



Czech housing policy – ‘locked-in’ by ideology

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Path dependence in systems and ideology

In the case of gradual development – *the inertia of institutions*

- ➔ *institutional open ended* (history) – if we go one way, we cannot easily change direction, because specific institutions are already there and they prevent a change of trend (also ‘locked-in by a system’ or ‘path dependence in evolution’);
- ➔ *institutional deterministic* (historicism) – if we go one way, we will necessarily follow only a few (or one) possible ways in the future (also ‘locked-in by the laws of progress’ or ‘path dependence in progress’).

In the case of a sudden system change – *the inertia of a mode of thought*

- ➔ *ideological open ended* – stability in problem solution patterns, perception, policy making practice, human thinking – we can go other ways because we have the unique power to abolish the old system, but we do not understand other ways, we cannot escape our experience, we are afraid of uncertainty or potential faults (coming with innovations too soon) (‘locked-in by experience’ or ‘path dependence in reforms’);
- ➔ *ideological deterministic* – ideology is the way to enforce the selfish interests of social classes, it is the cultural superstructure above the economic base, it is fully determined by economic position in the production process - we can go other ways, because we have the unique power to abolish the old system, but we will necessarily follow the specific interest of our social class (stratum) and built system based on this interest (‘locked-in by economic interests’ or ‘path dependence in revolution’).



Perspective for transition countries

- ➔ transition = sudden system change → supremacy of ideology over institutions; new representatives of power often former dissidents opposing the old system and demanding its fundamental change;
- ➔ determinism in ideology – few data, no international comparison, relevant critics of historicism and Marxism
 - *ideological open ended*, THOUGH it is not sufficient to fully explain the system change.

You can change institutions, but you cannot change the people, skills and experience of those who form the institutions, delete the **ideological factor**

→ *'soft' path dependence*



Transition in the Czech Republic

- ➔ relatively good starting economic conditions (compared to many other transition countries);
- ➔ housing shortage debatable (currently more than 430 dwellings per 1,000 inhabitants, EU average);
- ➔ social policy – soft (and expensive) welfare cushion to neutralize the effect of economic reforms → high level of redistribution, generous state benefits, unemployment trap;
- ➔ Možný – “new political elite inherited the misfortune of the previous elite: social peace is no less important to the feasibility of economic transition than it had been in decades of ‘building socialism’ for the maintenance of the communist regime.”



Important decisions influencing housing affordability

- ➔ very broad decentralization of power (more than 6,000 municipalities per 10 mil. inhabitants);
- ➔ direct restitution of apartment buildings to previous owners (descendants); not in the form of financial compensations, but in the form of the physical transfer of expropriated buildings;
- ➔ no central right-to-buy policy, privatization of public housing according to the will of 6,000 municipalities (in fact more, in Prague more than 50 independent districts!) → households living a few streets from each other have completely different possibilities (estimate: 60-70% of public housing privatized till 2008);
- ➔ absence of a central policy to sell of public housing substituted with preserving the pre-transition policy of 'first-generation' rent control and extensive tenant protection (both in municipal and restituted housing); new tenancies were exempt.



Consequences



fierce clash between tenants
and landlords fills media
reports

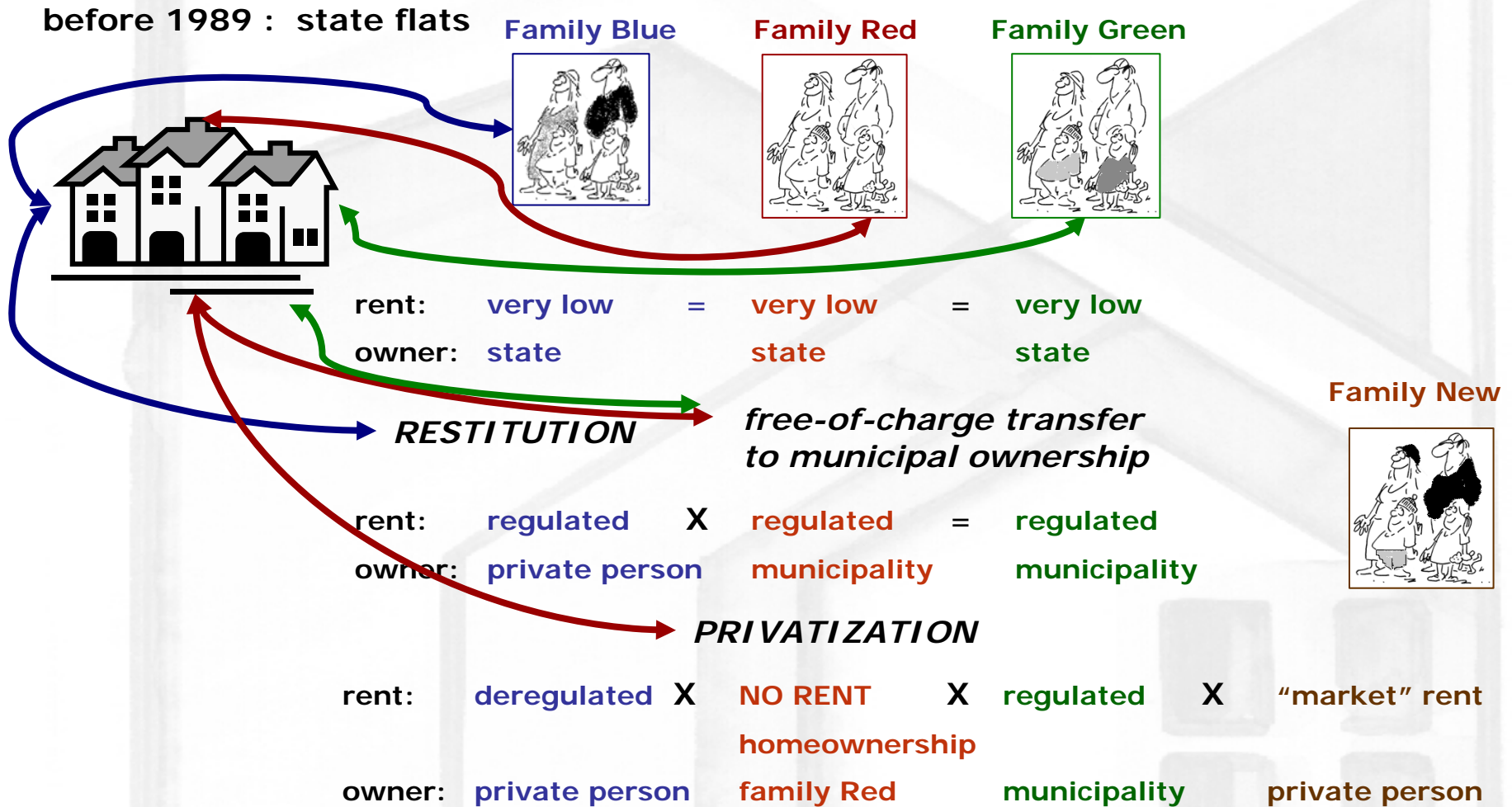
thousands of charges
against the state in
Strasbourg



widespread black market in
regulated rents



Consequences



Housing policy....?! ---

- ➔ since the mid-1990s generous but **poorly targeted** public subsidies: premiums to housing savings, interest subsidies, tax relief, subsidies for quasi-municipal housing used often by private investors, no social housing concept, housing allowances especially for people paying low rents!

→ **conservation of social inequalities in housing affordability (availability)**

- ➔ since 2003 few subsidies changed to target those in need, since 2007 deregulation of rents (amendment of housing allowance) and a gradual freezing of the advantageous sell off of public housing;

WHY SO LATE...17 YEARS AFTER THE COLLAPSE OF SOCIALISM???



History

- Czech nationalism - closely connected with the social question (T.G. Masaryk, professor of sociology), idea of *humanity* (individual and rational solidarity, reformism of Jan Hus);
- Czech nationalism – *anti-noble* (many of them of foreign nationality as a result of the Thirty Years War, especially the 1620 battle of White Mountain); *anti-church* (directed against the Catholic Church blamed for 'dark times' in Czech history).



History

popular novelists (K. Čapek, K. Poláček, J. Hašek, later B. Hrabal, O. Pavel) wrote about the virtue of the “ordinary man”, everyone has a “pearl at the bottom” (Hrabal), ‘good soldier Svejk’, unexpected skills of underrated people



suspicious of capital and power
(economic and political elite)

attention to social cohesion,
solidarity, equality, wealth
redistribution

empathy for pursued, excluded, poor

History - socialism

High value of social cohesion, equality and solidarity and other historical factors (economic crisis in 1930s, a large part of Czechoslovak territory liberated from Nazis by USSR, scepticism towards Western allies due to Munich agreement) helped communists to win elections in 1946

1948: Communistic putsch and end of democracy



History - socialism

Ideology of equality and solidarity....



.... **reality** of criminal behavior of communists (234 people killed in political processes, 560 killed on border, 10,000 killed in working camps, 240,000 political prisoners, almost every family affected)

History - socialism



May 1st - holiday of solidarity and prosperity...

...and the real everyday fight – queuing for meat



Housing policy in socialism

- ➔ planners (politicians) preferred extensive performance indicators, constituting the main part of central plans (especially the number of newly built flats);
- ➔ housing policy – mainly solving technical problems of construction industry → ***“we need more flats to be built” ideology;***
- ➔ ‘infinite’ housing shortage → ***ideology of housing shortage*** (real cause in the low efficiency of subsidies and in housing consumption, corruption and clientelism);
- ➔ ***ideology of egalitarianism in state housing allocation*** (no means testing, no social housing, no markets, no choice) though strongly contrasting with practice.



Housing policy in socialism



ideology: housing is a public good outside private markets → housing is for everyone → subsidies should be directed equally to everyone...

....and real socialistic housing is living in a 'modern' pre-fab housing estate.

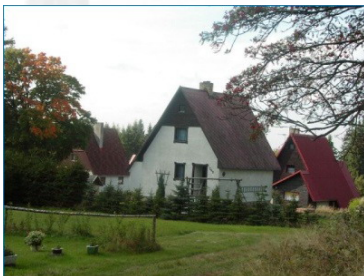


Options for how to escape?

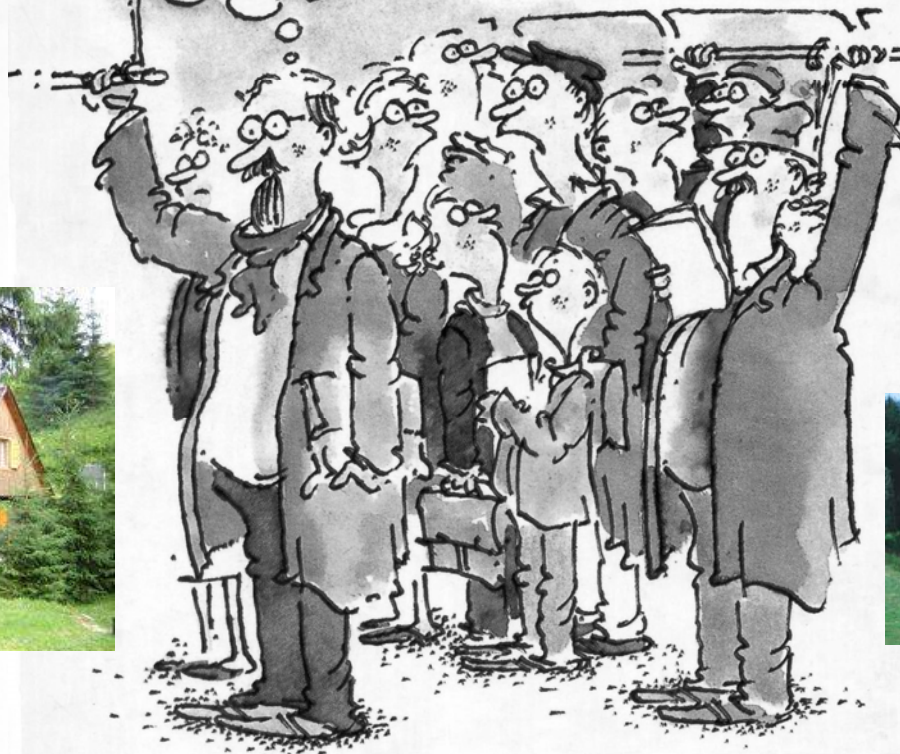
self-construction of detached housing



Options for how to escape?



...and building second homes



Why so late...?

- ➔ **“we need more flats to be built” ideology and ideology of housing shortage** under market environment → allocate universal subsidies to stimulate housing construction regardless of whether recipients need them or not (flat, untargeted) → low efficiency, increasing inequalities, abuse in speculations;
- ➔ **ideology of egalitarianism in housing allocation, “housing is outside the market”, “subsidies and low rents equally for everyone”** under the market environment → it is not possible to give ‘privileges’ to everyone under a tight state budget → low efficiency, large inequalities, black market, huge rent arrears and their inadequate solution, legal disputes.
- ➔ Values of social solidarity and cohesion, empathy for low-income households, paradoxically decreased solidarity and cohesion; they established new inequalities and tensions (analogically to voucher enterprise privatization);
- ➔ Communistic ideology interfered in market reality → traditional values were combined with old pre-reform problem solution patterns under new market environment → again clash between ideology and reality.



Path dependence for transition countries – useful tool?

DEFINITELY YES

- ➔ we cannot understand the real problems and real policies without knowing (analyzing) the wider context, particularly cultural and historical routes – including in case of sudden and profound system changes (path dependence in ideology, “soft” approach);
- ➔ relevance of path dependence proved by diversity in housing policies of former socialistic countries.

BUT

- ➔ danger of determinism, historicism during system analysis.

Even in the past the future was always “open-ended”



Thank you for your attention!



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