

## MUNI

Annex No. 10 to the MU Directive on Habilitation Procedures and Professor Appointment Procedures

### HABILITATION THESIS REVIEWER'S REPORT

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Applicant

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Habilitation thesis

Lost in Transition and Ballot Papers: Four Papers on Economic Policy

Reviewer

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This submission is based on four published journal articles, written in three cases jointly with other researchers and in one case by the candidate alone. The candidate's contribution is indicated in each case in relation to data curation and analysis, literature reviews, methodology and writing. The papers cover two very different themes – the first two relate to economic transition and the last two relate to voter behaviour in Czechia - with very different research methodologies. They are best discussed as two separate contributions.

On economic transition, the two articles (chapters 3.1 and 3.2) cover respectively enterprises in industry and construction and access to bank credits, using an oral history approach with 101 (according to Chapter 3.1, or 102 in Chapters 1.3 and 3.2) interviews and comparing interview results with claims in a range of existing sources. This is presented as a largely new area for research that can fill gaps left by existing literature. A background section in Chapter 3.1 (partially repeated in Chapter 3.2) sets out the difficulties to be overcome by enterprises with brief sections on the centrally planned economy, setting out well-known problems, and on the initial liberalisation measures. These, it is argued, presented economic actors with a transformed environment, adaptation to which was hampered by inherited structures and habits. The oral history method is used to investigate these challenges through interviews with practitioners from the time with free dialogue and, in many cases, prepared questions. The interviewees were not randomly selected and no claim is made to representativeness. Difficulties reported from enterprises include over-sized production capacities, excessive employment, the pain of imposing redundancies, low work ethics and disintegration of foreign trade organisations. Difficulties in relation to credit, covered in Chapter 3.2, include access to loans for different kinds of enterprises, political pressure possibly leading to excessive lending and finally corruption which was believed to have been widespread at the time. The authors conclude that the oral history approach has successfully filled in blanks in understanding of the period and events and they see scope for its extension, referring to possible international comparisons.

The main problems with these articles I see as the following;

1. The authors claim that previous authors have concentrated 'mostly' (p.12) on changes at the macroeconomic level. The exceptions they refer to are the works of Clark and Soulsby. Although the amount of academic research on microeconomic issues is limited, they understate its extent, including in some of the works referred to as concentrating on macroeconomics. There is coverage of changes in banks and enterprises in the works referred

to written by me (Myant 2003 or 2013) and in several more that are not used. McDermott (2002) in fact deals primarily with the micro level. There also are a large number of easily-available studies of enterprise transformations across all transition economies including Czechia. References to some of these and to experience in other countries can be found in Myant and Drahokoupil (2011, or 2013, Chapter 11). A number of Czech cases are covered in Brada and Singh (1999). Other countries in central Europe are dealt with much more extensively in the existing literature. It is somewhat unfortunate that the authors suggest as a theme for future research the extension of their investigations to other countries (Chapter 3.2, p.28).

I have a number of further worries about the use of sources. Page numbers are rarely included for references and that makes them difficult to check. I am several times quoted as writing things that I do not remember as being my position (eg Chapter 3.2, p.12). In general, the sources referred to often do not seem the most appropriate. Again, I spot this most easily when I am referenced for simple points of fact about economic developments when I am not an appropriate or easily accessible principal source and even the reporting of data as presented is imprecise (eg Chapter 3.2, p.8, referenced as Myant 2013, presumably Table 4.1, pp.81-2). This seems to me true of the use of a number of other sources. Why not use standard statistical sources and provide clear referencing? A statistical yearbook seems to be used only once, and then the 1988 edition is implausibly quoted for 1989 data, albeit adjusted in the introduction, but without getting the figures right by using a later version (Chapter 3.1, p.13, Chapter 1, p.10). Among the inappropriate references a glaring example is an early reference for privatisation to the book by Václav Rameš (2021) (Chapter 3.1, p.2) which is an excellent study of the conflicts over policy in a certain period, a theme not pursued in the articles under review, but not a source for quantitative data on forms of privatisation. Again, why not use and refer to statistical yearbooks that gave all the basic information?

2. Without a good review of past literature to bring out the key issues, questions and controversies, the oral history method as used in these articles loses effectiveness as a means of revealing new information. It is, as accepted in the articles, often used to give a voice to those otherwise not heard. It can thereby fill in gaps that other accounts have ignored. However, in this case, the interviewees had not been silent. They were prominent participants, including several government ministers, speaking and writing at the time while enterprise managers were also frequently expressing themselves in the published media. Most in 3.2 are named and several others are easily identifiable, also in 3.1. Their verbal contributions in 2020 are often quite similar to what, according to published sources, they had said before. A claimed benefit is that this method has added a human touch, which is certainly true in the way some of the interviews have been reported, but memories have also visibly become less precise over the thirty years that have passed.

The authors admit that their interviewees cannot be considered a random sample so that their memories could not be reliable for drawing general conclusions. Much of the research on this theme has in the past relied on a combination of interviews with use of published sources and sometimes unpublished documents. That gives some check against what managers were saying at the time and access to such sources should be much easier now. The method chosen here can only give a very general picture and we cannot be certain whether when, as is often the case, interviewees repeat widely held views and prejudices, they are really presenting their own informed and considered assessment.

3. The broad backgrounds on central planning and the economic transformation are necessarily brief, but they are important to setting the scene. The picture painted is of a central planning system that failed and then a transformation process that had only to overcome that heritage from the past. We do not know what prepared questions were asked in interviews, but they may have come from this framework. There were controversies and disagreements over policies towards the enterprise sphere, but that seems not to have emerged in the interviews, although there is a tantalising hint that some may have regarded the whole transformation as having failed (Chapter 3.2, p.14). It is as if the only problems came from communism, even including corruption where that is seen as possibly the major cause (Chapter 3.1, p.25), despite its very different form in the emerging market economy and its ubiquitousness in market economies generally.

4. The questioning in the interviews seems to have stopped with asking about problems and not seeking information about solutions. That is unusual for studies of changes in enterprises which have typically concentrated on combining the two. A justification given for this is that not everything can be covered in one set of interviews (Chapter 3.1, p.3). However, the distinction is not rigidly adhered to. Redundancies in the face of perceived excess employment must amount to an attempt to solve a perceived problem – they are listed in some studies as evidence of a basic form of adaptation - and this theme is given considerable coverage (Chapter 3.1, pp.13-15). More generally, it is difficult to know what is a serious problem without considering whether and how it could be overcome. This would seem to be an area where interviews might be revealing, particularly when much of the most vocal managers' anger at the time was directed against government policies. As it is, we are left with managers as passive agents facing problems rather than active agents of change while others have found cases of very rapid adaptation, a visible result of which was a rapid growth in exports to western Europe starting in 1990.

5. The questioning has missed the difficulties that arose not from the end to central planning alone but from the environment created by policy makers after 1989. In some cases, these really cannot be separated. An example is the case of the so-called permanently revolving stocks (covered predominantly in Chapter 3.2, p15). As indicated, this arose from a decision in the 1970s to take funds from enterprises and replace them with bank loans. It was not a necessary feature of central planning and it was purely an accounting procedure with no important consequences at the time. As indicated, it became an issue in 1990 because enterprises were not furnished with their own financial resources and then because of much higher interest rates. This, then, was not simply an inherited problem, despite a view put by one interviewee, nor was such a debt burden a normal problem for a market economy. The problem was exacerbated by policy choices stemming from a particular view in government on how to handle a range of debts and financial problems inherited from the past. They were to be left for enterprises to solve. The interviews suggest frustration, but this was actually an area of open controversy and conflict, including even strikes in a number of enterprises, that led to quite rapid changes in government policy. Enterprises ultimately could not be left to 'stand on their own two feet'. It would have been interesting to know what managers, and the interviewed former official of the Consolidation Bank, created in 1991 to resolve this and other issues and a vehicle for subsequent enterprise bail-outs, thought about this at the time and also after the 30 years.

6. I am more favourable towards the second article (Chapter 3.2), because it addresses clear issues of dispute on which the interviews can hope to throw some light and interviewees include some individuals with strong views who were already appearing as perceptive

observers at the time. Some were not prominent figures in the early 1990s and are saying things that were not said so publicly at the time. However, here too the limitations of the method and the limited use of other sources can be seen. The interviewees are not a representative sample and this makes it even harder to use interviews as a help to resolving controversies. We have no means of checking the completeness or veracity of the interviewees' statements although there are very good reasons for believing that they have knowingly left gaps in their accounts. Self-selection, as the authors note, is also likely to be a major problem reducing representativeness. This can be illustrated with three issues relating to banking.

The first is a question of fact, a controversy over whether the government, and in particular Václav Klaus, put pressure on, or even ordered, banks to grant particular credits, thereby contributing to an overall very high level of bad debt. The facts about Klaus's views, and those of others in the government, were fully in the public domain at the time. It was also known that the power of the government through ownership was never used publicly in shareholder meetings on these issues. The interviews cited here show strong and clear views from different contributors, but do not resolve the issue of how far Klaus tried to affect, or succeeded in affecting, any bank's actions or how far that may have contributed to the total level of credit. We would need to find alternative sources of information. Considerable detail is provided on the relations and negotiations between banks, government and specific enterprises by McDermott (2002, especially Chapter 4 on Škoda-Plzeň and the footnotes on pp.228-230), using a combination of interviews, published sources and internal documents from the government, banks and enterprises. At least in that case, there was much more involved than a simple order from a prime minister.

The second relates to lending practices. There is substantial discussion in 3.2 of criteria for granting loans and of whether big established enterprises or newer starts had easier access to credits. The interviews give a variety of views, but published sources that are not used here appear to be a better source. The randomness of lending, covering all sizes down to quite small enterprises, and the frequent lack of collateral – despite claims from banks to the contrary – was clearly demonstrated with the full publication of the Komerční banka's loan portfolio on its website after it was brought back under full state control (Myant, 2013, p.202). This could have been a good starting point for interviews with former employees of that and other banks. It also points to the likely crucial role of our third theme here.

This third area is corruption. There is little of a firm nature here, although corruption in banking was widely taken for granted at the time and some interviewees make clear in colourful terms that they regarded it as ubiquitous and universally known about. We can see plenty of hints at how the system operated, with some interviewees welcoming the lax legal environment, but our sample seem either to have been self-selecting to avoid those involved in corrupt practices, to have forgotten about their involvement by the time they were interviewed or to have chosen to give an incomplete or false account. This is remarkable not least because a number of those interviewed held prominent positions in Komerční banka which is named in another interview as a particularly blatant and flagrant case. It seems likely that verbal interviews will never do more than scratch the surface on this issue. Other sources are available and could have provided at least a little help here. Somewhat surprisingly, it is implied in Chapter 3.2 (p.19) that there can be no certainty as other existing sources do not 'provided details and evidence of concrete corruption cases.' It certainly always was difficult to prove economic crimes by bankers, but more could be said and the picture painted in Chapter 3.2 of the small banks' behaviour is much cleaner than it appeared

from published sources at the time of their collapse. The central bank was pursuing 15 cases in the period 1994-8 (Myant, 2013, pp.193-6), albeit with court processes never moving quickly. One leading banker received a three year sentence in 2010 for activities in the early 1990s with press reports of the court case providing details of what he had done ([Bývalý bankovní šéf Moravec dostal tři roky vězení - Deník.cz \(denik.cz\)](#)).

So, I have a number of criticisms of these two articles. They provide some entertaining quotes and raise, or keep alive, some important questions. There is a little new information, and helpful reworking in some areas that were already covered in the past. However, the articles suffer from the authors' weak knowledge of existing literature which ultimately limits the amount of new knowledge that they could reveal. Oral history is a useful supplement to other methods, but in these cases, it can do little more than repeat questions that have already been posed and illustrate themes that have already been pursued.

The second pair of articles (Chapters 3.3 and 3.4) contains discussions of voter behaviour using detailed data from Czech parliamentary (Chamber of Deputies) elections from 1996 to 2021. The articles start by outlining the existing electoral system. Proportional representation is applied across 14 electoral regions with parties presenting a list of up to 36 candidates, meaning they can spread onto two sides of the ballot paper. Voters can choose to prioritise up to four individuals once they have selected a party list. If they make no choice, the candidates are elected in the order set on the ballot paper as decided by the party. Information is presented for each candidate on gender, age, level of tertiary education if any, occupation and place of residence. Votes are recorded from individual municipalities, areas with a median population of 426 in 2011, providing an ample data source for detailed statistical analysis.

The first of the articles (Chapter 3.3) uses these data to research homophily, whether voters are attracted to candidates with similar characteristics to their own. This has been researched in other countries, but the data used here allow the researchers to compare candidate characteristics with the population characteristics of the relevant municipality. The statistical methods used lead to the conclusion that there is strong evidence of homophily in age and education level, clear evidence also of greater support for candidates from the same municipality, and greater support in some cases for those with the same occupation. Unfortunately, it is impossible to use this method to detect homophily by gender.

The second article (Chapter 3.4) uses the same data to investigate the so-called ballot order effect, meaning that those at the top of the list receive more votes. This too is a well-known phenomenon. Explanations have centred on voters assuming the ordering, chosen by the party presenting the list, reflects the quality of candidates or on a hypothesised loss of attention by voters while reading through the long list of candidates. The research presented here pursued the theme by examining the votes received by those before and after the page break, with the latter receiving significantly fewer votes. There is also a higher vote for the candidate immediately prior to the page break. By eliminating other possible explanations for these phenomena, the authors take this as evidence that voters' attention is the key factor behind the ballot order effect at this point on the list.

These articles are not on an area of my primary expertise, either in theme or in research method used. However, they are easy to follow and the literature reviews provide a good background with accessible material. The broad themes have been investigated before, in a number of countries and using a variety of methods. The specificities of the Czech system

provide opportunities for research that are not available in the same form elsewhere, notably in facilitating an attempt to find the causes of the ballot-order effect. At the same time, every case has specific features, making generalisations dangerous.

The statistical methods used seem appropriate and in line with those used to resolve similar research problems. They also provide clear results. The authors have used a number of robustness checks to minimise the likelihood that parties have set candidate lists to correspond to population characteristics or have ordered lists with an eye to the position of the page break. Different methods do provide slightly different results, but the conclusions reached seem reliable. The fall in votes after a page break cannot be explained by factors other than voters' attention. These results therefore add something to existing literature.

However, the results do relate to a specific part of the election process in a specific electoral system. That reservation applies particular to the findings on the ballot order effect. Very few individuals towards the bottom of a list would have any realistic chance of being elected and voters would know this. It is not surprising that they look only at the top where the best-known candidates are placed so that ballot order (and also homophily) are likely to have less influence. Voters could be judged to be behaving very rationally if they pay little attention further down and maybe even fail to notice that there is another side to the ballot sheet. We can see that the effect of attention applies at a particular point, but it is a point that does not really matter. To shed more light on voters' thinking and motivations we might need survey evidence, as has often been used in other studies referred to in these articles.

So, my judgement is generally positive on 3.3 and 3.4 as far as they go, overwhelmingly negative on 3.1 and somewhat more favourable towards 3.2, albeit with some similar reservations to those for 3.1.

## References

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Reviewer's questions for the habilitation thesis defence:

1. What questions did interviewers ask when they felt obliged to use their prepared list and is there a danger that they led to an emphasis only on problems they identified as inherited from central planning alone?

2. Did interviewers prepare by checking background information on the enterprises and past statements of the individuals they interviewed? If so, can they see evidence that any had changed their views?
3. How far, in the opinion of the candidate, have the methods used in 3.1 and 3.2 provided definite answers to previously controversial questions? If so, which? If not, what other methods could be helpful?

#### Conclusion

The habilitation thesis entitled *Lost in Transition and Ballot Papers: Four Papers on Economic Policy* by Ing. Mgr. Lucie Coufalová, Ph.D. et Ph.D. does not fulfil requirements expected of a habilitation thesis in the field of Economic Policy.

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Signature: