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A Velvet Vision

The Economic Liberalization (and Liberation) of the Czech Republic

> There is today in the world a *dominant* discourse. . . . This dominant discourse often has the manic, jubilatory and incantatatory form that Freud assigned to the so-called triumphant phase of mourning work. The incantation repeats and ritualizes itself, it holds forth and holds to formulas, like an animistic magic. To the rhythm of a cadenced march, it proclaims: Marx is dead, communism is dead, very dead and along with it its hopes, its discourse, its theories and its practices. It says: long live capitalism, long live the market, here's to the survival of economic and political liberalism!
>
> —Jacques Derrida, *Specters of Marx*

> For a neoliberal discourse is not a discourse like others. . . . [I]t is a "strong discourse" which is so strong and so hard to fight because it has behind it all the powers of a world of power relations which helps to make it as is, in particular by orienting the economic choices of those who dominate economic relations and so adding its own—specifically symbolic—force to those power relations.
>
> —Pierre Bourdieu, *Acts of Resistance*

In the immediate afterglow of socialism's downfall, no population in the postsocialist world embraced free-market ideology with greater fervor than the Czechs. Their enthusiasm appeared to be well rewarded, with a development trajectory hailed internationally throughout much of the 1990s as exemplary. While the majority of postsocialist states encountered substantial logistical difficulties and popular resistance to economic liberalization, Czechoslovakia (and subsequently the Czech Republic) seemed able to successfully traverse the complexities of this process and concomitantly to maintain public support for its economic reform strategy. Even the Czech Republic's 1997–99 recessionary woes did not derail the country's commitment to a capitalist course or the public's confidence in it.

Throughout the early to mid-1990s, many observers attributed the relative social peace of the Czech(oslovak) transition to the discursive efficacy of its political leaders, especially Václav Klaus (the main strategist of the country's economic reform plan), in engaging the broader populace with the imperatives of marketization. For example, in an International Monetary Fund (IMF) occasional paper, Biswajit Banerjee and colleagues reported that the Czech "government has been remarkably successful in building and maintaining proreform consensus among the population" (1995:24). In its 1996 *World Development Report,* the World Bank highlighted the Czech government's exceptionality in effectively communicating to its citizenry the "reasons for change" and the "progress to date" (1996:11). In these initial stages, the institutional bastions of neoliberalism (e.g., the IMF and World Bank) as well as many observers, international and domestic, construed the practice of economic reform in the Czech(oslovak) case as wholly neoliberal in design. These observers saw an adherence to neoliberal orthodoxy as typifying the discourse and practice of the country's economic transition. In these early assessments, the country's success in quelling popular resistance was ascribed to the conjoining of an ardently neoliberal discourse with an assumed neoliberal practice. Here, discourse and practice appeared to align, with the latter reinforcing the former. More recent analyses have exposed a disjuncture between these two dimensions, citing an unqualified neoliberalism manifest in discourse but a hybrid of neoliberal and social democratic measures employed in practice. In such later appraisals, it was practice—in the form of a qualified neoliberalism—that worked to mitigate the social effects of economic transformation which deserved the major credit for insuring popular consensus (Dangerfield 1997; Elster et al. 1998; Orenstein 2001; Stark and Bruszt 1998).

While earlier and later interpretations of Czechoslovakia's (later the Czech Republic's) economic transformation significantly diverge in their readings of its practicalities, they converge in their common understanding of the neoliberal nature of its discourse. In neither instance, however, have the workings been fully explicated; the salience of this discourse in cultivating Czechs' consent also has not been sufficiently considered. This chapter seeks primarily to consider the contours and centrality of this discourse in generating Czechs' allegiance to the free market.

In this chapter, I draw on a variety of discursive materials (e.g., speeches, newspaper articles) in public circulation during the 1990s to reveal the composition of discourse that manifests as a metanarrative about the market. With socialism's demise, the countries of Central and East Europe (CEE) "fell into a world dominated . . . by neoliberal discourse" (Orenstein 2001:1). As this discourse penetrated postsocialist spaces, political elites mobilized it to legitimate a new economic order. In this mobilization, it achieved metanarrative stature. I argue that this metastory in the Czech milieu is fashioned to appeal to the cultural aspirations and historical sensitivities of the Czech people. At its core is a primordial story about good overcoming evil. Anchored in the Czech context, the consequent rendition is a potent tale whose persuasive power extends well beyond the country's national boundaries to an international audience. Much scholarship on the Czech(oslovak) transition has not fully grasped the fortitude of this market metanarrative. Its early appraisers, I suggest, fell prey to it, and consequently had difficulty seeing particular facets of the Czech(oslovak) transition. While later assessors saw beyond this transition tale, they failed to comprehend that this interpretive distance was not available to all—that is, to the Czech populace. Here, I retell this transition tale, making apparent its practical and discursive contingencies and complexities. In this rendition, Czech exceptionalism is solidly girded but signals the potential power of the free market, metanarratively rendered, not only in the postsocialist world but well beyond.

Global Referents

In its global assessments, the systemic communist-capitalist rivalry typifying much of the twentieth century had given way to a new unipolar reality with capitalism victorious. Francis Fukuyama boldly declared the "end of history" in light of the "total exhaustion of viable systematic alternatives to economic and political liberalism" (1989:3). While Fukuyama's apocalyptic declaration was perhaps too extreme, his work reveals the prevailing mind-set at the end of the twentieth century. Market triumphalists reveled in communism's defeat. Lacking any other "serious theoretical contender," capitalism rose up to fill the void created by communism's demise (De Boer-Ashworth 2000:1). It was not, however, just any capitalism that conquered communism; rather, it was a neoliberal brand of capitalism with grand aspirations of self-regulating free markets.

In Michael Kennedy's words, "transition . . . anchored a new liberal hegemony in the world" (2002:1). Heavily propagated by the Reagan administration in the United States and the Thatcher government in the United Kingdom, neoliberal orthodoxy reigned hegemonic during the 1980s. In its advocacy of market-led rather than state-led development (i.e., liberalism rather than statism), it revolutionized development economics. For more than a quarter century, British economist John Maynard Keynes's ideas about the necessity for state interventionism in economic processes to ensure economic growth held sway in the West. In the late 1970s, however, with the perceived inadequacy of economic growth in the United States and the United Kingdom, interest shifted away from Keynesian economics and toward the ideas of Austrian economist Fredrich A. von Hayek. While Keynes viewed the interventionist state as the "engine for market forces," neoliberals, drawing on Hayekian economic theory, viewed states' economic involvement as antithetical to market progress (Hersch and Schmidt 1996:14). The neoliberal agenda—with its goals of state deregulation and market liberalization—fundamentally redefined the guidelines of Western capitalism, informing not only the mandates of (Western) advanced industrialized nations but also the mandates given to Third World developing nations by international financial and trade organizations such as the IMF and World Bank. For these lending institutions, neoliberalism translated into a formulaic, tripartite development strategy of liberalization, deregulation, and privatization that achieved wide currency in the Third World during the 1980s.[1] When neoliberalism failed to be the "panacea to the problem of Third World development," neoliberalism's disciples deemed countries' application of and adherence to neoliberal mandates flawed rather than blaming the policy prescriptions' neoliberal underpinnings (Corbo 1991; De Boer-Ashworth 2000:43).

For a postsocialist populace that attributed communism's failure in

1. In some cases, a fourth element, stabilization, is included.

part to the excesses of government interference in the economy, neoliberalism had, as Jacques Hersch and Johannes Schmidt suggest, "natural appeal" (1996:9). While some scholars argue that the command capitalism of East Asian nations (e.g., Singapore, Hong Kong) was better suited to the CEE countries, the allure of neoliberal theology coupled with the CEE region's "European" and thus Western identification resulted in only marginal consideration of the East Asian variant of capitalism. After 1989, neoliberal reformers ascended to the echelons of power throughout the CEE states, instituting reform plans that relied heavily on the council of Western economic advisers and international financial and trade organizations that offered up neoliberal reform packages akin to those formerly applied to the Third World. Despite inter- and intraregional disparities, proponents saw the neoliberal template, with its four mandates—stabilization, liberalization, privatization, and deregulation—as having virtually universal applicability. Although the mandates did not vary, the neoliberal reformers emphasized the need for rapid privatization as a consequence of the institutional and ownership particularities of postsocialist enterprises (Banerjee et al. 1995; Corbo, Coricelli, and Bossak 1991; Gelb and Gray 1991). The elaborate mix of economic measures requisite to reform included (1) "tightening fiscal and credit policies for governments and enterprises and addressing imbalances created by a monetary overhang or large bank losses"; (2) reforming prices as well as banking and finance systems, liberalizing wages and trade, and making housing reforms; (3) "clarifying public ownership rights (and separating them from the regulatory functions of government) and implementing more effective control over the management of existing firms [and] establishing secure private property rights and facilitating the growth of new firms [and] enterprise restructuring"; and (4) "reorienting the role of the state . . . towards an indirect regulatory role that promotes adjustment and private economic activity" though a series of legal and "economic management" reforms (e.g., taxation) and social policy revisions (Gelb and Gray 1991:7–9).

Pre-1989 Economic Conditions

According to Martin Dangerfield as well as many other scholars, Czechoslovakia's initial economic conditions were among the key "ingredients" that made Czechoslovakia a "climate conducive to neoliberalism" (1997:453). The industrial legacy of the Czech lands (Bohemia and Moravia) originated during the Austro-Hungarian empire (1867–1918), when the region generated "two-thirds of the industrial output of the whole empire" (Myant et al. 1996:96). In 1918, with the empire in decline, the industrious Czechs joined with their agrarian-oriented neighbors, the Slovaks, to form the Czechoslovak nation. Despite the fusion of regions with quite disparate economic infrastructures—that is, large-scale industry and small-scale agriculture—the new nation remained a strong international competitor. By the end of the 1930s, several Czechoslovak producers—e.g., Škoda (armaments) and Bat'a (shoes)—had achieved international reputations, and Czechoslovakia ranked fifteenth in the world in per capita gross domestic product.

In 1946, the Communist Party takeover of Czechoslovakia massively and destructively disrupted its economy. Under communist rule, Czechoslovak trade was rerouted from the West to the East, and its industrial orientation narrowed to focus principally on heavy industry. At first, the economy grew, but by the 1960s, stagnation had set in. Mid-1960s reform efforts restored the country's economic prowess but were quickly suppressed by the Soviets. With economic potential largely stifled in the twenty-year interim between the late 1960s and the Velvet Revolution, Czechoslovakia's economic growth slowly declined. Instead, it became one of the most "orthodox" communist-ruled countries of the Soviet bloc, with the Communist Party wielding sizable economic and political control (Dangerfield 1997:439). In 1971–75, the growth rate was officially reported to be 5.7 percent; by 1981–85, it had dropped to 1.8 percent; and by the end of the 1980s it was at 1.0 percent (cited in Lavigne 1999:58). These official figures were likely exaggerations of economic performance; the reality was probably even worse (Lavigne 1999). By 1989, the Czechoslovak economy was grossly maldeveloped. It was skewed toward heavy industry, with a technologically outdated and therefore inefficient and uncompetitive infrastructure (Kaiser 1995; Myant 1989; Myant et al. 1996).

Despite the magnitude of the economy's distortion under Communist Party rule, Czechoslovakia fared better than many other Soviet bloc nations. In 1989, Czechoslovakia had low inflation, a low budget deficit, comparatively low foreign debt,[2] and a highly skilled, well-educated workforce. Čestmír Kožušník aptly captured the pretransition state of the Czechoslovak economy when he stated, "Despite some recurring gaps, the shelves of our stores were not empty, inflation was moderate, foreign debt was bearable, employment was full and the standard of living rather stagnated, and to the extent that it declined, this was not alarming" (cited in Adam 1993:628). Czechoslovakia's economic conditions and market heritage from 1919 to 1948 positively primed the public's palate for neoliberal ideas. Dangerfield adds two less apparent precedents: a lack of "'reform fatigue,'"[3] manifest among the Polish and Hungarian populaces, and the pristine entrepreneurial potentialities (1997:453).

Taking the Turnpike

> I would say that we in Czechoslovakia, or at least some of us, have already understood a rather sophisticated concept called the Turnpike Theorem, which defines the fastest way toward achieving an optimal situation. Instead of using a winding road of half-measures, of pseudosocially motivated concessions, delays, ideological errors, and prejudices, one should endeavor to follow a wide and straight ideological and economic turnpike as soon as possible, even at the expense of some short-term losses. . . . This turnpike, if I may use the term, does not include the third-way thinking known from the Prague Spring of 1968. . . . This turnpike definitely does not include the perestroika way of thinking and the perestroika way of squaring the circle, so well-known in Eastern Europe and especially in the Soviet Union in the second half of the 80s and nowadays.
>
> —Václav Klaus (1991e)[4]

In many of the postsocialist CEE nations, neoliberal reformers situated themselves among the power elite, but their theoretical dispositions and

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2. Estimates vary regarding the amount of Czechoslovak foreign indebtedness in 1989. Kaiser 1995 claims it amounted to $6 billion, while Adam 1993 (citing Kouba 1991) estimates the number at $8 billion. Other estimates fall within that range. In comparison, Hungary's foreign debt was estimated at $20.4 billion and Poland's external debt was thought to be $41.5 billion (Organisation for Economic Co-operation and Development 1994).

3. See Batt 1994 for elaboration on "reform fatigue."

4. Virtually all of Klaus's international public oratories are reproduced in print and/or electronically (http://www.klaus.cz) in Czech for the consumption of the Czech populace.

reform tactics faced challenges. In Czechoslovakia, heated debate occurred within the government about how to proceed with economic transformation. At the core of the debate were two factions—the "gradualists" and the "radicals"—with different notions about how to reform the economy. To a significant extent, this division transpired along ethnic lines, with Slovaks tending to favor a slower, more social democratic route and Czechs more inclined toward a rapid, neoliberal course. The gradualists and radicals disagreed not only about the pace of transition but also—and more strongly—about the methods of reform. Although their dispute centered on logistical disagreements regarding how to transform Czechoslovakia's economy, in its popular manifestation it appeared to be an "ideological battle" about the character of the economy (Greskovits 1998:30). What seemed to be at stake was free-market capitalism or a hybrid of capitalism and socialism variably referred to as market socialism, reform communism, or a socialist market economy (Batt 1994; Greskovits 1998). The radicals postured themselves as righteous neoliberals and implicated the gradualists as errant market socialists (and therefore, statists) who irresponsibly "preach[ed] . . . social utopias" (Klaus 1991a). In Klaus's characterization, free-market capitalism required constant defense against a socialist opposition that lay in wait, ready to take advantage of any weakness:

> Opposing forces—old-style socialists as well as other irresponsible people who were in the past seduced by decades of comfortable paternalism—are always there waiting for our effort, drive, strength, and enthusiasm to falter. They are waiting for us to make mistakes as well, but we will not give up, we will not let them win. (1991b)

As Polish sociologist Jerzy Szacki explains, only by condemning all "moderate positions as 'socialism' in disguise . . . could doubts resulting from the existence of *any* capitalism be dispelled" (1994:151). And indeed, gradualists' ideas, which, as Mitchell Orenstein explains, "fluctuated between those of reform communism and economic liberalism," lacked the ideological purity intimated by their radical counterparts (2001:68). Despite the actualities of the gradualists' ideas, in the public discourse, neoliberalism and market socialism were polarized. Market socialism, commonly referred to as the "third way," invoked not only Czechoslovak historical correlates but also the "bungled reforms" of Hungary, Poland, Yugoslavia, and the Soviet Union during the 1980s (Blanchard et al. 1991:2; see also Batt 1994; Greskovits 1998).[5]

Although he never in fact used the term *market socialism,* Polish economist Oskar Lange is credited with its theoretical formulation, which was first published in two parts in 1936 and 1937.[6] According to Lange's model,

> Individuals may freely choose which goods and services they want to consume, and which job they want to do in which work-place. Prices of the consumer goods, as well as wages, are determined by the supply-demand mechanisms. The incomes are the sum of the wages paid by the enterprises and of a "social dividend" allocated by the state; this yields the aggregate demand. The means of production are owned by the state. The Central Planning Board (CPB) is informed of the consumer preferences (through the demand prices), of the total amount of productive resources (which it controls), and of the feasible technological combinations of factors. The managers of the public-owned enterprises are instructed to choose the combination of factors which minimizes their average cost, and to increase their output to the point where marginal cost is equal to the price of the product. In doing so, they use market prices for goods and labor and "accounting prices" fixed for the means of production by the CPB. (Lavigne 1999:268)

In the 1960s, Czechoslovakia attempted to introduce market reforms akin to those in Lange's model of market socialism. These reforms, however, were never explicitly identified as market socialist since the use of such terminology was "taboo" (Lavigne 1999:269). Instead, the reforms emerged in the guise of "socialism with a human face," with Ota Šik, a leading Czechoslovak economist and Central Committee member, their foremost advocate. Šik, along with a number of other Czechoslovak economists, sought to alleviate the country's economic problems by loosening the Soviet management's stronghold on the Czechoslovak economy and opening the economy to the world

5. Accounts frequently depict the 1960s Czechoslovak "market socialism" and the reforms elsewhere in the region during the 1980s as ideologically equivalent. However, Greskovits contends that they "represent two *different* views of socialist market reforms" (1998:31).

6. Observers consider Hayek the main critic of Lange's theory (Lavigne 1999).

market. Such reforms were, however, short-lived. Fearing a counterrevolution, the Soviets refused to tolerate the Czechoslovak marketization (and democratization) of socialism, and in 1968 troops from the Soviet Union and four other Warsaw Pact nations invaded Czechoslovakia and quashed the country's efforts at economic and political liberalization. A return to prereform conditions—a period known as normalization—ensued. Meanwhile, many of the instigators of Czechoslovakia's socialism with a human face were forced to resign from their academic posts. Those allowed to remain were required to confine their scholarship within strict "ideological parameters" (Dangerfield 1997:441).

In spite of its negative associations, the Czechoslovak government's early post-1989 penchant was for a gradualist solution. In particular, officials favored its "social democratic sensibilities" and promotion of a "managerial approach to economic reform" with measured privatization (Orenstein 2001:68). The radicals, led by then Minister of Finance Václav Klaus, with their neoliberal inclinations, initially drew limited government support. Deputy Prime Minister Valtr Komárek's inability to draft a gradualist reform plan, however, weakened the gradualists' political grip. Komárek was replaced by Václav Valeš, who devised a plan. By this time, however, the government's confidence in the gradualists' ability to guide Czechoslovakia's economic transformation had waned. Their stumblings, coupled with public pressure for rapid change, meant a victory for the well-prepared radicals, but not without some concessions to secure the government's backing. To a great extent, the radicals' reform scenario adhered to the "Washington consensus";[7] it deviated, however, in its incorporation of the gradualists' social policy program. This compromise received limited domestic emphasis and consequently little international notice. In the international arena, Czechs were viewed as "sticking to the game plan" (Taki 1995). Orenstein credits the oversight of such discrepancies to Klaus, neoliberalism's "leading propagandist" in Czechoslovakia (and later the Czech Republic), who "consistently downplayed their importance, and, once they were established, either reluctantly accepted them in the name of 'pragmatism' or fought to dislodge them" (2001:76). Czech political sci-

7. The phrase *Washington consensus* is frequently used to allude to the considerable agency of the U.S. government, the IMF and World Bank, and U.S. research and policy institutes in the "promulgation" of neoliberal development doctrine (MacEwan 1999:5).

entist Aviezer Tucker and his colleagues claim that Klaus's "'Thatcherite' and libertarian rhetoric hides more than it reveals the policies of his government. Since Klaus' rhetoric was far better publicized and known than his policies, political scientists are not always aware of the gap between them" (Tucker et al. 1997:399). In the Klausian conceptualization, Czechs were traveling down a neoliberal turnpike.

On January 1, 1991, Czechoslovak leaders officially implemented the radicals' macroeconomic reform strategy, although they had already unofficially begun laying the groundwork for a market economy by establishing a two-tier banking system, creating unemployment compensation, eliminating the Planning Commission and Prices Board, and ceasing the state's monopoly on foreign trade. New laws permitting private enterprise were introduced, and the 1988 law on joint ventures was amended. As officially executed, the radicals' strategy involved instituting a large set of reforms "before strong opposition" could coalesce—a technique that has come to be referred to as "shock therapy" or "big bang" (Gelb and Gray 1991:12). The country's shock therapy consisted of two basic overarching goals—the stabilization of the economy and the creation of a competitive economic climate. Initial tactics involved the liberalization of prices and the establishment of internal currency convertibility as well as tax reforms designed to contain wage growth, the institution of import surcharges, and a strengthening of social protections. The strategy also strove to limit inflation by enacting strict budgetary controls and a "tight monetarist policy" (Dangerfield 1997:442). Trade among the Council for Mutual Economic Assistance (CMEA) member states was reformed, with world market prices now to be used and payments to be made in convertible currencies (Illner et al. 1993; Sojka 2000; Svejnar 1995). From the neoliberal viewpoint, market liberalization and macroeconomic stabilization would act as the impetus for enterprises to assume market rational behavior. A critical contingency of such an outcome was, however, rapid privatization. Alan Gelb and Cheryl Gray explain the neoliberal logic behind the imperative for speedy privatization: "When the vast majority of enterprises are publicly owned, the institutional and competitive framework that stimulates efficient behavior is missing. Socialist firms in essence have no owner to defend the interests of capital and actively demand a good return on investment" (1991:21).

Czechoslovakia opted for a voucher method of privatization that was seen as a quick and equitable approach. All adult citizens were eligible to purchase one booklet of vouchers at a cost of 1,035 Czechoslovak crowns—a sum estimated to be less than one-quarter of the average person's monthly earnings. The vouchers could be used to purchase company stock shares or to invest them via funds. This privatization scheme was implemented in two waves, the first of which began in May 1992 and ended the following December; the second ran from December 1993 through November 1994. In both waves, most participants—72 percent in the first, 64 percent in the second—opted to invest their voucher points through investment funds (Kotrba 1995).

While Klaus and his team in the Ministry of Finance oversaw the macroeconomic aspects of the Czechoslovak economic transition, they left the formulation and instigation of social policy to social democrats in the Ministry of Labor and Social Affairs whose social policy program had two main objectives: attending to social issues arising from transition, and establishing a welfare system "based on Beveridge-style state minimums supplemented by social insurance programs" (Orenstein 2001:73).[8] Among the short-term policies devised to grapple with social issues emergent in the transition was the use of credit, subsidy, and/or customs policy to financially bolster large firms in jeopardy of economic failure. In addition, cash compensation to all citizens was designed to cope with the loss of state subsidies to the producers or providers of utilities (i.e., heat, gas, electricity), transportation, and basic foodstuffs (e.g., bread). An array of long-term labor market interventions included the elongation of secondary schooling by one year; the institution of a job creation system as well as unemployment benefits, wage controls, rent controls, and a minimum wage; and the continuation of a range of universal social benefits such as the child allowance (Orenstein 2001; Pehe 1991).

Despite Czech radicals' social policy concessions, friction between Czechs and Slovaks persisted. While tensions between the Czechs and Slovaks have a long history, the fact that post-1989 Slovak unemployment nearly tripled that among Czechs fueled Slovak discontent (Kaiser 1995). Slovak political elites pressed for a decentralization of power to the level of republics, but the Czechs deemed this demand unacceptable. In 1992, in his new capacity as prime minister, Klaus issued an ulti-

8. Elaborating in a footnote, Orenstein writes, "William Henry Beveridge's *Report on Social Insurance and Allied Services* (1942) formed the basis of the British welfare state" (2001:147).

matum of a strong federation or no federation. Despite a constitutional mandate, no public referendum issue on this proposed separation occurred, and such a referendum would have been unlikely to have passed, since citizens favoring a split were a minority in both republics (Orenstein 2001). Instead, political leaders orchestrated the Velvet Divorce, in which Czechoslovakia was split into the Czech Republic and Slovakia. The two separate countries officially came into being on January 1, 1993. This division allowed Czech radicals, especially Klaus, to gain even greater command of the Czech economy. At this point, Klaus's ambition to create a "market without adjectives" became a possibility; toward this end, Czech neoliberals initiated the dispensation, albeit gradual, of many of their social policy concessions.

1991–1996: A Story of Success

By 1994, the Czech Republic was internationally as well as nationally predicted to be the success story of the CEE countries in transition. In 1994, the Organisation for Economic Co-operation and Development (OECD), for example, described the Czech economy as "in a strong position" and "promising" (64, 94). In October 1994, the IMF praised the Czech Republic, averring that "in the group of countries with the most advanced reforms, the Czech Republic stands out as the only country that has pursued tight financial policies and bold liberalization while avoiding a sharp rise in unemployment" (1994:65). A November 1994 headline in the British newspaper *The Guardian* touted Klaus as the "Prince of Prague," adding that "international plaudits are rolling in for what bids fair to be Europe's greatest success story since Ludwig Erhard's German boom in the 1950s" (Traynor 1994:T4). These international commendations reverberated domestically with headlines in Czech newspapers such as "The Czech Republic Is Becoming the Model of a Successful Transformation" and public speeches declaring the Czech Republic's exceptionality (Nikolski 1994).

By 1995, Czech success was no longer just a prediction. For example, a December 15, 2005, *Washington Times* article carried the title, "The Czech Republic, Living the Post-Communist Dream," and stated, "By everyone's account the Czech Republic's transition from . . . 100 percent state ownership to a free market economy, is the real success story in a region from which we tend to receive only bad news" (Polgar 1995). In a

1995 collection of papers on the economies of East-Central Europe prepared for the U.S. Congress, the Czech Republic was deemed to have "achieved a measure of success in terms of positive economic indicators" (Kaiser 1995:506). Banerjee and his coauthors outlined the reasons for the country's accolades:

> Inflation has been reduced sharply and is close to single-digit levels. Economic recovery is well under way. A robust balance of payments has made it possible to build up substantial foreign exchange reserves. . . . [which] has enabled the government also to repay early the entire amount it owed to the International Monetary Fund. . . .
>
> The unemployment rate is the lowest in the region and also below that in many countries in Western Europe. The fiscal strains arising from the transformation program have been contained, and the government budget was in surplus in 1993 and 1994. The privatization program is virtually drawing to a close, and with the completion of the second wave of privatization, about 80 percent of the assets of the economy are in private hands. The credit rating of the Czech Republic in the international capital market has been progressively upgraded and is much higher than that of any other transition economy. (1995:24)

By 1996, assessments of the Czech Republic's economic transition had taken on a tone of confident certitude. The U.S. Agency for International Development characterized the Czech Republic as "producing successful results" in the shape of "macroeconomic stabilization, extensive privatization, low unemployment, and a balanced budget" (1996:1). Some international appraisals even suggested that the Czech transition had been completed: the OECD issued a report that declared, "The Czech Republic has managed the process of transition from a centrally planned economy towards a market economy very successfully. . . . In terms of the basic legislative framework and most aspects of economic policy, it can indeed be said that the transition is complete" (1996:99). In the same year, the OECD accepted the Czech Republic as the group's first formerly socialist member nation. A February 1996 article in the *Toronto Sun* headlined "Czech Economic Miracle Has Flowered" and deemed the OECD's acceptance of the Czechs a "seal of approval" (Francis 1996:12).

Consenting Czechs

Among the main challenges facing all of the countries in transition was the generation and maintenance of popular support for economic reforms. Gelb and Gray highlighted the importance "in the years ahead to maintain political will, patience, and a long-term perspective" (1991:7). In their IMF paper on the "first stage" of the transition, Bijan Aghevli, Eduardo Borensztein, and Tessa Van der Willigen concluded, "The challenge facing the Czechoslovak authorities now is to persevere with reform without losing the support of the public. This task will require political leadership capable of explaining the process and of containing the aspirations and impatience of the population" (1992:28).

Unlike the experience of the majority of other postsocialist nations during the first half of the 1990s, no public backlash occurred against marketization in the Czech lands; to the contrary, Czechs manifested strong and steady support of the economy's reconfiguration. According to the New Democracies Barometer (NDB),[9] Czechs' promarket inclinations from transition's outset significantly surpassed those of citizens of other CEE nations; between 1991 and 1995, the portion of the Czech population favoring the free market grew steadily, a phenomenon rivaled only by Poland (see fig. 2). The NDB also revealed Czechs to be far more disapproving of their past economic system and far more hopeful about their economy's future prospects relative to their postsocialist counterparts (see table 2).

A Transition Tale: Klaus's Vision

> Vision, it must be positive (not just negative); it must speak to the hearts of men and women who have spent much of their lives under a spiritually empty communist regime. It requires clear words, biblical yeses and nos; it must be stated in an ideal form (which needs "extreme" terms because compromises belong to reality, not to images or visions); it must explicitly reject all "third ways," which are based on incompatible combinations of different

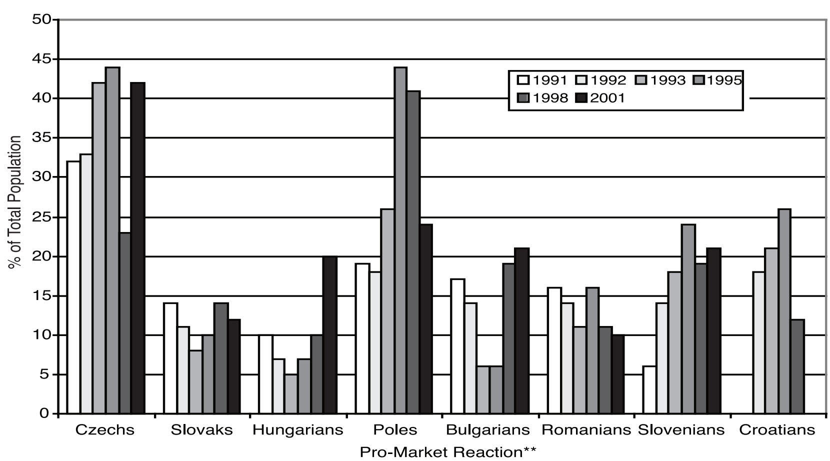
9. A survey of most of the countries of Central and Eastern Europe (CEE), the NDB was launched in the early 1990s by the Centre for the Study of Public Policy at the University of Strathclyde in Glasgow, Scotland, and the Paul Lazarsfeld Society in Vienna, Austria, to monitor mass response to the transformation of the economy and polity in the CEE states.

> worlds. . . . It requires us to address the people, to argue, to explain, to defend, it requires permanent campaigning.
>
> —Václav Klaus, 1993

According to Margaret Somers, "At the heart of every narrative is a crisis or flash point that cries out for a solution" (1999:137). In an inversion of Marx's long-awaited crisis of capitalism, for Czechs as well as for the CEE populace as a whole, the crisis was instead socialism. In the Czech case, a charismatic Klaus and his neoliberal acolytes strove passionately and publicly to construct a public imaginary—a market metastory—to legitimate a new economic order. While the "slavish" adherence of the Czech(oslovak) media to Klaus's agenda deserves some credit, Klaus's prospects for the public's persuasion were greatly enhanced by his possession of a public platform and his "exceptional rhetorical skills" (Saxonberg 1999:406; Stroehlein et al. 1999).

Prior to 1989, Klaus was largely "hidden behind the walls" of the Institute for Forecasting—"unknown to the general public" and in little contact with "dissident circles" (Saxonberg 1999:391). Only in November 1989 did Klaus first appear on the Czechoslovak political landscape by becoming an economic adviser to the anticommunist coalition, Civic Forum. When the country's first noncommunist government was

FIG. 2. Attitudes toward Economic Change in Postsocialist States, 1991–2001 (percentage of total populations with promarket reaction).



(Data from Rose 2001; Rose and Haerpfer 1991, 1992, 1993, 1995, 1998.)

formed in early December 1989, Klaus was appointed finance minister. In 1991 the Civic Forum splintered, and Klaus led the new Civic Democratic Party for the remainder of the decade.[10] He served as prime minister from 1992 to 1997. While many observers have viewed Klaus as an "unimaginative technocrat," others hailed as extraordinary his power to persuade not only the "rank and file" but the "public at large" (Kraus 2003:52; see also Čulík 2000).

Klaus's vision was all inclusive—a shared future for all Czech(oslovak)s. He portrayed himself as resolutely optimistic, with an unflagging belief in his country's resourcefulness in the face of reform. In a March 1990 article, "Why Am I an Optimist?" he played on Czech notions of traditional cultural traits: "I believe in the wealth of our country, which is the wisdom, skill, capacity for action, and adaptability of 15 million Czechoslovak citizens" (1990e:1). Summoning up the image of "golden Czech hands," Klaus and other free market advocates further appealed to Czech nationalist sensibilities (Kubánek 1992). As Ladislav Holy (1996) explains, such metaphorical hands referred to Czechs' talent,

TABLE 2. Attitudes toward Economic Systems in Post-Socialist States (percentage of total populations approving of old system and future system)

	Former Non-Market Economy						Future System (in five years)					
	1991	1992	1993	1995	1998	2001	1991	1992	1993	1995	1998	2001
Czechs	42	44	42	41	47	31	86	83	86	87	62	83
Slovaks	61	64	74	71	64	61	77	73	73	72	45	49
Hungarians	69	73	74	69	70	68	72	69	63	53	69	87
Poles	44	56	52	37	41	n/a	58	57	71	86	70	n/a
Bulgarians	48	59	66	73	58	57	71	63	56	72	69	58
Romanians	50	57	60	51	40	55	77	67	66	60	44	62
Slovenians	42	46	50	48	55	64	74	83	72	75	54	71
Croatians	n/a	27	44	40	53	n/a	n/a	71	71	58	51	n/a

Source: Rose 2001; Rose and Haerpfer 1991, 1992, 1993, 1995, and 1998.
Note: This data is based on a collapsing of responses from the following questions:
Here is a scale for ranking how the economy works. The top, +100, is best; the bottom, –100, is worst. Where on this scale would you place:
(a) the socialist economy before the revolution of 1989?
(b) our economic system in five years?

10. Klaus also served as deputy prime minister in 1991 and as chair of the Chamber of Deputies from 1998 to 2002.

ability, and cleverness. Under state socialism, "little golden hands completely got lazy, overslept, and lost their self-assurance" (Kubánek 1992:1). The establishment of a new social contract signaled the revitalization of these long dormant national characteristics. Although Klaus was not anticommunist, he used anticommunism as a "potent source of legitimacy," with a dichotomization of communism versus capitalism largely underlying his market mantras (Čulík 2000) (see table 3).

While this set of constructed oppositions extends across the postsocialist world, Klaus was remarkably clever in his discursive mobilization of it. For Czechs, the market became a "mythical figure" tied to sacrifice and "transcendental hopes" (Kabele 1999:16). This new messiah—the free market—seemingly offered Czechs, to invoke the words of Karl Polanyi, a "secular salvation" (1944:135). The market metanarrative essentially was fashioned around an older story about good and evil, with capitalism as the virtuous hero who combats communism, the sinful villain.

Appropriating parts of a neoliberal discourse already in global circulation, Klaus became infamous for his public pursuit of a "market without adjectives." While most emphatic during the 1990s when trying to rally popular support for his reform strategy, this phrase became his trademark. As publicly portrayed, the free market meant a new social order characterized as normal and natural, in contrast to the abnormal and unnatural "experiment" of central planning. In an August 1990 *Literární noviny* article, "The Chimera of Equality," Klaus stated,

TABLE 3. Underlying Logical and Normative Oppositions of Communism and Capitalism

Planned Economy	Market Economy
• *Evil*	• *Good*
• Failure	• Success
• East	• West/Europe
• Past	• Future
• Constraint/Captivity	• Opportunity/Freedom
• Premodernity/Uncivilized	• Modernity/Civilization
• Stagnation/Regression	• Development/Progress
• Abnormality/Artificiality	• Normality/Naturality
• Human Design	• Human Nature
• Irrationality	• Rationality
• Immorality	• Morality
• Collectivism	• Individualism

> After an entirely unsuccessful forty-year experiment with an economic (and social) system that prioritized sharing as opposed to the creation of wealth, we want—at least some of us—to return to the normal order. . . . This system is a market economy without any other adjective before the key word market. Any such adjective renders the word *market* suspect. (1990a:1)

Throughout the 1990s, both in the domestic arena and on the international stage, Klaus dogmatically deemed the free market as Czechs' sole hope, rejecting any prospects of a third way. He repeatedly espoused the dangers of state economic interventionism and railed fervently against his supposed rivals—market socialists and "perestroika men" (Klaus 1990e, 1992, 1994a, 1994b). In Klaus's conceptualization, only an "unconstrained, unrestricted, full-fledged, unspoiled market economy" emerging from "spontaneous . . . unplanned and unorganized human interaction" would yield success (1992:26; 1995b:5). By Klaus's estimations, the "transformation of an entire society isn't an intellectual exercise or the technical work of the government" (1995b:5). Qualified, statist-inclined versions would only prolong the "agony" (1992:26). In a December 1990 *Občanský deník* article, "New Years' Thoughts about the Basic Conditions of Successful Economic Reform," Klaus claimed that the "weaker bureaucracy is, the better the hope for success" (1990c:1). Despite little political or personal affinity between Czech(oslovak) president Václav Havel (1990–2003) and Klaus, the two men concurred in their public sentiments about the meanings as well as the means of achieving a market economy. As Havel wrote in *Summer Meditations* (*Letní přemítání*),

> Though my heart may be left of centre, I have always known that the only economic system that works is a market economy. . . . It is a system in which complete independence and plurality of economic entities exist within a legal framework, and its workings are guided chiefly by the laws of the marketplace. This is the only natural economy, the only kind that makes sense, the only one that can lead to prosperity, because it is the only one that reflects the nature of life itself. . . . The attempt to unite all economic entities under the authority of a single monstrous owner, the state, and to subject all economic life to one central voice of reason that deems itself more clever than life itself, is an attempt against life itself. (1992:62)

In reference to the question of gradual versus radical reforms, he added,

> The only way to the economic salvation of this country . . . is the fastest possible renewal of a market economy. . . . It is in our common interest that the reforms be fundamental and quick. The more half measures we take, and the longer they drag on, the greater the sacrifices will be. . . . I am certainly not in favor of "softening" or slowing down the reforms. (63–65)

The move to the market offered not only a "natural" redirection of society but also the recovery of an order in which individuals' moral worth as "action and responsibility for action" was linked to their material well-being (Preston 1992:60). In "The Chimera of Inequality," Klaus condemned the socialist system for its immorality, writing that the worst of the past system was "that all these advantages (and disadvantages) were to a considerable extent independent of how someone contributed to the created wealth in a material and spiritual sense" (1990a:1).

In its metanarrative rendition, the market promised to free Czechs from socialism's shackles, but not without some penance for past transgressions. In what Gil Eyal characterizes as the "post-communist spirit of capitalism," reformers did not see Czech society as a "tabula rasa" on which the market mechanism could be inscribed (2000:55). Rather, society bore the polluting contaminants of the socialist past. Contemporary cleansing "required individuals to break their attachment to those most corrupted elements of themselves" (55). By Havel's decree, such penance would have to be exacted from Czechs sacrifically:

> We lived [under socialism] as frequently and properly pointed out, at the expense of the future. Now the bill for all of this is being presented to us, in the form of sacrifices. They are considerable and great ones await us. The size of this debt is directly proportional to the depth of silence with which we accepted the communist exploitation of the future. (1992:64)

For Czechs, these notions of pollution and sacrifice lacked novelty but rather hearkened back to dissident discourses under socialism (Eyal 2000). In Klaus's framing, economic transition would involve some "pain," as he indicated in a March 1990 article in *Literární noviny,* the weekly supplement to *Lidové noviny:* "The transformation of our economy into an effectively functioning market system is not going to be painless" (1990e:1). In practical terms, such sacrifice and pain involved an estimated five- to seven-year fiscal "belt-tightening" (Drábek 1991:2). In a more figurative sense, this transformation required Czechs to cognitively and behaviorally readjust.

Free-market freedom further necessitated that Czechs forsake their dependence, passivity, and irresponsibility in favor of self-reliance and responsibility. Reminding Czechs of their lack of freedom under state socialism, Klaus declared,

> We lived in a falsely paternalistic state that decided for us, about us, without us about all human activities. . . . It wasn't our state because we didn't even have the slightest possibility of influencing its decision making and because our experience demonstrated that its decision making was based on preferences and priorities that were entirely different from the preferences and priorities of the overwhelming majority of us. (1994a:107)

Many articles, including a September 1995 piece in *Lidové noviny* by Jiří Jonáš, then Czech delegate to the IMF, extolled the imperative for responsibility: "The creation of informal norms of behavior necessary in a society of free citizens is, above all, the responsibility of every one of us" (15). Responsibility further meant rejecting socialism's collectivist tenets and assuming capitalism's individualist principles. As Klaus explained,

> The individualist ideal was long forgotten here. . . . Old ideology for us so often conflated individualism with egoism and selfishness that we are almost afraid to say that everything new and better, that which is changing the lives of us all, society and state, comes from the activity of industrious individuals. (1991g:1)

Instilling a sense of personal responsibility in Czechs involved constant reproaches as well as assurances. In a February 1991 *Literární noviny* piece, Klaus chastised, "We wanted freedom terribly . . . [but] we don't want to accept our new degree of responsibility," adding, "at every step we would like to receive a guarantee" (1991f:1). Reminding Czechs of their desire for this new social order, he averred, "We made the Velvet Revolution" (1994a:107).

For Czechs, marketization signified not only the institution of a normal and natural economic order but also a return to a presocialist civility and rationality disrupted by state socialism. In Czech economic journalist Petr Fejtek's framing, Czechs' return set them on the "road to reason," traveling back to "a world where they play by the rules" (1990:3). This return of civility and rationality embodied both temporal and spatial restorations by which they would "return to history" and "return to Europe." Both tropes, frequently deployed by the Czech(oslovak) government throughout the 1990s, strongly appealed to Czechs' industrial and European identity, which state socialism had long subdued. Marketization implied restorations in both time and space.[11] Declared Klaus in early 1990, "As the slogan of our 'gentle revolution' we choose 'the return to Europe'" (1990d:1). Moreover, in a March 1990 article in *Literární noviny,* Klaus contended, "We gave up the most precious social values created as the fruits of thousand of years of evolution, embodied in institutions, in the rules of behavior, in the regulation of the market, in language, in morality, in the structure of settlements" (1990e:1–2). In this future regress, marketization reconnected Czechs with their presocialist past and its civilized values and reaffirmed their sense of belonging to a civilized, reasonable Europe. In the words of Czech economist Lubomír Mlčoch, state socialism "shunted us [Czechs] off . . . toward some kind of Orwellian Eurasia" (2000:74). As deputy finance minister (1990–92), Dušan Tříska published a *Lidové noviny* article that professed, "The attempt to return to Europe is, for a liberal economist, above all, an attempt to restore traditional, civilized institutions" (1990:5). Czechs' spatial dislocation under state socialism, as Ladislav Holy explains, resulted in Czechs' conceptual reformulation of their identity to distinguish themselves:

> The Czechs use the concept of *kulturnost* (a noun derived from the adjective "cultured") to construct a boundary between themselves and the uncultured east into which they were lumped after the communist *coup d'état* in 1948, and they see their proper place

11. This is an extrapolation of Stukuls's (1999) theorization of spatial and temporal normalization (in Latvian political narratives) to the Czech context.

> alongside the civilized, cultured and educated nations of Western Europe. (1992:233)

Czechs' return to Europe does not simply imply a shifting of the boundary lines; rather, asserting their autonomy and individuality, Czechs recognize themselves as Central Europeans who are located beside Western Europe.[12]

The reinstatement of proper temporal and spatial orders—of long-lost civility and rationality—fundamentally entailed Czechs' "adoption" of a tried and true economic system—that is, capitalism (Klaus 1990c). As Klaus averred, "The adoption of capitalism by the 'civilized world' . . . shows that despite all its shortcomings that a better arrangement of economic relations does not exist" (1990d:1). By Havel's estimation, in contrast to the forty-year failed experiment of state socialism, capitalism "is a system of economic activity that has been tried and found to work over centuries (centuries? millennia!)" (1992:65).

1997–1999: The Fall from Grace

> Central Europe's top economic model has gone to seed. Once acclaimed as the post-communist ideal—the face of the future—the formerly vigorous Czech economy has turned sluggish.
>
> —Marianne Bird (1997:36)

In 1996, both international and Czech observers optimistically anticipated a successful conclusion to the Czech transition. However, in 1997 a major macroeconomic crisis hit the Czech Republic, and shock and dismay replaced these eager anticipations. Both capital and labor productivity slowed. The country experienced disproportionate wage growth, unemployment increases, an exchange rate and financial market crisis, and the corruption of the capital market with fraudulent practices (Andor and Summers 1998; De Boer-Ashworth 2000; Mlčoch, Machonin, and Sojka 2000; OECD 1998, 2000; Turnovec 1998). Some economic analysts identified declining export demands, poor enterprise management, and/or overly protective social policies as the culprits behind the Czech calamity. However, most observers concurred that

12. According to Holy (1996), Czechs view Slovakia as the frontier of the uncultured East.

inadequate legislative and institutional restructuring of the banking and industrial sectors during the privatization process had spawned the two-year recession and subsequent slow recovery (Dlouhý 2001; Kapoor and Harris 1999; Myant 1997, 2000; Stroehlein et al. 1999; Turnovec 1999).

Although well-intentioned in its motives, unanticipated difficulties plagued the Czech voucher privatization scheme. During the first wave of privatization, investment funds acquired nearly three-quarters of the total voucher books issued, thereby putting most large-scale enterprises in the hands of investment funds. In need of capital, investment funds then turned to the banks, which remained under state ownership. By loaning capital to these investment funds, the state-owned banks acquired control over the companies supposedly undergoing privatization. The result, in the words of Czech economist Lubomír Mlčoch, was a "Kafkaesque route that led from public ownership back to public ownership" (1998). The situation was further exacerbated by banks' provision of soft loans that worked to sustain many underperforming companies and to delay their restructuring (Johnson 2000; Kapoor and Harris 1999; Mlčoch, Machonin, and Sojka 2000; Nellis 1999; Stark and Bruszt 1998). In a 1999–2000 economic survey of the Czech Republic, the OECD explicitly blamed "state-controlled banks that provided relatively easy access to credit, largely unregulated capital markets and confused corporate governance" (2000:9). This created what Czech philosopher Jan Sokol describes as "gangster liberalism" (1997).

Of particular concern both internationally and nationally was the discovery of massive corruption in the privatization process, which, unsurprisingly, resulted in enormous public losses. This corruption, termed *tunelování* (tunneling), entailed the "large-scale liquidation of the capital and holdings of a company, bank or investment fund" (Altshuler 2001:116). Remarkably, although such tunneling unquestionably constituted shady business, it was technically not illegal.

Despite the economic turbulence, Klaus maintained that the Czech economy remained in good shape. A March 1997 article quoted him as saying that the "groundwork for the reconstruction of the economic system is definitively already behind us and before us is only its fine tuning" (Balcerová and Hanžlová 1997:1). Another March 1997 piece bore the headline, "The Prime Minister Refuses to Talk about Failure" (Martínková 1997:2). At the same time, many Czech economic commentators directed the blame at societal rather than economic miscalculations, chastising Czechs for their naïveté: "Like many times in history and this time, Czech society tried to get out of a very difficult situation without a scratch," without "having to pay for the long period of communist devastation" (Steigerwald 1997:8). In "Disillusionment," an April 1997 *Lidové noviny* article, Czech journalist Bohmil Pečinka admonished, "Years ago, a lot of Czechs exchanged a communist caretaker state for Klaus, and after that they waited with their fingers crossed for prosperity to come. It didn't come because there was no easy way for it to come. Neither Klaus nor [Social Democratic Party Chair] Zeman can help with that" (1997:1). In another April 1997 article in the same newspaper, Czech journalists Michale Achremenko and Zdena Balcerová concluded, "The general, optimistic expectations resulting from the post-November euphoria were built upon inadequate assessments of the state which we inherited. . . . Transformation is much more painful than we were able to admit" (1997:8).

Determined to change Czechs' *blbá nálada* (a term coined by Havel and popularized by the Czech press to characterize the populace's 1997 foul state of mind), Klaus remained confidently upbeat and continued to affirm the free market as the means to freedom and prosperity. In 1998 he wrote,

> The majority of people—it seems—don't long just for freedom but more for the wealth that a free society produces. . . . They know that freedom brings wealth (and at the same time insecurity). . . . Meanwhile, a lack of freedom, as communism convincingly revealed to us, brings poverty (with a strange and false sense of security and an unpunished lack of output). (11)

He concluded cheerfully, "It seems evident that there are an enormous number of people who have accepted the market and who know there is no other way. This is precisely the source of my optimism" (11).

Myths and Misgivings

> While other stars have come and gone across Central Europe . . . Klaus has endured. In no small part, that success has flowed from the former prime minister's ability to construct myths that large segments of the Czech population take as given truths.
>
> —Jeremy Drucker and Chris Walker (1999)

Despite his resolute optimism, even Klaus proved unable to elude the taint of corruption. In late 1997, Klaus resigned as prime minister after being implicated in a party financing scandal involving "kickbacks from privatization" (Orenstein 2001:63). In the midst of such turmoil, Czechs faltered slightly in their economic optimism, with approval rates for their economic future dropping from 87 percent in 1995 to 62 percent in 1998 as measured by the NDB (see figure 2 and table 2). Nonetheless, despite being in the throes of an economic recession, the majority of Czechs still saw capitalism as their future. Even in 1998, Czechs' free-market partiality exceeded that of all other postsocialist nations except the Poles. By 1997, Czechs had effectively "'bought' the positive vision of Václav Klaus" (Sojka 2000:240). Despite the country's economic tribulations, the public intimation was that Czechs' expectations of marketization were "unrealistic," not the free market itself; Czechs' optimism was "excessive" (Dubský 1999:3). Prosperity's lack of an easy arrival constituted part of its public articulation. The notion of suffering ultimately to become well formed part of the market metanarrative's original plot structure, present from its early recountings. Such elements strategically worked to maintain the overall coherence of the metastory in public currency, overriding Czechs' misgivings about the value of their purchase. In Mlčoch's words, "For part of the Czech population, this attractive [market] ideology has remained a kind of substitute for religion" (2000:60). The Klaus-inspired faith in the free market was well instilled in Czechs by 1997, making the prospect of a public backlash, despite the country's economic troubles, unlikely.

By the late 1990s, the political landscape of the Czech Republic had changed dramatically. Dissent emerged within existing parties, resulting in fragmentation and volatility in interparty coalitions in the Czech Parliament. The country's 1997 economic downturn revealed economic frailties and propelled political instability. Ironically, Klaus seemed to predict this development, writing in a 1994 edition of the *Cato Journal,*

> As a result of the high and unpleasant transformation costs, the former euphoria evaporates. The nationwide unity (mostly in a negative sense) is lost and the scene is gradually dominated by conflicting positive visions of the future. This conflict results in an enormous degree of political atomization and increasing political instability. (1994c)

However, much as the economy turned about, so too did Klaus's political career. Reelected head of the Civic Democratic Party, he returned to the political limelight in 1998. And, by 2001, with economic recovery well in sight, Czechs' economic dispositions had nearly returned to prerecession levels (see figure 2 and table 2). In an even more dramatic twist, Klaus emerged victorious in the third round of the country's 2003 presidential election by a margin of one in the parliamentary vote. Although the election provoked a crisis in the Czech parliament when parliamentarians proved unable to elect Havel's successor by a majority during the first and second rounds of voting, public opinion did not mirror this indecisiveness. To the contrary, public opinion polls indicated that a majority of the Czech populace supported Klaus's election (Asiedu 2003; Horacková 2003).

Despite the recent political turbulence, Czechs' commitment to Klaus and perhaps even more strongly to his "velvet" vision have endured. Michael Kennedy rightly claims that "narrative elements" are a tool of "transition makers" used in the reconfiguration of normality and deviance in countries undergoing transition (2002:97). In the Czech case, however, two factors further bolstered the supremacy of Klaus's approach: the seeming success of the Czech economic transformation, and the coupling of neoliberal and social democratic policies. When combined with Klaus's charisma, the consequence was a narrative of such fortitude that the majority of its Czech audience was convinced of its logic in spite of revealed incongruities with their lived realities.

The next two chapters reveal how Czech female managers and factory workers interpret their postsocialist experiences through the "velvet" lens of the market. These two groups offer very different accounts: managers recount their ascent, or how they became members of a "new elite," while factory workers describe their descent, identifying as part of the "new poor." However, the hegemony of the market metanarrative means that their stories share the same causal emplotment in which socialism is seen as the source of their problems (their oppressor) and capitalism is deemed their means of resolution (their liberator). As a result, absolute loss is an incongruity and opposition is thus unnecessary.