Report on **Master Thesis**

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

Student:	**Bc. Barbara Livorová**
Advisor:	**doc. PhDr. Adam Geršl, Ph.D.**
Title of the thesis:	**Does monetary policy reinforce the effects of macroprudential policy?**

OVERALL ASSESSMENT *(provided in English, Czech, or Slovak):*

Short summary
The thesis by Barbara Livorová examines whether the effects of macroprudential policy on credit and house price growth vary across different phases of the monetary policy cycle. The author uses data from 72 countries and the GMM method. She asserts that monetary policy reinforces the effect of macroprudential policy and that the effects of macroprudential measures differ over the cycle. She also compares the results between advanced and emerging economies.

Contribution
The thesis contributes to the literature on the effectiveness of macroprudential measures and the literature on the interactions between macroprudential and monetary policies. The author chooses very relevant and topical research questions, as many have not yet been conclusively answered in the existing literature, and provides a very detailed analysis in order to answer them.
My only remark is that some conclusions seem too strong given the significance and magnitude of the coefficients. (For example, on p. 47, the author asserts that „the effect is stronger for emerging markets than for advanced markets“. However, the size of the coefficients is very similar; the coefficient for advanced countries, while being slightly smaller, is more significant; and the effect of macroprudential policy in other specifications is not significant at all for emerging markets.)

Methods
In order to test the hypotheses, the author chooses a dynamic panel model estimated by the GMM. I have one question regarding the methodology at the end of this report, but altogether, I find the methods appropriate. Barbara has proved in the thesis that her quantitative skills meet master level of studies requirements.

Literature
I find the work with the literature satisfactory. All the literature is properly cited. Chapter 2 summarizes the literature on the effects of macroprudential measures on credit, house prices, output and inflation in great detail, as well as the literature on the interactions between monetary and macroprudential policy.

Manuscript form
The thesis fulfils formal requirements. It is nicely typeset in LaTex, and the stylistic quality is also high. Most of the time, it is written clearly. I have only one small remark regarding the form: there are three main hypotheses in the thesis; however, the results for the third one about the effect of various macroprudential measures are only presented in the appendix. I believe the results could be included in the main text, for example, in a more condensed form – the author could choose the most important or the most frequently used macroprudential measures and comment on them instead of all 17 measures.

Overall evaluation and suggested questions for the discussion during the defense

Summary: Barbara has provided a comprehensive analysis of an essential topic.
The results of the Urkund analysis do not indicate significant text similarity with other available sources.
In my view, the thesis fulfils the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, and I recommend it for the defense and suggest a grade A.

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Suggested questions:

1. Regarding the interpretation of the results:
    - The results in, for example, Tables 5.2 – 5.4. show that the effect of monetary policy on both credit growth and house price growth is never significant in advanced countries. First, can we still interpret a stronger coefficient on macroprudential policy in times of MP tightening as *„reinforcement"* from monetary policy if the monetary policy has no significant effect?
    - Second, can the relationship between policies be interpreted as „reinforcement" if macroprudential policy has no significant effect, as in Tables 5.5-5.6?
    - Third, the author could comment more on the fact that the effect of monetary policy is never significant in advanced or emerging markets. I do not think this is in line with the literature.
2. Regarding the thesis's contribution, I would appreciate if the author could elaborate more on where her methodology and results regarding the interactions between the two policies stand in the context of the existing literature. Especially, are the results of the reinforcement in line with the existing literature? Has somebody used a similar approach, i.e. looking separately at the periods of MP tightening and easing?
3. Regarding the methodology, GMM model is a frequent choice for dynamic panels; however, the author herself states that it is suitable especially for „small T, large N data", which is not entirely the case in this thesis (quarterly data for 30 years). Judson and Owen (1999) suggest that the Nickel bias is minor in panels with more than 30 T observations, and Roodman (2009) argues that with large T, many valid instruments are available, which can lead to the GMM estimator being invalid. Did the author consider other methods, for example, bootstrap-based bias-corrected estimator, as advocated by De Vos et al.. (2015), or just a simple OLS with country FE?[1]
4. On p. 24/25, the author states that the monetary policy cycle was adjusted in the Czech Republic for currency interventions. Was it also adjusted in other countries that also experienced a kind of exchange rate commitment (for example, Switzerland)?

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

CATEGORY		**POINTS**
Contribution	*(max. 30 points)*	28
Methods	*(max. 30 points)*	29
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	19
TOTAL POINTS	*(max. 100 points)*	**96**
GRADE	**(A – B – C – D – E – F)**	**A**

[1] De Vos I, Everaert G, Ruyssen I (2015) Bootstrap-based bias correction and inference for dynamic panels with fixed effects. Stand Genomic Sci 15(4):986–1018

Judson RA, Owen AL (1999) Estimating dynamic panel data models: a guide for macroeconomists. Econ Lett 65(1):9–15

Roodman D (2009) A note on the theme of too many instruments. Oxf Bull Econ Stat 71(1):135–158

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NAME OF THE REFEREE: Mgr. Dominika Ehrenbergerová

DATE OF EVALUATION: ***8. 6. 2022***

Digitally signed (8.6.2022)
Dominika Ehrenbergerová

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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**