GENERAL COMMENTS
I enjoyed reading this dissertation. It has been well thought-out and well-executed, and takes on important issues in the microeconomics of banking. In particular, the thesis makes important contributions regarding the explanation of the wide range of banking fees internationally, the use of fees as screening devices, the nature of information sharing between banks even under transactional banking, and the interdependence of lending and deposit interest rates. The empirical chapter provides new evidence regarding fees for several Central European countries.

With this in mind, I would say that I, as opponent, have no major objections to the thesis. However, I do have a number of smaller points which are listed below.

To begin with, in Chapter 1, the title of the chapter suggests that the authors are interested in retail fees. However, the borrowers in the model are depicted as having projects. This would seem to imply that we are talking about wholesale borrowing. It might be clearer expositionally not to talk about projects but about borrower types—good borrowers are those who have stable jobs and honor their commitments, while bad borrowers either are more likely to lose their jobs or income or are likely to not honor their commitments (in particular, not to repay their loans). I do not believe that this would change anything essential about the model.

In chapter 4, the author carefully elucidates the dispute between the SCP and ES views, but he misses a new strand of the literature that suggests that the degree of competition in banking markets is not well-measured by the traditional HHI or CR indices. This strand in the literature builds on the theory of contestable markets, and, in line with that theory, claims that the mere number of banks in the market, and the market shares of the leading banks, do not necessarily give an accurate picture about the degree and nature of competition in that market.

Perhaps the most useful example of this literature is Claessens and Laeven (2004), who use the Panzar-Rosse methodology to estimate the degree of competition on banking markets in a broad sample of countries. They then use a variety of variables, including HHI and CR5, to explain the cross-country variation in competition, and find little explanatory value from the traditional structural indicators.

Admittedly, recent articles such as Hannan (2006) continue to use the HHI to explore the relationship between bank fees and concentration. However, in the set-up used in this dissertation, it would be quite possible to incorporate the Panzar-Rosse h-statistic as an alternative explanatory variable. The values for the sample countries can be found in the Claessens and Laeven article. In my opinion, this would provide a useful extra dimension to the study here. See Claessens, Stijn and Luc Laeven (2004) "What Drives Bank Competition? Journal of Banking and Finance Volume 36(3) pages 563-583.

One might object that using the h-statistic, rather than an HHI or CR index, does not directly test the SCP hypothesis. However, I would submit that the h-statistic is a better indication of the kind of competition, and thus is likely to be more powerful in explaining pricing than the traditional measures.

Another comment on the regressions is that the Freedom House index is far from the only possible proxy for institutional quality. The Transparency International Corruption
Perceptions Index could also be used, as could the World Bank's Indicators of banking regulation and supervision.

EDITING SUGGESTIONS
p. 26 The proportion of those believing themselves to be good borrowers who are in fact bad borrowers in q1. Is there any reason why the proportion of those believing themselves to be bad borrowers who are actually good borrowers must equal 1-q1, or is this just used for analytical convenience?

The variables C and r are introduced on page 26 but defined only on page 27.

Terminological suggestion: instead of "the borrowers who believe to be good" use "the borrowers who believe themselves to be good". An alternative formulation would be "borrowers who believe they are good".

p. 37 citation 6 should be "Predatory lending in a Rational World" (add a)

p. 38 citation 8 Collateral, not Collatral

p. 66 "the left-hand side...is generally not monotonous in these two parameter"--probably should be monotonic (always increasing), not monotonous (boring).

p. 77 Footnote 1 Friexas and Rochet is listed here as 1999, but as 1997 in the bibliography on p. 91.

p. 78 Footnote 3, which refers to Pyle's model, seems to be in the wrong place. It should probably be come after the sentence "Pyle shows that in his model...."

p. 91 There is no citation for Monti 1972!


p. 93 The subscript on the left-hand side of equation 3.2.1 should be i, not 1.

p. 97 "Austria as a traditionally strong banking country" --and as a market economy for the whole post World War II period, in contrast to the other countries in the sample.

p. 103 The name Juttner (not Jttner) is mispelled here and in several places in the text. So is Demirguc-Kunt (not Demirg-Kunt)

p. 112 It seems that the number in parentheses for PERSON is not the t-statistic but the standard error.