



# Social Values and the Legitimacy of Inequality: A Case of Path Dependency in the Post-communist Transformation

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# Structure of presentation

- Path dependency in the context of the post-communist social transformation
- Thematic focus: value change and the problem of the legitimacy of inequality (the system of economic distribution)
- Argument: value commitments (e.g. preferred norms of distributive justice) have little impact on the legitimacy of inequality, largely because of the role of **perceived past** and **current corruption** in shaping distributive outcomes (a negative feedback loop that is difficult to overcome)
- Conclusions

# Path dependency

- The general view that **decisions made and practices applied at one point in time tend to structure the choices available in the future**
  - Feedback and other self-reinforcing mechanisms are central to the path dependency model
  - Subjective beliefs about the system and opinions how it works are at least as important for peoples' behavior as objective characteristics of the system
- In the context of the post-communist transformation, this means that **social practices and attitudes shaped by the prior regime continue to reinforce each other**, such that those practices, beliefs and attitudes change slowly over time

# Ralf Dahrendorf

(“Reflections on the revolution in Europe : in a letter intended to have been sent to a gentleman in Warsaw”, 1990)

- To describe the path dependency of social practices and attitudes, Dahrendorf introduced the paradigm of the three clocks, each running in a different speed. The deeper the process is embedded in social life, the slower the clock goes.
- **The hour of the lawyers:** measures the time for constitutional changes (constitutional order, the rule of law) - 6 months
- **The hour of the politicians:** the time of reconciling implementation of market with democracy, establishing well functioning market and stable democracy (freedom & inequality) - 6 years
- **The hour of the citizen:** time of changes in civil society, in peoples beliefs, patterns of behavior, etc. - two generations - 60 years

# The problem of negative feedback loops in the social transformation

- Post-communist societies inherited deep attitudes of distrust towards political and economic elites
  - These attitudes become reinforced by perceptions that **former political elites enriched themselves through the privatization process**. The project *Social Stratification in East Central Europe and Circulation of Elites* (1994) proved that there was a successful conversion of political capital to economic capital (e.g. 70% of nomenklatura cadres of 1989 ended up in the elite position in 1993, most of them in high managerial positions).
  - **Expected economic problems that emerge during the privatization process are not seen as neutral market forces**, but as caused by corruption, the conversion of political and social capital into economic assets, and other forms of perceived injustice.

# The problem of negative feedback loops in the social transformation

- Therefore, **economic and social inequalities that emerge over time are not seen as legitimate, natural outcomes of neutral processes and procedures**, but as illegitimate, unfair outcomes driven by corruption and similar practices.
- **Negative feedback loop: distrust, corruption perceptions, and injustice are self-reinforcing:** because of distrust, it is easy to perceive (sometimes correctly, sometimes not) various problems as problems of corruption, which leads to the view that socio-economic outcomes are unjust; that leads to more distrust of politics and the market.

# Norms and Legitimacy of Inequalities

(System of Economic Distribution)

- **Despite the growing importance of meritocratic criteria in economic success** in post-communist countries (the role of education and occupation in wage and income differentiation has been steadily growing – see e.g. Večerník 2009), **the legitimacy of inequality is not improving.**
- In societies where there is a low degree of legitimacy to the system of economic distribution, **life success is perceived as significantly shaped by non-market, informal mechanisms** (e.g. social and political connections).
- In such societies, we would also expect a **weak crystallization of meritocratic and egalitarian norms of distributive justice** as well as their **weak link to the legitimacy of meritocratic and egalitarian forms of distribution.**

# Economic returns to education have been growing ....

(Večerník, J.: *Czech Society in the 2000s*, Academia, 2009, p.79).

## Regression coefficients of earnings by sex, age and education in 1970–2002

Variable	Regression 1				Regression 2			
	1970	1988	1996	2002	1970	1988	1996	2002
Sex	-0.48	-0.38	-0.37	-0.32	-0.44	-0.36	-0.38	-0.34
Age:								
25–29	0.19	0.22	0.18	0.15	0.17	0.18	0.11	0.11
30–34	0.27	0.37	0.23	0.13	0.24	0.33	0.16	0.11
35–39	0.31	0.42	0.26	0.16	0.29	0.39	0.20	0.12
40–44	0.33	0.46	0.26	0.17	0.32	0.43	0.23	0.16
45–49	0.35	0.47	0.27	0.11	0.35	0.44	0.23	0.14
50–54	0.33	0.46	0.27	0.12	0.33	0.44	0.22	0.15
55–59	0.27	0.39	0.20	0.10	0.28	0.37	0.15	0.10
60–64	0.23	0.20	-0.15	0.06	0.24	0.19	-0.27	-0.02
Education:								
vocational	-	-	-	-	0.09	0.06	0.16	0.14
secondary	-	-	-	-	0.18	0.14	0.42	0.42
university	-	-	-	-	0.36	0.33	0.74	0.71
Intercept	7.99	8.06	9.45	9.86	7.86	7.97	9.23	9.58
Adjusted $R^2$	0.39	0.37	0.18	0.13	0.44	0.45	0.37	0.33

Source: Microcensus surveys (author's computation).

Note: Employees only. Dependent variable is  $\ln$  gross earnings.

Omitted categories: age 15–24, elementary education. All coefficients are statistically significant at <0.01 level



# Beliefs about Getting Ahead in Life. 1992-2009: Ave % to “essential” + “very important” factors

	West 1992	Czech 1992	Czech 1997	Czech 1999	Czech 2007	Czech 2009
Ambition	77.3	58.4	73.4	62.2	79.5	67.7
Hard work	72.2	72.4	70.7	72.5	78.3	76.1
<b>Good education</b>	<b>78.7</b>	<b>30.5</b>	<b>60.3</b>	<b>38.3</b>	<b>52.2</b>	<b>48.2</b>
Educated parents	30.3	9.6	26.2	14.8	25.7	20.1
Wealthy family	19.9	14.4	33.5	19.4	37.0	24.2
Nationality, race	17.0	4.4	13.8	9.8	14.8	17.6
Religion	7.1	2.3	2.6	3.1	2.5	7.3
Gender	13.8	9.3	16.7	11.7	15.0	16.7
<b>Knowing the right people</b>	<b>44.4</b>	<b>48.2</b>	<b>64.4</b>	<b>48.8</b>	<b>64.0</b>	<b>56.3</b>
<b>Political connections</b>	<b>18.7</b>	<b>12.2</b>	<b>34.8</b>	<b>19.8</b>	<b>42.2</b>	<b>23.6</b>
Getting around the law					19.1	
Bribes					19.5	12.7
N	13392	678	1014	1834	1060	

Beliefs about Getting Ahead in Life. 1992-2007:  
Ave % to “essential” + “very important” factors

	West 1992	Czech 1992	Czech 1997	Czech 1999	Czech 2007	Czech 2009
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Czechs seem to have a diminished sense of the importance of education (despite data on the economic returns of education, which indicate the opposite) and a heightened sense of the importance of social and political connections

„If one half of the variance of earnings can be explained by statistical variables, there is another half that remains in the domain of assumptions. .... the unexplained variance may be concealing factors more important for economic performance than the variance that can be explained with common statistical indicators.“ (Večerník, J.: *Czech Society in the 2000s: a report on socio-economic policies and structures*, Academia, 2009, p.79)

# Czech's beliefs about life success:

## Rotated PCA analysis, Czech 2007 data

	<b>Discrimination</b>	<b>Ascription</b>	<b>Merit</b>	<b>Corruption</b>
Ambition	-.003	.136	<i>.835</i>	.186
Hard work	.011	.016	<i>.820</i>	-.223
Good education	-.014	<i>.776</i>	<i>.345</i>	-.041
Educated parents	.227	<i>.830</i>	-.053	.217
Wealthy family	.173	<i>.524</i>	-.120	<i>.531</i>
Nationality, race	<i>.774</i>	.084	.028	.213
Religion	<i>.818</i>	.074	-.041	.049
Gender	<i>.688</i>	.112	.028	.297
Knowing the right people	.138	-.001	.231	<i>.761</i>
Political connections	.142	.134	.076	<i>.819</i>
Bribes	.201	.106	-.165	<i>.812</i>
Getting around the law	.186	.105	-.185	<i>.792</i>
Variance explained	<b>15.1%</b>	<b>10.7%</b>	<b>9.2%</b>	<b>34.2%</b>

# Czech's beliefs about life success: Rotated PCA analysis, Czech 2007 data

**Discrimination**

**Ascription**

**Merit**

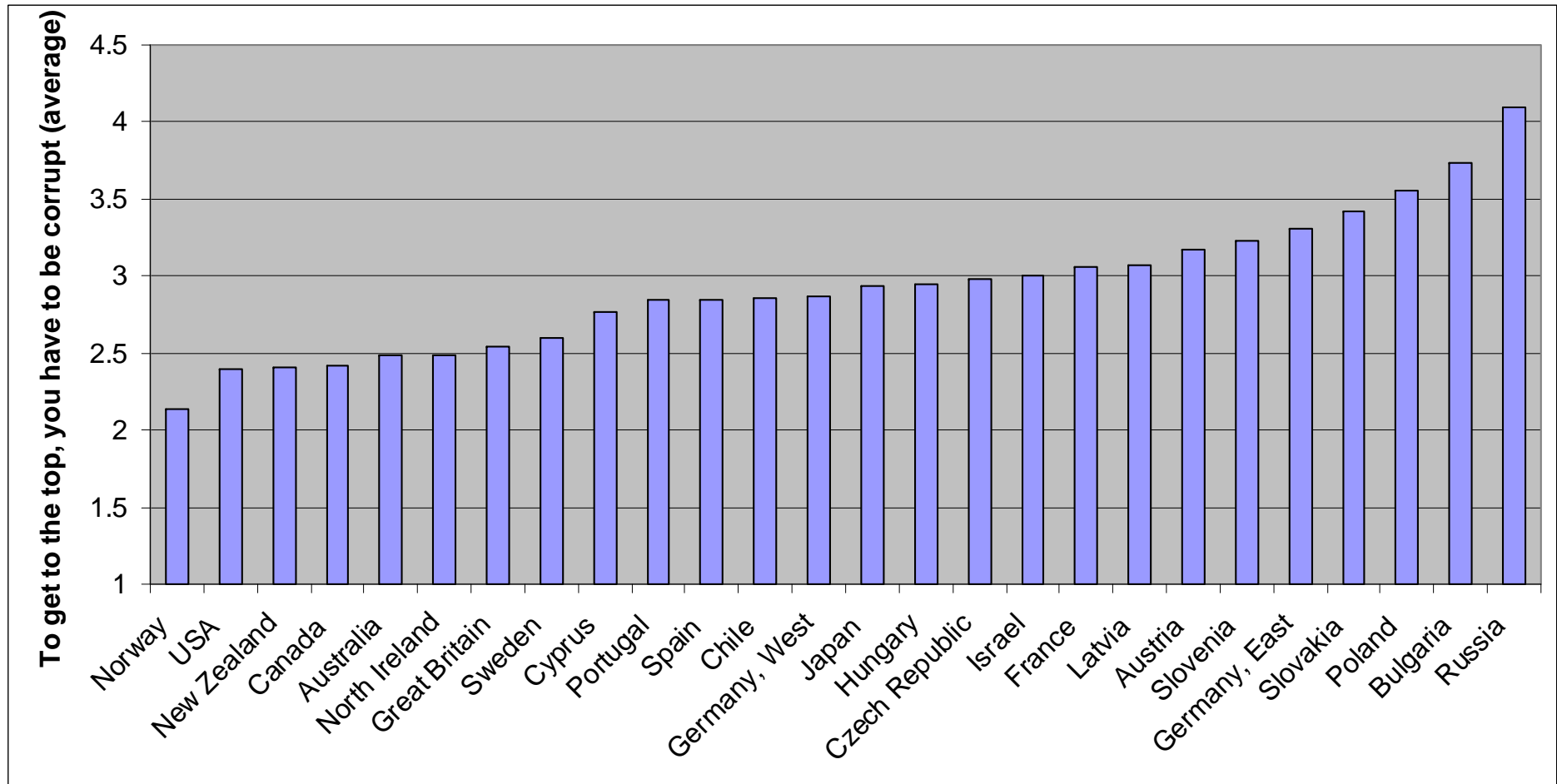
**Corruption**

“Knowing the right people,” (one of the important dimensions of social capital) which is associated in the West with navigating the market and workplace, is in the Czech context seen more as a kind of soft corruption (apparently social capital is perceived as participation in mutually beneficial exchanges).

Family wealth is also strongly associated with the soft corruption variables – probably due to the legacy of (mismanaged) privatization.

# Corruption as a strategy of life success

(data from ISSP 1999 Social Inequality survey)



# Crystallization of distributive justice norms

# Measuring egalitarian and meritocratic values

<b>Meritocratic norms</b>	
KEARN	People are entitled to keep what they have earned -- even if this means some people will be wealthier than others.
WORKH	People who work hard deserve to earn more than those who do not.
PASSW	People are entitled to pass on their wealth to their children
<b>Egalitarian norms</b>	
EQSHR	The fairest way of distributing wealth and income would be to give everyone equal shares.
WNEED	The most important thing is that people get what they need, even if this means allocating money from those who have earned more than they need.
LUCK	It is just luck if some people are more intelligent or skillful than others, so they don't deserve to earn more money.



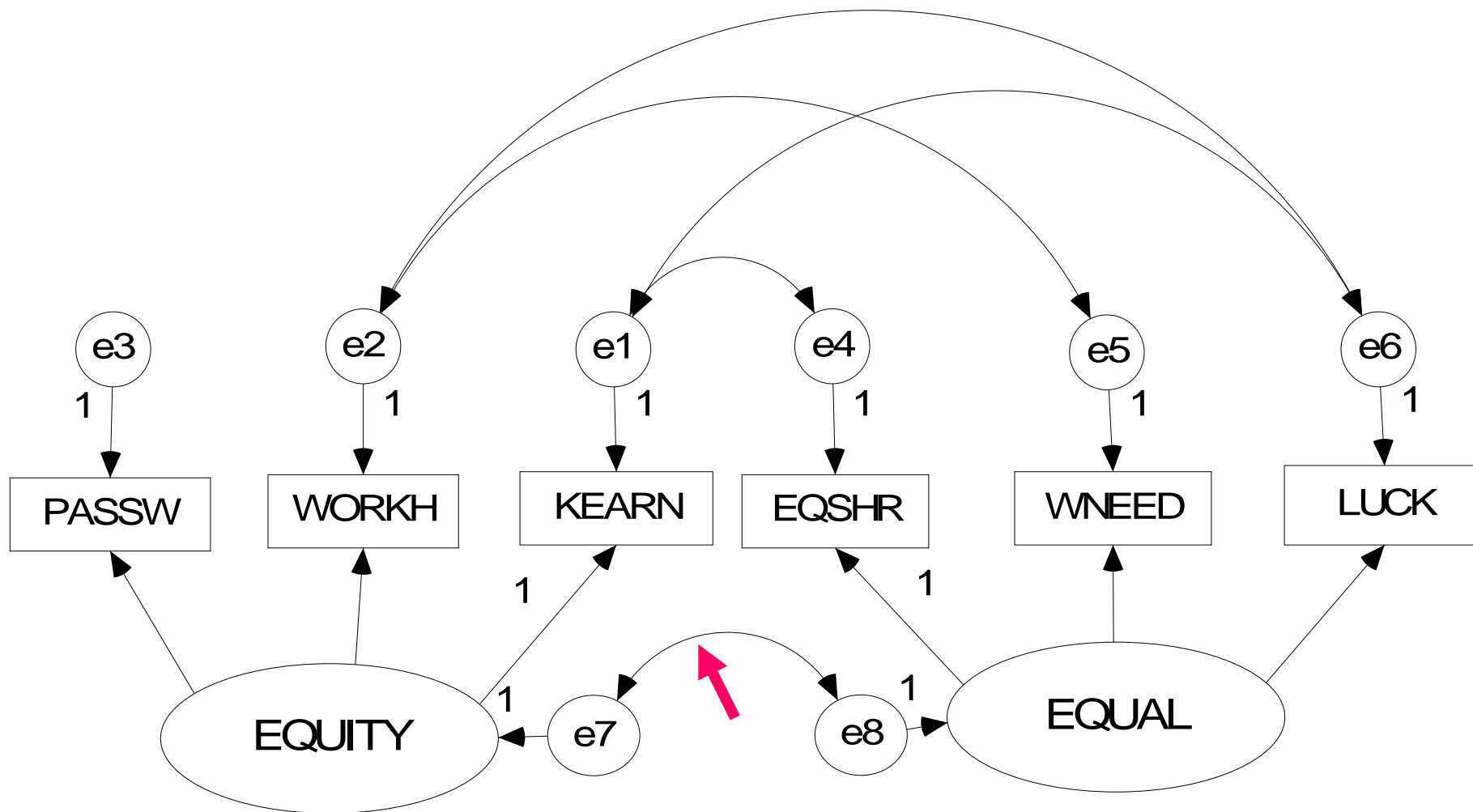
# Social norms in the Czech Republic vs. the West

(percent strongly agree and agree)

In both cases, meritocratic values are dominant; in the Czech case, egalitarian commitments lag behind the West, except that beliefs about retaining earnings are declining)

	West	Czech Republic			
	1991 - ISJP	1991 – ISJP	1996 - ISJP	2006 - ISJP	2009 - ISSP
KEARN	84.6	87.3	83.0	77.2	67.6
WORKH	91.2	88.1	85.8	86.4	84.7
PASSW	88.6	96.8	96.6	90.5	90.9
EQSHR	23.6	17.0	12.7	13.2	16.5
WNEED	53.3	44.7	38.8	35.3	33.4
LUCK	18.9	10.4	7.9	11.3	14.6

# Norms of distributive justice: Meritocracy and Egalitarianism. A measurement model



# The association between the two norms of justice: East and West in 1991

	Standardized coefficients					Measures of Fit		
	EQUITY- EQUAL	e1-e4	e1-e5	e2-e5	e2-e6	CMIN/DF	AGFI	RMSEA
Bulgaria	-.16	.02	.00	.01	.00	1.309	.992	.017
Czech R.	<b>-.17</b>	-.15	-.28	.13	.01	5.072	.955	.073
Ger_East	-.35	-.04	-.05	.11	.02	5.437	.961	.068
Hungary	-.19	-.05	-.08	.01	-.06	3.400	.974	.052
Poland	-.19	-.01	.01	.16	.00	9.438	.949	.081
Russia	-.12	-.17	-.17	.14	.06	5.399	.970	.059
Slovenia	-.18	-.05	-.12	.10	.04	1.935	.989	.027
Ger_West	<b>-.40</b>	-.13	-.13	.20	-.06	6.929	.973	.059
Great Britain	<b>-.59</b>	-.07	.06	.05	.17	7.082	.959	.071
Netherlands	<b>-.48</b>	-.09	.02	.08	.09	1.684	.993	.020
USA	<b>-.39</b>	-.14	-.02	.08	.07	5.648	.970	.059

# The association between the two norms of justice: East and West

In the West, the two norms of distributive justice were much more distinct (crystallized) and opposed, whereas in the post-communist countries at the beginning of the transformation the relationship was significantly weaker.

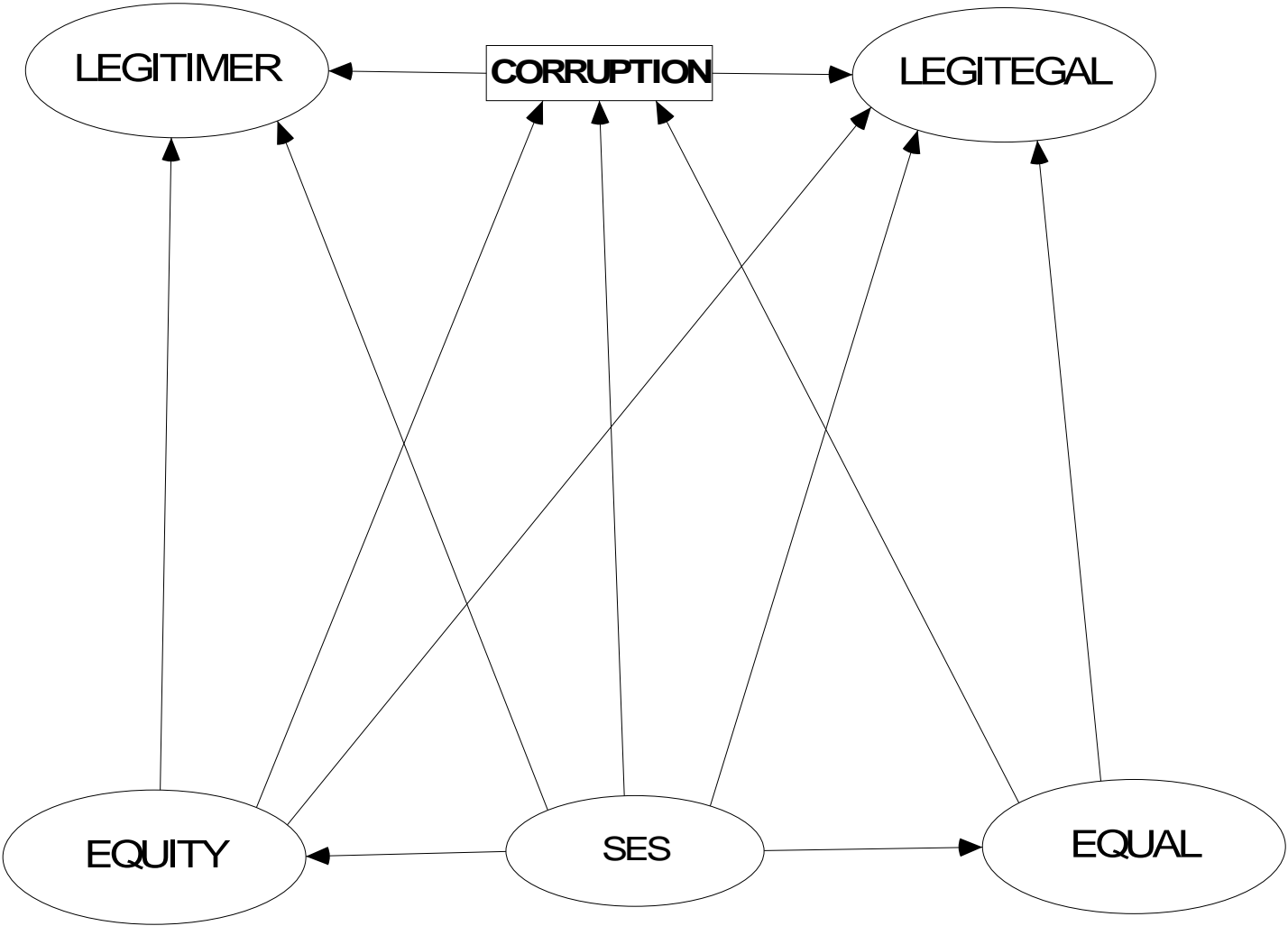
Only the former East Germany exhibits patterns of norms closer to the West.

Over time, Czech norms of distributive justice have become increasingly crystallized at the Western levels (represented by West Germany)

	Standardized coefficients					Measures of Fit		
	EQUITY-EQUAL	e1-e4	e1-e5	e2-e5	e2-e6	CMIN/DF	AGFI	RMSEA
Czech 1991	<b>-.17</b>	-.15	-.28	.13	.01	5.072	.955	.073
Czech 1996	<b>-.38</b>	-.21	-.24	.05	.05	7.679	.952	.078
Czech 2006	<b>-.41</b>	-.20	-.20	.16	.06	22.427	.890	.127
Czech 2009	<b>-.42</b>	.14	.08	-.03	-.06	19.384	.884	.127
Ger_W 1991	<b>-.40</b>	-.13	-.13	.20	-.06	6.929	.973	.059
Ger_W 1996	<b>-.48</b>	-.04	-.01	.10	-.02	7.658	.943	.085
Ger_W 2006	<b>-.38</b>	-.03	-.02	.12	-.04	3.317	.989	.033

# The role of perceived corruption in shaping system legitimacy

# Model of the relationship between social status, norms of distributive justice values, and legitimacy



# Measuring the legitimacy of economic distribution

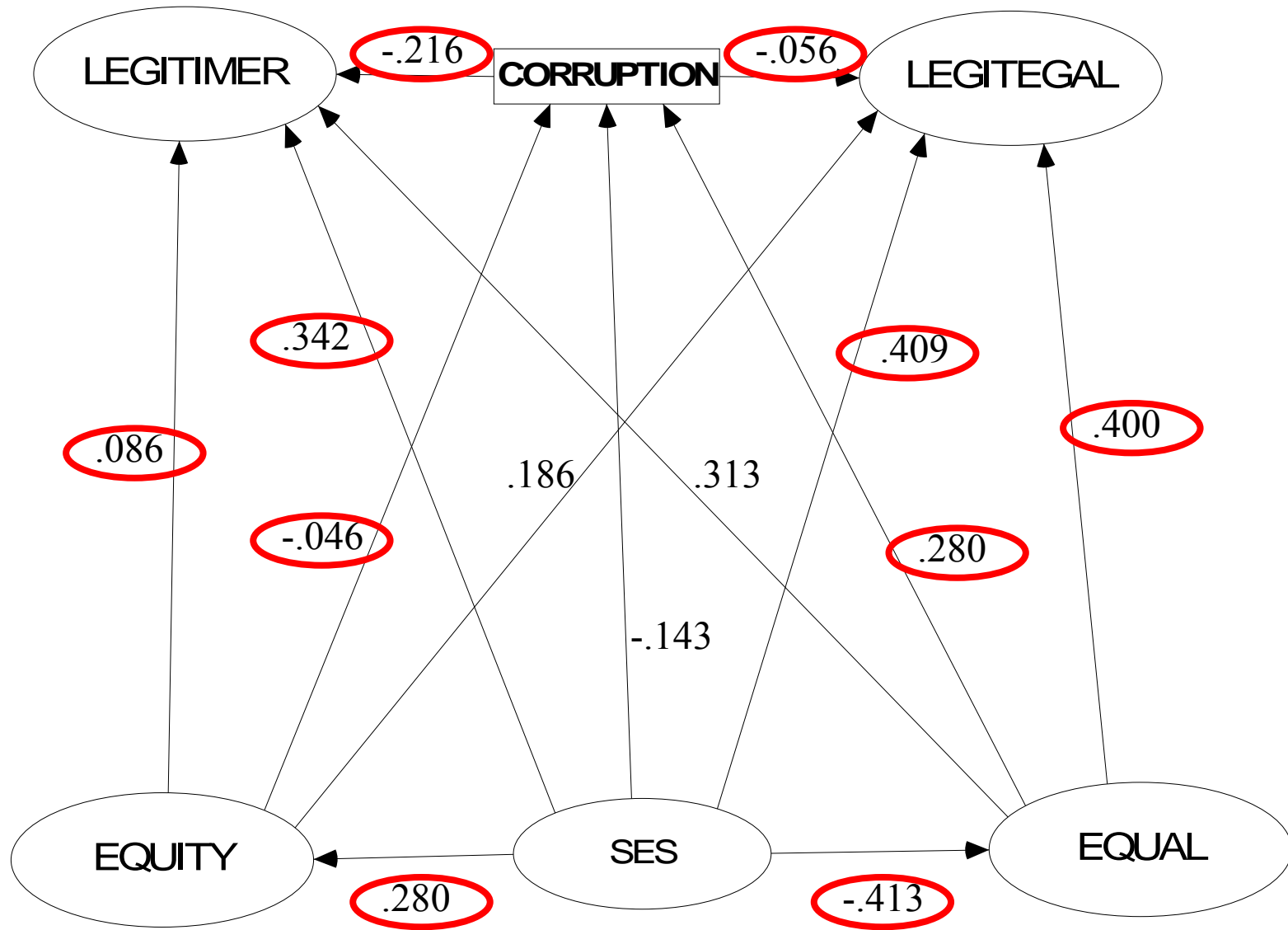
Legitimacy of meritocratic distribution	
EQOPOR	In (COUNTRY), people have equal opportunities to get ahead.
REWPERF	In (COUNTRY), people get rewarded for their effort.
REWABIL	In (COUNTRY), people get rewarded for their intelligence and skill.
Legitimacy of egalitarian distribution	
GETNEED	In (COUNTRY), people get what they need.
DISTTAX	In (COUNTRY), people with high incomes pay high taxes so that those who earn less get what they need.
POVHELP	In (COUNTRY), if someone falls below the poverty line, the state will take care of him/her.



Compared to Western countries, the Czech distributive system is seen as much less legitimate (percent strongly agree and agree)

	West	Czech Republic			
	1991	1991	1996	2006	2009
EQOPOR	50.9	42.5	37.2	39.7	40.6
REWPERF	59.0	16.0	17.3	24.3	22.0
REWABIL	65.1	16.6	24.5	31.8	26.1
GETNEED	50.7	10.7	26.8	24.7	25.9
POVHELP				34.5	28.2
DISTTAX				28.2	22.4

Results of the analysis of the relationship between social status, values, and legitimacy (2009 ISSP data; standardized coefficients; principal components & error terms not shown)



# What the results say

- Respondents' social status strongly shape both norms of distributive justice and perceptions of system legitimacy
  - In other words, system legitimacy is not universalized, but continues to be shaped by “winners” and “losers” of the social transformation
- Perceived corruption delegitimizes the system of economic distribution, above all for merit-based forms of inequality
  - Further, low-status egalitarians see the system as rampant with corruption, which in turn makes inequalities seem unjust.
  - Higher-status meritocrats don't have such a problem with perceived corruption, and in fact tend to believe more than others that both egalitarian and merit-based forms of inequality are just.

# Conclusions

- Both norms of distributive justice, and beliefs about system legitimacy, have changed little over time
  - **Social norms have become increasingly crystallized;**
  - **By contrast, there has been little improvement in system legitimacy,** which is far from reaching “Western levels”; this is partly due to the negative feedback loop from perceived corruption and low social status

# Conclusions

- In our data, there are four major strategies of achieving life success – among them is soft corruption / connections
  - The belief that economic elites are corrupt – i.e. to get to the top of society, you have to be corrupt – is much more strong in the post-communist countries compared to the West.
- Corruption, the perception of which has its roots in the economic and social transformation, is important due to its negative effect on system legitimacy
  - Perceived corruption **mediates** the relationship between norms and legitimacy; in particular, it undermines the legitimacy of both meritocratic and egalitarian dimensions of the system of economic distribution (estimates of  $-.22$  and  $-.06$ , respectively).

# Conclusions

- In terms of housing inequality, we should consider that:
  - System legitimacy includes the legitimacy of the housing market and the process of deregulation
  - Perceptions of injustice in the privatization process translate into popular demands for continued regulation
  - Policies need to be sensitive to those negative perceptions: importance of transparency of the allocation process and sensitivity to the stratification of beliefs.

Thank you for your attention!

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