

2016

Introduction

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Recommended Citation

Balcar, Petr, "Introduction" (2016). *Volume 34 - Post-Communist Reform in the Czech Republic: Progress and Problems (2016)*. Paper 2.
<http://preserve.lehigh.edu/perspectives-v34/2>

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INTRODUCTION

In 1991–92, a cohort of Martindale Student Associates studied, visited, and published—in this very series—a set of academic articles on the economy and public policy of the nation formerly known as Czechoslovakia. At the time of their visit, the country had only recently regained its democracy and was emerging from a 40-year Stalinist dictatorship.

During the first decades of its existence, before the communist putsch in 1948, Czechoslovakia was one of the world's most prosperous and developed democratic nations, with one of the top ten levels of GNP per capita in the world, ahead of Switzerland and the U.K. With its newly recovering economy and rebounding society, Czechoslovakia was a dynamic and interesting country of study and a rich source of research topics for the Martindale Student Associates.

In 1993, Czechoslovakia was peacefully divided into two separate countries, the Czech Republic and the Slovak Republic. As a former Soviet communist bloc country, the Czech Republic faced many challenges; but with no standard model for reestablishing or introducing democracy in emerging economies, “Czechia” had to find its own way.

From an economic perspective, Czechoslovakia was relatively advanced in the early stages following the fall of communism in 1989. This lies partly in the fact that its fairly respectable levels of development before World War II were founded on a number of traditional sectors, such as the automotive industry (trucks and passenger cars), the steel industry, beer brewing, and glass production (in particular crystal). The utilities and petrochemical sectors were also quite advanced, and the country's geographic location drove the growth of its agricultural sector. This said, the lack of functioning institutions within the country presented a serious obstacle to growth.

Over the past 25 years, the Czech Republic has gone through several distinct stages of development in an effort to move the country forward. Prior to this, however, there were a couple of important milestones worthy of mention. During the communist era in the late 1960s, open-minded intellectuals, economists,

and some politicians initiated a series of system reforms, the timing of which was not optimal. As a result, Warsaw Pact armies led by the Soviets occupied Czechoslovakia, where they remained until 1991. “Charter 77,” a civil movement led by political dissidents, played a very important role in exposing and fighting the injustices of the communist regime; but even so, unfortunately many innocent people spent years in prison, and up to 200 people were executed.

The anti-communist revolution in late 1989, known as the Velvet Revolution, heralded a new era. In the early 1990s, the Czech Republic, along with other former communist countries, experienced an economic transformation from an authoritative socialist system to capitalism—a change that did not happen overnight.

And yet from one day to the next, Czech society had to start rebuilding its political system—an extremely challenging process. Some fundamental transitions were implemented, such as the introduction of democratic elections, free speech, and freedom of the press. State censorship was ended, and borders opened. Václav Havel, a natural leader of the opposition and a world-renowned humanist, was elected the first democratic president of Czechoslovakia in December 1989; and the first democratically elected government for many years—a center-right administration—followed in 1990.

The country also made some significant inroads on the international front, joining the OECD in 1995 and NATO in 1999—a crucial moment affirming the Czech Republic's military split from Russia. After fulfilling the required EU admission criteria, Czechia subsequently joined the EU in 2004 and became a Schengen state in 2007. These important transformations effectively turned the Czech Republic back toward the West, where culturally and historically it belongs.

The country's economy switched from state ownership to a market-based system, with the Czech government supporting rapid privatization. During what was referred to as a period of “Small Privatizations,” notably

of small to medium-sized enterprises, the country experienced two waves of “Large Privatizations” of big companies; and Czech citizens had an opportunity to purchase shares of these companies in the form of vouchers. The government also gradually assured the restitution of property that had been nationalized under communist rule. The Czech Republic experienced the opening of its economy for trade, and foreign direct investment was encouraged by offering favorable conditions to international investors.

Cooperation in several fields of science has developed, and many international educational programs have been introduced. Some were exchange programs while others were initiated unilaterally, either by the Czech Republic or by its new foreign partners. Czech students are now gaining knowledge and experience abroad and improving their language skills. Foreign students coming to the Czech Republic are often interested in the country’s recent history and its development following the fall of communism, but there is also an interest in those fields in which the Czech Republic has a long tradition of mastery, such as film making.

Management style in most sectors of the economy has changed dramatically, which has led to a considerable improvement in performance and overall efficiency. There is still, however, room for improvement, especially in the public sector. Compared to advanced Western countries, productivity in the Czech

Republic is relatively low. Lower salaries for a relatively high quality of labor given the quality of Czech education and skills continue to make the country attractive, and not solely for maintaining levels of production and providing services to existing companies. New investors, both foreign and local, are finding it profitable to start new businesses. The Czech Republic is an attractive and safe location across the board, not only for business. It has also become a popular tourist destination. Many people are now applying for work in the country, not only from the East but also from Western countries. Currently, however, the country is facing massive immigration from Syria, Iraq, and other Arabic and African countries. So far, the Czech Republic seems to be more of a transit country for those en route to richer Western European countries rather than a final destination in itself for these migrants.

For these and many other reasons, the Czech Republic became a country of interest for the Martindale Student Associates once again in 2015. It has been my pleasure to work with this dedicated group and I congratulate them wholeheartedly on their valuable accomplishment.

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