard of living if more money is invested into the environment. SA A N D SD
- 9.7 The Green Party has done a lot of work in the field of environmental protection since its establishment. SA A N D SD
- 9.8 Do you agree or disagree with the following ways of struggle over the improvement of the quality of the environment?
- a) Campaign in the media (TV, radio, newspapers). SA A N D SD
- b) Vote for the Green Party in the elections. SA A N D SD
- c) Vote for a different party than the Green Party in the elections. SA A N D SD
- d) Activities to help the nature as for example working in the forest or guarding the natural resources. SA A N D SD
- e) Active struggle such as occupation of construction sites or highway blockades SA A N D SD
- f) Promote people who understand the importance of the environmental protection into the crucial offices in the state administration. SA A N D SD
- g) Education and popular culture. SA A N D SD
- 9.9 If elections for the local council were to be held tomorrow, which party would you support?
-

9.10 Which party(ies) if any did you support in the parliamentary elections in 1990 and 1992?

1990: \_\_\_\_\_

1992: \_\_\_\_\_

This is the end of the survey, and we thank you very much for your participation. Your responses will be held in the strictest confidence and will be used only in the aggregate analysis of the entire survey sample.

If you are interested in learning more about this research project and its preliminary results from a similar survey conducted during the summer of 1992 in the Burgas region of Bulgaria, please write to this address: Petr Pavlinek, Department of Geography, University of Kentucky, Lexington, KY 40506-0027, USA.

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Znoj, Milan (1994) "Anatomie Klausova konzervatismu." (Anatomy of Klaus' conservatism) Listy, Vol. 24, No. 2, pp. 69-78.

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Research Assistant for the Annals of the Association of American Geographers.

Czechoslovak Academy of Sciences, Institute of Geography: September 1989 - August 1990. Research Associate.

Regional Authority Office, Department of Regional Planning, Hradec Králové, Czechoslovakia: September 1988 - 1989. Planner.

Ministry of Industry of Czech Republic, Department of Regional Planning: September 1987-1988. Planner.

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### Publications

#### CHAPTERS IN BOOKS

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