

Opponent's Report on Dissertation Thesis

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Author:	Jan Hájek
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Title of the Thesis:	Essays on Macro Imbalances, Monetary Policy and Exchange Rates
Type of Defense:	DEFENSE
Date of Pre-Defense:	April 10, 2019
Opponent:	Doc. Ing. Svatopluk Kapounek Ph.D.

Address the following questions in your report, please:

- a) Can you recognize an original contribution of the author?
- b) Is the thesis based on relevant references?
- c) Is the thesis defensible at your home institution or another respected institution where you gave lectures?
- d) Do the results of the thesis allow their publication in a respected economic journal?
- e) Are there any additional major comments on what should be improved?
- f) What is your overall assessment of the thesis? (a) I recommend the thesis for defense without substantial changes, (b) the thesis can be defended after revision indicated in my comments, (c) not-defensible in this form.

(Note: The report should be at least 2 pages long.)

The thesis analyses the impact of monetary policy in the euro area in the years 1980 – 2016. The issue is well introduced and explained in the beginning of the thesis. The author also tries to point out how the thesis contributes to the existing literature. He also finds the appropriate link between the all parts of the thesis very well.

One large contribution of the thesis is employing GVAR approach that allows to analyze the transmission of shocks and spillover effects among heterogeneous European countries. The author identifies several imbalances between the European countries caused by relative productivity, inflation differentials

Moreover, the thesis uses several new and innovative approaches. Especially the measures of shadow monetary policy rate and empirical analysis of different effects of conventional and unconventional measures. It provides also reasonable and contributive policy implications, especially GVAR on the Czech economy after the CZK devaluation in 2013.

The first paper provides reasonable application of BEER on panel data of the selected EU countries and discusses differences between the euro-area “core” and “periphery”. The economic intuition of the results is very well developed, even though I don't believe in the effects of inflationary differential after the financial crisis. The policy implication is clearly described. The student demonstrates the extent of overvaluation in peripheral countries. He employs DOLS approach to estimate parameters of the real effective exchange rate. This

approach is widely agreed to be used for the long-run equilibrium identification, especially because it uses non-parametrical correction of the endogeneity and serial correlation to the OLS estimator. I really applaud knowledges of the student and expect that he has appropriate technical skills to employ variety of econometric approaches.

The second paper presents traditional GVAR macroeconomic model developed by Pesaran, 2004, and contributed by many other authors, e.g. Dees, di Mauro, Pesaran and Smith, 2007... The author puts particular emphasis to the impact of monetary policy on CEE countries and show that their response is “almost as strong as the response of the euro area countries”. On the contrary, he shows that south European countries are less sensitive to the global euro area shocks. The links between the countries are traditionally determined by trade flows which are probably the main transmission channels of negative impact of monetary policy on economic activity outside the euro area. Finally, the author declares his plans for further research on unconventional policy effects and spillovers.

According to my point of view, there is a lot of empirical results provided by GVAR model but the crucial question - theoretical definition of the new transmission channels – is underestimated. There are still a lot of questions to be answered. Why there are such huge differences between the countries? What are the transmission channels of the shocks? Are there any thresholds or time-varying effects? (see Cuaresma et al., 2019, Spillovers from US monetary policy: evidence from a time varying parameter global vector auto-regressive model)

The third paper employs GVAR model as well and investigates the effects of monetary policy considering differences between qualitatively expected effects and their quantitative dimension which differs across the analyzed countries. I consider this third paper as the excellent one from both empirical and theoretical point of view. The author also formulates strong policy implications related to the comparison of conventional and unconventional measures. I applaud also further research suggestions related to interactions of monetary and macroprudential policies, changes in the uncertainty in the financial markets, time-varying parameter modelling and considering non-linearities.

The last paper focuses on the Czech Republic, especially its position in relation to the euro area and euro adoption commitment and benefits of autonomous exchange rate policy of the Czech national bank. The author also discusses consistencies/inconsistencies of estimation results with the previous estimations of the Czech national bank. concludes that “1% exchange rate depreciation shock is associated with an approximately 0.2% increase in aggregate prices”, it means that “weakening the currency by 7% could contribute to inflation by some 1.4%”, which contrasts to the official CNB estimations.

Summarily, the thesis presented by Jan Hájek is well motivated and highly relevant to the economic policy. He also convincingly proved his ability to conduct competitive research in the area of monetary policy employing modern econometric techniques and appropriate theoretical background.

The thesis is fully in accordance with formal requirements, the language used is appropriate and consistent with international scientific standards. The author cites the literature correctly in the text as well as in the reference lists. The reference list contains sufficient number of entries ranging from renowned academic journals. This confirms that the author is familiar with up-to-date literature and able to work on the high-level research tasks in the field.

I am sure that the thesis presented by Jan Hájek work fulfills the requirements for a PhD thesis at respected international universities. Correspondingly, I recommend the thesis for defense without substantial changes.

Date:	18.9.2019
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