

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Bc. Jiří Teichman
Advisor:	Mgr. Michal Paulus
Title of the thesis:	The impact of CNB's exchange rate commitment on Czech exports

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

The thesis offers contribution in two aspects. Firstly, it enriches academic debate about the impacts of the CNB's exchange rate commitment while it presents the impact analysis of the exchange rate interventions on Czech exports. Secondly, the author up to our knowledge presents the first application of the Synthetic Control Method (SCM) on sectoral export data. Therefore, the thesis also contributes to the literature applying SCM on a trade data.

Therefore, I appreciate the contribution of the thesis, especially because the author is also able to investigate policy relevant topic and deliver meaningful results.

Methods

The author uses the Synthetic Control Method (SCM) to analyze the possible scenario of the absence of the interventions. Author applies the method to analyze the exports on the sectoral level and focuses also on the bilateral trade relationships with the most important trade partners of the Czech Republic where the SCM variables are inspired by the "gravity model approach" to trade data. The effects of the commitment on trade with Eurozone countries is also examined.

The author presents extensive empirical tests of his research questions while the complete results can be downloaded in the online Appendix. I acknowledge the effort spent in the empirical part and therefore evaluate the "methodological" aspect of the thesis as above standard taking into mind also that the thesis offers the first application of the SCM on sectoral trade data.

Literature

The literature review is well logically structured. Firstly, the author covers papers debating on how the trade flows are influenced by exchange rate policies. Secondly the literature on the Synthetic Control Method is analyzed. Thirdly the author discusses studies examining the impacts of the CNB's exchange rate intervention. The literature review chapter concludes with the short description of the current state of Czech exports. Lastly, author's hypotheses are well deduced from the current academic debates and appropriate theories.

I regard the state of the literature review as highly satisfactory and have no critical comments concerning this chapter.

Manuscript form

My only critical comments concern the manuscript form even though all my comments are of minor relevance.

I would recommend the author to think about the structure of the methodology chapter once again, because it can still be improved to offer a reader a smoother reading. E.g. on page 18 the author mentions Table 3.1 and specifications from Table 3.2, however a reader must wait a few more pages to see corresponding tables. I would not let a reader waiting too long and revise those sections accordingly.

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I would also welcome one clear table or scheme which would very simply summarize all estimated specifications. The reason for this "request" is that the author estimates quite a number of models (total exports x bilateral exports x robustness checks) and a reader can be confused about all author's intentions.

Possibly the author may reconsider to shorten the description of the results for each SITC category. However, it is a very minor comment. On the other side I highly appreciate the Table 6.1 briefly summarizing all main results. It makes the results very lucid.

Maybe there is a minor confusion in the title of the Table 3.1. I have an impression that the title the author had originally in mind was "Total exports - Covariates" and not "Aggregate exports – Covariates" because the author is using the term "total exports" consistently till this table appears. Since then the author sometimes uses also the term "aggregate exports". In my reading both terms are synonyms, however I would welcome the similarity or the difference between these two terms to be clarified in the text.

Summary and suggested questions for the discussion during the defense

The author presents a contributive master thesis which deals with very policy relevant topic. The thesis is well written (even though I have few minor comments) and based on very extensive empirical part. Therefore, I have no serious critical comments on the author's work.

As a supervisor of the thesis I can share positive experience with Mr. Teichman who was continuously working on the thesis till the submission of his work. Therefore, from the position of the supervisor I have also no critical remarks on this work.

I have several discussion questions for the author:

- The results contradict your hypotheses in several aspects:
 - 1st hypothesis: negative results e.g. for SITC 8 or 9.
 - 2nd hypothesis: some results for Eurozone countries are negative.
- Can you elaborate your explanation of those contradictions little bit more?
- Based on your results and presented "contradictions" how would evaluate the interventions of the CNB? Would you assess them as successful? Would you recommend any changes in their strategy?

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	29
<i>Methods</i> (max. 30 points)	30
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	16
TOTAL POINTS (max. 100 points)	95
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: *Mgr. Michal Paulus*

DATE OF EVALUATION: 13. 1. 2019



Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong	Average	Weak
30	15	0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong	Average	Weak
30	15	0

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong	Average	Weak
20	10	0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong	Average	Weak
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F