

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Jan Hanzal</b>
<b>Advisor:</b>	<b>Jaromír Baxa</b>
<b>Title of the thesis:</b>	<b>How long does it take until the positive effects of structural reforms do materialize?</b>

## **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**

Structural reforms, such as deregulation on product markets or easier firing and hiring of employees are usually considered as costly in the short-term, but likely beneficial in the long-term. Jan Hanzal seeks to find out how long one needs to wait until the positive effects of the reform appear. Such a question is undoubtedly relevant.

To estimate the responses of output growth and employment to structural reforms, Jan employs the framework of local projections. In a broader sense, he replicates the paper by Bordon et al. (IMF WP, 2016) in which the effects of reforms are estimated on a large panel of countries, and it is found that the positive effects of the reforms appear after a year and are statistically significant.

Jan Hanzal extends the framework of Bordon et al. in several ways. (i) He extends the dataset, which now includes the data for the post-crisis period as well. (ii) The alternative measures of the output gap are used as proxies of initial slacks. (iii) The alternative indicators of structural reforms are used as well.

Importantly, the results by Jan challenge the conventional wisdom that structural reforms have positive effects on output and employment. While Bordon et al. find significantly positive effects of labour market reforms on employment after four years, Jan fails to obtain significant effects even five years after the reforms. Contrary to Bordon et al., he even finds adverse effects of product market reforms on employment. Additional inspections show that the difference between the effects of product market reforms is caused by sample selection in Bordon's paper. However, a slightly more positive view on structural reforms re-appears when the narrative indicator of reforms is used instead of data-based measures employed in Bordon et al.

Therefore, I believe there is a substantial value-added in the thesis, and the results are more than interesting.

### **Methods**

The methodology of local projections is reasonably standard in this stream of the literature. It is adopted reasonably, and the pitfalls and problems with replication of the original study are highlighted and carefully investigated.

### **Literature**

No reservations here.

### **Manuscript form**

The thesis is well-structured and clearly written, on a level above average bachelor theses.

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## Summary and suggested questions for the discussion during the defense

Overall, Jan Hanzal prepared a solid piece of research, with interesting results. All in all, I warmly recommend **grade A**, depending on the thesis defence, of course.

Suggested questions:

Do the results imply that structural reforms do not have positive economy even in the long-run or not?  
Why the effects of structural reforms do not appear that positive as in the other literature?

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution (max. 30 points)</i>	28
<i>Methods (max. 30 points)</i>	28
<i>Literature (max. 20 points)</i>	20
<i>Manuscript Form (max. 20 points)</i>	20
<b>TOTAL POINTS (max. 100 points)</b>	<b>96</b>
<b>GRADE (A – B – C – D – E – F)</b>	<b>A</b>

**NAME OF THE REFEREE:**

**Jaromír Baxa**

**DATE OF EVALUATION:**

**May 31, 2020**

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**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