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## **Household Consumption in the Czech Republic: From Shopping Queues to Consumer Society\***

*Abstract:* This article gathers a variety of evidence demonstrating the rapid development of household consumption in the Czech Republic during the post-1989 period. In the first section, the basic features of household consumption under the communist regime are described. In the second section, the transition to a market economy and its likely positive impact on the economic conditions and behaviour of households is discussed. In the third section, post-1989 changes in patterns of family expenditures are documented and compared with several other EU countries. In the fourth section, a critical assessment of the development of Czech consumer culture with its agencies and clients is placed in the context of broader debates about the meaning of mass consumerism. Both the positive and negative features of booming consumption are summarised in the conclusion.

*Keywords:* household consumption, consumer society, consumerism, income differentiation, Czech Republic.

In retrospect, it is an open question whether the phrase “return to Europe,” announced in November 1989, meant mainly the re-establishment of democracy and human rights, and the freedom to travel and work abroad, or mainly access to Western material goods and development of a consumer society. Most likely, the real meaning can be found in a mixture of all those factors, with different blends of components for various categories of people. Gradually, the material side of the story has come to the fore. Civic freedoms and open borderlines became taken for granted. After the initial enthusiasm, people moved increasingly away from politics, which came to be seen as a dirty game played by those few at the top. In contrast, consumption has become the sphere of free choice and personal satisfaction at a mass scale.

According to attitudinal surveys, affluence and wealth were not described as the highest values to be reached in the Czech Republic in the early 1990s. Rather, political freedom, interesting work, greater education and skills development were considered more important. However, the location of material factors (income, wealth and an affluent lifestyle) in the hierarchy of values was the most significant source of differences in people’s attitudes (survey “Opinions on social changes,” 1993). Later on, in addition to such dominant value constants as family, environment and health, values of lucrative earning activities and a comfortable lifestyle increased in their importance

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and clearly became dominant over interesting work, general education, participation in community life and supporting democracy (Centre of Public Opinion Research, Institute of Sociology, Czech Academy of Sciences [CVVM] surveys 1994–2006).

While much attention is paid to the financial difficulties of Czech households, the conditions of those living in low-income categories and the issue of supportive tax and benefit policies, the developing—if not already flourishing—mass consumerism is debated much less by social scientists. Official statistics on real household income sharply contrast with the observed booming retail market, dozens of newly constructed supermarkets and hypermarkets, widespread marketing campaigns, and the intensive individual purchasing activities which reach new highs every summer holiday period and every Christmas buying season. It seems that the factors set by George Katona, the founder of American economic psychology, for the definition of a mass consumption society are gradually being met in the Czech Republic:

- *Affluence*. Not a few individuals, not a thin upper class, but the majority of families now have discretionary purchasing power and constantly replace and enlarge their stock of consumer goods.
- *Consumer power*. Cyclical fluctuations, inflation or deflation, and the rate of growth of the economy—all now depend to a large extent on the consumer.
- *Importance of consumer psychology*. In our economy, consumer demand is no longer a function of money alone ... The willingness to buy is a reflection of consumer motives, attitudes and expectations (Katona 1964: 3).

In contrast to Katona's optimistic picture of consumerism, criticism of consumer society has always been present. Its roots are indeed deep. Plato, in *The Republic* (1986), distinguished between the true, "healthy" city from a "sick" one, which tried to quench its feverish desire for luxuries. And before Katona published his thesis about the "powerful consumer" for the first time (Katona 1960), Vance Packard documented that the consumer is not free, but is instead exposed to the tricky manipulation of "hidden persuaders" (Packard 1957). The necessity of manipulation is given by the fact that never before in the history of mankind had the problems of sales dominated over the problems of production. Therefore, consumption in the advanced world should be aggressively promoted by marketing and supported by extension of consumer credit.

In the 1950s, when scholars in the West disputed about whether the consumer of the new era was powerful due to his purchasing capacity or powerless due to marketing manipulation, citizens of the communist countries starved by shortage. While standing in shopping queues, they could only dream about the rich supply found in the countries to the West of the Iron Curtain, which were treated in local propaganda as countries of unemployment and poverty. Although socialist-era consumers saw some improvement later, it was only after 1990 that the consumer society started to conquer the region. The new economic development was leading to a society "in which choice and credit are readily available, in which social value is defined in terms of purchasing power and material possessions, and in which there is a desire, above all, for that which is new, modern, exciting and fashionable" (Benson 1994: 14).

Of course, like its neighbours the Czech Republic was conquered by an invasion of mass consumption, maybe even somewhat more than in other post-communist

countries. To understand this phenomenon, this article gathers evidence which describes this historical process and assesses some of its social consequences so far. In the first section, I briefly depict the basic features of consumption under the communist regime. In the second section, I reflect on the transition to a market economy and its impact on the economic conditions of households. In the third section, post-1990 changes in patterns of family expenditures are documented and compared with other EU countries. In the fourth section, the consumer scene, with its various agencies and clients, is critically assessed in the context of debates about the meaning of consumerism.

### **The Communist Regime: Meeting Basic Needs**

The communist regime was very restrictive as regards the level and variability of personal consumption. In its early ideology, the long-term goal of building the communist society which could provide everyone “according to his needs” was prioritised over affluence for present generations. The workers’ paradise was to be achieved through “socialist work” which was thus idolised as the main instrument of self-satisfaction and self-accomplishment in a collectivistic, homogeneous, working-class society. Starting in 1948, most songs, literature, plays, movies and news praised the “heroes of work,” such as women taking male jobs, “useless” white-collars becoming “productive” blue-collars, and all possible successes in the labour effort, manifested most often by production quantities exceeding planned targets. Rhetoric about steady improvement in the standard of living contrasted with real-world shortages, rooted in the very system (Kornai 1980).

Regarding consumption, communist ideology referred exclusively to the satisfaction of human needs (those presumably developing inexorably from basic to higher needs as the project of building of communism continued) without considering consumer preferences. Such an ideological orientation had far-reaching consequences: the main goal was to design, standardise and satisfy “rational” needs, conforming to a view of human and social development. Whereas in the first phase of building communism (the socialist period), consumption was intended to cover mainly basic needs of reproduction (food, clothing, shelter), in the second phase (true communism), consumption was expected to fulfil higher needs of human development, such as education, culture and recreation. This referred directly to Marx and Engels’ vision as described in their Communist Manifesto.

To support such “rational” consumption, price policy was directed. The turnover tax was established as a difference between gross-trade and retail-trade prices, ranging from a very negative to a very positive amount (even up to hundred percent of the gross-trade price). Through price subsidies, consumer preferences for food were strengthened. Through the price burden, consumer preferences for “luxury” durable goods and household equipment were limited and almost eliminated. The closer the individual commodity to items common to traditional consumption patterns of the 19th century working class, the higher the state subsidy. Thus, history was to be frozen

by command planning policy, and the differences in consumption patterns between social categories corresponding to earnings disparities (which were minor anyway) were even suppressed.

In spite of low burden of expenditures on food by indirect tax (together with goods for children), their share remained high. The main reason of it was the generally low purchasing power of the family income. And the main reasons for that were low labour productivity under a command economy and the primary orientation of the national economy toward heavy industry as the basis of military power serving to the Soviet empire. Consumer goods, highly standardised, were fabricated rather as an afterthought of the “main” production, their importance falling far behind that of the production of coal, steel, machinery and arms. The real scarcity was camouflaged by rhetoric about the “permanently increasing standard of living of all people.”

Nevertheless, under pressure from rising consumption in the West, the standard of living of the population improved slowly and the burden of household expenditures for items of prime necessity attenuated somewhat. Throughout the period which is described in the Family Expenditures Surveys [FES] collected by the Czechoslovak Statistical Office [CSO] beginning in 1958, the share of food and beverages as a proportion of spending decreased from one half to one third in employees' households. Despite some improvement, the consumer quasi-market was perpetually in short supply, and shopping queues never disappeared completely.<sup>1</sup> Open only for a select few, special stores were established—some quite hidden, for party members and top state bureaucrats, and others rather public, as stores for people in possession of hard currency or its equivalent.<sup>2</sup>

However, the world of Marxist ideology and the command economy was not the only economic scene in which people lived under the communist regime. They tried to escape strictly delineated paths and modify them by secondary incomes or even illegal means. This activity was linked to bricolage and the do-it-yourself approach, finding widespread application in family houses, apartments and especially recreational homes. While accepting “rational” habitation in prefabricated panel houses, many people reduced them to weekday dormitories, cultivating individual secondary housing in the countryside during weekends. Dachas and rustic homes provided an alternative atmosphere of individuality, a traditional environment and, thus, an escape from the uniform ambience and forced standardisation.<sup>3</sup>

Husák's hard-line regime, established after 1968, concluded a tacit contract with the populace which offered a better standard of living and less intrusion into private

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<sup>1</sup> A unique study of shopping queues was made by Joseph Hraba in 1982 in three Polish cities. One hundred fifty-eight shoppers were interviewed about their shopping tactics, in other words, activities meant to locate scarce goods and save time with shopping, which may have involved other people and the creation of distribution teams (Hraba 1985).

<sup>2</sup> The Soviet currency, the Ruble, enjoyed the status of a “hard currency” to attract people to work in the USSR, beginning with diplomats and ending with manual workers on “constructions of socialism” in the USSR and other “fraternized countries.” Those working in the West were subject to a prohibitive special tax.

<sup>3</sup> This post-1968 trend is most apparent in the boom of reconstruction of rural houses into secondary residences. According to the 1989 Microcensus, 12.5 percent of Czech households and 29 percent of Prague residents' households possessed a recreational house.

life, in exchange for manifest loyalty to the regime. Thus the 1970s and 1980s saw an expansion of alternative channels of consumption and a return to focus on the family.<sup>4</sup> The changed pattern of everyday life included not only double speak and pretend morality pervading the public sphere, but also bifurcated personal economic activity: one arena for earning and spending income was official and widely standardised, and the other was hidden and differentiated, with the help of a secondary economy. Not only weekends and leisure time became the domain of private and hidden activities—working hours as well were used for hunting goods and arranging private life, if not to profit from one's position by getting extra income.

Despite the regime's effort to buy off the population by increasing "communist affluence," general levels of satisfaction in fact decreased during the 1980s. According to confidential polls made for party officials by the former Institute for Public Opinion, 49 percent of respondents in 1970 saw their standard of living as having improved over the previous five years. This number declined to 44 percent in 1985 and 38 percent in 1989. These figures involve the entire Czechoslovak population; both the retrospective and prospective conditions in the Czech part of the country were perceived to be much worse than in Slovakia (*Názory občanů* 1989). The obvious reason for dissatisfaction was that the improvement was slow while people's expectations developed faster, following the Western model.

The implicit wish to improve material conditions and harmonise with Western consumption standards was a very strong motivator for the demonstrations in November 1989 and subsequent events. The biggest show of confidence in the most popular economist of the time was the rallying cry, "With Komárek, the Czech koruna will become as strong as the German Mark" (*Za Komárka, koruna jako marka*).<sup>5</sup> Such a proposition might have sounded quite impossible at the time, but the consumption boom did indeed start and the purchasing power of the Czech crown against Western currencies constantly strengthened. Between the introduction of the Euro in January 2002 and October 2007 only, the Czech koruna has strengthened by 30 percent.

### **Emerging Capitalism: How Much the Better?**

In early 1990, even before commencing the official programme of economic reform, open-air markets began to flourish and compete with state commercial enterprises. After somewhat ridiculous, bazaar-like beginnings, the private retail trade expanded and changed the character of the consumer market extensively and profoundly. The

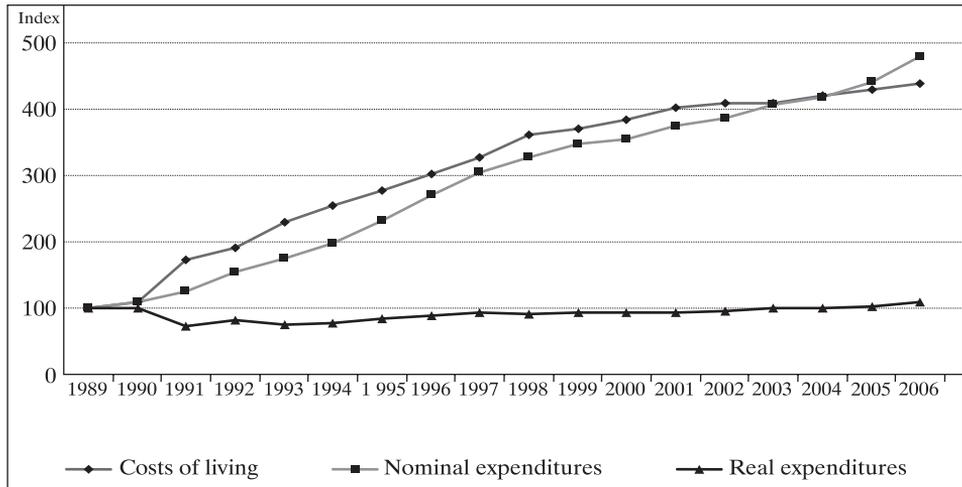
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<sup>4</sup> This emphasis on private domestic life contributed to the "baby boom" experienced in the Czech lands during the early 1970s, which the regime claimed as the result of its clever pro-population policy and state support for young couples. In a similar vein, Marody and Kochanowicz (2003) speak about familialism as an enduring feature of Polish economic culture. The "familial world" serves as a refuge from the dangers of what lies outside. The authors relate it to the rural background of most Poles, as well as to the effects of the communist period.

<sup>5</sup> The economist Valtr Komárek, Director of the Institute for Forecasting of the Academy of Sciences (established in the late 1980s as a hidden base for preparing a Czech "perestrojka"), was applauded to take the position of Prime Minister. Later, he became a Vice Prime Minister responsible for economic reform but his vague concepts were replaced by Václav Klaus' "market without adjectives."

emergence of actual consumer markets began with the liberalisation of the prices of most goods. Price liberalisation had two outcomes. On the one hand, it placed a sudden burden on households, which virtually overnight faced higher prices. On the other hand, the former gap between food prices and the price of other goods disappeared and a variety of goods at varying prices began to make a much wider consumer choice possible.

Graph 1  
Nominal and Real Expenditures in the Czech Republic 1990–2005



Source: Statistical Yearbooks of the Czech Republic.

While the “supply shock” was widely welcomed, it was counter-balanced by rising prices. Evidence for this differs by the source of data. According to income statistics based on the FES, real consumer expenditures by the population at large dropped sharply in 1991 and rose very slowly such that the real purchasing power at 1989 levels was reached only in 2003 (Graph 1).<sup>6</sup> Only a bit better results are indicated by income surveys (Microcensuses) which reveal that the 1989 purchasing power level was reached in 2002. According to the *National Accounts*, however, the 1989 purchasing power level was crossed sometime in the mid-1990s and was higher by 25 percent in 2005. This finding corresponds with EUROSTAT’s figures which reach back, however, only to 1995 (EUROSTAT 2007).

Confusing information can be found in the self-reported financial well-being of Czech households as well. A standard question about personal fiscal welfare was asked in the Economic Expectations and Attitudes [EEA] sociological surveys collected from 1991–1998 and was also contained in surveys in 2001 and 2005 made by the Czech Statistical Office [CSO]. EEA surveys report a sharp increase in financial difficulties

<sup>6</sup> The importance of figures based on the FES is demonstrated by the fact that they are published in *Statistical Yearbooks of the Czech Republic* as the only official time series on household resources for the entire post-1989 period.

until mid-1991, but reveal a systematic decrease in financial problems during the 1990s. Statistical surveys afford a less optimistic interpretation of the data from this time period, but, on the other hand, they provide little explanation for the hard financial conditions declared in 2001 and the sudden drop in such troubles afterward (Table 1).<sup>7</sup> It is hard to explain this jump since real income was on the rise and the unemployment rate started to decrease after 2000.

Table 1  
**Making Ends Meet Between 1991 and 2005 (%), the Czech Republic**

Household can meet ends	1991	1994	1996	1998	2001	2005
with great difficulties	10.8	9.5	8.5	7.5	15.5	10.1
difficult	20.6	19.9	17.1	18.1	25.7	19.3
rather difficult	39.6	38.9	37.6	36.8	37.4	37.7
rather easy	21.8	22.1	25.5	27.3	16.0	22.2
easy	5.7	8.2	8.7	7.7	4.5	9.2
very easy	1.5	1.5	2.6	2.6	1.0	1.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

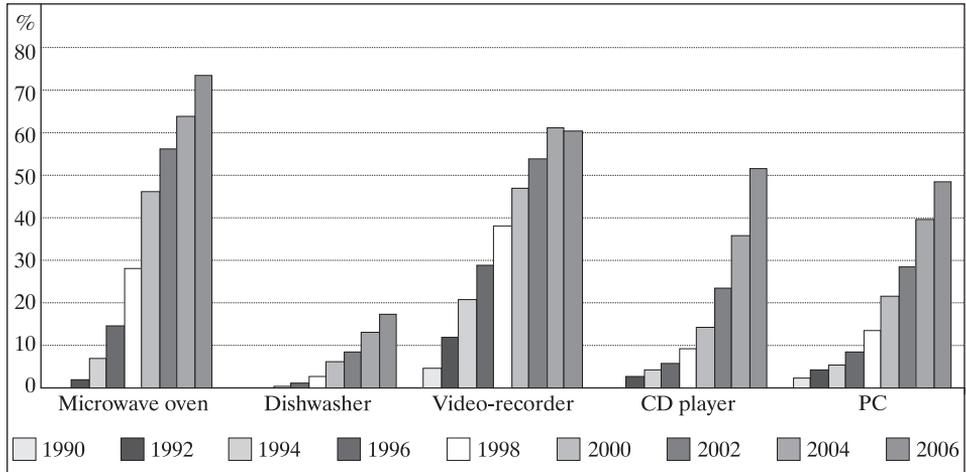
Source: *EEA surveys (1991–1998)*, *Social Situation of Households 2001*, *Living Conditions 2005*.

These conclusions based on the “objective” FES-based statistical data and the reported “subjective” evaluations of 2001 and 2005 are both challenged by the index of consumer confidence (as surveyed by the CSO since 1998) which has been increasing steadily over the long run (from 70 points in January 1998 to 105 points in January 2007). Of course, one can mainly point to the apparently flourishing retail market, in which the number of supermarkets, hypermarkets and discount shops owned by foreign or multinational firms, is sharply rising, the Czech Republic being the first among post-communist countries in this regard. The share of shopping malls in the consumer market reached two-thirds in 2006, in comparison with a mere one-seventh ten years ago (Incoma Research Agency).

An important part of shopping activities is directed toward the purchase of durable goods (see Graph 2). Following the “dream” supply of the early 1990s, the market for modern gadgets such as freezers, microwave ovens and video recorders has been booming and in some cases is now nearly saturated. Evidence regarding the purchase of household electronics suggests frequent upgrading of equipment. Personal auto ownership has also seen a rapid increase. While FES data point to a stable percentage of car ownership within the population, statistical data regarding purchases tells an opposite story. The explanation for this discrepancy is that for tax deduction purposes, many people running business transferred their car from personal ownership to firm-owned property. In fact, the number of personal cars has increased from 240 per 1,000 inhabitants in 1990 to about 400 in 2006 (Statistical Yearbooks).

<sup>7</sup> There is one important difference between the EEA and statistical surveys, regarding the samples. While in the former, the observation unit was an adult person, it was the household in the latter. This is only a partial explanation of the difference in results, of course.

Graph 2

**Equipment of households with consumer durables 1990–2006 (%)**

Source: Statistical Yearbooks of the Czech Republic.

There might be two reasons for the mismatch between the observation of this consumption boom and the statistics concerning real income: household income is underestimated while inflation is overestimated.

Self-reported household income data, as documented in statistical surveys since 1990, may reflect considerable under-estimation. There is not much “fully objective” data to correct the self-reported data. One source is *National Accounts*, referring to final expenditures of the population. When large-scale statistical surveys on household income are roughly adjusted to other data sources, their coverage against income as reported by *National Accounts* is steadily decreasing: from 86 percent in 1988 to 76 percent in 1996 and 2002, and to 73 percent in 2005. Another possible source for correction can be found in retail trade statistics: for instance, while retail trade takings between mid-2001 and mid-2006 (net of inflation) rose by 20 percentage points, the change in real income according to the FES was negligible during this period. Such statistics are not available for the whole period, however.

Nor are statistics on inflation fully reliable, as they rather overestimate the actual rise in prices. Jan Hanousek and Randall Filer (2000) collected information about various sources of the bias in measuring inflation in transition economies, which they found to include: 1. consumer substitution, 2. outlet substitution, 3. quality improvement, 4. new goods. Later, they used an empirical survey to concentrate on the overstatement of inflation by neglecting improvements in the quality of goods (Hanousek and Filer 2001). Focus groups of customers were required to estimate the inflation of various goods. Comparison with the *Consumer Price Index* [CPI] shows overstated inflation by more than four percentage points a year during the 1990s in the Czech Republic. The authors conclude that the real growth in transition economies has been in fact higher than suggested and the increase in living standards

has manifested itself through better quality rather than greater quantities of goods consumed.<sup>8</sup>

The real consumer's shopping basket has seen fast changes, but these changes are followed by the official CPI with a considerable delay—for instance, the last change of the CPI made in January 2007 occurred only after six years of stability in this index. Moreover, the inclusion of more expensive items—such as student scholarships, medications and foreign cars—is expected to increase inflation up to one percentage point in comparison with former methods of calculation. The same effect is expected from higher taxes on fuels and higher excise taxes on cigarettes and tobacco. Inflation is expected to be higher despite the fact that, due to the strengthening exchange rate of Czech crown (CZK) against the Euro and US dollar, relative prices of imported goods are lower and competition between various retail chains pushes food prices down, even to the detriment of food quality.<sup>9</sup>

The propensity to consume is documented by decreasing savings rates and rising indebtedness. While in the mid-1990s Czechs belonged to the most economical of nations (with a 14 percent gross household saving rate in 1995), the propensity to savings has steadily declined since, being currently below the EU-15 average (an 8 percent rate in the Czech Republic in 2004, and 6 percent in 2006). At the same time, household debt rose from 3 percent of GDP in 1997 to 17 percent in 2006. Three-quarters of bank loans are directed to housing. However, the official figure on household debt does not include loans provided by non-financial institutions, which are estimated at about the same level as bank loans for consumer items. In fact, households are under pressure from banks, trade chains and other institutions which compete amongst themselves to ease access to credit in various forms (Report 2006). Recently, the Czech Trade Inspectorate decided to oversee more closely the conduct of financial companies which provide “quick and easy loans.”<sup>10</sup>

Economists console the public by comparing Czech figures with the much higher rates of household debt in the West (54 percent of GDP in the Eurozone). Following the survey “Living Conditions 2005,” 23 percent of households report that they have consumer debt and that it is a burden—27 percent feel it is a heavy burden, and 61 percent “just” a burden. Eleven percent of households with loans report arrears in paying instalments during the last 12 months. In fact, loans are not the main

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<sup>8</sup> On the other hand, however, the CPI does not include costs of purchasing and reconstruction of flats and houses which are considered as investment and not consumption. As Czech economist Pavel Kohout warns, such a permanent underestimation of inflation endorses free monetary policy which eventually inflates prices of housing up to a prohibitive level. This again causes extreme burden for startup of young couples having negative effect on births (Inflation, flats and fertility. *Lidové noviny* 3 November 2007).

<sup>9</sup> International trade chains push producers to sell their goods at discount prices, often using bullying tactics, e.g., “Do not try to offend us with a two to three percent discount, this is simply not enough” as the manager of one chain reported (International Consumer markets at a crossroads: A survey of manufacturers and retailers in Central and Eastern Europe, KPMG 2006). Discount chains are the most aggressive in this regard.

<sup>10</sup> For instance, the overall costs to consumers of loans provided by the Provident Financial company run between 200 to 400 percent, depending on the time of performance. The problem is that Czech legislation regulates usury only between physical, not legal, persons. No interest rate ceilings are set; instead, loans should be limited only by the general concept of “behaviour which is at odds with good manners.”

component of household debt—much more important are arrears in paying rent and, in particular, energy utility bills. In total, one-tenth of households declare arrears in at least one area and 27 percent say that financial payments represent a heavy financial burden (Table 2). Altogether 300,000 defaulters were visited by bailiffs in 2006. Not having comparative data, we can only speculate that the figures would not be much lower for more advanced Western countries.

Table 2

**Arrears in Payments and Financial Burden of Households in 2005 (%), the Czech Republic**

Social category	Arrears in payment					Financial burden		
	rent	energy	mort- gage	loans	any of them	housing	loans	any of them
Lower employee	5.2	7.0	1.2	4.0	11.2	26.2	11.7	31.7
Self-employed	5.6	5.4	0.2	3.4	10.0	16.6	9.8	22.4
Higher employee	3.2	4.9	1.3	2.7	7.4	16.3	6.9	20.3
Pensioners with EA	3.0	6.3	1.4	1.3	9.0	19.0	7.5	21.9
Pensioners without EA	2.0	3.3	0.0	0.5	4.1	26.2	1.9	26.6
Unemployed	23.3	23.4	0.8	6.0	34.6	53.7	11.5	55.9
Total	4.9	6.2	0.8	2.6	9.5	23.8	7.3	27.2

Source: *Living Conditions 2005*.

The first section shows the percentage of households declaring that they had not been able to make some payments in the last 12 months. The second section shows the percentage of households declaring that the payment represents a heavy burden for them.

In light of the current evidence, we cannot give a quantified answer to the question of precisely how the first 15 years of re-emerged capitalism affected the standard of living of Czechs. What is certain, however, is that the new regime brought about an improvement for the majority of the population. The Czech Republic and Slovenia are the only countries among new EU member states from Central and Eastern Europe (the EU-8) where respondents announce a positive shift in declared life satisfaction between the early and late 1990s. These two countries also declare the highest proportion of the population satisfied with their lives. Nevertheless, the gap between the old and new EU member states remains considerable: 60 percent of people are satisfied in the EU-8 and 67 percent in the Czech Republic, as against 80 percent in the EU-15.<sup>11</sup>

### Family Expenditures: Closer to the West

In line with the changes in relative prices, market supply and household income levels, the profile of family consumer expenditures has also been transformed. The main changes include decreasing relative expenditures on food and clothing, following the relative fall in prices, and rising expenditures on housing. The increased housing costs

<sup>11</sup> Here, comparative data presented by Kornai (2006) are used. The original sources are World and European Values Surveys and Eurobarometer surveys. The EU-8 includes the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

include rising energy prices, which have caused an enormous change, unlike rents, which remain controlled for at least one-third of households. In concrete terms, the share of household budgets spent on food and beverages declined on average by five percent between 1990 and 2005, and the same occurred for clothing and footwear. In contrast, the share spent on housing rose by more than ten percentage points (Table 3).

Table 3

**Structure of Family Expenditures Between 1990 and 2005 (%), the Czech Republic**

Expenditure	All households				Pensioners' households			
	1990	1995	2000	2005	1990	1995	2000	2005
Food and beverages	25.7	25.4	21.4	20.6	39.7	35.8	28.2	26.9
Alcohol, tobacco	4.5	3.8	3.4	2.9	4.3	3.6	3.3	2.9
Clothing, footwear	11.4	8.7	6.2	5.6	7.5	5.2	3.8	3.5
Housing	9.7	13.7	19.8	20.1	12.8	19.4	24.8	27.7
Household	9.3	8.5	7.7	6.7	7.4	6.5	6.8	6.3
Health services	0.4	1.4	1.5	2.0	0.8	2.0	2.5	3.2
Transport and comm.	12.6	11.9	13.2	15.7	7.8	8.1	9.8	11.8
Leisure, education	11.9	11.4	10.4	10.6	9.0	7.5	6.9	8.0
Catering and hotel	4.5	4.5	4.4	5.1	2.1	2.2	1.9	2.5
Other	10.0	10.7	12.0	10.7	8.6	9.7	12.0	7.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Family Expenditures Surveys*.

Pensioners' households saw more striking changes than occurred on average. The leading change was again the rising cost of housing, which doubled. Currently, the share of expenditures on food and household remain unchanged; taken together, they represent more than half of pensioners' budgets. An additional necessary cost is health care, especially the purchase of medicine, which has grown from a negligible personal budget item into quite a considerable burden for this particular category of households. Due to rapid price increases in services and restaurant fare, such items have become less accessible for pensioners. In contrast, cheap bazaars and open-air markets (which are now starting to disappear) pushed relative prices of clothing and footwear down.

Within the share of money spent on food, the prices of various goods have changed in important ways. In comparison with the pre-1989 period, Czechs today consume less meat, fat, milk and sugar, and more vegetables, fruit, potatoes and cereals. This change in diet contrasts with the planned priorities of the communist regime as revealed in the price subsidies which were applied until 1989. Whereas meat and fat were negatively taxed and thus supported, almost no subsidies were provided for fruits and vegetables. Such "dietary norms" indeed reflected the high value the working class placed upon a traditionally heavy diet. Simultaneously, the consumption of all stimulants (e.g., coffee and tea) and alcoholic beverages has increased while expenditures on smoking have decreased.<sup>12</sup>

<sup>12</sup> The change in diet, caused by price liberalisation, a better supply and much wider information about a healthy life-style, is supposed to have contributed to a significant increase in Czech life expectancy.

Due to the relative nature of consumer habits, it is not easy to locate consumer spending of Czechs in a comparative context. Various price structures and various types of consumption in-kind also limit the comparability of data on monetary expenditures. The most recent—if not the only which sufficiently harmonised—comparison of national FES data across the entire EU provided by EUROSTAT refers to 1999 (Table 4).<sup>13</sup> Considering the change over time, a substantial rapprochement between “East” and “West” certainly occurred. Apparently, budgetary structures were less dissimilar between countries in the late 1990s than around 1990 and the core adjustment occurred in higher costs of housing in the transitional Eastern countries.<sup>14</sup>

Table 4

## Structure of Family Expenditures in Selected EU Countries and the EU-15 Average in 1999 (%)

	CR	Hun- gary	Poland	Austria	Bel- gium	Ger- many	France	Spain	Sweden	UK	EU15
<i>Expenditure:</i>											
Food	26.6	30.1	35.6	17.4	18.2	19.2	20.8	26.0	21.6	16.6	19.5
Clothing	7.0	6.7	6.3	7.2	6.3	6.1	6.7	9.1	6.1	6.8	7.2
Housing	17.5	20.0	19.1	17.1	13.9	20.5	16.5	10.4	13.6	11.9	15.2
Household	7.7	5.3	6.5	7.8	7.6	7.1	6.4	6.2	5.9	9.0	8.0
Transport	13.8	16.5	12.5	18.5	17.2	18.0	18.8	17.9	18.9	19.5	18.6
Leisure	16.1	9.5	8.4	19.3	19.1	17.0	15.2	19.0	21.7	26.2	18.9
Other	11.3	11.9	11.6	12.7	17.7	12.1	15.6	11.4	12.5	10.0	12.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Total consumption:</i>											
2000	7100	6000	5900	14400	12200	12500	11700	11700	11300	14000	12700
2004	8300	7300	7000	15800	13700	13800	13900	13300	12300	16300	
<i>Inequality in 2004</i>											
	3.7	4.0	6.6	3.8	4.1	4.1	4.0	5.4	3.3	5.6	

Source: EUROSTAT 2006 and 2007.

Comparative data for the EU-15 were presented in two versions—including and excluding imputed rent for dwelling services—while data for new member countries in only one of the two. Czech data were provided only in the latter version while data for Slovakia and Slovenia in the former version.

Total consumption = total yearly household consumption in EUR adjusted by purchasing power standard (PPS).

Inequality = income quintile share ratio (S80/S20).

Nevertheless, it is difficult if not impossible to speak of a “Western pattern” of family expenditures compared with Czech patterns. While in South European EU-15 member states, the cost of food exceeds 20 percent of household budgets, in the most advanced Western European countries (e.g., the Netherlands, Denmark and Luxembourg) food costs amount to only 15 percent. Similar divergences may be

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Between 1989 and 2005, life expectancy for men at birth rose from 68.1 to 72.6 years and for women from 75.4 to 79 years.

<sup>13</sup> It is worth noting here that—unlike the other countries involved—Czech FES data are based not on a random sample, but rather on a quota sample, thus substantially cutting the representation of the top and bottom of income distribution.

<sup>14</sup> This refers to the previous study which included a comparison of household expenditures in the East and West based on Czech FES and EUROSTAT comparative tables of early 1990s (Večerník 1996: 133ff).

observed in housing costs: while in the less developed EU-15 member states housing costs are relatively low, housing exceeds one-fifth of household budget expenses in Germany and Denmark. However, housing costs are also high in new member states; in Poland and Hungary, they amount nearly or equal to one-fifth of household budgets. The “necessary spending” on food and housing thus represents one-half of all expenditures in Hungary and up to 55 percent in Poland.

The average Czech family budget is burdened by food expenses at about the same level as in Spain (similar also to that in Italy, Portugal, Greece and Ireland), which significantly surpasses the levels observed in West European countries and the UK. At the same time, housing expenses are very high in the Czech Republic. While in such countries as Germany, Austria and France, the budget share devoted to housing reflects its high quality, the main reason for high housing costs in the Czech Republic is energy prices. Expenditures on housing for Czech families surpass those in Spain and other less developed European countries (not included in the Table 4).<sup>15</sup>

In the other two Central-East European [CEE] countries for which comparative data is available, family budgets are more heavily burdened by food expenditures than in the Czech Republic: in Hungary by 3.5 percentage points and in Poland by 9 percentage points. The pattern of expenditures in the average Hungarian household is close to that of pensioners in the Czech Republic. The Czech pattern of expenditures is similar to that in South European nations, regarding higher spending on food, corresponding to lower overall purchasing power. The Czech experience is, however, dissimilar regarding housing costs, which are much lower in Southern Europe, given the more frequent ownership of private houses and lower spending on energy. If also imputed rent is involved, housing costs are much higher everywhere, reaching 25–30 percent of family budgets.<sup>16</sup>

The structure of the average family budget is not a sufficient indicator to assess the Czech adjustment process in the direction of Western expenditure patterns. Given various levels of real overall spending, individual consumer items differ substantially in their amount and the difference between CEE countries and the EU-15 is thus considerable. The hypothetical convergence time of CEE countries to Western Europe in terms of GDP from the early 1990s was estimated to be 38 years for the Czech Republic, 46 years for Hungary and 72 years for Poland (Wagner and Hlouskova 2005: 367). Another aspect is inequality between CEE nations in consumption as measured by income disparities—which are the lowest in the Czech Republic and the highest in Poland (see the last line of Table 4). Although Czech figures belong to the lowest in Europe (together with Sweden), the increase in income inequality after 1989 has been substantial (Večerník 2006a).

In any case, however, CEE countries are very dynamic societies. Between 1995 and 2004, real consumer spending increased by 50 percent in the Czech Republic, 70 percent in Hungary and 90 percent in Poland (EUROSTAT 2007: 121). Households are

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<sup>15</sup> Due to rent regulation and other specific conditions, the cost of housing differs greatly among Czech households. However, families living in new apartments are less likely to be part of the survey sample while families subletting apartments and paying much higher rents are not at all represented in the FES sample.

<sup>16</sup> Czech data on family budgets including imputed rent are not available.

transforming their budgets toward less immediate and more long-term consumption. This does not necessarily mean more consumer discretion. In all those countries, increasing rents, together with steadily and rapidly rising energy prices, push up the costs of housing. On the other hand, rising competition in the food, clothing, furniture and electronics retail trades is keeping price levels down. Subjectively perceived financial wellbeing was investigated by the EU-SILC programme, though the results are not yet available.

### **Consumer Society: Powerful Clients or Agencies?**

The data collected from various sources may lead to ambiguous conclusions concerning the dynamics of consumer purchasing power in the Czech Republic. In contrast to quite pessimistic statistics on household income, we observe the apparent expansion of family expenditures and a steady—if not rising—consumer confidence in recent years. In contrast to the pessimistic subjective assessment of household conditions, the statistics on retail turnover indicate new highs in levels of consumer spending. Economic journalists speak of a “consumer revolution” in the country. And a category of “nouveaux riches” has emerged as well, driving luxury consumption.<sup>17</sup>

In any case, there are enough clients of consumer society in the Czech Republic and plenty of energetic agencies of it. The question is, who is more powerful—the clients/consumers (as in Katona’s original interpretation) or the agencies/suppliers (as in Packard’s presentation). This question recalls Jean Baudrillard’s (1970) statement that consumer society is driven not by the needs and demands of consumers, but rather by excessive productive capacity. We can say that there are forces inherent in globalization which shape consumers, similar to the way in which major religions formed their believers in ancient times.

The client who feeds on and advances mass consumption society is the customer who spends beyond necessity, having a “discretionary” or relatively freely disposable income. In terms of social stratification, such behaviour corresponds with expansion of the middle class. At a mass scale, the powerful consumer appeared in the USA in the 1950s. George Katona argued that, as early as 1961, “two out of every five American family units belonged to the ‘discretionary-income group,’ and they controlled more than one half of all personal income.” He defined this group rather arbitrarily as earning between (at that time) 6,000 and 15,000 USD before taxes (Katona 1964: 9).

Not daring to make such a rule-of-thumb estimate for current Czech conditions, useful reference can be made again to the subjective question about household financial difficulties or wellbeing. Table 1 above demonstrates that one-third of households report a more or less positive wellbeing concerning their family budgets. Nevertheless, this percentage might be even higher. Table 5 shows that the satisfaction of basic

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<sup>17</sup> Bronislaw Misztal (2000) spoke about “New Poles” (taking after the term describing “New Russians”), who are the first exposed to consumption, fascinated with the relative ease of shopping, and thus completely enthralled by consumption activities. For them, consumption becomes a correlate of social status and a synonym for modernity. The issue is treated only by the media in the Czech Republic.

needs is reached even in households that report that to make ends meet is for them “rather difficult.” Buying food and covering heating expenses is for these households not very problematic, although they face some limitations regarding clothing and holidays. Arrears in rent and other housing related payments are reported by only one-tenth of households, mainly those experiencing the worst financial difficulties.

Table 5

**Affordability of Commodities and Services and Household Debt in 2005 (%), the Czech Republic**

Household can make ends meet	Household can afford				Arrears in	
	Meat	Clothing	Heating	Holidays	Rent	Energies
with great difficulties	45.4	28.5	68.4	7.9	25.4	27.5
difficult	66.8	42.8	83.8	29.3	6.8	7.9
rather difficult	84.1	68.9	91.4	60.8	1.9	3.8
rather easy	95.9	89.1	97.7	85.0	1.4	1.9
easy	98.3	92.3	97.8	90.3	0.3	0.9
very easy	100.0	98.5	100.0	100.0	0.0	1.9
Total (average)	81.0	66.8	89.2	58.0	4.9	6.2

Source: Living Conditions 2005.

The first section shows the percentage of households declaring that they cannot afford

- a meal with meat, chicken or fish every second day (if they so wished)
- the purchase new clothing rather than from second hand
- to keep the home adequately warm
- one week annual holiday away from home

The second section shows the percentage of households declaring that they could not pay some of the payments in the last 12 months (as in Table 1).

The distribution of the population by declared financial difficulties can be found in Table 1, last column.

It is important to keep in mind that people often consider their current situation worse than how it objectively is and how they reflect on it in retrospect. In this vein, a surprising result was found in the “Living Conditions 2005” survey data involving a question on the perceived financial conditions of the respondent’s family of origin when the respondent was 12–16 years old. The financial situation of the families of respondent’s origin were commonly perceived in retrospect as having been better than current conditions. No significant differences between age cohorts or generations were found which would reflect the slow but steady improvement of the standard of living since the gloomy 1950s, when the standard of living was extremely low. This signals that the perception of the current situation in people’s minds is negatively biased.

The expanding and intensively fuelled consumer society transforms the lives of individuals and societies thoroughly and, in some regards, paradoxically. Despite affluence and the variety of supply, lifestyles are becoming more uniform. The steadily increasing personal use of powerful means of communication has made individuals more isolated. Despite plenty of time, space and means to develop various leisure activities, most people remain passive. And, despite growing education and manifold sources of knowledge enabling critical thinking about social forces, people are increasingly manipulated by external interests. The powerful consumer thus turns to be rather powerless. In many ways, “free choice” can be considered rather imaginary.

After coming to dominate patterns of material consumption in advanced societies, consumerism conquered the fields of culture and, even, religion. The relationship between consumption and religion is reciprocal. From one side, spiritual goods are explicitly advertised as consumer goods, easily available and ready-to-use. From the other side and implicitly, via a large variety of goods and services, suppliers dominate more and more areas of human life, including the assumed “spiritual” ones. In the twentieth century, print advertisements shifted from being primarily textual to pictorial, thus playing more to the emotions than to common sense (Miller 2003).

There is not much focused and explicit sociological critique of consumerism specifically in the Czech Republic. Masterfully, sociologist Jan Keller compiles and communicates arguments and facts published by Western authors about the topic, but without adding much local evidence (Keller 1993, 1998). With a focus on local Czech experiences, the most important published work is that of “environmental humanist” Hana Librová (1994, 2003), who collects examples of “green” lifestyles which she sees as ranging from the orthodox to the moderate and compromising. She observes that there are a great many islands of alternative lifestyles that have particular motivations and manifestations in the sea of conventional mass culture.

Consumer advocacy has emerged and strengthened over time. The main Czech organisation is known as the Association of Consumer Protection (Sdružení ochrany spotřebitelů—SOS), which was established in 1993 and is active on the Internet ([www.spotrebitele.info](http://www.spotrebitele.info)) and publishes the bi-monthly *Consumer's Shield* (Štít spotřebitele). The number of consumer complaints grew in 2006 (doubling from 2005) to 34,000. SOS-related information news, called “Testoviny,” is broadcast three times per week on Czech public TV. In the political arena, the Act on Consumer Protection is to be amended by a European directive which enumerates unfair trade practices concretely.

There are also many organisations involved in the Czech ecological movement. The Green Party, represented in the national government since September 2007, supports from the top various activities protecting the environment but is not at odds with mass consumption as such.

Against such civil society and political movements to protect consumers and the environment, agencies promoting consumer society are already as strong in the Czech Republic as elsewhere. Let enumerate several examples:

- *The auto industry and distributors.* With Skoda-Volkswagen, TNCP and a planned Hyundai plant, the Czech Republic has become a power in the field. In 2006 alone, 124,000 new personal cars and 50,000 light utility cars for small entrepreneurs were purchased.
- *Multinational food chains.* The first two supermarkets started in mid-1991 and the number quickly mushroomed. In 2006, there were 1126 shopping malls, which is the highest figure in Central Europe, relative to the population. European Union enlargement sped up expansion of these companies within regional markets.
- *Mobile network operators.* Three are well established (Telefónica O2, T-Mobile and Vodafone) and a fourth (U:fon) has seen steep rates of growth since startup. The widespread use of mobiles phones was reached in 2004, and in the following

years rates of sales have been only slightly less (nearly three million phones in use by ten million Czechs).

- *TV Nova*. This private television station was established in 1993 by a circle of intellectuals who promised to perform TV with strong cultural, educational and European elements, and a large portion of original Czech production. Once the broadcasting license was issued, their company CET 21 (Central European Television for 21<sup>st</sup> Century) transferred broadcasting to the “service company” CNTS (Czech Independent Television Company) which offered precisely the opposite: primarily trashy American production. The station also substantially contributed to the expansion of aggressive tabloid journalism in the Czech media.<sup>18</sup>
- *Banks and financial institutions*. While in the early 1990s, banks were interested only in big clients, they recently turned to small clients and increasingly pander to them with offers of credit. In addition to banks, other financial institutions operate applying terms close to usury. Consumer credit is within easy reach to allow individuals to make most purchases directly.

Of course, the list could be much longer if not endless. However, consumer society not only creates agencies of its own, but also it shapes agencies held over from traditional society—such as churches and voluntary associations. Everywhere, agents of consumerism use their unequalled comparative advantage—the spontaneous, mass cooperation of customers, who voluntarily delegate a great deal of their assumed sovereignty to their assumed servants, the providers. The question of who is more powerful, clients or agencies, thus seems to be easily answered. Promoting ever-increasing customer satisfaction is a magic formula that obscures the fact that agents cut off ever-larger slices of the market “cake” and, thus, amass more power with which to shape society on a global level.

### Conclusion

Consumption is a vast world of immense variety. Consequently, perspectives on consumerism differ by discipline and viewpoint. The conventional economic paradigm presents consumption as a straightforward rational process of satisfying pre-defined and exogenous needs, ordered by a hierarchy of preferences. “The economic approach ... assumes that individuals maximise their utility from basic preferences that do not change rapidly over time, and that the behavior of different individuals is coordinated by explicit and implicit markets” (Becker 1981: ix).

In contrast, the sociological view emphasises the status-building and social-symbolic meanings of consumption, driven by the double engine of belonging and distinction. Commodities are not merely characterised by use-value and exchange value, but also by sign-value—the expression and mark of style, prestige, luxury and power (Baudrillard 1970). The anthropological view sees material goods as an information system (Douglas and Isherwood 1979). Yet the environmentalist view empha-

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<sup>18</sup> In 2006, TV Nova received almost 70 percent of all money spent on television advertisements. Within the Central European region, prices for TV advertising are highest in the Czech Republic.

sises the material implications of consumption, in terms of the burden on nature and consequences for sustainability (HDR 1998). Moreover, the contrast between public and private life should be stressed, since consumer society “consumes the polis” (Arendt 1958).

A basic controversy arises between libertarian support of the consumer society, with their view regarding the “natural status” of things, and consumerism’s critics. Libertarians consider consumer desires as quite a natural manifestation of freedom and sovereignty of choice, while critics consider such desires to be an artificial creation. This critique was the original argument of Theodor W. Adorno and Max Horkheimer of 1944 on the “culture industry” (2002), which was widely spread by John K. Galbraith (1958) who spoke about artificial needs stimulated to boost sales. Since Vance Packard, criticism of consumer society has developed substantially and the literature about the topic is immense (see, for instance, readers by Goodwin 1997; Schor and Holt 2000).

Notwithstanding such criticism, the attraction of consumerism has proven to be pervasive worldwide, particularly in societies which have experienced communist “planned scarcity.” After decades of shortage, Czechs express great satisfaction with this highly welcoming aspect of the post-1989 transformation. Economic growth in the Czech Republic and the other CEE countries is increasingly being driven by household consumption (Transition Report 2006). On the ladder of CEE countries, Czech households are quite well located in terms of their relative discretionary spending ability.

Mirroring the trend in consumer behaviour is a decline in work commitment. According to ISSP surveys, the percentage of Czechs reporting that they “work only as hard as one has to” almost doubled between 1997 and 2005 while the percentage of those declaring that they “make a point of doing the best work even if it sometimes interferes with one’s private life” decreased considerably. At the same time, employee loyalty weakened, the importance of job security strengthened and the association between work satisfaction on the one side and having an interesting and independent job—still significant in 1997—could not be traced in 2005 (Večerník 2006b). In this, Czech attitudes and behaviour are consistent with the general decline of work values in Europe, probably accentuated by the relative ease of economic transition in the country and the cultural legacy of relaxed work attitudes inherited from communist times.

It is important to consider a powerful “backing agency” of the mass consumption society—the welfare state. Spending beyond individual financial means and disregard of possible future problems is often enabled by the fact that people expect the state to provide security in times of financial troubles, just as they feel confident regarding old-age security. Together the welfare state and consumerist attitudes and practices contribute considerably to a shortening of time perspectives in the sense that faith in government assistance attenuates—if not eliminates—the necessity to think ahead to old age and future generations. People fundamentally rely on the state, which is obliged to intervene, if necessary. In the Czech Republic, for example, the state has compensated the clients of failed banks who behaved rather irrationally by taking seriously apparently exaggerated promises.<sup>19</sup>

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<sup>19</sup> This was, for instance, the case for financial cooperatives that attracted clients with interest rates of up to 20 percent. Although they did not have the status of banks and their regulation was very

During the last decade, the consumer market transformed itself profoundly in the Czech Republic and other CEE countries and, in turn, it profoundly transformed the appearance and functioning of national economies, societies and individual lifestyles. In some respects, apparent niches were filled in. For instance, hobby shops in a way enable the activities which citizens in communist countries were trained to “do-it-yourself,” in particular home repair and improvement. Youth-oriented and other specialty shops feed the search for status distinction. However, much more was done than filling niches.

Consumer society has changed the whole physical and social landscape of post-communist countries. Shopping malls are mushrooming across the Czech Republic, most recently starting to invade cities with as few as 50,000 inhabitants. In everyday life, consumer society has become simply “the air we breathe,” as George Orwell once said. The consumer society conquers new fields, areas and groups. As Benjamin Barber summarised, in order to turn reluctant consumers with few unsatisfied core needs into permanent shoppers, producers must dumb down them, shape their wants, take over their life worlds, encourage impulse buying and invent new needs. Economic agents empower kids as shoppers by legitimising their unformed tastes and mercurial wants (Barber 2007).

Czechs and neighbouring nations entered the paradise of the consumer society with enthusiasm. However, as in any paradise, some snakes reside there. The snake of excessive expectations and resulting indebtedness in financial terms is already visible. It may put pressure on households if economic growth slows down. There is also another snake, however, lurking in darkness: the snake of wasted cultural and social capital as the nation attempts to satisfy immediate wants, thus eventually consuming the country’s good economic prospects. The proper mass consumer is like the “homo oeconomicus” of neoclassical economics: there is no past, no future for him. Consumer society thus helps push the embarrassing communist past out of the public area and, simultaneously, causes citizens not to care much about the future.

Nevertheless, evidence shows people already feel overfed: currently, four-fifths of respondents oppose the construction of new shopping malls.<sup>20</sup> Customers seem to be increasingly disgusted by the profusion of advertisement: TV advert viewership has decreased on average from 600 thousand adults in 2003 to 370 thousand in 2007. And traditional culture has not disappeared in the paradise of modernity: the number of books published in the country is consistently increasing (a record of 18,455 published titles was reached in 2006). Regarding “consuming the polis,” Czechs are not terribly optimistic about having a say at the top political level, but they are increasingly confident regarding influence in their communities (CVVM surveys). All in all, the resistance to manipulation may strengthen after some saturation and, in particular, by learning from experience with the temptations of excess consumption.

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weak, in 2000 the government decided to compensate clients in the same way as in the case of regular banks.

<sup>20</sup> This survey was conducted in April 2007 by the agency *Respond & Co.* for the Czech Press Agency.

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#### **Microdata sources**

##### *Social Situation of Households 2001*

A survey conducted by the Czech Statistical Office (CSO) in May–June 2001 on a sample of 10,870 households (re-weighted for the entire population). In addition to household characteristics and income, people were asked about various opinions on employment and family well-being.

##### *Living Conditions 2005*

A survey conducted by the CSO in March–April 2005 on a sample of 4,351 households (re-weighted for the entire population). In addition to household characteristics and income, people were asked about various opinions on family well-being and intergenerational transfers.

##### *Economic Expectations and Attitudes (EEA)*

Surveys of the Czechoslovak and later only the Czech population started in May 1990 and were conducted biannually in 1990–1992 and annually in the following years (1993–1998). The data was collected by the Centre for Empirical Research, STEM.

##### *CVVM surveys*

Centre of Public Opinion Research, department of the Institute of Sociology, Academy of Sciences. Regular (monthly) omnibus surveys.

##### *Opinions on social changes*

This survey was conducted in October 1993 by the Institute of Sociology, Academy of Sciences, and collected data on 4,740 adult respondents by the agency Universitas.

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