

Opponent's Report on Dissertation Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University
Opletalova 26, 110 00 Praha 1, Czech Republic
Phone: +420 222 112 330, Fax: +420 222 112 304

Author:	Václav Brož
Advisor:	Prof. Ing. Evžen Kočenda M.A., Ph.D., DSc.
Title of the Thesis:	Topics in central banking
Type of Defense:	DEFENSE
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Opponent:	Doc. Reiner Martin Ph.D.

Address the following questions in your report, please:

- a) Can you recognize an original contribution of the author?
- b) Is the thesis based on relevant references?
- c) Is the thesis defensible at your home institution or another respected institution where you gave lectures?
- d) Do the results of the thesis allow their publication in a respected economic journal?
- e) Are there any additional major comments on what should be improved?
- f) What is your overall assessment of the thesis? (a) I recommend the thesis for defense without substantial changes, (b) the thesis can be defended after revision indicated in my comments, (c) not-defensible in this form.

(Note: The report should be at least 2 pages long.)

Václav Brož' dissertation 'Topics in central banking' consists of three papers, dealing with inflation convergence in the EU, interest rates on consumer loans in the Czech Republic and the link between systemic risk and mortgage bank penalties in the US respectively. As mentioned in the pre-defense report, the common element of the dissertation is that all papers relate to tasks of central banks or supervisory institutions. The papers are very diverse but all three topics are highly policy relevant.

The dissertation contains a number of original contributions. The first paper, while dealing with a well-established topic, addresses this issue in a new and very comprehensive way. The second paper uses a supervisory data set to look at interest rate dynamics of consumer loans, which is still an under-researched issue. The third paper looks at the link between systemic risk in the financial sector and penalties levied on US mortgage banks.

All three papers of the thesis appropriately cover the relevant strands of literature and provide the main references without trying to be exhaustive.

The thesis would – to the best of my knowledge – also be defensible at other universities where I taught, such as the Higher School of Economics in Moscow and Zeppelin University in Friedrichshafen (Germany).

The first two papers have already been published in peer-reviewed journals, providing clear evidence that the quality of the material is commensurate with the requirements for publication in a respected economic journal. The third paper is at the working paper stage and currently under review with the Journal of Financial Services Research. I am very confident that this paper will also be published at a respected economic journal.

Already at the pre-defense stage, I did not have any comments or criticisms that needed to be addressed in order to make the thesis defensible. The overall quality of the work is very good and the topics are very well chosen.

Let me add a few points on how I think Vaclav responded to the comments and suggestions that he received at the pre-defense stage.

Regarding the Introduction, I suggested that Vaclav could elaborate further on the need for cooperation between the different functions of central banks and / or between central banks and supervisors.

I broadly agree with his additional discussion on this in the 'Responses' section. I also understand that there is some sensitivity involved, given that some of these points may not be fully in line with the views of the Czech National Bank. If deemed useful and appropriate by Vaclav he may want to reflect some of these thoughts in the final version of the dissertation.

Regarding Chapter 2, my main comments was to discuss in more detail the inflation convergence (or lack thereof) in euro area countries that got into economic difficulties during the euro area sovereign debt crisis and non-euro area EU countries that were for most or all of the period covered in the paper determined to join the euro area.

Following up on this suggestion, Vaclav added some rather detailed country-specific results on inflation convergence, which in my view provide some interesting additional insights. Given that Chapter 2 is very mature and already published, I see no need for changes at this stage. That said, the various suggestions by the panel members may provide some 'food for thought' if Vaclav likes to revisit this topic at some stage.

Turning to Chapter 3, my main suggestions, data permitting, were to extend the observation period backward and to include bank lending standards as an explanatory factor. In addition, I wondered whether any conclusions could be drawn about the extent to which consumer loans are becoming substitutes for (or complements to) more tightly regulated types of loans like mortgages?

Although, not surprisingly, an extension of the observation period is not possible due to data limitations, the results of an earlier working paper version of the paper provide some interesting related insights. More importantly, I find Vaclav's additional estimations, including bank lending standards quite interesting, even though they don't materially differ from the baseline results. Regarding this last suggestion, I take note of Vaclav's explanation regarding the practice in Czech banks.

Regarding Chapter 4, I wondered in particular about the interpretation of the results of the third robustness check. In addition, going beyond the current scope of the paper, I wondered

whether the findings can be replicated for other types of banks and I or other jurisdictions so that more general policy conclusions could be drawn from the findings.

The results in the new version of this paper indicate greater interconnectedness between mortgage and non-mortgage institutions, which addresses the main question I had on the previous version. Regarding a possible generalization of this very interesting work, I concur with Vaclav that data availability and a sufficient amount of regulatory sanctions are needed to make this possible.

Overall I recommend the thesis for 'defense without substantial changes'!

Date:	21 September 2020
Opponent's Signature:	
Opponent's Affiliation:	Doc. Reiner Martin Ph.D. Joint Vienna Institute