

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Jan Budinský</b>
<b>Advisor:</b>	<b>prof. PhDr. Tomáš Havránek, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Independence and Transmission of Monetary Policy in Small Open Economies: The Case of Canada and the Czech Republic</b>

## OVERALL ASSESSMENT:

### Short summary

This manuscript tackles the effects of globalization on the small open economies based on the Canadian and Czech case studies. Specifically, Budinský questions the independence of monetary policy of small open economies against their *"proximate economic giants."* He concentrates on the macroeconomic trilemma (*"according to which a country may choose only two of the following three objectives at a time: monetary independence, financial integration, and a fixed exchange rate regime, Aizenman et al., 2013"*) and explores its validity. Since Canada and the Czech Republic have financial integration and flexible exchange rate, the author claims that according to trilemma, this should ensure monetary autonomy:

*"By and large, this thesis is motivated by the fact that both countries are consistent with the macroeconomic trilemma by which free capital movements combined with flexible exchange rates should ensure monetary autonomy."* page 7.

Therefore, the author believes that if his exercise shows no evidence of monetary dependency on the proximate economies of these two countries, it would mean that the trilemma is fulfilled. Moreover, the author offers a significant amount of discussion on every topic mentioned along the way.

Budinský finds no evidence of dependency or cointegration between chosen countries and their respective "proximate economic giants" (the US and Eurozone). Therefore, he additionally concludes the validity of the trilemma.

### Contribution

The manuscript's contribution is marginal; however, I believe it is noteworthy that the author is not afraid to tackle important and novel questions in his BA thesis. Budinský sets a straightforward question and pursues it with a well-structured, thought-through, and thorough approach.

Additional contribution is that the author conducts a lovely literature review covering several topics around the research question.

### Methods

The methodology in the manuscript is nicely executed. I would strongly recommend the author not include the COVID period in this simple analysis since ECB and CNB had significantly different realities and tasks to tackle, with the CNB facing the stability challenge of 19 different economies. While previously PRIBOR-EURIBOR progressed similarly, from 2019, they diverge significantly – not controlling for this divergence can be the reason for the absence of cointegration (Figure 2).

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## Literature

The author has provided a literature review on several topics relevant to the research question. Budinský first offers a review of the impossibility trinity (trilemma). Then he proceeds to discuss the indebtedness of the Czech Republic and Canada, then discusses possible prospects of them entering the currency unions. Next, the author reviews the VAR framework in analyzing transmission mechanisms and puzzles. Finally, he discusses monetary transmission and foreign exchange reserve management research in Canada and the Czech Republic.

## Manuscript form

The manuscript is well structured, clean, and organized.

## Overall evaluation and suggested questions for the discussion during the defense

In my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade of **A**.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	26
<i>Methods</i> (max. 30 points)	25
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	20
<b>TOTAL POINTS</b> (max. 100 points)	<b>91</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>A</b>

**NAME OF THE REFEREE:** *Nino Buliskeria*

**DATE OF EVALUATION:** 29 May 2022

  
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