

Report on Master Thesis

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

Student:	Vendula Kulichová
Advisor:	Jaromír Baxa
Title of the thesis:	Fiscal policy in real-time: Role of growth surprises

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 submitted by Vendula Kulichová provides an analysis of the real-time estimates of the cyclically adjusted primary balance (CAPB) in the EU countries. Vendula has shown that there is a significant systemic bias in the real-time data, and that this bias is driven mainly by forecast errors of the developments in the real economy. In particular, she finds positive correlation between revisions in the GDP growth projections (growth surprises), and the revisions of CAPB.

On top of that, her results relax the findings in the previous literature as she shows that the size of the real-time bias is not affected by institutional and policy variables to the extent suggested by the previous literature.

Her thesis is a meaningful contribution to the current debate in the EU whether the fiscal framework of the monetary union shall be revised and what are its main flaws. The unreliability of the real-time estimates of the CAPB becomes increasingly acknowledged.

Methods

Vendula has compiled her own real-time dataset. Then, she utilizes panel data methods to test for a bias in the revisions and to estimate the determinants of fiscal revisions. She opted for the weighted least squares estimates that are suitable when some of the variables are constant or slowly-moving over time, such as the institutional variables. From my point of view, these methods are adequate. The empirical analysis is well-executed.

Literature

The thesis surveys the relevant literature quite well, the literature review itself is well-structured and clearly related to the research topic.

Manuscript form

The thesis has clear structure and the manuscript form meets the expectations quite well. Some parts could have been perhaps a bit more concise.

Summary and suggested questions for the discussion during the defense

Overall, I believe the thesis fulfills the criteria for the diploma thesis. It is devoted to a topic of high policy relevance, and the results are interesting.

Suggested questions:

- 1) Shall we keep the CAPB within the EU fiscal surveillance mechanism or not?
- 2) Is there any viable alternative?

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	26
<i>Methods</i> (max. 30 points)	28
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	92
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE:

Jaromír Baxa

DATE OF EVALUATION:

January 27, 2020



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