

# Report on Master Thesis

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

<b>Student:</b>	Bc. Peter Kukuk
<b>Advisor:</b>	PhDr. Adam Geršl, PhD.
<b>Title of the thesis:</b>	Political Pressure on the National Bank of Slovakia

## **SUMMARY OF POINTS AWARDED**

<b>CATEGORY</b>		<b>POINTS</b>
<i>Literature</i>	<i>(max. 20 points)</i>	18
<i>Methods</i>	<i>(max. 30 points)</i>	30
<i>Contribution</i>	<i>(max. 30 points)</i>	30
<i>Manuscript Form</i>	<i>(max. 20 points)</i>	15
<b>TOTAL POINTS</b>	<i>(max. 100 points)</i>	<b>93</b>
<b>GRADE</b>	<b>(1 – 2 – 3 – 4)</b>	<b>1</b>

**NAME OF THE REFEREE:** *PhDr. Kamila Koprnická*

**DATE OF EVALUATION:** 6.9.2009

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*Referee Signature*

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## OVERALL ASSESSMENT

The thesis consists basically of three main parts. In the first part, Peter introduces the motivation of the paper – reasons for the independence of the central bank and motives of political pressures that might influence the decision making of the central bank and therefore its independence. In the survey of the literature, Peter elaborates on models of the political business cycle (PBC) and their assumptions and implications. In particular, the review starts with electoral and partisan PBC models that are not primarily linked to the central bankers but more to the behaviour of general government. Later, literature on conflict models and political monetary cycle models is discussed. Overall, the literature review represents a good outset of the work, although it seems quite long. Therefore, I would recommend shortening the part about general PBC models. The main contribution of Peter's work lies in the second and the third part of the thesis. In the second part, Peter looks for an appropriate approach that could be applied for empirical analysis in case of the National Bank of Slovakia (NBS) and finds Havrilesky methodology together with Maier's extension on measuring the political pressure and support on the central banks. Both of those empirical research papers are based on the number of newspaper articles in which different political groups argue in favour of more or less expansionary monetary policy. In contrast to Havrilesky who studied the Federal Reserve from perspective of political pressure only from government, Peter follows Maier's strategy that adds more pressure groups, such as financial sector, employers and trade unions, in case of the Deutsche Bundesbank. In this respect, Peter follows also Geršl's work that is in line with Maier's one but for the case of the Czech National Bank. Very interesting is the comparison of similarities and differences in results of all four empirical studies as well as their explanation. In the third part, Peter searches econometrically for the effects of political pressure on monetary policy of the NBS and ends up with certain specification of the central bank reaction function. In conclusion, I will not present Peter's particular findings here for two reasons: Firstly, I would like to motivate the reader of this report to read Peter's thesis by him/herself. And secondly, I believe it is appropriate to leave the space for the author himself to introduce the main findings of his own work during the final defence.

To sum up, I evaluate the thesis as a high level academic writing. In his thesis, Peter showed the ability of full understanding and commanding of recent literature together with proper quoting of sources. The tools used were appropriate. The issues chosen were comprehensively analysed. Peter demonstrated critical thinking and brought a good value added. I especially liked the second and the third part of the thesis – the empirical analysis of political pressure on the central banks and the reaction function of the NBS. In case of further utilization of the thesis in form of academic article, I recommend restructure and shorten the literature survey part so it goes more to the point of the topic – political pressure on the central banks. Moreover, I advise proofread of the whole text again and correct typing errors in the text as well as unification of the formats of graphs.

In conclusion, I would like to thank for the opportunity to read this thesis and I believe that Peter is on a good way to defend his work with grade 1.