

Report on Bachelor / Master Thesis

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

Student:	Bc. Sander Belon
Advisor:	Ing. Vilém Semerák, M.A., Ph.D.
Title of the thesis:	Alleged Chinese currency manipulation: the case of the Yuan in relation to the USD from 2005 to 2020

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

Short summary

The thesis attempts to estimate the real equilibrium exchange rate (REER) of China and analyses misalignment of the actual exchange rate from its estimated equilibrium rate. The utilized Behavioral Equilibrium Exchange Rate (BEER) family model uses a few macroeconomic variables to determine REER – GDP per capita, Gross Fixed Capital Formation, Government Consumption, Export openness, Terms of trade and Total reserves and is estimated on annual data between 1980 and 2014. According to the thesis, the yuan is undervalued by 2-4% relative to its equilibrium values.

Contribution

This analysis is framed within the context of US government allegations (in 2019) of currency manipulation of Chinese yuan.

The authors aims to „further investigate the grounds for accusation based on potential under or overvaluation.“ (p. 2).

However, the manuscript is not particularly convincing in linking its findings to any form of „currency manipulation“. The term *currency manipulation* is not explained as well as its relationship with the equilibrium exchange rate. There is just (vague and implicit) assumption that REER undervaluation can be informative to currency manipulations.

The author needs to clarify what policies can be labelled as „manipulative“ (keeping high interest differential? Limiting capital account convertibility?) and how such policies would affect REER. Also, are there any other sources of REER misalignments that are not a currency manipulation ?

Methods

The author utilizes relatively advanced econometric operationalization of estimates of REER. I am not an econometrician so I cannot elaborate in detail on those.

However, the manuscripts lacks more detailed justification of variable selection to be used in BEER model. There are several papers and options mentioned in Chapter 4, but the particular selection – updating the research of Zhang (2010) is left pretty much uncommented.

Also, the section 6.3 provides a few earlier studies with quite different estimates of REER misalignment. What drives the difference of the thesis misalignment results to those reported?

Literature

The literature part is missing which leads to certain vagueness of the thesis context (see section Contribution of this report). The term *currency manipulation*, its boundaries as well as means of its operationalization is missing from the manuscript.

The manuscript also lacks any details on how US justify its currency manipulation accusation? Is there some economic research behind?

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Manuscript form

The manuscript needs language proof reading (many typos throughout the manuscript).

Also the structure should more follow the best academic standards (missing literature section)

Overall evaluation and suggested questions for the discussion during the defense

1. What policies can be labelled as „manipulative“ (keeping high interest differential? Limiting capital account convertibility?) and how such policies would affect REER. Also, are there any other sources of REER misalignments that are not a currency manipulation?
2. What drives the difference of the thesis misalignment results to those reported in section 6.3 ?
3. How US justify its currency manipulation accusation? Is there some economic research behind?

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	15
<i>Methods</i> (max. 30 points)	20
<i>Literature</i> (max. 20 points)	5
<i>Manuscript Form</i> (max. 20 points)	13
TOTAL POINTS (max. 100 points)	53
GRADE (A – B – C – D – E – F)	E

NAME OF THE REFEREE:

Macháček Vít

DATE OF EVALUATION:

Sep 5th 2022

Digitally signed Sep 5th 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