

Report on Bachelor / Master Thesis

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

Student:	Sergey Bolshakov
Advisor:	Jiří Kukačka PhD.
Title of the thesis:	Monetary Policy Under Behavioral Expectations: An Empirical Validation of the Heuristic Switching Model

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

This thesis follows up on a study by Hommes et al. (Monetary policy under behavioral expectations: Theory and experiment; 2019) which posited several recommendations for policy makers, namely for ECB. One of the main conclusions of that study was that, contrary to the model of rational expectations, there is not necessarily a trade-off between reacting to inflation or output gap. Instead, the study argued that inflation volatility can be decreased if monetary policy reacts to the output gap as well as to inflation.

The thesis aims to provide a robustness check of these recommendations and I am happy to say that, in this respect, it delivers. Where the original paper used a learning-to-forecast experiment, this thesis used a simulated method of moments.

It is always exhilarating to see that a student work reflects a trend in modern economics, which is to scrutinize the assumptions of classical models where actual observations can be used. In this case, assumptions of rational agents are being replaced by insights derived from observations of actual human behaviour.

Although this thesis does not put forward a completely innovative idea, I appreciate that it further elaborates on a highly relevant study. Robustness checks and replication studies might not be the most appealing types of studies, but are still absolutely necessary.

Methods

Author used simulated method of moments to compare the performance of opposing theoretical concepts. The method of simulated moments seems absolutely adequate to the research question at hand.

Literature

The thesis is supported by a reasonable amount of literature which is also cited properly. The literature review is thorough and logically well-structured. It enumerates studies that estimated the behavioural New-Keynesian models and clearly summarizes their methods and findings. The author demonstrates profound understanding of the research area.

Manuscript form

The thesis is well-structured and written in excellent English. The text is concise, well-formatted, and easy to follow.

Summary and suggested questions for the discussion during the defense

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Overall, I really enjoyed reading this thesis. I do find this thesis meeting high academic standards, and definitely those for bachelor thesis written at IES. I can recommend the thesis of Sergey Bolshakov to defense at the IES FSV UK. With respect to comments above, I suggest grade "A".

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	25
<i>Methods</i> (max. 30 points)	30
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	20
TOTAL POINTS (max. 100 points)	95
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Tomáš Kučera

DATE OF EVALUATION: 1.6.2020



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.*

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.*

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

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.*

Overall grading:

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