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Who Has Gotten Ahead After the Fall of Communism?

The Case of the Czech Republic*

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Abstract: Recent political, economic and social developments in East-European countries offer exceptional opportunities to study the effects of profound transformations of political and economic systems on social stratification. However, in contrast to a vital theoretical debate on political and economic issues of the post-communist transformation, theoretical reflections of changes in inequality and social stratification in post-communist countries have been rather scarce. We criticize Nee's theory of "market transition" for neglecting the effects of individual mobility on economic inequality. Bourdieu's concept of various forms of capital is then used as a theoretical framework for the elaboration of the role of specific patterns of individual mobility in the development of economic inequality. The data from a longitudinal study "Family 1989" (Czech Republic) is analyzed in order to answer three questions: "Can we find any significant changes in the determinants of income between 1989 and 1992?", "What are the most efficient strategies of economic success during the period of transition to a market economy?" and "What are the determinants of these strategies?" We find that in the Czech Republic, the former "nomenklatura cadres" are able to maintain their advantageous positions in the income hierarchy, mainly because they possess "human capital" and can effectively convert "social capital", accumulated during the communist regime, into economic capital. A rapid increase in returns to education testifies to a significant change in the role of human capital during the post-communist transformation. Although we have not found strong support for the hypothesis about the increasing role of *cultural* capital, *social* capital turned out to be a strong force driving individual careers during the post-communist transformation.

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Introduction

Opportunities are scarce for monitoring the effects of a social change in the life-courses of members of one generation.¹ Political, economic and social developments in East-

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¹) By social change we do not mean any partial or temporal changes in social subsystems but only "multilinear" [Lenski 1976] and mutually connected transformations embedded in deeper structures of the social, political, cultural and value systems. For the concept of social change see also Boudon [1986].

European countries since the end of the second World War and, in particular, their contemporary post-communist transformation offer such an exceptional opportunity. As some students of social stratification emphasize [see Treiman and Széleányi 1993, Széleányi and Treiman 1991], the post-communist transformation offers researchers conditions close to “a natural experiment” because, within the life-time of one generation, a profound transformation has occurred in the political system, economy, social institutions, social structure, and in the system of beliefs, in life strategies and value orientations. Even though a study of social change can not be reduced to the study of social mobility, the example borrowed from mobility analysis is exceptionally clear: “By comparing who got ahead before 1989 and who is getting ahead after 1989, and in particular, by replicating the cross-temporal comparisons in several countries in which the 1989 transformation occurred in somewhat different ways, we will be in a strong position to assess to what extent and in what ways institutional and structural arrangements matter” [Treiman and Széleányi 1993: 163, see also Széleányi and Treiman 1991].

Notwithstanding the opportunity, systematic studies of post-communist development in social inequality and stratification have been in short supply. Unlike the vibrant theoretical debate on general issues of the post-communist transformation, especially its political aspects [e.g. Széleányi 1991; Staniszkis 1991; Offe 1991; Stark 1992a, 1992b; Sztompka 1992; Wnuk-Lipiński 1992], theoretical statements of post-communist development in *inequality* and *social stratification* have been sparse. Inspiring studies do, however, exist: Treiman and Széleányi’s theoretical introduction in the research of the development of social stratification in Eastern Europe after 1989 [Treiman and Széleányi 1993], Kolósi and Róna-Tas’ study of development in income inequality in Hungary [Kolósi and Róna-Tas 1992a, 1992b] and, particularly, Nee’s theory of “market transition” based on Chinese experience [Nee 1989, 1991].

We start the paper with a critical evaluation of Nee’s theory of market transition [Nee 1989, 1991], since it has become one of the most influential theories of change in inequality and stratification order after the collapse of communist regimes. We then propose a theoretical conceptualization of adaptive career strategies of individuals in the post-communist transformation, building on Bourdieu’s theory of various forms of capital [Bourdieu 1986]. Next, we pose four questions: a) *Did income inequality decrease or increase between 1989 and 1992?* b) *Were there any significant changes in the determinants of income between 1989 and 1992?* c) *What are the most efficient strategies for economic success during the first stage of post-communist transformation?* d) *What are the determinants of the most efficient strategies for economic success?* We conclude the paper with a discussion on the implications of our findings in a larger context, comparing our results with the previous empirical evidence on the development of income inequality and adaptive strategies of former “nomenklatura cadres” in some post-communist countries [Matijù and Øeháková 1993, Kolósi and Róna-Tas 1992, 1992a].

Theoretical concepts and hypotheses

Critical review of market transition theory

We find that the most influential theoretical contributions to the debate on the development of inequality and social stratification after the collapse of communist regimes [Nee 1989, 1991; Széleányi 1988, 1991; Stark 1992b] share a common characteristic : a strong economic diction. It is particularly Nee’s theory of market transition that interprets the

transformation process taking place in formerly communist countries as a *transition* from one economic system to another (i.e. from a state-controlled redistributive economy to a market-oriented economy). The sociological perspective of such an approach consists primarily in dealing with the various consequences of the transition for the social position of so-called “redistributors” or “cadres” and for the development of income inequality.

“In a state socialist redistributive economy, power, defined as control over resources, is a function of position within the redistributive hierarchy. (...) Market transition theory [Nee 1989] maintains that as the allocation of goods and services shifts to the marketplace, the power is mediated by transactive exchanges and less by administrative fiat. As a result, power is no longer monopolized by redistributors, instead it becomes more diffused in the economy and society” [Nee 1991: 267].

Nee further deduces, “if the transition from redistribution to the market mechanism involves changes in the mode of allocating and distributing resources, the transition will probably change the stratification order” [Nee 1989: 663].

We find the above deduction quite plausible. What we find troubling are some of the hypotheses regarding the nature of the new stratification order and the new socio-economic conditions of former redistributors (“cadres”). First of all, Nee predicts that a new stratification order will bring a *decrease* in inequality. With the gradual elimination of privileges that redistributors enjoyed during the communist era, Nee argues, the inequality between them and direct producers will decrease. This prediction that one of the attributes of the post-communist transformation is the decrease in inequality is hard to reconcile with the results from the analyses of data from recent surveys conducted in some East-European countries [e.g. see Kolósi and Róna-Tas 1992a, 1992b; Domaňski and Heyns 1993].

Under the communist regime, social inequality and stratification order have two different roots. On the one hand, there is an extreme *egalitarianism*, established by implementing general redistribution as a principal mechanism of economic and social reproduction, affecting the *majority* of the population. On the other hand, there is a tightly controlled system of income and material *privileges* for selected groups of individuals, particularly so-called nomenklatura cadres. Contrary to Nee’s prediction, with the penetration of market principles into the economy and the withdrawal of a redistributive system along with state subsidies, we expect to see a considerable *growth* in inequality.

We certainly agree that a gradual elimination of privileges for the former redistributive class reduces inequality in one dimension. At the same time, however, new dimensions of inequality, linked to the opening of a private sector, emerge: the crystallization and segmentation of the labor market, the gradual adaptation of wages and the criteria of remuneration in the state sector to changing situations in the labor market. When we take the new dimensions into account, we have to conclude that the post-communist transformation in East-European countries inevitably brings about an increase in wage and income inequality. This conclusion is certainly not new. Széleányi and Manchin [1987], for instance, while they acknowledge the initial equalizing effects of the market, recognize the new inequalities that are created by the emerging market mechanisms.

The possibility of former nomenklatura cadres maintaining their former privileges is another relevant question to be addressed. In the new stratification order, according to Nee, direct producers gain a larger share of the surplus while former redistributors lose their share in the profit. He assumes that in the course of transition towards a market

economy, redistributors in the state socialist system lose their original privileges and advantageous positions. Nee predicts that “Not only are the direct controllers of the redistributive mechanism likely to experience a relative loss, but the value of their political capital accumulated through prior experience as cadre is likely to diminish as well” [Nee 1989: 671]. It is because Nee does not assume any specific advantages, except for “human capital” (education, know-how), former “cadres” have to become private entrepreneurs. “Relative to others, and especially entrepreneurs, cadres are not expected to gain special advantages, net of human capital and household characteristics, for their cadre status after the shift to a market like economy” [Nee 1989: 671].

The expectation that former cadres will not have any special advantage in a new stratification order shows that Nee underestimates the power of “social capital” and its role in the reproduction of inequality. Even in mature market economies, social capital (social network) plays an important role in the stratification system [Granovetter 1973, 1974]. We argue that social capital plays an even more important role in societies undergoing a profound political and economic transformation bringing – among other things – significant changes in distributive and allocative mechanisms.

In short, in our view Nee has left aside the important question of specific patterns of *individual* mobility, and instead emphasizes the economic prospects of certain groups experiencing *collective* socio-economic mobility.² Thus, he neglects sociologically relevant questions that research in post-communist transformation should answer, namely whether the *underlying* determinants of the stratification system have in fact changed and how individuals have adapted to the new environment.

Various Forms of Capital and Post-communist Stratification Order

To develop a general theory of market transition, one must include processes and mechanisms by which social inequality is reproduced and the stratification order is maintained. Among the various theoretical concepts, we find the concept of various forms of capital (assets) functioning as principal instruments of social mobility and economic success to be a most promising analytical framework. The concept links the interpretation of collective income mobility and economic success with specific patterns of individual mobility. Thus, it captures the processes and mechanisms underlying the change in social stratification in societies experiencing post-communist transformations.

Within this analytical framework, we extend the types of capital that individuals might use to establish and maintain their social standing in a society to include not only classical *economic* capital and *human* capital, but *cultural*, and *social* capital as well. Bourdieu [1986] defines capital as an entity “which in its objectified or embodied forms, takes time to accumulate and which, as a potential capacity to produce profits and to reproduce itself in identical or expanded forms, contains a tendency to persist in its being, is a force inscribed in the objectivity of things so that everything is not equally possible or impossible” [Bourdieu 1986: 241]. The constitution of capital itself is embedded in social relationships of a particular time period. Moreover, Bourdieu argues, “It is in fact

²) From our point of view, the most important difference between *individual* and *collective* mobility consists in the fact that individual mobility is primarily (though not exclusively) an outcome of an individual’s activity and his/her particular life-strategy, while collective mobility is in fact a specific outcome of changes in a given system of life-chances and social stratification, such that the role of life-strategies of the group members is rather insignificant.

impossible to account for the structure and functioning of the social world unless one re-introduces capital in all its forms and not solely in the form recognized by economic theory [Bourdieu 1986: 242].³ Equally important is Bourdieu's concept of *convertibility* between various forms of capital, which, in fact, is a basis for strategies ensuring the reproduction of capital, and the establishment and maintenance of an individual's social standing [Bourdieu 1986: 253].

Applying the concept of various forms of capital in the analysis of the stratification system in post-communist countries, we expect to find that as a consequence of the changes in the political system and the transition to a market economy, there is a marked revaluation of certain forms of capital (economic capital, human, cultural) while other forms of capital may be devalued (e.g. political). However, conversions of various forms of capital occur during the transformation. We expect that assets that were relatively highly valued under the communist regime and have been devalued in the democratic market system will be converted into assets that are expected to increase in value for economic success. For instance, the holders of significant political or social capital will undoubtedly struggle to convert those assets into economic capital. Based on Hungarian experience, Szelényi and Mancin similarly hypothesize that "at least certain fractions of the cadre elite learned how to use the market; they successfully 'commodified' their former bureaucratic privileges" [Szelényi and Mancin 1987: 117]. In short, we expect that the position of former "cadres" in the income hierarchy is not worsening in the course of transformation, and that, in principle, members of that group are succeeding in their efforts to maintain relatively advantageous positions.

Our hypothesis on the positions of former cadres in the new stratification order matches the "*reproduction of elites*" hypothesis formulated by Treiman and Szelényi [1993]. Treiman and Szelényi argue that "the privileges of the cadre elite under communism were based overwhelmingly on the possession of political assets. In the transition to the post-communist era, the cadres are able to convert these assets into economic capital and thus enter the propertied class. Hence, although the fall of communism in Eastern Europe may have brought a change in the nature of the social hierarchy, the same people continue to occupy the most privileged positions in society" [Treiman and Szelényi 1993: 165]. Thus, unlike Nee, Treiman and Szelényi suggest that the conversion of political into economic capital is due not only to the fact that former nomenklatura bring their cultural assets (education) to bear in order to secure their continuing advantage, but also due to the social capital (social networks) they created and accumulated during the communist period.

The theory assuming successful conversions between various forms of capital not only predicts mobility and economic success among former elites. We believe that it applies to the stratification process in general. Among the various forms of capital, we expect that human capital will be revalued in the post-communist East-European countries.

³) While the concepts of economic, cultural and human capital are well-known, we may need to explain briefly what *social capital* consists of. According to Bourdieu, social capital "is the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition" [Bourdieu 1986: 249]. Thus, the volume of social capital depends on the size of the network of connections that can be effectively mobilized by an individual in order to achieve his or her goals and on the volume of assets (forms of capital) possessed by each of those who can be contacted.

Even though the educational and income policy of state socialism caused a serious erosion of the link between real competence and formal education [see Matijù 1992], we expect a significant growth in incomes for individuals with the highest educational qualifications. This is not solely because of a general increase in the value of educational credentials on the labor market, but because of the opening of specific channels for upward intragenerational mobility (particularly in the hierarchy of formal authority and management) to individuals possessing tertiary education diplomas – mainly those whose careers were blocked during the communist regime for political reasons such as “lack of loyalty”.

Determinants of Economic Success and Effective Career Strategies

During the transformation period, individuals develop adaptive strategies to cope with the new environment. We argue that an individual will choose career strategies depending on two factors: (1) the amount of risk associated with a particular strategy and (2) the kinds of capital that the individual possesses. Regarding the relative risks of the various strategies, we should consider important systemic constraints predicted by Kornai [1990]. He asserts that the post-communist systems struggling to keep the inflation rate within reasonable limits will necessarily have to freeze wages in the state sector. This, in turn, will tend to transfer the cost of the transformation to employees in the state sector. Kornai at the same time predicts that employees in the state sector will consequently pursue participation in the private sector with the aim of utilizing the benefits of the state sector (social security, small risks, the possibility of utilizing resources) while simultaneously compensating for its disadvantages (e.g., slower growth of incomes).

The implementation of all available anti-inflation measures has been one of the typical features of the economic reform in former Czechoslovakia. With this in mind, we hypothesize that risk-averse individuals will choose a “dual status strategy” since this is the most effective and least risky strategy for economic success in post-communist Czechoslovakia. Consequently, we can postulate that conducting entrepreneurial activity while at the same time retaining employment in the state sector – what we might call *parallel economic activity* – is quite a universal economic strategy of the post-communist transformation. As a result, it will be difficult to identify specific social groups or strata that show particularly strong inclinations towards this coping strategy. While it might be equally effective, the strategy based on *entrepreneurship as a primary economic activity* is far more risky. The economic attractiveness of *mobility within the “bureaucratic space”*, that is, mobility within the boundaries of the state sector, is not quite clear. We expect that the bureaucratically controlled segment of society still has a tendency towards egalitarianism. This could be a consequence of anti-inflation measures (wage ceilings along with pressure to increase the minimum wage) or the effect of a natural tendency of bureaucracy towards egalitarianism.

Regarding the role of *social capital*, we argue that it facilitates the advancement of one’s career, particularly when one chooses an entrepreneurial strategy. That is why we predict that former cadres who accumulated a significant amount of social capital during the communist regime are most likely to enter the new entrepreneurial class. Converting their social capital into advantageous positions and economic returns during the transformation, former cadres are successful in their efforts to remain at the top of the income hierarchy.

As far as the specific role of *cultural capital* is concerned, we argue – in agreement with Bourdieu [1986] and Treiman and Szelényi [1993] – that it contributes significantly to one’s intellectual flexibility, enables better orientation under changing conditions and, consequently, facilitates one’s adaptation to the new rules and conditions. If this reasoning holds, cultural capital should then act as a protection against socio-economic downfall during the period of post-communist transformation, and will therefore be one of the most important factors determining upward mobility and economic success. One may argue, however, that the importance of cultural capital lies in its long-term effect, and that this will affect intergenerational mobility more than it affects intragenerational mobility. It may also be that in the initial stage of the transformation, the effect of cultural capital is dominated by more effective assets (as for instance social, political and economic capital) which are, in the short-term, more directly related to economic success.

We also expect that economic capital will play an important role, especially for individuals who choose career strategies outside the state sector. This is especially true in a society which, at one point in time, expropriated private capital and then, for decades, ingeniously prevented its accumulation and reproduction. We expect that economic capital has differential effects on different kinds of business enterprise. First of all, accumulated economic capital *sensu stricto* (for example, financial capital, ownership of the means of a production) is scarce, and therefore can play only a very limited role as a factor of mobility or economic success during the first stage of the transformation. This means that the impact of initial economic capital (i.e. capital at the beginning of the transformation) on mobility or on movement within the income space will very likely not exceed the boundaries of small-scale entrepreneurial activities. We expect that in the world of big business, other forms of capital – particularly social and political capital – effectively substitute traditional economic capital.

One can test the above hypotheses on various types of data. However, we argue that the most effective strategy for the study of the transformation process is to analyze data from a longitudinal survey covering the situation of respondents both before and after the transformation. The basic advantage of longitudinal data over cross-sectional data is that we can draw conclusions about causal relationships with more confidence [See Lieberman 1985].

The data and variables

We use the first and second wave of the longitudinal study “Family ’89” [Matijù, Tuèek and Rezler 1991]. The project was launched at the beginning of 1989, when a survey of 3,719 eighth graders and their parents was conducted in the Czech Republic. The sampling was made in two steps: in the first step, localities (as well as districts of Prague) were selected in such a way as to proportionally cover a variety of environments and living conditions (agricultural regions, regions with traditional industry, regions rapidly industrialized after 1948, high-status city districts, working class districts, etc.). In the second step, primary schools were selected. In each of the selected schools, all pupils in the eighth grade classes were interviewed (January and February, 1989) and tested using the Cattell and Cattell psychological test (HSPQ) with an extended test of mental ability (IQ). Three months later, interviews were conducted with parents. In 1989, complete data was obtained from 78% of the originally selected students (2,891) and from 73% of their families (2,709 completed questionnaires for parents). In the spring of 1992, a follow-up

survey was conducted on a subsample of parents (2,518 families). The total response rate of the follow-up survey reached 76% (1,915 cases).⁴

The questionnaire for parents administered in 1989 (six months before the collapse of Communist rule) contained a series of questions on the class and socio-economic status of both parents (i.e. the respondent and his/her partner), on the class and socio-economic status of their grandparents (i.e. the parents of the respondent and his/her partner), and on the intergenerational mobility of parents (respondents). Furthermore, questions were asked about membership in the Communist Party and/or other political organizations (political capital), income, financial situation and standard of living (economic capital), and involvement in informal networks of mutually advantageous contacts, friendships and social contacts (social capital). The questionnaire also contained questions regarding language competence, cultural consumption and cultural activities (cultural capital). The questionnaire for parents (the same individual as in 1989) administered in 1992 was largely constructed parallel to this. This means that it focused primarily on the assessment of changes occurring within the first three years of the post-communist transformation, without needing to ask respondents about their past and thereby avoiding the risk of deliberate fabrication of their “pre-revolutionary” position, political affiliations and beliefs.

The variables entered into the analyses are shown in Table 1. Further details regarding constructed variables are discussed in Appendix 1.

⁴) For the purpose of the separate analysis of adult respondents, the initial file was reduced so that the proportion of men and women would at least roughly correspond to their proportion in the population. The reason for this reduction was a considerable oversampling of women among respondents in the first wave. The over-sampling of women occurred since the primary interest of the project was to assess characteristics of families and no special emphasis was put on a proportional representation of adult men and women in the sample. The analytical file (i.e. the file of respondents with completed questionnaires both in 1989 and 1992) was made by random sampling, which reduced the number of women. This procedure resulted in a final number of 1,298 cases in the analytical file. The resulting analytical file is limited in age: with an average age of 44 and a standard deviation of 5 years. This means about 75% of cases in the file lie within the interval of ages 40-50. We tested and found that the social composition of respondents in the study (according to education and class) resembles the general population of this age.

Table 1. List of variables used in analyses

Description	Type*	Mean**	SD
Male	D	0.46	0.50
Respondent's income in 1989	C	3271	1131
Respondent's income from the main job in 1992	C	4585	2595
Respondent's total income in 1992	C	4892	3154
Cadre status in 1989	D	0.08	0.27
Downward occupational mobility	D	0.04	0.19
Upward occupational mobility	D	0.06	0.23
Part-time entrepreneurship in 1992	D	0.07	0.26
Full-time entrepreneurship in 1992	D	0.06	0.25
<i>No occupational mobility - reference category</i>	-	-	-
Downward managerial (authority) mobility	D	0.06	0.23
Upward managerial (authority) mobility	D	0.10	0.30
<i>No managerial mobility - reference category</i>	-	-	-
Vocational education	D	0.35	0.48
Secondary education	D	0.37	0.48
University education	D	0.18	0.39
<i>Primary education - reference category</i>	-	-	-
Member of Communist party in 1989	D	0.27	0.44
Functionary of Communist party in 1989	D	0.06	0.24
High cultural capital (top 20%)	D	0.16	0.37
High economic capital (top 20%)	D	0.17	0.37
High social capital (top 20%)	D	0.15	0.36
Entrepreneurial social origin	D	0.18	0.39
Restitution	D	0.11	0.31

*) Type of variable: D = dummy, C = continuous

***) For dummy variables the mean represents the proportion of category 1 (occurrence)

Results of analyses

The first question to be addressed, if somewhat briefly, concerns a general tendency in income inequality. Although income statistics in East-European countries are not yet able to present a reliable picture of the development in income and wage distributions, we can conclude from various analyses [Janáček 1992, Kolósi and Róna-Tas 1992a, Domaňski and Heyns 1993, Veèerník 1995] that income inequalities have increased in Eastern Europe during the first few years of transformation. As far as the Czech Republic is concerned, Veèerník [1995] presents data showing that the Gini coefficient for individual earnings increased between 1988 and 1993 (January) from 0.19 to 0.27 and the variation coefficient from 0.35 to 0.54. The data from our longitudinal project show a similar trend, the coefficient of variation of earnings being 0.35 in 1989, while in 1992 it was already 0.57. Thus, without going into further detail, we can conclude that Nee's prediction of the decrease in income inequality is untenable, at least for European post-communist countries, including the Czech Republic.

Changes in the Determinants of Income Attainment

The second question raised for the analysis was “*Are there any significant changes in the determinants of income attainment between 1989 and 1992?*” Nee’s theory of market transition predicts that former redistributors (cadres) will lose not only their original privileges but also advantageous positions in the new stratification order in the course of transition towards a market economy. We argue, however, that even though there has been a devaluation of some forms of capital important to status attainment during the communist era, the former cadres have been able to convert their political and social capital into economic capital. As a result, we expect that the former redistributors will still be at the top of the new stratification order. Moreover, we expect a revaluation of some forms of capitals, particularly human capital (education).

The results in Table 2 show that there are substantial changes in the determinants of income attainment between 1989 and 1990.⁵ One of the most important findings in Table 2 is the effect of being a cadre in 1989. However, the coefficients have two different meanings for two time points. In 1989, the coefficient indicates the *direct* income benefit of being a cadre. In 1992, however, the coefficients indicate the *indirect* income benefit of being a *former* cadre. Positive coefficients for 1992 indicate that cadres, on average, have been successful in converting their devalued political capital into advantageous positions in the new stratification order. The positive effects of being former cadres persist even after we control for their educational levels. Based on this evidence, we have to reject Nee’s hypothesis that “cadres are not expected to gain special advantages, net of human capital and household characteristics, for their cadre status after the shift to a market-like economy” [Nee 1989: 671].

As we expected, we find in Table 2 that a revaluation of human capital (represented by respondent’s education), has occurred during the transformation. While coefficients for other education levels are about the same, respondents with university or college education have enjoyed a substantial increase in their earnings. The benefit of having a university education has increased from 45%⁶ in 1989 to 51% for main and 59% for total income in 1992. Both increases are quite significant. In addition to the main findings, we also find that the benefits of being male to income attainment decreases during the transformation. The benefit has declined from 46% in 1989 to 40% for main income and 44% for total income in 1992. We think that the decline in the total income is smaller than in the main income because males are most likely to be engaged in entrepreneurial activities in addition to their main occupation.

⁵) Earnings were transformed to natural log units (semi-log incomes function). In the semi-log incomes function, the estimated regression coefficients should be interpreted as indicating the proportional increase in income associated with a one-unit increase in the independent variable. The semi-log incomes function is most useful when we make comparisons across time since we can expect proportionate effects to be invariant with respect to inflationary changes in price. (For further discussion on different rationales see [Hauser 1980: 703] and [Petersen 1989: 227-229].) In comparing each pair of coefficients, instead of using an ad hoc procedure, we perform the statistical test for structural change as described in Long and Miethe [1988: 125-128].

⁶) The semi-log regression coefficients are converted into percentages by taking their antilogs.

Determinants of Economic Success and Roles of Career Strategies

The next question we ask is: “*What are the determinants of economic success in the first stage of the post communist transformation?*” To answer this question, we have to assess the effectiveness of selected social attributes and strategies for the increase of individual income. For the sake of clarity, we define the effectiveness as the difference between general growth of income in the given period, including inflation, and the growth connected with a given attribute or strategy. For this reason, we include log-income in the spring of 1989 as a control variable in the analysis.

Table 3. Determinants of Individual Total Income (Log-income) in Spring of 1992.

Independent variable	Total Income in 1992	
	Income	Log-income ¹
Income in 1989	0.764***	0.016***
Male	826.486***	15.345***
Cadre status in 1989	131.063	5.320
Downward occupational mobility	-224.043	-2.858
Upward occupational mobility	298.670	5.620
Downward managerial mobility	480.907	0.563
Upward managerial mobility	1266.509***	17.443***
Part-time entrepreneurship	2247.194***	28.861***
Full-time entrepreneurship	2953.762***	35.064***
Vocational education	-150.946	0.057
Secondary education	48.195	8.612*
University education	1262.610***	22.812***
Constant	1406.368***	766.946***
R ²	0.337	0.509

¹) Semilog coefficients multiplied by 100.

Statistical significance: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

To investigate which career strategy is most effective, we compare three alternatives: experiencing upward managerial mobility within the bureaucratic hierarchy, engaging in part-time entrepreneurial activity, and becoming a full-time entrepreneur. As we expected, engaging in entrepreneurial activities in general are more effective than achieving upward managerial mobility within the bureaucratic hierarchy. We also find that engaging in parallel economic activity by becoming a part-time entrepreneur has a slight advantage over becoming a full-time entrepreneur to achieve relative advancement in the income hierarchy. A respondent pursuing a parallel career increases his income by 32% on average, while becoming a full-time entrepreneur increases income by 31% on average. The least effective career strategy, pursuing an upward managerial mobility within the bureaucratic hierarchy, increases one's income by only 19% on average.

In Table 3, the indirect effect of being a former cadre declines and becomes statistically insignificant. This is certainly consistent with our explanation of results in Table 2. We expected that former cadres convert their social and political capital into economic capital through becoming either a full-time entrepreneur or a part-time entrepreneur. So, once we control for the career strategies, the effect of merely being a former cadre naturally declines.

Regarding the hypotheses predicting a tendency towards greater returns on education, the results in Table 3 are quite similar to the results in Table 2. They show that while a vocational education (apprenticeship) or secondary school diploma do not improve one's relative position in income distribution much, holders of university or college diplomas significantly improved their positions in the income hierarchy. Having a university diploma increases a respondent's income by 26% on average.

The results in Table 3 also show that being male increases a respondent's income by 19%. Note that the gender gap is much smaller than the similar coefficient in Table 2. We think this is because part of the benefit of being male is that he is more likely to engage in entrepreneurial activities; thus, when we introduce career strategies into the analysis, the effect of being male decreases.

Determinants of Adaptive Career Strategies

So far, we have investigated which career strategy is the most effective during the transformation. Now we ask: what are the individual characteristics (attributes) and various forms of capital that determine the strategies?

Table 4 displays the results of logit analysis on the three most efficient strategies of economic success. Apart from gender, membership and functions in the Communist Party in the Spring of 1989, the position of a former cadre, and other variables representing specific forms of capital that we expect to play a significant role in the post-communist transformation, the independent variables include: cultural capital, economic capital (property) in 1989, social capital in 1989, the presence of family traditions in business and a return of some property in restitution. Though one might debate the operationalization of these variables as perfect and unquestionable, the results of logit analysis seem to be internally consistent.

The estimated coefficients in the first column of Table 4 provide interesting evidence on significant predictors of upward managerial mobility within the bureaucratic hierarchy. Unlike the results found by Kolósi and Róna-Tas on Hungary [1992a: 20, Table 7], being a former cadre in the Czech Republic does not seem to be a significant obstacle to advancement during the transformation. The same holds true for membership in the Communist Party, and even for holding a functionary position in the Party in 1989. All these variables turned out to be statistically insignificant for the prediction of upward mobility within the bureaucratic sector. Among the various determinants, education dominates. For instance, having a secondary school diploma increases the odds of achieving a higher managerial position by a factor of six, and having a college or university diploma increases the odds by a factor of 11. Even though we have argued that social capital plays a most crucial role in the status attainment process, we are surprised by the positive and significant effect from the initial social capital on this particular mobility. It seems that the potential to mobilize a network of informal social ties based on mutual usefulness has been, at least for the short-term, a more significant factor influencing social advancement than cultural capital, which turned out to be insignificant. It may also be that the influence of cultural capital is completely absorbed by education.

For engaging in a parallel economic activity by becoming a part-time entrepreneur, the number of variables that are statistically significant is fewer compared to those in the model for managerial upward mobility. This corresponds with our argument that this strategy has quite a universal character and does not require any specific characteristic.

On the other hand, males are more likely to pursue this strategy (by a factor of two), this being conditioned by the initial economic capital (by a factor of two) and the initial social capital (by a factor of two).

Being a full-time entrepreneur is a strategy that has well-defined participants. Full-time entrepreneurship, as with the previous strategy, is for the most part, a male-dominated business. Regarding the social characteristics predicting this strategy, being a former cadre increases the respective odds of starting a full-time business by a factor of three. What is more, we again find that social capital has a strong effect on the odds of becoming a full-time entrepreneur; it increases the odds by a factor of almost two. The results from this analysis clearly show how former cadres have maintained their advantageous positions in the new stratification order. They have converted their devalued political capital into economic capital by becoming full-time entrepreneurs. Moreover, they have mobilized the network of informal social ties they accumulated over the years in facilitating the process of conversion.

From this analysis, combined with results from the previous tables, we can conclude that the “new” stratification order has been crystallizing during this, the first stage of the post-communist transformation, favoring university-educated males and former cadres who have successfully converted their various capitals in order to maintain their advantageous standing in society.

Discussion

We are quite certain that post-communist transformation leads to a growth of income and earnings inequality rather than to their decrease. Regardless of the type of data analyzed, this conclusion has been confirmed by almost every analysis of the development of income differentiation in East-European countries. The questions we addressed were quite similar to those analyzed by other scholars, namely by Kolósi and Róna-Tas [1992a, 1992b]. Their conclusions, similar to ours, reflect both the general features of the post-communist transformation and its country-specific traits.

First of all, our longitudinal study covers only middle-age individuals. This has both disadvantages and advantages for the study of the transformation. A clear disadvantage is that our results cannot be, without significant risk, generalized over the whole population. However, the advantage is that our sample is composed of individuals who were approaching the peak of their careers just prior to the collapse of the communist regime. Thus, we have effectively controlled for other life-cycle related factors affecting individuals' career development.

In comparing our results with the results from Kolósi and Róna-Tas, we must also be aware of important differences between the Czech and Hungarian experiences. The Hungarian data describe a society after more than ten years of economic reforms. By 1989, Hungary had a less rigid socialist economic model and a considerably less intrusive distributive system. Our Czech survey conducted in 1989 captures a society where even though state socialism had been undermined politically and morally, its economic system and extensive distributive systems were still intact, despite various attempts to start economic reforms. At the beginning of the post-communist transformation, Czechoslovakia thus still exhibited trademarks of state socialism, including a much stronger tendency towards redistribution.

A more significant factor is that Hungary and the former Czechoslovakia differ in their historical developments (the former Czechoslovakia, for instance, underwent earlier and more massive industrialization, a different urbanization process, etc.). It is no coincidence that in his concept of “embourgeoisement” in the transition to a market, Szelényi always emphasizes the role of the agricultural sector, of private or home farms, and of agriculture in general. His concept of the origin of a middle class or of the “third way” did not, therefore, attract the scholars analyzing development in countries where socialism entered at a different phase of historical development, characterized by more advanced industrialization and urbanization and, therefore, by a much stronger position of the middle class and the urban bourgeoisie.

Keeping those differences in mind, we nevertheless find between ourselves and Kolósi and Róna-Tas a whole range of identical conclusions regarding the general features of the post-communist transformation. Even where our conclusions differ, we can explain the differences. One of the common features is that the most efficient strategy for the improvement of relative position in the income hierarchy during the post-communist transformation is to start up one’s own business. The Czech data, in addition, show that parallel entrepreneurial activity in contrast with full-time entrepreneurship is a less lucrative strategy, but it is a strategy which is not so risky, and therefore more widespread. Kornai’s prediction that anti-inflation restrictions on the general increase of average income in the state sector will lead to a massive occurrence of parallel entrepreneurship, and thus to the extension of the so-called “dual status”, proves to be correct. In addition, it is clear that being a former cadre (in Nee’s and Szelényi’s terminology, being a member of the former “class of redistributors”), substantially increases the possibility of entering the entrepreneurial class during the transition period. Therefore, Kolósi and Róna-Tas’ conclusion seems to be quite plausible: the increase in inequality during post-communist transformation is caused, to a great extent, by the efficiency of strategies advantageous to former cadres who still have both human and economic capital accumulated under the previous regime [Kolósi and Róna-Tas 1992a: 593].

In agreement with Kolósi and Róna-Tas, we found that upward mobility within the bureaucratic hierarchy (in their terminology “professional advancement”) was a substantially less effective strategy for economic success than entering the entrepreneurial class. Nevertheless, unlike Hungary, functional advancement in the Czech Republic results in a significant upward move in the income hierarchy. This is certainly due to the fact that in Hungary, a significant increase in wage and income differentiation for the benefit of managers and professionals with higher formal authority had already begun long before 1989. Since the beginning of the 1980’s, furthermore, the pattern of mobility had been gradually strengthening the positive relations among position, competence and education. We argue that these are the principal reasons behind the disparity between Hungarian and Czech estimations of the role of tertiary education in the economic success of individuals.

Further results, although based on different means of operationalization, point to several fairly common features of the post-communist transformation. First of all, the results have shown that *cultural capital* does not have a significant effect on an individual’s career strategies. In fact, the variable representing cultural capital was eliminated from all the models predicting strategies for economic success. By contrast, *social capital* plays quite a significant role in improving life-chances both within the “bureaucratic” segment of the labor market, and particularly in the private sector. The convertibility of social

capital seems to be quite an important element in the transformation. It is a significant instigator of both functional advancement and the two major types of entrepreneurial strategies. The convertibility of social capital increases, to a considerable extent, the possibility of the former cadres maintaining their income privileges. In line with theoretical expectations, initial economic capital does not seem to be a significant factor influencing strategies of economic success in terms of entry into a new entrepreneurial class. These strategies grow more from other roots, and rest on rather different characteristics and assets (including social capital).

We can conclude that Nee's theory of "market transition" does not seem to provide a plausible explanation for differential economic success of individuals during the first stage of the post-communist transformation. Regarding the members of former elites, our results strongly support the "reproduction theory" [Treiman and Szelényi 1993]. Social capital accumulated during the communist regime – resulting either from advantageous positions in the structure of political power or from participation in the illegal (or semi-legal) distribution of scarce goods and services – plays a highly significant role in economic success during transition to the market. Though cultural capital does not seem to play the role predicted by the "reproduction theory", human capital – represented by formal education – has been strengthening its position among determinants of economic success. Therefore, though there is strong evidence that conversion strategies bring "old cadres" into the new elite, the fall of communism and the penetration of market mechanisms into the economy have opened the road to a more meritocratic society.

Appendix 1. Explanations of variables used in the analysis

Respondent's income in 1989: respondent's gross income from his/her main job in 1989, i.e. the job reported by the respondent as the major source of his/her income. Cases with zero income reported for economically active respondents were excluded from the analysis. This applies to the other two income variables that follow.

Respondent's income from main job in 1992: respondent's gross income from his/her main job in 1992.

Respondent's total income in 1992: respondent's total monthly income in 1992 from all sources except social security, welfare and allowances in 1992.

Cadre status in 1989: dummy variable, = 1 if the respondent held a position in 1989 at the middle or at the top of the state, political or economic bureaucracy, which includes managers in state-owned enterprises or companies, members of Municipal, District or Regional National Committees, directors or deputies in research institutes, deans of faculties and universities, other officials at the middle or at the highest level of state, political and economic bureaucracy. Cadres were identified by a direct question asked in 1989 about the respondent's position in the hierarchy of state, political or economic bureaucracy. This question was asked in addition to routine questions about occupation coded by ISCO-88, which did not allow identification of cadres using standard titles of occupations. The question, however, did not allow for the distinction between managers of economic enterprises and members of state (political) bureaucracy. This could be done on the basis of occupational codes, but such an analytical distinction would require a higher absolute number of those who actually belong to this group of "nomenklatura cadres" or "redistributors". Another argument for keeping them as one group is the fact that during state socialism, there was no significant distinction between managers of state-owned

economic enterprises and state officials (“apparatchiks”). The required skills, political attributes and expectations were similar for “managers” of state enterprises and “state bureaucrats”. There is, moreover, no reason to doubt that the assets measured either by income or by social capital were quite identical for both these groups of “cadres”.

Downward/upward occupational mobility: dummy variable, = 1 where the respondent experienced upward (downward) mobility between 1989 and 1992 along the scale of EGP class classification.

Part-time entrepreneur: dummy variable, = 1 where the respondent reported that in 1992, apart from full-time employment in the state sector, he/she also had a part-time entrepreneurial activity.

Full-time entrepreneur: dummy variable, = 1 where the respondent reported that his/her full-time employment in 1992 was in his/her own company, enterprise, commercial activity, etc. Downward occupational mobility, upward occupational mobility, opening one’s own business (“part-time”), and an entire move to the entrepreneurial class (opening own “full-time” business) are four dummy variables having the common reference category “no mobility”.

Upward/downward managerial (authority) mobility: dummy variable, = 1 where the respondent reported that he/she either moved up (or down) in the hierarchy of formal authority and management, or was promoted to (or dismissed from) a managerial position after 1989. The reference category for the two dummy variables is “no managerial mobility”.

Vocational education: dummy variable, = 1 where the respondent completed only vocational education, i.e. apprenticeship with no secondary school certificate.

Secondary education: dummy variable, = 1 where the respondent completed secondary education (either technical secondary school or so-called “gymnasium”).

University education: dummy variable, = 1 where the respondent completed university or college education. The reference category for the three educational variables is “elementary education”.

Communist party member: dummy variable, = 1 where in 1989, the respondent was a member of the Communist Party.

Functionary of Communist party: dummy variable, = 1 where in 1989, the respondent was a functionary of the Communist Party.

Cultural capital: cultural capital as measured in 1989. This is a variable constructed from the results of a principal component analysis of five items: language competence (English, French, or German), frequency of visiting theaters, concerts of symphonic music, art exhibitions, and reading fiction. The variable was defined as the first non-rotated factor extracted by the principal component analysis (44% of explained variance, no more than one factor extracted). We created a dummy variable with value 1 assigned to those who belonged to the top 20% defined by the factor score. We use a dummy variable instead of factor scores themselves as the continual variable, partly because we believe that a dummy variable brings in greater contrast between those who score 1 for the variable and the rest of the sample. The higher contrast is needed since the factor itself explains a rather low percent of variance.

Economic capital: economic capital measured in 1989. This resulted from a principal component analysis of six costly items in the household (VCR, dishwasher, computer,

micro-wave oven, car, weekend house) and subjective evaluation of the volume of household property (in national currency). The variable was defined as the first non-rotated factor extracted by the principal component analysis (23% of explained variance). A dummy variable was created with value 1 assigned to those who belonged to the top 20% defined by the factor score. We use a dummy variable for the same reason as for cultural capital.

Social capital: social capital measured in 1989. This resulted from a principal component analysis of variables describing the respondent's capacity to mobilize, in case of necessity, a network of informal contacts: to find a good physician, to obtain goods in short supply, to raise hard currency, to raise a large sum of money quickly, and to find an apartment. The variable was defined as the first non-rotated factor extracted by a principal component analysis (33% of explained variance, one factor extracted). A dummy variable was created with value 1 assigned to those who belonged to the top 20% defined by the factor score. We use a dummy variable for the same reason as for cultural capital.

Entrepreneurial social origin: dummy variable, = 1 where the respondent reported that his/her parents or grandparents owned a business.

Restitution: dummy variable, = 1 where the respondent reported that after 1989, he/she or his/her spouse received any property from the state as restitution for property expropriated during the communist regime.

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