BOOK REVIEWS

THE THIRD BOOK CONTAINING A PROFESSIONAL AND IMPARTIAL ANALYSIS OF IMPORTANT ASPECTS OF THE MOST RADICAL CHANGES IN THE NATIONAL ECONOMY SINCE THE YEAR 1918

Jaroslav Daňhel*

Karel Zeman. *Analysis of Restitution Processes in the Czech Republic*

Prague: Karolinum, 2015. ISBN: 978-80-246-2954-4.

Among others, the fourth pillar of the transformation of the national economy – changes in ownership rights – is formed by the privatization process, which the author addressed in the monograph *Analysis of the Privatization Process in the Czech Republic* (1). Restitution processes, liquidations and bankruptcies of state-owned enterprises and the transfer of state assets into municipal ownership are the remaining segments of the 4th pillar, which the author examines in this reviewed publication. However, the reviewed book is also quite closely connected to the first monograph, *Development of Land Ownership and Related Processes in the Territory of the Czech Republic from the Year 1918 to the Present Day* (2).

At the time of writing this review, the author's publication *Analysis of the Privatization Process in the Czech Republic* had a wide reader's response among both the professional and lay public; among others, it received the prestigious University of Economics Rector's Award for the year 2016.

The ambition of the author of all three publications was to qualitatively move the examined issue forward – to prepare three independent expert monographs based on analytical conclusions, and most importantly free from advocates' subjective opinions and the methods, processes and philosophical approaches used by opponents. In his analysis, the author grasped the individual segments of the 4th pillar of the transformation of the national economy – changes in ownership rights – comprehensively, and in all its relevant contexts: in terms of the legal framework and institutional securing, and especially the macroeconomic, statistical and factual analysis.

The reviewed book logically loosely follows on from previous publications examining the privatization process and development of land ownership in the territory of the Czech Republic. Thus, it continues complementarily in analysing the development of the fundamental processes of the transformation of the national economy of the Czech Republic from the year 1989 to the year 2010, *i.e.* restitution processes, liquidation processes and bankruptcy-insolvency proceedings concerning state-owned enterprises, and the process of the transfer of state assets into municipal ownership. The thus-conceived

* Jaroslav Daňhel, Faculty of Finance and Accounting, University of Economics in Prague, Prague, Czech Republic (jaroslav.danhel@vse.cz).

book presents a comprehensive overview of all of the afore-mentioned processes, and is the primary source of most of the data and analytical results.

In terms of the book's structure, the content is divided into five basic chapters. The first consists of economic theories affected by the change in ownership rights, which are described in detail. What's more, each one of them also includes research of renowned impact magazines.

The second part is taken up by restitution processes, which are divided into the analysis of the development of the small-scale restitution process, restitution by extrajudicial rehabilitation, agricultural and forest assets, church assets, Jewish assets and historical municipal assets. The same systemic research structure is applied to all of the analysed legal regimes, whereby a core part is occupied by the legal, institutional, factual, macroeconomic and statistical analysis of each one, which results in a comparison of all the restitution processes realized in the Czech Republic. The extensive analytical and comparative section offers macroeconomic, statistical and national economic conclusions.

In the book analysing the privatization process, the greatest reader's response was evoked by the author's passages, in which he analyses the negative consequences of rent-seeking by interest groups, which was always linked to government failure, information asymmetry, moral hazard, adverse selection *etc.*

In the reviewed book, which analyses the process of property restitutions, a similarly sensitive area is the passage about the restitution of church assets, especially the passage containing a comparison of all the restitution processes in the Czech Republic. The author demonstrates, with great force of argument, that at a general level restitution processes were to a large extent unified, and only church restitutions show a considerable asymmetry in relation to other recipients, in several significant aspects.

Church recipients received preferential treatment by the regime used for other types of recipients in the following areas:

- in the legislation governing the restitution claim valuation process,
- algorithm for calculating financial reimbursement for unreleased assets,
- provision of separate financial compensation for the inability to use the assets during the period of their seizure,
- repayment calendar regime,
- increase in financial compensation by the adjustment of the repayments for the annual rate of inflation,
- prohibition on the allocation of resources for the state from assets connected with the release,
- fixed deadline for the release of assets to churches,
- relaxation of the principle that a person entitled to acquire assets in a restitution may only be a natural person,
- solution of the problematic successorship of "entitled" legal persons.

With the existence of these asymmetric aspects, the author clearly demonstrates the effect of the legal, financial and moral disadvantage of entitled persons compared to church entities, and thereby the inequality of entitled persons before the law. The consequence of the thus-conceived church restitutions is the long-term burden on the expenditure side of the state budget, and once again (just like with the privatization process, it demonstrates the applicability of the theory of interest groups, government failure, moral hazard, rent-seeking, information asymmetry *etc.*).

The sub-conclusions contain a summary of the positive and negative aspects of the restitution processes in the Czech Republic. In first place, stated as clear positives, are the moral aspect of the redress for the property injustices of the previous regime, and the restoration of the standard ownership rights based on ancient Roman law – another part of the denationalization and restructuring of the social groups of the citizens of the Czech Republic. The negative aspects include, among others, the unsystematic and nonconceptual legal framework, inadequate institutional securing, problematic claim valuation, and most importantly the afore-mentioned asymmetry of church restitutions.

The next three chapters of the book analyse the process of the liquidation of state-owned enterprises, the process of bankruptcy-insolvency proceedings concerning state-owned enterprises, and the process of the transfer of state assets into municipal ownership. Once again, each of these chapters preserves the afore-mentioned systemic research structure.

I see the book's main added value in its extensive primary analysis of all restitution processes, the liquidation and bankruptcy processes of state-owned enterprises, and last but not least the transfer of state assets into municipal ownership, in the structure of the analysis from a legal, institutional, economic, factual, statistical *etc.* perspective. Furthermore, for the first time, it prepares a comparison of restitution processes, which resulted in very important national economic conclusions, in particular the legal, economic and moral asymmetry of church restitutions, but also the fundamental long-term consequences for future state budgets. From these conclusions, the author subsequently inferred contemporary positive and negative national economic effects, and not just of restitution processes. A noticeable benefit is the author's original approach to the addressed issue by testing the practical applicability of the economic theories (in particular the theories of ownership rights, interest groups, rent-seeking, information asymmetry, moral hazard, government failure *etc.*), which relate to the analysed issue.

The reviewed book complements the two afore-mentioned monographs, and all three of them thus form a complete unit about changes in ownership rights in the territory of the Czech Republic not only after the year 1989, but also since the year 1918, accurately and with a high professional erudition and objectivity which portrays an exceptionally important chapter of our modern economic history.

The reviewed publication belongs in the libraries of both the professional and lay public, and is intended for students and all persons interested in economics, economic policy, the national economy and related areas. Just like the afore-mentioned books, it is written comprehensively and readably; in terms of its arguments, as is becoming the tradition for this author, it is richly documented with statistical material and graphic illustrations.

References

- Zeman, K. (2015). *Analysis of the Privatization Process in the Czech Republic*. Prague: Publisher Karolinum, ISBN 978-80-246-2939-1.
- Zeman, K. (2013). *Development of Land Ownership and Related Processes in the Territory of the Czech Republic from the Year 1918 to the Present Day*. Prague: Publisher Oeconomica, ISBN 978-80-245-1915-9.
- Zeman, K. (2015). *Analysis of Restitution Processes, Liquidation and Bankruptcy of State-Owned Enterprises, and Transfer of State Assets into Municipal Ownership in the Czech Republic*. Prague: Publisher Karolinum 2015. 177 p. ISBN 978-80-246-2954-4.