

# The Privatisation of State Housing Stock in the Czech Republic – a Path Dependent Process?

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**The Privatisation of State Housing Stock in the Czech Republic – a Path Dependent Process?** This article aims at finding a theoretical and empirical explanation for the particular housing privatisation approach applied in the Czech Republic. The explanation pays special attention to inequalities in owner-occupied housing accessibility created by housing privatisation. In order to explain the process of housing privatisation, the article discusses theories of social change (transition, transformation and path dependence). The following qualitative empirical analysis of alternative theoretical explanations consists of thirteen semi-structured interviews with politicians, state officials, municipal experts and local citizen movements. In addition, the data from the interviews is commented with the use of data from public opinion about housing policy. In the conclusion, the author critically evaluates the usefulness of presented theories (especially path dependence) and states that the privatisation process should be explained as a transformation rather than a transition, with a specific role played by ideology. The analysis led to a conclusion that the consequences were unseen given the "ad-hoc" feature of policy decisions. Sociológia 2013, Vol. 45 (No. 3: 267-289)

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## Introduction

For more than twenty years, CEE countries have faced similar problems in political, economic and societal systems (Hausner et al. 1995). While their problems were more or less common, the strategies – priorities and timing - varied across countries and systems (Offe 1997). Some changes were faster, often justified as "shock therapies", other gradual (Brabant 1998).

As for the reform of the housing sector in the Czech Republic (Donner 2006: 29-80), a similar division of changes can be found, though on a smaller scale. The restitution and transfer of public housing from the state level to municipalities were among the first changes to be made. In exact figures, the transfer to municipalities affected 877,000 dwellings, which corresponded to 23.5% of the residential housing stock during the reform period (Lux 2009b: 151). The restitution part of the reform was carried out within a short period of time, as it was an essential condition for launching the privatisation processes (Sýkora 2003). Nonetheless, while the process of restitution was finished in the first years after 1989, problems related to it, mainly rent regulation, have not

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been resolved to this day. According to Donner (2006: 47), restitution affected 7% of the housing stock, but the claims were unevenly distributed; for example, restitution in central Prague concerned nearly three-quarters of the housing stock, while hardly any claims were observed on the periphery (Sýkora 1996: 285). Finally, the sector of social housing in particular is still awaiting reform (Lux 2003). Thus it is obvious that the transformation of the housing sector must be examined as a set of processes with different timing and pace.

This observation is crucial for understanding public housing privatisation, especially due to the fact that the transfer of the state housing stock to the municipalities was not followed by the introduction of a state-level housing privatisation policy (Lux 2006). In this regard, the Czech Republic (together with Poland) differs from the rest of CEE countries that have introduced a certain form of a central right-to-buy policy setting universal rules and deadlines for privatisation of public housing. Here, each municipality has been responsible for setting its own model of privatisation, defining the share of housing stock designated for privatisation, the speed of privatisation and the level of sale prices.

Table 1: **Share of housing stock (flats) owned by municipalities<sup>2</sup>**

	1999	2004	2009
Prague	64	45	27
Brno	93	76	63
Ostrava	76	51	26
50 000+ inhabitants	49	24	15
10 000- 49 999 Inhabitants	69	40	30
2 000- 9 999 inhabitants	64	52	33

Source: Institute for spatial development 2010

Although no right-to-buy policy was applied, the main strategy of privatisation was to sell public dwellings to sitting tenants. However, some tenants have been waiting for privatisation for many years, while others, in different municipalities, were able to buy their dwelling relatively early (see Table 1) Substantial differences can be found even in sale prices – and so some people bought their dwellings very cheaply while others had to pay nearly market prices for them. Such differentiation is apparent also within city boundaries – for example Prague, the capital, is made up of 57 independent municipalities, which means that there were 57 different public housing privatisation approaches and price calculations. Apart from local differences, there have been differences in privatisation conditions in time as well. Thus

<sup>2</sup> This data is presented here to show the diversity of privatisation rates rather than work with the specific rates. This is due to the fact that the percentages are based on a survey (self-report) carried out in chosen municipalities.

even in the same locality, those who were allowed to buy their housing in the early years had to pay less than those who paid later. At the beginning of the privatisation the prices were low in general and the possible discount on each flat was high.

Judging from the activity of citizen groups that have formed advocating “transparent rules of privatisation” or a faster privatisation process, this situation is often perceived as unjust. These groups are present not only in Prague but in other cities as well.<sup>3</sup> Similar social justice problems have also been identified in other transition countries. According to Yemtsov (2007: 7-8), current inequalities in the distribution of housing stock are caused by the following four factors:

- (1) the legacy of inequalities in housing tenure existing under socialism
- (2) differences in housing quality under socialism
- (3) unequal market valuations of the privatised housing stock
- (4) partial privatisation, i.e. apartments have been transferred without the land under buildings and common areas

While originally designed for Poland, Russia and Serbia, all these factors are also applicable to the Czech Republic (see the following sections). The privatisation created its winners and losers according to where people lived at the beginning of the reform (ibid: 10) or to the policy of the given municipality (Sýkora 1996). It should be stressed that, unlike in western countries, the part of the housing stock up for privatisation did not belong to lower strata but, in many cases, quite the opposite. Those who – for a variety of reasons – succeeded in gaining good housing under the communist regime were in fact given a chance to buy it for a small part of the actual cost after 1989 (Lux 2009a). This led to a classic case of the Matthew effect (for its sociological reflection in science see Merton 1968): those who were privileged became richer, whereas those with worse starting conditions (e.g. young families) faced even more barriers when trying to get decent housing.

The text is organized around two key issues. Firstly, the research provides explanatory statements about the nature of privatisation in the Czech Republic which brings deeper insight in the process of social change as seen by its active participants. The main research questions are whether a clear vision of the goal of the transition process existed, whether there was a competition of alternative visions and what the role of ideology in decisions about privatization was. Secondly, the research relates to current theoretical discussions about the changes in CEE countries after 1989 and discusses the use of concepts such as transition, transformation and path dependence in the housing sector.

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<sup>3</sup> Two groups, one from Prague, the other from a larger city (Opava), were interviewed during the research.

This article tries to cope with two problems present in other studies related to privatisation in CEE. First, it tries to connect this unique process to general sociological theories. The lack of theory laden research in housing studies was recently stated in an interview with Jim Kemeny (Allen 2005). While it is true that there has been substantial development in the field of urban sociology (Lefebvre 1991 (orig. 1974); Castells 1977; Harvey 1996; Smith 2008), this has not been much reflected in housing research focused on CEE countries where description prevails. We are aware that a mere description cannot serve as an argument to explain divergent processes in transition countries (Pickles and Smith & Swain 1998), especially regarding the privatisation of housing. As these processes are generally linked to weakening/strengthening social inequalities, it is necessary to put them in the framework of general sociological theories. Second, the method of interviewing the relevant actors – thirteen interviews in total – provides us with a chance to capture the beginnings of the process, in particular. Given the fact that the process began twenty years ago, this research is a contribution to obtaining a deeper understanding of the process and provides a possibility (maybe an incentive) for a comparison with similar studies in other countries.

In the following sections, this article provides a general introduction to the privatisation process in CEE countries with special focus on the situation in the Czech Republic (even prior to 1989). The theoretical section deals predominantly with the transition/transformation discourse as well as the concept of path dependence and its variations. The theoretical part provides a set of research questions which were studied using a qualitative method of semi-structured interviews in the next section. Besides their explanatory value, these qualitative data are related to the theoretical framework so that it can be decided whether the housing change in the Czech Republic witnessed transition or transformation, and of what use can the concept of path dependence be.

### **Housing and ownership rights in the Czech Republic: historical perspective**

Making municipal or state housing private is not a process connected only to CEE countries after the fall of the communist regimes. A well-known case is the Right to Buy policy in the United Kingdom (Brown and Sessions 1997; Forrest and Murie 1995; Jones and Murie 2006), different approaches have been applied in the USA (Warner and Hebdon 2001). According to Donner (2006: 10-28), the following features are more or less common to all the CEE countries (i.e. Czech Republic, Hungary, Poland, Slovenia and Slovakia): a strong belief in market solutions in the first years of the transformation; housing policy lost its former relevance; the decentralisation of housing policy to the municipalities; and rent regulation.

There is a significant body of literature that deals with the housing transformations in the Czech Republic (Cook 2010; Mikeszová 2007; Sykora 2003), with the complexities of the privatisation specifically (Eskinasi 1995; Lux 2006) and the historical development of general urban processes (Musil 1987, 1992). This section will therefore offer a necessarily brief overview of these changes since 1918, prior to a discussion of relevant theoretical approaches and the presentation of empirical material.

### **Pre-socialist era: 1918 – 1938**

Considering the relative short and turbulent history of the present Czech Republic, it is difficult to trace any strong traditions in the housing field. Moreover, the housing issues did not differ from the general European discourse of housing shortage and hygienic standards. On the other hand, two phenomena are worth mentioning: the land reforms and non-profit housing co-operatives. The former represented both a major shift in ownership rights, consisting of taking the land away mainly from the foreign nobility and the Church, and a long-lasting political problem that remained unresolved until the Second World War. The latter was an attempt to tackle the housing shortage by collective strategy (Lux 2009b: 150). The housing shortage also brought the boom of enterprise housing, which is another non-individual strategy of housing construction and management. The twenty years of land reforms (1918-1938) were the first experience of a young state with changes of ownership and are generally seen as unsuccessful, since the majority of land remained *de facto* in the same hands. Thus, instead of a change of ownership taking place, an institution of quasi-ownership took root in the society.

### **Socialist era: post World War II to 1989**

The first years of the communist regime introduced radical changes in the already unclear and difficult situation in the housing sector. A “right to own” a flat or land was replaced by the “right to personal use” (Michalovic 1992; Marcuse 1996). From 1948 to 1955 only state and individual ownership existed, the latter being practically reserved for family houses not for flats. Later, in 1959, pre-war forms of co-operatives and enterprise housing were re-introduced, allowing for some continuity, although in a rather distorted way, as the small independent co-operatives were forced to merge into big ones, thus falling under strict state control (Lux 2003: 133).

The construction, distribution and maintenance of housing stock was practically in the hands of the municipalities, while the state was mainly in charge of planning. Local authorities were responsible for managing the

“waiting lists” of people applying for new flats, hence they were given great political power over their citizens’ lives.

Despite periods of discussion, attempts at reforms and criticism by academic experts the system failed to provide enough housing of sufficient quality and ended up in an openly stated crisis almost a decade before 1989 (Musil 1992). Unlike in other CEE countries, the regime did not introduce any market principles or privatisation. Owing to the already existing crisis, experts had set up a framework of a reform prior to 1989 and were able to introduce not implement it at the beginning of 1990, including both “socialist” and “liberal” approaches (Musil 1992). In spite of that, the housing reform lagged behind other reforms and appeared politically marginal.

### Post-socialist era: 1989 onwards

We should be aware that the Czech Republic has shown several specific features after 1990. Unlike Hungary or Slovenia, the country has not applied any form of a Right-to-Buy policy. Another important difference lies in the fact that there was no clear definition of homeownership until the introduction of the 1994 Act on Ownership of Apartments and Non-Residential Premises (apart from owner-occupied family houses; for details, see Donner 2006: 35-36). On the other hand, the state has not resolved the problem of rent regulation to date. Thus the municipalities were given the responsibility for residential housing stock, yet without having the possibility to raise rents. Under these conditions, some municipalities decided to give away the housing stock as soon as possible, which – together with restitution – contributed to tenure change (see table 2). According to Local Government and Housing Survey 2001, 72% of municipalities have not finished privatisation of the housing stock (Lux 2009b).

Table 2: Tenure change in the Czech Republic

	1991		2001		2008*
	abs.	%	abs.	%	%
Living in own family house	1 367 027	36.9	1 371 684	35.8	39
Living in own flat	31 164	0.8	421 654	11	21.6
Rental housing	1 465 231	39.5	1 092 950	28.6	23.2
Cooperative housing	697 829	18.8	548 812	14.3	12.4
Cooperative of tenants	-	-	103 216	2.7	NA
Others	144 430	3.9	289 362	7.6	3.8
<b>Total</b>	<b>3 705 681</b>	<b>100</b>	<b>3 827 678</b>	<b>100</b>	<b>100</b>

Source: census 1991, census 2001, Czech Statistical Office (cf. Lux 2009b: 109)

\* An estimate based on SILC 2008

Detailed figures on the housing sector in the Czech Republic can be found in Sykora (2003); for a review of the research on housing, see Mikeszová

(2007); an overview of the problems related to privatisation can be found in Lux (2006) and Eskinasi (1995). Information about the communist systems and the early years after the year 1989 can be found in Musil (1987, 1992)]

### **Theories of privatisation**

This section does not intend to provide a thorough overview of privatisation theory. Rather, it offers a specific engagement with the transition-transform and path dependency debates which are of direct relevance to systems that have undergone multiple political-economic transformations.

Apart from the concepts of social change (transition, transformation, path dependence) and more general theories (Harvey 1996; Smith 2008), several "middle-range" theories were developed in order to understand the factors of the change in housing sectors. According to Roberts (2003: 47), the speed of privatisation (measured by the percentage of privatised housing in CEE countries) can be explained neither by economics alone nor by the degree of democracy, but by "demand-side factors" such as the size of the ownership sector or housing expenditure. Another attempt to explain the causes of privatisation is an analysis of institutions in terms of political power (Lundqvist 1989; McFaul 1995). Kemeny (1980) thinks of privatisation as the "commodification of housing" and links it with general processes of privatisation in the remainder of society.

Later, these considerations developed into reflections on the role of ideologies and mythologies in the housing policy (Kemeny 1992). Kemeny's perspective is powerful in the focus on institutions rather than political parties. It also enables us to think within a longer time span. However, two problems are connected to it. The first lies in the wideness of the term "ideology", since it leaves almost no space for non-ideological mode of thinking. The second is an implication of the first: what if the decisions are taken in a sort of ideological vacuum, without the presence of social groups representing various ideologies? In those cases, Kemeny's work (even though fruitfully applied in the case of Sweden; for Finland, see Ruonavaara 1996) would not be of much use.

### **Transition or transformation?**

One of the questions related to post-communist countries is whether they have experienced transition or transformation (Stark 1992; Smith and Swain 1998). While it is true that some authors use these terms rather interchangeably (e.g., van Brabant 1998), we argue that the differences between the two conceptions of social change (and the ideas that they are generally connected to) can lead to

different consequences. This problem allows us to set the process of privatisation in wider context of theories dealing with social change.

The term “transition” is connected to the idea of a trajectory from A to B, where A and B in most cases represent two opposing social systems represented by communism and capitalism, or more precisely, a totalitarian non-market society versus an advanced liberal democratic capitalism, past and future (Stark 1992; Machonin 1997). In the Czech scientific context, these perspectives were formulated by neo-liberal economists (Klaus 1995) in opposition to the “institutionalist” approach (Mlčoch 1997). In this regard, it is important to stress that Václav Klaus (apart from being an economist) was one of the leading Czech politicians responsible for the reforms in the country. In his own words: “It is not true that we need to create some kind of ‘economics of transformation’...The concept of transformation is not a difficult one -it is just hard to push it through politically.” (Klaus 1995: 33)

Consequently, seeing social change as a transition favours normative thinking and teleology. According to critics (Stark 1992; Machonin 1997), it is deeply rooted in modernisation theories, namely the development theories connected to various stage-systems. Contrary to the transition approach, the term “transformation” is based on the argument that social change does not necessarily follow any “telos” or ideal, but rather works under its internal logic – often a dependent one. According to Machonin (Ibid: 46): “The most reliable criterion enabling us to distinguish the ‘transition’ and ‘transformation’ processes in its proper sense is, in our opinion, the acknowledgement of either merely one or more possible alternatives and variants of future development.” This is highly relevant to the concept of path dependence, as the author will go on to demonstrate.

Both the transition and the transformation perspectives have been criticised recently as too schematic and ideological: “In the name of ideological battles, different goals and focus of arguments on both sides was ignored and transformed into academic weapons.” (Sýkora 2008: 290). According to this author (Ibid: 284-285), there should be a discussion about “transition and transformations” instead, the former being a “broad, complex and lengthy process of societal change”, while the latter divides into intentional and spontaneous type of transformation. This makes it possible to talk about two stages of transition, the first comprising “intentional transformations controlled by government” followed by a second period of spontaneous transformations “characterized by evolutionary adaptation of existing social as well as regional and urban systems to the new societal rules”. The revolution brought a sudden change of rules and consequent evolutionary adaptation.

However subtle this difference may seem, it has implications on the analytical level. Analytically, those who prefer the transition approach put



more stress on differences between “A” and “B”, while transformation advocates tend to concentrate on continuity, or as Stark (1992) writes, rather than getting from A to B, they build the new system in the ruins of the old one. Machonin (1997) also draws attention to the problem of methodological individualism – saying that some system “has a vision” implies strong anthropomorphism. Moreover, any unforeseen changes are judged differently by these approaches. For the transition concept, it is merely a (temporary) detour caused by a mistake, whereas transformation theories are more open to accept the change in trajectory as a normal development. According to some authors, “transitology” is directly connected to the political ideologies of neo-liberalism and neo-conservatism and took the place of the outdated communistic ideology (Pickles & Smith 1998; Sojka 2003). Another analytical difficulty related to “transitology” is its tendency to underestimate local social relations, which renders it useless for answering the question of divergent development in various CEE countries with similar economic indicators (Tsenkova 2009).

### **Path dependence and path creation**

Recently, a different approach to understanding the dynamics of housing systems has been applied under the term “path dependence” (for a deeper review of its origins and criticism, see David 1994, 2000). It was originally designed outside the field of sociology, nonetheless, it has become a popular sociological concept (Mahoney 2000) over time. While not new, the theory has recently served to explain Swedish, and generally Nordic, housing policy (Bengtsston 2004, 2008). It has also been adapted for the context of CEE countries (Bruszt and Stark 1998). In a formulation used to study CEE countries, path dependence means that:

“...the future development of an economic system is affected by the path it has traced in the past...Increasing returns from learning effects and network externalities yield real immediate benefits that can preclude selection in the long run of the most efficient organizational form...Once an economy is locked into a particular trajectory, the cost of shifting strategies outweigh the benefits of alternatives.” (Grabher and Stark 1998: 57-58)

For this reason, the authors warn against taking fast “roll of the dice” decisions and recommend leaving enough space for alternatives, i.e., not setting the cost of further changes too high.

It has to be mentioned that the widespread use of the term “path dependence” has been criticised for its vagueness (Mahoney 2000). According

to Mahoney, this leads to a state where a concept that previously had strong explanatory power dissolves into a mere statement of "history matters", and any change is a priori considered to be a path dependent one. The source of this misunderstanding can be found both on the conceptual and the methodological level. The first is the result of the disrespect for the criteria of timing, the stochastic relationship between initial conditions and the outcome, and misunderstanding of inertia effects. Consequently, scientists mistake path analysis for path dependence. In his reply to Mahoney's criticism, Bengtsson (2004) suggests differentiating between the "strong" and the "weak" concept of path dependence, preferring the latter for the sake of its "fruitfulness" in actor-based analyses, which are mostly needed in the field of housing research.

One of the most powerful concepts within the path dependence theory is the "lock-in" state. This refers to a form of institutional reproduction in which the "mechanisms of reproduction may be so causally efficacious that they 'lock-in' a given institutional pattern, making it extremely difficult to abolish" (Mahoney 2000: 515). Thus, it is due to past key decisions that other alternatives, otherwise more efficient, are closed. The lock-in state also stresses the importance of counterfactual analysis, translated in the following question: "What alternative development would have been possible at point B, if the event at point A had never occurred?" (Bengtsson 2008: 7).

The criticism of path dependence theory has led to a theoretical alternative which is based on a different approach to the assumptions of path dependent perspective (Schienstock 2007; Garud et al. 2010). Garud et al. show that mainly in smaller institutions and organizations (they draw their casuistic from management studies), the initial conditions and framework tend to be socially constructed instead of given. This gives more liberty to the actors, so that even the state of lock-in can be seen as open to manipulation from the actors themselves, thus the lock-in can be broken by the actor themselves, as it is a mere "provisional stabilization". While we find privatisation of housing a too large scale problem, we took this into account especially when interviewing on the municipal level.

### **Research questions and methodology**

The theoretical discussion yielded three topics to address: (1) the existence of a clear vision or a goal of the change; (2) the existence of alternative solutions to housing problems; (3) the role of ideology in the decision process. Thus all the experts were asked these specific questions:

- (1) Has there been a commonly accepted definition of the desired state ("B") of the housing privatisation and has the definition of "state B" (vision) stayed the same over the years?

- (2) Has there been any formulation of an alternative to the housing privatisation process?
- (3) Was the privatisation process perceived more in ideological or rather in technocratic terms?

The answers to these questions will be related to the theoretical framework as follows:

- (1) The existence of a clear vision or goal of the change would be in favour of the transition theory, while the opposite would be in accord with the theory of transformation;
- (2) The path dependence concept is more or less (strong or weak conception, or the spontaneity of the path) based on the fact that there were several options to choose from. If there were relevant alternatives formulated, it would be in favour of the strong concept; if not, the decision process should be seen as spontaneous;
- (3) When we look at the specific decision as to whether and how to privatise the public housing stock in different municipalities or on state level, we consider the role of ideology as an explanation for the choice.

In order to find answers to the research questions, thirteen interviews were carried out. Based on analysis of political documents, the press and the institutional structure, the key actors were defined in order to represent the widest possible spectrum of views. This sampling strategy is in line with the non-probability method of purposive sampling with the aim to represent the maximum heterogeneity of interviewed persons (Maxfield and Babbie 2008: 162-167). Hence, cities of various size were visited and both political and non-political personalities were interviewed (see Table 3).

Six interviewees operated on the state level in the early nineties (including two former ministers) and five were chosen from the municipal level (although some of those later entered state-level politics). Two additional interviews were conducted with citizen groups focused on the issue of housing privatisation in Prague and Opava. Research at the municipal level was conducted in Prague and in four different Czech towns. The interviews were semi-structured, transcribed and were then coded using key themes that emerged within, and outside of, the interviews themselves.

There were few rejections to give interviews, however two important actors did so. While it is true that they have published newspaper articles on the issue of privatisation, this source was not sufficient to give answers to our research question. The respondents sometimes seemed distrustful and hesitated on giving answers to certain questions, which was generally connected to the fact

that they were still in office. However, only one respondent explicitly refused to give a clear answer stating that he does not trust the researcher enough.

Table 3: **Summary of interviewed experts**

Level	Position	City
State	Ex-minister	Prague
	Ex-minister	Prague
	High rank civil servant	Prague
	High rank civil servant	Prague
	Former high rank civil servant	Prague
	Academic housing policy consultant	Prague
Municipal	Political function	Teplice
	Servant	Kolin
	Political function	Kladno
	Political function	Brno
	Servant	Prague 17
Citizen groups	Member	Opava
	Leader	Prague 2

Studying the process of changes in housing systems is generally a difficult matter. Yet, with all the difficulties present even in stable societies, the situation in the CEE countries after the year 1989 involves specific research barriers. The main problem is that quantitative data are very scarce for that period (Roberts 2003: 59). That is why this article tried to bring insight into the problem using qualitative methods.

The nature of this research and scarcity of quantitative surveys makes it impossible to find a statistically representative sample and generalise our conclusions. This is of course a limitation that applies to most quantitative research. However, we strove to present the problem from various sides and as the qualitatively oriented research was predominantly focused on evaluation and description we consider the interviews with actors directly involved in the process as the best available possibility to determine the factors that shaped the trajectory of the change in the Czech Republic.

### **The findings**

In the following part, the interpretations of the interviewees will be presented and summarised under three research topics. The answers will be commented using available data from public opinion research.

Q.1.: Has there been a commonly accepted definition of the desired state (“B”) of the housing privatisation and has the definition of “state B” (vision) stayed the same over the years?

All the respondents, both at the state and the local level, admitted that, particularly in the first years after the revolution, there was a strong pro-market orientation. Moreover, they agreed on the existence of a shared belief that the state (based on the permanent housing crisis under communism; see Musil 1992) was not able to take sufficient care of the housing sector. This resulted in a strong vision that the state is the worst owner, and hence all state housing should be given away. However, there was no effective discussion about how this should be done. All the respondents agreed that the vision was too general and lacked detail. At the very beginning, some of the "old ways of thinking" were also present, but that was gradually disappearing as time went by. As one of the state-level experts put it:

“At the beginning (1991) it was not a real systematic change, it was more like ‘we will plan everything up to the last point, but this time it will work’...”

“It is not like brand new blood would emerge, definitely not, it was rather something like learning by doing.”

As for the continuity or discontinuity on the personal and the institutional level, the answers given by state and municipal officials differed. The former agreed that there was a degree of continuity, mainly on the personal level, and concluded that the values and opinions of the persons in charge were influenced by “the old regime”. Conversely, respondents from the municipal level tended to stress the higher level of institutional and personal change in their localities. The fact that the decisions related to the privatisation process were decentralised to the municipalities makes this difference a relevant one.

The respondents also stated that the vision of goals evolved over the years. One of the respondents described the experience of his municipality up to the year 1997 as “the apprentice years”. Two respondents, one from the state level, one from the municipality, explicitly said that “the vision crystallised” over the years.

Until the second half of the 1990s, there was no group that represented a clear idea. Rather, it was the work of individuals or small unofficial groups – usually local politicians or, on state level, groups of representatives in the Chamber of Deputies. One interviewee stated that many of the transformation steps were “not coordinated, so sometimes it was just the initiative of several deputies with no connection to government policies”.

As one state-level expert put it:

“I can say, looking back in time, that I (as well as other people) realise that the slowness of the reforms was a good thing, because the

environment – and I don't just mean the legal framework, I mean people's perception, their legal consciousness, all these things, including the economics, the development of the banking sector – all these things had to be prepared for the change...It takes decades in foreign countries.”

This statement can serve as a representative summary of the transformation of the housing sector as viewed by other interviewees. Even those at the local level who favoured a fast privatisation process agreed that it had taken more time than expected for these reasons. Another reason for the changing visions mentioned at the municipal level was unforeseen technical problems – e.g. the low level of documentation or the difficulties connected to setting the rules for privatisation.

Q.2.: Has there been any formulation of an alternative to housing privatisation process?

All the respondents claimed that on the general level there was a universal perception that privatisation was dismantling state housing. The differences became apparent when discussing the details of this transformation. One state level official stated a clear consensus on the fact that the state should provide those in need with housing, yet various groups developed and suggested different means to reach this objective.

One of the respondents, representing the state level, offered a theory that one relevant and essential difference was between the two different explanations for the perceived housing shortage at the beginning of the nineties (for precise figures, see Donner 2006: 65-66). One group saw the cause as lying in the low housing production, whereas the other group pointed to the low quality of housing stock management (redistribution).

Except for one case, the actors admitted that they were quite oblivious to the existence of privatisation methods other than selling to sitting tenants (for example, non-profit housing). Privatisation was predominantly perceived as a way to foster individual homeownership. The actors explain this through being inexperienced. The only respondent that was at that time aware of non-profit strategies considered this option impossible owing to the weak level of civil society at that time and the lack of legislation on non-profit organisations. In the words of one interviewee:

“There was a dominant interpretation saying that now we (the municipality) will give it (the housing) to you, we will check it off, which means that it no longer belongs to us...”

The situation on the tenant side was described as follows: “Some people said that they have lived here for twenty, thirty years and have a right to

acquire it by prescription...” A similar argument appeared during an interview with an association in favour of housing privatisation in their neighbourhood. They are trying to push the municipality to sell its housing stock to sitting tenants. When asked why they did not demand their rights earlier than in 2008, they claimed that they did not perceive it as a problem, because the rent was below the regulation level.

Another respondent remarked that “there is some kind of delay in people’s thinking, they cannot understand the price of housing and are waiting until someone else will help them”. In one municipality, a public inquiry was carried out in 1998 asking people whether they wanted to buy their housing from the municipality. The people expressed low interest which, in the words of the respondent, “reflected their low awareness of what is going on”. Another municipality set a strategy, from the early nineties, to “transfer housing in preference to the sitting tenants, who had often invested the money that, in fact, the state had been supposed to invest so that their flats were in good condition.”

Another, this time state-level, public inquiry was carried out in 2005 as part of a survey focused on social justice. The above-mentioned low awareness is in accordance with the following results. Firstly, when asked to name the most unfair issue in the CR (open question), only 17 respondents out of 1021 mentioned housing. When confronted with 19 social problems (unemployment, justice, criminality), the respondents judged “problems related to housing or rent regulation” as 11<sup>th</sup> most urgent.

Table 4: **Is housing policy in CR fair?**

<i>Q: "To what extent are you satisfied with the current housing situation in the Czech Republic?"</i>					
	Very satisfied	Rather satisfied	Rather dissatisfied	Very dissatisfied	Do not know
Overall satisfaction (%)	2.3	41.9	36.7	12.3	6.8
<i>Q: "In your opinion, is the current housing policy socially fair or unfair regarding the following issues?"</i>					
	Definitely fair	Rather fair	Rather unfair	Definitely unfair	Do not know
Privatisation of housing stock (%)	6.3	41.8	28.0	6.4	17.6
<i>Q: "In your opinion, would the following decisions make housing policy fairer or more unfair?"</i>					
	Definitely fair	Rather fair	Rather unfair	Definitely unfair	Do not know
Finish privatisation (%)	8.2	27.8	27.6	12.8	23.5
Stop privatisation (%)	6.1	20.2	31.9	14.3	27.6

Source: Public Opinion Research Centre 2005  
N=1037

On the other hand the public opinion on housing and privatisation (See Table 4) shows us that half of the population stated dissatisfaction with the

general housing situation in the Czech Republic. But when asked more specifically about housing privatisation, the opinions varied and the proportion of “Do not know” answers rose as well reaching one quarter when judging the fairness of finishing/stopping privatization of housing. No significant association to political beliefs was found.

When confronted with the question of social justice, the interviewed experts and politicians stated two more or less similar reasons. First, they all admit that the decisions were often made during the revolution years, when decisions had to be made fast even at the cost of having no detailed analyses. Second, one state-level expert and one mayor admitted that they were aware of a possible injustice, but justified this with the observation that every revolution inevitably has its unjust decisions. One of the respondents stated that there was no time to seek justice. In the words of one state level expert:

“After the revolution (...) it was a big change, suddenly people were willing to sacrifice themselves (...) people would say ‘we are doing it for our children’.”

One of the interviewees reacted:

“Housing, on the one hand, of course concerns everyone...but on the other hand, everyone had a place to live – so why should we change anything? There was no need, no heavy pressure...”

Moreover, as the respondents agreed that the state was well aware of its inability to manage the housing stock, they perceived the transfer of the housing stock to the municipalities to be logical. However, only one of the interviewees mentioned a non-technical reason, stating that the centralised decision about the housing stock would have been at odds with the ideas of the reform, such as decentralisation and respect for ownership rights.

Q. 3: Was the privatisation process perceived more in ideological or rather in technocratic terms?

The respondents did not regard the changes in the housing sector as ideologically driven, mainly because the housing sector tends to be more specific and thus less open to general ideological arguments. One of the interviewees claimed that “the arguments (in the field of housing) were far less ideological than in the ‘great privatisation’”.<sup>4</sup> This claim was confronted with the data from public opinion research 2005 focused on social justice in the Czech Republic. Respondents were asked to judge social fairness of several

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<sup>4</sup> The great privatisation is a common term for voucher privatisation of state enterprises.



policies. The Tables 5 and 6 summarise the answers about the “privatisation of the public housing stock” the “great privatisation“, both related to respondents’ self-positioning on the left-right scale of political spectrum.

**Table 5: Is the privatisation of public housing stock fair or unfair?**

	Political scale					Total
	LL	L	Middle	R	RR	
Definitely fair	6.5%	12.9%	16.1%	30.6%	33.9%	100.0%
Adjusted std. res.	-1.6	-1.4	-1.0	1.0	2.6	
Rather fair	10.3%	18.8%	20.3%	29.6%	21.0%	100.0%
Adjusted std. res.	-2.2	-.7	-.5	2.7	.2	
Rather unfair	15.8%	23.1%	21.6%	20.1%	19.4%	100.0%
Adjusted std. res.	1.7	1.7	.3	-2.5	-.7	
Deinitely unfair	23.4%	18.8%	28.1%	17.2%	12.5%	100.0%
Adjusted std. res.	2.6	-.2	1.4	-1.6	-1.7	
Total	12.9%	19.8%	21.0%	25.5%	20.8%	100.0%

Sommers' D = - 0, 125 for "fairness" dependent  
 Source: Public Oponion Research Centre 2005  
 N=808

The data in both tables show that the perception of fairness is associated with political preference. This shows that social fairness of privatisation is opposed by left-wing inclined respondents. Comparing the two privatisations, it can be stated that the relationship between fairness and political preference is clearer and stronger for the “great privatization”. This is in line with the above mentioned absence of ideology in housing matters in comparison with voucher privatisation.

**Table 6: Is the voucher privatisation fair or unfair?**

	Political scale					Total
	LL	L	Middle	R	RR	
Definitely fair	5.7%	2.9%	5.7%	31.4%	54.3%	100.0%
Adjusted std. res.	-1.4	-2.6	-2.1	.9	4.9	
Rather fair	4.6%	10.2%	20.3%	29.4%	35.5%	100.0%
Adjusted std. res.	-4.4	-4.0	.2	1.6	5.8	
Rather unfair	12.9%	20.5%	20.2%	29.1%	17.2%	100.0%
Adjusted std. res.	-.7	.3	.2	2.0	-2.1	
Deinitely unfair	23.5%	29.4%	20.8%	16.5%	9.8%	100.0%
Adjusted std. res.	5.4	4.6	.5	-3.9	-5.4	
Total	13.9%	20.0%	19.8%	25.2%	21.0%	100.0%

Sommers' D = - 0, 299 for "fairness" dependent  
 Source: Public Oponion Research Centre 2005  
 N=789

In contrast, one respondent commented on the law forcing the housing co-operatives to transfer the flats to sitting tenants [provided they applied for it) as

follows: “[at that time] people considered co-operative housing to be a communist nonsense”. This argument bears the signs of ideology, especially considering the fact that housing co-operatives were already active in the period before the Second World War.

Apart from the ideological and technocratic reasons that shaped the process, the majority of the municipal-level respondents [including the representatives of citizen groups) stressed the “short-term” interests of political and other interest groups. Even one of the state-level experts admitted that the management of the housing stock is an unpopular topic because of the length of the process. In other words, during a deputy’s four-year mandate, there are less complicated and more attractive issues to tackle – and “sell” in the next elections. As for the lobbying of “other interest groups”, the respondents stated that some people either just want to make an economic profit or are trying to heighten their political visibility. According to respondents, these factors make long-term decisions too difficult and undermine the continuity of the privatisation process.

## **Discussion**

One of the goals of the article was to evaluate the path dependence concept in terms of its explanatory value. The findings do not clearly support the usefulness of this concept to coherently explain housing reforms. One reason is that path dependent processes usually take decades to show their path dependent features. Yet, in the Czech Republic, there is a very limited continuity and reflection (when crucial decisions are being made) of tradition or past decisions. Our findings have also shown that the decisions were – at least in the first decade – often taken without any deeper analysis of the situation and in most cases ad hoc solutions were applied instead of setting up long-term strategies. In Sýkora's words (see above), the change was more spontaneous than intentional. Thus, interpreting the process as path dependent and tracing the specific paths could make the history more logical and rational than it was. Moreover, as no solid alternative conception of privatisation was presented, no counterfactual analysis (Bengtsson 2008) is possible, and thus in the Czech context one of the pillars of this concept is weak.

Moreover, we have introduced the path creation theory, though it has mostly been applied in the field of technological change (and management studies) rather than social change. With regard to the focus, implications and assumptions of the theory, we found it of still a little use in policy studies. The main reasons lie in the fact that the level of housing policies in the Czech Republic is strictly given by the laws and measures (as deregulation) that create rather given than socially constructed framework for the actors. However, this is slowly changing as the decentralisation of power proceeds in the Czech

Republic. While we have focused predominantly on the decisions from the nineties, following studies could be more open to this approach, as the level of freedom in local institutions is steadily growing. In other words, the contingencies (as Velvet Revolution, mass transfers etc.) are shifting from the large (random and exogenous) scale typical for the application of path dependency to a smaller scale where in the words of R. Graud et al. (2010: 12) the contingencies are “emergent and serving for embedded context for ongoing action.”

### **Conclusion**

In this article, the factors explaining the change in the housing system in the Czech Republic after 1989 were examined with regard to the perception of social injustice and related risks. The explanatory statements of the actors in privatisation process were related to the theoretical discussion on social change in CEE countries and with focus on the path dependence concept.

As far as the choice between the transitional and transformational approach is concerned, our findings favour the theories of transformation rather than transition from state A (communism) to B (capitalism). It is nonetheless true that no form of effective alternative solution was on the table in the given period, but at the same time, the goal of the path remained unclear and rather general. The desired “state B” has become clear during the process, or, in the respondents' words, “crystallised” during the process. To illustrate this, we can mention that, in the year 2001, almost 60% of municipalities had “no coherent housing policy” (Sýkora 2003: 76; however the data suffer from low statistical representation). Regarding the role of party politics and ideology, the respondents expressed a clear consensus that, mainly during the first five to seven years of post-socialism, policy was the work of individuals or small groups, and was not directly linked to a political party or ideology.

However, we have to conclude that the explanatory power of path dependence can differ at the state and the municipal level. The main reason is the higher degree of personal, institutional and legal continuity present at the state level. Conversely, the municipal level is prone to a higher degree of spontaneity and the pressures of short-term interests (path-shaping by social groups, as mentioned by Hausner et al. 1995: 5-15). As Hegedüs (2009) stated in his conference speech: “...the general trend of housing privatisation cannot be explained in the framework of the path-dependence theory, as it was a consequence of the endeavours of institutions and social groups dominated by short-term interests”.

Still, the path dependence concept can be of use in at least two ways. The first way exploits the strength of this concept often described as its “fruitfulness”. Particularly during the phase of research design and the

formulation of hypotheses, it served us as a good tool and source of inspiration. Yet, there is one issue that supports the path-dependence thesis. As we could see, the inhabitants were likely to be the ones to express continuity in their thinking, in their own conception of the "right to housing". In the terms of path dependence, people are "locked in" past decisions. This state is the result of unclear ownership rights, and in fact quasi-ownership, and of citizens' own interpretations of the "right to housing". It is this state of "lock-in" that makes the discussion – and decisions – connected to social justice ineffective. Our findings show that in most cases these consequences were not seen or considered relevant by the officials. On the other hand, those who were aware of forthcoming problems were also aware of the "people's preferences" and felt that they could not go against their voters. It is also possible to use path dependence to elaborate a detailed comparison of several municipalities in one country. Another meaningful use could be in an international comparison of similar analyses. Given the fact that, unlike the first decade after 1989, nowadays the process of making housing policy is less "ad hoc", it could yield interesting results.

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