

# Report on Bachelor / Master Thesis

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

Student:	Vojtěch Petruš
Advisor:	Jaromír Baxa
Title of the thesis:	What explains different duration of the Great Recession across countries?

## 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 aim of the thesis is to estimate the main determinants of the duration of the Great Recession. The determinants are estimated using the Bayesian Model Averaging and using calculation of the Cox proportional hazard ratios. One of the novelties of this study is to employ the recently developed indicators of the non-price competitiveness among the explanatory variables. The idea is that the countries could have lost their price competitiveness before the Great Recession, but the rise of their export prices could have been compensated by rising quality of their exports. Vojtěch's thesis is an original contribution to the literature, and the contribution could have been even more significant, if some of the shortcomings mentioned below could have been addressed.

**Methods** Vojtěch's thesis employs two methodologies for two different tasks. The analysis of the duration is conducted using BMA that is used to tackle the issue of relatively large number of potentially relevant variables compared to a limited number of countries that could have been employed within the study. The sensitivity of the results over different priors is investigated as well, and it is concluded that in particular the choice of the beta binomial model prior makes many of the results statistically insignificant.

Second, Vojtěch adopts the methodology of Benkovskis and Wörz and calculates the indices of relative export prices adjusted for non-price factors. Thus, he implicitly controls for changes in the non-price competitiveness across countries. This adjustment of relative export prices for the non-price factors is presented in Figure 6.1.

The methodologies of BMA and adjustment of the relative export prices for the non-price factors is appropriate for this type of analysis. However, a description of the data and a motivation for their inclusion could have been improved (see below under „Manuscript form“).

Then, as a sensitivity check, the Cox proportional hazard model is used to assess which variables are the most important for the duration of the crisis. However, this methodology is described very briefly, and without prior knowledge, it is difficult for the reader to grasp the main points.

The model is estimated on a data of 54 countries. This choice was probably driven by data availability, but the text does not include any note on selection of countries, thus there's a potential risk of a selection bias. Similarly, Italy and Greece were excluded as they did not reach the pre-crisis GDP yet, and they are not approaching the pre-crisis level at all. I'm wondering whether keeping them within the sample and replacing the duration by an arbitrary length of 25 years (as a proxy of very long and protracted recession) would change the results or not. Nevertheless, Vojtěch addresses the limitation of the dependent variable by a sensitivity check with a different proxy for crisis duration – defined as time needed until the real GDP increased by 6 % after the trough – in section 6.4.2

**Literature** The literature review focuses on studies that investigate the causes of the Great Recession (very briefly, however) and on determinants of duration of past recessions. It could have been complemented by works on determinants of economic resilience as well. Work with the literature (citations, references) meets the standards.

**Manuscript form** The manuscript looks nice, the thesis is typeset in Latex, contains reasonably elaborated Figures, the structure is OK etc. However, the thesis could be written a bit better. The language is OK, there are no errors, typos etc., but the Introduction could state the motivation, especially in parts describing which variables are included among the explanatory variables and what

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is the underlying economic intuition behind; and similar considerations apply to the next sections as well. In fact the study on duration of the Great Recession can contribute to the discussion of the causes and driving factors of the Great Recession as well. So, the inclusion of the export competitiveness is motivated by the „German view“ on the causes of the European debt crisis, which is considered as a consequence of deteriorating competitiveness of some EU countries. Then, policy-response variables were included, which could help to assess which policy responses are more effective. Third, there's a family of pre-crisis fundamentals. More elaborated economic insight would, from my point of view, clarify and increase the contribution of the thesis and of the results presented here.

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

During preparation of the thesis, Vojtěch worked mostly very independently, therefore we did not have much opportunities to discuss the thesis. Therefore, I have the following questions.

- 1) What was the most decisive factor for inclusion of a country in the sample? What do you think about the risk of selection bias and how it can be treated?
- 2) Could you explain the motivation behind the Cox proportional hazard model? What are its main benefits?

**Overall, the thesis fulfills the requirements for the Master thesis at the Institute of Economic Studies, Faculty of Social Sciences, Charles University. I recommend it for the defense and I suggest grade B, depending on the defense.**

Let me also state that the results of the Urkund analysis do / do not indicate significant text similarity with other available sources (the most similar sources are two: the proposal of Vojtěch and his first draft of the thesis; similarity with other sources is negligible).

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

CATEGORY	POINTS
Contribution (max. 30 points)	25
Methods (max. 30 points)	25
Literature (max. 20 points)	18
Manuscript Form (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>83</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>B</b>

**NAME OF THE REFEREE:**

**Jaromír Baxa**

**DATE OF EVALUATION:**

**August 31, 2020**

Digitally signed (31.8.2020)  
Jaromír Baxa

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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