Transformation of Ownership Relations after the Velvet Revolution Seen as a Social and Economic Innovation of the 7th Order

Ivana KRAFTOVÁ

ABSTRACT
This article pays attention to a unique process at the beginning of the 1990s, representing a principal change to the social and economic reality in Czechoslovakia during that period. After the “Velvet Revolution” resulted in the collapse of the communist political system, it was essential to change the economic environment and to re-establish a market economy. One of its foundations was the transformation of ownership relations. At the centre of attention in regard to these new relations was “Czechoslovak voucher privatization”. Regarding its character and results, the process can be labeled an economic innovation of the 7th order.

KEYWORDS: Social and economic innovation of the 7th order, transformation of ownership relations, voucher privatization

1 INTRODUCTION

Although ownership relations – e.g. the property rights school, as seen by Svetozar Pejovich (Pejovich, 1990) – do not belong among the mainstream of economic theories, they were nonetheless at the centre of attention and a subject of practical performance in the former Czechoslovakia of the 1990s, when the “Velvet Revolution” sparked social and economic changes and innovations in the context of the ideas of J.A. Schumpeter (Schumpeter, 1939) or F. Valenta (Valenta, 1969).

As the date 1 January 2011 commemorates the 20th year since the keen beginnings of economic reform, a short discussion to reflect on those reforms and its link to social innovations seems appropriate.

A basic economic target of contemporary changes was a systemic increase in economic effectiveness in general. The contemporary definition of “economic reform”1 shows that, in accordance with Valenta (Valenta, 1969), a 7th (plus) order innovation was in question, i.e. a principal, absolute, and nationwide change with an international impact, and performed by means of combined imitation (the use of existing models and the experiences of advanced market economy functioning) and an original solution (especially in the field of privatization methods and shock-therapy application).

2 CYCLES IN OWNERSHIP RELATIONS IN THE CZECHOSLOVAK ECONOMY

The history of the independent Czech state is rather brief. The Czech Republic was formed in 1918 after the collapse of the Austrian-Hungarian monarchy, in whose domain the Czech country had been the most developed region. The roughly 20 years of a rather successful market economy, an economy

1 A contemporary document states: “Economic reform is a change of economic institutions and their mutual relations. Its objective is the transformation from a centrally planned to a market economy. Unlike the previous reform attempts, not only is the improvement of the existing economic system in question, but its substantial change as well.” (Scénář ekonomické reformy /Scenario of economic reform/. Praha : Federalní shromáždění ČSFR, 30. srpna 1990.)
featuring usual capitalist ownership relations, was interrupted by World War II, where between 1939 and 1945 the Czech country existed as a protectorate of the Great German Empire, and Slovakia functioned as an autonomous state dependant on Germany.

The enhanced nationalization processes starting in 1945 – as a reaction to the war period in Czechoslovakia and elsewhere in Europe (e.g. the state sector in Great Britain, France, and Germany) – were followed by political changes in 1948 (i.e. 30 years after the foundation of an autonomous state in 1918). The events in 1948 gave rise to the establishment of communism in the region and to radical changes in ownership relations. Not only was the economy nationalized, but the changes also concerned politics and culture on a wide scale. After a relatively successful post-war recovery period, the dominant role of state ownership and the highly command-oriented and centrally-planned management of the national economy led to extensive problems in regard to economic growth, which, after another 20 years (in 1968), resulted in reform trends headed by a well-known Czech economist Ota Šik. These contemporary reforms, which included reforms of ownership relations, were prevented by military intervention by the Warsaw Treaty countries, especially the Soviet Union. (The data in Table 1 illustrate trends of the private sector in the Czech Republic.)

**Table 1**: Number of small private enterprises in the CR in selected years

<table>
<thead>
<tr>
<th>Year</th>
<th>Type</th>
<th>Number</th>
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</thead>
<tbody>
<tr>
<td>1950</td>
<td>Small plants with trade license</td>
<td>249 582*</td>
</tr>
<tr>
<td>1960</td>
<td>Small plants with trade license</td>
<td>6 553*</td>
</tr>
<tr>
<td>1989</td>
<td>Permit of the municipal office for individual citizens to provide services</td>
<td>65 202*</td>
</tr>
<tr>
<td>1991</td>
<td>Entrepreneurs-individuals</td>
<td>898 564*</td>
</tr>
<tr>
<td>1995</td>
<td>Entrepreneurs-individuals</td>
<td>1 093 151*</td>
</tr>
<tr>
<td>2008</td>
<td>Entrepreneurs-individuals</td>
<td>1 845 016*</td>
</tr>
</tbody>
</table>

Sources: ¹(Průcha, 1974, p.513); ²(ČSÚ, 1991, p. 537); ³ ČSÚ [1]

The series of the “Fatal Eights” (1918, 1948, and 1968) was completed after roughly 20 years by the so-called “Velvet Revolution” (1989). Despite its substance having a negativist character (It was a revolution against the communist government, not a revolution fighting for a specific purpose), the enthusiasm of the citizens was strong enough to enable the political overturn of the political system in several countries in the region. However, in the Czech case, the newly established political system would not have been successful without economic reform, an economic reform in which an essential part was the transformation of ownership relations.

**3 FOUNDATION STONES AND THREATS TO THE TRANSFORMATION² OF THE 1990s**

Neither a layman nor an expert who had not personally experienced the communistic reality can imagine the barriers that prevented the bringing of transformations to life. Those who prepared the economic reform understood the time limits. Numerous discussions participated in by world-recognized economists, e.g. by Joseph Stiglitz, rejected a gradual approach; on the contrary, a shock-therapy approach was accepted. The period of “belt-tightening” proclaimed by the then Minister of Finance and the current President of the Czech Republic, Václav Klaus, was accepted by the citizens under a certain understanding – as a compensation for political and economic freedoms. V. Klaus commented on the situation with the following: “We knew very well that the magic was not hidden in individual elements, but in the maintenance and upkeep of transformation as a whole”, that we must “avoid partial reforms

² The notion of “transformation” is selected intentionally as an indication of a higher (7th order, according to Valenta) innovation (i.e. an essential change of the system), compared to “reform,” as a higher order innovation (³rd – 6th order, according to Valenta), meaning a partial, although substantial, change of the system. However, official contemporary documents indicate an economic reform.
because they lead to new forms of inequality and disproportion.” (Klaus, 2006, p. 14).

The five pillars of the economic reform were:
1. economic deregulation³,
2. liberalization of prices and foreign trade⁴,
3. regulation of the macro-economic situation, namely inflation,
4. gradual formation of the market infrastructure (in terms of institutions and legislation)
5. the transformation of ownership relations, i.e. privatization

The period shortly after the revolution proved typical in regard to concerns about the irreversibility of communism. The basic attribute of a market economy is private ownership and enterprise. At that time, the word “capitalism” had a pejorative meaning, and private enterprise and private employment of other persons were qualified as crimes. People sought ways of performing “non-political politics” and “capitalism without capitalists”. Dušan Třiska, one of the spiritual fathers of privatization, says with a certain degree of exaggeration: “I had to mobilize the most secret resources of my psychic powers to avoid believing that the vanity of our struggle reminds one of building … an aquarium from fish soup …” (Třiska, 2006, p. 37).

However, the Czechoslovak Republic was not an island unto itself. In the transformation period, it communicated with its neighbours. A consulting group for accounting, law, and banking supported by the British Know How Fund was active. The Czech Republic was also a founding member of the Central and Eastern Privatization Network, whose representatives from Poland, Hungary and Slovenia were likewise confronting real privatization processes.

4 RESOURCES, MEASURES, AND OBJECTIVES OF THE TRANSFORMATION OF OWNERSHIP RELATIONS

The major source of the transformation of ownership relations was the existing, all-embracing state ownership that was residual from the communist period. However, the owner as such disappeared with the decay of the monopolist position of the communist party, which was, in fact, the state representative. The situation urgently needed changing. The objective at this stage was to form a functioning structure of ownership relations, renewing the existence of private ownership and enterprise.

The economy of ownership relations within an institutional economy is closely connected to formal institutions of a legal nature. At the beginning of the 1990s, the transformation of ownership relations in Czechoslovakia was based especially on the following issues:
   a) the change of the Constitution in April 1990, which equalized all ownership forms (only natural resources remained exclusively state-owned);
   b) the scenario of economic reform of the Federal Assembly of the Czech and Slovak Federal Republic of 30 August 1990;
   c) the Act on stock companies;  
   d) the Act on private enterprise of citizen;  
   e) the Act on employment stipulating private employment;  
   f) the Commercial Code.

³ To understand the scope of economic regulation within centralized economy management, an example is useful: according to the federal law, state enterprise managers were not allowed, without appropriate governmental (federal government, Czech or Slovak government) approval, to handle any property of over 5 thousand CZK (according to the fixed currency rate of 1 January 1991, that was equivalent to 179 USD).
⁴ Producers had to become accustomed to the fact that the price was not determined by cost calculation and “eligible” profit range according to the rules of the Federal Price Institute, but instead depended on demand for such goods.
Legislative changes were followed by reforms adjusting the privatization process stages:
- The Act on Restitution of 1990 – the “Act on small privatization”, meaning support for small and middle-sized enterprises. Medium-sized state assets, to this point, had been offered to domestic physical entities through a cash auction. The objective was to open space for private enterprise, for traditional craft and trade, and also for making a competitive environment;
- The Act on property transfer to another person of 1991 – the “Act on large privatization” – as a background for the commencement of voucher privatization.

Looking for a theoretical background for the Czechoslovak privatization process through voucher privatization, we find a so-called “Lange-Lerner approach”\(^5\). In regard to this approach, V. Klaus stated in a lecture: “… a singular example of a successful Lange-Lerner approach application is the first and second wave of voucher privatization” (Triska, 2006, p. 44).

The time aspect was a limiting condition that could not be dispensed with. A system was sought that would make it possible to sell all assets belonging to the “large privatization” (circa 1,500 businesses) within roughly six months, because the abolition of the Czechoslovak Federation (ČSFR) was scheduled for 31 December 1992.

The voucher privatization was carried out in two waves between mid-May 1992 and the end of 1992. Citizens received coupon books and had the right to purchase shares\(^6\). The price hereof was primarily undervalued in the interest of bank system protection (the savings of citizens had originally been considered as deferred consumption; their extensive use could endanger the capital strength of banks, which presented a real threat, especially in the situation of a certain consumer goods deficit).

**Figure 1:** Transformation of ownership in the CR in 1991-1994

### MAIN DRIVERS
- Economic deregulation
- Liberalization of prices and foreign trade
- Privatization
- Legislative changes
- Market infrastructure institutions

### PROCESSES
- Small privatization (cash auctions)
- Restitution
- Property transfers to municipalities
- Large Privatization
  - Voucher privatization – IVHs
  - Voucher privatization – IPFs
  - Standard methods:
    - Direct sales
    - Public tenders
    - Public auctions
    - Free transfers
    - State ownership
- Liquidation

### RESULTS
- Voucher privatization - IVHs: 24%
- Voucher privatization - IPFs: 14%
- Other privatization: 34%
- Towns: 21%
- State: 7%

Note: IVH = Investment Voucher Holder; IPF = Investment Privatization Funds

\(^5\) Abba Lerner and Oscar Lange made an attempt in the 1930s to form a concept to support real socialism and centralized planning.

\(^6\) Citizens suddenly became participants to a specific share market in the situation when they only began to get used to the fact that different shops offer goods for different prices.
Another problem was which price model should be used to adjust the share quotations to the current offer and demand. The model used for such an extraordinary application proved itself to be working and effective. Later, the ownership structures of privatized businesses were gradually tuned on the basis of appropriate legislation.

According to data from the Fund of National Property, almost 43% of the property in its book value was privatized within the large privatization by the voucher privatization method (ca 370 bn CSK from 870 bn CSK). The process of de-étatisation ownership continued after 1994, as shown by data in Table 2.

### Table 2: Changes in number of companies and state enterprises in the Czech Republic in 1991-2008

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</thead>
<tbody>
<tr>
<td>Companies</td>
<td>23,112</td>
<td>39,495</td>
<td>60,376</td>
<td>88,424</td>
<td>112,514</td>
<td>130,626</td>
<td>145,859</td>
<td>165,123</td>
<td>188,058</td>
</tr>
<tr>
<td>State enterprises</td>
<td>3,737</td>
<td>3,272</td>
<td>2,920</td>
<td>1,522</td>
<td>1,003</td>
<td>694</td>
<td>550</td>
<td>332</td>
<td>255</td>
</tr>
<tr>
<td>Companies</td>
<td>204,075</td>
<td>214,637</td>
<td>220,461</td>
<td>232,204</td>
<td>244,537</td>
<td>256,657</td>
<td>270,884</td>
<td>290,218</td>
<td>311,309</td>
</tr>
<tr>
<td>State enterprises</td>
<td>200</td>
<td>177</td>
<td>145</td>
<td>126</td>
<td>107</td>
<td>102</td>
<td>93</td>
<td>85</td>
<td>78</td>
</tr>
</tbody>
</table>

Source: ČSÚ [1]

Czech economic transformation process in the complex can be assessed positively, although the relevant comparable statistical data from the period before 1989 is not much available (see Tables 3 and 4; Figures 4-7).

After the Velvet Revolution, the years 1990-1994 represent the main transformation of ownership relations. The year 1991 was one of the most problematic - extreme inflation rate, high unemployment rate, and decrease in trade turnover. Period 1995-1999 can be characterized as stabilizing with moderate economic growth, although high inflation. Years 2000-2004 are associated with high GDP growth and GDP per capita, lower inflation, contrast with considerable unemployment. A small open Czech economy, "gathered his breath" also in terms of foreign trade. In May 2004 the Czech Republic became a member of the European Union, economic growth continued (after a long time outweighed exports over import) up to a global cyclical downturn in 2008.

### 5 THE MAIN DEMONSTRATIONS OF INNOVATION IN THE 1990s PRIVATIZATION, AND ITS INSPIRATION FOR THE PRESENT

Among the priorities of Czech privatization at the beginning of the 1990s was the replacement of a centrally-planned socialist economy, characterized by a high degree of monopolization and by a standard dispersed-owner market. The initial state is characterized by the following features:

- Prices, wages and interest rates were determined centrally (by the state).
- There was ineffective allocation of resources (capital, labour), due to bureaucratic decisions.
- Mainly material indicators were planned (production volumes), while revenues, costs and profit lacked importance. When the plan of material flow was completed, all needs of companies were financed from central resources.
- Company management was not motivated toward innovations and strategic control; their main goal was to gain a “soft”, i.e. an easily achievable plan.

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7 Inadequate regulation of Investment Privatization Funds - especially the no-separation of personal property owners from the fund's assets - raised later cases, some of which are still continuing.
Table 3: Selected macroeconomic indicators of the Czech Republic before 1995

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</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>.</td>
<td>519.4</td>
<td>607.6</td>
<td>627</td>
<td>645</td>
<td>667.6</td>
<td>.</td>
<td>626.2</td>
<td>753.8</td>
<td>842.6</td>
<td>1 020.3</td>
<td>1 182.8</td>
</tr>
<tr>
<td>GDP rate</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>1.03</td>
<td>1.03</td>
<td>1.04</td>
<td>.</td>
<td>.</td>
<td>0.88</td>
<td>0.99</td>
<td>1.00</td>
<td>1.02</td>
</tr>
<tr>
<td>Inflation rate, %</td>
<td>2.2</td>
<td>2.9</td>
<td>2.3</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>1.4</td>
<td>9.7</td>
<td>56.6</td>
<td>11.1</td>
<td>20.8</td>
<td>10.0</td>
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<tr>
<td>Unemployment rate, %</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>0.66</td>
<td>4.13</td>
<td>2.57</td>
<td>3.52</td>
<td>3.19</td>
<td></td>
</tr>
<tr>
<td>Foreign trade turnovera, b</td>
<td>93.8</td>
<td>281.7</td>
<td>388.4</td>
<td>398.5</td>
<td>405.3</td>
<td>423.4</td>
<td>432.2</td>
<td>448.0</td>
<td>442.4</td>
<td>541.5</td>
<td>847.7</td>
<td>957.2</td>
</tr>
<tr>
<td>Coverage of imports by exports, %b</td>
<td>91.1</td>
<td>98.9</td>
<td>103.2</td>
<td>99</td>
<td>98.9</td>
<td>102.1</td>
<td>101.2</td>
<td>91.5</td>
<td>111.9</td>
<td>84.6</td>
<td>98.9</td>
<td>92.1</td>
</tr>
</tbody>
</table>

Notes: a in current prices, CSK/CZK bn; b in 1970-1989 data for the whole Czechoslovakia (ČSFR)
Indicators related to the years before 1995 are not revised.

Table 4: Selected macroeconomic indicators of the Czech Republic in 1995-2008

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</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>1 466.7</td>
<td>1 660.6</td>
<td>1 785.1</td>
<td>1 962.5</td>
<td>2 041.4</td>
<td>2 189.2</td>
<td>2 352.2</td>
<td>2 464.4</td>
<td>2 577.1</td>
<td>2 814.8</td>
<td>2 983.9</td>
<td>3 222.4</td>
<td>3 535.5</td>
<td>3 689.0</td>
</tr>
<tr>
<td>GDP rate</td>
<td>1.06</td>
<td>1.04</td>
<td>0.99</td>
<td>0.99</td>
<td>1.01</td>
<td>1.04</td>
<td>1.02</td>
<td>1.02</td>
<td>1.05</td>
<td>1.04</td>
<td>1.06</td>
<td>1.07</td>
<td>1.06</td>
<td>1.03</td>
</tr>
<tr>
<td>GDP per capita, PPP</td>
<td>10 664</td>
<td>11 510</td>
<td>11 742</td>
<td>11 961</td>
<td>12 385</td>
<td>13 036</td>
<td>13 891</td>
<td>14 419</td>
<td>15 215</td>
<td>16 257</td>
<td>17 133</td>
<td>18 412</td>
<td>19 948</td>
<td>20 145</td>
</tr>
<tr>
<td>Inflation rate, %</td>
<td>9.1</td>
<td>8.8</td>
<td>8.5</td>
<td>10.7</td>
<td>2.1</td>
<td>3.9</td>
<td>4.7</td>
<td>1.8</td>
<td>0.1</td>
<td>2.8</td>
<td>1.9</td>
<td>2.5</td>
<td>2.8</td>
<td>6.3</td>
</tr>
<tr>
<td>Unemployment rate, %</td>
<td>2.93</td>
<td>3.52</td>
<td>5.23</td>
<td>7.48</td>
<td>9.37</td>
<td>8.78</td>
<td>8.90</td>
<td>9.81</td>
<td>10.31</td>
<td>9.47</td>
<td>8.88</td>
<td>7.67</td>
<td>5.98</td>
<td>5.96</td>
</tr>
<tr>
<td>Foreign trade turnovera, b</td>
<td>1 231.9</td>
<td>1 356.3</td>
<td>1 569.0</td>
<td>1 748.7</td>
<td>1 882.0</td>
<td>2 363.0</td>
<td>2 653.7</td>
<td>2 580.6</td>
<td>2 811.6</td>
<td>3 471.8</td>
<td>3 698.6</td>
<td>4 249.4</td>
<td>4 870.5</td>
<td>4 880.2</td>
</tr>
<tr>
<td>Coverage of imports by exports, %b</td>
<td>85.0</td>
<td>79.7</td>
<td>82.5</td>
<td>91.2</td>
<td>93.4</td>
<td>90.3</td>
<td>91.5</td>
<td>94.7</td>
<td>95.2</td>
<td>98.5</td>
<td>102.1</td>
<td>101.9</td>
<td>103.7</td>
<td>102.8</td>
</tr>
</tbody>
</table>

Sources: ČSU [2]-[6]
Notes: a in current prices, CSK/CZK bn
PPP = Purchasing Power Standard - average purchasing power of 1 PPS corresponds to average purchasing power of 1 euro in the EU 27.
In 2004, the methodology of unemployment rate was changed.
Figure 4: GDP per capita in the CR

Figure 5: Comparison of the inflation and unemployment rate in the CR

Figure 6: Comparison of GDP and foreign trade turnover in the CR

Figure 7: Coverage of import by export in the CR
Extensive economic growth featured a high level of capital investment, including a high energy demand. The economic structure was dominated by heavy industry and by an under-developed service sector. The situation resulted from the idea, pursued within the Soviet bloc, that industrialization is a driving force of progress (Holman, 2000), which corresponds with the officially recognized Marxist theory asserting that wealth is only created by material production.

At the same time, certain services proved to be useless (especially financial services, since these relate to a market system). The capital allocation structure did not correspond to the structure of demand.

The above-indicated results of privatization, connected with an increased number of economic subjects, with a reduced rate of monopolization, and with private sector development in services, was reflected in the process of restructuring. The contemporary government aimed at market liberalization and economy stabilization; this was connected especially with budget restrictions and the regulation of wages. Company subsidies were reduced, unprofitable companies ceased to be financed (which used to be a commonplace before that time) and credit limits were determined.

After the establishment of independent ownership units, more problems became obvious: production factors markets were missing (companies did not have any option to trade redundant property), which resulted in a growing inter-company insolvency and secondary financial insolvency rate. Nevertheless, no bankruptcies followed. Delayed privatization of banks encountered the formation of ownership pyramids, headed mostly by the banks, which had the double role of owner and creditor.

A high inflation rate presented a great danger, exceeding 55% in 1991. Fortunately, it was the case in that year. The average inflation rate between 1995 and 2008 decreased to less than 5%. Compared with our neighbors Poland and Hungary, a relatively favorable unemployment rate developed, not exceeding 3% in 1990-1994. Unemployment figures averaging almost 7.5% between 1995 and 2008 present a more serious problem. Among the reasons for this is an under-dimensional tertiary sector that, together with a change of ownership structure, was capable of fast development, with a parallel absorption of the potentially unemployed.

The development of services share in the gross added value in the Czech Republic is demonstrated in Figure 2, as compared with the developed Japanese economy of 1990-2009. Despite the historical differences of both countries, it is obvious that this parameter shows certain common grounds, since the market economy processes have similar consequences.

**Figure 2:** Development of tertiary sector share in TVA in the CR and Japan 1993-2009

Source: Processed by the author, based on the data (WB, 2009)
The figure shows the fast development of the tertiary sector in the reform years of the Czech economy, culminating in 1994. Its share in the gross added values compared with Japan oscillates much more. On the other hand, a certain decrease in the service sector is seen in both countries after 2003, persisting till 2008 in the Czech Republic. At the same time, the gross added value in both countries from 2003 to the recession year 2008 keeps growing, measured by USD in fixed prices of 2005.

Another factor to notice is the innovation potential of an economy which lacked required economic stimuli in a socialist economy. On the condition that we select the share of high technology products in overall export and import as an indicator to reflect innovations in a small open economy, then the post-reform Czech Republic shows a distinctly positive trend, especially in export dynamics at the beginning of the century. Also the export level approaching that of the import level of such products seems to be a positive feature. On the other hand, one must notice the trend to stagnation in both of these indicators – see Figure 3.

**Figure 3**: Comparison of high-technology products export and import development in the Czech Republic

![Figure 3](source)

Source: Processed by the author, based on data from the MPO/Ministry of Trade and Industry

The described period of Czech economic development is very specific, characterized by high innovation orders. One can find inspiration in the above for the contemporary economy, especially for economic policy tools and measures such as the following:

- One should recognize the specific position of the tertiary sector – which performs the role of an extraordinary balancing phenomenon in an economy – even in connection with the prevalence of small- and middle-size companies operating within it.
- One should avoid underestimating the danger of replacing private investment with public investment – which results in limitations to a healthy market mechanism and potentially decreases economic effectiveness.
- One should pay attention to the formation of a motivating environment for innovations and one should support technical, technological and economic progress.

6 **CONCLUSION**

Economic reform and the transformation of ownership relations represented a social and economic innovation of the highest order, opening new opportunities for the existence of and active attitudes of citizens, as well as creating conditions for the diversification of society, despite beginning in a way that was accompanied by painful social consequences, especially for manual workers.
A substantially negative role was played by informal institutions, and by habits and behavioral standards that were still based on the ideology and reality of communism. On the other hand, a social innovation of this type inevitably requires formal institutional changes, resulting in changes to the informal ones.

Taking the invention and innovation performance aspect into consideration, the extent of knowledge of the relevant transformation initiators was among the most serious threats to reform. Domestic experience was mostly inapplicable, while experience from abroad – in terms of application and theory – were rather limited. From the above indicated facts, it can be assumed that the success of social innovations (especially those of a higher order) strongly relate to the scope and quality of knowledge.

The economic results of the Czech economy (especially after 2000) have proven that the innovation objective (an increase of effectiveness and economic performance) has been completed, therefore the described innovation falls within the category of positive innovations.

7 REFERENCES


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