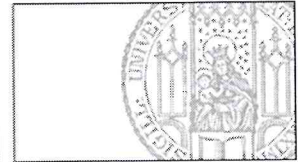




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### **Referee Report on PhD. Thesis by Juraj Antal**

#### **„Three Essays on Regime Change“**

The dissertation addresses important issue of regime changes which has been often analyzed in economics. The coverage of the presented papers is relatively broad. From the perspective of analyzed time periods, it goes from the political changes in Eastern Europe at the beginning of the economic and political transformation to future integration of the new member states to the euro area. From the view of analyzed topics, it covers monetary policy, institutional economics, public choice and political economy, and of course transition economics. The papers focus on the theoretical aspects of the economic, monetary and political transition, but empirical issues related to these questions are analyzed as well.

The dissertation consists of three chapters. The first paper analyzes the effects of anticipated future change in monetary policy. In particular, this chapter compares two possible conducts of the monetary policy. Firstly, a country is assumed to follow the policy of inflation targeting. Secondly, a country follows the policy of monetary union (exchange rate targeting). The most innovative part of the paper is the analysis of the transition from the policy of inflation targeting

to exchange rate targeting. The results for a calibrated dynamic stochastic equilibrium (DSGE) model show very impressively that the transition from inflation targeting to a monetary union may be associated with significant economic costs in terms of output and inflation volatility if business cycles are not sufficiently synchronized. A low degree of business cycle synchronization is actually supported by the current literature (see Fidrmuc and Korhonen, 2006).<sup>1</sup>

The findings of this chapter resemble the traditional findings of the optimum currency area theory. Fixed exchange rates increase the volatility of macroeconomic variables which results in welfare losses. The adjustment periods (as for example the participation in the Exchange Rate Mechanism) may even lead to an earlier confrontation with these costs on the path to the monetary union. This adds to the earlier critique of the ERM (see Schnabl and de Grauwe, 2005).<sup>2</sup>

While the first chapter of the dissertation is forward looking, the second chapter on strategic behavior of political parties after the fall of communist regimes looks backwardly. The chapter analyzes the early political developments when some countries were governed by reform-friendly parties, while more or less reformed communist parties remained at the power in other countries. In general, different political path resulted also in different privatization strategies. Although the presented approach does not consider economic factors having possibly also influence on reform strategies (see Fidrmuc, 2000),<sup>3</sup> the paper describes relatively nicely the political and comparative economic developments of the early transition years. However, it could be mentioned the subsequent years have been much more complex. They included further phenomena including the atomization of the political landscape, as well as the emergence of nationalism and populism, which are no longer analyzed in the dissertation.

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<sup>1</sup> Fidrmuc, Jarko and Iikka Korhonen, 2006, Meta-analysis of the business cycle correlation between the euro area and the CEECs, *Journal of Comparative Economics* 34, 518-537.

<sup>2</sup> De Grauwe, Paul and Gunter Schnabl, 2005, Nominal versus real convergence – EMU entry scenarios for the new member states. *Kyklos* 58, 537–555.

<sup>3</sup> Fidrmuc, Jan, 2000, "Political Support for Reforms: Economics of Voting in Transition Countries," *European Economic Review* 44, 1491-1513.

Finally, the last chapter analyzes the effects of media on corruption in a post-election model of political decisions. The paper compares corruption of private and public media. Furthermore, the effects of ownership concentration are analyzed. The results show that profit oriented media, especially those owned by few owners, tend to be more corrupt than public media or media with more complex ownership structure. The paper discusses possible empirical strategies for the estimation of the model, but this is left for future research. Gehlbach et al (2007) present an empirical analysis on a similar topic.<sup>4</sup>

The dissertation of Juraj Antal presents an interesting collection of papers on regime changes. The selected topics are analyzed by appropriate theoretical approaches including calibrated DSGE models and game theory. The author devotes significant space also to comparison with economic and political developments in Eastern European countries. In sum, the dissertation of Juraj Antal presents a suitable thesis which fulfills clearly all requirements for an independent dissertation.



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<sup>4</sup> Gehlbach, Scott G., Sonin, Konstantin and Zhuravskaya, Ekaterina V., 2007. Businessman Candidates, Mimeo, SSRN, <http://ssrn.com/abstract=917778>.