

# **PRIORITY ISSUES AND STRATEGIC CONCEPTS FOR THE CZECH REPUBLIC**

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## INTRODUCTION

A systematic futures research is most prevalent in many developed countries of the world, particularly in the United States and Western Europe. It is encouraged by various international organizations including the United Nations, OECD, UNESCO, the World Bank and others. The Commission of the European Union emphasizes the importance of these organizations' activities in its programmatic documents and recommendations for candidate countries. It is necessary to realize that in the previous decade, the Czech Republic fell significantly behind in developing this field compared to Western Europe, but also to several countries in Central and Eastern Europe that find themselves currently in the middle of the transformation processes from command to market economy and out of authoritarian to democratic political system.

The Center for Social and Economic Strategies, Charles University Prague (CESES) was established in October 2000 to bridge this gap. It develops theories, methodologies and practices of futures research. Its goal is to identify and analyze key issues, developmental barriers and development opportunities of the Czech Republic, while respecting diverse values and methodological approaches. It publishes volumes and comprehensive analyses, visions and scenarios of the social, economic and political development of the Czech Republic in a wider global, international, security and ecological context. In this way it contributes to identifying priorities and preparing strategically responsible political and legal decisions. This presupposes a permanent public dialogue on these issues between experts, politicians, civil servants, representatives of the civic sector, and individual citizens themselves. **Visions of the Development of the Czech Republic until 2015**, published in Czech by Gutenberg in Prague in 2001, was the first work of the Center and relied mostly on the SWOT analysis and scenario writing. **Guide to the Priorities for the Czech Republic**, Prague, Gutenberg 2002, is the second major publication of the Center. The research work starts from clarifying theoretical points of departure and from considering optimum research methodologies. It offers a model of the development of the Czech society and its modernization in the global context, the identification of developmental potentials, formative regulators, a set of priority issues and their solutions and the formulation of synthetic strategic concepts. The general methodic approach exploited in this publication and elaborated by a small prognostic team represents an original methodology of demarcating the space of priorities for a small country, which is currently transforming its economy and political system and that aspires to be functionally integrated into the transnational structures. This report is based primarily on the findings of the second study.

The long-term research plan of CESES calls for the systematic identification and analysis of key problems in the Czech Republic, their developmental barriers and developmental tendencies. Comprehensive analyses, visions and scenarios of the social, economic and political development in the Czech Republic will be conducted in a wider global, international, security and ecological context, and in the context of preparing the country for entry into the European Union. Through this research, a foundation will be created that will simplify the articulation of national interests, and priorities for the Czech government that will help to achieve these interests. Simultaneously, this research will develop research methods in the area of futures studies and strategic planning in the Czech Republic.

## I. THEORETICAL AND METHODOLOGICAL STARTING POINTS

Our task – to examine possible paths of the future development of the Czech Republic – represents an extensive cognitive assignment that cannot be solved without an adequate theoretical background. The nature of the social sciences, however, is multi-paradigmatic as they do not provide us with a single guideline or a complete interpretative framework. On the contrary, social sciences offer a number of theoretical starting points and expositions, which may be once complementary, the other time contradictory. Therefore we have to make a deliberate decision. In the case of this study, we opted for the **theory of modernization** that is nowadays broadly recognized as the most influential instrument of the analysis of the development of contemporary societies.

The theory of modernization was inspired by unprecedented changes induced in the Western civilization by the industrial revolution. The revolution brought technological progress, changes in the employment structure, urbanization, increase in anonymous social relations, individualization of social life, secularization, increase in the number of large organizations, bureaucratic system of rational management, new large organizations and administrative units, weakening of the traditional authoritative systems and, last but not least, the existence of national states. All the theories of the transition to the industrial society presuppose that individual societies develop from lower forms to higher ones, from simpler and undifferentiated forms to more complex and differentiated ones. As early as the end of the 1960's, however, some authors began to point out that the industrial (modern) society was approaching the limits of its possibilities and within it the contours of a new, postindustrial society were looming. Daniel Bell is regarded as the most important propagator of the idea of postindustrial society. In his book with the telling title "The Coming of Post-Industrial Society", Bell (1973) concludes that the Western world is experiencing **the second modernization transformation** characterized by the development of services and information technologies. From a historical standpoint, the transition from the pre-industrial (traditional) society to the industrial (modern) society is replaced by the era in which the industrial society is transforming to the postindustrial society. Later on, the term of "postindustrial society" was largely superseded by the new term of "**information society**" that better suited modernization changes under way. Toffler argues that the origins of the postindustrial society are connected to the development of new technologies enabling to overcome time and space limits of industrialism.

In consequence these changes entail individualization, universality, decentralization, territorial dispersal, loosening of time structures (instead of synchronicity). Blue-collar workers are no longer majority representatives of the new era – in typical pictures showing our present time they are replaced by white collars from offices and administration who specialize in the information production and processing. Bell, Toffler, followed by other authors (Reich 1991, Drucker 1993, Naisbit 1984, Castells 1989, for example) even arrived at the conclusion that information technologies determine the character of the social structure of new societies and that information is becoming a key strategic source upon which these societies are dependent. Those who can access and make use of information – the symbolic analysts – are becoming a new elite, similar to industrial magnates who were the leaders of the industrial epoch.

Under the pressure of criticism, however, the emphasis on the determining role of technologies within the theory of modernization is gradually being lifted. Voices calling for the humanization of modernization are becoming more pronounced. Therefore the notion of the "**knowledge society**", also bearing a significant human dimension, nowadays completes and even partially replaces the term of the "information society". For the conceptual model of the knowledge society does not show a dehumanized, technocratic society managed by an

artificial intelligence, but a society that founds its development upon human resources and human potential. The human being is not an object but a subject of action (Provazník et al. 1998: 205). The concept of the “**reflexive modernization**”, placing the main emphasis on the critical discussion about unintended consequences of modernization, is also moving to the foreground. The reflexive modernization, however, does not imply mere elementary reflections on modernization in public discussions or in public criticism of unintended consequences of modernization. The reflexive modernization implies, above all, a self-confrontation (Beck, 1994: 5). In an undirected and unforeseeable way, the reflexive modernization identifies itself as a problem and hereby undermines the modernization as such (Beck 1994: 176). Critical reflections question the very principles upon which the modernization relies. Results of this process can be both positive and negative for a society.

The positive outcome of the reflexive modernization is characterized by the true **individualization** (which does not imply atomization, isolation or loneliness, on the contrary, it suggests a deliberately chosen solidarity) and by the activation of the so-called **sub-politics** (referring namely to the opening-up of politics and the entire society – especially its institutions – to political activities initiated by interest groups and civic initiatives, and to individuals). “The sub-politics means to form the society from below” (Beck, 2000: 22-3). A. Giddens also tries to complete the image of the second modernization process with the concept of social and political transformations, which he bases on the imperative of the “**democratization of democracy**”. In this connection he further talks about the emergence of the so-called emotional democracy (in the sphere of sexual orientation, relations between children and parents, and among friends), about the tendency to strengthen institutional reflexivity (i.e. the transformation of bureaucratic hierarchies into more flexible and decentralized systems of authority), about the development of social movements and self-supportive groups (whose mission is to cultivate social potential and strengthen communities) and, finally, he also discusses the emerging “super-politics” (i.e. democratization tendencies on the global level). (Beck, Giddens, Lash 1994: 193-4)

The concept of modernization as a primarily technical and economic development has thus been complemented with the concept of the “**social modernization**” (Machonin 2000: 200). According to Machonin, one of the outstanding Czech protagonists of the modernization theory, this implies a radical shift in the focus of the modernization theory, as a result of which this theory is interpreted as a complex process whose individual components are mutually conditioned (Machonin 2000: 158). The concept of reflexive, or social, modernization highlights the role of actors in the modernization process and of their conflict with respect to the direction and nature of this process. The quality of life becomes the central criterion for the evaluation of modernization and all those who participate in public discourse aimed at its solution are regarded as a part of the reflexive modernization. This group of people does not include merely politicians, representatives of the global financial capital and symbolic analysts, but also ordinary people, civic organizations, the so-called “techno-rebels” (Toffler) and new social movements seeking ways to the sustainable development of our civilization.

We share Machonin’s opinion asserting that the modernization endeavors do not have a complex character in the Czech Republic. This fact is finally also reflected in growing difficulties that the modernization process in our country encounters. As Machonin points out, the awareness has been growing for some time that “political, and especially economic, reforms under way in the Czech Republic have not been accompanied by development, but by the **increasing absence of social modernization**. And precisely this absence is beginning to represent one of the decisive obstructive factors in the further progress of social transformation” (Machonin 2000: 200). “The development of modern political institutions or of the participatory democracy, corresponding decentralization of state administration,

protection of minorities and the balance of legislative, executive and judiciary power” have been and still are being neglected (Machonin 2000: 112). Further on, “the importance of law, ecology, public health care, protection of consumer rights, fight against crime etc.” are still being underestimated (Machonin 2000: 113).

The notion of “**social modernization**” refers to the publicly discussed conflicting process of the innovation of social potentials, institutions, legal norms, values, cultural models and informal rules of social life conditioning and regulating the technical and economic development towards the increasing quality of life of broadest sections of population. Social modernization is not just a process occurring synchronously with, and adjusting to, the processes of technology development and production management, i.e. it does not simply fulfill a sort of a “cultural gap” (Ogburn, Nimkoff 1947) between the material and immaterial aspects of the societal life. Social modernization coexists with these processes in a reciprocal relationship (Inglehart 1999) and substantially influences the resulting effects of modernization. It can inhibit or reinforce, but also cultivate, ecologize, humanize or, on the contrary, dehumanize and barbarize the modernization as such.

The central issue in the priorities of the modernization process is a choice, or rather a solution of the conflict between our orientation to an “economically super-efficient **turbo-society**” (Beck 2000: 54) and the orientation to the quality of life. In this respect, they were the **theories of sustainable development**, or a sustainable way of life, and the concept of an **open society**, usually connected with the name of Karl R. Popper, that significantly helped us in our orientation. The idea of realizing a humanistic social paradigm, however, needs to be imbedded in a larger **context of relevant theories** that would provide a framework for our understanding of the modernization processes. At this point we are dealing with general debates related to the globalization processes and with the theories of the world system, especially the theory of dependence of the periphery on the center. We can argue that the Czech Republic finds itself at the semi-periphery – and we can interpret its potential futures as ways that may lead either close to the center or to the margin of the world system.

From a methodological point of view, we believe that it is important to observe the principle asserting that the most fruitful studies on social sciences are those that successfully combine reliable research methods with sound theories of their subject that is both problematic and relevant for a society. In the present work we therefore try to follow the given theoretical concept with the so-called problem-oriented approach to the analysis of topical ongoing modernization processes in the Czech Republic. The identified problems in the modernization in the Czech Republic are recognized as priorities. Ways or directions of modernization processes are viewed as strategies, or strategic concepts of problem solutions.

It is apparent that, for instance, politicians, entrepreneurs, state officials and scientists would define modernization problems in various ways. Even members of the individual aforementioned groups may define the same issues in different ways and may propose various solutions for the equally defined problems. We therefore believe that the selection of modernization priorities for the Czech society cannot be treated on the basis of a single, even if perfectly objective and closely elaborated, theory of modernization. Moreover, there is no such a theory. Neither does the above-mentioned survey of modernization concepts aspire to such a role. Our concept of social modernization represents a general framework within which priorities of the development of the Czech Republic are to be searched for. This framework may influence a selection of priorities, however, it does not determine them. The selection of priorities is, first of all, the matter of a **democratic discussion** led by all participating actors. And we have always tried, and will try, to conduct such a discussion.

## II. CONCEPTUAL MODEL OF THE CZECH SOCIETY AND ITS MODERNIZATION IN THE GLOBAL CONTEXT

We present a conceptual model of fundamental connections between the development of the Czech society and its modernization in the global context. It represents basic developmental causalities that are grounded in the criteria-based foothold of reflections on possible and desirable futures (A – Criteria Block), in the selection of seven significant potentials of development influencing the given criteria (Block B – Developmental Potentials) and in the four areas that contribute to forming those developmental potentials by generating conditions for the use and activities of differentiated social actors (Block C – Formative Regulators). **Refer to the scheme at the very end of the paper.**

### A- Criteria Block

The **quality of life** is a result of mutual interactions of social, health, economic and environmental conditions of the human and social development. In our concept the quality of life represents objective conditions for good life. This objective aspect of life quality comprises the fulfillment and the potential of fulfillment of biological, social and cultural needs of a human being. **Sustainable development** is such a development that meets the present needs without jeopardizing the needs of the generations to come. In our work, we have tried to answer the question of how to express the conflict between the quality and sustainability of life of present generations, who can defend and assert their interests themselves, and the quality and sustainability of life of generations who have not been born yet and whose interests can be therefore neither directly represented nor defended.

### Block B – Development Potentials

#### B1. Social cohesion

is understood to be social relations, shared identities, interpersonal credibility, social control and solidarity, as well as loyalty and mutual expectations that people prove and demand from one another in their relationships on the everyday basis. Social cohesion originates in everyday interactions among people who step out of their individual anonymity, participate in public and collective life and accept their share of responsibility for events exceeding their narrow individual interests. The most important institutions participating in the creation and/or maintaining of social cohesion are the family, school, civic society, churches, geographically defined communities (neighborhood, municipalities, towns), welfare state and cultural and value climate in a society. As the social capital gets established only through everyday actions of individuals, it is such a complex and autonomous phenomenon and **there does not exist a direct path to the construction of social cohesion from above**, for instance, by means of an administrative decision. Nevertheless, **what can be efficiently supported from above are the institutions that represent resources and catalysts of social capital as they alleviate certain social tensions and inequalities**. The level of social cohesion **favors both the quality of life of individuals and the life conditions of entire communities**.

The social cohesion of a society can be approached in two different ways. The opting for the “institutional” support of sustainability and development of social cohesion presupposes a comprehensive involvement of a welfare state, not only in the role of a regulator, an organizer and a provider of resources, but also as a supporter of the above-mentioned communities and institutions. Such an approach raises hopes of maintaining, or

even increasing, the current level of social cohesion. At the same time, however, it brings the risk of the low legitimacy of such activities and of their refusal on the side of the public who may not identify itself with them. On the other hand, the “civic” approach towards the development of social cohesion lets the development of social cohesion be carried only by informal communities and civic institutions. This approach would probably lead to a possibly weaker and fragmented, but also naturally legitimate social cohesion.

No matter which of these paths the Czech Republic will follow, both the state and all the other actors will always have to respect fundamental values of humanism, freedom and responsibility, equal opportunity, solidarity, social justice and subsidiarity.

## **B2. Knowledge society**

As knowledge is now becoming a decisive factor in economic success, the investment into knowledge (know-how) is being increased at the expense of the investment into raw materials and the quantity of human labor. The ever-increasing global competition cuts down the profit from mass production (i.e. the production of uniform, routine and standard goods) and the most successful companies of today are characterized by a highly developed ability to gain and commercialize “hard-to-imitate”, top technological knowledge. The key terms in economic success and competitiveness are “innovative ability”, “human resources”, “immaterial investment”. In our study we refer to these tendencies as to the “**knowledge society**”.

Knowledge, know-how and information play multiple roles in our society, being namely related to the economic growth and competitiveness, development of democracy and quality public administration, development of human beings and their individuality, support of healthy life styles, continuance of cultural traditions, including ethic codices and patterns of behavior, maintenance of high employability of each individual, low level of unemployment in the society and support of social cohesion in the society.

The fundamental principles of the strategy of the education development are diversity and individualization, transparency and permeability, life-long study, key competencies, decentralization, autonomy and innovation of the educational system, high level of monitoring and the evaluation of quality, information literacy and ICT utilization, development of human resources, broad economic support. The strategy of the support of research and development (R&D) relies on the interconnection of various R&D institutions into a communicative and collaborative network and on the close cooperation with international R&D institutions (the synergic effect principle), on the interconnection of R&D institutions with practical needs, concentration of means into a smaller number of coordinated programs and projects, orientation towards results and exacting evaluation criteria (according to the world standard), transparent, efficient and diversified division of financial means, coordinated and professional state administration of R&D and functional organizational settlement and motivated human resources.

## **B3. Labor market, employment, and employability**

is a place where the supply of and the demand for labor force meet. The principal aspects of the labor market are employment and unemployment, the wage level and income disparities. For many reasons, however, the labor market is not a market in the proper sense of the word as labor is not a mere commodity. The labor market is strongly regulated by the state that intervenes, first of all, through the welfare state and economic policy. **The position on labor market has a crucial impact on the quality of life of people and their families.** This

relationship is generally acknowledged and empirically documented and is not limited merely to the issues of the living standard.

In general, the strategy of the labor market development must strive to **achieve equal labor opportunities** and dignified conditions of human work. Modern states acknowledge the **right to work**, i.e. the right to freely choose a job in satisfactorily working conditions and at commensurate award, the right to get a job within the limits of social possibilities or a financial assistance in unemployment. In a short-term perspective, the labor market policy strives to **achieve full employment**, in a long-term perspective, it aims at the **employability growth**. The long-term strategy of the labor market development may be composed of three fundamental elements: the development of human resources, the support of enterprise and the support of mobility on labor market. Even in a short-term perspective, however, the acceptable stability on labor market can be achieved by means of the **public support of employment while the growth of wage increase is limited, the active policy of employment** and the suitable **ratio of the minimum wage and social subsistence benefit levels**.

#### **B4. Demographic development, health, family and housing**

significantly interferes with all the processes whose actors are people. The necessary condition of the reproductive process is the **family** in any form, i.e. at least as a temporary couple of two people of different sexes. At the same time, the family fulfils a number of functions important both for its members and for the entire society. According to the WHO, **health** is defined as a condition of total physical, psychic and social well-being. Last but not least, **housing** is essential for full life of every individual. Housing does not represent merely one of the fundamental living conditions of individuals, but also advances social integration and upbringing of individuals. The variables in the field of the demographic development, health conditions and health care have become the subject of the measurement of **the quality of life and the sustainability of development**.

The basic strategic principle of the existence of a society is the **stimulation and sustenance of such an age structure of population that will not become – in the process of increasing the life expectancy (and, consequently, the population aging) – an obstacle for the further successful development of a society**. This principle relates both to economic aspects (the relationship between the economically active and non-active groups of the population) and to mental aspects (the increasing number and participation of elderly people should not induce the tendency leading to the conservation and stagnation of thinking and the conduct of the entire society). That is why it is necessary to **create an environment favorable for the founding and prosperity of families with children**, to assist them in their child-caring responsibilities by direct and indirect means and to **create motivation for selective immigration**.

The primal objective of each strategy focused on health is the **improvement of health conditions** of individuals, and hereby of the national population as a whole, i.e. the **strengthening of the health potential**. The health care policy must be based on international and national legal norms on health care: health is **one of the fundamental human rights and the equality in health and in the access to health care** based on solidarity are recorded in the Constitution of the Czech Republic.

Housing policy should **search for the balance between two antagonistic criteria: high efficiency**, determined by the market, and **social justice**, which is established by the state and its interference with the housing market.

## **B5. Internal and external security**

International **security** can be defined as a condition in which all the subjects that participate in a complex of international relations are ensured the same degree of national security. Internal security refers to the establishment of such a state of order and settlement in a country that guarantees flawless functioning of a democratic civic society. The establishment of the external and internal security of the Czech Republic represents a fundamental prerequisite for the **life quality and sustainability**. The relationship between the level of freedom and the level of security shows an apparent tension. We cannot be contented with the argument that a higher danger to the security of people is a tax for the freedom hereby acquired, but we must search for a proportionate relationship between the two acceptable for all the citizens.

The fundamental principle of ensuring the external security is the **civil management and control** that should be introduced into all the armed forces. Its primal task is to base the state security policy upon the synthesis of international political, military and internal security of the state. The second task is **to make the armed forces fully professional, at the moment particularly the army**. The basic principles of internal security are, first of all, **prevention, civic participation and an alternative system of sanctions**.

## **B6. Environment, territorial potentials of development**

The **environment** is that part of the world that human beings are surrounded by, to which they adjust and which they transform (the UNESCO definition). Human environment is a complex system that – in order to be better understood – can be subdivided into the following categories: the environment, factors that either positively or negatively influence the quality of the environment and the consequences of human activities influencing the quality of the environment. As for the **territorial potentials of development**, first of all we should emphasize the basic fact that by far not all the social and economic activities that “take place” in space, in a particular territory, can be reduced to the territorial potentials of development.

The environment is very closely related to the quality and sustainability of life. The tendency to protect the environment originated in the 19<sup>th</sup> century and culminated in the report entitled *Our Common Future*, issued by the World Commission for the Environment and Development in 1987 (The World Commission 1987). This report linked the environmental issues to the development and brought a definition of the **sustainable development**. The **relationship between territorial potentials of development and the phenomenon of the quality of life** expresses the well-known catchphrase of ecological movements: think globally, act locally.

**Ecological literacy**, especially of young people, brings a positive impact on people's conduct and value orientation compatible with sustainable development because education is a necessary prerequisite for understanding and ecological education is a prerequisite of compassion and solidarity with nature and future generations. In a middle-term perspective, the most effective means of the assertion of environmental care are the **economic environmental instruments**. The enforcement of the economic environmental instruments necessarily presupposes a political will that can originate only within the framework of the **democratic political system**. The fourth strategic pillar are **legal aspects of the environment** since in preserving components of the environment and natural resources, the conflict between the traditional ownership rights and the principles of sustainable development is going to exacerbate. The traditional juristic definition of the ownership as an unlimited power over an object is no longer tenable in the modern society. The ownership is to be used for the

benefit of a larger whole and should not merely serve exclusive interests of the owner. For this reason, it will be necessary to further elaborate on the “ecological function” of the ownership. Another strategic approach to the environmental care is the emphasis on the **environment-friendly technologies** and on ecological efficiency.

The evolution of the territorial potentials of development is largely conditioned by the idea of **the equality of developmental opportunities** of individual elements of territorial systems of the country and the **dialogue between more levels of municipal governments and subjects in private sector.**

## **B7. Economic development**

Among all the aspects of quality of life, the most important one appears to be the relationship between the economic growth and the **standard of living.** Comprehensively conceived economy creates an environment in which the growth of living standards is to be expected.

As the sound development of economy is vital for providing necessary resources to all components of our conceptual model of the development of the Czech society and its modernization in the global context, we deal with it in a special paragraph **III. Current economic situation and challenges ahead.**

## **Block C – Formative regulators**

### **C1. Forming of national culture, national identity and national interests in the context of human values**

Without an articulate personal and collective identity it is impossible to determine a sense of life and personal, collective, and national goals (Krejčí 1993). This implies the necessity to search for resources enabling a greater number of people to gain a foothold in well-defined relationships that contribute to the growth of life quality in the country.

Culture is defined as a collection of habits, symbols, objects and activities that generated in the past, have been passed from one generation to another and are still regarded by the contemporary community acceptable for the present. These attributes permeate the society, become shared values, perform identifying functions and are to be protected because, in so doing, the existence of the society is protected as well. This leads to the founding of institutions, organizations, instruments of power and control, the existence of which is affirmed by upbringing. This process approximates culture to power institutions and the state until they eventually merge in the form of a national state.

Among individual identities (local, institutional, age–generation related, professional, ethnic, religious, political, family related, municipal, interest group related etc.) there exist close relationships, mutual diffusions and influences. In the present type of communities, the civic dimension of identity appears to be particularly important. Interests can be also understood as an expression of reflected values. They are always related to the definition of the content of notions such as individual, group, community and institution, expressing the reflection of the world in our minds, in our consciousness and subconscious, personal structures or in the structures of the social climate of groups, national and state solidarity. Without understanding the values integrated by individuals in the course of their socialization it is impossible to understand the content of their personalities, to recognize the differentiating borders between individuals, to orientate oneself within groups and among groups. Without this understanding it is also impossible to recognize the process of accepting transformations in the value offers of a society.

The nation is thus defined by its culture and will that merge into the notion of value: culture as a collection of accepted and cultivated values and the will as an expression of values spontaneously shared by a community. Identity, both in an individual and group form, is directly derived from the level of shared values.

The most significant general characteristics of value offer in our civilization remains to be the unprecedented chance of the evolution of human creativity and, at the same time, the unprecedented need to secure this space of freedom and creativity against external and internal threats. However, there exists the danger of hedonism and xenophobia.

The analysis and characterization of individual generations in our country from the perspective of their participation in the population of the Czech Republic at the turn of the millennium reveals that the generations oriented towards fight, confrontation and competition prevail over the generations oriented towards cooperation and consensus. The prevalence of the confrontational value orientations over the cooperative ones generates considerable tensions in the society and brings an impetus to solve social problems from the perspective of victors rather than from the perspective of problem settlement. At the same time, however, it becomes evident that over the past few years the participation of the generations whose value system is oriented towards cooperation has increased. We can assume that the confrontational trend might become weaker in the forthcoming years and the orientation towards the victory of fight might gradually give way to the victory of the most effective settlement.

As for the national identity, the participation of population who is not interested in the issues of national identity prevails: their search for identity does not show any prominent endeavor (either approving or disapproving) to put the awareness of national identity to the foreground. Only minor sections of population consider the search for national identity a meaningful and rewarding process. The participation of population showing negative attitudes towards the national identity related to the Czech Republic is very small. There are certain trends of increasing interest in national identity but the view of the national identity as unimportant in the composition of identities will still remain prevalent.

However, it is necessary to take into account the fact that the manifest interest in the national identity is linked to the tendency to close ourselves from our surroundings, from transformations and creative trends and tendencies. National identity and national interests may not take up the central, or very conspicuous, position in the structure of identities but they represent those interests that are closely connected to the refusal of the alien, the refusal of ethnic and other culturally-defined differences and the defense of our own uncertainty in front of "attacking outlanders". Under these circumstances, the national identity and interests rather represent potential impediments on the road to the increasing quality and sustainability of life.

The ambiguous developmental trend of the offer of values in the European context is related to the pronounced differentiation in the stability (instability) level of the order between individual parts of Europe and state formations or blocks, and simultaneously to the unifying attributes of globalization, also stemming from European impulses. Both processes generate but a small space for the development of the genuine European identity.

## **C2. Development of constitutional, legal, and political system of the country, space for public participation in policy-making**

This formative regulator represents the axis of the construction of the democratic social order. Its function is to protect, maintain and develop the democratic foundations and conditions of the existence of the society, to organize and control the arrangement and activities of single components of political power, to moderate the articulation, formation, acknowledgement and enforcement of partial interests of differentiated social actors and

public interests. It focuses on the quality of public administration where desirable and practical, on the formation of institutional and other conditions and prerequisites of coordination, cooperation and communication among various actors, and on the support of the development of relatively independent processes in which interests are formulated and enforced. This particularly implies that policy and administration are to concentrate on strategic goals of the society, both as a whole and its important developmental potentials, and on their attunement to solutions of short-term and middle-term acute and developmental problems. It also relates to the prevention of predicament situations in the society and adequate reactions if such situations do occur. Another significant function of this regulator is to ensure democratic control of law enforcement, especially constitutional foundations and legal principles of the state and economic power.

Being a regulator with extensive and concentrated competence, it can effectively protect the fundamental political values of the democratic regime – freedom, equality, the rule of law, and the system of fundamental human rights and freedoms. It participates in the building and cultivation of the space for public participation in policy-making, where media have resumed a specific position and are gradually becoming ever more prominent. This formative regulator combines the constitution, law, policy, media and citizens, i.e. the basic components of the democratic order.

Czech society is facing the need to set up and cultivate the space for public participation in policy-making as a prerequisite for building an open pluralistic community. This space represents a vital precondition of the existence of the democratic political system. The space for public participation provides a platform for numerous simultaneous and mutually influential processes. This space offers, first of all, an opportunity for a dialogue with the power, enables the formulation of public interest agendas, including their alternatives, confirms and strengthens the awareness of prevailing values, attitudes and expressions of life styles. The conditions of public participation in policy-making are determined by the existence of three spheres – civic, politico-administrative and market. Media are an autonomous actor in these spheres and, at the same time, also an instrument of the other spheres. The civic sphere is not yet on a par with the other spheres: it is not accepted as an actor but merely as a potential pool of electors, consumers etc. The politico-administrative sphere is also being gradually weakened as the legitimacy of its power is derived from the processes rooted in the national state and the national state is becoming an ever-weaker partner in the globalized world. Media and market, on the contrary, have succeeded in liberating themselves from the historical conditionality, and therefore they gain new powers, transcend borders of national states and behave globally.

The legal and constitutional system of the country is to be further cultivated so that its democratic foundations are strengthened and its political system and space for public participation in policy-making become more open. This entails the adjustment of relationships between the key agents and functions of the constitutional system of the country (including the process of elections to legislative bodies). The very process of legislation and inspection in public administration require considerable improvements in capacity and quality. The political system should further open towards the institutions of civil society and towards citizens themselves with the aim to functionally complement the enforcement of mechanisms of representative democracy with the mechanisms of participatory and direct democracy. The improvements in professional training of future politicians and the better transparency of the funding of political parties seem to be promising for the future. Laws and political culture are to expand the space for the political and partisan neutrality of public administration and, at the same time, to minimize the risk of public interests being captured by private ones.

Over the past decade, media have fast emancipated in the space of market, state and civic sectors, becoming important not only as a mediator of information but also as their

selector and, first of all, as an initiator of agendas for political dialogue. At the same time, the scene has been radically invaded by market. In those areas where media are active in the space of public communication it is therefore necessary to search for possibilities of renewing the disturbed balance between market and state in order to create favorable conditions for a dialogue on important issues of public life and on possibilities to articulate and enforce public interest in this space. This will primarily mean to ensure the maintenance and functional operation of media providing public service, to prevent the monopolization of media market and to empower self-regulatory bodies active in this sphere.

### **C3. Tuning regulatory powers of market, state and civic sector in mutual relations**

Market, state and civic sector create conditions for decision-making, activities and value orientations of social actors. **State**, as an expression of political power, forms a general framework for the functioning of a society and mediates the formation of political power while relying on law, administrative procedures and fiscal instruments. **Market** mediates exchange and is a self-regulatory system in which supply and demand and the achieved profit and loss allocate valuable resources in a more effective way than the other available mechanisms. **Civic sector** represents the institutionalized expression of the life of a civic society as a form of voluntary associating of citizens sharing common values and willing to cooperate on joint work. The concrete form of the operations of market, state and civic sector as formative regulators in mutual relations is always conditioned by the history, culture and a particular situation, however, there also exist disproportion, distorted relationships, developmental tensions but also possibilities and reality of synergic influence.

Until the end of the Communist rule in 1989, the state dominated over market and civic sector. Regulation mediated by state was always subject to the will of the ruling party and was characterized by excessive centralism. The remaining two regulators were thus allowed to be active only in deformed conditions, in non-transparent environment, their actions were curbed and therefore ineffective. Following 1989, a new search for balanced relationships among market, state and civic sector began. But none of these regulators has found a firm position in the new conditions yet. The functioning of the state retains remnants of directive administration and management and the market often takes on uncultivated semi-legal, or even criminal, forms without being corrected by legal and administrative regulations and by generally accepted and shared values. The civic sector is still being constituted. The present situation, however, is being further complicated by the radical rise of economic globalization that emancipates market from traditional regulatory frameworks represented by national states. It is therefore one of the key strategic tasks of the Czech society to harmonize the operation of these regulators and thus achieve a positive synergic effect of their overall regulatory operative functions (Potůček, 1999).

The fundamental strategic principle is to cultivate the regulatory operation of state, market and civic sector in mutual relations: to make the state more efficient, to cultivate the market and to expand and improve activities of the civic sector. Besides defining instruments specific for individual regulators, it will be necessary to minimize possibilities of their permeation, e.g. the risk that the state becomes controlled by influential economic groups and the risks of corruption, clientelism and mafioso practices. The state occupies a pivotal position in the cultivation of regulatory operation, creating universal legislative and fiscal conditions both for the operation of its own institutions and for the activities of market subjects and non-profit organizations even though it does not depend on these agents. The ability of market and non-market subjects to organize themselves and the quality of communication between them and state representatives is important here as well.

Public administration forms the general framework for operations of a society and, at the same time, mediates the formation and performance of political power. It should serve as an impersonal representative and mediator of what is declared to be a general or public interest. The strategic principles of the reform of public administration appear to be its democratization, professionalization, efficiency, orientation towards citizens and the accomplishment of European standards.

It will be further necessary to keep seeking productive, optimally coordinated and formalized forms of cooperation between the public administration and the civic sector. The latter must be able – better than to this moment – to defend its interests primarily by means of self-organization, decentralization and regionalization of its activities. The significant – but so far insufficiently accomplished – task of the state will be to create an appropriate legal and institutional framework for the enforcement of market mechanisms. It can be expected that the cooperation between the market and civic sectors will develop especially in the spheres of services, interest advocacy, charity and sponsoring.

#### **C4. Preparation of the Czech Republic for the entrance into EU and its full-fledged membership in EU**

The entrance into EU will require compatibility with the other member states, which presupposes the unconditional – perhaps only with the exception of transitory periods – adoption of the present and future European legislation, respect for EU rules and establishment of institutions ensuring the enforcement of European legislation. The approximation process may not be accompanied with unexpected economic and social shock, it may, however, have an impact upon economic dynamics, employment, foreign trade and prices.

The Czech Republic will participate in the work of EU bodies and it should be able to make use of all opportunities in order to defend its national interests and to influence decision-making and thus also to strengthen its international position. Our membership in EU will empower our political stability, the rule of law, the institutions of the democratic state and will enable us to adopt and acquire the institutional culture of advanced democracies along with market economy and the guarantee of fundamental human rights. We will be able to preserve our national identity while benefiting from the subsidiarity principle, we will be able to participate in European sovereignty, to become a part of the most important world economic association, including its extensive internal market, we will be able to acquire new foreign investors, to benefit from the structural funds for the development of deprived regions, from the traffic infrastructure and educational institutions, especially universities, we will be further able to profit from a favorable geographic position in the center of Europe, neighboring with Germany and Austria, and also to contribute to the establishment of tighter links among European nations.

The fundamental strategic principles of the accession of the Czech Republic to EU are the following: to avoid social and economic shocks while preparing our accession to EU, to make the most of possibilities and opportunities offered by EU and, at the same time, to benefit from strong points that the Czech Republic has to offer. These requirements will necessitate a new follow-up strategy focused on our participation in the EU endeavors to coordinate economic policies of the member countries, on our integration in the monetary union and preparation for the period following the year of 2006 when a new European budget for the next middle-term period is to be set.

This strategy will also comprise the policy of animating competitiveness of the Czech economy, the policy aimed at maintaining social conciliation, supporting the development of the information society, strengthening professionalism of public

administration, preparing the entrance into the European Monetary Union, preparing the migration of labor force in both directions and preparing the free market of land and other assets (after the expiry of agreed transitory periods and postponements).

### **III. CURRENT ECONOMIC SITUATION AND CHALLENGES AHEAD**

#### **General information**

The Czech Republic has awed observers of transition economies since within three years of the fall of communism, the government liberalized nearly all prices, privatized much of the economy, decentralized wage setting, and opened the country to world trade while maintaining a relatively balanced budget, low inflation, and low unemployment below 4% until 1995. The economy appeared to be on an accelerating growth trajectory. By 1995, the initial transformation recession and the negative impact of the split of Czechoslovakia were over, and the economy grew by almost 6%. While 1996 recorded still a robust 5% growth rate, in 1997, it was becoming increasingly clear that the macroeconomic success was not based on solid microeconomic foundations.

Weak corporate governance allowed wages to grow two times faster than productivity, which led to higher demand for imports of consumer durables and increasing foreign trade and current account deficits. After the current account deficit ballooned to 7.4% of GDP in 1996, the imbalances – both internal and external- were noticed by capital markets and led to an attack on the Czech currency in May 1997. The attack forced the surrender of the fixed exchange rate regime and the crown depreciated by approximately 10%. The Czech National Bank used high interest rates to stabilize the currency. The government was forced to implement a strict austerity program. All of this naturally sent the economy into a deep recession. The recession was prolonged with negative GDP growth for three consecutive years while other Visegrad countries enjoyed substantial growth. Unemployment increased to 9% in 1999 and wage growth slowed down. The recession was driven by a decline in both private spending and investments, while net exports were mostly improving the overall picture.

Starting in 1998, the strict monetary policy was relaxed by the central bank. Facing the recession, the government revived structural reform and privatization, this time relying on strategic foreign partners and introduced an aggressive FDI incentive package for manufacturing investors.

Finally, in 2000 the economy took off. Investment started to grow, most of all thanks to the surge of foreign direct investments, but domestic firms started to invest more as well. GDP growth stood at 2.9% in 2000. In the first half of 2001, GDP growth accelerated further to 4%, still driven mainly by investments and private consumption. Economic growth in 2001 was 3.6%.

The 1997-99 recession helped to limit imports and thus also the foreign trade deficit. Yet, when the economy started to grow in 2000 the deficit doubled again, and it continued to widen in 2001.

The one macroeconomic variable that has been under control throughout the whole Czech transition is inflation. Low domestic demand during the 1997-99 recession, combined with relatively strict monetary policy and low commodity prices lowered the average inflation rate to 2.5% in 1999. Yet, starting in 2000 several important factors have been working to increase inflationary pressures. Many factors increased average inflation to 3.9% in 2000 and to 4.7% in 2001.

The exchange rate, after the marked depreciation of 1997, regained strength and remained relatively stable. Yet, the main macroeconomic concern is the high and growing public finance deficit.

The economy is now successfully emerging from the recession with GDP growth rates around 4%. The recovery is pulled by private investments, primarily FDI, which also finance the widening trade deficit. While inflation is low, real wage growth resumed after the recession and is, so far, in line with productivity growth. See the table for details.

Year	1996	1997	1998	1999	2000	2001
<b>GDP</b>						
GDP Growth	4.8	-1.0	-2.2	-0.4	2.9	3.6
<b>Foreign Trade</b>						
Exports, y/y %	9.2	8.1	10.7	6.6	18.8	14.8e
Imports, y/y %	14.3	7.2	7.9	5.8	18.7	16.1e
Trade Deficits as % of GDP	-10.0	-8.3	-4.4	-3.4	-6.3	-5.7e
<b>Balance of Payments as % of GDP and Its Main Components</b>						
Current Account	-7.4	-6.2	-2.5	-3.0	-4.7	-4.7
Capital Account	7.2	2.1	5.2	4.7	6.8	n. a.
Inflow of FDI	2.5	2.4	6.6	11.9	9.3	9.2e
Inflow of FDI (bln. USD)	1.4	1.3	3.7	6.3	4.6	4.5e
<b>Inflation, interest and credit</b>						
CPI, y/y %	8.6	10.0	6.8	2.5	4.0	4.7
Prague Interbank Offer Rate (PRIBOR 3M, %)	12.0	16.0	14.3	6.8	5.4	5.2e
Credit to Enterprises and Households, y/y %	10.6	9.4	-3.5	-3.9	-2.9	n. a.
<b>Labor Market</b>						
Unemployment, %	3.1	4.4	6.1	8.6	9.0	8.2
Nominal Wages, y/y %	18.0	11.9	9.3	8.2	6.6	8.5
Labor Productivity, y/y %	4.6	-0.3	-0.8	1.4	8.0	6.6e
<b>Public Finances</b>						
General Government Balance as % GDP	-0.3	-1.2	-1.5	-0.6	-3.7	-4.9e
Idem, Excluding Extraordinary Items	-1.9	-2.0	-1.5	-3.0	-4.3	-9.0e
<b>Exchange Rates</b>						
CZK per USD	27.1	31.7	32.4	34.6	38.6	38.08
CZK per DEM	18.1	18.3	18.3	18.9	18.2	17.42

Source: CSO, CNB, Ministry of Finance, World Bank

## Czech Macroeconomy

### *Fiscal Deficits*

The main problem of the Czech economy, – the growing deficit of public budgets, – stems for several sources. First, there is the necessity to finance bank restructuring. Second, the costs of the recent recession are still felt and the current government opted to help some large companies in trouble. Third, the looming elections naturally make the ruling Social Democrats unwilling to limit spending just now. Main is the structural deficit of mandatory spending, locked in by the existing legislation and adverse demographic development.

### *Gross Domestic Product*

A rough look at the data suggests that recovery of the Czech economy continued throughout 2001. However, it is equally important to look at the structure of the GDP growth components in 2000 to assess the stability of this growth. Private consumption increased by 4.7% while government consumption declined by 6.4% in 2000. A stronger than expected recovery is observed in domestic demand, which resulted in a total investment increase of 10.73%. This is a positive signal of grounded national economic recovery. On the other hand the net export worsening that deepened the current account deficit by 163% undercuts the

increase in investment activity. This is an alarming situation, which could be partially attributed to slower growth in all of Western Europe. See the tables for details.

#### The Annual Growth Rates of Real GDP (in %)

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001
Growth	0.1	2.2	5.9	4.8	-1.0	-2.2	-0.4	2.9	3.6

Source: CSO, 2001 CERGE-EI estimate

#### The Breakdown of Nominal GDP Into the Components of the Aggregate Demand (in bln. CZK)

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001e
GDP	1 020.3	1 182.8	1 381.1	1 567.0	1 679.9	1 837.1	1 887.3	1 959.5	2 131
Private Consumption	509.5	599.5	692.1	807.3	888.0	947.5	1 005.9	1 053.1	1 153
Government Consumption	223.4	263.0	284.7	315.5	332.5	346.5	371.9	348.0	410
Total Investment	279.3	352.0	470.0	536.7	547.4	554.3	525.7	582.1	645
Net Exports	8.1	-31.7	-65.7	-92.5	-88.0	-26.2	-277	-72.9	-77.0

Source: CSO, 2001 MF estimate

#### *Inflation*

Exogenous sources of inflationary pressures were very weak in 2001. The decrease in oil prices in combination with a fall in the USD exchange rate significantly weakened inflationary pressures on the Czech economy. Under these new conditions and further strengthened by the fact that nominal wage growth is under the 10% increase demanded by labor unions, the low inflationary environment seems to be sustainable. As a reaction to the new situation we witnessed cuts in all rates.

The monetary policy of the Czech National Bank (CNB) could be viewed as an old technique with a new target. As the situation seems stable, the CNB decided to abandon net inflation targeting and announced targeting headline inflation beginning in 2002. Basically two target ranges were set. The January 2002 y/y range between 3%-5%; the December 2005 y/y interval has been set between 2% and 4%. The new target was set in coordination with the government and assumes that an administrative change in prices – mainly deregulation and changes in indirect taxes – will contribute to headline inflation by 1-1.5% each year.

See the table for details.

#### Inflation Rate (in %)

Month	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
2001	4.2	4.0	4.1	4.6	5.0	5.5	5.9	5.5	4.7	4.4	4.2	4.1
2002	3.7	3.9	3.7	-	-	-	-	-	-	-	-	-

Source: CSO

#### *State Budget*

Public budgets face a protracted period of growing deficits. Without substantial structural changes in the system of public finances, the Ministry of Finance predicts the total deficit of public budgets to reach 4.9% of GDP. Excluding nonrecurring privatization revenues, the deficit would amount to 9% of GDP. The actual figures could be even higher if some excluded governmental loan guarantees materialize.

See the tables for details.

### Medium Term Fiscal Outlook (As a % of GDP, Passive Scenario)

	1998	1999	2000	2001	2002	2003
Total Revenues	39.3	41.4	40.9	41.8	39.9	39.5
Expenditures (excl. Net Loans)	41.7	43.0	48.7	48.6	46.8	45.8
Total Public Deficit	-1.6	-0.6	-5.2	-4.9	-4.5	-5.1
Total Public Deficit (W/o Privatization Revenues)	-2.4	-2.0	-7.6	-9.0	-7.3	-6.8

Source: MF CR, [www.mfcr.cz/Rozpocet/Fiscal/Vyhled](http://www.mfcr.cz/Rozpocet/Fiscal/Vyhled)

#### Investments

Investment activity in the Czech Republic in 2001 continued in its growing trend started in 1998-1999. The share of the gross fixed capital formation in GDP is presented in the table. The prediction for 2001 is 31.3%. From the macroeconomic point of view, the presented data show that investment in the Czech Republic exhibits a pattern similar to that in developed countries. The character of the gross fixed capital formation with respect to a business cycle is consistent with the business cycle theory and is highly pro-cyclical. A similar characteristic of investment can be found in all developed countries.

During the past decade the Czech economy experienced an increasing rate of internationalization not only due to the growth of trade but also thanks to the growth of foreign direct investment (FDI). Such increasing FDI flows into the Czech economy took the form of large foreign acquisitions during privatization.

See the table for details.

#### The Ratio of Gross Fixed Capital Formation to GDP (in %)

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001e
Ratio	28.4	28.7	32.0	31.8	30.8	28.3	26.8	28.3	31.3

Source: CSO, 2001e CERGE-EI estimate

#### Balance of Payments

Most of the transition countries face large current account deficits, most often due to high investment demand and consumption demand. For the Czech Republic, the largest current account deficit occurred in 1997 (6.2% of GDP). The year 2000's current account deficit saw an increase (4.7% of GDP) mainly due to high mineral fuel import prices. Nevertheless unlike many other transition countries, the current account deficit of the Czech Republic was always balanced by the surplus of the financial account.

Development in the 2001 Czech balance of payments illustrates the course of the Czech economy as an emerging market economy and as part of global economic evolution. The third quarter of 2001 saw an improvement in the current account's evolution; the trade deficit was under the 2000 levels for the same period. The year-to-year growth rate of exports was higher than that of imports mainly due to better import and export prices for the Czech Republic. In September, the balance of trade was positive for the first time since September 1999.

#### Exchange Rate and Foreign Trade

The table shows the evaluation of the exchange rate of the Czech crown relative to the U.S. dollar and the Euro from 1993 to 2001. It shows a familiar pattern of the U.S. dollar and the Deutsche Mark (represented by the Euro) exchange rates moving in traditionally opposite directions.

During the transition period the exchange rate of the Czech crown to the Euro evolved in a relatively stable manner. Differences between points of temporal appreciation and depreciation do not exceed 14% in extreme cases. During 2001 the Czech crown quite

steadily appreciated against the Euro, with a short period of reversal in autumn. Current exchange rate of the Czech crown to the Euro is appreciating significantly and incrementally. The Czech National Bank imposes some measures to intervene in order to slow (or stop) this current trend.

See the table for details.

#### Average Annual Exchange Rates

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001
CZK/EUR	34.5 <sub>D</sub>	34.7 <sub>D</sub>	36.2 <sub>D</sub>	35.3 <sub>D</sub>	35.7 <sub>D</sub>	35.9 <sub>D</sub>	36.9	35.6	34.08
CZK/USD	29.2	28.8	26.5	27.2	31.7	32.4	34.6	38.6	38.86

Source: CNB, (D) Exchange Rate Calculated Through DEM/EUR Fixed Rate, CERGE-EI estimate.

The Czech Republic is a textbook example of a small and open economy. It relies heavily on international trade as an important contributor towards GDP. The proportions of exports and imports to the country's GDP for the period 1993-2000 illustrate the extent of such involvement. The trend shows an almost invariably increasing importance of international trade for the Czech economy. A growing trade deficit is present as well and should be considered with caution.

### Convergence of the economic level

Economic policies in modern economies are typically oriented towards the price and exchange rate stability and steady growth. With view to the future development of the Czech Republic, the most important developmental circumstance is now the prospective entrance of the Czech Republic into EU. Macroeconomic stability and opportunities for further growth can be strategically supported by the increase in GDP, the increase in employment – which is significant especially in regions with high unemployment rates – by the increase in efficiency and competitiveness of enterprises and by the increase in the purchasing power of inhabitants as one of the factors of the living standard. The perspective of the entrance of the Czech Republic into EU significantly influences present and future competitiveness and efficiency of Czech companies, with the legislative preparation for the entrance into EU playing a key role in the process. The strategic principle of the economic development is the implementation of the so-called Maastricht criteria. The high speed of economic growth can be achieved by maintaining the high level of investment.

For the future of the Czech Republic, its real as well as nominal convergence to the level of the European Union is very important. In this connection, it is possible to consider convergence scenarios that try to quantify this (nominal and real) convergence.

Despite the fact that the Czech Republic belongs, among the candidate countries, to economically most developed ones there exist problems and risks connected with the integration of units of unequal economic level. The assumption of a trouble-free development of the integration process is the development of price as well as wage level that suits the development of economic level and labor productivity, and the increase if the capability of competition of the economy that is implied by them.

Convergence of the economic level is watched in a medium – time horizon together with the projection of basic macroeconomic indicators to 2005 that is the first supposed year of the functioning of the Czech economy in the European Union. The charges after the entry to the European Union are as a model projected to the further three-year period, i.e. to 2008.

With respect to uncertainty in the future development of the world economy, the scenarios are formulated in two variants:

Variant 1 – pronounced deceleration of the growth of world economy,  
 Variant 2 – moderate deceleration of the growth of world economy.

Quantification of scenarios counts on the facts that the existing conditions in the Czech economy will make possible 1.2 to 1.8 point advantage in the growth rate of GDP per capita and the corresponding advance of the rate of labor productivity growth as compared with the rate of growth in EU-15.

Globally, the GDP per capita level in the more favorable variant will approach the average EU-15 level, from today's about 60% to about 70% in 2008.

The convergence of price level can be expected to be faster than that of GDP per capita (faster price growth than in EU-15, appreciation of the exchange rate CZK/EUR). The price level would thus reach 53-55% in the relation to EU-15 in 2005 and would increase to 60-65% in 2008.

As suitable data for the average in EU-15 are not available the convergence of price level is measured only in relation to Germany. Nominal average gross wage converted by the exchange rate will almost double till 2008 (as compared with 2000). The relation to Germany can increase, according to model projections, to 25-27% till 2005 and to 31-35% till 2008.

See the tables for details.

### Convergence of the economic level (2000-2008 (%))

Variant 1 – pronounced deceleration of the growth of world economy, Variant 2 – moderate deceleration of the growth of world economy.

Indicators	2000	2005	2008
<b>GDP</b>			
per capita in PPS EU = 100 <sup>1)</sup>	58	62-64	66-69
per worker in PPS Germany = 100	53	58-59	62-63
Index (real prices) year 2000 = 100			
GDP total	100	116-119	136-142
GDP per worker	100	119-121	136-140
<b>Price Level GDP</b>			
EU = 100	41	53-55	60-65
Germany = 100	39	52-55	59-64
Index year 2000=100	100	123	142
<b>Consumer Price Index</b>			
Germany = 100	43	56-59	65-69
Index year 2000 = 100	100	122-123	139-142
<b>Average Wage (gross)</b>			
Germany = 100 (converted by e. r.)	19	25-27	31-35
Germany = 100 in PPP <sup>1)</sup>	51	55-57	60-63
Index year 2000 = 100			
nominal	100	145-148	186-191
real	100	118-119	130-134
real consumer	100	120-123	136-142

<sup>\*)</sup> Converted by Consumer price index. (CPI).

<sup>1)</sup> PPS, Purchasing Power Standards.

Source: ECP 1999, OECD Main Economic Indicators.

### Convergence scenario, VARIANT 1

(pronounced deceleration of the growth of world economy)

Indicators	2000	2001	2002	2003	2004	2005	average 2001-05	average 2006-08	2008
							Projection		
<b>Average annual growth %</b>									
GDP Real Prices	2,9	3,6	3,0	3,4	3,6	4,2	3,6	4,6	4,8
Employment	-0,7	0,4	-0,1	0,1	-0,6	0,3	0,0	0,1	0,1
Labor Productivity (GDP per worker)	3,6	3,2	3,1	3,3	4,2	3,9	3,4	4,4	4,7

Consumer Price Index	3,9	4,7	4,0	3,7	3,5	5,5	4,3	4,2	4,9
Deflator GDP	0,9	5,7	3,8	3,2	3,8	5,5	4,4	4,9	4,8
Average Nominal Wage	6,6	8,5	6,8	6,4	8,1	8,8	7,7	8,5	8,8
Average Real Wage (consumer)	2,6	3,6	2,7	2,6	4,4	3,1	3,3	4,1	3,7
Average Real Wage (producer)	5,6	2,6	2,9	3,1	4,2	3,1	3,2	3,4	3,8
Nominal Exchange Rates CZK/EUR (appreciation.-)	-3,5	-4,0	-3,8	-2,0	-1,5	-1,5	-2,6	-1,0	-0,8
<b>In Periods</b>									
GDP per capita PPS, % of EU <sup>1)</sup>	58,4	59,5	60,4	61,0	61,6	62,4	61,0	65,3	66,1
Price Level, % of EU	41,2	44,1	46,5	48,1	49,9	52,6	48,2	57,6	59,4
Average Nominal Wage, % of Germany	19,0	20,7	21,9	22,9	23,8	25,0	22,9	28,9	30,8
Unemployment Rate, %	8,8	8,2	8,3	8,5	8,8	8,5	8,5	7,8	7,7
Foreign Capital Inflow, % of GDP	6,7	7,3	6,8	6,3	5,4	6,0	6,4	5,1	4,5
Public Budgets Saldo % of GDP	-3,2	-3,2	-4,4	-4,2	-3,6	-4,0	-3,9	-3,0	-2,5

<sup>1)</sup> PPS, Purchasing Power Standards.

Source: Social and Economic Context of the Integration of the Czech Republic to the European Union.(In Czech) 2002. Prague: RASES

#### Convergence scenario, VARIANT 2

(moderate deceleration of the growth of world economy)

Indicators	2000	2001	2002	2003	2004	2005	average 2001-05	average 2006-08	2008
			Projection						
<b>Average annual growth %</b>									
GDP Real Prices	2,9	3,6	3,6	4,0	4,2	4,8	4,0	5,3	5,4
Employment	-0,7	0,4	0,0	0,2	-0,5	0,4	0,1	0,4	0,1
Labor Productivity (GDP per worker)	3,6	3,2	3,6	3,8	4,7	4,4	3,9	4,9	5,3
Consumer Price Index	3,9	4,7	3,8	3,5	3,3	5,1	4,1	3,9	4,6
Deflator GDP	0,9	5,7	3,8	3,2	3,8	5,5	4,4	4,9	4,8
Average Nominal Wage	6,6	8,5	7,5	7,1	8,7	9,8	8,3	9,0	9,2
Average Real Wage (consumer)	2,6	3,6	3,6	3,5	5,2	4,5	4,1	4,9	4,4
Average Real Wage (producer)	5,6	2,6	3,6	3,8	4,7	4,1	3,7	3,9	4,2
Nominal Exchange Rates CZK/EUR (appreciation.-)	-3,5	-4,0	-6,1	-2,9	-2,5	-2,4	-3,6	-1,9	-1,6
<b>In Periods</b>									
GDP per capita PPS, % of EU <sup>1)</sup>	58,4	59,5	60,5	61,5	62,5	63,9	61,6	67,0	68,6
Price Level, % of EU	41,2	44,1	47,6	49,6	51,9	55,2	49,7	56,1	64,5
Average Nominal Wage, % of Germany	19,0	20,7	22,9	24,1	25,4	27,1	24,0	33,4	35,1
Unemployment Rate, %	8,8	8,2	8,1	8,2	8,4	7,9	8,2	7,2	7,0
Foreign Capital Inflow, % of GDP	6,7	7,3	7,5	7,0	6,1	6,7	6,9	5,7	5,0
Public Budgets Saldo % of GDP	-3,2	-3,2	-4,4	-4,2	-3,6	-4,0	-3,9	-3,0	-2,5

<sup>1)</sup> PPS, Purchasing Power Standards.

Source: Social and Economic Context of the Integration of the Czech Republic to the European Union.(In Czech) 2002. Prague: RASES.

#### IV. PRIORITY ISSUES

The priority issues are defined as **discrepancies between the present and desirable states of certain conditions of life in a society, the solutions of which make way for settling other problems.**

The priority issues were identified, evaluated and elaborated in three rounds of prognostic survey by tens of experts. The collection of the priority issues has a primarily heuristic function, i.e. it serves to demarcate space for the elaboration of strategic concepts,

which was the subject of the third synthesizing round of the prognostic expert survey. The priority issues are dynamically changing. For instance, in the category of the external security the issues had to be completely redefined after the terrorist attacks on September 11, 2001.

Owing to the fact that the explication of 77 priority issues takes up 100 pages in our final report, we can only quote their titles here. However, even these titles can reveal which priority issues have been identified by experts in seven developmental potentials and in four formative regulators within the framework of the given model of the development of Czech society and its modernization in the global context.

## **B1. Priority issues in the category of social cohesion**

### Social cohesion

1. *Neglecting the development of institutions and organizations that generate social cohesion on the side of the state*
  2. *Erosion of social cohesion induced by the increase in social differentiation*
  3. *Neglecting the development of middle class and the methods of its renewal, spreading the risks of destitution into a broad spectrum of social stratification*
  4. *Risk of the marginalization of individuals and entire social categories on labor market, formation of the “underclass” and the culture of destitution*
  5. *Formation of specific forms of destitution, especially the ethnic-related destitution and “underclass”*
  6. *Enduring social and economic inequalities between men and women*
  7. *Growing intergenerational differences in Czech population*
  8. *Insufficient elaboration of a thought-out and coherent national policy*
  9. *Insufficient education in the issues related to the co-existence of the majority and ethnic minorities*
  10. *Erosion of the identity and social structure of the Romany population*
- Welfare services
11. *Deficiencies in the system of social assistance*

## **B2. Priority issues in the category of the knowledge society**

### Education

12. *Insufficient capacity, structure and quality of educational institutions (especially on the tertiary level and further education)*
13. *Educational institutions do not cultivate the stimulation and development of long-lasting general (comprehensive) abilities and skills that are fundamental for the accomplishment of the concept of lifelong education*
14. *Low priority attributed to education and qualification*

### Research and development

15. *Unreadiness of the spheres of research and development (organizations, teams and individuals) for transforming roles and position of research and development in the society*
16. *Deficiencies in the organization and management of research and development*
17. *Deficits in the funding of research and development*

### ICT expansion

18. *Insufficient exploitation of possibilities offered by the information and communication technologies (ICT)*
19. *Growing inequalities in population induced by different qualifications, experience, use and direct access to the information and communication technologies (ICT)*
20. *Insufficient protection of information and data while working with the information and communication technologies (ICT)*

### **B3. Priority issues in the category of labor market, employment and employability**

21. *Discrepancy between the present scope of unemployment and the ideal full employment*
22. *Unbalanced relations on the domestic labor market and further untenability of the low cost of domestic labor force*

### **B4. Priority issues in the category of the demographic development, family, health, and housing**

#### Demographic development

23. *Unfavorable reproductive climate indicated by the low level of birth rate*
24. *Insufficient treatment of the implications of the future development of demographic aging in the spheres of social and health care*
25. *Necessity of a systematic approach to the immigration*

#### Family

26. *Weakened position of the family and children in confrontation with the requirements and conditions of labor market imposed on wage-earning members of the family*

#### Health

27. *Medical sciences offer more ways of illness treatment than the current system of public health insurance is capable to accommodate from its funds*
28. *Insufficient elaboration of the prevention of health-threatening or health-damaging activities reflected mainly in the life style of the population (smoking, alcoholism and other forms of addiction, lack of exercise, transgressions against healthy nutrition, stress)*

#### Housing

29. *Decreasing accessibility of housing for specific groups of population*

### **B5. Priority issues in the category of external and internal security**

#### External security

30. *The NATO does not determine proportions between the claims on its defense functions on one hand and security functions on the other*
31. *Implementation of the European Security and Defense Policy within the EU framework will lead to setting up expensive security and defense institutions*
32. *Deficiencies in fight against terrorism*

#### Internal security

33. *Inadequate and passive attitude of a large part of political elite and citizens towards internal security risks*
34. *Absence of adequate security, defense and military strategies*
35. *Premature trials to make the army fully professional*
36. *Failure of the democratic administration and civic control of the army*
37. *Inefficient fight against the organized crime*
38. *Corruptive symbiosis of the élites*
39. *Low efficiency of the sanction system and of the prosecution methods of malefactors*

### **B6. Priority issues in the category of environment and territorial potentials of development**

#### Environment

40. *Persistent overloading of the environment (especially in industrial regions) caused by the excessive consumption of raw materials and energy in national economy*
41. *Ecological illiteracy of the overwhelming majority of the population*
42. *Overburden of the environment due to individual transport*

#### Territorial potentials of development

- 43. *Increasing territorial differentiation of the socio-economic standards of the population*
- 44. *Low level of the territorial mobility of the population*
- 45. *Low level of the passenger public transport*
- 46. *Insufficient development of the infrastructure*
- 47. *Negative tendencies in the settlement structure*
- 48. *Dysfunction in the management of urban processes, territorial planning, territorial development funding and in the definition of public and private spaces*

**B7. Priority issues in the category of economic development**

- 49. *Low innovative capability, dynamics and adaptability of Czech economy*
- 50. *Sustainability of external balance of the Czech Republic in accelerating the economic growth*
- 51. *High deficit in public finances*
- 52. *Macroeconomic unbalance expressed by the so-called double deficit*
- 53. *Unpreparedness for the potential entrance into EMU*
- 54. *Great discrepancy in the price level and price relations between the Czech Republic and the European Union*
- 55. *Enduring difference between the real wages of qualified professionals in the Czech Republic and abroad*

**C1. Priority issues in the category of the forming of national culture, national identity and national interests in the context of human values**

- 56. *Difficulties in the search for a generally acceptable historic model*
- 57. *Non-existence of a general and generally accepted social vision and values derived from this idea*
- 58. *Neglect of national heritage (protection, maintenance, reconstruction and regeneration of historical monuments)*

**C2. Priority issues in the category of the constitutional, legal, and political system of the country and of the space of public participation in policy-making**

- 59. *Insufficient law enforcement*
  - 60. *Low level of public participation in political decision-making and the “narrowing” of the political democratic system to the parliamentary representation*
  - 61. *Serious defects in political culture*
- Space of public participation in policy-making
- 62. *Unreflected disintegration of the traditional constitutive role of media – gradual disappearance of journalism and the transformation of media into the post-journalistic phase*
  - 63. *Insufficient balance in the space of public communication*
  - 64. *Insufficient expert and public discussion on media and popular culture, absence of the institutional background of a complex research on this sphere*
  - 65. *Outstanding question of funding of media in public service*
  - 66. *Insufficient competition on the present media market*

**C3. Priority issues in the category of tuning regulatory power of market, state and civic sector in mutual relations**

Market

- 67. *Insufficient warranty of private ownership*
- 68. *Degradation of the enterprise value*

State

69. *Low authority of local governments*

70. *Low level of citizens' confidence in the institutions of public administration*

71. *Insufficient coordination among the departments of public administration (departmentalism)*

72. *Confused division of labor and responsibilities among politicians and civil servants*

73. *Great preponderance of ad hoc decisions over strategic decisions in public administration*

Civic sector

74. *Low level of public participation in the management of public affairs*

75. *Insufficient self-awareness and self-management capacities of the civic sector*

#### **C4. Priority issues in the category of the preparation of the Czech Republic for the entrance into EU and its full-fledged membership in EU**

76. *Inconsequent approach and insufficient preparation of the political and administrative elite of the Czech Republic for the entrance into EU*

77. *Low adhesion of Czech citizens to the idea of the accession to EU*

### **V. STRATEGIC CONCEPTS OF THE DEVELOPMENT OF THE CZECH REPUBLIC**

Priority issues of the development of the Czech Republic, as described in the preceding paragraph, represent a dynamic potential that can be updated in various ways and directions. Each priority issue has its own solution and each of these solutions can even have a number of variants. As we have already pointed out in Paragraph I. Theoretical and Methodological Starting Points, individual solutions of various priority issues are not independent of one another. As the processes proposed in these solutions are mutually intertwined by many-sided links, individual solutions continuously interact and influence – either backup or impair – one another. These dynamic links therefore largely condition the success of strategic solutions of individual priority issues. In order to respect – at least partially – fields of interaction among the processes of solving priority issues, we decided to elaborate such a strategic concept that would incorporate collective solutions of more issues or entire clusters of priority issues. In a way, we attempted to synthesize the field of priority issues. Strategic concepts represent relatively complex action priorities, e.g. priorities of what needs to be done in order to solve the entire group of priority issues at once.

1<sup>st</sup> strategic concept:

#### **INSTITUTIONAL SUPPORT OF SOCIAL COHESION OF THE CZECH SOCIETY**

The objective of this strategy is to introduce such an institutional environment into the Czech society so that everyday interaction would generate social cohesion in different parts of the society. This namely relates to the changes of the value climate and to the changes of the institutional environment – especially the welfare state institutions - in which the resources of social cohesion generate. Expanding the volume of social cohesion in the Czech Republic will entail improvements in numerous aspects of the life quality and sustainability.

2<sup>nd</sup> strategic concept:

#### **PENSION REFORM**

The present concept suggests a solution of the problem pyramid in the pension scheme, on the top of which there is a serious threat in the form of a serious fiscal crisis. However, in a long-term perspective some crucial political decisions are dependent on the future development and only outline alternative directions of solutions. In a short-term perspective, the concept

proposes to establish the Social Insurance Company as an independent organization taking care of the pension scheme. The state can thus perform the functions of the system regulator and surveyor in an efficient way. It also immediately becomes possible to unify and further increase the retirement age for both sexes beyond the age of 65. Over a short period of time it also becomes possible to expand the scheme to involve the entire group of wage-earning people. In a middle-term period it is possible to improve the offer of complementary systems so that each person would have an equal opportunity to choose an optimum system suiting their needs. Along with this step the present concept underlines the necessity to create investment opportunities for the administrators of capital funds of complementary systems. In a long-term perspective the concept highlights the necessity to make a decision on the status of self-employed people in the system and on their possible participation in these complementary systems. Only then would it be possible to consider modifications of the system foundations and its principal objectives.

3<sup>RD</sup> strategic concept:

#### EXPANDING THE OFFER OF QUALITY, ACCESSIBLE AND RELEVANT EDUCATIONAL OPPORTUNITIES

This strategic concept pursues the objective of expanding the offer of quality and relevant educational opportunities on the tertiary educational level in the context of the European integration. The fundamental measure is the structuring and more precise profiling of the educational offer materialized by means of a larger involvement of many actors in the evaluation of tertiary educational institutions.

4<sup>th</sup> strategic concept:

#### RESEARCH AND DEVELOPMENT AS A PRODUCTIVE COMPONENT OF THE SOCIETY AND ECONOMY AND AS A GENERATOR OF INNOVATIONS

The sphere of research and development in the Czech Republic still has not fulfilled its task of a functional transformation from the structure imprinted by the previous regime into a structure corresponding to the needs of the democratic society, market economy and globalized world. Therefore it has not become – unlike in the other countries comparable in size but much more successful in their achieved research and development results, such as, for instance, Finland and Ireland – a significant productive factor in the social and economic development. The proposed strategic concept describes the conditions and individual steps that would lead from the prevailing stagnation in the sphere in question towards its dynamic development and functional exploitation in practice. It starts from political preconditions and desirable legislative and administrative transformation and proceeds to the need to conclude strategic alliances among all stakeholders of research and development who are able to subordinate and integrate their immediate partial group interests to a common goal.

5<sup>th</sup> strategic concept:

#### DEVELOPMENT OF A NEW ECONOMY

The present concept proposes certain measures to prevent a possible negative impact on the Czech society in case of a delayed reaction to the challenge of introducing modern information and communication technologies. Short-term economic effects of modern technologies cannot be realistically expected and that is why the concept focuses on the support of production and demand for modern electronic equipment. The concept therefore attempts at pointing out the effects of the transition to the new economy feasible in a short-term perspective. In a long-term perspective, the concept emphasizes the role of education, especially the need to acquire the capability of abstract thinking on the level of elementary

and secondary schools. Having met this condition, further programs of lifetime education, necessary for the adaptation to the new equipment, can be designed.

6<sup>th</sup> strategic concept:

**MINIMALIZATION OF THE AFTEREFFECTS OF SOCIAL EXCLUSION AND OF THE DISCRIMINATION BY SOCIAL INTEGRATION AND CREATION OF EQUAL OPPORTUNITIES ON LABOR MARKET**

This strategy focuses on the elimination of discrimination, enormous unjustifiable inequalities, social exclusion and marginalization in all spheres of life. The core of the strategy consists in the equalization of life chances by way of legislation, education and enhanced flexibility on labor market.

7<sup>th</sup> strategic concept:

**DEVELOPMENT OF VOLUNTEERISM AND CIVIC LABOR**

This strategic concept is based on the cognition that the vision of full employment is untenable. It proposes to empower the institutional background of volunteerism, perseveringly disseminate the ethos of volunteerism and hereby prepare the ground for the introduction of the remuneration of civic activities. However, its objective is not to fully compensate for failures on labor market but to contribute to the strengthening of civic confidence and social cohesion, which appears to be a vital condition of the survival of the post-industrial society.

8<sup>th</sup> strategic concept

**ALL-EMBRACING SUPPORT OF THE FAMILY AS A PRIMARY SOURCE OF HUMAN, SOCIAL AND CULTURAL CAPITAL**

The family finds itself in a transitional period when its inner structure is being transformed and when there are new powerful external pressures destabilizing it. Albeit the mission of the family, both individual and social, has not changed and is still crucial and attractive. In order to accomplish this mission it is necessary to develop new relevant instruments that would support the family in an efficient way and, at the same time, strengthen its autonomy. These instruments, however, have to form a nation-wide system. Individual attempts to transform the family therefore cannot be regarded as a strategic concept – only the support of the successful operation of the family by the entire society can be referred to as a strategic concept. Without such a complex support the position of the family in the Czech society would keep deteriorating.

9<sup>th</sup> strategic concept:

**MAINTAINING THE ACCEPTABLE AGE STRUCTURE OF THE POPULATION**

Due to a significant decrease in birth rates and the concurrent increase in life expectancy, and considering the fact that people born in strong population years are just about to retire, the age structure of the Czech population is going to largely deteriorate in the forthcoming years. There will be fewer children and youths and the increase in the number and percentage of elderly people will accelerate. Even on the condition that the age limit for claiming the old age pension is differentiated, the relations between individual age groups are going to deteriorate, which will have a negative impact on many spheres of the societal progress. The process of the population aging cannot be ceased completely, however it can be decelerated – by means of an active pronatalistic policy, needful mainly in transitional periods when the living standard of young people setting up families deteriorates, and also by increasing the selective immigration. By the year of 2015, the two processes would show only partial effects, however, they would change the forecasted situation in the following periods. Most demographers regard the efforts of the state authorities to decelerate the population aging by

means of the pronatalistic policy (creating more favorable conditions for newlywed couples and families with children) as more advantageous compared to the subsequent eradication or easing of negative consequences of the objective aging process. The maintenance of the acceptable age structure of the population must be considered a consequential part of the efforts after the sustainable life of the Czech Republic. However, neither the improvement of the population status nor the increase in immigration will prevent the continuing decrease in population.

10<sup>th</sup> strategic concept:

#### HEALTH CARE

This strategic concept proposes to conceive and introduce a new health care policy based on the application of analyses and research. Actors participating in this policy must publicly participate in determining objectives and priorities in health care from the perspective of the settlement of current problems and also from the perspective of international experience and recommendations. The aim of this strategy is thus to achieve a better health condition of the population and to improve its health.

11<sup>th</sup> strategic concept:

#### GUARANTEEING ACCESSIBLE HOUSING

The accessibility of satisfactory and appropriate housing for all social classes represents one of the underlying issues and permanent tasks of the authorities accountable to the society. This factor co-determines the living and cultural standards of the country. It cannot be separated from the overall social and economic development of the country. It is one of the preconditions of social cohesion, citizens' contentment, development of human individuality, labor mobility and – last but not least – also a precondition of more favorable trends in the population development. In the democratic society with market economy the flat and housing represent – due to their high price and irreplaceableness – both a private and public matter, i.e. both a public ownership and goods. The right to the accessible housing in the sense of the responsibility of both citizens and public authorities is also stated in international documents. All these facts indicate that a satisfactory standard of housing for the entire population cannot be accomplished without heeding a long-term strategic concept.

12<sup>th</sup> strategic concept:

#### GUARANTEEING COMPREHENSIVE SECURITY AND DEFENCE OF THE CZECH REPUBLIC AS A NATO AND EU MEMBER

The recent escalation of coordinated acts of international terrorism and the new requirements issuing from these threats to security have proved that in ensuring the security and defense of the country it is no longer possible to take merely partial transformational, reformist or rationalizing measures in individual sections of the security and defense system. It will be insufficient to solve emerging crises by however apprehensive improvisations. On the contrary, the new requirements have endorsed the vital objective need to elaborate a strategy of comprehensive security and defense of the Czech Republic as the Alliance member and a future EU member, for which a favorable social climate has arisen as well.

13<sup>th</sup> strategic concept:

#### STARTING EFFECTIVE FIGHT AGAINST CORRUPTION

This strategic concept is based on the assumption that the starting of an effective fight against corruption is not primarily possible without an authentic participation of politicians. To involve politicians in this fight will be feasible only if civic organizations manage to expand the scope of public control over decision-making processes in public affairs and to curb

corruption pressures on political parties. In so doing, they can use the strategy incorporating both elements of cooperation and elements of conflict with institutions of state administration and local governments.

14<sup>th</sup> strategic concept:

#### **ECOLOGICAL TAX REFORM**

This strategic concept focuses on the ecological tax reform, i.e. the imposition of higher taxes on raw materials and energies that would be offset by lower taxes on human labor. The objective of this strategy is to contribute to the reduction of high consumption of energy in the Czech Republic and to a more effective and frugal management of natural resources.

15<sup>th</sup> strategic concept:

#### **ADVANCING THE CZECH PROGRAM OF DEVELOPMENT ASSISTANCE**

This strategic concept focuses on the financial boosting and institutional backing of the Czech program of foreign development assistance. Its objective is to prove that the Czech Republic is capable of sharing responsibilities for the development of the world, especially in developing countries. Besides expressing human solidarity with the poor, this program would also help to prove that the Czech foreign policy is active and self-confident – both at present and also following the expected accession of the Czech Republic to the European Union.

16<sup>th</sup> strategic concept:

#### **SETTLEMENT, HOUSING AND URBAN DEVELOPMENT**

The structure of settlement represents a very conservative phenomenon even though it has become more dynamic over the last few decades and the speed of transformations is likely to keep increasing. This brings along pressures on the new definition of functional use of territories. Active agents of these pressures are found in the capacity of the transport and technical infrastructures and in the projection of transformations of the presumably rising living standard into housing. All these factors contribute to the increase in the expenditures on housing development and on the operation of settlement structures. These expenditures have to be optimized by further development of strategic planning, more extensive use of land planning, transparent process of public commissioning and by establishing a public-accessible system providing information on individual territories.

17<sup>th</sup> strategic concept:

#### **OPTIMUM TIMING FOR THE EURO INTRODUCTION**

This strategic concept analyzes various alternatives of monetary policy before our accession to European Monetary Union (EMU) and alternatives of maintaining the price stability after the EURO introduction. It points out the danger of a potential conflict between the necessity to sustain a low rate of inflation during our membership in EMU and the pressure to unify the price level in domestic economy with price levels in the EMU countries. This strategic concept considers advantages and disadvantages of both basic variants of the EMU entrance timing, i.e. either to enter the EMU as soon as possible after our accession to EU or not to enter immediately after the required two-year waiting period following the accession to EU.

18<sup>th</sup> strategic concept:

#### **DYNAMICS OF ECONOMIC GROWTH**

This strategic concept aims at restoring and sustaining the dynamics of economic growth that would enable the real convergence of fundamental parameters of Czech economy towards the European Union and would create conditions for its accelerated adaptability and thereby also for more dynamic innovative abilities of the entrepreneurial sector.

19<sup>th</sup> strategic concept:

**SUPPORT OF CONDITIONS FAVORABLE FOR THE DEVELOPMENT AND APPLICATION OF THE PRINCIPLES OF THE OPEN SOCIETY**

Learning how to live in freedom is one of the pivotal sources of the development of human creativity. The infiltration of the principles of the open society into all spheres of life lays the foundations for the increase in life quality. The expansion of freedom is crucial in asserting those human values that relate to the respect for life, the uniqueness of an individual human being, human and civil rights and the rights of the Earth. Decision-making centers should primarily concentrate on the support of civic activities, clearly expose and enforce the efficiency of professing and fulfilling civic virtues in the society for every citizen and improve the application of the principles of subsidiarity and decentralization. Further on, these centers should enable the monitoring of their own work, offer differentiated approaches to communication between state, municipalities and citizens, open up institutions of all levels to citizens etc. Through their conduct, the political centers contribute to the forming of a value system in the society. The relation between words and deeds, between requirements and their fulfillment in accordance with law, occupies a crucial position here.

20<sup>th</sup> strategic concept:

**SUPPORT OF THE DEVELOPMENT OF CIVIC AND NATIONAL SELF-CONFIDENCE**

The more national self-confidence is rooted in civic self-confidence, the more consistent it is. The fundamentals of the cultivation of civic self-confidence consist in the broadest possible application of the principles of the open society. Only on this footing is it possible to cultivate national identity. It is crucial that the state, regions and municipalities become much more involved in the cultivation of cultural, artistic and other specific activities primarily by promoting activities spontaneously initiated by citizens. Goal-directed presentation of the Czech culture abroad, especially in relation to our accession to EU, can play an equally significant role. It is also necessary to cooperate with media and thus contribute to the strengthening of the civic and national self-confidence.

21<sup>st</sup> strategic concept:

**SUPPORT OF THE CONDITIONS NECESSARY FOR THE DEVELOPMENT OF MULTICULTURAL APPROACHES TO THE WORLD**

We live in a multicultural world. To date the Czech society, however, has been rather dismissive of this fact. Reversing our approach towards the understanding of multicultural influences as incentives to further development is inevitable. In the foreseeable future we ourselves will become a minority within EU. Needless to say that through the coexistence with the others in the multicultural world individuals confirm their ability to live in an open society. Measures enabling such a transformation must maximize the understanding among cultures, ethnic groups and other minorities in our country, extend cooperation among cultures and improve conditions for the cultivation of communication among cultures. The priority is to learn the basics of multiculturalism in local conditions. Success in this sphere is conditioned by a coordinated cooperation among state, regions, municipalities, civic initiatives and media. And the articulate multicultural orientation of education on all levels is of vital importance in these long-term processes.

22<sup>nd</sup> strategic concept:

**MODERNIZATION OF MANAGEMENT (both in public and private sectors)**

Over the past few transitional years, management in the Czech Republic has been lagging – more than any other coordinating activities in the society – behind the development and needs

of democracy, market and communication among the state, civic and commercial sector organizations. Contacts and relations among these sectors lack a common speech and, most of all, they lack institutions that could serve as examples for codes of conduct, for concluding contracts, clarifying competence and, in general, for running cooperative activities. The solution of this strategic concept consists in the orientation towards strategic management, in overcoming the overly centralized management, in creating an atmosphere imbued with responsibility, in preventing the politicizing of public administration and businesses and in establishing an institution accountable for ethic standards and codices.

23<sup>RD</sup> strategic concept:

#### COMPLETING THE POLITICAL SYSTEM

The low level of public participation in political decision-making, and the reduction of political democratic system to the parliamentary representation, lead to failures in interest mediation. The operation of the political system lacks an efficient coordinated focus on long-term requirements of the democratic and economic transformation of the society. Serious deficiencies in the political culture of representatives of political parties and of the state and public administration and the backwardness of the political culture of electors hamper the establishment and development of certain institutions that would lay down the “codes of conduct in the political arena”. This strategic concept presents proposals for such a completing of the political system that would eliminate the aforementioned deficiencies by way of constitutional amendments, by asserting political and party neutrality of public administration, by cultivating internal management and operation of political parties and by empowering the mechanisms of participatory and direct democracy.

24<sup>th</sup> strategic concept:

#### MEDIA DEVELOPMENT

Media and the media discourse form a part of a complex network of relations. The media discourse is characterized by an unbalanced condition in the space of public communication as the general public still have not fully resumed its roles of a partner and a contender of media and the political elite. Marked by this deficiency, the media discourse has entered the new millenium, which is generally characterized by a discrepancy between the globalized media on one hand, and the public and political elite defined by the borders of the traditional national state on the other hand.

25<sup>th</sup> strategic concept:

#### ACTUAL DECENTRALIZATION OF PUBLIC ADMINISTRATION

The reform of public administration lacks a decisive and well-elaborated political consensus. That is why the reform is confined merely to elementary, institutional aspects. Consequently, a paradoxical situation arises when the formal decentralization of the administration is accompanied with the actual centralization. The most afflicted link in the public administration network are regional municipal governments that – due to the extreme unbalance between potential duties and actual rights – are threatened by getting politically discredited in the eyes of regional communities. And this discredit subsequently jeopardizes the fate of local governments as such. The systemic amendment to the law on the budgetary tax assessment is therefore a key step in this strategic concept.

26<sup>th</sup> strategic concept:

#### PUBLIC SERVICES ACCESSIBILITY

The Czech Republic is regarded as a country that has completed its transformation from the plan-based system to the market economy system. However, from the viewpoint of public

administration and public sector, this statement holds true only to a certain degree – the content of public administration may have changed and the institutional transformation of the settlement of local municipal governments may be in full swing, but the system of public services remains untouched due to its argued indispensability: it is institutions that receive funding, not the needs of citizens. Transferring responsibilities for the accessibility of public services from the state to the municipal governments – as a by-product of the reform of local public administration – is a process that creates space for a reform of the public services. However, if this process is left to an unmethodical development, there will appear serious risks both in the catering for fundamental needs of citizens, in the potential formation of substantial territorial differences and in the further deterioration of efficiency parameters of provided services.

27<sup>th</sup> strategic concept

#### **REFORM OF THE CENTRAL STATE ADMINISTRATION**

The objective of this strategic concept is the transformation of the central state administration from its predominantly superordinate role into a role determined by the service to citizens. A particular emphasis must be placed on the introduction and observation of the order in its organized structure. This is an extremely exigent strategic concept consisting of several mutually interconnected moves, namely: transforming the process structures, transforming the organizational structures, transforming the working methods, transforming the qualification of employees and transforming the approach to work. As the subject of this reform is the centralized state administration itself, it is required that the implementation process of this strategic concept is guaranteed by other actors – in this case by the Parliament and regional and local governments.

28<sup>th</sup> strategic concept:

#### **REFORM OF THE PUBLIC SECTOR**

The public sector in the Czech Republic has not still undergone a satisfactory functional transformation from the structure imprinted by the previous regime into a structure corresponding to the requirements and needs of the democratic society, market economy and responsible preparation for the entrance into the European Union and the subsequent full-fledged membership in EU. The reform of the public sector, a process of complex political, legislative, administrative and institutional transformations, will pursue one single objective – to prepare the grounds for the services of public interest so that they would guarantee the civic rights stated in the Constitution and related laws, would be provided efficiently and in correspondent quality and would be generally accessible, thus contributing to the general life quality and sustainability.

29<sup>th</sup> strategic concept:

#### **CULTIVATION OF THE INTER-SECTOR DIALOGUE**

The dialogue between the public, civic and commercial sectors is being successfully conducted merely on the local level. Its productive application on higher levels is hampered by the low preparedness of state administration to take over the intermediary role in the inter-sector dialogue in coordinating and conceiving this cultivation. At the same time, it is impeded by the insufficient maturity of commercial and civic sectors. By eliminating these impediments, by taking supportive measures and, eventually, by adopting a law (law on strategic planning), a space would be created for a more effective use of irreproducible estates, the concentration of national resources of development and for a more efficient use of public resources.

30<sup>th</sup> strategic concept:

#### CONSOLIDATION OF THE CIVIC SECTOR

This strategic concept starts from the hypothesis that the consolidation of the civic sector is particularly impeded by its low capacity to work on itself. By strengthening the infrastructure (the network of service organizations) of the civic sector, this concept aims at achieving such a state in which the civic sector will be able to play the role of a self-confident social actor and autonomous partner while interacting with the other sectors. This strategic concept of empowering service networks (in terms of conceptions, coordination, advocacy, information sharing, self-regulation etc.) within the civic sector relies on the initiative support from both local and foreign foundations. These foundations are to elaborate programs focused on the support of individual networks and announce grant programs of the implementation of their programs. Civic organizations can then submit their own projects and apply for these grants.

#### CONCLUSION

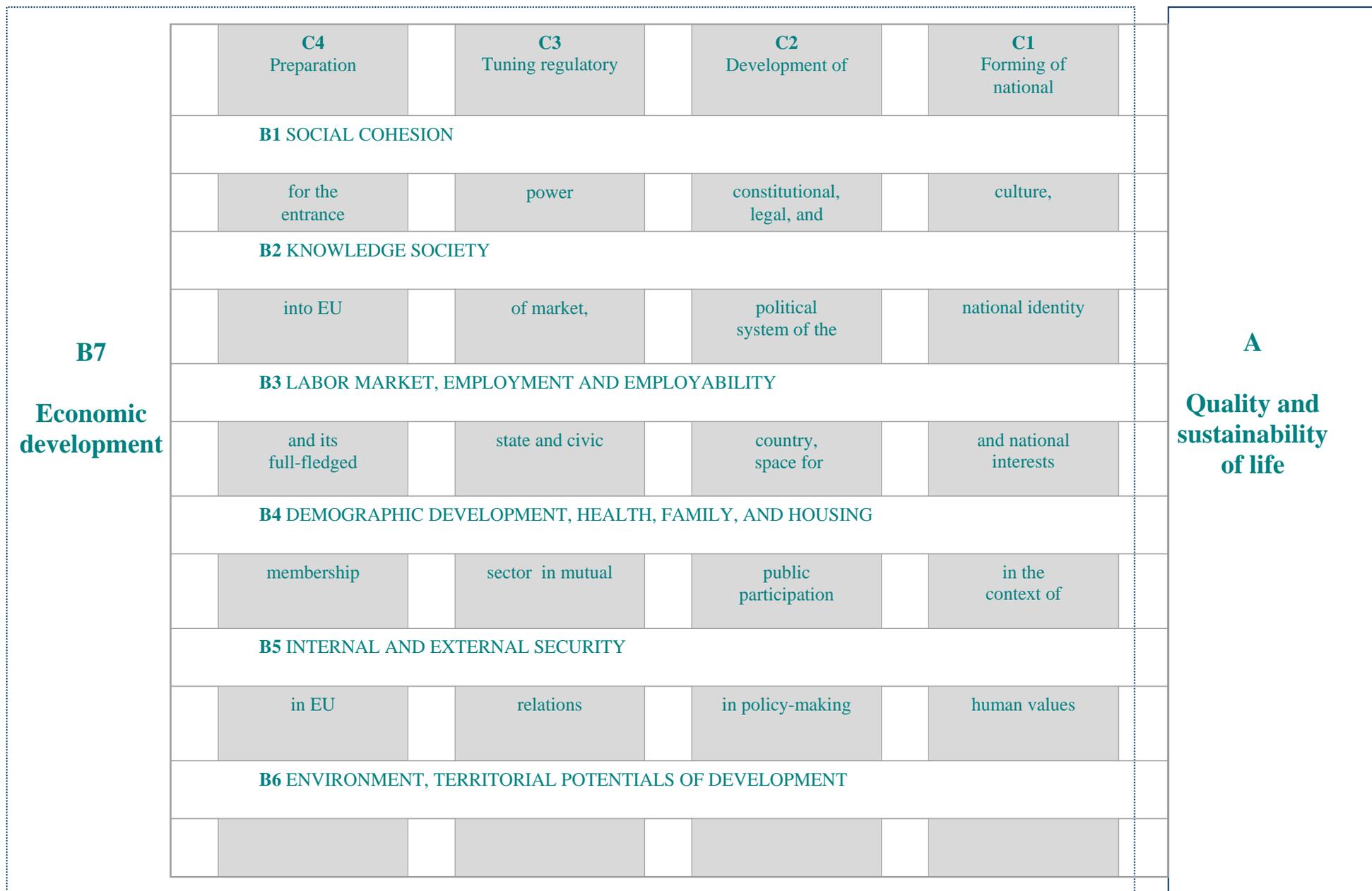
In searching for the priorities for the Czech Republic we are and we shall always be *on the way*. The itineraries and the landscape itself may change and will change. However, some aspects of our efforts are significant. First of all, it is the *openness* of our efforts – anybody interested can participate in our search. Another characteristic feature is our *effort to search for meaningful implications*. So far, we have been able to offer only a sort of a model construction kit out with which one can – provided there is enough will, methodic skills, theoretical and empirical knowledge and time – build more comprehensive visions. We would like to try to do that. By the end of 2002, we would like to complete our teamwork, relying on our cooperation with tens, perhaps even hundreds of other experts and citizens, by presenting the *identification of key strategic moves*. These moves refer to such social innovations that significantly outreach the common functioning of the state and society and the implementation of which presupposes concentration and coordinated use of available resources. These moves as such could become an impetus to guarantee the high quality and permanent sustainability of life in the Czech Republic and could also contribute to pursuing this criterion in the life of the entire humankind. In addition, a representative research of life orientation of the citizens of the Czech Republic is to be carried out and, on the basis of newly acquired knowledge and data, the alternative scenarios of a possible future development of the country till 2020 will be formulated.

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## SCHEME: Conceptual model of the development of the Czech society and its modernization in the global context



**Key:**

A – Criteria block

B – Developmental potentials

C – Formative regulators