

The Prague Stock Exchange (1993–1997)
Burza cenných papírů Praha (1993–1997)

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There is a prevailing conviction as to the fact that economic growth and increased employment will be achieved through investments into information and communication technology and support for innovation, especially in the area of “the knowledge economy”. The foundation of this trend involves the building of teaching organisations. There, emphasis is placed on the preservation, remembering and reuse of good practice, knowledge and tried-and-tested procedures, i.e. certain forms of know-how, which employees have acquired, created and applied prior to leaving a company or retiring. The preservation of various historical points of view of the development of the company, the state and society is an irreplaceable intellectual and spiritual treasure. A number of companies have even established their own museums and the Czech National Bank provides a unique view of the history of money. However, the development of the capital market in the Czech Republic, including the stock exchange, has yet to be comprehensively mapped out. Opinions of the current standing of the Prague Stock Exchange are somewhat negative in many respects. Questions are being asked amongst the lay and professional public as to whether this was always the case or whether a degree of optimism existed in the Czech capital market at the time of the establishment of the stock exchange in Prague and during its initial years. It is only possible to answer such questions by performing the detailed mapping out of the historical situation from various points of view, including the temporal dimension.

The book entitled “The Prague Stock Exchange (1993–1997)” by Vladislav Pavlát, which has been published by the University of Finance and Administration, has certainly performed just such a task. This is a monograph which summarises and develops the results of the author’s long-term active scientific, research, organisational and publication activities from various points of view throughout the development of the capital market in the Czech Republic. The reviewers have named a number of his previous publications in the monograph. However, this monograph has a completely different quality than those other works. It differs from the previous books in that it presents highly detailed information from many meetings (including international ones), which V. Pavlát led or

which he attended during the preparation and commencement of the stock exchange's business séances. He uses citations from a wide range of published and unpublished texts to support his conclusions in the monograph. The intention of the author, V. Pavlát, would seem to be to summarise and make information from various types of period documents available to other researchers in the monograph in order to enable further research. The monograph has been divided into fourteen sections, i.e. thirteen chapters and a conclusion. Vladislav Pavlát's colleagues know that his professional texts also include perfect English terminology, amongst other things. For others, however, the guarantee of the linguistic accuracy of the text lies in the fact that the role of the linguistic editor was performed by Ladislava Kniňová.

In the first chapter of the monograph, the author explains why he has chosen to look at the period of the first five years after the establishment of the Prague Stock Exchange. This also involves the period of economic transformation after the establishment of the Czech Republic. Both periods overlap. The author has used a number of sources from the aforementioned five-year period. This includes the annual reports from the stock exchange, yearbooks, recommendations by foreign consultants, period newspapers, minutes from the meetings of the Exchange Chamber and others. He has mostly worked with documents from his own archive and has presented the most reliable and most important documents from many sources to his readers.

The author of the monograph characterises the turbulent political developments of the day in a brief summary of the political and economic situation in the Czech Republic contained in the second chapter. He devotes a sub-chapter to the conditions pertaining to the coupon privatisation scheme and the reorientation of the business practices of Czech enterprises towards Western European markets.

The third chapter of the monograph is based on citations of documents from meetings which preceded the establishment of the Prague Stock Exchange (hereafter simply referred to as the PSE). Amongst other things, it is especially worth mentioning the passage in the monograph which informs readers of the selection procedure for the electronic trading system for the future stock exchange (page 23) and the information about the activities of the joint Franco-Czech team during the preparation of the feasibility study. This showed the necessity of also establishing the Securities Centre at the same time for recording dematerialised shares. The monograph's text clearly shows the emphasis which was placed on training the stock exchange management and on informing any future potential securities traders.

In the fourth chapter, the author sets out, amongst other things, the basic data about the Czech Republic and also the events which preceded or occurred in parallel with the establishment of the PSE. This involves the legislative framework for the capital market, the establishment of the Securities Centre, the establishment of the RM System to allow natural persons to trade in shares from the coupon privatisation scheme and so on. The monograph really only deals with the topic of the coupon privatisation in passing (for example, on page 35). This is a controversial topic, despite the fact that those who still remember this process experienced it relatively intensively. On the one hand, they had the opportunity to learn about the laws of the capital market relatively cheaply. On the other

hand, however, more than 1000 share emissions were accepted by the stock exchange in a highly non-standard manner. This influenced the capital market for a long time.

In the fifth chapter of the monograph, V. Pavlát presents the basic statistics for trading on the PSE. When reading the monograph, not everyone will be able to imagine how the technology installed at the stock exchange managed to serve such an enormous and diverse market with almost four hundred traders, including banks, and more than four hundred privatisation funds without any errors or serious outages. We must also take into account the technological level of the computer and communications technology of the day. The monograph could therefore have suppressed the information about the trading processes and emphasised the problem of insufficient issuer information for investors. The author underlines the fact that this was a significant problem using a specific example presented in block no. 3 (page 41).

The PSE's priority was therefore, as V. Pavlát states in the sixth chapter, to draw up and adopt internal rules so that the stock exchange and its member companies could show that they were involved in ethical trading. The phenomenon of privatisation funds and the role of the Exchange Chamber in the process of the ethical operations of the PSE are characterised in the seventh and eighth chapters. The author of the monograph once again acquired the data for these chapters from both his own personal archive and from publicly accessible archive resources.

Despite the fact that the PSE dedicated itself to education and made use of foreign lecturers for this purpose, as the author states in the ninth chapter, and despite the fact that the trading was correct and the share prices were objectively set by the stock exchange systems, the operations of the PSE were not accepted unequivocally positively. A number of opinions and analyses were published in the media during the course of the first five years of trading on the PSE.

In the tenth chapter, V. Pavlát presents the results of his extensive research into the opinions published in period newspapers in almost thirty pages of the monograph. He quotes journalists, Czech and foreign experts and investors directly from the market. He makes use of a number of texts from his own archive which are now somewhat unique. The original documents are no longer available in many cases and it is therefore to the great credit of Vladislav Pavlát that he has preserved the most important information contained within them (either in the English original or in an English translation) in the form of a monograph for future researchers.

He has analogously analysed the PSE's printed materials, the discussions and opinions of various authors in professional periodicals and political initiatives aimed at legislative changes in the eleventh and twelfth chapters. I consider the last four chapters to be of the greatest value, because they enable readers to create their own, fact-based opinion of the majority of the influences which came to bear on the Czech capital market during its beginnings between 1993 and 1997.

The final pages of the monograph include the standard sections which can be found in any scientific publication. Almost 5 pages of references have been divided into two parts for

greater transparency. The first involves a list of PSE publications and selected documents. The second is a summary of the published articles and unpublished documents, including those from V. Pavlát's private archive. The list of seventeen tables and seven blocks on page 144 is followed by the index and the list of abbreviations. Unfortunately, the copy of a significant part of the PCE's Articles of Incorporation, including the list of the founding banks and individuals who signed the Articles on behalf of each bank, tends to get somewhat lost among them all.

I am of the opinion that this monograph is inspirational, especially for teachers. It enables those who have been around for a longer time to organise their own experiences and recall the situation of a number of years ago. Those teachers who are just starting out will find that the monograph contains interesting inspiration and the historical basis for teaching contemporary topics. The information on the establishment of the PSE and the preparations for trading on it is still of significance, especially in project teaching. In my opinion, reading the reviewed monograph will provide further categories of readers, including students, with a number of new pieces of information in the highly condensed form which contemporary readers prefer.

In conclusion, I would like to thank the University of Finance and Administration for publishing the monograph.