

# A Case Study of Privatization without Consideration: The Failure of Voucher Privatization in the Czech Republic

LÁSZLÓ TÖRÖK, Dr. Univ.  
ECONOMIST

e-mail: methodic@t-online.hu

## SUMMARY

*The theory of coupon privatization was developed by Milton Friedman in the 1970s as a quicker alternative to stock privatization. According to this theory, several transformed Central and Eastern European countries have provided their state entrepreneurial assets – to various degrees – to private ownership. The largest voucher asset transmission took place in the Czech Republic, where more than half of the total privatization value was transferred to private ownership by this institutional method. The current study presents the socioeconomic motivations, achievements, and failures of this radical privatization model and finally, it draws lessons and conclusions regarding the Bohemian application of this extremist (in an economic-political sense) privatization technique. The study will be part of a dissertation including the comparative analysis of European privatization models.*

*Keywords: transformation, ownership, privatization, coupons, structure*

*Journal of Economic Literature (JEL) code: H82*

---

## INTRODUCTION

---

What makes the privatization practice of Czech transition unique and special is that the majority of state-owned assets of significant market value, suitable for income generation, were transferred into private ownership without consideration. Within this study, privatization without consideration refers to that Czech citizens did not have to pay for the received state assets. The term is equivalent to the terms of free, voucher and coupon privatization. The tool for this is one of the special products of privatization-related institutional innovations: coupon privatization, also known as voucher privatization. By knowing the intention to transfer assets freely (1000 CZK registration fee) it is relevant to ask what forced political decision-makers to make this definitely radical (from an economic aspect) choice. In answering this question, I use the tool of the historiographic approach of economic science to present the social-economic criteria affecting the decision.

Also in case of the Czechs, the selected method of privatization, at first sight, seems to be only of a technical nature; however, in fact, the value judgment and thinking of a given society about change in its political system, about transformation and about the beginning of the

development of a special Central and Eastern European capitalism are expressed in it. As we will see, Czech reforms selected a uniquely extremist form for the transmission of state ownership to private ownership, to which, members of society responded with initiative and entrepreneurship (Hazlett 1995).

In my opinion, the features of systemic privatization are most adaptable to Czech privatization because this was the deepest and ideologically most established privatization form of longest effect. The main feature of this was that it aspired not only to solving specific problems but also to structural changes. We can distinguish three main purposes: first, it tries to irrevocably decrease the interest-enforcement capacities of certain groups by a power shift. In this case, the pullout of the state results in the balance of power tilting for the benefit of the elite against employees (for instance, the transmission of a plant to the private sector, which is less impressionable by unions). Second, it means a perceptual shift if the purpose of privatization is the delegitimization of the state sector in the case of some functions, namely the elimination of expectations against the state in some areas of the economy. This process can be observed, for instance, in each country of the post-socialist block, where the state tries to get rid of all of the functions it had kept after the political system change

merely out of necessity. The third is institutional shift in a way that it urges people to rely on the private sector. The purpose here is to reduce or completely eliminate the citizens' reliance on the state because, in many cases, it results in the inefficient distribution of goods. This change, in many cases, includes also the transmission of decision-making competencies into the private sector, thus replacing bureaucratic structures with private markets. The accountability of the private sector has to be ensured by the state; however, in some cases, the private sector may be more accountable than bureaucracy. The change of institutions can result in the establishment of new interest groups or new classes (Feigenbaum and Henig 1997). All of the objectives of systemic privatization can be completely identified and have been realized in the radical, voucher privatization of the Czech Republic.

## THE MOTIVATIONS OF THE RADICAL CZECH PRIVATIZATION

The selected privatization institutional method of the Czechs was definitely considered as genuine and unusual (maybe extremist) in the privatization practice of Central and Eastern European countries coming to a political system change. I present its socioeconomic determining factors below.

### *The status of the state budget*

At the beginning of the transformation of Central and Eastern European (CEE) countries, most of the affected nation-states struggled with their unbalanced budgets, unlike the Czech Republic, where the budget was so balanced that the modest surpluses of the early years were replaced by a budget deficit first in 1996. The yearly balance of state budget compared to the GDP, between 1993 and 1996, was, in order, the following: +2.7; +0.8; +0.2; -0.5 percent (Czech Ministry of Finance 1996). This positive status of the budget resulted from the conservative budget politics of the country, the relevant features of which were partly the gradual reduction of the role of the state and partly keeping social expenditures at a moderate level. This economic political practice was maintained up until 1998. It is clearly visible from the data of balance that the sale of state assets against consideration was under no pressure from the direction of the budget. In this relation, Czechs were almost in an unprecedented situation among the changing CEE countries.

### *The status of Czech government debt in the years of transformation*

The rate of the government's gross debt shows a strong correlation with the status of the budget. The government

debt rate of the Czech Republic, in an international comparison, presented the country's situation as extremely favorable and as exceptionally good, compared to other countries in transition. The values of government debt rate compared to the GDP, between 1993 and 1996, were, in order, the following: 19.1; 18.1; 16.4; 13.7 percent (Czech Ministry of Finance 1996). The government debt rate depends on several factors: the absolute amount of government debt, GDP, budget deficit, the primary balance of the budget deficit, inflation, increase of GDP volume, the real interest rate, the rates of revaluation margin and of other debts to GDP. There is a definite econometric coherence between the previous nine factors (Czeti and Hoffmann 2006); as a result of these, the government debt rate of the Czech Republic presented a gradual improvement also in the years of voucher privatization. The almost unprecedented favorable government debt position allowed the Czechs to not have to seek radical solutions to moderate their gross government debt level, so the mass privatization of state property, as a civil right, without consideration – not exclusively – could be a real alternative.

### *The expected speed of the selected institutional method*

The coupon privatization method meant that adult citizens could purchase vouchers for a minimum fee, a civil right to which approximately eight million adult citizens were entitled. These coupons could be converted directly only to shares of middle and large companies or indirectly through the so-called Investment Privatization Funds (IPF). This way, the coupons proved a right to a certain percent of state assets (Csáky and Macher 1998). After the documented purchase of these, the privatization process (converting vouchers to stocks and business shares of state enterprises) was carried out according to standardized rules and frameworks, thus ensuring the relative speed of privatization compared to other methods. So in this institutional process of privatization, the speed of privatization was more important than its content and its economic and legal quality. (In the economic lingo, this is called “naïve privatization” by many people). The effect of voucher privatization on state asset transformation is well depicted by the Czech Republic, where, as a result of the application of this technique, the share of private sector reached, by 1995, 70% of GDP, which was considered to be the highest value at that time in that region (ICEG EC 2003).

### *The implementation of social justice*

The main reason for the selected method of Czech privatization was the implementation of social justice. This was based on the declared principle that communal property shall be transferred to private ownership for a nominal fee. This intention was supported by the

argument that citizens established the former communal property to be distributed among themselves together, so the equal proportion received from it will be socially fair. Despite that some people consider social justice to be only an empty figure of speech and therefore meaningless – because, according to them, there are no distribution problems in society (Hayek 1995) – this neoliberal approach provided a theoretical basis for Czech privatization to distribute communal property without consideration (by using coupons). The integral part of this system of view was the argument that investments and growth cannot be motivated by reducing, spreading or sharing entrepreneurial risk. Moreover, on the contrary: risk-taking must be forced even by eliminating risk-sharing networks (enterprises and banks) (Bruszt and Stark 1996). The practical application of this forced risk-taking was started only after privatization.

### *The prevention of the return of communist nomenclature*

The elaboration of the tool system of “coupon fundamentalism,” which meant that every state enterprise had to be privatized without consideration, was highly motivated by the fact that the elite had to face the return of members of the old system. This seemed reasonable to the extent that there was no national support of appropriate level yet. The successful implementation of transformation was made difficult also by the fact that one could not count on members of the institutional apparatus in this, therefore the leaders of political system change wanted to establish a new class of owners. This social layer was connected to transformation through its already acquired property and protected its established existence from socialist restoration, thus preventing the expansion of the former political elite. So, during the change, its speed and depth were emphasized; this is the reason for the Czechs choosing the institutional process of coupon privatization (Dessewffy and Ravasz 2008). “Coupon fundamentalism,” as will be presented in the following parts of the study, was not fully realized because other methods of privatization were also used when privatizing state assets.

## THE PHASES OF PRIVATIZATION AND ITS INSTITUTIONAL FEATURES

The shift of ownership in the Czech Republic consisted of two phases and two key institutions.

### *The phases of privatization*

The process of Czech privatization included two characteristic phases. The first one, the so-called “small privatization,” took place between 1991 and 1993 and its technique was the public auction. Within the framework

of this, 22,000 small state enterprises, businesses, etc. were sold, predominantly to domestic investors. During its second phase, the so-called “large privatization,” 1,302 enterprises of communal ownership were privatized and this process continued also after the country was divided into two, up until 1997. The privatization process, which mostly included mid-sized and large companies, was carried out by using coupons. Every adult could take out a so-called coupon book, for which they had to pay 1,000 CZK. Every CZK (by taking goodwill, calculated with asset-evaluation processes and methods of that time, into consideration) was worth an asset of 35 CZK, from which it is visible that, with this technique, state assets were transferred into private ownership almost free of charge. Vouchers purchased for a minimum fee could be changed to entrepreneurial share ownership or to the investment units of the fund itself directly or by interposing privatization investment funds.

### *Key institutions of mass privatization*

Privatization was controlled by the National Property Fund (NPF); the substantive privatization was carried out in privatization investment funds that were, among the privatization-related institutional innovations, the necessary tools for applying the coupon technique. Their technical role was to concentrate vouchers not used directly for privatization, then to convert them to stocks and shares of state-owned enterprises. Their other function was more relevant than this one, namely “to actively participate, as the main external institutional shareholders of the newly privatized enterprises, in the leadership of enterprises, like »real« owners” (Simonetti et al. 1999, p. 1). By the end of the “large privatization” (1996), 28% of coupon-underwriting investors used their coupons directly for purchasing stocks or shares, while the remaining 72% sold them as investment funds. During voucher privatization, 426 investment funds were operating that tried to concentrate coupons in the market and, besides creating investor portfolios, they participated in the restructuring of already privatized ex-state-owned enterprises (Mejstrik 2003). Funds established to involve coupons were owned, almost without exception, by financial institutions (mostly banks) that were, however, predominantly owned by the state. The result of this difference in ownership relations was that investments funds were – indirectly – actually owned by the state. This ownership composition made it particularly difficult to make companies competitive and to improve their efficiency.

## THE SOCIAL ACCEPTANCE OF COUPON TECHNIQUE

The social acceptance (political support) of the voucher privatization process, most broadly used in the Czech Republic, was based on the widest base in the

privatization practice of CEE countries because this method involved citizens to the greatest extent in privatizing the entrepreneurial assets of the state by providing property almost free of charge, although in a limited amount. Coupons for a symbolic price, receiving a share equally, providing further discounts to certain social layers and the fact that the communist nomenclature did not enjoy any advantages in the process, all contributed to this type of privatization in the Czech Republic being carried out with significant social support between 1991 and 1997. The popularity of mass ownership-transfer for a minimal fee was not accidental. Providing properties through privatization to the wide masses was not free of political considerations. As was found by empirical research, privatizations carried out free of charge or at discount prices meant a significant number of votes everywhere for political forces and governments carrying out such programs.

## THE RELATIONSHIP BETWEEN CZECH ANTI-BANKRUPTCY PRACTICE AND PRIVATIZATION

The relationship between Czech privatization and bankruptcy proceedings, in relation to companies in difficult situations but selected for privatization, resulted in a special symbiosis. During the first wave of the “large privatization,” the government pursued a heavily questionable anti-bankruptcy proceeding instead of the desirable bankruptcy regulation. This was manifested in state enterprises selected for privatization, and in an insolvent state or close to that, were subsidized from the privatization incomes of companies privatized through market methods (auction, tender, etc.). Governmental economic policy, in this process, was guided by the fact that a consistent bankruptcy practice – namely if these companies were allowed to go bankrupt before ownership shift – would endanger the success of the approved coupon privatization strategy. The consequence of this was that state subsidies were needed by companies selected for privatization and entering into a strengthening market environment, for a significant period of time and in significant amounts.

## THE MAIN DATA OF COUPON PRIVATIZATION

Coupon privatization was closed by providing company shares to private investors and investment funds. Due to coupon privatization, assets worth nearly 350 billion CZK (nearly 12 billion US dollars) were transferred to private ownership. The proportion of companies’ capital included in privatization was between 7% and 97%. Companies were required to keep 3% of their shares in order to be able to satisfy compensation demands in the

future. An average of 61.4% of the shares of companies involved in the first wave was distributed within the framework of coupon privatization. The remaining proportion of shares was sold to foreign investors or was handed over free of charge to local authorities, or was left in the ownership of the National Property Fund, either permanently or temporarily. This was necessary in order for the state to preserve a domestic majority ownership in some important sectors, and therefore its national influence. A portion of state assets was privatized with the help of several other techniques (for example, ownership-transfer for local governments, for social security funds or as compensation, etc.) (Gál 2005). The typical method in the process of privatization was that the management of the company selected for privatization worked out the plan of ownership shift, which was then evaluated and accepted or rejected by the ministry of privatization. This way, the ministry was able to regulate the composition of privatization portfolio. The data of the so-called “large privatizations” are included in Table 1.

*Table 1. The development of large privatization in the Czech Republic*

Applied privatization method	Number of units	Value (billion CZK)	Distribution (percent)	Number of employees (1000 employees)	Employee distribution (percent)
Public auction	465	5	1	16	1
Public tender	462	16	3	71	5
Direct sale	1553	37	6	156	12
Corporations' privatization	1377	527	88	1094	81
From corporations' privatization: coupon	1302	269	45	1041	77
Asset-transfer free of charge	1432	12	2	15	1
Total	5358	597	100	1352	100

Source: Mládek 2011, Table 1, p.2

At the beginning of the current study, I referred to the fact that, in the economic change of system, during the transformation of state assets, more than the half of it was carried out free of charge, by using coupons, and parallel to this, also market sale and asset-transfer were carried out free of charge. Several important interrelations result from Table 1. While the average company privatization value was 111 million CZK, the same value, in case of companies privatized through coupons, was nearly 207 million CZK. It is more relevant data than the previous one that, while the average employee number was 252 workers, in the case of voucher-privatized companies, the value of the same index was nearly 800. These data also show that, apart from the privatization of state companies of strategic importance, mid-sized and large companies were involved in this particular privatization process. Privatization transactions achieved by market methods (stock introduction, public auction, tender, direct sale) also have a significant value. The free asset-transfer seemed to be significant only in the quantity of units rather than in its value. In this so-called large privatization phase, the state asset privatized with the coupon method represented a

value of 269 billion CZK, which is a rate of 45% from the total amount of privatization of 597 billion CZK. At the completion of Czech ownership-transformation, its total value reached 700 billion CZK, and more than 50% of this was privatized with the voucher method (World Bank 1999, p. 142).

## SECONDARY PRIVATIZATION

---

At the time of primary privatization, the vast majority of privatization investment funds were owned by banks and financial institutions that were, however, owned by the state. The uncertainty of ownership rights, cross-ownership in many cases, and the fact that small investors were uninformed induced a lack of motivation in crisis investors, which pushed them toward selling their properties at less than normal value. As a result, only investors with insider information and managers following only their personal interests remained in the market. This depressive investor environment and the less transparent market conditions finally led to the startup of secondary privatization, which meant that masses of small investors sold investment units/shares of privatization funds and shares of companies privatized, to a lesser extent, directly, with loss or in better cases, with a minimum profit (Mejstřík 2003). The purchasers of these were, in most cases, the funds themselves and since a kind of uniting process started among them, ownership rights were more and more concentrated, which meant the cessation of the dispersed ownership structure, namely it meant secondary privatization (Soós 2010).

## THE INTERRELATION OF CZECH TRANSFORMATION AND PRIVATIZATION

---

The interrelation of transformation and privatization in the Czech Republic and the appearance of dysfunctional items experienced in spite of good intentions are usefully highlight by the following train of thought:

During its time, privatization in transitional economies seemed to be rational for many, although by looking back to the process (in many cases) it was mishandled. Most people would have liked if an orderly operational legal framework (contractual regulation, bankruptcy proceeding, corporate management and competition) had been created already before restructuring and implementation, but at least parallel to that. No one knew, however, how long the gates of reformation would be open. At that time, a fast and thorough privatization seemed to be a reasonable game while subsequently managing problems. Today, in the more advantageous situation, it seems that supporters of privatization over-estimated its advantages and under-estimated its costs, especially the political costs of the

process; its obstacles preventing the continuation of reform. So, the playing of the same game, with seven years of experience, is less verifiable. (...) The search for allowances can be found both in private and in state-owned companies. The brave initiative of voucher privatization in the Czech Republic failed partly due to this and partly due to the fact that capital markets, without appropriate legal and institutional framework, do not demand the necessary discipline from managers and do not ensure the efficient outsourcing of scarce capital. (Stiglitz 2001, p. 74)

The previous interrelation confirms that when market institutional items are not created during organic development but as a result of some kind of a bureaucratic coordination – as happened in the countries of the entire Central and East European transformation – the disharmony developing among them is encoded.

## THE EFFECT OF COUPON PRIVATIZATION ON SOCIAL INEQUALITY

---

In this section, I examine how state property, allocated to Czech citizens without consideration, modified inequality in the Czech Republic. To reflect social inequality, I use the so-called Gini-index, which value can be a number between 0 and 100 (or 0 and 1). Zero indicates complete equality, while one-hundred stands for one person possessing all property. The closer the value of the index is to 100, the higher the level of inequality is. My first hypothesis is the following: if everyone receives a share from state property on a citizenship basis, the level of social inequality should be reduced (*ceteris paribus*). This should occur because the same amount of state property results in a much lower increase in the wealth rate of people with higher income than in that of people with lower income. My second hypothesis is that, in the Czech Republic, the state property allocated without consideration should reduce inequality between such people, compared to people of countries without state property allocation without consideration (*ceteris paribus*). I examine the change of this compared to Hungarian data.

### *The change of inequality in the Czech Republic*

The value of Gini-index in the country, before privatization, was 20, while it was 27 when it was terminated (ILO, 2008:11). The 7-point increase in the value of the index shows that inequality increased in the Czech Republic. Despite the increase, the value of 27 is almost equal to that of the developed region of Northern Europe (Sweden, Norway and Finland). This means that my first hypothesis statement is not justified; inequality did not decrease but increased in the Czech Republic, due to civil asset growth allocated without consideration.

Therefore I conclude that other determining factors had much stronger, opposing effect on the change in the value of the index.

### *The development of inequality compared to the change in Hungary*

The two countries are connected through a common history, from several aspects. However, their executed privatizations are very different. In the Czech Republic, more than half of the state property was sold without consideration, while in Hungary, it was sold mostly at a market value. So there was a significant difference in the method of privatization. The value of Gini-index in Hungary was 21 at the beginning of privatization and it was 28 at the end of it (ILO, 2008:11). The rate of change was 7, just the same as was the increase in the Czech Republic (from 20 to 27). This means that the levels of inequality, in the two countries and within the examined period, increased to the same extent, although this increase was a bit higher in the Czech Republic. The difference, however, is not significant. So my other conclusion is that the state property allocated to Czech citizens without consideration, by coupon method, did not reduce their inequality, not even by comparing it to the social difference of Hungarian citizens. The Hungarian change of value of the Gini-index was not influenced by state property allocated without consideration because there was no asset transfer based on such right.

## SUMMARY

The effects, consequences and morals of mass privatization in the Czech Republic should be analyzed by comparative analysis, trivially, compared to the results of an optimal expected privatization. Statements:

- In the case of insufficient and incoherent regulation, privatization could fulfill its purposes only partially and in a rudimentary form. During primary privatization in the Czech Republic, the regulation of the protection of small investors, of the ownership management of companies, of the privatization investment funds but especially that of the institutions of capital market was extremely deficient. In such an environment, a more effective combination of capital items compared to the status before privatization cannot be expected. “The only privatization that can be successful, in a macroeconomic sense, is the one that deepens also the capital market, namely if there are public issuing and stock distribution of company papers. In addition, the condition of success is the transformation of corporate governance (since production factors will or will not be combined more successfully due to this)” (Csaba 2002, p. 282).
- Inherited ownership relations were rearranged by voucher privatization at a significantly slower speed and radicalism than expected by those developing its theory and implementing its realization. In the Czech Republic, political followers of liberal privatization practice enjoyed strong support; despite this, the development of detailed rules and the measurement of the effects of its implementation took a relatively long time, which slowed the privatization process down. The lack of radical ownership shift is explained by that only 28% of the approximately 6.5 million citizens requesting coupon books converted their vouchers directly to property rights, thus becoming an owner in a commercial company. The majority, 72%, converted their coupons to company shares only indirectly, by the intermediation of privatization investment companies owned mostly by state-owned banks and financial institutions. This institutional process, however, did not mean a radical change in ownership relations.
- During primary privatization, the bankruptcy proceeding practice followed by the economic policy led to serious consequences by the regulation of company insolvency being loose and inconsistent. The subsidy of other companies facing payment difficulties and selected for appointed for privatization, from the consideration of companies privatized by the market method resulted in these remaining functional until their privatization. This economic political practice significantly contributed to the fact that the transformational decline typical of every transforming CEE post-socialist country appeared much later in the Czech Republic than it should have.
- The fragmented ownership structure strengthened the positions of the management. As is shown in Table 1, 1,302 ex-state-owned companies employing more than one million employees were privatized with the coupon method between 1991 and 1997. The main feature of the ownership structure of companies privatized this way was that they were owned by a disorganized aggregate of minority shareholders owning only some shares. However, shareholders are able to control management only moderately in such a dispersed ownership structure. This then led to the development of the excessive power of Chief Executive Officers (Simonetti et al., 1999).
- The integration of Investment Privatization Funds (IPF) into the institutional system of the market economy was difficult due to their system-alien nature. These funds were the organizational key factors of Czech privatization; their main role was to collect and concentrate vouchers distributed as a civil right and then to “convert” them to stocks and shares of state-owned companies. The act of conversion is privatization itself, the owner shift. The problem in the structure established by primary privatization after political system change is that the above-

defined funds are not actors established in an organic economic development but they are the intermediate elements, established by a bureaucratic institutional system, of this particular Czech economic development process that, as a result of the organic development of economy, was going to atrophy. This is supported by the fact that while the number of funds was 1,048 during the golden age of voucher privatization (1995), ten years later (in 2005) only 109, one-tenth of them, still existed (Hanousek and Kocenda 2008).

- The coupon, institutional mass privatization is counter-selected among state-owned companies to be privatized. The government still tried to realize income, in cash, from the privatization of state entrepreneurial asset. However, a more significant income could be expected from the privatization of strategic companies that, in the given circumstances, functioned appropriately or whose activities were expected to be of perspective. Such companies were not even appointed for privatization; but in this way, the privatized companies were those with less positive economic indices and future strategic status. Finally, from the Czech total privatization, worth 700 billion CZK, a value of 190 billion CZK was privatized by market methods, which is a rate of 27% (World Bank 1999).

Still, what can we discover in its economic historic significance of Czech coupon privatization? Maybe in that this method was part of a political strategy in which the “clear post-socialist revolutionists” of a new age fought the “members of the embedded nomenclature” of old times for power (Ellerman 2001).

## CONCLUSIONS

- The so-called primary privatization, carried out by interposing coupons, of company assets and of tools appropriate for income generation of the Czech (Czechoslovak in the beginning) state did not establish an ownership layer in the Czech Republic based on broad masses. The statement is supported by that only approximately 6.5 million of the approximately 8 million Czech adults entitled to state property used the offered option and took out so-called coupon books. However, a more relevant fact than this is that 72% (4.7 million people) of those requesting coupons sold their vouchers, with minimum profit or at a loss, to privatization

investment funds, thus indicating that they did not want to become classical capitalist owners (minority shareholders) in commercial companies. The realizable property value of approximately 35,000 CZK (approximately 1,200 dollars) from exchanging a coupon booklet did not mean a significant growth of wealth for citizens.

- As a result of coupon privatization, a semi-state – semi-market ownership relation structure was created. This statement is supported by the fact that most of the 426 IPF companies established were owned by banks and financial institutions, which were, however, at that time – during the so-called primary privatization phase – owned mostly by the state. However, such an ownership structure did not meet the requirements of a market economy characterized by the predominance of the private sector because the rate of state property in the funds established to concentrate vouchers, though indirectly, was disproportionately high.
- The development of economic structure based on the dominancy of private ownership, together with all of its institutions, is inevitable for market coordination and for establishing its optimal operating status. However, in the transforming Czech economy, the institutional actors inevitable for the measurement of market performance of state-owned companies appointed for privatization did not exist yet, such as a stock exchange, competition supervision, etc. In this early phase of social-economic transformation, due to the lack of these and later their initial, embryonic status, these were not able to provide valid economic information to define the real and expected market values of privatized companies.
- Comparison of the pre and post privatization values of Gini-index shows that allocating state assets without consideration to the citizens did not reduced property inequalities (as it might have been expected) but on the contrary, social inequalities even increased (*ceteris paribus*).

My final conclusive remark about Czech coupon privatization is that though this institutional method contributed significantly to the privatization of state assets, it did not do it to the extent and in the way originally expected. This, however, is no more than one of the derailments of huge social changes controlled from above that occurred several times, not only in the Czech Republic but also in other countries at the time of the large transformation of Central and Eastern Europe.

## REFERENCES

- BRUSZT L. – STARK, D. (1996): Vállalatközi tulajdonosi hálózatok a kelet-európai kapitalizmusban, *Közgazdasági Szemle*, XLIII. évf., 1996. március, 183-203.
- Czech Ministry of Finance, Czech Statistical Office (1996): *Government Debt Annual Report*, [www.mfer.cz/cps/rde/xber/mfer/Report\\_1996.pdf](http://www.mfer.cz/cps/rde/xber/mfer/Report_1996.pdf) (last accessed on 5 Oct. 2011)
- CZETI TAMÁS – HOFFMANN MIHÁLY (2006): *A magyar államadósság dinamikája: elemzés és szimulációk, MNB-tanulmányok* 50. [http://www.mnb.hu/Root/Dokumentumtar/MNB/Kiadvanyok/mnbhu\\_mnb tanulmanyok/mnbhu\\_mt50/mt\\_50.pdf](http://www.mnb.hu/Root/Dokumentumtar/MNB/Kiadvanyok/mnbhu_mnb tanulmanyok/mnbhu_mt50/mt_50.pdf) (last accessed on 10. Oct. 2011).
- CSABA LÁSZLÓ (2002): Az átalakulás fejlődéselmélete, *Közgazdasági Szemle*, XLIX. évf., 2002. április, 273-291.
- CSÁKY GYÖRGY – MACHER ÁKOS (1998): *Magyarország évtizedkönyve 1988-1998. I-II. kötet*, In Kurtán Sándor – Sándor Péter – Vass László (szerk.): *A magyar privatizáció 10 éve 1988-1997*. Budapest, Demokrácia Kutatások Magyar Központja Alapítvány
- DESSEWFFY TIBOR – RAVASZ ÁBEL (2008): *Privatizáció mint társadalompolitikai eszköz*, DEMOS Magyarország, <http://www.demos.hu/Tevekenyseg/Projektek/privatizacio> (last accessed on 12. Oct. 2011)
- International Labour Office (2008): *World of Work Report 2008*, Geneva, Switzerland, <http://www.ilo.org/public/english/bureau/inst/download/world08.pdf> (last accessed on 19. Jan. 2012)
- ELLERMAN, D (2001): *Lessons from Eastern Europe's Voucher Privatization*, Social Science Research Network, Vol. 44. No. 4, 14-37.
- FEIGENBAUM, H. B. – HENIG, J. R. (1997): *Privatization and Political Theory*, *Journal of International Affairs*, 50, 1997, 338-356.
- GÁL ZSOLT (2005): *A privatizáció három útja és tanulsági Csehországban, Szlovákiában és Magyarországon*, *Társadalomtudományi Szemle*, VII. évf., 2005/1. szám, 1-22.
- HANOUSEK, J. – KOCENDA, E. (2008): *Understanding Privatisation Policy: Political Economy and Welfare Effects*, Deliverable 5. 3, [www.privatizationbarometer.net/upp/uppdoc/D5.31.pdf](http://www.privatizationbarometer.net/upp/uppdoc/D5.31.pdf) (last accessed on 14. Oct. 2011)
- HAYEK, F.A. von (1995): *Piac és szabadság*, *Közgazdasági és Jogi Könyvkiadó*, Budapest, 1995.
- HAZLETT, T.W. (1995): *The Czech Miracle (Why Privatization went right in the Czech Republic)*, [http://www.reason.com/archives/1995/04/01/the\\_czech\\_miracle/singlepage](http://www.reason.com/archives/1995/04/01/the_czech_miracle/singlepage) (last accessed on 10. Oct. 2011)
- ICEG Európai Központ (2003): *Tóth Máté (szerk.): A privatizáció összehasonlító elemzése a csatlakozó és egyes átalakuló gazdaságokban*, Budapest, 2003, [http://www.gasparalapitvany.eu/docs/98\\_privatization.pdf](http://www.gasparalapitvany.eu/docs/98_privatization.pdf) (last accessed on 12. Oct. 2011)
- MEJSTRÍK, M. (2003): *Privatization and Corporate Governance in the Czech Republic*, In Parker, D., Saal, D.: *Handbook on Privatization*. E, Edgar Publishers, London, 375-401.
- MLÁDEK, J (2011): *A csehországi privatizáció*, [www.mladek.eu/hu/cikkek/a-csehorszagi-privatizacio](http://www.mladek.eu/hu/cikkek/a-csehorszagi-privatizacio) (last accessed on: 10. Oct. 2011)
- SIMONETTI, M – ESTRIN, S. – BÖHM, A. – ELGAR, E. (szerk.) (1999): *The Governance of Privatization Funds, Experiences of the Czech Republic, Poland and Slovenia*, Cheltenham, UK/Northampton MA., USA, 1999.
- SOÓS KÁROLY ATTILA (2010): *Rendszerváltás és privatizáció*, Corvina Kiadó Kft., Budapest, 2010.
- STIGLITZ, J. E. (2001): *Úton egy „posztwashingtoni konszenzus” felé*, *Eszmélet*, 2001. (13. évf.) 51. sz. 67-83.
- World Bank (1999): *A World Bank Country Study 19650 vol.2 September 1999, Czech Republic, Toward EU Accession*, Main Report, Washington, D. C., [http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2000/08/18/000094946\\_99092312334442/Rendered/INDEX/multi\\_page.txt](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2000/08/18/000094946_99092312334442/Rendered/INDEX/multi_page.txt) (last accessed on 08. Oct. 2011)