

## REPORT ON THE MASTER THESIS

IEPS – International Economic and Political Studies, Faculty of Social Sciences, Charles University

<b>Title of the thesis:</b>	<b>Milan Slezák</b>
<b>Author of the thesis:</b>	<b>The changing importance of OCA arguments in the national discussions about euro accession in the new EU member-states of Central and Eastern Europe in times of crisis.</b>
<b>Referee (incl. titles):</b>	<b>Jan Průša, M.Phil.</b>

**Remark:** It is a standard at the FSV UK that the Referee's Report is at least 500 words long. In case you will assess the thesis as "non-defendable", please explain the concrete reasons for that in detail.

### **SUMMARY OF POINTS AWARDED** (for details, see below):

<b>CATEGORY</b>	<b>POINTS</b>
<i>Theoretical background (max. 20)</i>	15
<i>Contribution (max. 20)</i>	5
<i>Methods (max. 20)</i>	7
<i>Literature (max. 20)</i>	8
<i>Manuscript form (max. 20)</i>	10
<b>TOTAL POINTS (max. 100)</b>	<b>45</b>
<b>The proposed grade (1-2-3-4)</b>	<b>3</b>

You can even use a decimal point (e.g. giving the grade of 2.5 for 60 points).

### **Comments of the referee on the thesis highlights and shortcomings (following the 5 numbered aspects of your assessment indicated below).**

#### **1) Theoretical background:**

The author systematically presents the main criteria of the optimum currency area and then proceeds to show its flaws. I appreciate the extent to which the author describes the actual criteria. I believe, however, that some of the critique stating that the OCA theory is not applicable is somewhat flawed.

The author correctly argues that OCA criteria are difficult to measure, so that practical interpretation is difficult. From this the author concludes that OCA theory was irrelevant for euro zone creation and its current economic problems. Economics however is a science about thousands of individuals with rapidly changing preferences and opinions. This makes any aggregation extremely difficult, if not impossible.

The correct way to interpret OCA is in terms of tendencies (more labour mobility will lead to better functioning of the currency union), rather than in terms of quantities (improving labour mobility by 10% will decrease the chance of euro breakdown by 10%). Understood this way OCA theory gave very clear recommendations to politicians. From this perspective it could therefore be very clearly evaluated if politicians obeyed these recommendations at least as a principle (albeit not in exact quantities). I refer the author to Blaug: *The Methodology of Economics: Or, How Economists Explain*. This is the minimum required literature before embarking on any serious critique of economic methods.

I decided to award 15 points for the author's effort to understand a theory which is outside of his main field of study.

## **2) Contribution: & 3) Methods:**

The main contribution of the author is focused on the hypotheses 2&3 stated at the end of the introductory chapter. The author wants to see whether euro zone crisis is addressed ad hoc with minor contributions of economic theory (and OCA theory specifically).

First, it seems that such an observation is rather trivial given the ostensive ignorance of any economic criteria in political decision making concerning the euro zone.

Second, the comparative analysis of ten new EU member states is of high interest. However it lacks rigorous structure of the analysis and in its current form resembles more a collection of observations of a newspaper correspondent. The author has compiled a reasonable amount of news reports on various aspects of perception of the euro, these are however presented in a rather chaotic manner. The author could have e.g. developed a scorecard that would be applied to each analysed country, or a comparative table to rank various aspects of euro related discussions across the countries.

The text is complemented by vague declarations of author's opinions of non-scientific nature which are not based on any evidence, such as: "Slovenia has remained faithful to the Eurozone and is willing to support the zone until the end." (p.27) or "We can conclude that economically, Estonia has little to no alternative to Eurozone accession" (p. 50 – why is there not an alternative is not explained) or "From an economic perspective, joining the Eurozone is probably the only right choice for Latvia in the long term." (p. 53 – again, why is it the only right choice?)

Overall the author implicitly favours euro acceptance in current non-member states, without declaring this explicitly and without stating his reasons for this support. The author's own original contribution is thus very small and the methodology not sufficiently rigorous, which led me to award low marks in both parts.

## **4) Literature:**

The theoretical background of the author is mainly based on the standard textbook by Baldwin & Wyplosz (2009). This is an excellent starting point for the analysis, however I would expect a more extensive literature review, given the significance of the problem.

The author is concerned about the perception of euro membership in new EU countries, so that it would be natural to also review the real effects of euro. It had been expected that a single common currency would generate significant positive effects on international trade among euro zone members. This was also allegedly proven by early research by Rose (the so called "Rose effect"). However recent research shows that the "Rose effect" is in fact insignificant – see e.g. Havránek: Rose effect and the euro: is the magic gone? (2010, Review of World Economics) and many other related articles.

The second part of the thesis is dominated by references to newspapers and online resources, so that overall I consider the literature review below average.

## **5) Manuscript form:**

The manuscript is acceptable but of rather poor standard below the average of good theses at FSV. The minimum improvements should include numbering of pages, numbering of sections and usage of more appropriate spacing between paragraphs and headings.

In addition, I am not in favour of copying charts from the internet and simply pasting them into a thesis at the master level. This looks unprofessional.

**DATE OF EVALUATION: 21.3.2013**

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**Referee Signature**

**The referee should give comments to the following requirements:**

**1) THEORETICAL BACKGROUND:** Can you recognize that the thesis was guided by some **theoretical fundamentals** relevant for this thesis topic? Were some important theoretical concepts omitted? Was the theory used in the thesis consistently incorporated with the topic and hypotheses tested?

Strong                      Average                      Weak  
20                              10                              0                      points

**2) CONTRIBUTION:** Evaluate if the author presents **original ideas** on the topic and aims at demonstrating **critical thinking** and ability to draw conclusions based on the knowledge of relevant theory and relevant empirical material. Is there a distinct **value added** of the thesis (relative to knowledge of a university-educated person interested in given topic)? Did the author explain **why** the observed phenomena occurred? Were the policy implications well founded?

Strong                      Average                      Weak  
20                              10                              0                      points

**3) METHODS:** Are the **hypotheses** for this study clearly stated, allowing their further verification and testing? Are the theoretical explanations, empirical material and **analytical tools** used in the thesis relevant to the research question being investigated, and adequate to the aspiration level of the study? Is the thesis **topic comprehensively analyzed** and does the thesis not make trivial or irrelevant detours off the main body stated in the thesis proposal? More than 10 points signal an exceptional work, **which requires your explanation "why" it is so**.

Strong                      Average                      Weak  
20                              10                              0                      points

**4) LITERATURE REVIEW:** The thesis demonstrates author's full understanding and **command of recent literature**. The author quotes relevant literature in a proper way and disposes with a representative bibliography. (Remark: references to Wikipedia, websites and newspaper articles are a sign of **poor research**). If they dominate you cannot give more than 8 points. References to books published by prestigious publishers and articles in renowned journals give much better impression.

Strong                      Average                      Weak  
20                              10                              0                      points

**5) MANUSCRIPT FORM:** The thesis is **clear and well structured**. The author uses appropriate language and style, including academic **format** for quotations, graphs and tables. The text effectively refers to graphs and tables, is easily readable and **stimulates thinking**.

Strong                      Average                      Weak  
20                              10                              0                      points

**Overall grading scheme at FSV UK:**

TOTAL POINTS	GRADE	Czech grading	US grading
81 – 100	<b>1</b>	= excellent	= A
61 – 80	<b>2</b>	= good	= B
51 – 60	<b>3</b>	= satisfactory	= C
41 – 50	<b>3</b>	= satisfactory	= D
0 – 40	<b>4</b>	= fail	= not recommended for defence