



Diploma Thesis Evaluation Form

Author: Jacob Mainka

Title: *What Drives the Current Account (Im)balances in the EU and Are they Relevant to Economic Policy?*

Programme/year: IEPS/2020

Author of Evaluation (supervisor/external assessor): supervisor

Criteria	Definition	Maximum	Points
Major Criteria			
	Research question, definition of objectives	10	9
	Theoretical/conceptual framework	30	28
	Methodology, analysis, argument	40	38
<i>Total</i>		80	75
Minor Criteria			
	Sources	10	10
	Style	5	5
	Formal requirements	5	5
<i>Total</i>		20	20
TOTAL		100	95



Evaluation

Major criteria:

The thesis prepared by Jacob Mainka focuses on determinants and importance of current account balances in the EU. The current account (im)balances attracted a lot of attention in times of the EU debt crisis – often, it was argued that the most harmed countries were irresponsible before the crisis, accumulated too large current account deficit, and, therefore, were being responsible for their problems. At the same time, it was added, that the more responsible countries, usually with current account surpluses, should not be asked to pay these debts.

Thus, Jacob starts with a panel regression in which he tries to evaluate whether there is any robust link between macroeconomic instability and current account deficits. Although some link was identified, it isn't robust. Then, the determinants of current account deficits are being estimated using panel regression to find out whether the fiscal policy is mostly responsible for the evolution of current account deficits. Here, Jacob concludes that while fiscal balance is statistically significant, other non-policy variables are statistically significant as well, thus fiscal policy and irresponsible governments cannot be blamed for the full extent of current account imbalances in the EU periphery. The other determinants include the dependency ratio, the output gap, the real exchange rate (to some extent) and credit inflows. Finally, in the third section, Jacob discusses whether current account deficits shall be considered in the macroeconomic imbalances procedure, and he believes that lower attention should be paid on them.

The empirical analysis is on par with the requirements on the IEPS students. The panel regressions on determinants of the current accounts are well conducted, they are based on reasonable data, and the methodology and specification of the models is described reasonably well. Also, the policy discussion at the end of the thesis is reasonably written. Personally, I perhaps would not go that far with the conclusions that current account imbalances shouldn't be included in the macroeconomic imbalances procedures, but I agree that its role shall be redefined.

Minor criteria:

The thesis is well written, the main literature is covered and all the formal requirements such as structure, citations etc. are being met. As often, the text could be shortened quite significantly, however students are required to deliver a thesis with quite a high number of words.

Overall evaluation: I believe that Jacob wrote a decent thesis and deserves grade A.



**FACULTY
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Charles University

Suggested grade: A

Signature: Jaromír Baxa

A handwritten signature in black ink, reading "Jaromír Baxa". The signature is written in a cursive style with a long, sweeping tail.